

MAUI LAND & PINEAPPLE CO INC
Form 10-K
March 08, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2006

OR

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

For the transition period from _____ to _____

Commission file number 1-6510

MAUI LAND & PINEAPPLE COMPANY, INC.

(Exact name of registrant as specified in its charter)

HAWAII
(State or other jurisdiction
of incorporation or organization)
120 KANE STREET, P. O. BOX 187,
KAHULUI, MAUI, HAWAII
(Address of principal executive offices)

99-0107542
(IRS Employer Identification
number)

96733-6687
(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
Common Stock, without Par Value

Name of Each Exchange on Which Registered
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 No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the

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past 90 days. Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and larger accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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

The aggregate market value, as of June 30, 2006, of the voting stock held by non-affiliates of the registrant was \$140,621,000 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 22, 2007, the number of shares outstanding of the registrant's common stock was 7,565,800.

Documents incorporated by reference:

Part III Portions of the proxy statement for the registrant's annual meeting of stockholders to be held on May 7, 2007, to be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2006. 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. (the Company) 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 comparable terminology. In particular, they include, among others and without limitation, statements relating to the:

- timing and success of the Residences at Kapalua Bay project;
- closing of lot sales at the Honolua Ridge agricultural subdivisions;
- timing and success of the sale of non-core properties;
- timing and success of the Kapalua Resort initiatives to enhance and improve the resort and the Kapalua Villas;
- expectations as to the Company's cash commitments;
- expectations as to the Company's cash flows from operating and investing activities;
- recoverability from operations of real estate development deferred costs and the net book value of Agriculture segment assets;
- impact of current and future local, state and national government regulations, including Maui County affordable housing legislation;
- shifting towards greater levels of fresh fruit production;
- 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, the Company may publish forward-looking statements as to those matters or other aspects of the Company's 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. The Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. The Company has based these forward-looking statements on current expectations and projections about future events.

The Company cautions 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 the Company's reports filed with the Securities and Exchange Commission.

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PART I

Item 1. BUSINESS

Overview

Maui Land & Pineapple Company, Inc. (the Company) 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 the Company alone, or the Company and its subsidiaries collectively.

The Company has three operating segments as follows:

- *Agriculture.* The Agriculture segment primarily includes growing, packing, processing, and marketing of processed and fresh pineapple. The fruit grown by the Company principally consists of three types of pineapple, *Maui Gold*® and Hawaiian Gold™ (usually sold as fresh, whole fruit), Champaka (largely used for canning) and fresh organic pineapple.
- *Resort.* The Resort segment includes our ongoing operations at the Kapalua Resort. These operations include three championship golf courses, a tennis facility, a vacation rental program (The Kapalua Villas), and several retail outlets. In 2006, responsibility for our Public Utilities Commission regulated water and sewage transmission operations that were accounted for in the Resort segment was transferred to the Community Development segment and prior year amounts were restated for comparability.
- *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 3 to the Consolidated Financial Statements).

For additional financial information about these segments, see Operating Segments, Note 17 to the Company's Consolidated Financial Statements.

2006 Business Development

This is a summary of material business developments in 2006. For more information about business developments in 2006, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in this annual report.

Kapalua Mauka In February, we received final zoning approval from the Maui County Council to change Kapalua Mauka's zoning from agricultural to West Maui Project District 2, which allows a mix of up to 690 homes and condominiums, five acres of commercial space, and up to 27 holes of golf.

Village Course In March, we concluded that we would close the Village Course in early 2007 and we entered into an agreement to design a new Kapalua Mauka golf course with T. J. F. Golf, Inc.

Board Appointment and Annual Meeting of Shareholders In March, the Board of Directors appointed Warren H. Haruki to fill the position as Class III Director that was left vacant by the resignation of Richard H. Cameron in May 2005. At our Annual Meeting of Shareholders in May, (i) David C. Cole, Walter A. Dods Jr. and Fred E. Trotter III were re-elected as Class I Directors; (ii) the number of authorized shares of common stock was increased by 1,000,000 shares in order to issue equity incentive awards under the Maui Land & Pineapple Company, Inc. 2006 Equity and Incentive Award Plan (the

2006 Plan); and (iii) the 2006 Plan was approved with a maximum aggregate of 1,000,000 shares of common stock that may be issued or transferred pursuant to awards granted thereunder.

