

HMG COURTLAND PROPERTIES INC  
Form 10-Q  
May 15, 2013

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the Quarterly period ended March 31, 2013

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 1-7865

HMG/COURTLAND PROPERTIES, INC.

(Exact name of small business issuer as specified in its charter)

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Delaware 59-1914299  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

1870 S. Bayshore Drive, Coconut Grove, Florida 33133  
(Address of principal executive offices) (Zip Code)

305-854-6803

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Sections 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the exchange Act).

Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. 974,526 Common shares were outstanding as of May 15, 2013.

**HMG/COURTLAND PROPERTIES, INC.**

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Cautionary Statement. This Form 10-Q contains certain statements relating to future results of the Company that are considered "forward-looking statements" within the meaning of the Private Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied as a result of certain risks and uncertainties, including, but not limited to, changes in political and economic conditions; interest rate fluctuation; competitive pricing pressures within the Company's market; equity and fixed income market fluctuation; technological change; changes in law; changes in fiscal, monetary, regulatory and tax policies; monetary fluctuations as well as other risks and uncertainties detailed elsewhere in this Form 10-Q or from time-to-time in the filings of the Company with the

Securities and Exchange Commission. Such forward-looking statements speak only as of the date on which such statements are made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

**HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2013 (UNAUDITED)	December 31, 2012
<b>ASSETS</b>		
Investment properties, net of accumulated depreciation:		
Office building and other commercial property	\$ 822,022	\$ 826,061
Total investment properties, net	822,022	826,061
Cash and cash equivalents	23,640,176	1,510,773
Assets associated with real estate interests held for sale	100,000	18,098,789
Investments in marketable securities	2,519,208	2,158,330
Other investments	3,468,270	3,603,655
Investment in affiliate	2,578,474	2,547,572
Loans, notes and other receivables	1,307,813	295,562
Notes and advances due from related parties	699,313	696,909
Deferred taxes	173,000	698,000
Other assets	63,550	36,731
<b>TOTAL ASSETS</b>	<b>\$ 35,371,826</b>	<b>\$ 30,472,382</b>
<b>LIABILITIES</b>		
Note payable to affiliate	\$ 2,814,379	\$ 2,814,379
Accounts payable, accrued expenses and other liabilities	83,153	46,550
Due to Adviser	2,063,133	—
Income tax payable	839,000	—
Obligations associated with real estate interests held for sale	—	13,383,821
<b>TOTAL LIABILITIES</b>	<b>5,799,665</b>	<b>16,244,750</b>
<b>STOCKHOLDERS' EQUITY</b>		
Excess common stock, \$1 par value; 100,000 shares authorized: no shares issued	—	—
Common stock, \$1 par value; 1,200,000 shares authorized and 974,526 and 969,526 issued and outstanding as of March 31, 2013 and December 31, 2012, respectively.	974,526	969,526
Additional paid-in capital	24,148,217	24,129,031
Undistributed gains from sales of properties, net of losses	60,113,390	41,572,120
Undistributed losses from operations	(55,921,475)	(54,377,617)
Accumulated other comprehensive loss	—	(982,500)
Total stockholders' equity	29,314,658	11,310,560
Non controlling interest	257,503	2,917,072
<b>TOTAL EQUITY</b>	<b>29,572,161</b>	<b>14,227,632</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 35,371,826</b>	<b>\$ 30,472,382</b>

*See notes to the condensed consolidated financial statements*

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**HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

	For the three months ended March 31,	
	2013	2012
<b>REVENUES</b>		
Real estate rentals and related revenue	\$ 16,200	\$ 16,075
<b>EXPENSES</b>		
Operating expenses:		
Rental and other properties	16,405	36,099
Adviser's base fee	255,000	255,000
General and administrative	96,683	88,406
Professional fees and expenses	68,807	12,342
Directors' fees and expenses	22,500	24,750
Depreciation and amortization	4,039	4,039
Interest expense	22,572	25,770
Total expenses	486,006	446,406
Loss before other income and income taxes	(469,806 )	(430,331 )
Net realized and unrealized gains from investments in marketable securities	102,643	92,142
Net income from other investments	89,618	47,548
Other than temporary impairment losses from other investments	—	(27,666 )
Interest, dividend and other income	41,826	34,227
Total other income	234,087	146,251
Loss before income taxes	(235,719 )	(284,080 )
Provision for (benefit from) income taxes	—	(4,000 )
Loss from continuing operations	(235,719 )	(280,080 )
Income from discontinued operations	17,305,749	464,989
Net income	17,070,030	184,909
Noncontrolling interests in continuing operations	(12,339 )	(3,261 )
Noncontrolling interests in discontinued operations	(60,279 )	(113,027 )
Net income attributable to noncontrolling interest	(72,618 )	(116,288 )
Net income attributable to the Company	\$ 16,997,412	\$ 68,621
Amounts attributable to the Company		
Continuing operations	(248,058 )	(283,341 )
Discontinued operations	17,245,470	351,962



