

HMG COURTLAND PROPERTIES INC  
Form 10-Q  
November 14, 2011

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 September 30, 2011

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)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

59-1914299  
(I.R.S. Employer  
Identification No.)

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

33133  
(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

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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. 1,010,426 Common shares were outstanding as of November 14, 2011.

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## 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.

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

|   | September 30,<br>2011<br>(UNAUDITED) | December 31,<br>2010 |
|---|--------------------------------------|----------------------|
| <b>ASSETS</b>   |                                      |                      |
| Investment properties, net of accumulated depreciation:                                     |                                      |                      |
| Commercial properties   | \$ 6,900,653                         | \$ 7,259,225         |
| Hotel, club and spa facility  | 3,501,097                            | 3,649,217            |
| Marina properties   | 2,117,946                            | 2,110,445            |
| Land held for development   | 27,689                               | 27,689               |
| Total investment properties, net  | 12,547,385                           | 13,046,576           |
| Cash and cash equivalents   | 2,916,630                            | 3,618,200            |
| Cash and cash equivalents-restricted  | —                                    | 2,379,947            |
| Investments in marketable securities  | 1,886,678                            | 2,093,109            |
| Other investments   | 3,716,589                            | 3,769,417            |
| Investment in affiliate   | 2,843,573                            | 2,813,634            |
| Loans, notes and other receivables  | 557,020                              | 742,411              |
| Notes and advances due from related parties   | 705,587                              | 698,341              |
| Deferred taxes  | 760,000                              | 480,000              |
| Goodwill  | 5,628,627                            | 5,628,627            |
| Other assets  | 710,259                              | 657,541              |
| <b>TOTAL ASSETS</b>   | <b>\$ 32,272,348</b>                 | <b>\$ 35,927,803</b> |
| <b>LIABILITIES</b>  |                                      |                      |
| Mortgages and notes payable   | \$ 14,798,271                        | \$ 17,509,155        |
| Accounts payable, accrued expenses and other liabilities                                    | 792,827                              | 894,894              |
| Interest rate swap contract payable   | 1,976,000                            | 1,462,000            |
| <b>TOTAL LIABILITIES</b>  | <b>17,567,098</b>                    | <b>19,866,049</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 1,023,955 issued               | 1,023,955                            | 1,023,955            |
| Additional paid-in capital  | 24,361,987                           | 24,313,341           |
| Less: Treasury stock at cost (13,529 shares as of September 30, 2011 and December 31, 2010) | (60,388 )                            | (60,388 )            |
| Undistributed gains from sales of properties, net of losses                                 | 41,572,120                           | 41,572,120           |
| Undistributed losses from operations  | (54,062,038 )                        | (53,443,832 )        |
| Accumulated other comprehensive loss  | (988,000 )                           | (731,000 )           |
| Total stockholders' equity  | 11,847,636                           | 12,674,196           |
| Non controlling interest  | 2,857,614                            | 3,387,558            |
| <b>TOTAL EQUITY</b>   | <b>14,705,250</b>                    | <b>16,061,754</b>    |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>\$ 32,272,348</b>                 | <b>\$ 35,927,803</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<br>September 30, |            | For the nine months ended<br>September 30, |              |
|--|---|------------|--|--------------|
|  | 2011  | 2010       | 2011                                       | 2010         |
| <b>REVENUES</b>  |   |            |  |              |
| Real estate rentals and related revenue  | \$ 475,230                                  | \$ 470,436 | \$ 1,402,791                               | \$ 1,391,296 |
| Food & beverage sales  | 1,218,886                                   | 1,124,481  | 4,514,577                                  | 4,268,092    |
| Marina revenues  | 384,640                                     | 444,489    | 1,200,019                                  | 1,315,286    |
| Spa revenues   | 211,226                                     | 173,239    | 421,023                                    | 388,830      |
| Total revenues   | 2,289,982                                   | 2,212,645  | 7,538,410                                  | 7,363,504    |
| <b>EXPENSES</b>  |   |            |  |              |
| Operating expenses:  |   |            |  |              |
| Rental and other properties  | 211,684                                     | 221,329    | 559,681                                    | 539,575      |
| Food and beverage cost of sales  | 344,710                                     | 305,814    | 1,266,389                                  | 1,159,351    |
| Food and beverage labor and related costs  | 304,758                                     | 339,295    | 990,389                                    | 1,060,456    |
| Food and beverage other operating costs  | 474,202                                     | 487,055    | 1,538,153                                  | 1,498,473    |
| Marina expenses  | 212,670                                     | 218,854    | 655,816                                    | 707,069      |
| Spa expenses   | 204,238                                     | 152,090    | 414,136                                    | 344,117      |
| Depreciation and amortization  | 237,079                                     | 209,037    | 854,821                                    | 719,466      |
| Adviser's base fee   | 255,000                                     | 255,000    | 765,000                                    | 765,000      |
| General and administrative   | 117,293                                     | 95,809     | 290,252                                    | 312,935      |
| Professional fees and expenses   | 108,871                                     | 107,035    | 305,201                                    | 295,708      |
| Directors' fees and expenses   | 25,285                                      | 31,459     | 70,591                                     | 84,434       |
| Total operating expenses   | 2,495,790                                   | 2,422,777  | 7,710,429                                  | 7,486,584    |
| Interest expense   | 216,837                                     | 262,293    | 687,487                                    | 793,997      |
| Total expenses   | 2,712,627                                   | 2,685,070  | 8,397,916                                  | 8,280,581    |
| Loss before other income and income taxes  | (422,645 )                                  | (472,425 ) | (859,506 )                                 | (917,077 )   |
| Net realized and unrealized (losses) gains from investments in marketable securities | (173,206 )                                  | 208,171    | (141,226 )                                 | 179,348      |
| Net income from other investments  | 10,189                                      | 24,184     | 55,502                                     | 242,370      |
| Other than temporary impairment losses from other investments                        | —   | —          | (86,707 )                                  | (50,000 )    |
| Realized loss on interest rate swap agreement  | —   | —          | (198,400 )                                 | —            |
| Interest, dividend and other income  | 34,346                                      | 100,378    | 160,368                                    | 278,359      |
| Total other (loss) income  | (128,671 )                                  | 332,733    | (210,463 )                                 | 650,077      |
| Loss before income taxes   | (551,316 )                                  | (139,692 ) | (1,069,969 )                               | (267,000 )   |

