

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10-Q

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 Accelerated filer Non-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. 1,002,392 Common shares were outstanding as of August 12, 2016.

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, 2016 (UNAUDITED)	December 31, 2015
ASSETS		
Investment properties, net of accumulated depreciation:		
Office building and other commercial property	\$861,871	\$833,680
Total investment properties, net	861,871	833,680
Cash and cash equivalents	4,569,120	11,213,385
Investments in marketable securities	10,365,620	10,507,750
Other investments	4,950,838	3,895,317
Investment in affiliate	2,070,346	2,061,706
Loans, notes and other receivables	1,734,845	1,260,620
Investment in real estate partnership	2,322,695	2,322,695
Other assets	232,996	129,755
TOTAL ASSETS	\$27,108,331	\$32,224,908
LIABILITIES		
Note payable to affiliate	\$1,800,000	\$1,800,000
Margin payable	3,058,051	7,999,166
Accounts payable, accrued expenses and other liabilities	97,238	23,132
Due to Adviser	36,799	36,799
Dividend payable	-	517,747
Deferred income taxes	217,000	217,000
TOTAL LIABILITIES	5,209,088	10,593,844
STOCKHOLDERS' EQUITY		
Excess common stock, \$1 par value; 100,000 shares authorized: no shares issued	-	-
Common stock, \$1 par value; 1,200,000 shares authorized as of June 30, 2016 and December 31, 2015, and 1,035,493 and 1,053,923 issued as of June 30, 2016 and December 31, 2015, respectively	1,035,493	1,053,926
Additional paid-in capital	24,076,991	24,255,614
Less: Treasury shares, 18,433 as of December 31, 2015	-	(223,798)
Undistributed gains from sales of properties, net of losses	52,709,950	52,709,950
Undistributed losses from operations	(56,144,932)	(56,375,340)
Total stockholders' equity	21,677,502	21,420,352
Non controlling interest	221,741	210,712
TOTAL STOCKHOLDERS' EQUITY	21,899,243	21,631,064
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$27,108,331	\$32,224,908

See notes to the condensed consolidated financial statements

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

	For the three months ended		For the six months ended	
	June 30,	2015	June 30,	2015
	2016		2016	
REVENUES				
Real estate rentals and related revenue	\$ 17,600	\$ 16,200	\$ 33,200	\$ 32,400
EXPENSES				
Operating expenses:				
Rental and other properties	24,952	21,104	49,091	43,193
Adviser's base fee	165,000	165,000	330,000	330,000
General and administrative	89,359	99,213	185,095	172,021
Professional fees and expenses	25,987	232,852	117,635	308,823
Directors' fees and expenses	20,967	19,000	42,532	46,250
Depreciation and amortization	3,850	3,597	7,699	7,636
Interest expense	18,418	17,402	41,889	44,634
Total expenses	348,533	558,168	773,941	952,557
Loss before other income (loss)	(330,933)	(541,968)	(740,741)	(920,157)
Net realized and unrealized gains (losses) from investments in marketable securities	390,875	(552,377)	554,587	(370,274)
Net income from other investments	79,318	109,662	116,408	176,613
Interest, dividend and other income	154,723	167,153	304,154	351,504
Total other income (loss)	624,916	(275,562)	975,149	157,843
Net income (loss)	293,983	(817,530)	234,408	(762,314)
Noncontrolling interests	(5,031)	5,724	(4,000)	6,150
Net income (loss) attributable to the Company	\$ 288,952	\$ (811,806)	\$ 230,408	\$ (756,164)
Weighted average common shares outstanding-basic	1,035,493	1,041,494	1,035,493	1,041,662
Weighted average common shares outstanding-diluted	1,035,493	1,041,494	1,035,493	1,041,662
Net income (loss) per common share:				
Basic and diluted	\$ 0.28	\$ (0.78)	\$ 0.22	\$ (0.73)

