MAUI LAND & PINEAPPLE CO INC
Form 10-K
March 02, 2012

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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

**(Mark One)**

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

**For the fiscal year ended December 31, 2011**

**OR**

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

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

# MAUI LAND & PINEAPPLE COMPANY, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **HAWAII**<br>(State or other jurisdiction<br>of incorporation or organization) | **99-0107542**<br>(IRS Employer<br>Identification number) |
| **870 HALIIMAILE ROAD,**<br>**MAKAWAO, MAUI, HAWAII**<br>(Address of principal executive offices) | **96768-9768**<br>(Zip Code) |

Registrant's telephone number, including area code **(808) 877-3861**

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

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|---|
| Common Stock, without Par Value | New York Stock Exchange |

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý

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 o No ý

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer o | Accelerated filer o | Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company ý |

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 30, 2011, the last business day of the registrant's most recently completed second fiscal quarter, computed by reference to the last sale price of the registrant's common stock as reported by the New York Stock Exchange on such date, was approximately $33,837,000. This computation assumes that all directors, executive officers and persons known to the Company to be the beneficial owners of more than ten percent of the Company's common stock are affiliates of the Company. Such assumption should not be deemed conclusive for any other purpose.

At February 27, 2012, the number of shares outstanding of the registrant's common stock was 18,826,754.

**Documents incorporated by reference:**

In accordance with General Instruction G(3) to Form 10-K, certain information required by Part III of Form 10-K is incorporated into this Annual Report on Form 10-K by reference to the registrant's definitive proxy statement for its 2012 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days after the close of its fiscal year ended December 31, 2011. Only those portions of the proxy statement that are specifically incorporated by reference herein shall constitute a part of this annual report on Form 10-K.

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**FORWARD-LOOKING STATEMENTS AND RISKS**

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

- unstable macroeconomic market conditions, including, but not limited to, energy costs, credit markets and changes in income and asset values;
- risks associated with real estate investments generally, and more specifically the demand for real estate in Hawaii;
- risks associated with attracting visitors to Kapalua Resort, to Maui, and to the State of Hawaii as a whole, such as fuel and travel costs and general economic conditions;
- risks due to our joint venture relationships;
- our ability to complete land development projects within forecasted time and budget expectations, if at all;
- our ability to obtain required land use entitlements at reasonable costs, if at all;
- our ability to compete with other developers of real estate in Maui;
- obligations related to certain limited guarantees entered into with respect to the completion of the Residences at Kapalua Bay or certain limited recourse obligations with respect to Kapalua Bay Holdings, LLC (Bay Holdings);
- obligations related to certain purchase and sale agreements for amenities at the Residences at Kapalua Bay;
- potential liabilities and obligations under various federal, state and local environmental regulations with respect to the presence of hazardous or toxic substances;
- changes in weather conditions or the occurrence of natural disasters;
- obligations related to our defined benefit pension plans and the effect of market volatility on asset values and interest rates;

- our ability to comply with the terms of our indebtedness, including the financial covenants set forth therein; and

- our ability to raise capital through the sale of certain real estate assets;

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

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our other reports filed with the SEC. Because the factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and except as required by law or the rules of the New York Stock Exchange, 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 or the date of the documents incorporated by reference into this annual report, which may include forward-looking statements. You should read this annual report, including the documents that we reference herein and the exhibits we have attached herewith, with the understanding that we cannot guarantee future results, levels of activity, performance or achievements.

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## PART I

### Item 1. BUSINESS

**Overview**

Maui Land & Pineapple Company, Inc. is a Hawaii corporation and the successor to a business organized in 1909. Depending upon the context, the terms the "Company," "we," "our," and "us," refer to either Maui Land & Pineapple Company, Inc. alone, or to Maui Land & Pineapple Company, Inc. and its subsidiaries collectively. The Company consists of a landholding and operating parent company and its principal subsidiary, Kapalua Land Company, Ltd. and certain other subsidiaries of the Company.

The Company owns approximately 23,400 acres of land on Maui and develops, sells, and manages residential, resort, commercial, and industrial real estate through the following business segments:

*Real Estate* Our real estate operations consist of land planning and entitlement, development, and sales.

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

*Utilities* We operate two publicly-regulated utility companies which provide potable and non-potable water and sewage transmission services to the Kapalua Resort. In addition, we also manage ditch, reservoir and well systems which provide non-potable irrigation water to West and Upcountry Maui areas.

*Resort Amenities* Within the Kapalua Resort, we manage a full-service spa, a beach club, and a private club membership program.

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

Prior to 2010, the Company operated an agriculture business which included the cultivation, processing and selling of pineapple. Also prior to 2010, we operated a vacation rental program (the Kapalua Villas) and Kapalua Adventures, which is comprised of zip-lines in the West Maui mountains and other activities. During 2011, the Company discontinued its golf and retail operations. Additional information about these former businesses can be found under the heading "Description of Business" in this Item 1 and in Notes 7 and 13 of our Notes to Consolidated Financial Statements in Item 8 of this annual report.

**Fiscal Year 2011 Business Developments**

The following highlights several of our significant business developments during 2011.

*Credit Facilities Restructuring* In February 2011, we completed the restructuring of our credit facilities with our two lenders, Wells Fargo Bank, National Association (Wells Fargo) and American AgCredit, FLCA (American AgCredit). As part of the restructuring, we increased our borrowing capacity by $9.5 million, extended the maturity dates under each facility to May 2013, eliminated the applicable interest rate floors, and reduced the minimum liquidity and maximum total liability covenant thresholds.

*Golf Operations Transition* On April 1, 2011, the owner of the Plantation Golf Course (PGC) and Kapalua Bay Golf Course (Bay Course) engaged Troon Golf of Scottsdale, Arizona (Troon) to manage and operate both courses. As part of this transition, we also concluded our resort maintenance operations which were responsible for the upkeep of certain common areas and facilities in the resort.

*New York Stock Exchange (NYSE)* In April 2011, the NYSE informed us that we would be removed from their watch list and confirmed that we are in compliance with the continued listing standards of the NYSE.

*Board of Directors* At our annual meeting of shareholders in May 2011, Stephen M. Case, Warren H. Haruki, David A. Heenan, Kent T. Lucien, Duncan MacNaughton, Arthur C. Tokin and Fred E. Trotter III were re-elected to our board for a one-year term. In August 2011, Mr. Trotter unexpectedly passed away, creating a vacancy on our seven-member Board. In February 2012, our Board of Directors approved a resolution amending our Bylaws to reduce the size of our Board to six members.