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|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| (Benefit from) provision for income taxes                                       | (230,000 )    | 22,000        | (280,000 )    | 4,000         |
| Net loss  | (321,316 )    | (161,692 )    | (789,969 )    | (271,000 )    |
| Less: Net loss attributable to noncontrolling interest in consolidated entities | 91,283        | 89,385        | 171,764       | 7,990         |
| Net loss attributable to the Company  | \$ (230,033 ) | \$ (72,307 )  | \$ (618,205 ) | \$ (263,010 ) |
| Other comprehensive income (loss):  |               |               |               |               |
| Unrealized loss on interest rate swap agreement                                 | \$ (298,000 ) | \$ (133,500 ) | \$ (257,000 ) | \$ (404,500 ) |
| Total other comprehensive loss  | (298,000 )    | (133,500 )    | (257,000 )    | (404,500 )    |
| Comprehensive loss  | \$ (528,033 ) | \$ (205,807 ) | \$ (875,205 ) | \$ (667,510 ) |
| Net loss Per Common Share:  |               |               |               |               |
| Basic and diluted   | \$ (0.23 )    | \$ (0.07 )    | \$ (0.61 )    | \$ (0.26 )    |
| Weighted average common shares outstanding-Basic and diluted                    | 1,010,426     | 1,021,376     | 1,010,426     | 1,021,381     |

See notes to the condensed consolidated financial statements



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

|   | For the nine months<br>ended September 30, |               |
|---|--|---------------|
|   | 2011                                       | 2010          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |  |               |
| Net loss attributable to the Company  | \$ (618,205 )                              | \$ (263,010 ) |
| Adjustments to reconcile net loss attributable to the Company to net cash provided by (used in) operating activities: |  |               |
| Depreciation and amortization   | 854,821                                    | 719,466       |
| Non-employee stock compensation expense   | 48,646                                     | —             |
| Net income from other investments, excluding impairment losses  | (55,502 )                                  | (242,370 )    |
| Other than temporary impairment loss from other investments   | 86,707                                     | 50,000        |
| Net loss (gain) from investments in marketable securities   | 141,226                                    | (179,348 )    |
| Realized loss on interest rate swap agreement   | 198,400                                    | —             |
| Net loss attributable to non controlling interest   | (171,764 )                                 | (7,990 )      |
| Deferred income tax (benefit) provision   | (280,000 )                                 | 4,000         |
| Changes in assets and liabilities:  |  |               |
| Other assets and other receivables  | (52,758 )                                  | (320,392 )    |
| Accounts payable, accrued expenses and other liabilities  | (104,467 )                                 | 238,194       |
| Total adjustments   | 665,309                                    | 261,560       |
| Net cash provided by (used in) operating activities   | 47,104                                     | (1,450 )      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |  |               |
| Purchases and improvements of properties  | (170,196 )                                 | (133,967 )    |
| (Increase) decrease in notes and advances from related parties  | (7,246 )                                   | 11,504        |
| Collections of mortgage loans and notes receivables   | —  | 163,975       |
| Distributions from other investments  | 168,794                                    | 262,949       |
| Contributions to other investments  | (174,713 )                                 | (273,409 )    |
| Net proceeds from sales and redemptions of securities   | 1,165,181                                  | 2,988,237     |
| Purchase of marketable securities   | (1,099,976 )                               | (1,054,686 )  |
| Net cash (used in) provided by investing activities   | (118,156 )                                 | 1,964,603     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |  |               |
| Repayment of mortgages and notes payables   | (2,710,884 )                               | (623,971 )    |
| Partial settlement of interest rate swap contract   | (198,400 )                                 | —             |
| Withdrawals from restricted cash  | 2,379,947                                  | 21,038        |
| (Distributions to) contribution from minority partners  | (101,181 )                                 | 61,449        |
| Purchase of treasury stock  | —  | (903 )        |
| Net cash used in financing activities   | (630,518 )                                 | (542,387 )    |
| Net (decrease) increase in cash and cash equivalents  | (701,570 )                                 | 1,420,766     |
| Cash and cash equivalents at beginning of the year  | 3,618,200                                  | 1,909,218     |
| Cash and cash equivalents at end of the year  | \$ 2,916,630                               | \$ 3,329,984  |

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW  
INFORMATION:**

|  |    |         |    |         |
|--|----|---------|----|---------|
| Cash paid during the period for interest     | \$ | 687,000 | \$ | 794,000 |
| Cash paid during the period for income taxes | \$ | —       | \$ | —       |

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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 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, 2010. The balance sheet as of December 31, 2010 was derived from audited financial statements as of that date. The results of operations for the three and nine months ended September 30, 2011 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

On January 1, 2011, the Company adopted Financial Accounting Standards Board ("FASB") Accounting Standard Update ("ASU") 2009-13, "Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements – a consensus of the FASB Emerging Issues Task Force." This ASU amended the criteria for when to evaluate individual delivered items in a multiple deliverable arrangement and how to allocate consideration received. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS," which provides common requirements for measuring fair value and disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards ("IFRS"). This ASU is effective for fiscal years beginning on or after December 15, 2011. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements

In June 2011, the FASB issued ASU 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income," which improves the comparability, consistency and transparency of financial reporting and increases the prominence of items reported in other comprehensive income. This ASU is effective for fiscal years beginning on or after December 15, 2011 and early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08, "Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment". ASU 2011-08 permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it need not perform the two-step impairment test. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.



### 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").

In March 2011 Bayshore amended its loan agreement with the same bank. Effective March 11, 2011 the principal balance of the loan was paid down by approximately \$1.6 million to \$8.8 million with the proceeds of the restricted cash balance and the remaining restricted cash balances were released by the bank. The loan is to be repaid in monthly installments of approximately \$81,500 including principal and interest. Interest remains at the same terms, and the swap agreement remains in place for the reduced balance. The note is due, with a balloon payment on August 19, 2020. The agreement with the bank contains certain covenants with which the Company is in compliance. In conjunction with this loan amendment Bayshore was required to pay down the interest rate swap contract liability by \$198,400, as discussed in Note 7 below.

Summarized combined statements of income for Landing and Rawbar for the three and nine months ended September 30, 2011 and 2010 are presented below (Note: the Company's ownership percentage in these operations is 50%):