See notes to the condensed consolidated financial statements

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

	For the six months ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) attributable to the Company	\$ 230,408	\$ (756,164)
Adjustments to reconcile net income (loss) attributable to the Company to net cash used in operating activities:		
Depreciation and amortization	7,699	7,636
Non-employee stock compensation expense	26,742	5,771
Net income from other investments, excluding impairment losses	(116,408)	(176,613)
Net (gain) loss from investments in marketable securities	(554,587)	370,274
Net income (loss) attributable to non controlling interest	4,000	(6,150)
Changes in assets and liabilities:		
Other assets and other receivables	(58,821)	35,973
Accounts payable, accrued expenses and other liabilities	74,106	(14,447)
Total adjustments	(617,269)	222,444
Net cash used in operating activities	(386,861)	(533,720)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net proceeds from sales and redemptions of securities	2,839,729	4,595,021
Purchase of marketable securities	(2,143,011)	(3,860,655)
Investment in real estate partnership	-	(2,040,785)
Distributions from other investments	569,226	1,126,752
Contributions to other investments	(1,535,627)	(1,177,131)
Additions in mortgage loans and notes receivable	(500,000)	-
Purchases and improvements of properties	(35,888)	-
Net cash used in investing activities	(805,571)	(1,356,798)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Margin (repayments) borrowings	(4,941,115)	5,013,193
Dividend paid	(517,747)	(526,963)
Purchase of treasury stock	-	(166,527)
Contribution from non-controlling interest	7,029	-
Net cash (used in) provided by financing activities	(5,451,833)	4,319,703
Net (decrease) increase in cash and cash equivalents	(6,644,265)	2,429,185
Cash and cash equivalents at beginning of the period	11,213,385	9,451,152
Cash and cash equivalents at end of the period	\$ 4,569,120	\$ 11,880,337
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	\$ 42,000	\$ 45,000
Cash paid during the period for income taxes	\$ 20,000	\$ -

See notes to the condensed consolidated financial statements

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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, 2015. The balance sheet as of December 31, 2015 was derived from audited consolidated financial statements as of that date. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the results to be expected for future periods or 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, 2015 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. 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. Included in investments in marketable securities is approximately \$8.4 million and \$8.3 million, of large capital real estate investment trusts (REITs) as of June 30, 2016 and December 31, 2015, respectively.

Net realized and unrealized (loss) gain from investments in marketable securities for the three and six months ended June 30, 2016 and 2015 is summarized below:

Description	Three months ended		Six months ended	
	June 30, 2016	2015	June 30, 2016	2015
Net realized gain (loss) from sales of securities	\$31,000	\$49,000	\$(17,000)	\$204,000
Unrealized net gain (loss) in trading securities	361,000	(601,000)	572,000	(574,000)
Total net gain (loss) from investments in marketable securities	\$391,000	\$(552,000)	\$555,000	\$(370,000)

For the three and six months ended June 30, 2016, net unrealized gain from trading securities were \$361,000 and \$572,000, respectively. This is compared to net unrealized loss of \$601,000 and \$574,000 for the three and six months ended June 30, 2015, respectively.

For the three months ended June 30, 2016, net realized gain from sales of marketable securities was approximately \$31,000, and consisted of approximately \$116,000 of gross gains and \$85,000 of gross losses. For the six months ended June 30, 2016, net realized loss from sales of marketable securities was approximately \$17,000, and consisted of approximately \$212,000 of gross gains net of \$229,000 of gross losses.

For the three months ended June 30, 2015, net realized gain from sales of marketable securities was approximately \$49,000, and consisted of approximately \$76,000 of gross gains and \$27,000 of gross losses. For the six months ended June 30, 2015, net realized gain from sales of marketable securities was approximately \$204,000, and consisted of approximately \$338,000 of gross gains net of \$134,000 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.

4. INVESTMENT IN REAL ESTATE PARTNERSHIP

As previously reported, in September 2014, the Company, through a newly-formed wholly owned subsidiary (HMG Orlando LLC, a Delaware limited liability company), acquired a one-third equity membership interest in JY-TV Associates, LLC a Florida limited liability company ("JY-TV") and entered into the Amended and Restated Operating Agreement of JY-TV (the "Agreement"). Also, as previously reported, on May 19, 2015, pursuant to the terms of a Construction Loan Agreement, between JY-TV Associates LLC ("JY-TV" or the "Borrower", which is one-third owned by a wholly-owned subsidiary of the Company) and Wells Fargo Bank ("Lender"), Lender loaned to the Borrower the principal sum of \$27 million pursuant to a senior secured construction loan ("Loan"). The proceeds of the Loan are being used to finance the previously reported construction of multi-family residential apartments containing 240 units totaling approximately 239,000 net rentable square feet on a 9.5 acre site located in Orlando, Florida ("Project"). Construction of the Project commenced in June 2015 and is expected to be completed in the Fall of 2016. Leasing activities have begun and are proceeding as expected.

As previously reported, the Company and certain affiliates of the other two members of the Borrower ("Guarantors") entered into a Completion Guaranty Agreement ("Completion Guaranty") and a Repayment Guaranty Agreement ("Repayment Guaranty") (collectively, the "Guaranties") with the Lender. Under the Completion Guaranty, Guarantors shall unconditionally guaranty, on a joint and several basis, lien free completion of all improvements with respect to the Project and any construction or completion obligations required to be made by the Borrower pursuant to any approved leases. Under the Repayment Guaranty, Guarantors shall provide an unconditional guaranty including the repayment of \$11.5 million of the principal balance of the Loan, repayment of all accrued but unpaid interest and payment of any oth