

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

HMG COURTLAND PROPERTIES INC  
Form 10QSB  
November 14, 2002

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, 2002

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

59-1914299

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

1870 S. Bayshore Drive, Coconut Grove, Florida 33133

(Address of principal executive offices) (Zip Code)

305-854-6803

(Registrant's telephone number, including area code)

Not Applicable

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

Check whether the issuer (1) has filed all reports required to be filed by Sections 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

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.

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

1,089,135 Common shares were outstanding as of October 31, 2002.

HMG/COURTLAND PROPERTIES, INC.

Index

PART I. Financial Information

Item 1. Financial Statements

Condensed Consolidated Balance Sheets as of  
September 30, 2002 (Unaudited) and December 31, 2001.....

Condensed Consolidated Statements of Operations for the  
Three and Nine Months Ended September 30, 2002 and 2001 (Unaudited).....

Condensed Consolidated Statements of Cash Flows for the  
Nine Months Ended September 30, 2002 and 2001 (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 6. Reports on Form 8-K.....

Signatures.....

Certification Pursuant to 18 U.S.C. Section 1350.....

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 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.

# Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)  
September 30,  
2002

## ASSETS

Investment properties, net of accumulated depreciation:	
Commercial and industrial	\$2,768,7
Hotel and club facility	4,708,1
Yacht slips	518,5
Land held for development	1,854,3
	-----
Total investment properties, net	9,849,8
Cash and cash equivalents	2,245,1
Investments in marketable securities	2,600,2
Other investments	6,829,4
Investment in affiliate	2,867,3
Cash restricted pending delivery of securities	22,2
Loans, notes and other receivables	1,074,6
Notes and advances due from related parties	1,362,6
Deferred taxes	594,0
Other assets	190,5
	-----
TOTAL ASSETS	\$27,636,1
	=====

## LIABILITIES

Mortgages and notes payable	\$8,597,0
Accounts payable and accrued expenses	323,0
Sales of securities pending delivery	76,9
Income taxes payable	
Other liabilities	162,8
	-----
TOTAL LIABILITIES	9,159,8

Minority interests	377,4
	-----

## STOCKHOLDERS' EQUITY

Preferred stock, \$1 par value; 2,000,000 shares authorized; none issued	
Excess common stock, \$1 par value; 500,000 shares authorized; none issued	
Common stock, \$1 par value; 1,500,000 shares authorized; 1,315,635 shares issued and outstanding	1,315,6
Additional paid-in capital	26,571,9
Undistributed gains from sales of properties, net of losses	38,642,0
Undistributed losses from operations	(46,482,8)
	-----
	20,046,7

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

Less: Treasury stock, at cost (226,500 shares)	(1,659,1
Notes receivable from exercise of stock options	(288,7
	-----
TOTAL STOCKHOLDERS' EQUITY	18,098,8

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	-----
	\$27,636,1
	=====

See notes to condensed consolidated financial statements (unaudited)

(1)

HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

REVENUES	Three months ended September 30,	
	2002	2001
Real estate rentals and related revenue	\$409,154	\$378,114
Marina revenues	108,717	129,398
Net (loss) gain from investments in marketable securities	(535,065)	(72,241)
Net loss from other investments	(118,396)	(511,059)
Interest and dividend income	55,729	99,731
	-----	-----
Total Revenues	(79,861)	23,943
EXPENSES		
Other operating expenses:		
Rental and other properties	141,096	139,561
Marina expenses	86,556	111,699
Depreciation and amortization	150,056	144,978
Advisor's base fee	165,000	165,000
General and administrative	54,107	61,458
Professional fees and expenses	57,595	82,617
Directors' fees and expenses	17,061	12,774
	-----	-----
Total operating expenses	671,471	718,087
Interest expense	133,205	172,733
Minority partners' interests in operating (loss) gains of consolidated entities	(28,627)	3,444
	-----	-----
Total expenses	776,049	894,264
(Loss) income before sales of properties and income taxes	(855,910)	(870,321)
Gain on sales of properties, net	63,359	94,260
	-----	-----

## Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

(Loss) income before income taxes	(792,551)	(776,061)
(Benefit from) provision for income taxes	(354,851)	(311,694)
Net (loss) income	----- (\$437,700)	----- (\$464,367) =====

Net (Loss) Income Per Common Share: Basic and diluted	(\$0.40)	(\$0.43)
--	----------	----------