| Summarized Combined statements of income Bayshore Landing, LLC and Bayshore Rawbar, LLC | For the three months ended September 30, 2011 | For the three months ended September 30, 2010 | For the nine months ended September 30, 2011 | For the nine months ended September 30, 2010 |
|---|---|---|--|--|
| <b>Revenues:</b>  |   |   |  |  |
| Food and Beverage Sales   | \$ 1,219,000                                  | \$ 1,124,000                                  | \$ 4,515,000                                 | \$ 4,268,000                                 |
| Marina dockage and related  | 243,000                                       | 320,000                                       | 800,000                                      | 939,000                                      |
| Retail/mall rental and related  | 158,000                                       | 159,000                                       | 452,000                                      | 455,000                                      |
| <b>Total Revenues</b>   | <b>1,620,000</b>                              | <b>1,603,000</b>                              | <b>5,767,000</b>                             | <b>5,662,000</b>                             |
| <b>Expenses:</b>  |   |   |  |  |
| Cost of food and beverage sold  | 344,000                                       | 305,000                                       | 1,266,000                                    | 1,159,000                                    |
| Labor and related costs   | 255,000                                       | 291,000                                       | 845,000                                      | 917,000                                      |
| Entertainers  | 49,000  | 49,000  | 145,000                                      | 144,000                                      |
| Other food and beverage related costs   | 113,000                                       | 128,000                                       | 420,000                                      | 423,000                                      |
| Other operating costs   | 71,000  | 88,000  | 141,000                                      | 219,000                                      |
| Repairs and maintenance   | 76,000  | 80,000  | 290,000                                      | 201,000                                      |
| Insurance   | 150,000                                       | 132,000                                       | 404,000                                      | 417,000                                      |
| Management and professional fees  | 93,000  | 69,000  | 253,000                                      | 195,000                                      |
| Utilities   | 71,000  | 78,000  | 195,000                                      | 203,000                                      |
| Ground rent   | 220,000                                       | 209,000                                       | 666,000                                      | 628,000                                      |
| Interest  | 166,000                                       | 201,000                                       | 533,000                                      | 625,000                                      |
| Depreciation and amortization (a)   | 167,000                                       | 176,000                                       | 650,000                                      | 536,000                                      |
| Realized loss on interest rate swap (Note 7)  | —   | —   | 198,000                                      | —  |
| <b>Total Expenses</b>   | <b>1,775,000</b>                              | <b>1,806,000</b>                              | <b>6,006,000</b>                             | <b>5,667,000</b>                             |

|                   |    |          |   |    |          |   |    |          |   |    |        |   |
|-------------------|----|----------|---|----|----------|---|----|----------|---|----|--------|---|
| Net income (loss) | \$ | (155,000 | ) | \$ | (203,000 | ) | \$ | (239,000 | ) | \$ | (5,000 | ) |
|-------------------|----|----------|---|----|----------|---|----|----------|---|----|--------|---|

- (a) Includes approximately \$145,000 loan costs which were fully amortized in conjunction with the Monty's loan modification in March 2011.

#### 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 and nine months ended September 30, 2011 and 2010 is summarized below:

| Description   | Three months ended<br>September 30, |           | Nine months ended<br>September 30, |            |
|---|-------------------------------------|-----------|------------------------------------|------------|
|   | 2011                                | 2010      | 2011                               | 2010       |
| Net realized gain from sales of securities  | \$36,000                            | \$27,000  | \$115,000                          | \$279,000  |
| Net unrealized (loss) gain in trading securities  | (209,000 )                          | 181,000   | (256,000 )                         | (100,000 ) |
| Total net realized and unrealized (loss) gain from investments in marketable securities | \$(173,000 )                        | \$208,000 | \$(141,000 )                       | \$179,000  |

For the three and nine months ended September 30, 2011 net unrealized losses from trading securities were \$209,000 and \$256,000, respectively. This is compared to a net unrealized gain of \$181,000 for the three months ended September 30, 2010 and a net unrealized loss of \$100,000 for the nine months ended September 30, 2010.

For the three months ended September 30, 2011 net realized gain from sales of marketable securities was \$36,000, and consisted of \$65,000 of gross gains net of \$29,000 of gross losses. For the nine months ended September 30, 2011 net realized gain from sales of marketable securities was \$115,000, and consisted of \$169,000 of gross gains net of \$54,000 of gross losses.

For the three months ended September 30, 2010 net realized gain from sales of marketable securities was \$27,000, and consisted of \$39,000 of gross gains net of \$12,000 of gross losses. For the nine months ended September 30, 2010 net realized gain from sales of marketable securities was \$279,000, and consisted of \$476,000 of gross gains net of \$197,000 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 September 30, 2011, the Company's portfolio of other investments had an aggregate carrying value of approximately \$3.7 million. The Company has committed to fund an additional \$808,000 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 September 30, 2011 the Company committed to a new investment in the amount of \$250,000, of which \$25,000 was funded as of September 30, 2011. This investment is a power and energy real estate fund. Total cash contributions to other investments for the three and nine months ended September 30, 2011 were approximately \$56,000 and \$175,000, respectively. Total cash distributions from other investments for the three and nine months ended September 30, 2011 were approximately \$50,000 and \$169,000, respectively. These distributions were primarily from investments in partnerships owning diversified operating companies and real estate.

Net income from other investments for the three and nine months ended September 30, 2011 and 2010, is summarized below (excluding other than temporary impairment loss):

| Description | Three months ended<br>September 30, |      | Nine months ended<br>September 30, |           |
|-------------|-------------------------------------|------|------------------------------------|-----------|
|             | 2011                                | 2010 | 2011                               | 2010      |
|             | —                                   | —    | \$25,000                           | \$179,000 |

|  |          |          |          |           |
|--|----------|----------|----------|-----------|
| Partnership owning diversified businesses & distressed debt          |          |          |          |           |
| Technology and related   | \$1,000  | —        | 1,000    | 3,000     |
| Partnership owning investments in marketable securities              | —        | \$14,000 | —        | 13,000    |
| Income from investment in 49% owned affiliate (T.G.I.F. Texas, Inc.) | 9,000    | 10,000   | 30,000   | 47,000    |
| Total net income from other investments                              | \$10,000 | \$24,000 | \$56,000 | \$242,000 |



Other than temporary impairment losses from other investments for the three and nine months ended September 30, 2011 and 2010, are summarized below:

| Description   | Three months ended<br>September 30, |      | Nine months ended<br>September 30, |             |
|---|-------------------------------------|------|------------------------------------|-------------|
|   | 2011                                | 2010 | 2011                               | 2010        |
| Real estate and related (a)                                 | —                                   | —    | \$(84,000 )                        | \$(50,000 ) |
| Partnership owning diversified businesses & distressed debt | —                                   | —    | (3,000 )                           | —           |
| Total OTTI loss from other investments                      | \$—                                 | \$—  | \$(87,000 )                        | \$(50,000 ) |

- (a) In June 2011 the Company recognized an impairment loss of approximately \$84,000 from an investment in a partnership which operates and leases executive suites in Miami, Florida. The Company has funded \$120,000 to date in this investment and the losses incurred were associated with the initial start up of the venture in 2010.

The following tables present gross unrealized losses and fair values for those investments that were in an unrealized loss position as of September 30, 2011 and December 31, 2010, aggregated by investment category and the length of time that investments have been in a continuous loss position:

| Investment<br>Description  | Less than 12 Months |                    | As of September 30, 2011<br>Greater than 12 Months |                    | Total         |                    |
|--|---------------------|--------------------|--|--------------------|---------------|--------------------|
|  | Fair<br>Value       | Unrealized<br>Loss | Fair<br>Value                                      | Unrealized<br>Loss | Fair<br>Value | Unrealized<br>Loss |
| Partnerships owning investments in technology related industries | \$ 323,000          | \$ (15,000 )       | \$ 38,000  | \$ (48,000 )       | \$ 361,000    | \$ (63,000 )       |
| Partnerships owning diversified businesses                       | —                   | —                  | 216,000  | (73,000 )          | 216,000       | (73,000 )          |
| Partnerships owning real estate and related investments          | —                   | —                  | 261,000  | (50,000 )          | 261,000       | (50,000 )          |
| Total  | \$ 323,000          | \$ (15,000 )       | \$ 515,000   | \$ (171,000 )      | \$ 838,000    | \$ (186,000 )      |

| Investment<br>Description  | Less than 12 Months |                    | As of December 31, 2010<br>Greater than 12 Months |                    | Total         |                    |
|--|---------------------|--------------------|---|--------------------|---------------|--------------------|
|  | Fair<br>Value       | Unrealized<br>Loss | Fair<br>Value                                     | Unrealized<br>Loss | Fair<br>Value | Unrealized<br>Loss |
| Partnerships owning investments in technology related industries | —                   | —                  | \$ 52,000   | \$ (34,000 )       | \$ 52,000     | \$ (34,000 )       |
| Partnerships owning diversified businesses                       | —                   | —                  | 737,000   | (104,000 )         | 737,000       | (104,000 )         |
| Partnerships owning real estate & related                        | —                   | —                  | 398,000   | (105,000 )         | 398,000       | (105,000 )         |

|       |   |   |              |              |              |              |
|-------|---|---|--------------|--------------|--------------|--------------|
| Total | — | — | \$ 1,187,000 | \$ (243,000) | \$ 1,187,000 | \$ (243,000) |
|-------|---|---|--------------|--------------|--------------|--------------|

When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer and any changes thereto, and the Company’s intent to sell, or whether it is more likely than not it will be required to sell, the investment before recovery of the investment’s amortized cost basis.

In accordance with ASC Topic 320-10-65, Recognition and Presentation of Other-Than-Temporary Impairments (“OTTI”) as of September 30, 2011 OTTI impairment valuation adjustments totaled \$87,000 primarily from an investment in a real estate partnership which leases executive suites in Miami, Florida (as discussed above). As of September 30, 2010 OTTI impairment valuation adjustments totaled \$50,000 primarily from an investment in a real estate fund.

## 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with ASC Topic 820, the Company discloses the fair value of its financial instruments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements), and gives the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term on the financial instrument.

Assets and liabilities measured at fair value on a recurring basis are summarized below by hierarchy as of September 30 2011 and December 31, 2010:

| Description                   | Total<br>September 30,<br>2011 | Fair value measurement at reporting date using                             |  |  |
|-------------------------------|--------------------------------|--|--|--|
|                               |                                | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Assets:</b>                |                                |  |  |  |
| <b>Cash equivalents:</b>      |                                |  |  |  |
| Time deposits                 | \$ 54,000                      | —  | \$ 54,000  | —  |
| Money market mutual funds     | 1,914,000                      | \$ 1,914,000   | —  | —  |
| <b>Marketable securities:</b> |                                |  |  |  |
| Corporate debt securities     | 605,000                        | —  | 605,000  | —  |
| Marketable equity securities  | 1,282,000                      | 1,282,000  | —  | —  |
| <b>Total assets</b>           | <b>\$ 3,855,000</b>            | <b>\$ 3,196,000</b>  | <b>\$ 659,000</b>                                      | <b>\$ —</b>  |
| <b>Liabilities:</b>           |                                |  |  |  |
| Interest rate swap contract   | 1,976,000                      | —  | 1,976,000  | —  |
| <b>Total liabilities</b>      | <b>\$ 1,976,000</b>            | <b>—</b>   | <b>\$ 1,976,000</b>                                    | <b>—</b>   |

| Description                           | Total<br>December 31,<br>2010 | Fair value measurement at reporting date using                             |  |  |
|---------------------------------------|-------------------------------|--|--|--|
|                                       |                               | Quoted Prices in<br>Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Assets:</b>                        |                               |  |  |  |
| <b>Cash equivalents:</b>              |                               |  |  |  |
| Time deposits                         | \$ 53,000                     | —  | \$ 53,000  | —  |
| Money market mutual funds             | 2,450,000                     | \$ 2,450,000   | —  | —  |
| <b>Cash equivalents – restricted:</b> |                               |  |  |  |
| Money market mutual funds             | 2,380,000                     | 2,380,000  | —  | —  |
| <b>Marketable securities:</b>         |                               |  |  |  |
| Corporate debt securities             | 730,000                       | —  | 730,000  | —  |
| Marketable equity securities          | 1,364,000                     | 1,364,000  | —  | —  |
| <b>Total assets</b>                   | <b>\$ 6,977,000</b>           | <b>\$ 6,194,000</b>  | <b>\$ 783,000</b>                                      | <b>—</b>   |

Liabilities:

|                             |              |   |              |   |
|-----------------------------|--------------|---|--------------|---|
| Interest rate swap contract | 1,462,000    | — | 1,462,000    | — |
| Total liabilities           | \$ 1,462,000 | — | \$ 1,462,000 | — |

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Assets measured at fair value on a nonrecurring basis are summarized below by hierarchy as of September 30, 2011 and December 31, 2010:

| Description                            | Fair value measurement at reporting date using |  |   |   | Total losses for the nine months ended 9/30/2011 |
|--|--|--|---|---|--|
|  | Total September 30, 2011                       | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) (a) | Significant Unobservable Inputs (Level 3) (b) |  |
| Assets:                                |  |  |   |   |  |
| Other investments by investment focus: |  |  |   |   |  |
| Technology & Communication             | \$468,000                                      | \$—  | \$468,000   | \$—   | \$(3,000)  |
| Diversified businesses                 | 1,427,000                                      | —  | 1,427,000   | —   | —  |
| Real estate and related                | 1,522,000                                      | —  | 541,000   | 981,000                                       | (84,000)   |
| Other                                  | 300,000  | —  | —   | 300,000                                       | —  |
|  | \$3,717,000                                    | \$—  | \$2,436,000                                       | \$1,281,000                                   | \$(87,000)                                       |
| Goodwill (Bayshore)                    | 5,628,000                                      |  |   | 5,628,000                                     |  |
| Total assets                           | \$9,345,000                                    | \$—  | \$2,436,000                                       | \$6,909,000                                   | \$(87,000)                                       |

| Description                            | Fair value measurement at reporting date using |  |   |   | Total gains (losses) for year ended 12/31/2010 |
|--|--|--|---|---|--|
|  | Total December 31, 2010                        | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) (a) | Significant Unobservable Inputs (Level 3) (b) |  |
| Assets:                                |  |  |   |   |  |
| Other investments by investment focus: |  |  |   |   |  |
| Technology & Communication             | \$469,000                                      | \$—  | \$469,000   | \$—   | \$(44,000)                                     |
| Diversified businesses                 | 1,461,000                                      | —  | 1,461,000   | —   | 187,000  |
| Real estate and related                | 1,539,000                                      | —  | 539,000   | 1,000,000                                     | (45,000)                                       |
| Other                                  | 300,000  | —  | —   | 300,000                                       | \$14,000                                       |
|  | \$3,769,000                                    | \$—  | \$2,469,000                                       | \$1,300,000                                   | \$112,000                                      |
| Goodwill (Bayshore)                    | 5,628,000                                      |  |   | 5,628,000                                     | (2,100,000)                                    |
| Total assets                           | \$9,397,000                                    | \$—  | \$2,469,000                                       | \$6,928,000                                   | \$(1,988,000)                                  |

