HMG COURTLAND PROPERTIES INC
Form 10-Q
August 13, 2008
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
(Mark One)

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

For the Quarterly period ended June 30, 2008

OR

[X] 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)

Delaware	59-1914299
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer 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)

Check 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 x No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

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.
1,023,955 Common shares were outstanding as of July 31, 2008.

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 [ ] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [X]

(Do not check if a smaller reporting company)

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

	June 30, 2008 (UNAUDITED)	December 31, 2007
ASSETS		
Investment properties, net of accumulated depreciation:		
Commercial properties	$ 8,131,916	$ 7,604,490
Commercial properties- construction in progress	21,543	320,617
Hotel, club and spa facility	4,606,931	4,885,328
Marina properties	2,659,290	2,793,155
Land held for development	27,689	27,689
Total investment properties, net	15,447,369	15,631,279
Cash and cash equivalents	3,170,490	2,599,734
Cash and cash equivalents-restricted	2,004,834	-
Investments in marketable securities	3,583,041	4,818,330
Other investments	4,853,536	4,623,801
Investment in affiliate	3,166,843	3,132,117
Loans, notes and other receivables	864,072	1,218,559
Notes and advances due from related parties	707,334	700,238
Deferred taxes	191,000	233,000
Goodwill	7,728,627	7,728,627
Other assets	634,534	727,534
TOTAL ASSETS	$ 42,351,680	$ 41,413,219
LIABILITIES		
Mortgages and notes payable	$ 19,645,079	$ 19,981,734
Accounts payable and accrued expenses	1,989,831	1,613,734
Interest rate swap contract payable	555,000	525,000
TOTAL LIABILITIES	22,189,910	22,120,468
Minority interests	4,203,877	3,052,540
STOCKHOLDERS' EQUITY		
Preferred stock, $1 par value; 2,000,000 shares authorized; none issued	-	-
Excess common stock, $1 par value; 500,000 shares authorized; none issued	-	-
Common stock, $1 par value; 1,500,000 shares authorized; 1,317,535 shares issued as of June 30, 2008 and December 31, 2007	1,317,535	1,317,535
Additional paid-in capital	26,585,595	26,585,595
Undistributed gains from sales of properties, net of losses	41,572,120	41,572,120
Undistributed losses from operations	(50,674,023)	(50,406,705)
Accumulated other comprehensive loss	(277,500)	(262,500)
	18,523,727	18,806,045
Less: Treasury stock, at cost (293,580 shares as of June 30, 2008 and December 31, 2007)	(2,565,834)	(2,565,834)

TOTAL STOCKHOLDERS' EQUITY		15,957,893		16,240,211
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	42,351,680	$	41,413,219

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)

	Three months ended June 30,		Six months ended June 30,	
REVENUES	2008	2007	2008	2007
Real estate rentals and related revenue	$ 404,143	$ 385,095	$ 805,880	$ 770,323
Food & beverage sales	1,940,429	1,645,416	3,855,815	3,427,978
Marina revenues	427,371	437,451	880,013	882,639
Spa revenues	200,858	167,742	424,072	378,836
Total revenues	2,972,801	2,635,704	5,965,780	5,459,776
EXPENSES				
Operating expenses:				
Rental and other properties	136,458	145,459	269,576	281,815
Food and beverage cost of sales	506,716	440,370	1,020,362	913,027
Food and beverage labor and related costs	396,866	384,037	807,091	729,084
Food and beverage other operating costs	592,227	655,795	1,129,700	1,238,422
Marina expenses	253,426	296,261	489,684	546,952
Spa expenses	188,016	205,942	367,963	418,285
Depreciation and amortization	339,253	351,243	674,148	662,801
Adviser's base fee	255,000	225,000	510,000	450,000
General and administrative	82,522	75,510	161,227	171,143
Professional fees and expenses	66,600	96,041	129,145	177,982
Directors' fees and expenses	24,279	19,050	53,029	40,463
Total operating expenses	2,841,363	2,894,708	5,611,925	5,629,974
Interest expense	333,676	406,437	689,104	808,765
Minority partners' interests in operating income of consolidated entities	74,582	(125,171)	170,042	(87,738)
Total expenses	3,249,621	3,175,974	6,471,071	6,351,001
Loss before other income and income taxes	(276,820)	(540,270)	(505,291)	(891,225)
Net (loss) gain from investments in marketable securities	(26,776)	124,004	(214,650)	250,405
Net income from other investments	126,238	364,782	158,031	741,875
Interest, dividend and other income	247,661	103,603	336,592	244,095
Total other income	347,123	592,389	279,973	1,236,375
Income (loss) before income taxes	70,303	52,119	(225,318)	345,150
Provision for income taxes	83,000	56,000	42,000	127,000
Net (loss) income	$ (12,697)	$ (3,881)	$ (267,318)	$ 218,150
Other comprehensive (loss) income:				
Unrealized loss on interest rate swap agreement	$ (15,000)	$ 297,000	$ (277,500)	$ 171,000
Total other comprehensive loss	(15,000)	297,000	(277,500)	171,000
Comprehensive (loss) income	$ (27,697)	$ 293,119	$ (544,818)	$ 389,150

