MAUI LAND & PINEAPPLE CO INC
Form 10-K
March 17, 2008

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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, 2007

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 1-6510

MAUI LAND & PINEAPPLE COMPANY, INC.

(Exact name of registrant as specified in its charter)

HAWAII	**99-0107542**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification number)
120 KANE STREET, P. O. BOX 187, KAHULUI, MAUI, HAWAII	**96733-6687**
(Address of principal executive offices)	(Zip Code)

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

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 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. o

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 ý	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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, as of June 29, 2007, of the voting stock held by non-affiliates of the registrant was $151,098,000 based upon the closing price on the American Stock Exchange on such date. 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. Such assumption should not be deemed conclusive for any other purpose.

At February 29, 2008, the number of shares outstanding of the registrant's common stock was 8,103,395.

Documents incorporated by reference:

Part III Certain portions of the proxy statement for the registrant's annual meeting of stockholders to be held on May 12, 2008, to be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2007, are incorporated by reference into Part III of this report. Only those portions of the proxy statement that are specifically incorporated by reference herein shall constitute a part of this annual report.

FORWARD-LOOKING STATEMENTS AND RISKS

This and other reports filed by Maui Land & Pineapple Company, Inc. with the Securities and Exchange Commission contain forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They contain words such as "may," "will," "project," "might," "expect," "believe," "anticipate," "intend," "could," "would," "estimate," "continue" or "pursue," or the negative or other variations thereof or comparable terminology. In particular, they include, among others and without limitation, statements relating to the:

- timing and success of sales and construction at the Residences at Kapalua Bay project;
- timing and success of the Kapalua Resort initiatives to enhance and improve the resort and the Kapalua Villas;
- expectations as to our cash commitments;
- expectations as to our cash flows from operating and investing activities;
- recoverability from operations of real estate development deferred costs;
- impact of current and future local, state and national government regulations, including Maui County affordable housing legislation;
- future cost of compliance with environmental laws;
- timing of approvals and conditions of future real estate entitlement applications; and
- effect of changes in assumptions on net periodic pension and other benefit costs.

In addition, from time to time, we may publish forward-looking statements as to those matters or other aspects of our anticipated financial performance, business prospects, new products, marketing initiatives, or similar matters.

Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. We have based these forward-looking statements on current expectations and projections about future events.

We caution the reader that forward-looking statements involve risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, the factors discussed in the sections entitled "Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this annual report, as well as other factors described from time to time in our reports filed with the Securities and Exchange Commission.

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PART I

Item 1. BUSINESS

Overview

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

We have three operating segments as follows:

> *Agriculture.* The Agriculture segment primarily includes growing, packing, and marketing of fresh pineapple. Our pineapple is sold under the brand names *Maui Gold*® and Hawaiian Gold™. We also grow and market fresh organic pineapple. In 2007, a portion of our business included processing (canning) pineapple; however, we ceased substantially all canning and processing of solid-pack product in June 2007.

> *Resort.* The Resort segment includes our ongoing operations at the Kapalua Resort. These operations include two championship golf courses, a tennis facility, a vacation rental program (The Kapalua Villas), and several retail outlets. In December 2007, our new Kapalua Adventure Center opened and in January 2008 the Mountain Outpost began operations.

> *Community Development.* The Community Development segment includes our real estate entitlement, development, construction, sales and leasing activities. This segment also includes the operations of Kapalua Realty Company, a general brokerage real estate company located within Kapalua Resort and Public Utilities Commission regulated water and sewage transmission operations. The Community Development segment includes our 51% equity interest in Kapalua Bay Holdings, LLC (Note 4 to consolidated financial statements).

For additional financial information about these segments, see Segment Information, Note 17 to our consolidated financial statements.

2007 Business Development

This is a summary of material business developments in 2007. For more information about business developments in 2007, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in this annual report.

Private Placement of Common Stock In March, we raised approximately $14,900,000 in gross proceeds through a private placement of 517,242 shares of common stock. The funds were initially used to pay down our revolving credit facility.

Ritz-Carlton Land Sale In March, we sold the land underlying the Ritz-Carlton, Kapalua hotel and obtained an interest in a joint venture for the ownership of the hotel and surrounding property (Note 4 to consolidated financial statements).

Kapalua Bay Holdings Revenue Recognition In March, construction of the condominiums by Kapalua Bay Holdings, LLC had progressed to the point at which the joint venture began to recognize revenues and profit from sales of whole and fractional units on the percentage-of-completion method (Note 4 to consolidated financial statements).

Pineapple Operations In April, we concluded that as of June 30, 2007 we would cease the processing of substantially all solid-pack canned pineapple and focus primarily on premium fresh pineapple sales. Job fairs and re-employment transition activities were held throughout the remainder of the second quarter for the affected employees. In October and November most of our can-making and pineapple processing equipment was auctioned. In November, we concluded a consignment agreement with Calavo Growers, Inc. to sell, market and distribute *Maui Gold*® pineapple in the continental United States and Canada. The consignment arrangement began in December and most of our California sales office staff were laid off as of December 31 (Note 6 to consolidated financial statements).

Board Appointment and Annual Meeting of Shareholders In May, our shareholders (i) elected Miles R. Gilburne, and re-elected David A. Heenan and Kent T. Lucien as Class Two Directors; and (ii) approved an amendment to the Articles of Association to authorize an additional 14,000,000 shares of common stock.

LPGA In July, we entered into a five-year agreement with the Ladies Professional Golf Association, or LPGA, to annually host an official 72-hole stroke play tournament on the Bay Course beginning in October 2008, and we announced that LPGA player Morgan Pressel will be Kapalua Resort's official touring professional representing Kapalua Resort at LPGA tournaments.

Ritz-Carlton Closure In July, the Ritz-Carlton, Kapalua hotel closed for an extensive renovation and rooms conversion project and re-opened on December 28, 2007. The converted condominiums are expected to be available for sale starting March 15, 2008.

Mountain Adventure Center In August, we began design and construction of our mountain adventure center, which replaced the former Village Course clubhouse, and also began construction of zip-lines and various other mountain activities at a new mountain outpost location. The Adventure Center opened in December 2007 and the Mountain Outpost began operating in January 2008.

Bay Golf Course Closure In August, we closed the back-nine holes of the Bay Course to renovate and re-seed the greens. We reopened the course in December. Several greens and tees still need to be renovated so that the entire course will be completed in time for the second annual Kapalua LPGA tournament in 2009. This work will take place over 2008 and 2009 without the full closure of the course.

Line of Credit In November, we obtained a new $90 million secured revolving line of credit in a financing transaction led by Wells Fargo Bank, N.A. The financing will be used for working capital and development projects. Initial advances of approximately $17 million were used to repay the outstanding balance under our then existing $30 million line of credit, which was replaced by the new line of credit.

Restaurant Lease In December, we entered into a long term lease agreement with celebrity chef and restaurateur Peter Merriman to operate a new restaurant, Merriman's Kapalua, at the oceanfront site of our former Bay Club Restaurant. The Bay Club was closed in August 2004 and the new restaurant is expected to open in summer 2008.

Sales of Non-Core Property In 2007, we sold approximately 683 acres of Upcountry Maui land in five land sales transactions. These properties primarily consist of land that was deemed unsuitable for precision cultivation of pineapple and were also not suitable for creating new holistic development communities.

Description of Business

Agriculture

Maui Pineapple Company, Ltd. is the operating subsidiary for our Agriculture segment. Our business is focused on growing, harvesting, packing and marketing fresh premium pineapple. We sell our fresh *Maui Gold*® pineapple directly to wholesalers and grocery stores in Hawaii and through a consignment arrangement with Calavo Growers, Inc. to customers in the continental United States and Canada. We also sell our *Maui Gold®* pineapple as gift packs on our website and through certain retail outlets in Hawaii.