Weighted average common shares outstanding	1,089,135	1,089,135
--	-----------	-----------

See notes to condensed consolidated financial statements (unaudited)

(2)

HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

		Nine Se 2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss) income		(\$916,581)
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization		453,754
Net loss from other investments		156,510
Gain on sales of properties, net		(433,997)
Net loss (gain) from marketable securities		1,290,240
Minority partners' interest in operating (losses) gains		(60,484)
Changes in assets and liabilities:		
Decrease in other assets and other receivables		71,302
Net proceeds from sales and redemptions of securities		2,417,861
Decrease in restricted cash		407,867
(Decrease) increase in sales of securities pending delivery		(267,943)
Increased investments in marketable securities		(1,541,700)
Increase (decrease) in accounts payable and accrued expenses		103,006
(Decrease) increase in current income taxes payable		(219,174)
(Increase) decrease in deferred taxes		(455,000)
(Decrease) increase in other liabilities		(219,454)
Total adjustments		----- 1,702,788
Net cash provided by (used in) operating activities		----- 786,207 -----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Aquisitions and improvements of properties		
Net proceeds from disposals of properties		617,379
(Increase) decrease in notes and advances from related parties		(416,792)
Increase in mortgage loans and notes receivables		

## Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

Decrease in mortgage loans and notes receivables	194,960
Distributions from other investments	94,679
Contributions to other investments	(999,751)
Net proceeds from sales and redemptions of securities	
Increased investments in marketable securities	
	-----
Net cash (used in) provided by investing activities	(509,525)
	-----
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of mortgages and notes payables	(272,876)
Dividends paid	(326,741)
Net distributions to minority partners	(30,443)
	-----
Net cash used in financing activities	(630,060)
	-----
 Net (decrease) increase in cash and cash equivalents	 (353,378)
 Cash and cash equivalents at beginning of the period	 2,598,536
	-----
 Cash and cash equivalents at end of the period	 \$2,245,158
	=====
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the period for interest	\$262,000
	=====
Cash paid during the period for income taxes	\$11,000
	=====

See notes to condensed consolidated financial statements (unaudited)

(3)

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 10QSB, 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, 2001. The balance sheet as of December 31, 2001 was derived from audited financial statements as of that date. The results of operations for the nine months ended September 30, 2002 are not necessarily indicative of the results to be expected for the full year. Certain balances have been reclassified to conform with the current period presentation.

2. RECENT ACCOUNTING PRONOUNCEMENTS.

## Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

In July, 2001, the Financial Accounting Standard Board issued Statements on Financial Accounting Standards (SFAS) No. 141 (Business Combinations) and 142 (Goodwill and Other Intangible Assets). SFAS No. 141 among other things eliminates the use of the pooling of interest method of accounting for business combination. Under the provision of SFAS No. 142, goodwill will no longer be amortized, but will be subject to a periodic test for impairment based upon fair value. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001. SFAS No. 142 must be adopted in the first quarter of fiscal years beginning after December 15, 2001. The adoption of these statements did not have a material impact on the Company's financial statements.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business (as previously defined in that Opinion). This Statement also amends ARB No. 51, Consolidated Financial Statements, to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The provisions of this Statement were effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The provisions of this Statement generally are to be applied prospectively. The adoption of SFAS No. 144 did not have a material impact on the Company's financial statements.

In April 2002, the FASB issued Statement 145, Rescission of FASB Statements No. 4, 44, and 64, Amendments of FASB Statement No. 13, and Technical Corrections. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

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 Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

(4)

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

### 3. DIVDEND PAID.

On August 23, 2002, the Company declared a special non-recurring dividend of \$.30 per share. This dividend was paid on September 13, 2002 to shareholders of record as of September 4, 2002 and qualifies as a dividends paid deduction to offset taxable income for the year ended December 31, 2001.

## Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

### 4. GAIN ON SALES OF PROPERTIES

For the three months ended September 30, 2002 Grove Isle Yacht Club Associates (GIYCA) sold one yacht slip located in Miami, Florida resulting in a net gain to the Company of approximately \$29,000. For the nine months ended September 30, 2002 GIYCA has sold 5 yacht slips resulting in a net gain to the Company of approximately \$123,000.

In May 2002, HMG Fieber Associates sold its property located in Watertown, New York, resulting in a net gain to the Company of approximately \$57,000.

In April 2002, Courtland Investments sold approximately 50 acres of vacant land located in Middleborough, Massachusetts, resulting in a net gain to the Company of approximately \$254,000.

