

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

HMG COURTLAND PROPERTIES INC
Form 10QSB
November 14, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(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, 2003

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 33133

(Address of principal executive offices) (Zip Code)

305-854-6803

(Registrant's telephone number, including area code)

Not Applicable

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

Check whether the issuer (1) has filed all reports required to be filed by
Sections 13 or 15 (d) of the Securities Exchange Act of 1934 during the
preceding 12 months (or for such shorter period that the registrant was required
to file such reports), and (2) has been subject to such filing requirements for
the past 90 days. Yes x No

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

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.

1,089,135 common shares were outstanding as of October 31, 2003.

HMG/COURTLAND PROPERTIES, INC.

Index

PART I. Financial Information

Item 1. Financial Statements

Condensed Consolidated Balance Sheets as of
September 30, 2003 (Unaudited) and December 31, 2002.....

Condensed Consolidated Statements of Operations for the
Three and Nine Months Ended September 30, 2003 and 2002 (Unaudited).....

Condensed Consolidated Statements of Cash Flows for the
Nine Months Ended September 30, 2003 and 2002 (Unaudited).....

Notes to Condensed Consolidated Financial Statements (Unaudited).....

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

Item 3. Controls and Procedures.....

PART II. Other Information

Item 1. Legal Proceedings

Item 4. Submission of Matters to a Vote of Security Holders

Item 6. Exhibits and Reports on Form 8-K.....

Signatures.....

Cautionary Statement. This Form 10-QSB 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-QSB or from time-to-time in the filings of the Company with the Securities and Exchange Commission. Such forward-looking

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

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

	September 30 2003 (UNAUDITED)
ASSETS	
Investment properties, net of accumulated depreciation:	
Commercial and industrial	\$2,642,411
Hotel and club facility	4,311,777
Yacht slips	285,477
Land held for development	1,083,851
Total investment properties, net	8,323,516
Cash and cash equivalents	2,567,921
Investments in marketable securities	4,229,466
Other investments	5,442,711
Investment in affiliate	2,919,777
Cash restricted pending delivery of securities	180,366
Loans, notes and other receivables	1,057,341
Notes and advances due from related parties	1,003,377
Deferred taxes	651,000
Other assets	165,491
TOTAL ASSETS	26,540,970
LIABILITIES	
Mortgages and notes payable	8,419,700
Accounts payable and accrued expenses	365,900
Sales of securities pending delivery	
Other liabilities	
TOTAL LIABILITIES	8,785,600
Minority interests	299,500
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' EQUITY	
Preferred stock, \$1 par value; 2,000,000 shares authorized; none issued	
Excess common stock, \$1 par value; 500,000 shares authorized;	

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

none issued	
Common stock, \$1 par value; 1,500,000 shares authorized; 1,315,635 shares issued and outstanding	1,315,63
Additional paid-in capital	26,571,97
Undistributed gains from sales of properties, net of losses	39,226,89
Undistributed losses from operations	(47,740,77)
	19,373,72
Less: Treasury stock, at cost (226,500 shares)	(1,659,11)
Notes receivable from exercise of stock options	(258,75)
	17,455,86
TOTAL STOCKHOLDERS' EQUITY	
	\$26,540,97

See notes to the condensed consolidated financial statements

HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three months ended September 30,	
REVENUES	2003	2002
Real estate rentals and related revenue	\$445,336	\$409,154
Marina revenues	120,553	108,717
Net gain (loss) from investments in marketable securities	190,626	(535,065)
Net (loss) gain from other investments	(105,527)	(118,396)
Interest, dividend and other income	78,867	55,729
	729,855	(79,861)
EXPENSES		
Operating expenses:		
Rental and other properties	144,943	141,096
Marina expenses	99,817	86,556
Depreciation and amortization	145,016	150,056
Adviser's base fee	225,000	165,000
General and administrative	70,781	54,107
Professional fees and expenses	54,509	57,595
Directors' fees and expenses	17,618	17,061
	757,684	671,471
Interest expense	123,371	133,205