*Asset Sale* In June 2011, we sold 13 acres comprising a portion of our former agricultural processing facility in Kahului, Maui for $9.75 million.

*Retail Operations Transition* In June 2011, we turned over the operation and management of the Honolua Store, a 7,600 square foot general store and deli in the Kapalua Resort, to a third party under a long-term lease arrangement. In September 2011, we entered into a long-term lease arrangement for our last operated retail outlet, the Kapalua Logo Shop.

*Real Estate Entitlements Secured* In November 2011, we received final zoning approval from the County of Maui for our Pulelehua project, a planned 312-acre community for working families in West Maui.

For a more detailed discussion about our business developments in 2011, see "Management's Discussion and Analysis of Financial Condition and Results of Operations," in Item 7 of this annual report.

**Description of Business**

***Real Estate***

Our Real Estate segment includes all land planning and entitlement, development and sales activities for our landholdings on Maui. Our principal real estate development is the Kapalua Resort, a master-planned, destination resort community located in West Maui encompassing approximately 1,650 acres.

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

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

| Location | Number of Acres | Zoned for Planned Use |
|---|---|---|
| Kapalua Resort | 900 | Yes |
| Other West Maui | 300 | Yes |
| Upcountry | 300 | No |

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:* As presently planned, the development of the resort is comprised of approximately 800 single and multi-family residential units, approximately 30,000 square feet of new commercial/retail space and up to 27 additional holes of golf on a total of 900 acres. The planned development includes the projects formerly referred to as Kapalua Mauka and the Village at Kapalua as well as other projects. Design and permitting for various components of the master plan are underway.

*Pulelehua:* This project is designed to be a new community for working families in West Maui. It encompasses 312 acres and is currently planned to include 13 acres for an elementary school, 882 dwelling units, 91 acres of usable open space, and a traditional village center with a mix of residential and neighborhood-serving commercial uses. In November 2011, this project received final zoning approval from the County of Maui. Planning and subdivision work for this project is underway.

*Hali`imaile Town:* An expansion of the existing plantation town in Upcountry Maui, this project is contemplated to be a holistic traditional community with agriculture and sustainability as core design elements. The public approval process for any plan to develop this area is expected to take several years and will be subject to urban growth boundary determination by the County of Maui as it updates the County General Plan over the next year.

*Real Estate Development* We are currently engaged in engineering and design activities for our development projects.

*Real Estate Sales* We presently do not have any significant real estate inventory and in 2011, we did not have any sales of real estate inventories. We have a general brokerage subsidiary, Kapalua Realty Company, Ltd., which is located in the Kapalua Resort. Revenues from this operating segment for 2011 consisted of commissions recognized mainly from sales of existing real estate within the resort and totaled $1.1 million, or approximately 7% of consolidated revenues for the year ended December 31, 2011.

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

***Leasing***

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

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*Commercial and Industrial Leases* We are the lessor of approximately 155,000 square feet of commercial retail and light industrial space leases, mainly in the Kapalua Resort and West Maui areas. We manage the leases of the majority of the restaurants, retail outlets and activities in the Kapalua Resort.

*Agricultural Leases* We are the lessor of 1,900 acres of diversified agriculture land leases in West and Upcountry Maui. In December 2009, we entered into a long-term lease agreement with a company that is growing and marketing pineapple under the *Maui Gold*® brand on approximately 1,100 acres in Upcountry Maui.

*Trademark and Trade Name Licensing* We currently have licensing agreements for the use of our registered Kapalua trademarks and trade names with several different companies, including the owner of the PGC and Bay Course, and the operators of the Kapalua Villas, Kapalua Adventures, Kapalua Logo Store, and the Honolua Store. We have also entered into a licensing agreement for the *Maui Gold*® trademark and trade name as mentioned above.

*Stewardship and Conservation* We are responsible for managing the conservation of approximately 11,800 acres of our land located in West Maui. Approximately 8,600 acres are in a perpetual conservation easement with the Nature Conservancy of Hawaii.

Revenues from our Leasing segment totaled $5.1 million, or approximately 35% of consolidated revenues for the year ended December 31, 2011.

Our leasing operations face substantial competition from other land and leasable building owners on the island of Maui as well as in other parts of Hawaii.

***Utilities***

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

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

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

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

Revenues from our Utilities segment totaled $3.4 million, or approximately 24% of consolidated revenues for the year ended December 31, 2011.

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

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***Resort Amenities***

Our Resort Amenities segment includes operating the Kapalua Spa, the Beach Club, and the Kapalua Club membership program.

*Kapalua Spa* is a 30,000 square foot full-service spa that opened in July 2009 as part of the Residences at Kapalua Bay. The Kapalua Spa is owned by Kapalua Bay LLC, the sole member of which is Bay Holdings, and leased by the Company on a month-to-month basis. It is open to guests of the resort.

*Beach Club* is a private pool-side dining facility that opened in July 2009 for members of the Kapalua Club. It is located in the Residences at Kapalua Bay. The Beach Club is owned by Kapalua Bay LLC and leased by the Company on a month-to-month basis.

*Kapalua Club* is a private non-equity club membership program which provides certain benefits and privileges within the resort for its members.

Revenues from our Resort Amenities segment totaled $3.9 million, or approximately 27% of consolidated revenues for the year ended December 31, 2011.

The viability of our resort amenities and the club membership program are principally dependent on the overall appeal and success of the Kapalua Resort generally. The resort faces competition from other resort destination communities on Maui and other parts of Hawaii, including Kaanapali and Wailea.

***Discontinued Operations***

*Golf* Subsequent to the sales of the PGC and Bay Course, we continued to operate both courses under a leaseback arrangement which expired on March 31, 2011. On April 1, 2011, the owner of the PGC and Bay Course engaged Troon to manage and operate both courses. As part of this transition, we also concluded our resort maintenance operations, which were responsible for the upkeep of certain common areas and facilities in the resort. The majority of our golf and resort maintenance employees were assumed by Troon. In addition, all golf and resort maintenance equipment were either sold to Troon or subsequently liquidated. We will receive royalty and licensing income from the sales of certain merchandise at the golf course pro shops for the next ten years.