Net (Loss) Income Per Common Share:				
Basic and diluted	$ (.01)	$ .00	$ (.26)	$ .21
Weighted average common shares outstanding-basic	1,023,955	1,023,955	1,023,955	1,023,955
Weighted average common shares outstanding-diluted	1,023,955	1,023,955	1,023,955	1,056,925

See notes to the condensed consolidated financial statements

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

	Six months ended June 30, 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (267,318)	$ 218,150
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	674,148	662,801
Net income from other investments	(158,031)	(741,875)
Net loss (gain) from investments in marketable securities	214,650	(250,405)
Minority partners' interest in operating income	170,042	(87,738)
Deferred income tax expense	42,000	127,000
Changes in assets and liabilities:		
Other assets and other receivables	26,392	160,407
Accounts payable and accrued expenses	372,387	(398,015)
Total adjustments	1,341,588	(527,825)
Net cash provided (used in) by operating activities	1,074,270	(309,675)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases and improvements of properties	(476,162)	(520,539)
Increase in notes and advances from related parties	(7,096)	(15,594)
Additions in mortgage loans and notes receivables	(100,000)	(211,000)
Collections of mortgage loans and notes receivables	507,025	1,103,000
Distributions from other investments	252,235	801,602
Contributions to other investments	(485,298)	(739,667)
Net proceeds from sales and redemptions of securities	2,263,907	2,931,171
Increase in investments in marketable securities	(1,116,636)	(684,794)
Net cash provided by investing activities	837,975	2,664,179
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgages and notes payables	(336,655)	(329,393)
Cash deposited (restricted) to meet bank loan debt covenant	(2,004,834)	-
Contributions from minority partners	1,000,000	279,850
Net cash used in financing activities	(1,341,489)	(49,543)
Net increase in cash and cash equivalents	570,756	2,304,961
Cash and cash equivalents at beginning of the period	2,599,734	2,412,871
Cash and cash equivalents at end of the period	$ 3,170,490	$ 4,717,832
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 689,000	$ 809,000
Cash paid during the period for income taxes	-	-

See notes to the condensed consolidated financial statements

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HMG/COURTLAND PROPERTIES, INC.
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 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, 2007. The balance sheet as of December 31, 2007 was derived from audited financial statements as of that date. The results of operations for the three and six months ended June 30, 2008 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
In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles.” SFAS No. 162 identifies the sources of accounting principles and provides entities with a framework for selecting the principles used in preparation of financial statements that are presented in conformity with GAAP. The current GAAP hierarchy has been criticized because it is directed to the auditor rather than the entity, it is complex, and it ranks FASB Statements of Financial Accounting Concepts, which are subject to the same level of due process as FASB Statements of Financial Accounting Standards, below industry practices that are widely recognized as generally accepted but that are not subject to due process. The Board believes the GAAP hierarchy should be directed to entities because it is the entity (not its auditors) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. The adoption of FASB 162 is not expected to have a material impact on the Company’s consolidated financial position and results of operations.

