

HMG COURTLAND PROPERTIES INC
Form 10-Q
May 16, 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 March 31, 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

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 May 16, 2011.

HMG/COURTLAND PROPERTIES, INC.

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

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

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

	March 31, 2011 (UNAUDITED)	December 31, 2010
ASSETS		
Investment properties, net of accumulated depreciation:		
Commercial properties	\$ 7,241,994	\$7,259,225
Hotel, club and spa facility	3,600,483	3,649,217
Marina properties	2,051,607	2,110,445
Land held for development	27,689	27,689
Total investment properties, net	12,921,773	13,046,576
Cash and cash equivalents	4,516,400	3,618,200
Cash and cash equivalents-restricted	-	2,379,947
Investments in marketable securities	1,730,300	2,093,109
Other investments	3,794,745	3,769,417
Investment in affiliate	2,822,968	2,813,634
Loans, notes and other receivables	579,024	742,411
Notes and advances due from related parties	700,745	698,341
Deferred taxes	471,000	480,000
Goodwill	5,628,627	5,628,627
Other assets	574,723	657,541
TOTAL ASSETS	\$ 33,740,305	\$35,927,803
LIABILITIES		
Mortgages and notes payable	\$ 15,667,737	\$17,509,155
Accounts payable, accrued expenses and other liabilities	917,614	894,894
Interest rate swap contract payable	1,201,000	1,462,000
TOTAL LIABILITIES	17,786,351	19,866,049
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 and 1,023,955 issued	1,023,955	1,023,955
Additional paid-in capital	24,313,341	24,313,341
Less: Treasury stock at cost (13,529 shares as of March 31, 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	(53,650,444)	(53,443,832)
Accumulated other comprehensive loss	(600,500)	(731,000)
Total stockholders' equity	12,598,084	12,674,196
Non controlling interest	3,355,870	3,387,558
TOTAL EQUITY	15,953,954	16,061,754
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 33,740,305	\$35,927,803

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	
	2011	2010
REVENUES		
Real estate rentals and related revenue	\$463,352	\$463,622
Food & beverage sales	1,688,016	1,493,912
Marina revenues	412,899	432,099
Spa revenues	112,119	108,615
Total revenues	2,676,386	2,498,248
EXPENSES		
Operating expenses:		
Rental and other properties	182,003	164,263
Food and beverage cost of sales	473,688	416,982
Food and beverage labor and related costs	345,502	363,657
Food and beverage other operating costs	537,860	474,809
Marina expenses	218,781	243,443
Spa expenses	102,820	95,135
Depreciation and amortization	381,294	281,610
Adviser's base fee	255,000	255,000
General and administrative	94,043	95,553
Professional fees and expenses	87,126	74,782
Directors' fees and expenses	24,000	29,213
Total operating expenses	2,702,117	2,494,447
Interest expense	252,189	259,922
Total expenses	2,954,306	2,754,369
Loss before other income and income taxes	(277,920)	(256,121)
Net realized and unrealized gains from investments in marketable securities	62,478	127,480
Net income from other investments	9,334	198,276
Realized loss on interest rate swap agreement	(198,400)	-
Interest, dividend and other income	95,887	118,081
Total other (loss) income	(30,701)	443,837
(Loss) income before income taxes	(308,621)	187,716
Provision for income taxes	9,000	72,000
Net (loss) income	(317,621)	115,716
Less: Net loss (income) attributable to noncontrolling interest in consolidated entities	111,009	(18,992)
Net (loss) income attributable to the Company	\$(206,612)	\$96,724
Other comprehensive income (loss):		
Unrealized gain (loss) on interest rate swap agreement	\$130,500	\$(54,000)

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	Total other comprehensive (loss) income	130,500	(54,000)
Comprehensive (loss) income		\$(76,112)	\$42,724

Net (loss) income Per Common Share:

	Basic and diluted	\$(0.20)	\$0.09
Weighted average common shares outstanding-Basic and diluted	1,010,426		1,021,408