*Retail* In June 2011, we turned over the operation and management of the Honolua Store, a 7,600 square foot general store and deli in the Kapalua Resort, to a third party under a long-term lease arrangement. In September 2011, we entered into a long-term lease arrangement for our clothing retail outlet, the Kapalua Logo Shop. Upon consummation of these leases, we ceased all other retail functions. In addition to lease income, we will receive licensing income from sales of certain merchandise at both stores.

*Agriculture* Maui Pineapple Company, Ltd. (MPC) was the operating subsidiary for our Agriculture segment. That portion of our business was focused on growing, harvesting, packing and marketing fresh premium pineapple. In November 2009, our Board of Directors approved the immediate cessation of pineapple planting and the closure of all agriculture operations by December 31, 2009.

Our former golf, retail and agriculture businesses have been reported as discontinued operations in this annual report.

**Employees**

As of December 31, 2011, we had 29 employees, none of whom are members of a collective bargaining group.

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**Available Information**

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

**Executive Officers of the Company**

The names, ages and certain biographical information about our executive officers, as of March 2012, are provided below.

| | |
|---|---|
| Warren H. Haruki (59) | Mr. Haruki has been Chief Executive Officer of the Company since May 2011 and Executive Chairman of our Board since January 2009. He has been a director on our Board since 2006. Mr. Haruki has served as President and Chief Executive Officer of Grove Farm Company, Inc., a land development company located on Kauai, Hawaii since February 2005. He was President of GTE Hawaiian Tel and Verizon Hawaii, communications providers, from 1991 to 2003. Mr. Haruki is on the Board of Hawaiian Telcom, a communications provider, and on the Boards of the several privately held companies. |
| Ryan L. Churchill (40) | Mr. Churchill has served as President and Chief Operating Officer of the Company since February 2010 and as Senior Vice President-Corporate Development of the Company since March 2007. He served as Vice President-Community Development from November 2005 to March 2007. Mr. Churchill was Vice President/Planning of Kapalua Land Company, Ltd., the operating subsidiary responsible for the Company's Community Development and Resort segments, from June 2004 to November 2005, and Development Manager from October 2000 to June 2004. |
| Tim T. Esaki (49) | Mr. Esaki has served as Chief Financial Officer of the Company since May 2010. Mr. Esaki served as the Deputy Director of the Department of Public Works for the County of Hawaii from 2009 to April 2010. From 2003 to 2009, he was Senior Vice President of Finance and Accounting for 1250 Oceanside Partners, the developer and operator of a 1,500-acre, master-planned, residential golf and country club community in Kona, Hawaii. |

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## Item 1A. RISK FACTORS

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

### Risks Related to our Business

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

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

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

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

We are subject to the risks that generally relate to investments in real property because we develop and sell real property, primarily for residential use. We have a 51% ownership interest in Bay Holdings, the owner and developer of the Residences at Kapalua Bay, a luxury residential community. The market for real estate on Maui and in Hawaii generally tends to be highly cyclical and is typically affected by numerous changes in local, national and worldwide conditions, especially economic conditions, many of which are beyond our control, including the following:

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

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

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

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

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

***We are involved in joint ventures and are subject to risks associated with joint venture relationships.***

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

A joint venture involves certain risks such as:

- our actual or potential lack of voting control over the joint venture;
- our ability to maintain good relationships with our joint venture partners;

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- a venture partner at any time may have economic or business interests that are inconsistent with ours, especially in light of the ongoing economic uncertainty and weakness;

- a venture partner may fail to fund its share of operations and development activities, or to fulfill its other commitments, including providing accurate and timely accounting and financial information to us; and

- a joint venture or venture partner could lose key personnel.

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

***We have purchase obligations related to the amenities at the Residences at Kapalua Bay project and have entered into limited guarantees for completion of the project and certain limited recourse obligations of Bay Holdings.***

Bay Holdings, in which we own a 51% ownership interest, constructed a new project consisting of residential development on land that it owns at the site of the former Kapalua Bay Hotel, and a spa on an adjacent parcel of land that is owned by us and leased to Bay Holdings. In connection with the construction loan agreement, we and other members of Bay Holdings, entered into a completion guaranty and a recourse guaranty. Under the completion guaranty, members of Bay Holdings agreed to guarantee substantial completion of the project. Under the recourse guaranty, members of Bay Holdings agreed to reimburse the lenders for losses incurred due to specified actions of Bay Holdings, including, without limitation, fraud or intentional misrepresentation, gross negligence, physical waste of project assets, and breach of certain environmental provisions of the construction loan agreement. Our guarantees do not include payment in full of the loan. Construction of the project was completed by the end of 2009, but the completion guaranty will remain in place until all construction contracts have been fully settled and paid. Pursuant to a previous agreement, we have a commitment to purchase the spa, beach club improvements and the sundry store (the "Amenities") from Bay Holdings at the actual construction cost of approximately $35 million. As of December 31, 2011, we have recorded an estimated liability under the completion and recourse guarantees of $4.1 million, and we and the other members of Bay Holdings are working with the lenders to settle the terms of the loan agreement and the purchase and payment terms of the Amenities.

***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;

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ability to raise capital;

impact of governmental assessments such as park fees or affordable housing requirements;

governmental restrictions on the nature or size of a project or timing of completion; and

the potential lack of adequate building/construction capacity for large development projects.

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

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

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

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

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

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

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

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

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

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

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

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

No additional benefits are accruing for participants in the defined benefit pension plans, however, the funded status for these plans as of December 31, 2011 is a liability of approximately $28 million. Contributions to our defined benefit pension plans are expected to be approximately $2.5 million in 2012. Changes in interest rates and the fair value of the plan assets drive the annual funding short-fall or gain and affect the minimum cash contributions that must be paid to the plans. Therefore, under certain circumstances, changes in asset values or interest rates could have a material adverse effect on our financial condition.

## Risks Related to Indebtedness and Liquidity

***We have incurred a significant amount of indebtedness and are subject to certain covenants under those agreements. Failure to satisfy covenants under these agreements could accelerate our obligations under such credit agreements, which could adversely affect our operations and financial results and impact our ability to satisfy our obligations and ability to continue as a going concern.***

We had approximately $45.5 million of indebtedness as of December 31, 2011, consisting of a secured revolving line of credit with Wells Fargo for up to $34.5 million, of which we had $12.9 million in availability as of December 31, 2011 and a secured term loan with American AgCredit for $24.4 million.