In May 2008, the FASB issued SFAS No. 163, “Accounting for Financial Guarantee Insurance Contracts-an interpretation of FASB Statement No. 60.” Diversity exists in practice in accounting for financial guarantee insurance contracts by insurance enterprises under FASB Statement No. 60, Accounting and Reporting by Insurance Enterprises. This results in inconsistencies in the recognition and measurement of claim liabilities. This Statement requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. This Statement requires expanded disclosures about financial guarantee insurance contracts. The accounting and disclosure requirements of the Statement will improve the quality of information provided to users of financial statements. The adoption of FASB 163 is not expected to have a material impact on the Company’s consolidated financial position and results of operations.

HMG/COURTLAND PROPERTIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
(Unaudited)

In May, 2008 the FASB issued FASB Staff Position (FSP) APB 14-1, “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement).” APB 14-1 requires the issuer to separately account for the liability and equity components of convertible debt instruments in a manner that reflects the issuer’s nonconvertible debt borrowing rate. The guidance will result in companies recognizing higher interest expense in the statement of operations due to amortization of the discount that results from separating the liability and equity components. APB 14-1 will be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting APB 14-1 on its consolidated financial statements.

In April 2008, the FASB issued FSP 142-3, “Determination of the Useful Life of Intangible Assets”, (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, “Goodwill and Other Intangible Assets”. FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of FSP 142-3 on its consolidated financial position and results of operations.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"). SFAS No. 161 amends and expands the disclosure requirement for FASB Statement No. 133, "Derivative Instruments and Hedging Activities" ("SFAS No. 133"). It requires enhanced disclosure about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. SFAS No. 161 is effective for the Company as of January 1, 2009.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R (revised 2007), “Business Combinations” (“SFAS 141R”). SFAS 141R replaces SFAS 141 and establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, including goodwill, the liabilities assumed and any non-controlling interest in the acquiree. SFAS 141R also establishes disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This statement is effective for fiscal years beginning after December 15, 2008. We are currently evaluating the impact the adoption of SFAS 141R will have on our consolidated financial position and consolidated results of operations.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, “Noncontrolling Interests in Consolidated Financial Statements” (“SFAS 160”). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent’s ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This standard is effective for fiscal years beginning after December 15, 2008. We are currently evaluating the impact the adoption of SFAS 160 will have on our consolidated financial position and consolidated results of operations.

HMG/COURTLAND PROPERTIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
(Unaudited)

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits entities to choose to measure eligible financial instruments at fair value. The unrealized gains and losses on items for which the fair value option has been elected should be reported in earnings. The decision to elect the fair value options is determined on an instrument by instrument basis, it should be applied to an entire instrument, and it is irrevocable. Assets and liabilities measured at fair value pursuant to the fair value option should be reported separately in the balance sheet from those instruments measured using another measurement attribute. SFAS No. 159 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. The adoption of this standard in 2008 has not had a material impact on the Company's consolidated financial statements.

Recently adopted accounting principles
In September 2006, the FASB issued SFAS No. 157, ‘‘Fair Value Measurements’’. This statement clarifies the definition of fair value of assets and liabilities, establishes a framework for measuring fair value of assets and liabilities and expands the disclosures on fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. However, the FASB deferred the effective date of SFAS No. 157 until the fiscal years beginning after November 15, 2008 as it relates to the fair value measurement requirements for non-financial assets and liabilities that are initially measured at fair value, but not measured at fair value in subsequent periods. These non-financial assets include goodwill and other indefinite-lived intangible assets which are included within other assets. In accordance with SFAS No. 157, the Company has adopted the provisions of SFAS No. 157 with respect to financial assets and liabilities effective as of January 1, 2008 and its adoption did not have a material impact on its results of operations or financial condition. The Company is assessing the impact of SFAS No. 157 for non-financial assets and liabilities and expects that this adoption will not have a material impact on its results of operations or financial condition.

3. RESULTS OF OPERATIONS FOR MONTY’S RESTAURANT, MARINA AND OFFICE/RETAIL PROPERTY, COCONUT GROVE, FLORIDA
The Company, through two 50%-owned entities, Bayshore Landing, LLC (“Landing”) and Bayshore Rawbar, LLC (“Rawbar”), (collectively, “Bayshore”) owns a restaurant, office/retail and marina property located in Coconut Grove (Miami), Florida known as Monty’s (the “Monty’s Property”).