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

For the nine months ended September 30, 2011 and 2010, respectively, \$87,000 and \$50,000 of OTTI adjustments were recognized. No OTTI adjustments were recognized for the three months ended September 30, 2011 and 2010.

The OTTI loss for the nine months ended September 30, 2011 primarily consists of a recognized impairment loss of approximately \$84,000 in an investment in a partnership which operates and leases executive suites in Miami, Florida. The Company has funded \$120,000 to date in this investment and the losses incurred were primarily associated with the initial start up of the venture in 2010.

- (a) This class of other investments above which are measured on a nonrecurring basis using Level 2 input or recent observable information. These include investments in certain entities that calculate net asset value per share (or its equivalent such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed, "NAV"). This class primarily consists of private equity funds that have varying investment focus. These investments can never be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held it is estimated that the underlying assets of the fund would be liquidated over 5 to 10 years. As of September 30, 2011 and December 31, 2010, it is probable that all of the investments in this class will be sold at an amount different from the NAV of the Company's ownership interest in partners' capital. Therefore, the fair values of the investments in this class have been estimated using recent observable information such as audited financial statements and/or statements of partners' capital obtained directly from investees on a quarterly or other regular basis.

- (b) This class of other investments above which are measured on a nonrecurring basis using Level 3 unobservable inputs consist of investments primarily in commercial real estate in Florida through private partnerships and two investments in the stock of private banks in Florida and Texas. The Company does not know when it will have the ability to redeem the investments and has categorized them as a Level 3 fair value measurement. The Level 3 real estate and related investments of approximately \$1 million primarily consist of one investment in a commercial building located near the Company's offices purchased in 2005. This investment is measured using primarily inputs provided by the managing member of the partnerships with whom the Company has done similar transactions in the past and is well known to management. The fair values of these real estate investments have been estimated using the net asset value of the Company's ownership interest in partners' capital. There have been no gains or losses realized or unrealized relating to these investments. The investments in private bank stocks include a private bank and trust located in Coral Gables, Florida in the amount of \$250,000 made in 2009, and a \$50,000 investment in a bank located in El Campo, Texas made in 2010. The fair values of these bank stock investments have been estimated using the cost method less distributions received and other than temporary impairments. This investment is valued using inputs provided by the management of the banks.

The following table includes a roll-forward of the investments classified within level 3 of the fair value hierarchy for the nine months ended September 30, 2011:

|  | Level 3 Investments: |
|--|----------------------|
| Balance at January 1, 2011                   | \$ 1,300,000         |
| Additional investment in limited partnership | 30,000               |
| Other than temporary impairment loss         | (87,000 )            |
| Transfers from Level 2                       | 38,000               |
| Balance at September 30, 2011                | \$ 1,281,000         |

For the nine months ended September 30, 2011 the Company transferred approximately \$38,000 from level 2 to level 3 to correct a misclassification of an investment in a real estate partnership as of December 31, 2010.

## 7. INTEREST RATE SWAP CONTRACT

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 2.45% plus the one-month LIBOR Rate times the same notional amount. The Company designated this interest rate swap contract as a cash flow hedge.

In conjunction with amendment of the Bayshore bank loan in March 2011 (Note 3), the interest rate swap contract liability was paid down by \$198,400 (in the same proportion as the amount of the loan principal paid down). This amount represents a previously unrealized loss which upon pay down of the swap was reclassified from accumulated other comprehensive income and recorded as a realized loss on interest rate swap contract within the condensed consolidated statements of comprehensive income for the nine months ended September 30, 2011.

As of September 30, 2011 the fair value of this hedge was an unrealized loss of \$1,976,000, as compared with an unrealized loss of \$1,462,000 as of December 31, 2010 which resulted in an unrealized loss of \$514,000 (or \$257,000, net of noncontrolling interest) for the nine months ended September 30, 2011. This amount has been recorded as other comprehensive income and will be reclassified to interest expense over the life of the contract.

The following tables present the required disclosures in accordance with ASC Topic 815-10:

| Fair Values of Derivative Instruments:                                  | Liability Derivative   |              |                        |              |
|---|------------------------|--------------|------------------------|--------------|
|   | September 30, 2011     |              | December 31, 2010      |              |
|   | Balance Sheet Location | Fair Value   | Balance Sheet Location | Fair Value   |
| Derivatives designated as hedging instruments:                          |                        |              |                        |              |
| Interest rate swap contract   | Liabilities            | \$ 1,976,000 | Liabilities            | \$ 1,462,000 |
| Total derivatives designated as hedging instruments under ASC Topic 815 |                        | \$ 1,976,000 |                        | \$ 1,462,000 |

The Effect of Derivative Instruments on the Statements of Comprehensive Income

| Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) | For the three                   | For the three                   | For the nine                    | For the nine                    |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|  | Months ended September 30, 2011 | Months ended September 30, 2010 | Months ended September 30, 2011 | Months ended September 30, 2010 |
| Interest rate swap contracts   | \$ (298,000 )                   | \$ (133,500 )                   | \$ (257,000 )                   | \$ (404,500 )                   |
| Total  | \$ (298,000 )                   | \$ (133,500 )                   | \$ (257,000 )                   | \$ (404,500 )                   |



## 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<br>September 30, |             | Nine months ended<br>September 30, |              |
|---|-------------------------------------|-------------|------------------------------------|--------------|
|   | 2011                                | 2010        | 2011                               | 2010         |
| <b>Net Revenues:</b>  |                                     |             |                                    |              |
| Real estate and marina rentals                                    | \$860,000                           | \$915,000   | \$2,603,000                        | \$2,707,000  |
| Food and beverage sales   | 1,219,000                           | 1,125,000   | 4,515,000                          | 4,268,000    |
| Spa revenues  | 211,000                             | 173,000     | 421,000                            | 388,000      |
| Total net revenues  | \$2,290,000                         | \$2,213,000 | \$7,539,000                        | \$7,363,000  |
| <b>Loss before income taxes:</b>                                  |                                     |             |                                    |              |
| Real estate and marina rentals                                    | \$235,000                           | \$257,000   | \$729,000                          | \$698,000    |
| Food and beverage sales   | (42,000 )                           | (117,000 )  | 72,000                             | (75,000 )    |
| Other investments and related income                              | (653,000 )                          | (190,000 )  | (1,699,000 )                       | (882,000 )   |
| Total net loss attributable to the Company before<br>income taxes | \$(460,000 )                        | \$(50,000 ) | \$(898,000 )                       | \$(259,000 ) |

## 9. INCOME TAXES

We adopted the provisions of ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes" on January 1, 2007. This topic clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with ASC Topic 740, "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. The guidance requires that the Company determine whether the benefits of the Company's tax positions are more likely than not of being sustained upon audit based on the technical merits of the tax position. Topic 740-10 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 consolidated financial statements. Our evaluation was performed for the tax years ended December 31, 2007, 2008, 2009 and 2010, the tax years which remain subject to examination by major tax jurisdictions as of September 30, 2011.

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 consolidated financial statements as selling, general and administrative expense.

## 10. STOCK-BASED COMPENSATION

In March 2011, the Company's Board of Directors authorized the 2011 Stock Option Plan (the "Plan"), which was approved by the shareholders on August 25, 2011. The 2011 Stock Option Plan replaces the 2000 Stock Option Plan

and all outstanding options under the 2001 Plan have expired. The Plan provides for the grant of options to purchase up to 120,000 shares of the Company's common stock to the officers and directors of the Company. On March 23, 2011 options were granted to all officers and directors to purchase an aggregate of 118,300 common shares at no less than 100% of the fair market value at the date of grant. These options were issued after approval of the Plan by shareholders on August 25, 2011. These options are vested when issued, except for some of the stock options granted to the President and CEO which vest in 2012 and 2013. Options are not transferable and expire upon termination of employment, except to a limited extent in the event of retirement, disability or death of the grantee. Stock options issued to the CEO have an exercise price of 110% of the fair market value at the date of grant. The average exercise price of the options granted in 2011 was \$5.03 per share. The Company's stock price on the date of grant was \$4.80 per share.

The Company's policy is to record stock compensation expense in accordance with ASC Topic 505-50, "Equity-Based Payments to Non-Employees". Options granted during 2011 were valued at the date of grant using the Black-Scholes option pricing model. The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options, which have some vesting restrictions and are not transferable. The per share weighted average fair value of stock options granted during the nine months in 2011 was \$.63 and was determined using the following assumptions: expected price volatility 16.25%, risk-free interest rate ranging between .11% and .47%, zero expected dividend yield and five years expected life of options. The Company's stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate. It is management's opinion that the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

The Company's non-employee stock compensation expense based on the fair value at the date of grant for stock options was approximately \$49,000 for the three and nine months ended September 30, 2011 and is included in the results of operations in the condensed consolidated financial statements. There was no such expense in the prior comparable period.

As of September 30, 2011, there was approximately \$26,000 of total unrecognized non-employee stock compensation expense related to unvested stock options under the Plan. This expense is expected to be recognized over the vesting periods ending August 25, 2012 and 2013.

A summary of the status of the Company's stock option plan as of September 30, 2011 and December 31, 2010, and changes during the periods ending on those dates are presented below:

|  | As of September 30, 2011 |  | As of December 31, 2010 |  |
|--|--------------------------|--|-------------------------|--|
|  | Shares                   | Weighted<br>Average<br>Exercise<br>Price | Shares                  | Weighted<br>Average<br>Exercise<br>Price |
| Outstanding at the beginning of the period                       | 102,100                  | \$8.83                                   | 102,100                 | \$8.83                                   |
| Granted  | 118,300                  | —  | —                       | —  |
| Exercised  | —                        | —  | —                       | —  |
| Expired  | (102,100 )               | —  | —                       | —  |
| Forfeited  | —                        | —  | —                       | —  |
| Outstanding at the end of the period                             | 118,300                  | \$5.03                                   | 102,100                 | \$8.83                                   |
| Options exercisable at period-end                                | 118,300                  | \$5.03                                   | 102,100                 | \$8.83                                   |
| Weighted average fair value of options granted during the period | 118,300                  | \$.63                                    | —                       | —  |

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

#### RESULTS OF OPERATIONS

For the three and nine months ended September 30, 2011 the Company reported a net loss of approximately \$230,000 (\$.23 per share) and \$618,000 (\$.61 per share), respectively. For the three and nine months ended September 30, 2010 the Company reported a net loss of approximately \$72,000 (\$.07 per share) and \$263,000 (\$.26 per share), respectively.

Total revenues for the nine months ended September 30, 2011 as compared with the same period in 2010, increased by approximately \$175,000 or 2%. Total revenues for the three months ended September 30, 2011 as compared with the same period in 2010, increased by approximately \$77,000 or 3%.

Total expenses for the nine months ended September 30, 2011, as compared with the same period in 2010, increased by approximately \$117,000 or 1%. Total expenses for the three months ended September 30, 2011, as compared with

the same period in 2010, increased by approximately \$27,000 or 1%.

## REVENUES

Rentals and related revenues for the three and nine months ended September 30, 2011 as compared with the same periods in 2010 remained relatively consistent.

Restaurant operations:

Summarized statements of income for the Company's Monty's restaurant for the three and nine months ended September 30, 2011 and 2010 is presented below:

|   | For the three months<br>ended September 30, |             | For the nine months<br>ended September 30, |             |
|---|---|-------------|--|-------------|
|   | 2011  | 2010        | 2011                                       | 2010        |
| <b>Revenues:</b>  |   |             |  |             |
| Food and Beverage Sales   | \$1,219,000                                 | \$1,124,000 | \$4,515,000                                | \$4,268,000 |
| <b>Expenses:</b>  |   |             |  |             |
| Cost of food and beverage sold                                    | 345,000                                     | 305,000     | 1,266,000                                  | 1,159,000   |
| Labor and related costs   | 255,000                                     | 291,000     | 845,000                                    | 917,000     |
| Entertainers  | 49,000                                      | 49,000      | 145,000                                    | 144,000     |
| Other food and beverage direct costs                              | 57,000                                      | 50,000      | 188,000                                    | 179,000     |
| Other operating costs   | 56,000                                      | 78,000      | 232,000                                    | 244,000     |
| Repairs and maintenance   | 42,000                                      | 42,000      | 122,000                                    | 128,000     |
| Insurance   | 83,000                                      | 81,000      | 240,000                                    | 220,000     |
| Management, accounting & other professional fees                  | 48,000                                      | 50,000      | 112,000                                    | 107,000     |
| Utilities   | 60,000                                      | 66,000      | 188,000                                    | 189,000     |
| Rent (as allocated)   | 129,000                                     | 119,000     | 457,000                                    | 431,000     |
| Total Expenses  | 1,123,000                                   | 1,131,000   | 3,795,000                                  | 3,718,000   |
| Income (loss) before depreciation and non<br>controlling interest | \$96,000                                    | \$(7,000)   | \$720,000                                  | \$550,000   |

Amounts above are presented as a percentage of sales below:

|   | For the three months<br>ended September 30, |   |      |   | For the nine months<br>ended September 30, |   |      |   |
|---|---|---|------|---|--|---|------|---|
|   | 2011  |   | 2010 |   | 2011                                       |   | 2010 |   |
| <b>Revenues:</b>                                    |   |   |      |   |  |   |      |   |
| Food and Beverage Sales                             | 100   | % | 100  | % | 100  | % | 100  | % |
| <b>Expenses:</b>                                    |   |   |      |   |  |   |      |   |
| Cost of food and beverage sold                      | 28  | % | 27   | % | 28   | % | 27   | % |
| Labor and related costs                             | 21  | % | 26   | % | 19   | % | 21   | % |
| Entertainers  | 4   | % | 4    | % | 3  | % | 3    | % |
| Other food and beverage direct costs                | 5   | % | 4    | % | 4  | % | 4    | % |
| Other operating costs                               | 5   | % | 8    | % | 5  | % | 6    | % |
| Repairs and maintenance                             | 3   | % | 4    | % | 3  | % | 3    | % |
| Insurance   | 7   | % | 7    | % | 5  | % | 5    | % |
| Management, accounting & other professional<br>fees | 4   | % | 4    | % | 3  | % | 3    | % |
| Utilities   | 4   | % | 6    | % | 4  | % | 5    | % |
| Rent (as allocated)                                 | 11  | % | 11   | % | 10   | % | 10   | % |

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|  |    |   |     |    |    |   |    |   |
|--|----|---|-----|----|----|---|----|---|
| Total Expenses   | 92 | % | 101 | %  | 84 | % | 87 | % |
| Income (loss) before depreciation and non-controlling interest | 8  | % | (1  | %) | 16 | % | 13 | % |

For the nine months ended September 30, 2011 as compared with the same period in 2010 restaurant food and beverage sales increased by approximately \$246,000 (6%), with food sales increasing by \$222,000 (or 9%) and beverage sales increasing \$24,000 (or 1%).

For the three months ended September 30, 2011 as compared with the same period in 2010 restaurant food and beverage sales increased by approximately \$94,000 (or 8%), with food sales increasing by \$64,000 (10%) and beverage sales increasing \$30,000 (7%).

For the three and nine months ended September 30, 2011 as compared with the same periods in 2010 cost of sales increased by \$39,000 (13%) and \$107,000 (9%), respectively. This was due primarily to higher food costs.

For the three and nine months ended September 30, 2011 as compared with the same periods in 2010 labor and related costs decreased by \$35,000 (10%) and \$70,000 (7%), respectively. This was due primarily to a reduction in restaurant general management salaries.

#### 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<br>ended September 30, |           | For the nine months<br>ended September 30, |           |
|---|---|-----------|--|-----------|
|   | 2011  | 2010      | 2011                                       | 2010      |
| <b>Marina Revenues:</b>                                 |   |           |  |           |
| Monty's dockage fees and related income                 | \$259,000                                   | \$320,000 | \$850,000                                  | \$938,000 |
| Grove Isle marina slip owners dues and dockage fees     | 126,000                                     | 124,000   | 350,000                                    | 377,000   |
| Total marina revenues                                   | 385,000                                     | 444,000   | 1,200,000                                  | 1,315,000 |
| <b>Marina Expenses:</b>                                 |   |           |  |           |
| Labor and related costs                                 | 70,000                                      | 62,000    | 201,000                                    | 193,000   |
| Insurance   | 24,000                                      | 21,000    | 67,000                                     | 120,000   |
| Management fees   | 17,000                                      | 19,000    | 54,000                                     | 58,000    |
| Utilities, net of tenant reimbursement                  | 4,000                                       | 3,000     | (14,000)                                   | (9,000)   |
| Rent and bay bottom lease expense                       | 49,000                                      | 61,000    | 159,000                                    | 181,000   |
| Repairs and maintenance                                 | 26,000                                      | 26,000    | 121,000                                    | 82,000    |
| Other   | 21,000                                      | 26,000    | 68,000                                     | 83,000    |
| Total marina expenses                                   | 211,000                                     | 218,000   | 656,000                                    | 708,000   |
| Income before depreciation and non controlling interest | \$174,000                                   | \$226,000 | \$544,000                                  | \$607,000 |

Marina revenues for the three and nine months ended September 30, 2011 as compared to the same periods in 2010 decreased by \$60,000 (13%) and \$115,000 (9%). This was primarily due to decreased transient dockage rental at the Monty's marina.

#### Spa operations:

Below are summarized statements of income for Grove Isle spa operations for the three and nine months ended September 30, 2011 and 2010. The Company owns 50% of the Grove Isle Spa with the other 50% owned by an affiliate of Grand Heritage, the tenant of the Grove Isle Resort:

|  | Three months<br>ended<br>September 30,<br>2011 | Three months<br>ended<br>September 30,<br>2010 | Nine months<br>ended<br>September 30,<br>2011 | Nine months<br>ended<br>September 30,<br>2010 |
|--|--|--|---|---|
| <b>Summarized statements of income of spa operations</b> |  |  |   |   |
| <b>Revenues:</b>   |  |  |   |   |
| Services provided  | \$ 196,000                                     | \$ 156,000                                     | \$ 367,000                                    | \$ 334,000                                    |
| Membership and other                                     | 16,000   | 17,000   | 54,000  | 55,000  |

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|   |          |           |          |           |
|---|----------|-----------|----------|-----------|
| Total spa revenues  | 212,000  | 173,000   | 421,000  | 389,000   |
| Expenses:   |          |           |          |           |
| Cost of sales (commissions and other)                             | 33,000   | 25,000    | 67,000   | 54,000    |
| Salaries, wages and related                                       | 40,000   | 24,000    | 105,000  | 92,000    |
| Other operating expenses  | 119,000  | 77,000    | 209,000  | 147,000   |
| Management and administrative fees                                | 11,000   | 14,000    | 23,000   | 25,000    |
| Other non-operating expenses                                      | 2,000    | 12,000    | 11,000   | 26,000    |
| Total Expenses  | 205,000  | 152,000   | 415,000  | 344,000   |
| Income before interest, depreciation and non-controlling interest | \$ 7,000 | \$ 21,000 | \$ 6,000 | \$ 45,000 |



For the three and nine months ended September 30, 2011 as compared with the same periods in 2010, spa revenues increased by \$38,000 (or 22%) and \$32,000 (or 8%), respectively. For the three and nine months ended September 30, 2011 as compared with the same periods in 2010, spa expenses increased by \$52,000 (or 34%) and \$70,000 (or 20%), respectively. The increases in revenue and expenses were primarily due to extended promotional program offering services at discounted prices.