Sales of Non-Core Property In March, we sold approximately 1,860 acres and in December we sold approximately 320 acres of Upcountry Maui land as we continued towards our goal of re-deploying assets to strengthen our Agriculture segment operations, repositioning our Resort operations and increasing investments in our Community Development segment. These properties primarily consist of land that was deemed unsuitable for precision cultivation of pineapple and were also not suitable for creating new holistic communities.

Kapalua Bay In early April, the Kapalua Bay Hotel held its final guest night and closed its doors. In conjunction with our joint venture partners in Kapalua Bay Holdings, LLC, we began the recycling and upcycling of all salvable materials with the intent of reusing over 90% of the material from the existing hotel. Demolition of the property commenced in July. In June, we began to finalize binding sales contracts for the whole-ownership units and in July we began sales of the fractional ownership units. Construction loan financing for this project was concluded in July.

Accounting and Corporate Services In May, our Resort and Community Development segments implemented a new accounting system and, in July, our Agriculture segment and corporate services implementation of the accounting system was completed. In August, we began implementation of our plans to centralize and reorganize our accounting and other corporate service functions.

Pulelehua In June, the Pulelehua project was approved by the State Land Use Commission and the County Planning Commission recommended approval of the project to the Maui County Council. We are currently in the process of securing a date for hearing of the project by the Maui County Council Land Use Committee.

Hawaii BioEnergy In July, we announced the formation of Hawaii BioEnergy LLC, an international consortium including our Company. The LLC will research the viability of renewable energy crops, products and services in the State of Hawaii.

Pineapple Operations In June, our new fresh fruit packing line at Kahului commenced operations. In September and early October, we terminated, through voluntary resignation and layoffs approximately 6% our work force as the improved technology of our new fresh fruit packing facility automated certain tasks.

Honolua Village Center In October, we held a grand opening for the first phase of Honolua Village Center, a 12,000 square foot commercial space in the central area of the Kapalua Resort.

Debt Commitments In 2006, we secured additional debt commitments by increasing an existing line of credit by \$10 million, concluding a term loan of \$10 million secured by the Company's Kahului cannery land and other real estate, and concluding equipment loans for the fresh fruit packing plant totaling \$7.5 million.

Description of Business

Agriculture

Maui Pineapple Company, Ltd. is the operating subsidiary for our Agriculture segment. We own and operate fully integrated facilities for the production of fresh and processed pineapple. Our current strategy is to expand our presence in the premium fresh pineapple market, while selectively reducing our reliance on the processed pineapple market. Therefore, over recent years, we have decreased the tonnage of fruit going to the cannery and, in the last few years, we began to commensurately reduce the number of markets for processed pineapple that we serve.

Our strategy focuses on marketing only the highest quality fresh pineapple by using the processed pineapple operations to complement the fresh operations. We direct fruit to either the processed or the fresh packing facility at the time of harvest based on a variety of factors, including market conditions, fruit size and fruit quality. In 2006, sales of fresh pineapple represented approximately 45% of net pineapple sales compared to 34% in 2005 and 24% in 2004. The transition of our Agriculture operations continues with an emphasis on automating many labor-intensive functions and upgrading the workforce through selective training and performance based compensation programs.

Planting, Harvesting and Seasonality

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. In addition, we have made significant progress in implementing improved crop maintenance and agronomic practices that are beginning to improve plant yields (tons of fruit per acre) and fruit quality. Planting and harvesting take place throughout the year. 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.

Our processed pineapple operations have historically had a seasonal operating cycle. The seasonality of the processing operation is not only due to the pineapple's natural tendency to ripen during the summer months, but also because the timing of initial planting and initiation of flowering can promote ripening during the summer. During the summer months, student labor for the harvesting and processing operations is also more readily available. As we shift our operations towards the fresh fruit market and accordingly, adjust our agronomic practices, the seasonality of the business is becoming less pronounced. In 2007, we expect to continue the transition of our pineapple operations with an increased emphasis on the fresh fruit market. The seasonality of the processing operation does not specifically affect sales or earnings because sales are driven by consumer consumption and resupply orders by customers.