Summarized combined statement of income for Landing and Rawbar for the three and six months ended June 30, 2008 and 2007 is presented below (Note: the Company’s ownership percentage in these operations is 50%):

HMG/COURTLAND PROPERTIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
(Unaudited)

Summarized Combined statements of income Bayshore Landing, LLC and Bayshore Rawbar, LLC	For the three months ended June 30, 2008	For the three months ended June 30, 2007	For the six months ended June 30, 2008	For the six months ended June 30, 2007
Revenues:				
Food and Beverage Sales	$1,941,000	$1,645,000	$3,856,000	$3,428,000
Marina dockage and related	307,000	315,000	639,000	648,000
Retail/mall rental and related	104,000	92,000	206,000	185,000
Total Revenues	2,352,000	2,052,000	4,701,000	4,261,000
Expenses:				
Cost of food and beverage sold	506,000	440,000	1,020,000	913,000
Labor and related costs	341,000	335,000	696,000	626,000
Entertainers	56,000	49,000	111,000	103,000
Other food and beverage related costs	138,000	134,000	305,000	280,000
Other operating costs	25,000	58,000	69,000	145,000
Repairs and maintenance	112,000	106,000	202,000	202,000
Insurance	152,000	164,000	306,000	330,000
Management fees	77,000	169,000	138,000	270,000
Utilities	78,000	73,000	148,000	150,000
Ground rent	264,000	249,000	468,000	447,000
Interest	236,000	246,000	472,000	490,000
Depreciation	192,000	199,000	380,000	356,000
Total Expenses	2,177,000	2,222,000	4,315,000	4,312,000
Net Income (loss) before minority interest	$175,000	($170,000)	$386,000	($51,000)

For the three and six months ended June 30, 2008 Landing and Rawbar combined operations reported income of $175,000 and $386,000, respectively. This is as compared to reported losses of $170,000 and $51,000 during the same comparable periods in 2007, respectively. The primary reasons for the improved results are increased food and beverage revenues and decreased management fees. Restaurant sales increased by 18% and 12% for the three and six month periods ended June 30, 2008, as compared to the same periods in 2007, respectively. Management fees decreased primarily due to a non-recurring $100,000 payment to the former manager for termination of the management services portion of the contract in April 2007.

HMG/COURTLAND PROPERTIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

(Unaudited)

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 (loss) gain from investments in marketable securities for the three and six months ended June 30, 2008 and 2007 is summarized below:

	Three months ended June 30,		Six months ended June 30,	
Description	2008	2007	2008	2007
Net realized (loss) gain from sales of securities	($63,000)	$140,000	($94,000)	$204,000
Unrealized net gain (loss) in trading securities	36,000	(16,000)	(121,000)	46,000
Total net (loss) gain from investments in marketable securities	($27,000)	$124,000	($215,000)	$250,000

For the three and six months ended June 30, 2008 net realized loss gain from sales of marketable securities of approximately $63,000 and $94,000, respectively, consisted of approximately $154,000 of gross losses net of $91,000 of gross gains for the three month period and $262,000 of gross losses net of $168,000 of gross gains for the six month period.

For the three and six months ended June 30, 2007 net realized gain from sales of marketable securities of approximately $140,000 and $204,000, respectively, consisted of approximately $296,000 of gross gains net of $156,000 of gross losses for the three month period and $379,000 of gross gains and $175,000 of gross losses for the six month period.

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 June 30, 2008, the Company has committed to invest approximately $12.5 million in other investments primarily in private capital funds, of which approximately $11.2 million has been funded. The carrying value of other investments (which reflects distributions and valuation adjustments) is approximately $4.9 million as of June 30, 2008.

During the six months ended June 30, 2008 the Company made follow-on contributions to 11 existing investments totaling approximately $485,000. During this same period the Company received a total of approximately $252,000 in distributions from 7 existing investments.