Net realized and unrealized (loss) gain from investments in marketable securities:

Net realized and unrealized (loss) gain from investments in marketable securities for the three months ended September 30, 2011 and 2010 was approximately (\$173,000) and \$208,000, respectively. Net realized and unrealized (loss) gain from investments in marketable securities for the nine months ended September 30, 2011 and 2010 was approximately (\$141,000) and \$179,000, respectively.

Net income from other investments:

Net income from other investments for the three and nine months ended September 30, 2011 was approximately \$10,000 and \$56,000, respectively. This is as compared to gains of approximately \$24,000 and \$242,000 for the three and nine months ended September 30, 2010. Additionally, for the nine months ended September 30, 2011 and 2010 other than temporary impairment valuation losses of \$87,000 and \$50,000, respectively, were recognized. There were no other than temporary impairment valuation losses for the three months ended September 30, 2011 and 2010. For further details refer to Note 5 to Condensed Consolidated Financial Statements (unaudited).

Interest, dividend and other income:

Interest, dividend and other income for the three and nine months ended September 30, 2011 was approximately \$34,000 and \$160,000, respectively. This is as compared to income of approximately \$100,000 and \$278,000 for the three and nine months ended September 30, 2010. The decreases in the three and nine month comparable periods were \$66,000 (66%) and \$118,000 (42%), respectively. These decreases were primarily a result of reduced interest and dividends due to decreased investments in marketable securities and also due to decreased service fee income earned by Courtland Houston, Inc.

## EXPENSES

Expenses for rental and other properties for the three and nine months ended September 30, 2011 were \$212,000 and \$560,000, respectively. This is as compared to the same expenses of approximately \$221,000 and \$540,000 for the three and nine months ended September 30, 2010. These changes were not significant.

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.

Depreciation and amortization expense for the three and nine months ended September 30, 2011 compared to the same periods in 2010 increased by \$28,000 (13%) and \$135,000 (19%), respectively. This increase in the nine month comparable periods was primarily due increased amortization approximately \$169,000 relating to loan costs associated with the Monty's and Grove Isle loan modifications completed in March and April 2011. This increase in amortization expense was partially offset by decreased depreciation expense of approximately \$31,000 as a result of increased amount of fully depreciated fixed assets related to Bayshore Rawbar.

General and administrative expense for the three months ended September 30, 2011 compared to the same period in 2010 increased by approximately \$21,000 (22%) primarily due to non-employee stock compensation expense of \$49,000 relating to stock options issued in August 2011 (See Note 10 Stock Based Compensation). This increase was partially offset by decreased corporate administrative expenses. General and administrative expense for the nine months ended September 30, 2011 compared to the same period in 2010 decreased by approximately \$23,000 (7%) primarily due to decreased corporate administrative expenses.

**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 primarily consist of maturities of debt obligations of approximately \$6.3 million in 2011 and contributions committed to other investments of approximately \$808,000 due upon demand. The funds necessary to meet these obligations are expected from the proceeds from the sales of properties or investments, bank construction loan, refinancing of existing bank loans, distributions from investments and available cash.

In April 2011 the Company renewed and modified the existing bank mortgage note payable on the Grove Isle property with the same lender. In conjunction with the renewal and modification the principal balance of the loan was paid down by \$650,000. As of September 30, 2011 the principal amount outstanding is \$2.8 million. The loan matures on December 31, 2011 and calls for the same monthly principal payments of \$10,000 plus interest calculated at the one-month LIBOR rate plus 3%. At maturity we have an option to extend the loan to December 31, 2012 under essentially the same terms as the current loan agreement.

Also included in the maturing debt obligations for 2011 is a note payable to the Company's 49% owned affiliate, T.G.I.F. Texas, Inc. ("TGIF") of approximately \$3.3 million due on demand. The obligation due to TGIF will be paid with funds available from distributions from its investment in TGIF and from available cash.

**MATERIAL COMPONENTS OF CASH FLOWS**

For the nine months ended September 30, 2011, net cash provided by operating activities was approximately \$47,000. This was primarily from the Company's rental operations cash flow.

For the nine months ended September 30, 2011, net cash used in investing activities was approximately \$118,000. This consisted primarily of approximately \$1.1 million in purchases of marketable securities, contributions to other investments of \$175,000 and additions to fixed assets of \$170,000. These uses of funds were partially offset by \$1.2 million in net proceeds from sales of marketable securities and distributions from other investment of \$169,000.

For the nine months ended September 30, 2011, net cash used in financing activities was approximately \$631,000. This primarily consisted of loan principal repayments of \$2.7 million, interest rate swap contract partial settlement of \$198,000, and distributions to noncontrolling interests in consolidated entities of \$101,000. These uses of funds were partially offset sources of funds consisting of withdraws from restricted cash accounts of \$2.4 million in conjunction with Bayshore loan amendment completed in March 2011 and after which no restricted cash balance remains.

Item 3.

Quantitative  
and Qualitative  
Disclosures  
about Market  
Risk  
Not applicable

Item 4. 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 effective 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

The Company was a co-defendant in two lawsuits in the circuit court in Miami Dade County Florida. These cases arose from claims by a condominium association and resident seeking a declaratory judgment regarding certain provisions of the declaration of condominium relating to the Grove Isle Club and the developer. The claim by the association has been dismissed as to all counts related to the Company however the association has filed an appeal. The Company believes that the claims are without merit and intends to vigorously defend its position. The ultimate outcome of this litigation cannot presently be determined. However, in management's opinion the likelihood of a material adverse outcome is remote. Accordingly, adjustments, if any that might result from the resolution of this matter have not been reflected in the financial statements.

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

Item 3. Defaults Upon Senior Securities: None.

Item 4. Removed and Reserved

Item 5. Other Information: None

Item 6. Exhibits:

- (a) Certifications pursuant to 18 USC Section 1350-Sarbanes-Oxley Act of 2002. Filed herewith.
- (b) Attached as Exhibit 101 to this report are the following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) the Condensed Consolidated Statement of Cash Flow, and (iv) related notes to these financial statements tagged as blocks of text. The XBRL-related information in Exhibit 101 to the Quarterly Report on Form 10-Q shall not be deemed "filed" or a part of a registration statement or prospectus for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, and is not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of those sections.

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: November 14, 2011

/s/ Lawrence Rothstein  
Lawrence Rothstein  
President, Treasurer and Secretary  
Principal Financial Officer

Dated: November 14, 2011

/s/ Carlos Camarotti  
Carlos Camarotti  
Vice President- Finance and Controller  
Principal Accounting Officer