### 5. INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities consist primarily of large capital corporate equity and debt securities in varying industries 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. Effective in December 2001, management determined that the classification of its entire marketable securities portfolio as trading (versus available for sale, as defined by accounting principles generally accepted in the United States of America) would be more consistent with the Company's overall current investment objectives and activities. As a result, beginning December 31, 2001, all unrealized gains and losses on the Company's marketable securities portfolio were recorded in the statement of operations. As of September 30, 2001, gross unrealized gains and losses on available for sale securities were approximately \$307,000 and \$1,723,000, respectively, and a net unrealized loss of approximately \$1,416,000 was recorded in accumulated comprehensive income in stockholders' equity.

(5)

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

Net (loss) gain from investments in marketable securities for the three and nine months ended September 30, 2002 and 2001 is summarized below:

Three Months Ended September 30,

Nine Months Ende



Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

Description	2002	2001	2000
Net realized gain from sales of securities	(\$489,629)	(\$171,121)	(\$389,240)
Unrealized net loss in trading securities	(87,090)	--	(739,420)
Net change in sales of securities pending delivery	41,654	98,880	(161,570)
Total net (loss) gain	(\$535,065)	(\$72,241)	(\$1,290,240)

For the three months ended September 30, 2002 net realized gain 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 gain from sales of marketable securities of approximately \$389,000 consisted of approximately \$583,000 of gross gains net of \$972,000 of gross losses.

The net change in unrealized loss of marketable securities for the three and nine months ended September 30, 2002 was an additional net loss of approximately \$87,000 and \$739,000, respectively.

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.

(6)

6. OTHER INVESTMENTS

As of September 30, 2002, the Company has committed to invest approximately \$11 million in other investments primarily in private capital funds, of which approximately \$9.1 million has been funded. The carrying value of other investments (which reflects distributions and valuation adjustments) is approximately \$6.8 million. Included in net loss from other investments for the three and nine months ended September 30, 2002 are adjustments to the carrying value of other investments of approximately \$63,000 and \$188,000 which represent

## Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

declines in value deemed to be other than temporary. This is as compared with similar adjustments of \$774,000 for the three and nine months ended September 30, 2001

As a further diversification of the Company's investments in private capital funds, during the nine months ended September 30, 2002, \$1,050,000 was committed to purchase limited partnership interests in three private capital funds. Two of the funds seek to maximize total return on capital through investments in the debt securities of undervalued or financially troubled companies. These two commitments made during the first quarter 2002, (one for \$500,000 and the other for \$300,000) are in funds managed by experienced general partners each with over \$6 billion under management in funds and accounts focused on investments in distressed companies and related investment opportunities. In September 2002, a commitment of \$250,000 was made in a hedge fund with multi-managers and multi-strategies. The basic objective of the fund is to minimize downside risk and capture a healthy percentage of the upside performance.

### 7. ADVISORY AGREEMENT

On September 20, 2002, the shareholders approved the amendment and renewal of the Advisory Agreement between the Company and the Advisor for a term commencing January 1, 2003, and expiring December 31, 2003.

The sole amendment to the Advisory Agreement was an increase in the remuneration of the Advisor to increase the Advisor's current regular compensation monthly fee from \$55,000 to \$75,000, or \$660,000 to \$900,000 annually. All other terms of the existing Advisory Agreement will remain the same. The increase in remuneration of the Advisor was approved after taking into account the increased costs of the Advisor in managing the affairs of the Company, the economic factors impacting the real estate industry and competitive conditions in today's market place. The amendment and renewal was approved unanimously by the Directors unaffiliated with the Advisor in March 2002.

(7)

### 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 \$438,000 (or \$.40 per share) and \$917,000 (or \$.84 per share) for the three and nine months ended September 30, 2002, respectively. This is as compared with a net loss of approximately \$464,000 (or \$.43 per share) and net income of \$450,000 (or \$.41 per share) for the three and nine months ended September 30, 2001, respectively.

## Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

Total revenues for the three months ended September 30, 2002 as compared with the same period in 2001, increased by approximately \$104,000. Total revenues for the nine months ended September 30, 2002, as compared with the same period in 2001, decreased by approximately \$1.3 million (or 79%). Total expenses for the three and nine months ended September 30, 2002, as compared with the same periods in 2001, decreased by approximately \$118,000 (or 13%) and \$297,000 (or 11%), respectively. Gain on sales of properties for the three and nine months ended September 30, 2002 was approximately \$63,000 and \$434,000, respectively. This is as compared with gains of \$94,000 and \$1.9 million for the three and nine months ended September 30, 2001, respectively.