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 line of credit and term loan were amended in 2011 to extend the maturity date of such obligations to May 1, 2013. In connection with such amendments, we granted a security interest in additional real estate assets to the lenders. As a result, substantially all of our real estate assets are encumbered, which limits our ability to borrow additional funds.

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

***Our cash outlook for the next twelve months and our ability to continue to meet our financial covenants and to continue as a going concern is highly dependent on successfully implementing our financial initiatives and selling real estate assets in a difficult market.***

In 2011, we had negative cash flows from operations and at December 31, 2011, we had borrowings outstanding of $45.5 million. Our cash outlook for the next twelve months and our ability to continue to meet our financial covenants is highly dependent on selling certain real estate assets in a difficult market. If we are unable to meet our financial covenants resulting in our borrowings becoming immediately due, we would not have sufficient liquidity to repay such outstanding borrowings. In addition, we are subject to several commitments and contingencies that could negatively impact our

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future cash flows, including purchase commitments related to our investment in Bay Holdings, a U.S. Equal Employment Opportunity Commission (EEOC) matter related to our discontinued agricultural operations, and funding requirements related to our defined benefit pension plans. In response to these circumstances, we are undertaking several financial initiatives to reduce cash commitments, to generate cash flow and further reduce our debt, to sell real estate assets and adopt further cost reduction measures. However, there can be no assurance that we will be able to comply with our loan covenants, reduce costs, or sell real estate assets at acceptable prices, or at all, which raises substantial doubt about our ability to continue as a going concern.

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

**Risks Relating to our Stock**

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

In 2011, the daily closing price per share of our common stock has ranged from a high of $7.40 per share to a low of $3.68 per share. Our stock price has been, and may continue to be, subject to significant volatility. Among others, including the risks and uncertainties discussed in this annual report, the following factors, some of which are out of our control, may cause the market price of our common stock to continue to be volatile:

- our quarterly or annual earnings or those of other companies in our industry;
- actual or anticipated fluctuations in our operating results; and
- comments made by securities analysts covering our stock.

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

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

The average daily trading volume in our common stock for the year ended December 31, 2011 was approximately 12,766 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 certain of our credit facilities, which contains covenants prohibiting us from paying any cash dividends without the lender's prior approval. If we do not pay dividends, our stock may be less valuable to you because a return on your investment will only occur if our stock price appreciates.

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**Item 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

**Item 2. PROPERTIES**

We own approximately 23,400 acres of land on Maui. Approximately 3,800 acres are used directly or indirectly in our operations; approximately 11,800 acres are in conservation and the remainder, approximately 7,800 acres, is not currently being used. This land, most of which was acquired from 1911 to 1932, is carried on our consolidated balance sheet at cost. We believe we have clear and unencumbered marketable title to all such property, except for the following:

- certain easements and rights-of-way that do not materially affect our use of the property;
- a mortgage on approximately 3,100 acres previously used in Agriculture operations, which secures our $24.4 million term loan agreement;
- a mortgage on approximately 900 acres of land in West Maui primarily within the Kapalua Resort, which secures our $34.5 million revolving credit facility;
- a mortgage on approximately 1,400 acres of land in West Maui, which secures approximately $5.2 million of our pension obligations.
- a permanent conservation easement granted to The Nature Conservancy of Hawaii, a non-profit corporation, covering approximately 8,600 acres of forest reserve land; and
- a small percentage of our land in various locations on which multiple claims of ownership exist, for some of which we are securing clean title.

A summary of the current use of our land holdings as of December 31, 2011 follows:

| | Acres |
|---|---|
| Conservation | 11,800 |
| Agriculture zoned (not used) | 7,800 |
| Operations | 2,300 |
| Planned development | 1,500 |
| | 23,400 |

Approximately 21,300 acres of our land are located in West Maui, approximately 2,100 acres are located in Upcountry Maui and approximately 7 acres are located in Kahului, Maui.

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

The 21,300 acres in West Maui comprise a largely contiguous parcel that extends from the sea to an elevation of approximately 5,700 feet and includes 10.6 miles of ocean frontage with approximately 3,300 lineal feet along sandy beaches, as well as agricultural and grazing lands, gulches, and heavily forested areas. The West Maui acreage includes approximately 1,650 acres designated for the Kapalua Resort.

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

The Kahului acreage includes the last lot that was our former pineapple cannery site. This acreage is currently held for sale.

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We believe our facilities are suitable and adequate for our business and have sufficient capacity for the purposes for which they are currently being used or intended to be used.

**Item 3. LEGAL PROCEEDINGS**

On May 23, 2011, a lawsuit was filed against Kapalua Bay; the Company; The Ritz-Carlton Hotel Company, LLC; Kapalua Realty Co. Ltd.; and other John and Jane Does; by Virendra Nath, Nancy Makowski, Krishna Narayan and Sherrie Narayan, purchasers of two units at the Ritz-Carlton Residences at Kapalua Bay. The lawsuit was filed in the Circuit Court of the Second Circuit, State of Hawaii pursuant to Civil No. 11-1-0216-(3). The lawsuit alleges deceptive acts, intentional misrepresentation, concealment, and negligent misrepresentation, among other allegations with regard to the sale of the two residential units and seeks unspecified damages, treble damages and other relief. The Company disagrees with the allegations and plans to vigorously defend itself. The Company is presently unable to reasonably estimate the amount of probable liability, if any, related to this matter and, accordingly, has made no provision in the accompanying consolidated financial statements.

On April 19, 2011, a lawsuit was filed against the Company's wholly owned subsidiary, MPC and several other Hawaii based farmers by the EEOC. The lawsuit was filed in the United States District Court, District of Hawaii, pursuant to Civil Action No. 11-00257. The lawsuit alleges unlawful employment practices on the basis of national origin and race discrimination, harassment and retaliation and seeks injunctive relief, unspecified compensatory and punitive damages and other relief. The Company believes it has not been involved in any wrongdoing, disagrees with the charges and plans to vigorously defend itself. The Company is presently unable to reasonably estimate the amount of probable liability, if any, related to this matter and, accordingly, has made no provision in the accompanying consolidated financial statements.