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

Minority partners' interests in operating gain (loss) of consolidated entities	3,331	(28,627)
Total expenses	884,386	776,049
Loss before sales of properties and income taxes	(154,531)	(855,910)
Gain on sales of properties, net	307,855	63,359
Income (loss) before income taxes	153,324	(792,551)
Provision for (benefit from) income taxes	23,000	(354,851)
Net income (loss)	\$130,324	(\$437,700)
Net Income (Loss) Per Common Share:		
Basic and diluted	\$0.12	(\$0.40)

See notes to the condensed consolidated financial statements

HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	(9,252)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	437
Net (gain) loss from other investments	(40)
Gain on sales of properties, net	(386)
Net (gain) loss from investments in marketable securities	(490)
Minority partners' interest in operating gains (losses)	14
Deferred income tax expense (benefit)	150
Changes in assets and liabilities:	
Decrease in other assets and other receivables	122
Net proceeds from sales and redemptions of securities	1,985
(Increase) decrease in restricted cash	(260)
Increased investments in marketable securities	(1,971)
Increase in accounts payable and accrued expenses	129
Decrease in current income taxes payable	

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

Decrease in other liabilities	(679)
Repayment of note receivable from stock options exercised	30

Total adjustments	(959)

Net cash (used in) provided by operating activities	(985)

 CASH FLOWS FROM INVESTING ACTIVITIES:	
Net proceeds from disposals of properties	1,227
Decrease (increase) in notes and advances from related parties	411
Net (increase) decrease in mortgage loans and notes receivables	(25)
Distributions from other investments	839
Contributions to other investments	(561)

Net cash provided by (used in) investing activities	1,892

 CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of mortgages and notes payables	(202)
Dividends paid	
Net distributions to minority partners	

Net cash used in financing activities	(202)

Net increase in cash and cash equivalents	704
Cash and cash equivalents at beginning of the period	1,863

Cash and cash equivalents at end of the period	\$2,567

 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the period for interest	\$318

Cash paid during the period for income taxes	\$2

 See notes to the condensed consolidated financial statements	

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

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements prepared in accordance with instructions for Form 10-QSB, include all adjustments (consisting only of normal recurring accruals) which are necessary for a fair presentation. 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

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

the year ended December 31, 2002. The balance sheet as of December 31, 2002 was derived from audited financial statements as of that date. The results of operations for the three and nine months ended September 30, 2003 are not necessarily indicative of the results to be expected for the full year.

2. RECENT ACCOUNTING PRONOUNCEMENTS.

In June 2002, the FASB issued Statement 146, Accounting for Costs Associated with Exit or Disposal Activities. This Statement requires the recognition of a liability for a cost associated with an exit or disposal activity when the liability is incurred versus the date the Company commits to an exit plan. In addition, this Statement states the liability should be initially measured at fair value. The Statement is effective for exit or disposal activities that are initiated after December 31, 2002. The primary effect to the Company's financial statements would be in the timing of accounting recognition of potential future exit activities. The adoption of this pronouncement did not have a material effect on the Company's financial statements.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure. This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement also amends the disclosure requirements of SFAS No. 123 to require more prominent and frequent disclosures in the financials statements about the effects of stock-based compensation. The transitional guidance and annual disclosure provisions of this Statement is effective for the December 31, 2002 financial statements. The interim reporting disclosures requirements were effective beginning with the Company's March 31, 2003 10-QSB. Because the Company continues to account for employee stock-based compensation under APB opinion No. 25, the transitional guidance of SFAS No. 148 has no effect on the financial statements at this time. There was no pro forma effect for stock based compensation during the three and nine months ended September 30, 2003 and 2002.

(4)

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

During April 2003, the FASB issued SFAS 149 - "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", effective for contracts entered into or modified after June 30, 2003, except as stated below and for hedging relationships designated after June 30, 2003. In addition, except as stated below, all provisions of this Statement should be applied prospectively. The provisions of this Statement that relate to Statement 133 Implementation Issues that have been effective for fiscal quarters that began prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. In addition, paragraphs 7(a) and 23(a), which relate to forward purchases or sales of then-issued securities or other securities that do not yet exist, should be applied to both existing contracts and new contracts entered into after June 30, 2003. The Company does not participate in such transactions, however, is evaluating the effect of this new pronouncement, if any, and will adopt FASB 149 within the prescribed time.