See notes to the condensed consolidated financial statements

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

	For the three months ended March 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income attributable to the Company	\$(206,612)	\$96,724
Adjustments to reconcile net (loss) income attributable to the Company to net cash provided by		
operating activities:		
Depreciation and amortization	381,294	281,610
Net income from other investments, excluding impairment losses	(9,334)	(198,276)
Net gain from investments in marketable securities	(62,478)	(127,480)
Realized loss on interest rate swap agreement	198,400	-
Net (loss) income attributable to non controlling interest	(111,009)	18,992
Deferred income tax expense	9,000	72,000
Changes in assets and liabilities:		
Other assets and other receivables	89,850	135,935
Accounts payable, accrued expenses and other liabilities	20,315	125,916
Total adjustments	516,038	308,697
Net cash provided by operating activities	309,426	405,421
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases and improvements of properties	(100,134)	(54,702)
Decrease in notes and advances from related parties	-	3,847
Collections of mortgage loans and notes receivables	-	66,975
Distributions from other investments	29,798	231,239
Contributions to other investments	(55,125)	(265,500)
Net proceeds from sales and redemptions of securities	590,147	1,456,976
Purchase of marketable securities	(164,860)	(181,750)
Net cash provided by investing activities	299,826	1,257,085
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgages and notes payables	(1,841,418)	(239,428)
Partial settlement of interest rate swap contract	(198,400)	-
Withdrawals from (deposits to) restricted cash	2,379,947	(560)
Distributions to minority partners	(51,181)	-
Net cash provided by (used in) financing activities	288,948	(239,988)
Net increase in cash and cash equivalents	898,200	1,422,518
Cash and cash equivalents at beginning of the year	3,618,200	1,909,218
Cash and cash equivalents at end of the year	\$4,516,400	\$3,331,736
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	\$252,000	\$260,000
Cash paid during the period for income taxes	\$-	\$-

See notes to the condensed consolidated financial statements

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HMG/COURTLAND PROPERTIES, INC. 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 months ended March 31, 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

Recently Adopted Accounting Standards

In October 2009, the Financial Accounting Standards Board ("FASB") issued ASU 2009-13 (an update to ASC 605-25), Revenue Recognition: Multiple-Element Arrangements ("ASU 2009-13") which is effective for annual periods beginning on or after June 15, 2010; however, early adoption is permitted. In arrangements with multiple deliverables, ASU 2009-13 permits entities to use management's best estimate of selling price to value individual deliverables when those deliverables have never been sold separately or when third-party evidence is not available. In addition, any discounts provided in multiple-element arrangements will be allocated on the basis of the relative selling price of each deliverable. The implementation of ASU 2009-13 did not have a material impact on the Company's consolidated financial statements.

In January 2010, the FASB issued authoritative guidance that requires new disclosures related to fair value measurements and clarifies existing disclosure requirements about the level of disaggregation, inputs and valuation techniques. Specifically, reporting entities now must disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. In addition, in the reconciliation for Level 3 fair value measurements, a reporting entity should present separately information about purchases, sales, issuances and settlements. The guidance clarifies that a reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities for disclosure of fair value measurement, considering the level of disaggregated information required by other applicable U.S. GAAP guidance and should also provide disclosures about the valuation techniques and inputs used to measure fair value for each class of assets and liabilities. This guidance was effective for the Company on January 1, 2010, except for the disclosures about purchases, sales, issuances and settlements in the reconciliation for Level 3 fair value measurements, which became effective for the Company on January 1, 2011. The adoption of the applicable sections of this guidance effective on January 1, 2010 and 2011 did not have a material impact on the Company's consolidated financial statements.

In April 2010, the FASB issued ASU No. 2010-17, Milestone Method of Revenue Recognition, a consensus of the FASB Emerging Issues Task Force ("ASU 2010-17"). ASU 2010-17 provides guidance on the criteria that should be

met for determining whether the milestone method of revenue recognition is appropriate. A vendor can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. This statement is effective prospectively for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. The implementation of ASU 2010-17 did not have a material impact on the Company's consolidated financial statements.

In December 2010, the FASB amended its existing guidance for goodwill and other intangible assets. This authoritative guidance modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if there are qualitative factors indicating that it is more likely than not that a goodwill impairment exists. The qualitative factors are consistent with the existing guidance which requires goodwill of a reporting unit to be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. This authoritative guidance becomes effective for the Company in fiscal 2012. The implementation of this authoritative guidance is not expected to have a material impact on the Company's consolidated financial position or results of operations.

In April 2011, the FASB issued new guidance clarifying when a debt restructuring by a creditor constitutes a troubled debt restructuring, which is effective July 1, 2011 for all restructurings that occurred on or after January 1, 2011. Specifically, the guidance clarifies that a troubled debt restructuring only exists when a creditor makes a concession in interest rates or payment terms to a debtor experiencing financial difficulties. It provides additional guidance on determining what constitutes a concession, and on the use of probability in determining if a debtor could be experiencing financial difficulty prior to defaulting on payments. The adoption of this new guidance is not expected to have a material impact on the Company's consolidated financial position or results of operations.

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 amendment commitment from the bank required certain covenants, of which all are 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 6 below.

Summarized combined statements of income for Landing and Rawbar for the three months ended March 31, 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 March 31, 2011	For the three months ended March 31, 2010
Revenues:		
Food and Beverage Sales	\$ 1,688,000	\$ 1,494,000
Marina dockage and related	286,000	304,000
Retail/mall rental and related	147,000	152,000
Total Revenues	2,121,000	1,950,000
Expenses:		

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Cost of food and beverage sold	474,000	417,000
Labor and related costs	298,000	318,000
Entertainers	48,000	46,000
Other food and beverage related costs	157,000	137,000
Other operating costs	42,000	70,000
Repairs and maintenance	106,000	53,000
Insurance	124,000	142,000
Management fees	84,000	61,000
Utilities	54,000	53,000
Ground rent	222,000	209,000
Interest	201,000	206,000
Depreciation and amortization (a)	315,000	183,000
Realized loss on interest rate swap (Note 6)	198,000	-
Total Expenses	2,323,000	1,895,000
Net (loss) income	\$ (202,000)	\$ 55,000

(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 months ended March 31, 2011 and 2010 is summarized below:

Description	Three Months Ended March 31,	
	2011	2010
Net realized gain from sales of securities	\$79,000	\$246,000
Unrealized net loss in trading securities	(17,000)	(118,000)
Total net gain from investments in marketable securities	\$62,000	\$128,000

For the three months ended March 31, 2011 net realized gain from sales of marketable securities of approximately \$79,000 consisted of approximately \$94,000 of gross gains net of \$15,000 of gross losses. For the three months ended March 31, 2010 net realized gain from sales of marketable securities of approximately \$246,000 consisted of approximately \$267,000 of gross gains net of \$21,000 of gross losses.

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

5. OTHER INVESTMENTS

As of March 31, 2011, the Company's portfolio of other investments had an aggregate carrying value of approximately \$3.8 million. The Company has committed to fund an additional \$610,000 as required by agreements with the investees. The carrying value of these investments is equal to contributions less distributions and loss valuation adjustments. During the three months ended March 31, 2011 the Company contributed an additional \$55,000 toward fulfilling capital commitments on existing investments. Cash distributions received from other investments for the three months ended March 31, 2011 totaled approximately \$30,000 from one investment in a privately owned partnership owning diversified operating companies.

Net income from other investments for the three months ended March 31, 2011 and 2010, is summarized below:

	2011	2010
Partnership owning diversified businesses	\$-	\$177,000
Venture capital fund – technology	-	3,000
Income from investment in 49% owned affiliate (T.G.I.F. Texas, Inc.)	9,000	18,000
Total net income from other investments	\$9,000	\$198,000

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

Investment Description	Less than 12 Months		As of March 31, 2011 Greater than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Partnerships owning investments in technology related industries	\$327,000	\$(11,000)	\$52,000	\$(34,000)	\$379,000	\$(45,000)
Partnerships owning diversified businesses	-	-	607,000	(108,000)	607,000	(108,000)
Partnerships owning real estate and related investments	-	-	288,000	(63,000)	288,000	(63,000)
Total	\$327,000	\$(11,000)	\$947,000	\$(205,000)	\$1,274,000	\$(216,000)

Investment Description	Less than 12 Months		As of December 31, 2010 Greater than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized 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 and related investments	-	-	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 as of March 31, 2011 the Company does not consider any of its investments to be other-than-temporarily impaired. There were no OTTI impairment valuation adjustments for the three months ended March 31, 2011 and 2010.

6. 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 three months ended March 31, 2011.

As of March 31, 2011 the fair value of this hedge was an unrealized loss of approximately \$1,201,000, as compared with an unrealized loss of \$1,462,000 as of December 31, 2010 which resulted in an unrealized gain of \$261,000 (or \$130,500, net of noncontrolling interest) for the three months ended March 31, 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			
	March 31, 2011		December 31, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
[Missing Graphic Reference]				
Derivatives designated as hedging instruments:				
Interest rate swap contract	Liabilities	\$ 1,201,000	Liabilities	\$ 1,462,000
Total derivatives designated as hedging instruments under ASC Topic 815		\$ 1,201,000		\$ 1,462,000

The Effect of Derivative Instruments on the Statements of Comprehensive Income for the Three Months Ended March 31, 2011 and 2010:

Derivatives in ASC Topic 815 Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	
	For the three Months ended March 31, 2011	For the three Months ended March 31, 2010
	Interest rate swap contracts	\$ 130,500
Total	\$ 130,500	\$(54,000)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with ASC Topic 820, the Company measures cash equivalents, marketable securities, other investments and interest rate swap contract at fair value. Our cash equivalents, marketable securities and interest rate swap contract are classified within Level 1 or Level 2. This is because our cash equivalents, marketable securities and interest rate swap are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs. Our other investments are classified within Level 3 because they are valued using valuation models which use some inputs that are unobservable and supported by little or no market activity and are significant.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

Description	Fair value measurement at reporting date using			
	Total March 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Time deposits	\$53,190	-	\$ 53,190	-
Money market mutual funds	2,539,556	\$ 2,539,556	-	-
Marketable securities:				
Corporate debt securities	373,991	-	373,991	-
Marketable equity securities	1,356,309	1,356,309	-	-
Total assets	\$4,323,046	\$ 3,895,865	\$ 427,181	\$ -
Liabilities:				
Interest rate swap contract	1,201,000	-	1,201,000	-
Total liabilities	\$1,201,000	-	\$ 1,201,000	-

Assets measured at fair value on a nonrecurring basis are summarized below:

Description	Fair value measurement at reporting date using				Total gains (losses) for three months ended 3/31/2011
	Total March 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2) (a)	Other Unobservable Inputs (Level 3) (b)	
Assets:					
Other investments by investment focus:					
Technology & Communication	\$487,609	\$ -	\$ 487,609	\$ -	\$-
Diversified businesses	1,460,967	-	1,460,967	-	-
Real estate and related	1,546,169	-	511,216	1,034,953	-
Other	300,000	-	—	300,000	-
	\$3,794,745	\$ -	\$ 2,459,792	\$ 1,334,953	\$-
Goodwill (Bayshore)	5,628,000			5,628,000	
Total assets	\$9,422,745	\$ -	\$ 2,459,792	\$ 6,962,953	\$-

No other than temporary impairments were recognized for the three months ended March 31, 2011.

(a) Other investments measured at fair value on a non-recurring basis 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 March 31, 2011, 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. As of March 31, 2011 the amount of the Company's unfunded commitments related to the aforementioned investments is approximately \$610,000.

(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.

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.

	For the three months ended March 31,	
	2011	2010
Net revenues:		
Real estate and marina rentals	\$876,000	\$896,000
Food and beverage sales	1,688,000	1,494,000
Spa revenues	112,000	108,000
Total net revenues	\$2,676,000	\$2,498,000
	Income (loss) before income taxes:	
Real estate and marina rentals	\$156,000	\$143,000
Food and beverage sales	58,000	3,000
Other investments and related income	(412,000)	23,000
Total net (loss) income before income taxes attributable to the Company	\$(198,000)	\$169,000

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. 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 March 31, 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.

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

RESULTS OF OPERATIONS

The Company reported a net loss of approximately \$207,000 (\$.20 per share) for the three months ended March 31, 2011. For the three months ended March 31, 2010 the Company reported net income of approximately \$97,000 (\$.09 per share).

As discussed further below, total revenues for the three months ended March 31, 2011 as compared with the same period in 2010, increased by approximately \$178,000 or 7%. Total expenses for the three months ended March 31, 2011, as compared with the same period in 2010, increased by approximately \$200,000 or 8%.

REVENUES

Rentals and related revenues for the three months ended March 31, 2011 remained consistent as compared with the same period in 2010.

Restaurant operations:

Summarized statements of income for the Company's Monty's restaurant for the three months ended March 31, 2011 and 2010 is presented below:

	Three months ended March 31, 2011	Percentage of sales		Three months ended March 31, 2010	Percentage of sales	
Summarized statements of income of Monty's restaurant						
Revenues:						
Food and beverage sales	\$1,688,000	100	%	\$1,494,000	100	%
Expenses:						
Cost of food and beverage sold	474,000	28.0	%	417,000	27.9	%
Labor, entertainment and related costs	346,000	20.5	%	364,000	24.3	%
Other food and beverage direct costs	67,000	4.0	%	61,000	4.1	%
Other operating costs	135,000	8.0	%	113,000	7.6	%
Insurance	76,000	4.5	%	71,000	4.8	%
Management and accounting fees	38,000	2.3	%	35,000	2.3	%
Utilities	63,000	3.7	%	58,000	3.9	%
Rent (as allocated)	158,000	9.4	%	137,000	9.2	%
Total Expenses	1,357,000	80.4	%	1,256,000	84.1	%
Income before depreciation	\$331,000	19.6	%	\$238,000	15.9	%

For the three months ended March 31, 2011 as compared with the same period in 2010 restaurant sales increased by approximately \$194,000 (or 13%), with food sales increasing by \$144,000 (or 16%) and beverage sales increasing \$50,000 (or 8%). The increase in sales is believed to be as a result of good weather in the first quarter of 2011 as

compared with 2010.

For the three months ended March 31, 2011 as compared with the same period in 2010 food and beverage labor, entertainment and related costs decreased by \$18,000 (or 5%) primarily as a result of decrease general management wages.

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)

Summarized statements of income of marina operations	Combined marina operations Three months ended March 31, 2011	Combined marina operations Three months ended March 31, 2010
Revenues:		
Monty's dockage fees and related	\$ 301,000	\$ 304,000
Grove Isle marina slip owners dues and dockage fees	112,000	128,000
Total marina revenues	413,000	432,000
Expenses:		
Labor and related costs	71,000	62,000
Insurance	22,000	48,000
Management fees	10,000	20,000
Bay bottom lease	56,000	59,000
Repairs and maintenance	41,000	37,000
Other	19,000	17,000
Total Expenses	219,000	243,000
Income before interest and depreciation	\$ 194,000	\$ 189,000

There were no significant changes in marina operations for the three months ended March 31, 2011 as compared to the same period in 2010.

Spa operations:

Below are summarized statements of income for Grove Isle spa operations for the three months ended March 31, 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:

Summarized statements of income of spa operations	Three months ended March 31, 2011	Three months ended March 31, 2010
Revenues:		
Services provided	\$ 94,000	\$ 90,000
Membership and other	18,000	19,000
Total spa revenues	112,000	109,000
Expenses:		
Cost of sales	18,000	12,000
Salaries, wages and related	32,000	36,000

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Other operating expenses	37,000	34,000
Management and administrative fees	6,000	6,000
Other non-operating expenses	10,000	7,000
Total Expenses	103,000	95,000
Income before depreciation	\$9,000	\$14,000

There were no significant changes in Spa operations for the three months ended March 31, 2011 as compared with the same period in 2010.

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

Net realized and unrealized gain (loss) from investments in marketable securities for the three months ended March 31, 2011 and 2010 was approximately \$62,000 and \$128,000, respectively. For further details refer to Note 4 to Condensed Consolidated Financial Statements (unaudited).

Net income from other investments:

Net income from other investments for the three months ended March 31, 2011 and 2010 was approximately \$9,000 and \$198,000, respectively. For further details refer to Note 5 to Condensed Consolidated Financial Statements (unaudited).

Realized loss from interest rate swap contract:

In conjunction with amendment of the Bayshore bank loan in March 2011 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). As a result, the Company reclassified a previously unrealized loss of \$198,400 from accumulated other comprehensive income to realized loss on interest rate swap contract within the condensed consolidated statements of comprehensive income for the three months ended March 31, 2011.

EXPENSES

Expenses for rental and other properties for the three months ended March 31, 2011 and 2010 were \$182,000 and \$164,000, respectively. This increase of \$18,000 (or 11%) was primarily due to increased repairs and maintenance expenses relating to the Grove Isle property.

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 months ended March 31, 2011 and 2010 were \$381,000 and \$282,000, respectively. This increase of approximately \$99,000 (or 35%) was primarily due to amortization of loan costs associated with the Monty's loan modification completed in March 2011.

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 \$7.1 million in 2011 and contributions committed to other investments of approximately \$610,000 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.

Included in the maturing debt obligations for 2011 is the bank mortgage note payable on the Grove Isle property. In April 2011 the Company renewed and modified the existing loan agreement with the same bank. The principal balance of the loan was paid down by \$650,000 from \$3,559,000 to \$2,899,000. 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.

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

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For the three months ended March 31, 2011, net cash provided by operating activities was approximately \$309,000. This was primarily from the Company's rental operations cash flow.

For the three months ended March 31, 2011, net cash provided by investing activities was approximately \$300,000. This consisted primarily of approximately \$590,000 in net proceeds from sales of marketable securities and distributions from other investment of \$30,000. These sources of funds were partially offset by purchases of marketable securities of \$165,000, contributions to other investments of \$55,000 and additions to fixed assets of \$100,000.

For the three months ended March 31, 2011, net cash provided by financing activities was approximately \$289,000. This primarily consisted 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. These sources of funds were partially offset by uses of funds consisting primarily of loan principal repayments of \$1.8 and interest rate swap contract partial settlement of \$198,000, primarily related to Bayshore loan amendment.

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.

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: May 16, 2011

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

Dated: May 16, 2011

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