The Company had a contractual obligation to the Ladies Professional Golf Association (LPGA) to sponsor an annual golf tournament for five years beginning in October 2008. The cost of such a tournament, including the production and the purse is significant and the Company was seeking a title sponsor to defray part of the cost. In June 2009, the Company announced that due to a lack of a title sponsor, it would be unable to hold the 2009 LPGA event that was scheduled for October. This resulted in a dispute with the LPGA, which was contractually required to be settled by mediation. In consideration for the suspension of the mediation proceedings, the Company paid the LPGA $700,000 in 2010 and $700,000 in February 2011. In January 2012, the Company and the LPGA agreed that the Company would pay an additional $1.0 million to the LPGA in 2012 in settlement of all claims and the Company has accrued for this settlement amount as of December 31, 2011.

We are a party to various claims, complaints and other legal actions that have arisen in the normal course of business from time to time. We believe the outcome of these pending legal proceedings, in the aggregate, is not likely to have a material adverse effect on our operations, financial position or cash flows.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

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

Our common stock is traded on the NYSE under the symbol "MLP." We did not declare any dividends in 2011 and 2010. Our ability to declare dividends is restricted by the terms of our credit

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agreements. We do not intend to pay any cash dividends on our common stock in the foreseeable future. As of February 17, 2012, there were 331 shareholders of record of our common stock.

The following chart reflects high and low sales prices during each of the quarters in 2011 and 2010:

| | | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|---|
| 2011 | High | $ 7.55 | $ 6.13 | $ 5.49 | $ 4.65 |
| | Low | 4.47 | 4.38 | 3.81 | 3.68 |
| | | | | | |
| 2010 | High | $ 8.20 | $ 6.23 | $ 4.82 | $ 5.08 |
| | Low | 2.05 | 3.41 | 3.28 | 3.70 |

We did not repurchase any shares of common stock during the fiscal year ended December 31, 2011.

**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 on Form 10-K and is incorporated herein by reference.

## Item 6. SELECTED FINANCIAL DATA

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

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

The following discussion and analysis should be read in conjunction with the forward-looking statements disclaimer set forth at the beginning of this annual report, the risk factors set forth in Item 1A of this annual report, and our Consolidated Financial Statements and the Notes to those statements set forth in Item 8 of this annual report. This discussion reflects the effects of the immaterial restatements discussed in Note 15 to the Consolidated Financial Statements.

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RESULTS OF OPERATIONS

Comparison of Years Ended December 31, 2011 and 2010

CONSOLIDATED

| | Year Ended December 31, 2011 | Year Ended December 31, 2010 |
|---|---|---|
| | (in thousands, except share amounts) | |
| *Consolidated Revenues* | $ 14,542 | $ 23,055 |
| *Loss From Continuing Operations* | $ (9,550) | $ (11,425) |
| *Income From Discontinued Operations* | $ 14,628 | $ 36,177 |
| *Net Income* | $ 5,078 | $ 24,752 |
| *Net Income Per Common Share* | $ 0.27 | $ 1.99 |

We reported net income of $5.1 million or $0.27 per share for 2011 compared to net income of $24.8 million or $1.99 per share for 2010. Net income for 2011 includes $15.1 million of gain from the sale of the Bay Course and maintenance facility, which is included in discontinued operations. Included in net income for 2010 are settlement and curtailment gains totaling $16.6 million from the termination of our post-retirement health and life benefits, of which $14.9 million was included in discontinued operations. Net income for 2010 also includes a $26.7 million recognized gain from the March 2009 sale of the PGC. Consolidated revenues were lower by 37% in 2011 compared to 2010 primarily reflecting the absence of real estate inventory sales.

REAL ESTATE

| | Year Ended December 31, 2011 | Year Ended December 31, 2010 |
|---|---|---|
| | (in thousands) | |
| *Revenues* | $ 1,070 | $ 9,311 |
| *% of consolidated revenues* | *7%* | *40%* |
| *Operating Profit (Loss)* | $ (661) | $ 3,416 |

Real estate sales commissions were $1.1 million for 2011 compared to $1.5 million for 2010. The decrease primarily reflects fewer transactions in 2011 and lower average values per transaction. Revenues for 2010 also included three real estate inventory sales that resulted in revenues of $7.9 million and pre-tax income of $5.8 million. There were no sales of real estate inventory in 2011.

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

LEASING

| | Year Ended December 31, 2011 | Year Ended December 31, 2010 |
|---|---|---|
| | (in thousands) | |
| *Revenues* | $ 5,144 | $ 4,994 |
| *% of consolidated revenues* | *35%* | *22%* |
| *Operating Loss* | $ (1,000) | $ (1,137) |

In 2011, we entered into several new agreements, including lease and licensing arrangements with third parties who now operate the retail locations and golf courses pro shops at the Kapalua Resort. In 2011, expense for third party services for management and operation of our leased and leasable properties increased, but labor costs were approximately 30% lower in 2011 compared to 2010 reflecting staff reductions. Leasing segment revenues increased as a percentage of total revenues principally because of the decrease in consolidated revenues from 2010 to 2011.

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UTILITIES

| | Year Ended December 31, 2011 | 2010 |
|---|---|---|
| | (in thousands) | |
| *Revenues* | $ 3,418 | $ 3,254 |
| *% of consolidated revenues* | *24%* | *14%* |
| *Operating Loss* | $ (319) | $ (127) |

Increased revenues in the Utilities segment in 2011 reflect increased consumption and a 5% sewer rate increase that went into effect in July 2010. The operating loss for 2011 was primarily due to higher electricity, maintenance, repairs and outside service costs that more than offset the higher revenues and reduced labor costs in the Utilities segment. Labor costs were approximately 20% lower in 2011 compared to 2010 reflecting staff reductions. Utilities segment revenues increased as a percentage of total revenues principally because of the decrease in consolidated revenues from 2010 to 2011.

RESORT AMENITIES

| | Year Ended December 31, 2011 | 2010 |
|---|---|---|
| | (in thousands) | |
| *Revenues* | $ 3,854 | $ 3,583 |
| *% of consolidated revenues* | *27%* | *16%* |
| *Operating Loss* | $ (803) | $ (108) |

Increased revenues were due to higher spa service and treatment revenues as a result of price increases in November and December 2011, an increase in the number of treatments and services performed, and to increased membership dues revenues as a result of increases in the membership base. In 2011, increased labor, supplies and other operating expense at the spa and the increased costs relating to club memberships more than offset the higher revenues in the Resort Amenities segment. Resort Amenities segment revenues increased as a percentage of total revenues principally because of the decrease in consolidated revenues from 2010 to 2011.

OTHER

| | Year Ended December 31, 2011 | 2010 |
|---|---|---|
| | (in thousands) | |
| *Revenues* | $ 1,056 | $ 1,913 |
| *% of consolidated revenues* | *7%* | *8%* |
| *Operating Loss* | $ (4,499) | $ (6,373) |

Other includes miscellaneous revenues and unallocated general, administrative and marketing costs, and pension and other post-retirement expense (credit). General and administrative expenses are incurred at the corporate level and at the operating segment level. Results of operations presented above for the reportable operating segments include an allocation of a portion of the general and administrative expense at the corporate level. Such allocations are made on the basis of our evaluation of the level of services provided to the operating segments.

The operating loss for 2010 includes approximately $3.2 million of gains recognized from asset sales.

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General and administrative expense was $6.3 million in 2011 compared to $8.6 million in 2010. The expense was lower in 2011 primarily because of lower compensation expense and reduced professional service costs. Salaries and wages decreased by approximately 25% compared to 2010 as we closed business units and reduced staffing levels. Professional service costs decreased in 2011 as we resolved outstanding legacy issues and downsized our operations. General and administrative expense for 2011 includes $1.5 million contribution expense representing the fair value of approximately 22 acres that we contributed to Maui Preparatory Academy in 2011 and gain on asset dispositions for 2011 includes an offsetting $1.5 million gain on the land contributed.

Selling and marketing expense decreased from $1.8 million in 2010 to $800,000 in 2011 as we discontinued operating certain businesses, and the lessees and licensees of our properties and trade names assumed the responsibility for marketing. Our marketing department was closed in March 2011.

Pension and other post-retirement expenses were $1.2 million in 2011 and a credit of $15.7million in 2010 of which a credit of $14.9 million was recorded to discontinued operations. The credit in 2010 was due to settlement and curtailment gains recognized upon the termination of our postretirement health and life insurance plans (Note 9 to Consolidated Financial Statements in Item 8 of this annual report).

DISCONTINUED OPERATIONS

| | Year Ended December 31, 2011 | Year Ended December 31, 2010 |
|---|---|---|
| | (in thousands) | |
| *Income From Discontinued Operations* | | |
| *Before Income Taxes* | $ 14,628 | $ 36,177 |

Our former retail, golf and agriculture operations are reported as discontinued operations. Income from discontinued operations for 2011 includes $15.1 million gain from the sale of the Bay Course; and income from discontinued operations for 2010 includes $26.7 million gain from sale of the PGC. Income from discontinued agriculture operations for 2010 includes a credit of $14.9 million representing the gain from settlement of our post-retirement health and life insurance plans. See Note 7 to Consolidated Financial Statements in Item 8 of this annual report.

INTEREST EXPENSE

Interest expense was $2,729,000 for 2011 compared to $9,496,000 for 2010 of which $300,000 and $2,105,000 were included in discontinued operations in 2011 and 2010, respectively. The reduction in interest expense was primarily due to lower average interest rates and lower average borrowings in 2011. In August 2010, our $40 million convertible notes were extinguished and in December 2010, we modified our primary credit agreements which lowered the interest rates (Note 4 to Consolidated Financial Statements in Item 8 of this annual report). Interest expense in 2010 for our $40 million convertible notes was approximately $2.9 million. Our average interest rate on borrowings was 4.8% for 2011 compared to 5.7% for 2010 and average borrowings were approximately $30 million less in 2011 compared to 2010.

LIQUIDITY AND CAPITAL RESOURCES

*Current Debt Position*

At December 31, 2011, our total debt was $45.5 million compared to $45.2 million at December 31, 2010. At December 31, 2011, we had approximately $12.9 million available under our revolving line of credit and $890,000 in cash. Of the total available under our revolving line of credit, $2.1 million is currently designated solely for the payment of legacy costs (Note 4 to Consolidated Financial Statements in Item 8 of this annual report).

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*Revolving Line of Credit with Wells Fargo*

We have a $34.5 million revolving line of credit with Wells Fargo that matures on May 1, 2013. Interest rates on borrowings are at LIBOR plus 3.8% and the line of credit is collateralized by approximately 880 acres of our real estate holdings at the Kapalua Resort. The line of credit agreement contains various representations, warranties, affirmative, negative and financial covenants and events of default customary for financings of this type. Financial covenants include a required minimum liquidity (as defined) of $4 million and maximum total liabilities of $175 million. The credit agreement includes predetermined release prices for the real property securing the credit facility and an option to extend the maturity date to May 1, 2014, upon satisfaction of certain conditions, including the absence of any material adverse change in financial condition and maintenance of the loan to value ratio of the collateral. In July 2011, we paid down the line of credit with $4.1 million of proceeds from the sale of real estate and in August 2011, the line of credit agreement was modified to reserve $4.1 million of credit availability for the payment of legacy costs (as defined) and exclude $4.1 million from the credit line availability in the calculation of the minimum liquidity financial covenant. As of December 31, 2011, the amount reserved for legacy costs and excluded from credit availability has been reduced by $2.0 million as legacy costs were paid. There are no commitment fees on the unused portion of the revolving facility.

As of December 31, 2011, we had irrevocable letters of credit totaling $0.5 million that were secured by the line of credit, $21.1 million of borrowings outstanding and $12.9 million available for borrowing under the line of credit.

*Term Loan with American AgCredit*

We have a $24.4 million term loan with American AgCredit that matures on May 1, 2013. The interest rate on this credit facility is based on the greater of 1.00% or the 30-day LIBOR rate, plus an applicable spread of 4.25%. The loan agreement provides for tiered reductions in the applicable spread to 3.75%, subject to corresponding reductions in the principal balance of the loan. The loan requires mandatory principal prepayments of 100% of the net proceeds of the sale of any real property pledged as collateral for the loan. It also requires tiered mandatory principal prepayments based on predetermined percentages ranging from 10% to 75% of the net proceeds from the sale of non-collateralized real property. The credit agreement is collateralized by approximately 3,100 acres of our real estate holdings in West Maui and Upcountry Maui. The term loan agreement contains various representations, warranties, affirmative, negative and financial covenants and events of default customary for financings of this type. Financial covenants include a required minimum liquidity (as defined) of $4 million and maximum total liabilities of $175 million.

*Amended Construction Loan Agreement with Lehman Brothers Holdings Inc.*

Bay Holdings has a construction loan agreement with Lehman and other lenders under which $276 million was outstanding at December 31, 2011 that is due and payable in full. The loan is collateralized by the Residences of Kapalua Bay project assets including the land that underlies the project, which is owned by Bay Holdings. We and the other members of Bay Holdings have guaranteed to the lenders completion of the project and recourse with regard to certain acts, but have not guaranteed payment of the loan. Construction of the project was completed in 2009, but the completion guaranty will remain in place until all construction contracts have been fully settled and paid. We have recorded $4.1 million in other accrued liabilities in the accompanying consolidated balance sheet as our estimated share of the completion and recourse guarantees, and do not have any other funding commitments to Bay Holdings. Bay Holdings is currently working with the lenders to settle the terms of the loan.

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*Operating Cash Flows*

Net cash used in operating activities for 2011 and 2010 was $10.2 million and $9.4 million, respectively. Net cash used in operating activities for 2011 increased from 2010 primarily due to $5.9 million of income tax refunds received in 2010, partially offset by a higher amount of interest paid in 2010 compared to 2011.

Interest paid in 2011 and 2010 was $2.0 million and $6.9 million, respectively. Tax refunds received in 2011 and 2010 were $55,000 and $5.9 million, respectively.

*Investing and Financing Cash Flows*

Cash provided by investing activities in 2011 included the following:

- $9.0 million from the sale of approximately 13 acres of our former agriculture facility in Kahului.
- $899,000 released from escrow upon completion of post-closing obligations related to asset sales in 2010.

Cash used in investing activities in 2011 included the following:

- $4.1 million withheld in escrow after the closing of the sale of the Kahului property.

Cash provided by investing and financing activities in 2010 included the following significant transactions:

- Gross proceeds from our rights offering were $40 million.
- Sale of the Bay Course produced net cash proceeds of $22.8 million.
- Sale of three properties and miscellaneous equipment that were used in operations produced cash proceeds of $7.6 million.

Cash used in investing and financing activities in 2010 included the following significant transactions:

- Net payments of long-term debt totaled $51.0 million. This included $20 million of proceeds from the sale of the Bay Course and $35.2 million of proceeds from the rights offering that were applied to pay down outstanding borrowings.
- Cash outflow for property purchases was $4.3 million and was primarily for the replacement of the irrigation system at the PGC as required by the sale of the golf course in 2009.

*Future Cash Inflows and Outflows*

Our plans for 2012 include the possible sale of certain operating and non-operating real estate assets that could result in net cash proceeds which would be partially used to repay outstanding indebtedness and for general working capital. There can be no assurance that we will be able to sell any of our real estate assets on acceptable terms, if at all.

Our cash outlook for the next twelve months and our ability to continue to meet our financial covenants is highly dependent on selling certain real estate assets in a difficult market. If we are unable to meet our financial covenants resulting in the borrowings becoming immediately due, we would not have sufficient liquidity to repay such outstanding borrowings. In addition, we are subject to several commitments and contingencies that could negatively impact our future cash flows, including purchase commitments up to $35 million related to our investment in Bay Holdings to purchase the Amenities, an EEOC matter related to our discontinued agricultural operations, and funding requirements related to our defined benefit pension plans. These matters are further described in Note 14 to the Consolidated Financial Statements. The aforementioned circumstances raise substantial doubt about

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our ability to continue as a going concern. There can be no assurance that we will be able to successfully achieve the initiatives discussed below in order to continue as a going concern.

In response to these circumstances, we continue to undertake significant efforts to generate cash flow by employing our real estate assets in leasing and other arrangements, by the sale of several real estate assets and by continued cost reduction efforts. As part of the restructured credit agreement with Wells Fargo, we are allowed to use proceeds from the sale of certain properties to settle obligations related to our prior operations, instead of reducing borrowings under the line of credit as was previously required in the credit agreement. We are currently in discussions with the other members of Bay Holdings and the lenders to negotiate the terms of the purchase and sale agreement for the Amenities including the purchase and payment terms.

Contributions to our defined benefit pension plans are expected to be approximately $2.5 million in 2012.

We do not expect any significant capital expenditures in 2012.

## CRITICAL ACCOUNTING POLICIES

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

- Our investment in Bay Holdings was written down to zero at December 31, 2009 to recognize an other-than-temporary impairment and to record losses incurred by Bay Holdings in the third quarter of 2009. We and the other members of Bay Holdings have guaranteed to the lenders completion of the project and recourse with regard to certain acts, and we have recorded $4.1 million in other accrued liabilities on the consolidated balance sheet at December 31, 2011 as our share of the completion and recourse guarantees. In determining the fair value of this investment, assessing whether any identified impairment was other-than-temporary, as well as estimating the liability for the completion and recourse guarantees, significant estimates were made and considerable judgment was involved. These estimates and judgments were based, in part, on our current and future evaluation of economic conditions in general, as well as Bay Holdings' current and future plans. These impairment calculations contain additional uncertainties because they also require management to make assumptions and apply judgments to, among others, estimates of future cash flows, probabilities related to various cash flow scenarios, and appropriate discount rates. The impairment losses recorded by Bay Holdings required Bay Holdings' management to estimate total sales revenues that will be received by the project, as well as estimating the number of buyers of units from which nonrefundable deposits have been received that will not close on the purchase of their units.

- 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. Management has evaluated certain long-lived assets for impairment, and in 2011 we recognized impairment charges of $1.1 million related to long-lived assets and in 2010 recognized impairment charges totaling $3.1 million related to real estate assets held for sale because carrying values were in excess of estimated fair values less the estimated costs of disposal. 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

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economic conditions, changes in operating performance, changes in the use of the assets, and ongoing costs of maintenance and improvements of the assets; thus, the accounting estimates may change from period to period. If management uses different assumptions or if different conditions occur in future periods, our financial condition or future operating results could be materially impacted.

Deferred development costs, principally predevelopment costs and offsite development costs related to various projects in the planning stages by our Real Estate segment, totaled $7.5 million at December 31, 2011. Based on our future development plans for the Kapalua Resort and other properties such as Pulelehua, and Hali`imaile Town, and the estimated value of these future projects, management has concluded that these deferred costs will be recoverable from future development projects. The volatility of this assumption arises because of the long-term nature of our development plans and the uncertainty of when or if certain parcels will be developed.

Determining pension expense for our two defined benefit pension plans utilizes actuarial estimates of employees' age at retirement, and retirees' life span, the long term rate of return on investments and other factors. In addition, pension expense is sensitive to the discount rate utilized. This rate should be commensurate with the interest rate yield of a high quality corporate fixed income investment portfolio. These assumptions are subject to the risk of change as they require significant judgment and have inherent uncertainties that management or its consulting actuaries may not control or anticipate. As of December 31, 2011, the fair value of the assets of our defined benefit plans totaled approximately $39.1 million, compared with $41.3 million as of December 31, 2010. The recorded net pension liability was approximately $27.6 million as of December 31, 2011 compared to a net pension liability of $22.1 million as of December 31, 2010. The $5.5 million increase in net pension liability during 2011 was mainly attributed to a decline in the discount rate used to determine our pension obligations and lower than expected returns from the pension plans investments.

Stock-based compensation expense is calculated based on assumptions as to the expected life of the options, price volatility, risk-free interest rate and expected forfeitures. While management believes that the assumptions made are appropriate, compensation expense recorded currently and future compensation expense would vary based on the assumptions used.

Management calculates the income tax provision, current and deferred income taxes along with the valuation allowance based upon various complex estimates and interpretations of income tax laws and regulations. Deferred tax assets are reduced by a valuation allowance to the extent that it is more likely than not that they will not be realized. To the extent we begin to generate taxable income in future years, and it is determined the valuation allowance is no longer required, the tax benefit for the remaining deferred tax assets will be recognized at such time. As of December 31, 2011, valuation allowances of $61.4 million have been established primarily for tax credits, net operating loss carry forwards, and accrued retirement benefits to reduce future tax benefits expected to be realized.

Our results of operations could be affected by significant litigation or contingencies adverse to the Company, including, but not limited to, liability claims, environmental matters, and contract terminations. We record accruals for legal matters when the information available indicates that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. We make adjustments to these accruals to reflect the impact and status of negotiations, settlements, rulings, advice of counsel and other information and events that may pertain to a particular matter. Predicting the outcome of claims and lawsuits and estimating related costs and exposure involves substantial uncertainties that could cause actual costs to vary materially from those estimates. In making determinations of likely outcomes of litigation matters, we consider many factors. These factors include, but are not limited to, the nature of specific claims, our experience with similar types of claims, the jurisdiction in which the matter is filed, input from outside legal counsel, the likelihood of resolving the matter through alternative dispute resolution mechanisms and the matter's current status. A detailed discussion of significant litigation matters and contingencies is contained in Note 14 to our Consolidated Financial Statements in Item 8 of this annual report.

IMPACT OF INFLATION AND CHANGING PRICES

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

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

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

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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.
Makawao, Hawaii

We have audited the accompanying consolidated balance sheets of Maui Land & Pineapple Company, Inc. and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations and comprehensive income (loss), stockholders' deficiency, and of cash flows for the years then ended. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Maui Land & Pineapple Company, Inc. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

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

/s/ DELOITTE & TOUCHE LLP
Honolulu, Hawaii
March 2, 2012

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

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

| | Years Ended December 31, | |
|---|---|---|
| | **2011** | **2010** |
| | (in thousands except share amounts) | |
| OPERATING REVENUES | | |
| Real estate | | |
| Sales | $ | $ 7,850 |
| Commissions | 1,070 | 1,461 |
| Leasing | 5,144 | 4,994 |
| Utilities | 3,418 | 3,254 |
| Resort amenities and other | 4,910 | 5,496 |
| Total Operating Revenues | 14,542 | 23,055 |
| OPERATING COSTS AND EXPENSES | | |
| Real estate | | |
| Cost of sales | | 1,480 |
| Other | 1,060 | 1,567 |
| Leasing | 2,956 | 3,109 |
| Utilities | 2,225 | 2,016 |
| Resort amenities and other | 4,315 | 5,473 |
| Selling and marketing | 792 | 1,809 |
| General and administrative | 6,271 | 8,602 |
| Depreciation | 3,390 | 4,778 |
| Impairment long-lived assets | 921 | 2,547 |
| Pension and other postretirement expense (Note 9) | 1,157 | (838) |
| Gain on asset dispositions | (1,263) | (3,159) |
| Total Operating Costs and Expenses | 21,824 | 27,384 |
| Operating Loss | (7,282) | (4,329) |
| Interest expense | (2,429) | (7,391) |
| Interest income | 27 | 44 |
| Loss from Continuing Operations Before Income Taxes | (9,684) | (11,676) |
| Income Tax Benefit | (134) | (251) |
| Loss from Continuing Operations | (9,550) | (11,425) |
| Income from Discontinued Operations (Note 7) net of income tax benefit of $211 and $0 | 14,628 | 36,177 |
| NET INCOME | 5,078 | 24,752 |
| Pension Benefit Adjustment net of income taxes of $0 | (6,675) | (12,220) |
| COMPREHENSIVE INCOME (LOSS) | $ (1,597) | $ 12,532 |
| NET INCOME (LOSS) PER COMMON SHARE BASIC AND DILUTED | | |
| Continuing Operations | $ (0.52) | $ (0.92) |
| Discontinued Operations | 0.79 | 2.91 |

| | | |
|---|---|---|
| Net Income | $ 0.27 | $ 1.99 |

See Notes to Consolidated Financial Statements

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

**CONSOLIDATED BALANCE SHEETS**

| | December 31, 2011 | December 31, 2010 |
|---|---|---|
| | (in thousands) | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 890 | $ 2,095 |
| Accounts receivable, less allowance of $519 and $460 for doubtful accounts | 1,464 | 1,803 |
| Merchandise inventories | | 1,617 |
| Prepaid expenses and other assets | 684 | 2,053 |
| Assets held for sale (Note 2) | 2,280 | 10,851 |
| Total Current Assets | 5,318 | 18,419 |
| PROPERTY | | |
| Land | 7,518 | 7,533 |
| Land improvements | 25,680 | |