### REVENUES

Rentals and related revenues for the three and nine months ended September 30, 2002 were approximately \$409,000 and \$1.2 million, respectively. This is as compared with approximately \$378,000 and \$1.1 million for the same comparable periods in 2001, respectively. These increases of approximately \$31,000 (or 8%) and \$137,000 (or 13%) for the three and nine month comparable periods were due to increased rent from the Company's Grove Isle hotel property in accordance with changes in the Consumer Price Index and increased rent from the Company's Fashion Square shopping center due to an additional tenant added in the fourth quarter of 2001.

Net loss from investments in marketable securities for the three and nine months ended September 30, 2002 was approximately \$535,000 and \$1.3 million, respectively. This is as compared with a net loss of approximately \$72,000 for the same comparable three month period in 2001 and a net gain of approximately \$162,000 for the same comparable nine month period in 2001. See discussion in Note 4 to Condensed Consolidated Financial Statements.

Net loss from other investments for the three and nine months ended September 30, 2002 was approximately \$118,000 and \$156,000, respectively. This is as compared with net losses of approximately \$511,000 and \$367,000 for the same comparable periods in 2001. The decrease in losses of approximately \$393,000 and \$211,000, for the three and nine month comparable periods was primarily attributable to a decrease in valuation write-downs between the two periods. Included in net loss from other investments for the three and nine months ended September 30, 2002 are write downs in other investments of approximately \$63,000 and \$188,000 which represent declines in value deemed to be other than temporary. This is as compared with valuation write-downs of \$774,000 for the three and nine months ended September 30, 2002.

Interest and dividend income for the three and nine months ended September 30, 2002 was approximately \$56,000 and \$207,000, respectively. This is as compared with approximately \$100,000 and \$330,000 for the same comparable periods in 2001, respectively. These decreases of approximately \$44,000 (or 44%) and \$124,000 (or 37%) for the three and nine month comparable periods, respectively, were primarily attributable to decreased dividend income from investments in marketable securities.

(8)

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

### EXPENSES

## Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

Rental and other properties expenses for the three and nine months ended September 30, 2002 were approximately \$141,000 and \$433,000, respectively. This is as compared with approximately \$140,000 and \$401,000 for the same comparable periods in 2001. The increase of approximately \$32,000 (or 8%) for the nine month comparable periods, respectively, was primarily the result of increased insurance expense at the Grove Isle hotel property of approximately \$30,000 partially offset by lower operating costs at HMG Fieber properties. The property insurance at the Grove Isle hotel property is paid by the tenant and accordingly a corresponding insurance revenue amount is included in rental and related revenues. Changes in insurance costs for this property do not impact the Company's net income.

Marina expenses for the three and nine months ended September 30, 2002 were approximately \$86,000 and \$259,000, respectively. This is as compared with approximately \$112,000 and \$332,000 for the same comparable periods in 2001. These decreases of approximately \$26,000 (or 23%) and \$73,000 (or 22%) for the three and nine month comparable periods in 2001, respectively, were primarily attributable to lower insurance costs as a result of the elimination of windstorm coverage for the marina slips in 2002. The Company believes that in light of the increased cost of this insurance (approximately 100% from 2001) and the large deductibles now required, it is more effective to self insure the marina slips for this particular peril. All other insurance coverage's remain in effect on this property.

Professional fees and expenses for the three and nine months ended September 30, 2002 were approximately \$58,000 and \$137,000, respectively. This is as compared with approximately \$83,000 and \$199,000 for the same comparable periods in 2001. These decreases of approximately \$25,000 (or 30%) and \$62,000 (or 31%) for the three and nine month comparable periods in 2001, respectively, were primarily attributable to lower legal fees relating to the Company's proxy filing.

Interest expense for the three and nine months ended September 30, 2002 was approximately \$133,000 and \$405,000, respectively. This is as compared with approximately \$173,000 and \$561,000, respectively, for the same comparable periods in 2001. These decreases of approximately \$40,000 (or 23%) and \$155,000 (or 28%) for the three and nine month comparable periods, respectively, were primarily attributable to decreased interest rates on bank loans and on amounts due to affiliate (T.G.I.F. Texas, Inc.).