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Net income attributable to the Company	\$16,997,412	\$68,621
Weighted average common shares outstanding-basic	970,526	1,010,426
Weighted average common shares outstanding-diluted	1,016,191	1,010,426
Net income (loss) per common:		
Continuing operations basic and diluted	\$(0.26	) \$(0.28
Discontinued operations-basic	\$17.77	\$0.35
Discontinued operations-diluted	\$16.97	\$0.35
Basic net income per share	\$17.51	\$0.07
Diluted net income per share	\$16.73	\$0.35
Other comprehensive income:		
Unrealized gain on interest rate swap agreement	\$982,500	\$69,000
Total other comprehensive income	982,500	69,000
Comprehensive income	\$17,979,912	\$137,621

*See notes to the condensed consolidated financial statements*

**HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	For the three months ended March 31,	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income attributable to the Company	\$ 16,997,412	\$ 68,621
Adjustments to reconcile net income attributable to the Company to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,039	223,491
Non-employee stock compensation expense	186	4,485
Net income from other investments, excluding impairment losses	(89,618 )	(28,529 )
Other than temporary impairment losses from other investments	—	27,666
Gain from the sale of discontinued operations	(17,245,470)	
Net gain from investments in marketable securities	(102,643 )	(92,142 )
Net income attributable to non controlling interest	12,339	116,288
Deferred income tax benefit	—	(4,000 )
Changes in assets and liabilities:		
Other assets and other receivables	(63,737 )	146,589
Accounts payable, accrued expenses and other liabilities	36,603	34,245
Total adjustments	(17,448,301)	428,093
Net cash (used in) provided by operating activities	(450,889 )	496,714
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of discontinued operations	22,620,426	—
Purchases and improvements of properties	—	(82,518 )
Distributions from other investments	217,351	107,058
Contributions to other investments	(23,250 )	(73,190 )
Net proceeds from sales and redemptions of securities	193,271	446,698
Purchase of marketable securities	(451,506 )	(226,233 )
Net cash provided by investing activities	22,556,292	171,815
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Stock options exercised	24,000	
Repayment of mortgages and notes payables	—	(113,930 )
Net cash provided by (used in) financing activities	24,000	(113,930 )
Net increase in cash and cash equivalents	22,129,403	554,599
Cash and cash equivalents at beginning of the period	1,510,773	2,366,363
Cash and cash equivalents at end of the period	\$ 23,640,176	\$ 2,920,962

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for interest	\$23,000	\$221,000
Cash paid during the period for income taxes	—	\$—
Non-cash Investing Activities:		
Note receivable received for sales of discontinued operations	\$1,000,000	\$—

*See notes to the condensed consolidated financial statements*

**HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements prepared in accordance with instructions for Form 10-Q, include all adjustments (consisting only of normal recurring accruals) which are necessary for a fair presentation of the results for the periods presented. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the Company's Annual Report for the year ended December 31, 2012. The balance sheet as of December 31, 2012 was derived from audited consolidated financial statements as of that date. The results of operations for the three months ended March 31, 2013 are not necessarily indicative of the results to be expected for the full year.

The condensed consolidated financial statements include the accounts of HMG/Courtland Properties, Inc. (the "Company") and entities in which the Company owns a majority voting interest or controlling financial interest. All material transactions and balances with consolidated and unconsolidated entities have been eliminated in consolidation or as required under the equity method.