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 saleable product per ton of fruit processed). A large portion of the fields in our Upcountry Maui plantation are equipped with drip irrigation systems. We are also 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 and additional irrigation storage capacity is also being installed.

Packing and Cannery Facilities

Harvested pineapple is packed for fresh shipment at our new packing facility located in Kahului, adjacent to our cannery. The new facility, which was placed into service in June 2006, is expected to reduce our overall cost structure by integrating and automating much of the fresh and processed fruit grading and packing operations. Pineapple that will be canned is processed at our cannery. The cannery is located in a foreign trade zone and operates most of the year. The metal containers used in canning pineapple are produced in a Company-owned can plant at the cannery site. The metal is imported from manufacturers in Japan. A warehouse is maintained at the cannery site for inventory purposes.

Products and Distribution

We sell fresh whole pineapple from Hawaii to retail and wholesale channels in Hawaii and the continental United States. Beginning in November 2005, our fresh premium pineapple has been sold under

the *Maui Gold*® (in addition to the Hawaiian Gold™) brand name. We sell processed pineapple products primarily as private label pineapple with 100% HAWAIIAN U.S.A. stamped on the can lid. Our products are sold principally to large grocery chains, other food processors, wholesale grocers, the United States government and to organizations offering a complete buyers brand program to affiliated chains and wholesalers serving both retail and food service outlets. A substantial volume of our pineapple products is marketed through food brokers, which is administered through our sales office in Concord, California.

We sell pineapple juice in plastic bottles in various sizes to large grocery chains in the continental United States. The pineapple juice ingredients are shipped in bulk from our cannery on Maui to co-packers on the mainland that bottle the juice to our specifications.

As a service to our customers, we maintain inventories of our products in seven public warehouses in the continental United States. The balance of our products is shipped directly from Hawaii to our customers. Our processed pineapple products are shipped from Hawaii by ocean transportation and are then transported by truck or rail to customers or to public warehouses. Fresh whole pineapple is shipped by air or by ocean transportation.

In 2006, approximately 20 United States customers accounted for approximately 49% of our processed and fresh pineapple sales. Sales of Hawaii grown pineapple to customers located in foreign countries, primarily to Japan and Canada, amounted to approximately 4% of our processed pineapple sales in 2006, and 2% in 2005 and 2004. Sales to the United States government, mainly the Department of Agriculture, amounted to approximately 25%, 29% and 35% of processed pineapple sales in 2006, 2005 and 2004, respectively.

Competition

We sell our products in competition with both foreign and United States companies. Our principal competitors are Dole Food Company, Inc., Del Monte Food Co., and Del Monte Fresh Produce Company, each of which produces substantial quantities of fresh and/or processed pineapple products, a significant portion of which is produced in Central America and Southeast Asia. Other major sources of competition in the processed pineapple sector are Thailand and Indonesia. Foreign production has the advantage of lower land, water, labor, and regulatory costs. Our principal marketing advantages are the premium quality of our fresh and processed pineapple, the relative proximity to the United States West Coast fresh fruit market, and being the only processor of pineapple in the United States. The price of our products is influenced by supply and demand of pineapple products and other fruits and juices.

In November 2006, Del Monte Fresh Produce (Hawaii) Inc. announced the immediate closure of its Hawaii fresh pineapple operations. This immediate removal of a substantial volume of pineapple provides opportunity for us to increase our fresh pineapple market share in Hawaii and to leverage the regional branding attributes of Hawaiian grown pineapple to mainland United States customers.

Resort

Kapalua Land Company, Ltd. is the operating subsidiary of our Resort segment, which operates the Kapalua Resort, a master-planned, golf resort community on Maui's northwest coast. The Kapalua Resort is part of approximately 22,500 acres of our land-holdings in West Maui, most of which remain as conservation or open space.

Presently, the Kapalua Resort development 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, the tennis facility,

retail shops, a vacation rental program (The Kapalua Villas), and certain services to the Resort. We had 260 units in our Kapalua Villas short-term rental program at December 31, 2006. 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 as of February 28, 2007.

In 2006, we continued working on several major new initiatives to improve and revitalize the Kapalua Resort. The Honolua Village Center, a 12,000 square foot commercial space in the central area of Kapalua Resort opened in October 2006 and includes 1,900 square feet of retail area for our new Kapalua Collections retail outlet. Some of our current Resort projects include plans for additional amenities, renovation of certain facilities and a trail system that will run along the ocean, through the mountains and encompass the entire resort. In 2005, the Resort segment began to implement the Kapalua Gold program to upgrade and standardize The Kapalua Villas in our rental program, as well as other initiatives to enhance and improve the Kapalua Resort. Currently, we have completed the renovation of approximately 50 Kapalua Gold Villas.

We also 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. Through the non-profit organization, Kapalua Maui Charities, Inc., 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 of the Kapalua Resort include:

- WhaleQuest at Kapalua, an annual event that commenced in February 2006 to celebrate the annual migration of North Pacific Humpback Whales to Hawaiian waters, and includes lectures, tours and educational workshops;
- Celebration of the Arts, an annual event held in April 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 July that attracts world-famous winemakers, chefs and visitors to Kapalua for a series of wine tasting, festive gatherings and gourmet meals.

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 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 within the central area of 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.

We are the ground lessor under a long-term lease for The Ritz-Carlton, Kapalua Hotel. We also receive rental income from certain other commercial and residential properties. 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, 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. In April 2006, the Kapalua Bay Hotel was closed and demolition of the property began in July in connection with the construction of The Residences at Kapalua Bay project. See Other Assets Kapalua Bay Holdings, LLC, Note 3 to the 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 1,500 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	675	Yes
Other Kapalua Resort and West Maui	528	No
Upcountry	305	No

Honolua Ridge Phase I and II are comprised of a total 50 agricultural lots ranging from three to 30 acres, with list sales prices ranging from \$895,000 to \$6.5 million. We began selling Phase I in 2004 and Phase II in 2005. As of December 31, 2006, all Phase I lots had been sold and there were nine unsold lots remaining in Honolua Ridge Phase II.

In 2006, we sold 2,200 acres of non-core properties in three transactions that resulted in net cash sales proceeds of \$27.6 million. See Real Estate Sales, Note 7 to the Consolidated Financial Statements.

Some of the 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.
- *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 50,000 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.

- *The Residences at Kapalua Bay:* This project includes the construction of approximately 146 units that will be sold as whole ownership and fractional ownership residences, a clubhouse, pool, spa and other amenities on the site of the former Kapalua Bay Hotel. Demolition of the hotel and construction began in July of 2006. Together with our joint venture partners we began the recycling and upcycling of all salvable materials with the intent of reusing over 90% of the material from the existing hotel after closure of the hotel in early April. In June, we began to finalize binding sales contracts for the whole-ownership units and in July we began sales of the fractional ownership units. Construction loan financing for this project was concluded in July.
- *Hali`imaile Town:* This new town in Upcountry Maui will be a holistic traditional community where agriculture, education, and sustainability are core design elements. A series of community design workshops were held in March 2006 to involve the Maui community in determining the vision for this expansion of the 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 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 2006, we employed approximately 1,195 people. Agricultural operations employed approximately 370 full-time and approximately 309 seasonal or intermittent employees. Approximately 64% of the Agricultural operations employees were covered by collective bargaining agreements. Resort operations employed approximately 430 employees, of which approximately 7% were part-time employees and approximately 28% were covered by collective bargaining agreements. The Community Development segment employed approximately 25 employees, and corporate and support services employed approximately 61 employees in 2006.

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 \$1,078,000 in 2006, \$530,000 in 2005 and \$695,000 in 2004.

We have reviewed our compliance with federal, state and local provisions that regulate the discharge of materials into the environment or 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 Commitments and Contingencies, Note 18 to the Consolidated Financial Statements.

Financial Information about Geographic Areas

Revenues and long-lived assets attributable to foreign countries were not material for the last three years. See Discontinued Operations, Note 4 to the Consolidated Financial Statements.

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 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 its 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 furnishes 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 1, 2007, are listed below. The current terms of the executive officers expire in May 2007, or at such time as their successors are elected.

David C. Cole (54)

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 (48)

Mr. Webber has served as Chief Financial Officer and Senior Vice President of Business Development since April 2006. 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.

Brian C. Nishida (50)

Mr. Nishida has served as Executive Vice President/Agriculture of the Company since June 2004; President and Chief Executive Officer, Maui Pineapple Company, Ltd. since January 2004. He served as Vice President and General Manager, Del Monte Fresh Produce (Hawaii) Inc., a vertically integrated producer, marketer and distributor of fresh and fresh-cut prepared fruit and vegetables, juices, beverages, snacks and desserts from 1985 to 2003.

Robert M. McNatt (59)

Mr. McNatt has served as Executive Vice President/Community Development since February 2005; Senior Vice President/Land Planning & Development 2004 to 2005; Vice President/Land Planning & Development 2001 to 2004; Vice President/Development of Kapalua Land Company, Ltd., the land development and resort operating subsidiary of the Company since 1996.

Fred W. Rickert (63)

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.

Item 1A. RISK FACTORS

Our success depends in large part upon the continued services of a number of significant employees, the loss of which could adversely affect 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. We do not currently carry key man insurance on any of these individuals, and 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 materially 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 dependant 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 materially adverse affect on our financial results.

Recent 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 Policy also sets forth certain requirements for offering affordable units, including a lottery format for selecting potential residents. We believe that this feature will open affordable projects to any party based solely on economic qualifications and chance. Ironically, the lottery requirement may serve as an additional disincentive to build affordable housing projects for local employees, teachers, public safety personnel, health care professionals and other workers that provide critical services for our community. These factors will result in a re-assessment of planned projects with significant affordable housing components designated for local residents, such as our previously-announced Pulelehua project.

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 and 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, LLC.

Kapalua Bay, LLC, a wholly owned subsidiary of Kapalua Bay Holdings, LLC, 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 intends to construct 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 Kapalua Bay Holdings entered into a completion guaranty and a recourse guaranty. Under the completion guaranty, members of Kapalua 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 Kapalua Bay Holdings agreed to reimburse Lehman for losses incurred by Lehman due to specified actions of Kapalua 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 materially and adversely affect our results of operations and financial condition.

If ancient human remains continue to be uncovered at the construction site of the Residences at Kapalua Bay project, our expected financial returns from the project could be negatively impacted.

In mid-December 2006, in the process of excavation work at The Residences at Kapalua Bay project, two sets of ancient human remains were found. Construction was halted at the two locations where the remains were found and we have been working with the State Historic Preservation Division and the Maui/Lanai Island Burial Council to determine the best plan of action for the remains. At a minimum, we will need to remove and re-intern the remains. The discovery of additional remains, a concentration of remains in an area or pervasive findings of remains could result in the need to redesign portions of the project. The discovery of ancient remains at job sites in Hawaii are relatively common , but can result in substantial additional cost and fewer units available for sale.

If we cannot attract and retain skilled workers for our resort operations, 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 proposes to pay our fair share for the provision of affordable housing 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 owns or operates 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 products in competition with both foreign and United States companies. Our principal competitors are three companies, Dole Food Company, Inc., Del Monte Food Co., and Del Monte Fresh Produce Company, each of which produce substantial quantities of pineapple products, a significant portion of which is produced in Central America and Southeast Asia. Other producers of pineapple products in Thailand and Indonesia also are a major source of competition. Producers of pineapple in foreign countries have substantially lower land, water, labor, and regulatory costs than we do.

Our marketing strategy is to compete based on the premium quality of our fresh pineapple product and being the only company that cans all of its pineapple in the United States. If we cannot compete effectively with these larger companies and lower cost producers, our financial results could be adversely affected.

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. We have diversified growing regions in Central and West Maui to mitigate some of these weather-related risks.

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

The fresh and processed pineapple 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.

One customer has provided a substantial portion of our processed pineapple sales; the loss of this customer may have a material adverse effect on operating results.

The United States government represented approximately 25%, 29% and 35% of our processed pineapple sales for 2006, 2005 and 2004, respectively. It is difficult to predict whether the United States government will continue to represent such a significant portion of our processed pineapple sales in the future because we do not have a long-term contract to supply pineapple to the government. If we were to lose the United States government as a customer, our operating results would 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.

We rely upon co-packers to provide our supply of some products, and any failure by co-packers to fulfill their obligations could adversely affect our financial performance.

We sell pineapple juice and pineapple juice in plastic bottles of various sizes to large grocery chains in the continental United States. The pineapple juice ingredients are shipped in bulk from our cannery on Maui to co-packers on the mainland that bottle the juice to our specifications under certain co-pack agreements. The failure for any reason of any such co-packer to fulfill its obligations under the applicable agreements with us could result in disruptions to our supply of finished goods and have an adverse effect on our financial performance. We cannot provide assurance that a new arrangement would be available on terms as favorable to us as the existing co-pack arrangement, if at all.

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

The Company owns approximately 25,400 acres of land on Maui. Approximately 24% of the acreage is used directly or indirectly in the Company's 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 the Company's

balance sheet at cost. The Company believes it has 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 the Company's \$25 million revolving loan agreement;
- a mortgage on the three golf courses at Kapalua, which secures the Company's \$30 million revolving credit facility;
- a mortgage on approximately 20 acres comprising the Kahului cannery property, which secures the Company's \$10 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 the Company's land in various locations on which multiple claims exist, for some of which the Company is securing clean title; and
- a mortgage on 249 acres of Company land that secures a \$4.2 million loan to Maui Preparatory Academy, or MPA, a new private middle school in West Maui. The Company has an agreement to sell 15 acres of the parcel to MPA for \$100, and is in the process of subdividing the parcel.

Approximately 21,890 acres of the Company's land are located in West Maui, approximately 3,500 acres are located in Upcountry Maui and approximately 28 acres are located in Kahului, Maui.

The 21,890 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 the Company's West Maui pineapple plantation and approximately 1,645 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. Approximately 1,700 acres are used for the Company's Agriculture operations in the Company's Upcountry pineapple plantation and fresh fruit packing facility.

The Kahului acreage includes the Company's administrative offices, a fresh fruit packing facility, a can manufacturing plant, and a pineapple cannery with interconnected warehouses at the cannery site where finished product is stored.

Approximately 3,000 acres of leased land are used in the Company's Agriculture operations under ten leases expiring at various dates through 2018. The Company paid \$545,000 in 2006 for the aggregate land rental for all leased land in agricultural production.

Item 3. LEGAL PROCEEDINGS

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

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's stockholders during the fourth quarter of fiscal year 2006.

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

The Company's common stock is traded on the American Stock Exchange under the symbol MLP. The Company did not declare any dividends in 2006 and 2005. The declaration and payment of cash dividends are restricted by the terms of borrowing arrangements to 30% of prior year's net income. As of February 16, 2007, there were 399 shareholders of record.

The following chart reflects high and low sales prices during each of the quarters in 2006 and 2005:

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2006	High	\$ 39.40	\$ 39.10	\$ 37.60	\$ 33.99
	Low	33.80	34.87	29.52	29.27
2005	High	\$ 47.20	\$ 44.35	\$ 39.30	\$ 35.75
	Low	36.26	36.34	29.60	26.75

The Company did not repurchase any shares of common stock during the fiscal year ended December 31, 2006.

Shareholder Return Performance Graph

Set forth below is a graph comparing the cumulative total Shareholder return on Company's Common Stock against the cumulative total return of the S&P Small Cap 600 Index and the S&P 600 Food Products. The historical stock price performance of the Company's Common Stock shown in the performance graph below is not necessarily indicative of future stock price performance.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN

* \$100 invested on December 31, 2001 in common stock of Maui Land & Pineapple Company, Inc., S&P Small Cap 600 Index and S&P 600 Food Products.

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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, 2006, for our equity compensation plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	663,500	\$ 35.24	502,500
Equity compensation plans not approved by security holders	66,667 (1)	\$ 19.70	0
	133,333 (1)	27.60	0

(1) Options to purchase 200,000 shares of Company common stock were granted in 2003 to David C. Cole under an Option Agreement, effective as of his employment start date of October 15, 2003. The exercise price for the options was \$19.70 per share, the fair market value of the Company's Common Stock on August 11, 2003, the date on which the stock compensation was agreed to in connection with Mr. Cole's employment with the Company. Section 409A of the Internal Revenue Code imposed significant additional taxes on stock options granted with an exercise price lower than the fair market value on the date of grant that vest after December 31, 2004. In order to eliminate those adverse tax consequences, on August 7, 2006, the Company and Mr. Cole entered into an amendment to Mr. Cole's Stock Option Agreement dated October 6, 2003. The amendment changed the exercise price for 133,333 shares of our common stock underlying the option from \$19.70 to \$27.60, the fair market value of our common stock as of the effective date of the option grant. All of the options were exercisable as of October 2006 and the options terminate in October 2013.

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Item 6. SELECTED FINANCIAL DATA

The selected financial data set forth below for the five years ended December 31, 2006, should be read in conjunction with the Consolidated Financial Statements and accompanying notes thereto.

	2006	2005	2004	2003	2002
	(in thousands except share amounts)				
FOR THE YEAR					
Summary of Operations					
Operating revenues	\$ 178,897	\$ 186,680	\$ 153,249	\$ 151,333	\$ 147,627
Cost of sales	65,488	73,537	71,226	74,832	79,582
Operating expenses	39,253	36,418	36,177	33,188	32,888
Shipping and marketing	16,528	14,446	15,621	19,379	18,746
General and administrative	41,939	38,425	29,347	30,537	22,679
Equity in earnings (losses) of affiliates	(5,340)	(484)	(727)	12,678	(1,178)
Interest expense	(775)	(521)	(1,159)	(2,526)	(2,389)
Interest income	1,367	443	23	167	114
Income tax (expense) benefit	(3,716)	(8,723)	528	(1,500)	3,697
Income (loss) from continuing operations	7,225	14,569	(457)	2,216	(6,024)
Discontinued operations, net of income taxes(1)			74	3,781	315
Net income (loss)	7,225	14,569	(383)	5,997	(5,709)
Earnings Per Common Share Basic					
Income (loss) from continuing operations	1.00	2.02	(.06)	.31	(.83)
Discontinued operations, net of income taxes			.01	.52	.04
Net income (loss)	1.00	2.02	(.05)	.83	(.79)
Other Data					
Depreciation and amortization	\$ 12,374	\$ 14,263	\$ 10,040	\$ 12,184	\$ 11,072
Return on beginning stockholders equity	7.9 %	20.3 %	(0.5)%	9.6 %	(7.8)%
Percent of net income (loss) to revenues	4.0 %	7.8 %	(0.2)%	4.0 %	(3.9)%
AT YEAR END					
Current assets less current liabilities(2)	\$ 19,003	\$ 8,900	\$ 11,184	\$ 23,567	\$ 25,502
Ratio of current assets to current liabilities(2)	1.7	1.2	1.3	1.9	1.9
Property, net of accumulated depreciation	\$ 129,849	\$ 96,935	\$ 93,897	\$ 95,048	\$ 112,198
Total assets	220,199	185,999	160,923	161,680	184,195
Long-term debt and capital leases	49,716	10,284	13,953	22,996	43,252
Stockholders equity					
Amount	100,369	91,180	71,621	71,544	62,739
Per common share	\$ 13.77	\$ 12.57	\$ 9.91	\$ 9.94	\$ 8.72
Common shares outstanding	7,287,779	7,254,779	7,226,550	7,195,800	7,195,800

(1) In 2003, the Company sold the Napili Plaza and substantially all of its Costa Rican pineapple assets. The operating results of these operations and the gains from the sales of these assets are reported as discontinued operations. Prior period amounts have been restated for comparability.

(2) Current assets less current liabilities and the ratio of current assets to current liabilities for 2005 and 2004 are relatively low primarily because of an increase in deferred revenues related to the Honolua Ridge lot sales. See Deferred Revenues, Note 6 to the Consolidated Financial Statements.

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

Agriculture

The Agriculture segment primarily includes growing, packing, processing, and marketing of processed and fresh pineapple. The fruit grown by the Company principally consists of three types of pineapple *Maui Gold*® and Hawaiian Gold™ (usually sold as fresh, whole fruit), Champaka (largely used for canning), and fresh organic pineapple.

Resort

The Resort segment includes our ongoing operations at the Kapalua Resort. These operations include three championship golf courses (two golf courses after February 2007), a tennis facility, a vacation rental program, and several retail outlets.

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 the Company's investment in Kapalua Bay Holdings, LLC. See Other Assets - Kapalua Bay Holdings, LLC, Note 3 to the Consolidated Financial Statements.

Current Developments

Kapalua Mauka In February, we received final zoning approval from the Maui County Council to change Kapalua Mauka's zoning from agricultural to West Maui Project District 2, which allows a mix of up to 690 homes and condominiums, five acres of commercial space, and up to 27 holes of golf.

Village Course In March, we concluded that we would close the Village Course in early 2007 and we entered into an agreement to design a new Kapalua Mauka golf course with T. J. F. Golf, Inc.

Board Appointment and Annual Meeting of Shareholders In March, the Board of Directors appointed Warren H. Haruki to fill the position as Class III Director that was left vacant by the resignation of Richard H. Cameron in May 2005. At our Annual Meeting of Shareholders in May, (i) David C. Cole, Walter A. Dods Jr. and Fred E. Trotter III were re-elected as Class I Directors; (ii) the number of authorized shares of common stock was increased by 1,000,000 shares in order to issue equity incentive awards under the Maui Land & Pineapple Company, Inc. 2006 Equity and Incentive Award Plan (the 2006 Plan); and (iii) the 2006 Plan was approved with a maximum aggregate of 1,000,000 shares of common stock that may be issued or transferred pursuant to awards granted thereunder.

Sales of Non-Core Property In March, we sold approximately 1,860 acres and in December we sold approximately 320 acres of Upcountry Maui land as we continued towards our goal of re-deploying assets

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to strengthen our Agriculture segment operations, repositioning our Resort operations and increasing investments in our Community Development segment. These properties primarily consist of land that was deemed unsuitable for precision cultivation of pineapple and were also not suitable for creating new holistic communities.

Kapalua Bay In early April, the Kapalua Bay Hotel held its final guest night and closed its doors. In conjunction with our joint venture partners in Kapalua Bay Holdings, LLC, we began the recycling and upcycling of all salvable materials with the intent of reusing over 90% of the material from the existing hotel. Demolition of the property commenced in July. In June, we began to finalize binding sales contracts for the whole-ownership units and in July we began sales of the fractional ownership units. Construction loan financing for this project was concluded in July.

Accounting and Corporate Services In May, our Resort and Community Development segments implemented a new accounting system and, in July, our Agriculture segment and corporate services implementation of the accounting system was completed. In August, we began implementation of our plans to centralize and reorganize our accounting and other corporate service functions.

Pulelehua In June, the Pulelehua project was approved by the State Land Use Commission and the County Planning Commission recommended approval of the project to the Maui County Council. We are currently in the process of securing a date for hearing of the project by the Maui County Council Land Use Committee.

Hawaii BioEnergy In July, we announced the formation of Hawaii BioEnergy LLC, an international consortium including our Company. The LLC will research the viability of renewable energy crops, products and services in the State of Hawaii.

Pineapple Operations In June, our new fresh fruit packing line at Kahului commenced operations. In September and early October, we terminated, through voluntary resignation and layoffs approximately 6% our work force as the improved technology of our new fresh fruit packing facility automated certain tasks.

Honolua Village Center In October, we held a grand opening for the first phase of Honolua Village Center, a 12,000 square foot commercial space in the central area of the Kapalua Resort.

Debt Commitments In 2006, we secured additional debt commitments by increasing an existing line of credit by \$10 million, concluding a term loan of \$10 million secured by our Kahului cannery land and other real estate, and concluding equipment loans for the fresh fruit packing plant totaling \$7.5 million.

RESULTS OF OPERATIONS

Comparison of Years Ended December 31, 2006 and 2005

CONSOLIDATED

	Years Ended December 31,		
	2006	2005	difference
	(in millions, except per share amounts)		
<i>Consolidated Revenues</i>	\$ 178.9	\$ 186.7	\$ (7.8)
<i>Net Income</i>	\$ 7.2	\$ 14.6	\$ (7.4)
<i>Earnings Per Common Share</i>	\$ 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. 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-

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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. The reduction in revenues in 2006 was due to a \$9.3 million decrease from the Agriculture segment, \$3.7 million from the Community Development segment, partially offset by a \$5.3 million increase from the Resort segment.

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,		difference
	2006	2005	
	(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		