Planting, Harvesting and Packing

The fresh fruit market is a year-round business, which requires consistency of supply. Over the past two years, we have made significant progress in changing our agronomic practices and planting schedules to produce a more consistent and predictable supply of fruit throughout the year. Planting and harvesting take place throughout the year. Our pineapple farms encompass approximately 4,200 acres on Maui. Two pineapple crops are normally harvested from each new planting. The first, or plant crop, is harvested approximately 18 to 23 months after planting; the second, or ratoon crop, is harvested 12 to 14 months later. A third crop, the second ratoon, may be harvested 9 to 14 months later depending on a number of conditions.

The availability of water for irrigation is critical to the cultivation of pineapple. The Upcountry Maui area, in which we have historically grown pineapple, is susceptible to drought conditions, which can adversely affect pineapple operations by resulting in poor yields (tons per acre) and lower recoveries (the amount of pack-able and saleable product per ton of fruit harvested). A large portion of the fields in our Upcountry Maui plantation are equipped with drip irrigation systems. We are shifting more of our plantings to our West Maui agricultural lands, which we have farmed for many years. Our West Maui agricultural lands are less susceptible to drought conditions because water can be supplied by our own water system.

Harvested pineapple is packed for fresh shipment at our packing facility located in Kahului. Our pineapple is shipped to our customers in Hawaii and to the consignee's locations in the continental United States by ocean or air freight.

Throughout most of 2007, we owned and operated fully integrated facilities for the production of fresh and processed pineapple. Harvested fruit was directed to fresh or canning facilities based on market conditions and fruit size and quality. Over recent years, we decreased the tonnage of fruit going to the cannery, and commensurately reduced the number of markets for processed pineapple that we served. The metal containers used in canning pineapple were produced in a Company-owned plant at the cannery site. Our processed pineapple products were primarily sold as private label pineapple with 100% HAWAIIAN U.S.A. stamped on the can lid, primarily to large grocery chains and to the United States government. A substantial volume of our pineapple products was marketed through food brokers, which was administered through our sales office in California. We substantially ceased canning operations by the end of 2007, and now focus on the sale of fresh fruit and pineapple juice.

Competition

Our fresh pineapple is sold in competition with both foreign and United States companies. Our principal competitors are Dole Food Company, Inc. and Del Monte Fresh Produce Company, each of which produces substantial quantities of fresh pineapple products, a significant portion of which is grown in Central America.

Resort

Kapalua Land Company, Ltd. is the operating subsidiary that includes our Resort segment, which operates the Kapalua Resort, a master-planned, resort community on Maui's northwest coast. Our property on West Maui includes approximately 23,000 acres, most of which remain as conservation or open space.

Presently, the Kapalua Resort includes 1,650 acres bordering the ocean with three white sand beaches and includes two championship golf courses (The Bay Course and The Plantation Course), The Ritz-Carlton, Kapalua hotel, eight residential subdivisions, a ten-court tennis facility, the first phase of commercial space in the central area of the Resort, several restaurants, and over 700 single-family residential lots, condominiums and homes. We operate Kapalua Resort's golf courses, a tennis facility, retail shops, a vacation rental program (The Kapalua Villas), and provide certain services to the Resort. We have approximately 235 units in our Kapalua Villas short-term rental program. We also manage The Kapalua Club, a membership program that provides certain benefits and privileges within the Kapalua Resort for its members. The Kapalua Golf Academy, located on 23 acres of land in the Central Resort area is a state-of-the-art teaching and practice facility that was developed in conjunction with PGA Touring Professional Hale Irwin. Prior to March 2007, the Resort included a third golf course, The Village Course, which was closed on February 28, 2007.

In late December 2007, our new Kapalua Adventure Center opened and in January our Mountain Outpost began operations. The Adventure Center is located in the former Village Clubhouse and includes a retail area featuring outdoor clothing and gear, a café and is the check-in point for the Mountain Outpost, which is comprised of zip-lines stretching over scenic ravines in the West Maui Mountains, a ropes challenge course, a climbing wall and other adventures.

In 2007, we continued working on several major new initiatives to improve and revitalize the Kapalua Resort. We undertook various programs and promotions to minimize the temporary impact of the construction and closures that were necessary to our improvement initiatives. However, as expected, our financial results were negatively affected by closure of the Village Course, the temporary closures of the Ritz-Carlton, Kapalua hotel and the Bay Course for most of the second half of the year, as well as significant construction taking place throughout the Resort.

Our current Resort plans include additional amenities, renovation of certain facilities and a trail system that will run along the ocean, through the mountains and wind through the entire resort and other Company land holdings. The Resort segment has also been implementing the Kapalua Gold program to upgrade and standardize the privately-owned Kapalua Villas units in our rental program, as well as other initiatives to enhance and improve the Kapalua Resort.

We utilize nationally televised professional golf tournaments as a major marketing tool for the Kapalua Resort. Since January 1999, Kapalua has hosted the Mercedes-Benz Championship, the season opening event for the PGA TOUR. We have agreements with Mercedes-Benz and the PGA TOUR to host and manage this event at the Kapalua Resort through January 2010.

Other signature events at the Kapalua Resort include:

- WhaleQuest at Kapalua, an annual event to celebrate the annual migration of North Pacific Humpback Whales to Hawaiian waters, which includes lectures, tours and educational workshops;

- Celebration of the Arts, a three-day festival held in the Spring that pays tribute to the people, arts and culture of Hawaii through demonstrations in hula and chant, workshops in Hawaiian art, and one-on-one interaction with local artists;

- Kapalua Wine & Food Festival, an annual event held in the Summer that attracts world-famous winemakers, chefs and visitors to Kapalua for a series of wine tasting, festive gatherings and gourmet meals;

- LPGA Kapalua Classic, a full-field tournament that commences in October 2008 on the Bay course that will feature the world's top professional women golfers; and

- Billabong Pro Maui, the last Triple Crown women's surf contest of the year held in December at Honolua Bay.

The Kapalua Resort faces substantial competition from alternative visitor destinations and resort communities in Hawaii and throughout the world. The Kapalua Resort's primary resort competitors on Maui are located in Kaanapali, which is approximately five miles from Kapalua, and in Wailea on Maui's south coast.

Community Development

The Community Development segment is responsible for all of our real estate entitlement, development, construction, sales and leasing activities. Our projects are focused primarily on the luxury real estate market in and surrounding Kapalua Resort and affordable and moderately priced residential and mixed use projects in West Maui and Upcountry Maui. This segment also includes the operations of Kapalua Realty Company, a general brokerage real estate company located within the Kapalua Resort; and our Public Utilities Commission regulated water and sewage transmission operations that service the Kapalua Resort and parts of West Maui.

We are the lessor of certain commercial and residential properties primarily at Kapalua Resort. We were the ground lessor under a long-term lease with the Ritz-Carlton, Kapalua hotel, until March 2007 when we sold the land to the lessee and acquired a partial interest in the joint venture that is now the owner of the hotel and fee interest (Note 4 to consolidated financial statements). In August 2004, we contributed the fee interests in the land underlying the Kapalua Bay Hotel and our interests in The Kapalua Shops to Kapalua Bay LLC, ("Kapalua Bay") a wholly-owned subsidiary of Kapalua Bay Holdings, LLC ("Bay Holdings") a limited liability company formed as a joint venture between the Company, Marriott International Inc. and Exclusive Resorts LLC. We have a 51% interest in and are the managing member of Bay Holdings. Bay Holdings is constructing The Residences at Kapalua Bay, consisting of approximately 146 units that will be sold as whole ownership and fractional ownership residences, a clubhouse, pool, spa and other amenities. The percentage of completion of the six residential buildings in the project ranged from approximately 15% to 60% as of the end of 2007, and we expect the project to be completed by the second quarter of 2009 or earlier depending on construction progress. See Note 4 to consolidated financial statements.

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 things such as parks and traffic mitigation), restrictions on permitted uses of the land, and provision of affordable housing. We actively work with the community, regulatory agencies, and legislative bodies at all levels of government in an effort to obtain necessary entitlements consistent with the needs of the community.