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

During May 2003, the FASB issued SFAS 150 - "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a freestanding financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. Some of the provisions of this Statement are consistent with the current definition of liabilities in FASB Concepts Statement No. 6, "Elements of Financial Statements". The Company does not participate in such transactions however, is evaluating the effect of this new pronouncement, if any, and will adopt FASB 150 within the prescribed time.

In November 2002, the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57, and 107 and a rescission of FASB Interpretation No. 34. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002 and did not have a material effect on the Company's financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 applies immediately to variable interest entities ("VIE's") created after January 31, 2003, and to VIE's in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to VIE's in which an enterprise holds a variable interest that it acquired before February 1, 2003. FIN 46 applies to public enterprises as of the beginning of the applicable interim or annual period. We are evaluating the effects, if any the adoption of FIN 46 may have on the Company's consolidated financial position, liquidity, or results of operations.

(5)

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

3. GAIN ON SALES OF PROPERTIES

For the nine months ended September 30, 2003 Grove Isle Yacht Club Associates (GIYCA) sold three yacht slips located in Miami, Florida resulting in a total net gain to the Company of approximately \$105,000.

In September 2003, The Grove Towne Center-Texas, Ltd (TGTC) sold approximately 5

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

acres of vacant land in Houston, Texas resulting in a net gain to the Company of approximately \$281,000.

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 gain (loss) from investments in marketable securities for the three and nine months ended September 30, 2003 and 2002 is summarized below:

Description	Three Months Ended September 30,		Nine Months End
	2003	2002	2003
Net realized gain (loss) from sales of securities	\$178,942	(\$489,629)	\$103,658
Unrealized net (loss) gain in trading securities	(3,169)	(87,090)	410,727
Net change in sales of securities pending delivery	14,853	41,654	(23,904)
Total net gain (loss)	\$190,626	(\$535,065)	\$490,481

For the three months ended September 30, 2003 net realized gain from sales of marketable securities of approximately \$179,000 consisted of approximately \$199,000 of gross gains net of approximately \$20,000 of gross losses. For the nine months ended September 30, 2003 net realized gain from sales of marketable securities of approximately \$104,000 consisted of approximately \$328,000 of gross gains net of approximately \$224,000 of gross gains. For the three months ended September 30, 2002 net realized loss from sales of marketable securities of approximately \$490,000 consisted of approximately \$82,000 of gross gains net of \$572,000 of gross losses. For the nine months ended September 30, 2002 net realized loss from sales of marketable securities of approximately \$389,000 consisted of approximately \$583,000 of gross gains net of \$972,000 of gross losses.

Net change in sales of securities pending delivery represents the changes in the market value of those securities and the delivery of securities to realize gain or loss from these transactions. In September 2003, the Company covered all remaining short sales utilizing stock distributions from investments in one venture capital fund. The Company realized a gain on short sales covered for the three months ended September 30, 2003 of approximately \$192,000. This amount is included in the realized gain on sale of securities described above.

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

(6)

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

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, 2003, the Company has committed to invest approximately \$11.9 million in other investments primarily in private capital funds, of which approximately \$10.2 million has been funded. The carrying value of other investments (which reflects distributions and valuation adjustments) is approximately \$5.4 million. During the three and nine months ended September 30, 2003, the Company has made contributions to existing and new investments of approximately \$300,000 and \$561,000, respectively, and has received approximately \$433,000 and \$839,000, respectively, in distributions from other investments. The distributions in 2003 primarily consisted of one return of capital distribution in the amount of \$567,000 from an investment in a partnership which sold one of its operating businesses and distributed the proceeds to its partners and \$133,000 distributed from a partnership which sold an investment in real estate.