Benefit from income taxes for the three and nine months ended September 30, 2002 was approximately \$355,000 and \$661,000, respectively. This consists of \$133,000 of current and \$222,000 of deferred tax benefits for the three months ended September 30, 2002, and \$206,000 of current and \$455,000 of deferred tax benefits for the nine months ended September 30, 2002. This is as compared with a benefit from income taxes of \$312,000 for the three months ended September 30, 2001 and a provision for current income taxes of \$408,000 for the nine months ended September 30, 2001. The increase in benefits from the prior year provisions is due primarily to non recurring gain on sales of properties in the first quarter of 2001, increased net operating losses for Courtland Investments, Inc. and reduced taxable income as a result of the dividend paid deduction made in September 2002 (refer to Note 3).

(9)

## Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

### EFFECT OF INFLATION:

Inflation affects the costs of operating and maintaining the Company's investments and the availability and terms of financing. 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 2002 primarily consist of maturities of debt obligations of approximately \$3.8 million and commitments to fund private capital investments of approximately \$1.8 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 2002 is a note payable to the Company's 49% owned affiliate, T.G.I.F. Texas, Inc. ("TGIF") of approximately \$3.6 million. This amount is 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, 2002, net cash provided by operating activities was approximately \$786,000. Included in this amount are net proceeds from sales and redemptions of marketable securities of approximately \$2.4 million less increased investments in of marketable securities of approximately \$1.5 million.

For the nine months ended September 30, 2002, net cash used in investing activities was approximately \$510,000. This was comprised primarily of contributions to other investments of approximately \$1 million and increased notes and advances to related parties of approximately \$417,000 less proceeds from sales of properties of \$617,000, repayments of mortgage loans and notes receivables of approximately \$195,000 and distributions from other investments of approximately \$95,000.

For the nine months ended September 30, 2001, net cash used in financing activities was approximately \$630,000 consisting of dividends paid of \$327,000, repayments of mortgages and notes payable of \$273,000 and distributions to minority partners of \$30,000.

(10)

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

### RECENT ACCOUNTING PRONOUNCEMENTS.

In July, 2001, the Financial Accounting Standard Board issued Statements on Financial Accounting Standards (SFAS) No. 141 (Business

## Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

Combinations) and 142 (Goodwill and Other Intangible Assets). SFAS No. 141 among other things eliminates the use of the pooling of interest method of accounting for business combination. Under the provision of SFAS No. 142, goodwill will no longer be amortized, but will be subject to a periodic test for impairment based upon fair value. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001. SFAS No. 142 must be adopted in the first quarter of fiscal years beginning after December 15, 2001. The adoption of these statements did not have a material impact on the Company's financial statements.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business (as previously defined in that Opinion). This Statement also amends ARB No. 51, Consolidated Financial Statements, to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The provisions of this Statement were effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The provisions of this Statement generally are to be applied prospectively. The adoption of SFAS No. 144 did not have a material impact on the Company's financial statements.

In April 2002, the FASB issued Statement 145, Rescission of FASB Statements No. 4, 44, and 64, Amendments of FASB Statement No. 13, and Technical Corrections. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

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 Company does not believe that the adoption of this pronouncement will have a material effect on its 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.

(11)

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

No items to report.

Item 6. Exhibits and Reports on Form 8-K

(a) There were no reports on Form 8-K filed for the quarter ended September 30, 2002.

(12)

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 13, 2002

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

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

Dated: November 13, 2002

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

(13)

CERTIFICATION REQUIRED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Maurice Wiener, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of HMG/Courtland Properties, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation



Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

-----  
/s/ Maurice Wiener, Principal Executive Officer

(14)

CERTIFICATION REQUIRED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lawrence Rothstein, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of HMG/Courtland Properties, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

-----  
/s/ Lawrence Rothstein, Principal Financial Officer

(15)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of HMG/Courtland Properties, Inc. (the "Company") on Form 10-QSB for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Maurice Wiener, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods indicated in the Report.

-----  
/s/ Maurice Wiener, Principal Executive Officer  
HMG/Courtland Properties, Inc.

Edgar Filing: HMG COURTLAND PROPERTIES INC - Form 10QSB

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of HMG/Courtland Properties, Inc. (the "Company") on Form 10-QSB for the period ending September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lawrence Rothstein, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods indicated in the Report.

-----  
/s/ Lawrence Rothstein, Principal Financial Officer  
HMG/Courtland Properties, Inc.