We have approximately 1,800 acres of land in Maui that are at various stages in the land entitlement process as follows:

Location	Number of Acres	Zoned for Planned Use
Kapalua Resort	975	Yes
Other Kapalua Resort and West Maui	528	No
Upcountry	305	No

Since 2004, we have identified over 3,700 acres of non-core Upcountry Maui land and have sold to date approximately 3,400 acres with total sales proceeds of approximately $77 million.

Honolua Ridge Phase I and II are comprised of a total 50 agricultural lots ranging from three to 30 acres, with original list sales prices ranging from $895,000 to $7.3 million. We began selling Phase I in 2004 and Phase II in 2005. As of December 31, 2007, we have one unsold Phase II lot in inventory.

Some of the other projects that the Community Development segment has in the planning stages include:

Kapalua Mauka: As presently planned, this project is comprised of 690 single and multi-family residential units and commercial components, five acres of commercial space and up to 27 holes of golf on a total of 925 acres.

The Village at Kapalua: This is the commercial component of the central area of the Kapalua Resort. It is planned to be built in two phases and will add approximately 30,000 square feet of new retail space to the Kapalua Resort. The Village will also include apartments, condominiums and other resort related facilities. The grand opening of the first phase was held in October 2006.

Pulelehua: This project is designed to be a new traditional 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. We are currently in the process of securing a date for hearing of the project by the Maui County Council Land Use Committee.

Hali`imaile Town: This project is contemplated to be a new town in Upcountry Maui, a holistic traditional community with agriculture, education, and sustainability as core design elements. Community design workshops were held to involve the Maui community in determining the vision for this community. 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 when it updates the County General Plan over the next three years.

The price and market for luxury real estate on Maui has in the past been highly cyclical based upon interest rates, the general real estate markets on the mainland United States specifically the West Coast, the popularity of Hawaii as a vacation destination, the general condition of the economy in the United States and Asia, and the relationship of the dollar to foreign currencies. The Community Development segment 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.

Employees

In 2007, we employed approximately 1,000 people. Agricultural operations employed approximately 440 employees of which approximately half were seasonal or intermittent employees and approximately 58% were covered by collective bargaining agreements. Resort operations employed approximately 420 employees, of which approximately 11% were part-time employees and approximately 22% were covered by collective bargaining agreements. The Community Development segment employed approximately 30 employees, and corporate services and other operations employed approximately 110 employees in 2007.

Other Information

Our Agriculture segment engages in continuous research to develop techniques to reduce costs through crop production and processing innovations and to develop and perfect new products. Research and development expenses approximated $1,155,000 in 2007, $1,078,000 in 2006, and $530,000 in 2005.

We have reviewed our compliance with federal, state and local provisions that regulate the discharge of materials into the environment or are otherwise related to the protection of the environment. We do not expect any material future financial impact as a result of compliance with these laws.

Pursuant to a settlement agreement with the County of Maui in 1999, we have a commitment until December 1, 2039 to share with several chemical manufacturers in the capital costs to install filtration systems in any future water wells if the presence of a nematocide, commonly known as DBCP, exceeds specified levels, and for the ongoing maintenance and operating costs for filtrations systems on existing and future wells. We are not presently aware of any plans by the County of Maui to install other filtration systems or to drill any water wells in areas affected by agricultural chemicals. For additional information, see Note 18 to consolidated financial statements.

Financial Information about Geographic Areas

Revenues attributable to foreign countries were not material for the last three years.

Available Information

Our Internet address is *www.mauiland.com*. Information about the Company is also available on *www.kapalua.com* and *www.mauipineapple.com*. Reference in this annual report to our website address 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 amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or SEC. We also make available through our website all filings of our executive officers and directors on Forms 3, 4 and 5 under 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 Company's executive officers as of March 3, 2008, are listed below. The current terms of the executive officers expire in May 2008, or at such time as their successors are elected.

David C. Cole (55)	Mr. Cole has served as Chairman of the Company since March 2004, and President and Chief Executive Officer of the Company since October 2003. Mr. Cole also served as Manager of Sunnyside Farms, LLC, a specialty consumer products retailer and supplier of premium organic meats and produce in Washington, Virginia from 1997 to 2006; and President of Aquaterra, Inc. an investment management firm that serves as managing general partner for Pan Pacific Ventures LP, Catalyst II LLC and Aquaterra Partners LLC, partnerships with interests in software, real estate, agriculture, retailing, renewable energy and consumer products since 1997. Mr. Cole served as Chairman of Twin Farms Collections, LLC a luxury resort in Barnard Vermont from 2001 to 2004.

Robert I. Webber (49)	Mr. Webber has served as Executive Vice President and Chief Operating Officer since March 2008. He has also been Chief Financial Officer from April 2006. From April 2006 to March 2008, Mr. Webber served as and Senior Vice President of Business Development. He served as President of Dyntek, Inc., a provider of technology services based in Irvine, California, from June 2005 to March 2006; and as Chief Financial Officer and Director from July 2004 to March 2006. He was the General Manager of Spectrus, Inc., (formerly known as FOR1031) a privately held commercial real estate development and services company in Irvine, California from October 2003 to June 2004. Mr. Webber served as President and Chief Executive Officer of MindArrow Systems, Inc., a communications and technology company in Aliso Viejo, California from June 2000 to September 2003. Previously, Mr. Webber worked as a consultant for McKinsey & Company, Inc. in Los Angeles, California.
Ryan L. Churchill (36)	Mr. Churchill has served 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.
Fred W. Rickert (64)	Mr. Rickert has served as Vice President/Treasurer of the Company since May 2006. He served as Vice President/Chief Financial Officer from September 2004 to May 2006 and Acting Chief Financial Officer July 2004 to September 2004; Vice President/Finance of Maui Pineapple Company, Ltd., the operating subsidiary of the Company's Agriculture segment from April 2004 to July 2004. Mr. Rickert served as Chief Financial Officer of the Port of Oakland, a municipal corporation with operations in the Oakland International Airport, maritime operations, and commercial real estate development 1996 to 2004 and Vice President Accounting of PLM International, Inc., an AMEX listed company syndicating partnerships for transportation equipment operating leases, from 1990 to 1996.

Gerard J. Watts (49)	Mr. Watts has served as Vice President/General Manager of Maui Pineapple Company, Ltd., the operating subsidiary responsible for the Company's Agriculture Segment since March 2007. He was Vice President/Chief Operating Officer from September 2006 to March 2007 and Vice President/Operations from March 2005 to September 2006. Mr. Watts served as Vice President/Operations for Coastal Berry, Inc. a strawberry growing and marketing operation in California from September 2003 to January 2005. From April 1992 to September 2003, he was the Vice President of North American Operations for Calavo Growers Inc. and Vice President/General Manager for Calavo de Mexico, Inc., whose business is principally the procurement and marketing of avocados and other perishable commodities worldwide.

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 occur, 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 Securities and Exchange Commission.

Our success depends in large part upon the continued services of a number of significant employees, the loss of which could have a material adverse effect on our business, financial condition and results of operation.

We are currently dependent upon the ability and experience of certain key management employees. There can be no assurance that we will be able to retain their services. The loss of one or more could have a material adverse effect on financial results.

Real estate investments are subject to numerous risks.

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. Also, we have a 51% ownership interest in Kapalua Bay Holdings, LLC, the owner and developer of The Residences at Kapalua Bay. When interest rates increase, the cost of acquiring, developing, expanding or renovating real property increases and real property values may decrease as the number of potential buyers decrease. Similarly, as financing becomes less available, it becomes more difficult both to acquire and to sell real property. Under eminent domain laws, governments can take real property. Sometimes this taking is for less compensation than the owner believes the property is worth. Any of these factors could have a material adverse effect on our results of operations or financial condition. In addition, 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.

If we are unable to complete land development projects within forecasted timing and budgeting, or at all, 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, 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;
- governmental restrictions on the nature or size of a project or timing of completion; and
- 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 affect 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.

Our financial results are highly dependent on our Community Development operating segment. The financial performance of our Community Development 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.

Legislation adopted by the County of Maui may increase land use entitlement costs, negatively impact land values, defer planned development projects, and materially impact operating results.

On November 3, 2006, the Maui County Council voted unanimously to adopt a Residential Workforce Housing Policy (the "Policy"). This measure requires developers to sell or rent 40% to 50% of the total number of units in developments of five or more units at below market rates, or pay significant fees or contribute property with equivalent value to Maui County for low income housing. Prior to the adoption of the Policy, the affordable housing component of a development typically represented 15% to 25% of total units. We believe that the new Policy could significantly impact our cost of obtaining entitlements, increase our financing costs, potentially reduce the value of our land, and delay the development of units across all market segments.

The historical price and market for luxury real estate on Maui has been highly cyclical and if the market demand for luxury real estate were to decrease, our operating results could be adversely affected.

The highs and lows in the real estate market cycle can prevail for multiple years at a time. 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.

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

Our real estate product faces competition from other luxury resort real estate properties on Maui, and from other luxury resort 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 larger competitors, our financial results could be materially adversely affected.

We have entered into limited guarantees under which we may be required to guarantee completion of the Kapalua Bay project or certain limited recourse obligations of Kapalua Bay.

Kapalua Bay, a wholly owned subsidiary of Bay Holdings in which we own a 51% ownership interest, entered into a construction loan agreement with Lehman Brothers Holdings Inc. ("Lehman") on July 14, 2006, pursuant to which Lehman may loan Kapalua Bay up to $370 million. Kapalua Bay is constructing 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 Kapalua Bay. In connection with entering into the construction loan agreement by Kapalua Bay, 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 and to reimburse Lehman for expenses incurred by Lehman toward completion of the project. Under the recourse guaranty, members of Bay Holdings agreed to reimburse Lehman for losses incurred by Lehman 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. If Kapalua Bay fails to complete the project or takes any of the specified actions that result in expenses to Lehman and which are covered by the guarantees that we entered into, we could incur unanticipated expenses that could have a material adverse effect our results of operations and financial condition.

If we cannot attract and retain skilled workers for our resort operations, and Community Development teams, our financial results could be negatively impacted. There is a potential lack of adequate skilled workers on Maui for larger development projects.

Our golf courses require a large number of course and facility maintenance and operations workers and the hotel and villas require housekeepers, food and beverage servers, front desk, and other operational and hospitality workers. Overall, our resort operations require a large number of workers to maintain the quality and level of service that we strive to provide to our guests. Our plans for development projects require that there be adequate labor in all of the construction trades. The labor market on Maui is very competitive, with the labor premium in West Maui being even greater than elsewhere on Maui. The cost and insufficient supply of housing and the absence of adequate public services, such as schools, continue to be an impediment to attracting and retaining labor. If we and other Maui businesses are unable to gain approvals from the government to allow for the expansion of affordable housing and to implement plans to provide a higher level of public services, including schools, further development in West Maui could be severely restricted, which in turn could have a materially adverse effect on our operations. While we support the development of affordable housing for our employees and public servants, and the construction of infrastructure, there are political factions in the County government who do not want any further development.

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 its real property.

Our agriculture operations face significant competition from companies with greater financial resources and from foreign competition with lower cost structures.

We sell our pineapple products in competition with both foreign and United States companies. Our principal competitors are Dole Food Company, Inc. and Del Monte Fresh Produce Company, each of which produces substantial quantities of pineapple products, a significant portion of which is produced in Central America. Producers of pineapple in foreign countries have substantially lower land, water, labor, and regulatory costs than we do.

Changes in weather conditions or natural disasters can have an adverse impact on crop production and materially affect our results of operations.

Changes in weather conditions and natural disasters, such as earthquakes, droughts, extreme cold or pestilence, may affect the planting, growing and delivery of crops, reduce sales stock, interrupt distribution, and have a material adverse impact on our business, financial condition and results of operations. Our competitors may be affected differently by such weather conditions and natural disasters depending on the location of their supplies or operations.

If we are unable to successfully compete with other producers of fresh pineapple products, our financial results could be materially affected.

The fresh pineapple products markets are highly competitive. A decline in the price of pineapple or increases in the price of fuel or packaging materials could adversely affect operating results. Agricultural chemicals used in the past have resulted in contingent liabilities that could result in future claims against us, which could affect our ability to compete with other producers.

We are highly dependent on the success of our consignment arrangement to sell our fresh pineapple.

In November 2007, we entered into an exclusive consignment and marketing agreement with a third party to sell our *Maui Gold*® pineapple in North America. We anticipate that a significant portion of our fresh pineapple will be sold through this arrangement. Failure for any reason of the consignee to fulfill its obligations under the applicable arrangement with us could result in disruptions to our supply of *Maui Gold*® pineapple in North America, and therefore could have a material adverse impact on our results of operations. We cannot provide assurance that a new arrangement would be available on similar terms as the existing consignment and marketing arrangement, if at all.

If we are unable to find a title sponsor for the LPGA golf tournament that we are contractually obligated to sponsor in October 2008, we may have to bear the full cost of producing the tournament.

We have an agreement with the LPGA to sponsor an annual 72-hole stroke play golf tournament for five years beginning in October 2008, and we are currently seeking a company or companies that would be suitable as a title sponsor for this event. The cost of such a tournament including the production and the purse is significant and if we bear the full cost of producing the tournament, our results of operations could be negatively affected.

Our ability to competitively serve our customers depends on the availability of reliable and low-cost transportation, and any increases in transportation-related costs could have material adverse impact on our results of operations.

We use multiple forms of transportation to bring our products to market, including by airplanes, ships, railcars and trucks. Disruption to the timely supply of these services or increases in the cost of these services for any reason, including availability or cost of fuel, regulations affecting the industry, or labor shortages in the transportation industry, could have an adverse effect on our ability to serve our customers, and could have a material adverse effect on our financial performance.

Because we are located in Hawaii and therefore apart from the mainland United States, we are more sensitive to certain economic factors, which may adversely affect operating results.

Our Community Development segment and the Resort segment are dependent on attracting visitors to Kapalua, to Maui, and 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 cost of energy, events in the airline industry that affect passenger capacity or traveling cost, and the threat, or perceived threat, of heightened terrorist activity in the United States, could affect a potential visitor's choice of vacation destination or second home location.

Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 2. PROPERTIES

We own approximately 24,600 acres of land on Maui. Approximately 21% of the acreage is used directly or indirectly in our operations and the remaining land is primarily in pasture or forest reserve. This land, most of which was acquired from 1911 to 1932, is carried on our balance sheet at cost. We believe we have clear and unencumbered marketable title to all such property, except for the following:

- a perpetual conservation easement granted to the State of Hawaii on a 13-acre parcel at Kapalua;
- certain easements and rights-of-way that do not materially affect the Company's use of its property;
- a mortgage on approximately 3,100 acres used in Agriculture operations, which secures our $25 million revolving loan agreement;
- a mortgage on approximately 1,437 acres of land in West Maui primarily within the Kapalua Resort, which secures our $90 million revolving credit facility;
- a mortgage on approximately 20 acres comprising our Kahului property, which secures a $9.7 million term loan agreement;

a permanent conservation easement granted to The Nature Conservancy of Hawaii, a non-profit corporation, covering approximately 8,600 acres of forest reserve land;

a small percentage of our land in various locations on which multiple claims exist, for some of which we are securing clean title; and

a mortgage on 249 acres of our land that secures a $4.2 million loan to Maui Preparatory Academy, or MPA, a new private middle school in West Maui. We have an agreement to sell 15 acres of the parcel to MPA for $100, and are in the process of subdividing the parcel.

Approximately 22,100 acres of our land are located in West Maui, approximately 2,500 acres are located in Upcountry Maui and approximately 28 acres are located in Kahului, Maui.

The 22,100 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 2,800 acres comprising our West Maui pineapple plantation and approximately 1,800 acres designated for the Kapalua Resort.

The Upcountry Maui property is situated at elevations between 1,000 and 3,000 feet above sea level on the slopes of Haleakala, a volcanic-formed mountain on the island that rises above 10,000 feet in elevation. Approximately 530 acres are used for the Company's Agriculture operations in our Upcountry pineapple plantation.

The Kahului acreage includes our administrative offices, a fresh fruit packing facility and a former pineapple cannery site.

Approximately 2,600 acres of leased land are used in our Agriculture operations under ten leases expiring at various dates through 2018. We paid $578,000 in 2007 for the aggregate land rental for all leased land in agricultural production. 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

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. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our stockholders during the fourth quarter of fiscal year 2007.

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 American Stock Exchange under the symbol "MLP." We did not declare any dividends in 2007 and 2006. As of February 12, 2008, there were 371 shareholders of record, 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 following chart reflects high and low sales prices during each of the quarters in 2007 and 2006:

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2007	High	$ 36.79	$ 38.99	$ 37.87	$ 30.82
	Low	29.55	32.12	27.50	25.70
2006	High	$ 39.40	$ 39.10	$ 37.60	$ 33.99
	Low	33.80	34.87	29.52	29.27

We did not repurchase any shares of common stock during the fiscal year ended December 31, 2007.

Shareholder Return Performance Graph

Set forth below is a graph comparing the cumulative total shareholder return on our common stock against the cumulative total return of the S&P Small Cap 600 Index, the S&P 600 Food Products and S&P Real Estate. We added the S&P Real Estate index to this graph beginning with this 2007 annual report because real estate has become our major revenue and profitability source. The historical stock price performance of our common stock shown in the performance graph below is not necessarily indicative of future stock price performance.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN

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* $100 invested on December 31, 2002 in common stock of Maui Land & Pineapple Company, Inc., S&P Small Cap 600 Index, S&P 600 Food Products and S&P Real Estate.

The material in the above performance graph does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing, whether under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made on, before or after the date of this Annual Report on Form 10-K and irrespective of any general incorporation language in such filing, except to the extent the Company specifically incorporates this performance graph by reference therein.

Securities Authorized For Issuance Under Equity Compensation Plans

The following table provides summary information as of December 31, 2007, for our equity compensation plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	836,295	$ 32.51	379,500
Equity compensation plans not approved by security holders	133,333	$ 27.60	

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Item 6. SELECTED FINANCIAL DATA

The selected financial data set forth below for the five years ended December 31, 2007, should be read in conjunction with the consolidated financial statements and accompanying notes thereto, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this annual report.

	2007	2006	2005	2004	2003
	(in thousands except share amounts)				
FOR THE YEAR					
Summary of Operations					
Product revenues	$ 118,190	$ 137,741	$ 149,204	$ 115,715	$ 109,116
Service revenues	35,880	41,156	37,476	37,534	42,217
Cost of product revenues	55,107	65,488	73,537	71,226	74,832
Cost of service revenues	37,452	39,253	36,418	36,177	33,188
Shipping and marketing	16,450	16,528	14,446	15,621	19,379
General and administrative	37,998	41,939	38,425	29,347	30,537
Pineapple restructuring charges(1)	8,455				
Equity in income (losses) of affiliates	16,832	(5,340)	(484)	(727)	12,678
Interest expense	(2,647)	(775)	(521)	(1,159)	(2,526)
Interest income	985	1,367	443	23	167
Income tax (expense) benefit	(5,767)	(3,716)	(8,723)	528	(1,500)
Income (loss) from continuing operations	8,011	7,225	14,569	(457)	2,216
Discontinued operations, net of income taxes(2)				74	3,781
Net income (loss)	8,011	7,225	14,569	(383)	5,997
Earnings Per Common Share Basic					
Income (loss) from continuing operations	1.03	1.00	2.02	(0.06)	0.31
Discontinued operations, net of income taxes				0.01	0.52
Net income (loss)	1.03	1.00	2.02	(0.05)	0.83
Other Data					
Depreciation	$ 11,868	$ 12,374	$ 14,263	$ 10,040	$ 12,184
Return on beginning stockholders' equity	8.0%	7.9%	20.3%	(0.5)%	9.6%
Percent of net income (loss) to revenues	5.2%	4.0%	7.8%	(0.2)%	4.0%
AT YEAR END					
Current assets less current liabilities	$ (1,184)	$ 19,003	$ 8,900	$ 11,184	$ 23,567
Ratio of current assets to current liabilities	1.0	1.7	1.2	1.3	1.9
Property, net of accumulated depreciation	$ 140,547	$ 129,849	$ 96,935	$ 93,897	$ 95,048
Total assets	271,176	220,199	185,999	160,923	161,680
Long-term debt and capital leases	60,077	49,716	10,284	13,953	22,996
Stockholders' equity					
Amount	130,267	100,369	91,180	71,621	71,544
Per common share	$ 16.37	$ 13.77	$ 12.57	$ 9.91	$ 9.94
Common shares outstanding	7,959,154	7,287,779	7,254,779	7,226,550	7,195,800

(1) In 2007, we restructured our pineapple operations (Note 6 to consolidated financial statements).

(2) In 2003, we sold the Napili Plaza and substantially all of our Costa Rican pineapple assets. The operating results of these operations and the gains from the sales of these assets are reported as discontinued operations.

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 our consolidated financial statements and the related notes to those statements contained elsewhere in this annual report.

Overview of the Company

The Company operates as a landholding and operating parent company for its principal subsidiaries, including Maui Pineapple Company, Ltd. and Kapalua Land Company, Ltd. Our reportable segments are Agriculture, Resort and Community Development.

Agriculture

The Agriculture segment primarily includes growing, packing, and marketing of fresh premium pineapple. Our fresh pineapple is sold under the brand names *Maui Gold*® and Hawaiian Gold™. We also grow and market fresh organic pineapple. Through most of 2007, we also processed (canned) our pineapple, which we sold under buyers' private labels and to the United States government (Note 6 to consolidated financial statements).

Resort

The Resort segment includes our ongoing operations at the Kapalua Resort. These operations include two championship golf courses, a tennis facility, a vacation rental program, and several retail outlets. In late December 2007, our new Kapalua Adventure Center opened and in January 2008 our Mountain Outpost began operations.

Community Development

The Community Development segment includes our real estate entitlement, development, construction, sales and leasing activities. This segment also includes the operations of Kapalua Realty Company, a general brokerage real estate company, and Public Utilities Commission regulated water and sewage transmission operations located within Kapalua Resort. Beginning August 31, 2004, the Community Development segment includes our investment in Kapalua Bay Holdings, LLC (Note 4 to consolidated financial statements).

Current Developments

Private Placement of Common Stock In March, we raised approximately $14,900,000 in gross proceeds through a private placement of 517,242 shares of common stock. The funds were initially used to pay down our revolving credit facility.

Ritz-Carlton Land Sale In March, we sold the land underlying the Ritz-Carlton, Kapalua hotel and obtained an interest in a joint venture for the ownership of the hotel and surrounding property (Note 4 to consolidated financial statements).

Kapalua Bay Holdings Revenue Recognition In March, construction of the condominiums by Kapalua Bay Holdings, LLC had progressed to the point at which the joint venture began to recognize revenues and profit from sales of whole and fractional units on the percentage-of-completion method (Note 4 to consolidated financial statements).

Pineapple Operations In April, we concluded that as of June 30, 2007 we would cease the processing of substantially all solid-pack canned pineapple and focus primarily on premium fresh pineapple sales. Job fairs and re-employment transition activities were held throughout the remainder of the second quarter for the affected employees. In October and November most of our can-making and pineapple processing equipment was auctioned. In November, we concluded a consignment agreement with Calavo Growers, Inc. to sell, market and distribute *Maui Gold*® pineapple in the continental United States and Canada. The consignment arrangement began in December and most of our California sales office staff were laid off as of December 31 (Note 6 to consolidated financial statements).

Board Appointment and Annual Meeting of Shareholders In May, our shareholders (i) elected Miles R. Gilburne, and re-elected David A. Heenan and Kent T. Lucien as Class Two Directors; and (ii) approved an amendment to the Articles of Association to authorize an additional 14,000,000 shares of common stock.

LPGA In July, we entered into a five-year agreement with the Ladies Professional Golf Association, or LPGA, to annually host an official 72-hole stroke play tournament on the Bay Course beginning in October 2008, and we announced that LPGA player Morgan Pressel will be Kapalua Resort's official touring professional representing Kapalua Resort at LPGA tournaments.

Ritz-Carlton Closure In July, the Ritz-Carlton, Kapalua hotel closed for an extensive renovation and rooms conversion project and re-opened on December 28, 2007. The converted condominiums are expected to be available for sale starting March 15, 2008.

Mountain Adventure Center In August, we began design and construction of our mountain adventure center, which replaced the former Village Course clubhouse, and also began construction of zip-lines and various other mountain activities at a new mountain outpost location. The Adventure Center opened in December 2007 and the Mountain Outpost began operating in January 2008.

Bay Golf Course Closure In August, we closed the back-nine holes of the Bay Course to renovate and re-seed the greens. We reopened the course in December. Several greens and tees still need to be renovated so that the entire course will be completed in time for the second annual Kapalua LPGA tournament in 2009. This work will take place over 2008 and 2009 without the full closure of the course.

Line of Credit In November, we obtained a new $90 million secured revolving line of credit in a financing transaction led by Wells Fargo Bank, N.A. The financing will be used for working capital and development projects. Initial advances of approximately $17 million were used to repay the outstanding balance under our then existing $30 million line of credit, which was replaced by the new line of credit.

Restaurant Lease In December, we entered into a long term lease agreement with celebrity chef and restaurateur Peter Merriman to operate a new restaurant, Merriman's Kapalua, at the oceanfront site of our former Bay Club Restaurant. The Bay Club was closed in August 2004 and the new restaurant is expected to open in summer 2008.

Sales of Non-Core Property In 2007, we sold approximately 683 acres of Upcountry Maui land in five land sales transactions. These properties primarily consist of land that was deemed unsuitable for precision cultivation of pineapple and were also not suitable for creating new holistic development communities.

RESULTS OF OPERATIONS

Comparison of Years Ended December 31, 2007 and 2006

CONSOLIDATED

	Years Ended December 31,		
	2007	2006	change
	(in millions, except share amounts)		
Consolidated Revenues	$ 154.1	$ 178.9	$ (24.8)
Net Income	$ 8.0	$ 7.2	$ 0.8
Basic Earnings Per Common Share	$ 1.03	$ 1.00	$ 0.03

We reported net income of $8.0 million for 2007 compared to $7.2 million for 2006. For 2007, basic earnings per common share were $1.03 compared to $1.00 for 2006. Consolidated revenues of $154.1 million were 14% or $24.8 million lower in 2007 compared to 2006. The reduction in 2007 revenues was primarily due to a $17.7 million decrease in Agriculture segment revenues as a result of the restructuring that began in the second quarter of 2007 and to a $10.3 million decrease in the Resort segment revenues, largely because of the closure of the Village Course in February 2007, and the temporary closure of other facilities during 2007.

In 2007, we recognized over $44 million in pre-tax profit from the sale of non-core land parcels and the land underlying the Ritz-Carlton, Kapalua hotel. We also recognized over $16 million of income from our investment in Kapalua Bay Holdings, LLC. Losses from the Agriculture and Resort segments largely offset much of these gains.

General and Administrative

In 2007, general and administrative expenses decreased by 9% to $38.0 million compared to $41.9 million for 2006.

The major components of the difference in general and administrative expenses were as follows:

	Years Ended December 31,		
	2007	2006	change
	(in millions)		
Salaries and wages	$ 10.0	$ 12.0	$ (2.0)
Employee incentives and stock compensation	6.6	2.8	3.8
Professional and other outside services	7.7	6.8	0.9
Depreciation and asset write offs	1.8	6.4	(4.6)
Employee severance expense	0.3	2.7	(2.4)
Other (net)	11.6	11.2	0.4
Total	$ 38.0	$ 41.9	$ (3.9)

The reduction in salaries and wages in 2007 compared to 2006 is due primarily to Agriculture re-training charges that are included in 2006. At the end of June 2006, we began to operate our new fresh fruit packing facility, which is less labor intensive. In 2006, some of the Agriculture segment employees were taken out of operations and retrained for other work as the operations moved toward a less labor-intensive process and, in 2006, we incurred employee severance charges of $1.8 million as a result of the reduction in the Agriculture segment work force.

The increase in professional services in 2007 primarily reflects increases in actuarial services, largely because of the restructuring of the Agriculture business in 2007. In 2007, we also incurred outside consultant costs to evaluate and manage construction issues on our Kahului properties.

The increase in employee incentives and stock compensation was primarily due to restricted stock vesting in 2007 for certain officers and a payment of $1.1 million to David C. Cole, our Chairman, President & CEO because of an amendment to Mr. Cole's stock option agreement with the Company that reduced the value of the stock options. The stock option agreement was amended to eliminate adverse tax consequences to our Chairman imposed by section 409A of the Internal Revenue Code.

The reduction in depreciation expense charged to general and administrative expense is primarily due to acceleration of depreciation charges in 2006 for some of our Agriculture segment assets because of changes in our business and acceleration of depreciation charges for our accounting systems that were replaced in 2006.

General and administrative expenses are incurred at the corporate level and at the operating segment level. All general and administrative expenses incurred at the corporate level are allocated to our operating segments. Such allocations are made on the basis of our management's evaluation of services provided to the operating segments.

Interest Expense

Interest expense was $2,647,000 for 2007 compared to $775,000 for 2006. Interest incurred in 2007 was $3,812,000, of which $1,165,000 was capitalized to construction projects. Capital projects in 2007 included the Honolua Store renovation, the Kapalua Mountain Activity Center, and planning, design and entitlement work for various capital projects at Kapalua Resort. In 2006, interest incurred was $2,473,000, of which $1,698,000 was capitalized to construction projects. Capital projects under construction in 2006 included Honolua Ridge Phase II, Honolua Village at Kapalua Resort, the fresh fruit packing facility and offices, and replacement of our accounting systems. Our effective interest rate on borrowings was 7.5% in 2007 compared to 7.4% in 2006.

AGRICULTURE

	Years Ended December 31,		
	2007	**2006**	**change**
		(in millions)	
Revenues	$ 47.5	$ 65.2	$ (17.7)
% of consolidated revenues	*31%*	*36%*	
Operating Loss	$ (26.6)	$ (18.6)	$ (8.0)

The Agriculture segment produced an operating loss of $26.6 million for 2007 compared to an operating loss of $18.6 million for 2006. Revenues for 2007 were $47.5 million or 27% lower than 2006, primarily due to a reduction in sales of processed products. The principal reason for the increased operating loss is due to net charges totaling approximately $8.5 million that were recorded in 2007 related to the restructuring of our pineapple operations. In addition, the operating losses in 2007 reflect the time-related constraints to restructuring our pineapple operations, such as the growing period of our pineapple crop.

Effective as of June 30, 2007, we ceased the production of substantially all solid-packed pineapple products (Note 6 to consolidated financial statements). With the cessation of solid-pack canned products, we began to focus our business on the sale of fresh premium pineapple.

Results for 2006 included $4.0 million of accelerated depreciation charges related to assets where the estimated useful lives were reduced because of changes in our pineapple operations; $1.8 million of employee severance cost; $1.8 million of charges related to re-training employees; and $944,000 of material and supply write-offs. These Agriculture segment charges in 2006 were related to the move to the new fresh processing facility that went into operation in July 2006.

Fresh and Processed Operations

The case volume of fresh pineapple sales was lower by 10% for 2007 and revenue per case sold was higher by 12% in 2007 compared to 2006 reflecting higher per unit sales revenues. Improved pricing was due to improved fruit quality in 2007. The lower case sales volume in 2007 reflects premature ripening of fruit in 2006, which also produces lower quality fruit. Revenues from fresh pineapple sales represented approximately 59% of the Agriculture segment net sales for 2007, compared to approximately 44% for 2006, reflecting the refocusing of our business on the fresh fruit market.

The case volume of processed pineapple sales was 43% lower for 2007 as compared to 2006 primarily reflecting our plans to cease substantially all solid-pack production after June 30, 2007. The average sales prices for our processed pineapple products decreased by approximately 10% for 2007 compared to 2006, primarily because we sold relatively more juice in 2007, which has a lower sales value than canned fruit.

The Agriculture segment cost of sales was lower by approximately 12% in 2007 compared to 2006 as a result of lower sales volume of processed product. Per unit cost of sales was higher as a result of significantly lower canned product production due to the discontinuation of processing and selling solid-pack pineapple.

Shipping and marketing cost was approximately the same in 2007 as compared to 2006 as a result of higher per unit shipping costs being more than offset by lower sales volume. Per unit shipping costs were higher because of higher warehousing costs and higher ocean and surface transportation costs primarily reflecting higher fuel costs.

RESORT

	Years Ended December 31,		
	2007	**2006**	**change**
		(in millions)	
Revenues	$ 35.8	$ 46.1	$ (10.3)
% of consolidated revenues	*23%*	*26%*	
Operating Loss	$ (11.7)	$ (6.4)	$ (5.3)

The Resort segment reported an operating loss of $11.7 million for 2007 compared to an operating loss of $6.4 million for 2006. Resort segment revenues were $35.8 million or 22% lower for 2007 compared to 2006.

Hotel and condominium room occupancies at the Kapalua Resort and, to a somewhat lesser extent for Maui in general, largely drive resort activity as reflected by increased golf play and merchandise sales. In early April 2006, the Kapalua Bay Hotel held its final guest night and the hotel was permanently closed, resulting in approximately 20% fewer rooms available at the Kapalua Resort. In addition, the 548-room Ritz-Carlton, Kapalua hotel closed in July 2007 for extensive renovations. The hotel partially re-opened in December 2007. As expected, the reduction in available rooms has negatively affected the number of paid rounds of golf and retail sales.

The closure of the Village Course at the end of February 2007 and closure of the back-nine of the Bay Course for a comprehensive re-seeding of the greens in August 2007 also had a negative impact on Resort operating results. The Bay Course re-opened in December 2007, but the renovation will continue in 2008 and 2009 on the final greens without a course closure.

Golf, Retail and Villas

Revenues from golf operations and paid rounds of golf both decreased by approximately 28% for 2007 compared to 2006. Average green and cart fees increased by approximately 1% in 2007 compared to 2006. Resort retail sales for 2007 were approximately 22% lower than 2006. In addition to the closure of facilities at Kapalua Resort as mentioned above, retail sales were negatively affected by lower average square footage of retail space in 2007 reflecting the closure in May 2006 of our Logo Shop, Kids Shop and Home Store comprising approximately 5,800 square feet in the Kapalua Shops following the closure of the adjacent Kapalua Bay Hotel for the development of The Residences at Kapalua Bay; and the closure of our 1,900 square foot Kapalua Collections in our Honolua Village Center in July 2007 to make room for a Resort-wide welcoming, information and real estate sales center.

Revenues from the Kapalua Villas were approximately 13% lower in 2007 compared to 2006, reflecting a 20% decrease in occupied rooms partially offset by a 10% higher average room rate. The lower occupancy rate appears to be a trend throughout the Maui travel markets and was exacerbated by the closure of the Ritz-Carlton, Kapalua hotel, which is used as an amenity by our Kapalua Villas guests. There were approximately 7% fewer rooms available in 2007 partially reflecting units under renovation under our Kapalua Gold program to upgrade and standardize the units in our rental program.

COMMUNITY DEVELOPMENT

	Years Ended December 31,		
	2007	**2006**	**change**
		(in millions)	
Revenues	$ 68.1	$ 67.3	$ 0.8
% of consolidated revenues	*44%*	*38%*	
Operating Profit	$ 53.1	$ 36.2	$ 16.9

The Community Development segment reported an operating profit of $53.1 million for 2007 compared to $36.2 million for 2006. Revenues from this operating segment of $68.1 million in 2007 were $800,000 higher than 2006. Revenues and operating profit for 2007 include our sale of the land underlying the Ritz-Carlton, Kapalua hotel in March 2007, which resulted in revenues and operating profit of approximately $25 million (see Note 4 to consolidated financial statements).

Our equity in the income of Kapalua Bay Holdings, LLC was $16.8 million in 2007 compared to a loss of $5.3 million in 2006. In 2007, the joint venture began to recognize revenues and profits on the percentage-of-completion method from the whole and fractional residential condominiums. The percentage-of-completion of the six residential buildings in this project ranged from 15% to 60% as of the end of 2007. In connection with profit recognition under the percentage-of-completion method, we began to recognize a proportionate amount of the unrealized appreciation of the fair value of the land and other non-monetary contributions and other deferred costs related to the joint venture. See Note 4 to consolidated financial statements.

Real Estate Sales

Our Honolua Ridge Phase II subdivision consists of 25 agricultural-zoned lots, which began selling in August 2005. Through the end of 2007, 24 lot sales have closed escrow, eight of which closed in 2007. Revenues of $14.7 million were recognized in 2007 compared to revenues of $26.2 million from this project in 2006. In 2006, we were accounting for revenues and profit from Honolua Ridge Phase II on the percentage-of-completion method and the project was substantially complete as of December 31, 2006.

In 2007, we sold approximately 683 acres of Upcountry Maui property in five land sales transactions and recognized revenues of $19.9 million and a pre-tax gain of approximately $19.5 million from these land sales. In 2006, we recognized revenues of $33.5 million and a pre-tax gain of $31.6 million from the sale of approximately 2,200 acres of Upcountry Maui Land. The land sold in 2007 and 2006 had previously been earmarked as "non-core" to our strategic plans.

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 for this segment.

Comparison of Years Ended December 31, 2006 and 2005

CONSOLIDATED

	Years Ended December 31,		
	2006	2005	change
	(in millions, except per share amounts)		
Consolidated Revenues	$ 178.9	$ 186.7	$ (7.8)
Net Income	$ 7.2	$ 14.6	$ (7.4)
Earnings Per Common Share	$ 1.00	$ 2.02	$ (1.02)

We reported net income of $7.2 million ($1.00 per share) for 2006 compared to net income of $14.6 million ($2.02 per share) for 2005. Consolidated revenues were $178.9 million for 2006, a decrease of 4% from $186.7 million for 2005. The reduction in revenues in 2006 was due to a $9.3 million decrease from the Agriculture segment, $3.8 million from the Community Development segment, partially offset by a $5.3 million increase from the Resort segment.

In 2006 and 2005, we sold approximately 2,200 and 640 acres, respectively, of land and other real estate in Upcountry Maui and recognized profit of $31.6 million and $26.9 million (pre-tax), respectively. Income for 2006 and 2005 also includes approximately $8.8 million and $7.4 million (pre-tax), respectively, of asset write offs, accelerated depreciation, severance and other charges related to restructuring our operations and processes. Results for 2006 also include our equity in the losses of Kapalua Bay Holdings, LLC of $5.3 million, which primarily represents sales and marketing costs.

General and Administrative

In 2006, general and administrative expenses increased by 9.1% to $41.9 million compared to $38.4 million for 2005.

The major components of the difference in general and administrative expenses were as follows:

	Years Ended December 31,		
	2006	2005	change
	(in millions)		
Salaries and wages	$ 12.0	$ 9.0	$ 3.0
Employee severance expense	2.7	0.9	1.8
Professional and other outside services	6.8	7.1	(0.3)
Depreciation and asset write offs	6.4	7.3	(0.9)
Medical insurance premiums	3.5	3.7	(0.2)
Employee incentives and stock compensation	2.8	2.7	0.1
Other (net)	7.7	7.7	
Total	$ 41.9	$ 38.4	$ 3.5

Approximately $0.5 million of the increase in salaries and wages in 2006 was due to salaries and wages for our Agriculture segment personnel who were taken out of operations to be trained for other work. These employees were removed from the pineapple operations in connection with the transition to a less labor-intensive operation that is more focused on fresh fruit. The remaining increase in salaries and wages were the result of increases in personnel and wage adjustments. The increase in employee severance cost reflects the reduction in the Agriculture segment work force in September and October of 2006, severance accruals for the planned closure of the Village Course that occurred on February 28, 2007 and management changes in 2006.

The decrease in professional and other outside services primarily reflects costs incurred in 2005 to maintain and adjust the accounting system that was being used by our Agriculture segment. A decision was made in the fourth quarter of 2005 to replace accounting information technology systems and standardize our primary accounting systems and processes used by all of our businesses. In addition, the decrease in professional and other outside services costs in 2006 is due to higher costs incurred in 2005 to prepare us for compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

In 2005, after planning the construction of a fresh fruit packing facility adjacent to our Kahului cannery, we changed the estimated useful life of the affected assets and began the acceleration of depreciation of those assets. Plans regarding the construction of a new cannery and can plant were revised in January 2006, and accordingly, we prospectively revised depreciation charges on the cannery and plant. In 2005, we began the execution of our plans to replace all of our accounting systems and we began the acceleration of depreciation for those assets. These accounting system assets were fully depreciated in the first half of 2006, as the new accounting system was placed in service as of the beginning of the third quarter of 2006. In 2006 and 2005, we recorded charges of $2.0 million and $1.8 million, respectively, for the write-off of inventory, machinery, equipment, and deferred costs primarily because of changes in our businesses.

The reduction in medical insurance premium expense in 2006 primarily reflects the reduction in the Agriculture segment work force.

General and administrative expenses are incurred at the corporate level and at the operating segment level. All general and administrative expenses incurred at the corporate level are allocated to the operating segments. Such allocations are consistent with our management's evaluation of the services provided to the operating segments.

Interest Expense

Interest expense was $775,000 for 2006 compared to $521,000 for 2005. Interest incurred in 2006 was $2,473,000, of which $1,698,000 was capitalized to construction projects. Our major capital projects under construction in 2006 included Honolua Ridge Phase II, Honolua Village at Kapalua Resort, the fresh fruit packing facility and offices, and replacement of our accounting systems. In 2005, interest incurred was $1,263,000 of which $742,000 was capitalized. Our effective interest rate on borrowings was 7.4% in 2006 compared to 6.7% in 2005.

AGRICULTURE

	Years Ended December 31,		
	2006	**2005**	**change**
		(in millions)	
Revenues	$ 65.2	$ 74.5	$ (9.3)
% of consolidated revenues	*36%*	*40%*	
Operating Loss	$ (18.6)	$ (11.4)	$ (7.2)

The Agriculture segment reported an operating loss of $18.6 million for 2006 compared to an operating loss of $11.4 million for 2005. Revenues for 2006 were $65.2 million or 13% lower than 2005 primarily due to lower case volume of processed pineapple sales that was only partially offset by higher case volume of fresh pineapple sales.

Operating losses reported by the Agriculture segment for 2006 and 2005 include $4.0 million and $4.5 million, respectively, for asset write offs and accelerated depreciation charges related to assets where the estimated useful lives were reduced because of changes in our pineapple operations. The Agriculture segment also recorded $1.8 million for employee severance cost in 2006 primarily as a result of production efficiencies gained by the operation of the new fresh fruit packing plant and charges of $944,000 related to materials and supplies inventories that were considered obsolete with the change to the new packing facility that went into operation at the end of June 2006. In addition, the Agriculture segment recorded $1.8 million of charges related to re-training employees in 2006 compared to $1.1 million of re-training charges in 2005.

Processed and Fresh Operations

The case volume of fresh pineapple sales increased by 17% and the average revenue per case of fresh pineapple sold increased by less than 1% in 2006 compared to 2005. Revenues from fresh pineapple sales were approximately 45% of the Agriculture segment Product Revenues for 2006, compared to approximately 34% for 2005.

The case volume of processed pineapple sales decreased by 29% in 2006 as compared to 2005 primarily reflecting our strategy to reduce supply to selected retail market segments.

The Agriculture segment cost of sales was lower by 4% in 2006 compared to 2005, primarily reflecting the reduced sales volume of processed pineapple partially offset by the increased sales volume of fresh pineapple. The average per unit cost of sales for processed pineapple was higher in 2006 compared to 2005 because of the reduced tonnage of fruit being processed, while the average per unit cost of sales for fresh pineapple was lower primarily reflecting efficiencies that the operation is beginning to realize with the operation of the new fresh packing facility. In 2006 and 2005, there were partial liquidations of LIFO (last-in, first-out) inventories for our processed pineapple products, resulting in lower costs from prior years being charged to cost of sales. Based on current costs, the operating loss for the Agriculture segment for 2006 and 2005 would have increased by approximately $2.3 million and $2.9 million, respectively.

Agriculture segment shipping and marketing costs decreased by about 1% in 2006 compared to 2005, principally reflecting a lower volume of processed pineapple, partially offset by higher average cost for shipping and higher volume of fresh fruit shipments. The average shipping and selling cost for our fresh pineapple was lower in 2006 compared to 2005 primarily because in 2006 we shipped approximately 84% of our fresh product to the mainland United States by ocean transportation (as compared to air freight, which is more costly) compared to 75% in 2005. Changes in our cultivation practices, harvesting methods, and post-harvest handling have extended the shelf life of fresh fruit products enabling us to increase our reliance on surface transport to reach North American markets.

RESORT

	Years Ended December 31,		
	2006	**2005**	**change**
		(in millions)	
Revenues	$ 46.1	$ 40.8	$ 5.3
% of consolidated revenues	*26%*	*22%*	
Operating Loss	$ (6.4)	$ (5.8)	$ (0.6)

The Resort segment reported an operating loss of $6.4 million for 2006 compared to $5.8 million for 2005. Resort segment revenues were $46.1 million for 2006 compared to $40.8 million for 2005, an increase of 13%, as a result of higher revenues from the Kapalua Villas and from our golf operations primarily due to rate increases. The operating loss for 2006 includes $946,000 of employee severance expense, primarily reflecting the planned February 28, 2007 closure of the Village Course and management changes. The operating loss for 2006 also includes higher expenses in particular for advertising and promotions, utilities and allowance for doubtful accounts.

The Plantation Course was closed from April through July of 2005 for renovation of the greens and bunkers. The closure of that golf course for four months in 2005 negatively impacted the operating results from Resort operations in 2005 compared to 2006.

Hotel and condominium room occupancies at the Kapalua Resort and, to a somewhat lesser extent, for Maui in general, largely drive resort activity as reflected by increased golf play and merchandise sales. In early April 2006, the Kapalua Bay Hotel held its final guest night and the hotel was permanently closed. This closure resulted in approximately 20% fewer available rooms at Kapalua Resort and as expected, negatively affected the number of paid rounds of golf and retail sales in 2006.

Golf, Retail and Villas

Revenues from golf operations increased by 8% for 2006 compared to 2005. Overall, paid rounds of golf decreased by 6%, and average green and cart fees increased by 19% in 2006 compared to 2005.

Resort retail sales for 2006 were about 5% lower than sales in 2005. Lower retail sales reflect the closure of the Kapalua Bay Hotel and the closure of our Logo Shop, Kids Shop and Home Store in May 2006, and our Kapalua Collection Store in March 2006. These shops were adjacent to the hotel and represented approximately 6,600 square feet of retail area. In mid-October 2006, our new 1,900 square foot Kapalua Collections store featuring upscale resort wear opened at The Honolua Village Center in our central resort area.

Revenues from the Kapalua Villas increased in 2006 compared to 2005, primarily reflecting an 18% increase in the average room rates, partially offset by a lower number of occupied rooms. The increase in average room rates was due to a greater number of direct bookings and a more aggressive pricing strategy across all channels and product categories.

COMMUNITY DEVELOPMENT

Years Ended December 31,		
2006	**2005**	**change**