Net loss from other investments for the three and nine months ended September 30, 2003 and 2002, is summarized below:

	Three Months Ended September 30,		Nine Months
	2003	2002	2003
Real estate development and operation	\$ --	\$3,000	\$138,000
Technology related funds	(114,000)	(122,000)	(114,000)
Income from investment in 49% owned affiliate (T.G.I.F. Texas, Inc.)	11,000	4,000	26,000
Others, net	(3,000)	(3,000)	(9,000)
Total net (loss) gain from other investments	(\$106,000)	(\$118,000)	\$41,000

6. NOTES AND ADVANCES DUE FROM AND TRANSACTIONS WITH RELATED PARTIES

In March 2003, the Company received a cash payment of \$500,000 from the Adviser as payment on amounts due from the Adviser to the Company. As of September 30, 2003 the amount due from the Adviser is approximately \$245,000.

(7)

7. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the three and nine months ended September 30, 2003 and 2002 are computed as follows:

	For the three months ended		For th
	September 30,		20
	2003	2002	20
	----	----	---
Basic:			
Net Income (loss)	\$130,324	(\$437,700)	(\$25,
Weighted average shares outstanding	1,089,135	1,089,135	1,089,

Basic earnings (loss) per share	\$0.12	(\$0.40)	(\$0
	=====		
Diluted:			
Net Income (loss)	\$130,324	(\$437,700)	(\$25,
Weighted average shares outstanding	1,089,135	1,089,135	1,089,
Plus incremental shares from assumed conversion: Stock options	8,192	--	6,

Diluted weighted average common shares	1,097,327	1,089,135	1,095,

Diluted earnings (loss) per share	\$0.12	(\$0.40)	(\$0
	=====		

The effect of 86,000 options to purchase shares of the Company's common stock were not included in the calculation of diluted earnings per share for the three and nine months ended September 30, 2003 and 2002, as their effect would have been anti-dilutive.

(8)

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

RESULTS OF OPERATIONS

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

The Company reported net income of approximately \$130,000 (or \$.12 per share) for the three months ended September 30, 2003 and a net loss of approximately \$25,000 (or \$.02 per share) for the nine months ended September 30, 2003. This is as compared with a net loss of approximately \$438,000 (or \$.40 per share) and \$917,000 (or \$.84 per share) for the three and nine months ended September 30, 2002, respectively. Total revenues for the three and nine months ended September 30, 2003 as compared with the same periods in 2002, increased by approximately \$810,000 and \$2 million, respectively. Total expenses for the three and nine months ended September 30, 2003, as compared with the same periods in 2002, increased by approximately \$108,000 (or 14%) and \$278,000 (or 12%), respectively. Gain on sales of properties for the three and nine months ended September 30, 2003 was approximately \$308,000 and \$386,000, respectively, as compared with gains of approximately \$63,000 and \$434,000, respectively, for the three and nine months ended September 30, 2002.

REVENUES

Rentals and related revenues for the three and nine months ended September 30, 2003 as compared with the same comparable periods in 2002 remained relatively consistent.

Net gain from investments in marketable securities for the three and nine months ended September 30, 2003 was approximately \$191,000 and \$490,000, respectively, as compared with a net loss of approximately \$535,000 and \$1,290,000, respectively, for the same comparable three and nine month periods in 2002. See discussion in Note 4 to Condensed Consolidated Financial Statements (unaudited).

Net loss from other investments for the three months ended September 30, 2003 was approximately \$106,000, as compared with a net loss from other investments of approximately \$118,000 for the same three month period in 2002. Net gain from other investments for the nine months ended September 30, 2003 was approximately \$41,000, as compared with a net loss from other investments of approximately \$157,000 for the same nine month period in 2002. See discussion in Note 5 to Condensed Consolidated Financial Statements (unaudited).

Interest and dividend income for the three and nine months ended September 30, 2003 was approximately \$79,000 and \$209,000, respectively, as compared with approximately \$56,000 and \$207,000, respectively, for the same three and nine month comparable periods in 2002. The increase in the three month comparable periods of approximately \$23,000 (or 41%) was primarily due to an increase in the number of investments in the portfolio that yielded interest and dividends, primarily increased investments in bonds.

EXPENSES

Rental and other properties expenses for the three and nine months ended September 30, 2003 remained consistent with that of the same comparable periods in 2002.

Marina expenses for the three and nine months ended September 30, 2003 remained consistent with that of the three and nine months ended September 30, 2002.