**2. RECENT ACCOUNTING PRONOUNCEMENTS**

Refer to the consolidated financial statements and footnotes thereto included in the HMG/Courtland Properties, Inc. Annual Report on Form 10-K for the year ended December 31, 2012 for recent accounting pronouncements. The Company does not believe that any recently issued, but not yet effective accounting standards, if currently adopted, will have a material effect on the Company's consolidated financial position, results of operations and cash flows.

**3. SALE OF REAL ESTATE INTERESTS**

As previously reported, on February 25, 2013 the Company completed the sale of its interests in Grove Isle Associates LLLP, Grove Isle Yacht Club Associates, Grove Isle Investments Inc. and CII Yacht Club, Inc., which represent interests in the Grove Isle hotel, club, tennis courts and marina (collectively, the “Grove Isle Property”) to Grove Isle Yacht & Tennis, LLC, a Florida limited liability company and an unrelated entity (“the Purchaser”), pursuant to a purchase agreement entered into on the same day (the “Agreement”). The purchase price was \$24.4 million, consisting of \$23.4 million in cash and a \$1 million promissory note due from the Purchaser. Approximately \$2.7 million of the proceeds were used to pay off the existing mortgage on the Grove Isle Property. The Company realized gain on the sale of these interests of approximately \$18.7 million (or \$18.71 per share) net of incentive fee due to the Adviser of approximately \$2.1 million.

As previously reported, on March 29, 2013, pursuant to a Membership Interests Purchase Agreement (the “Agreement”) entered into in December 2012, HMG/Courtland Properties, Inc. and its 95% owned subsidiary, Courtland Investments, Inc. (the “Company”), completed the sale of the Company’s 50% membership interests in Bayshore Landing LLC, Bayshore Rawbar LLC and Bayshore Restaurant LLC, (collectively the “Monty’s property) to the other 50% owner, The Christoph Family Trusts, which are unrelated entities. The purchase price for the membership interests of \$3 million was paid in cash. The Company realized a loss on the sale of these interests of approximately \$184,000 (or \$.19 per share).

#### **4. INVESTMENTS IN MARKETABLE SECURITIES**

Investments in marketable securities consist primarily of large capital corporate equity and debt securities in varying industries or issued by government agencies with readily determinable fair values. These securities are stated at market value, as determined by the most recent traded price of each security at the balance sheet date. Consistent with the Company's overall current investment objectives and activities its entire marketable securities portfolio is classified as trading.

Net realized and unrealized gain (loss) from investments in marketable securities for the three months ended March 31, 2013 and 2012 is summarized below:

Description	Three Months Ended March 31,	
	2013	2012
Net realized (loss) gain from sales of securities	\$(3,000)	\$49,000
Unrealized net gain in trading securities	106,000	43,000
Total net gain from investments in marketable securities	\$103,000	\$92,000

For the three months ended March 31, 2013 net realized loss from sales of marketable securities of approximately \$3,000 consisted of approximately \$23,000 of gross losses net of \$20,000 of gross gains. For the three months ended March 31, 2012 net realized gain from sales of marketable securities of approximately \$49,000 consisted of approximately \$65,000 of gross gains net of \$16,000 of gross losses.

Investment gains and losses on marketable securities may fluctuate significantly from period to period in the future and could have a significant impact on the Company's net earnings. However, the amount of investment gains or losses on marketable securities for any given period has no predictive value and variations in amount from period to period have no practical analytical value.

## **5. OTHER INVESTMENTS**

As of March 31, 2013, the Company's portfolio of other investments had an aggregate carrying value of approximately \$3.5 million and we have committed to fund approximately \$749,000 as required by agreements with the investees. The carrying value of these investments is equal to contributions less distributions and loss valuation adjustments. During the three months ended March 31, 2013, cash distributions received from other investments totaled approximately \$217,000 from several investments in privately owned partnerships owning diversified operating companies. The Company contributed an additional \$23,000 toward fulfilling capital commitments on existing investments.

Net income from other investments for the three months ended March 31, 2013 and 2012, is summarized below:

	2013	2012
Partnership owning real estate & related	\$33,000	—
Partnership owning diversified businesses	26,000	\$31,000

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Venture capital fund – technology	—	—
Income from investment in affiliate -T.G.I.F. Texas, Inc.	31,000	17,000
Total net income from other investments	\$	