Net gain from other investments for the three and six months ended June 30, 2008 and 2007 is summarized below:

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HMG/COURTLAND PROPERTIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
(Unaudited)

Description	Three months ended June 30, 2008	2007	Six months ended June 30, 2008	2007
Technology-related venture fund	$22,000	--	$22,000	$48,000
Real estate development and operation	--	$21,000	--	56,000
Partnership owning diversified businesses & distressed debt	--	60,000	7,000	307,000
Income from investment in 49% owned affiliate (T.G.I.F. Texas, Inc.)	10,000	30,000	35,000	64,000
Others, net	94,000	254,000	94,000	267,000
Total net gain from other investments	$126,000	$365,000	$158,000	$742,000

In April 2008, the Company received approximately $149,000 of cash proceeds from the redemption of a private equity fund resulting in a gain to the Company of $94,000.

In April 2007, the Company received approximately $449,000 of cash and stock from an investment in a privately-held bank which was purchased by a publicly-held bank. The Company realized a gain of approximately $299,000 on this transaction (included in table above under “Others, net”).

In February 2007, the Company received cash distributions primarily consisting of a $222,000 cash distribution from one investment in a partnership in which one of its portfolio companies was recapitalized. This distribution exceeded the carrying amount of the investment and accordingly was recognized as income.

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to interest rate risk through its borrowing activities. In order to minimize the effect of changes in interest rates, the Company has entered into an interest rate swap contract under which the Company agrees to pay an amount equal to a specified rate of 7.57% times a notional principal approximating the outstanding loan balance, and to receive in return an amount equal to the one month LIBOR rate plus 2.45% times the same notional amount. The Company designated this interest rate swap contract as a cash flow hedge. As of June 30, 2008 the fair value (net of 50% minority interest) was an unrealized loss of $277,000 and as of December 31, 2007 the fair value (net of 50% minority interest) of the cash flow hedge was an unrealized loss of $262,000. These amounts have been recorded as other comprehensive loss and will be reclassified to interest expense over the life of the swap contract.

7. MODIFICATION OF LOAN PAYABLE TO BANK

As previously reported, the loan secured by the Monty’s property includes certain covenants including debt service coverage with which the Company was not in compliance as of December 31, 2007. On March 13, 2008, the Company obtained a notice of forbearance from the lender of the loan, in which the bank agreed to not declare an event of default during the forbearance period (as presently extended). The Company agreed to restructure the loan agreement by providing a collateral pledge in satisfaction of the loan covenants and in April 2008 the Company deposited $2 million into a money market account held at that bank. The amended loan documents are presently being finalized.

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HMG/COURTLAND PROPERTIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
(Unaudited)

8. SEGMENT INFORMATION

The Company has three reportable segments: Real estate rentals; Food and Beverage sales; and Other investments and related income. The Real estate and rentals segment primarily includes the leasing of its Grove Isle property, marina dock rentals at both Monty's and Grove Isle marinas, and the leasing of office and retail space at its Monty's property. The Food and Beverage sales segment consists of the Monty's restaurant operation. Lastly, the Other investment and related income segment includes all of the Company's other investments, marketable securities, loans, notes and other receivables and the Grove Isle spa operations which individually do not meet the criteria as a reportable segment.

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Net Revenues:				
Real estate and marina rentals	$832,000	$823,000	$1,686,000	$1,653,000
Food and beverage sales	1,940,000	1,645,000	3,856,000	3,428,000
Spa revenues	201,000	168,000	424,000	379,000
Total Net Revenues	$2,973,000	$2,636,000	$5,966,000	$5,460,000
Income (loss) before income taxes:				
Real estate and marina rentals	$110,000	$40,000	$247,000	$145,000
Food and beverage sales	88,000	(52,000)	182,000	11,000
Other investments and related income	(128,000)	64,000	(654,000)	189,000
Total income (loss) before income taxes	$70,000	$52,000	($225,000)	$345,000

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HMG/COURTLAND PROPERTIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
(Unaudited)

9. INCOME TAXES
We adopted the provisions of Financial Accounting Standards Board (“FASB”) Interpretation No. 48, “Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109” (“FIN 48”), on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement 109, “Accounting for Income Taxes”, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our financial statements. Our evaluation was performed for the tax years ended December 31, 2004, 2005, 2006 and 2007, the tax years which remain subject to examination by major tax jurisdictions as of June 30, 2008.

We may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. In the event we have received an assessment for interest and/or penalties, it has been classified in the financial statements as selling, general and administrative expense.

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations

RESULTS OF OPERATIONS

The Company reported net losses of approximately $13,000 (or $.01 per share) and approximately $267,000 (or $.26 per share) for the three and six months ended June 30, 2008, respectively. This is as compared with a net loss of approximately $4,000 (or $.003 per share) and net income of approximately $218,000 (or $.21 per share) for the three and six months ended June 30, 2007, respectively.

As discussed below, total revenues for the three and six months ended June 30, 2008 as compared with the same periods in 2007, increased by approximately $337,000 (13%) and $506,000 (9%), respectively. Total expenses for the three and six months ended June 30, 2008, as compared with the same periods in 2007, increased by approximately $74,000 (2%) and $120,000 (2%), respectively.

REVENUES

Rentals and related revenues for the three and six months ended June 30, 2008 as compared with the same periods in 2007 increased by $19,000 (5%) and $36,000 (5%). The increases were due to increased rental revenue from the Grove Isle property as a result of inflation adjustments as provided in the lease and increased rental revenue from the Monty’s retail space.

Restaurant operations:

Summarized statements of income for the Company’s Monty’s restaurant for the three and six months ended June 30, 2008 and 2007 is presented below:

	For the three months ended June 30,		For the six months ended June 30,	
	2008	2007	2008	2007
Revenues:				
Food and Beverage Sales	$1,941,000	$1,645,000	$3,856,000	$3,428,000
Expenses:				
Cost of food and beverage sold	506,000	440,000	1,020,000	913,000
Labor and related costs	341,000	335,000	696,000	626,000
Entertainers	56,000	49,000	111,000	103,000
Other food and beverage direct costs	79,000	64,000	149,000	125,000
Other operating costs	93,000	82,000	156,000	155,000
Repairs and maintenance	56,000	57,000	98,000	122,000
Insurance	76,000	85,000	155,000	172,000
Management and accounting fees	22,000	151,000	57,000	232,000
Utilities	62,000	45,000	128,000	94,000
Rent (as allocated)	205,000	176,000	387,000	343,000
Total Expenses	1,496,000	1,484,000	2,957,000	2,885,000
Income before depreciation and minority interest	$445,000	$161,000	$899,000	$543,000

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Management's Discussion and Analysis of Financial
Condition and Results of Operations (continued)

The following table summarizes the amounts on the table above as a percentage of sales:

All amounts as a percentage of sales	For the three months ended June 30,		For the six months ended June 30,	
	2008	2007	2008	2007
Revenues:				
Food and Beverage Sales	100%	100%	100%	100%
Expenses:				
Cost of food and beverage sold	26%	27%	27%	27%
Labor and related costs	18%	20%	18%	18%
Entertainers	3%	3%	3%	3%
Other food and beverage direct costs	4%	4%	4%	3%
Other operating costs	5%	5%	4%	5%
Repairs and maintenance	3%	3%	3%	3%
Insurance	4%	5%	4%	5%
Management fees	1%	9%	1%	7%
Utilities	3%	3%	3%	3%
Rent (as allocated)	10%	11%	10%	10%
Total Expenses	77%	90%	77%	84%
Income before depreciation and minority interest	23%	10%	23%	16%

For the three and six months ended June 30, 2008 as compared with the same periods in 2007 restaurant sales increased by approximately $296,000 (or 18%) and $428,000 (or 12%), respectively. Comparing these same three and six month periods food sales increased by $139,000 (or 14%) and $212,000 (or 10%) and beverage sales increased by $156,000 (or 23%) and $216,000 (or 16%).

For the three and six months ended June 30, 2008 labor and related costs as a percentage of sales were 18% as compared to 20% and 18% for the three and six months ended June 30, 2007, respectively. This is partially attributable to an increase in less labor intensive beverage sales as a percentage of total sales during the three months ended June 30, 2008.

Management's Discussion and Analysis of Financial
Condition and Results of Operations (continued)

Marina operations:
Summarized and combined statements of income for marina operations:
(The Company owns 50% of the Monty's marina and 95% of the Grove Isle marina)

	For the three months ended June 30,		For the six months ended June 30,	
	2008	2007	2008	2007
Marina Revenues:				
Monty's dockage fees and related income	$307,000	$314,000	$639,000	$648,000
Grove Isle marina slip owners dues and dockage fees	120,000	123,000	241,000	235,000
Total marina revenues	427,000	437,000	880,000	883,000
Marina Expenses:				
Labor and related costs	64,000	59,000	120,000	117,000
Insurance	49,000	50,000	97,000	100,000
Management fees	19,000	19,000	39,000	36,000
Utilities, net of tenant reimbursement	2,000	17,000	(6,000)	34,000
Rent and bay bottom lease expense	59,000	60,000	122,000	122,000
Repairs and maintenance	33,000	52,000	71,000	79,000
Other	27,000	39,000	47,000	59,000
Total marina expenses	253,000	296,000	490,000	547,000
Income before depreciation and minority interest	$174,000	$141,000	$390,000	$336,000

Marina revenue for the three and six months ended June 30, 2008 as compared to the same periods in 2007 remained consistent. Marina expenses for the three and six months ended June 30, 2008 as compared to the same periods in 2007 decreased by approximately $43,000 (or 14%) and $57,000 (or 10%) primarily due to decreased utilities expenses as a result of increased electrical pass through charges to marina tenants.

Management's Discussion and Analysis of Financial
Condition and Results of Operations (continued)

Spa operations:
Below are summarized statements of income for Grove Isle spa operations. The Company owns 50% of the Grove Isle Spa with the other 50% owned by an affiliate of the Noble House Resorts, the tenant of the Grove Isle Resort:

Summarized statements of income of spa operations	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Revenues:				
Services provided	$188,000	$155,000	$397,000	$352,000
Membership and other	13,000	13,000	27,000	27,000
Total spa revenues	201,000	168,000	424,000	379,000
Expenses:				
Cost of sales (commissions and other)	54,000	39,000	116,000	102,000
Salaries, wages and related	59,000	68,000	121,000	142,000
Other operating expenses	54,000	71,000	88,000	122,000
Management and administrative fees	13,000	9,000	23,000	25,000
Other non-operating expenses	12,000	19,000	24,000	27,000
Total Expenses	192,000	206,000	372,000	418,000
Income (loss) before interest, depreciation and minority interest	$9,000	($38,000)	$52,000	($39,000)

Spa revenues for the three and six months ended June 30, 2008 as compared with the same periods in 2007 increased by $33,000 (or 20%) and $45,000 (or 12%). The spa is benefiting from increased occupancy and overall improved operations at the Grove Isle resort during 2008.

Net (loss) gain from investments in marketable securities:
Net loss from investments in marketable securities for the three and six months ended June 30 2008 was approximately $27,000 and $215,000, respectively, as compared with a net gain from investments in marketable securities of approximately $124,000 and $250,000 for the same comparable periods in 2007. For further details refer to Note 4 to Condensed Consolidated Financial Statements (unaudited).

Net income from other investments:
Net income from other investments for the three and six months ended June 30, 2008 was approximately $126,000 and $158,000, respectively, as compared with net income of approximately $365,000 and $742,000 for the same comparable periods in 2007. The decrease in income was primarily from a non-recurring 2007 cash distribution from an investment in a bank and in a partnership owning diversified businesses. For further details refer to Note 5 to Condensed Consolidated Financial Statements (unaudited).

Interest, dividend and other income:
Interest and dividend income for the three and six months ended June 30, 2008 was approximately $248,000 and $336,000, respectively, as compared with approximately $104,000 and $244,000, for the same periods in 2007. The increase from last year in the three and six month periods of $144,000 (or 139%) and $92,000 (or 38%), respectively was primarily the result of real estate commission earned by Courtland Houston, Inc. of approximately $168,000 in June 2008.

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Management's Discussion and Analysis of Financial
Condition and Results of Operations (continued)

EXPENSES

Expenses for rental and other properties for the three and six months ended June 30, 2008 were consistent with that for the three and six months ended June 30, 2007.

For comparisons of all food and beverage related expenses refer to Restaurant Operations (above) summarized statement of income for Monty’s restaurant.

For comparisons of all marina related expenses refer to Marina Operations (above) for summarized and combined statements of income for marina operations.

For comparisons of all spa related expenses refer to Spa Operations (above) for summarized statements of income for spa operations.

Adviser’s base fee for the three and six months ended June 30, 2008 as compared to the same periods in 2007 increased by $30,000 (or 13%) and $60,000 (or 13%). This was the result of the amendment to the Advisory Agreement effective January 1, 2008, as previously reported.

Professional fees for the three and six months ended June 30, 2008 as compared to the same periods in 2007 decreased by $29,000 (or 31%) and $48,000 (or 27%). This was due to non-recurring restaurant consulting fees of approximately $28,000 paid in May 2007.

Interest expense for the three and six months ended June 30, 2008 as compared to the same periods in 2007 decreased by $73,000 (or 18%) and $120,000 (or 15%). This was primarily due to lower interest rates in 2008 versus 2007.

Minority partner’s interest in operating (gains) losses for the three and six months ended June 30, 2008 as compared to the same periods in 2007 increased by $200,000 (or 160%) and $258,000 (or 294%). This was primarily the result of increased operating gains from the Monty’s operations and from the Grove Isle Spa operations.

EFFECT OF INFLATION:

Inflation affects the costs of operating and maintaining the Company's investments. In addition, rentals under certain leases are based in part on the lessee's sales and tend to increase with inflation, and certain leases provide for periodic adjustments according to changes in predetermined price indices.

LIQUIDITY, CAPITAL EXPENDITURE REQUIREMENTS AND CAPITAL RESOURCES

The Company's material commitments in 2008 primarily consist of maturities of debt obligations of approximately $4 million and commitments to fund private capital investments of approximately $1.3 million due upon demand. The funds necessary to meet these obligations are expected to be available from the proceeds of sales of properties or investments, refinancing, distributions from investments and available cash. The majority of maturing debt obligations for 2008 is a note payable to the Company’s 49% owned affiliate, T.G.I.F. Texas, Inc. (“TGIF”) of approximately $3.7 million. This amount is due on demand. The obligation due to TGIF will be paid with funds available from distributions from the Company’s investment in TGIF and from available cash.

Management's Discussion and Analysis of Financial
Condition and Results of Operations (continued)

MATERIAL COMPONENTS OF CASH FLOWS
For the six months ended June 30, 2008, net cash provided by operating activities was approximately $1.1 million. This was primarily due to improved cash from operations.

For the six months ended June 30, 2008, net cash provided by investing activities was approximately $838,000. This consisted primarily of approximately $2.2 million in net proceeds from sales of marketable securities and collections of notes receivable of approximately $500,000, partially offset by increased investments in marketable securities of $1.1 million, contributions to other investments of $485,000 and improvements to the Monty’s property of approximately $476,000.

For the six months ended June 30, 2008, net cash used in financing activities was approximately $1.3 million consisting of $2 million restricted cash relating to the loan modification discussed in Note 7. $1 million of this restricted cash was contributed by the Company 50% partner in the Monty’s property. Repayments of loans accounted for the other $337,000 cash used in financing activities.

Item 3. Quantitative and Qualitative Disclosures about Market Risk
Not applicable

Item 4T. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q have concluded that, based on such evaluation, our disclosure controls and procedures were adequate and designed to ensure that material information relating to us and our consolidated subsidiaries, which we are required to disclose in the reports we file or submit under the Securities Exchange Act of 1934, was made known to them by others within those entities and reported within the time periods specified in the SEC's rules and forms.

(b) Changes in Internal Control Over Financial Reporting.

There were no changes in the Company's internal controls over financial reporting identified in connection with the evaluation of such internal control over financial reporting that occurred during our last fiscal quarter which have materially affected, or reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION
Item 1. Legal Proceedings: None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds: None.

Item 3. Defaults Upon Senior Securities: None.

Item 4. Submission of Matters to a Vote of Security Holders: None

Item 5. Other Information: None

Item 6. Exhibits:

(a) Certifications pursuant to 18 USC Section 1350-Sarbanes-Oxley Act of 2002. Filed herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	HMG/COURTLAND PROPERTIES, INC.
Dated: August 13, 2008	/s/ Lawrence Rothstein President, Treasurer and Secretary Principal Financial Officer
Dated: August 13, 2008	/s/Carlos Camarotti Vice President- Finance and Controller Principal Accounting Officer

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