(9)

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

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

Adviser's base fee increased by \$60,000 and \$180,000 (or 36%) for the three and nine months ended September 30, 2003, respectively, as compared with the same periods in 2002. As previously disclosed, this was as a result of a shareholder-approved contractual increase in the Adviser's base fee. This amendment increased the annual Adviser base fee from \$660,000 to \$900,000 effective January 1, 2003.

General and Administrative expenses increase by approximately \$17,000 (or 31%) and \$43,000 (or 25%), respectively for the three and nine months ended September 30, 2003 as compared with the same comparable periods in 2002. These increases between the nine month comparable periods were primarily attributable to payroll and related expense of approximately \$24,000, increased travel and meals and entertainment expenses of approximately \$10,000, and increased dues and subscriptions of approximately \$7,000.

Professional fees increased by approximately \$3,000 (or 5%) and \$27,000 (or 20%), respectively for the three and nine months ended September 30, 2003 as compared with the same comparable periods in 2002. These increases were primarily attributable to increased legal costs associated with shareholder relations.

Interest expense decrease by approximately \$10,000 (or 7%) and \$31,000 (or 7%), respectively for the three and nine months ended September 30, 2003 as compared with the same comparable periods in 2002. This was primarily as a result of decreased variable interest rates and overall reduction in outstanding debt.

EFFECT OF INFLATION:

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

LIQUIDITY, CAPITAL EXPENDITURE REQUIREMENTS AND CAPITAL RESOURCES The Company's material commitments in 2003 primarily consist of maturities of debt obligations of approximately \$3.8 million and commitments to fund private capital investments of approximately \$1.7 million due upon demand. The funds necessary to meet these obligations are expected to be available from the proceeds of sales of properties or investments, refinancing, distributions from investments and available cash. The majority of maturing debt obligations for 2003 is a note payable to the Company's 49% owned affiliate, T.G.I.F. Texas, Inc. ("TGIF") of approximately \$3.7 million. This amount is due on demand. It is expected that this obligation when due to TGIF would be paid with funds available from distributions from its investments and from available cash.

MATERIAL COMPONENTS OF CASH FLOWS

For the nine months ended September 30, 2003, net cash used in operating activities was approximately \$985,000. Included in this amount are net proceeds from sales and redemptions of marketable securities of approximately \$2.0 million less increased investments in of marketable securities of approximately \$2.0 million, decreased other liabilities (margin payables) of approximately \$680,000 and increased restricted cash of approximately \$260,000 from increased sales of securities pending delivery (short sales).

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

Condition and Results of Operations
(continued)

For the nine months ended September 30, 2003, net cash provided by investing activities was approximately \$1.9 million. This was comprised primarily of net proceeds from sales of properties of approximately \$1.2 million, distributions from other investments of approximately \$839,000, repayments received on notes and advances due from related parties of approximately \$412,000, less contributions to other investments of approximately \$561,000.

For the nine months ended September 30, 2003, net cash used in financing activities was approximately \$203,000 consisting of repayments of mortgages and notes payable.

RECENT ACCOUNTING PRONOUNCEMENTS. See discussion of new accounting

pronouncements in note 2 to the financial statements.

Item 3. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

The Company's Principal Executive Officer and Principal Financial Officer have reviewed the Company's disclosure controls and procedures within 90 days prior to the filing of this report. Based upon this review, these officers believe that the Company's disclosure controls and procedures are effective in ensuring that material information related to the Company is made known to them by others within the Company.

(b) There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls during the quarter covered by this report or from the end of the reporting period to the date of this Form 10-QSB.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

No items to report.

Item 4. Submission of Matters to a Vote of Security Holders.

No items to report.

Item 6. Exhibits and Reports on Form 8-K

- (a) Certifications pursuant to 18 USC Section 1350-Sarbanes-Oxley Act of 2002. Filed herewith.
- (b) On October 8, 2003 the Company filed a Form 8-K which reported the change in the Company's certifying accountant.

(11)

SIGNATURES

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

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, 2003

/s/Lawrence Rothstein

President, Treasurer and Secretary
Principal Financial Officer

Dated: November 14, 2003

/s/Carlos Camarotti

Vice President - Finance and Controller
Principal Accounting Officer

(12)

Exhibits:
