HMG COURTLAND PROPERTIES INC
Form 10-K
March 31, 2015

U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x Annual Report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934

For the fiscal year ended December 31, 2014

o Transition Report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934

Commission file number: 1-7865

HMG/COURTLAND PROPERTIES, INC.
(Name of Registrant in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	59-1914299 (I.R.S. Employer Identification Number)
1870 S. Bayshore Drive, Coconut Grove (Miami), Florida (Address of principal executive offices)	33133 (Zip Code)

Issuer's telephone number, including area code: (305) 854-6803

Securities registered pursuant to Section 12(b) of the Act:

Title of class	Name of each exchange on which registered:
Common Stock - Par value $1.00 per share	NYSE Amex

Securities registered pursuant to Section 12(g) of the Act: *None*

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act
Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 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 o

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 (Section 232.05) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company filer” in Rule 12b-2 of the Exchange Act (Check One):

Large accelerated filer o Accelerated filer o

Non-accelerated filer o Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the exchange Act). Yes o No x

The aggregate market value of the voting stock held by non-affiliates of the Registrant (excludes shares of voting stock held by directors, executive officers and beneficial owners of more than 10% of the Registrant’s voting stock; however, this does not constitute an admission that any such holder is an “affiliate” for any purpose) based on the closing price of the stock as traded on the NYSE Amex Exchange on the last business day of the Registrant’s most recently completed second fiscal quarter (June 30, 2014) was $5,681,984. The number of shares outstanding of the issuer’s common stock, $1 par value as of the latest practicable date: 1,042,553 shares of common stock, $1 par value, as of March 23, 2015.

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Part I.

Cautionary Statement.

An investment in our common stock involves a high degree of risk. These risks should be considered carefully with the uncertainties described below, and all other information included in this Annual Report on Form 10-K, before deciding whether to purchase our common stock. Additional risks and uncertainties not currently known to management or that management currently deems immaterial may also become important factors that may harm our business, financial condition or results or operations. The trading price of our common stock could decline due to any of these risks and uncertainties and you may lose part or all of your investment.

This Annual Report 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 Annual Report 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.

Item 1. Description of Business.

HMG/Courtland Properties, Inc. and subsidiaries ("HMG", or the "Company"), is a Delaware corporation organized in 1972. The Company's business is the ownership and management of income-producing commercial properties and it will consider other investments if they offer growth or profit potential.

HMG (excluding its 95% owned subsidiary Courtland Investments, Inc. ("CII"), which files a separate tax return) qualifies for taxation as a real estate investment trust ("REIT") under the U.S. Internal Revenue Code. One of the qualifications the Company must satisfy in order to be considered a REIT is the asset tests relating to the nature and diversification of its assets determined in accordance with generally accepted accounting principles. The asset tests must be satisfied within 30 days after the close of each quarter of the REIT's taxable year. The key asset test requires that at least 75% of the value of the REIT's total assets must be represented by real estate assets, cash, cash items (including receivables arising in the ordinary course of operation), government securities and qualified temporary investments. During the fourth quarter of 2014 the Company discovered that it fell short of meeting the 75% asset test. However, a REIT is deemed to have satisfied the asset test, if management has taken steps outlined under the safe harbor provisions of section 856(c)(7) of the Internal Revenue Code to correct the failure within the time period provided under the safe harbor rules. Under such rules the REIT must 1) pay a tax equal to the 35% maximum corporate rate on the income from the assets that caused the failure or $50,000 (the excise tax), whichever is greater, 2) disclose the discrepancy and corrections on a disclosure schedule in its 2014 tax return, and 3) dispose of any asset that caused the REIT to fail the test within six months after the last day of the quarter in which the discrepancy was discovered or otherwise meet the test within the same six month time period. In addition, management must have reasonable cause for not satisfying the test. Management is taking these steps and intends to include the disclosure statement in the tax return for the REIT, which it will file by September 15, 2015. In addition, the $50,000 excise tax has been accrued as of December 31, 2014 and paid to the IRS as of March 15, 2015. Management believes it has reasonable cause for failing the test, and expects to meet the 75% asset test as of June 30, 2015. As such, the Company fully anticipates that it will still qualify as a REIT for 2014 and beyond and thus will not be subject to federal income taxation.

As previously reported, in September 2014, the Company, through a newly-formed wholly owned subsidiary (HMG Orlando LLC, a Delaware limited liability company), acquired a one-third equity membership interest in JY-TV Associates, LLC a Florida limited liability company ("JY-TV") and entered into the Amended and Restated Operating Agreement of JY-TV (the "Agreement"). JY-TV was formed in 2014 for the sole purpose of purchasing and constructing up to two hundred fifty (250) unit rental apartments on approximately 9.5 acres in Orlando, Florida. The other two initial members of JY-TV are not related to the Company. As provided in the Agreement, the three members have each committed to fund approximately $1.8 million in equity in this project.

As of December 31, 2014 the Company has funded $250,000 towards this commitment, and has funded another $1.185 million to date in 2015. In February 2015 JY-TV completed purchase of the 9.5 acres for approximately $3.4 million. JY-TV is in the process of obtaining construction financing of approximately $27 million and construction is expected to commence in 2015. This investment is accounted for under the equity method.

The Company invests its idle cash in marketable securities and acquires real estate and other investments utilizing available cash or borrowing funds.

As previously reported, in April 2014, the Company purchased approximately $3.5 million of preferred equity of large capital real estate investment trusts (REITS); consisting of approximately 20 preferred stock positions with no one position exceeding $400,000 in value as of December 31, 2014. And in March 2014, the Company purchased approximately $3.5 million of marketable securities consisting of approximately 50 common stock positions in large capital REITS. No one stock position of this purchase exceeds $400,000 in value as of December 31, 2014.

The Company's investments in marketable securities include equity and debt securities issued primarily by large capital companies or government agencies with readily determinable fair values in varying industries. This includes real estate investment trusts and mutual funds focusing in commercial real estate activities. Substantially all of the Company's marketable securities investments are in companies listed on major national stock markets, however the overall investment portfolio and some of the Company's investment strategies could be viewed as risky and the market values of the portfolio may be subject to fluctuations. Consistent with the Company's overall investment objectives and activities, management classifies all marketable securities as being held in a trading portfolio. Accordingly, all unrealized gains and losses on the Company's investments in marketable securities are recorded in the consolidated statements of comprehensive income. Marketable securities are stated at market value as determined by the most recently traded price of each security at the balance sheet date. Information regarding the amounts and types of investments in marketable securities is set forth in Note 3 of the Notes to Consolidated Financial Statements.

The Company may realize gains and losses in its overall investment portfolio from time to time to take advantage of market conditions and/or manage the portfolio's resources and the Company's tax liability. The Company may utilize margin for its marketable securities purchases through the use of standard margin agreements with national brokerage firms. The use of available leverage is guided by the business judgment of management. The Company may also use options and futures to hedge concentrated stock positions and index futures to hedge against market risk and enhance the performance of the Company's portfolio while reducing the overall portfolio's risk and volatility.

The Company's other investments consist primarily of nominal equity interests in various privately-held entities, including limited partnerships whose purpose is to invest venture capital funds in growth-oriented enterprises. The Company does not have significant influence over any investee and the Company's investment represents less than 3% of the investee's ownership. Some of these investments give rise to exposure resulting from the volatility in capital markets. The Company mitigates its risks by diversifying its investment portfolio. Information with respect to the amounts and types of other investments including the nature of the declines in value is set forth in Note 4 of the Notes to Consolidated Financial Statements.

Reference is made to Item 13. Certain Relationships and Related Transactions and Director Independence for discussion of the Company's organizational structure and related party transactions.

Investment in Affiliate.

The Company's investment in affiliate consists of a 49% equity interest in T.G.I.F. Texas, Inc. ("TGIF"). TGIF was incorporated in Texas and operates solely from the Company's corporate office in Miami, Florida. The Company's CEO, Maurice Wiener, is also the CEO of TGIF. Its assets consist primarily of promissory notes receivable from its shareholders including CII and Mr. Wiener and other investments including marketable debt and equity securities. This investment's carrying value as of December 31, 2014 and 2013 was approximately $2.2 and $2.4 million, respectively. CII's note payable to TGIF which is due on demand was approximately $2.1 million and $2.5 million as of December 31, 2014 and 2013, respectively. Reference is made to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Insurance, Environmental Matters and Other:

In the opinion of management, all significant assets of the Company are adequately covered by insurance and the cost and effects of complying with environmental laws do not have a material impact on the Company's operations.

We are not aware of any federal, state or local environmental laws or regulations that will materially affect our earnings or competitive position or result in material capital expenditures. However, we cannot predict the effect of possible future environmental legislation or regulations on our operations.

Competition and the Company's Market

The Company competes for suitable opportunities for real estate investments with other real estate investment trusts, foreign investors, pension funds, insurance companies and other investors. The Company also competes with other real estate investors and borrowers for available sources of financing.

In addition, to the extent the Company leases properties it must compete for tenants with other lessors offering similar facilities. Tenants are sought by providing modern, well-maintained facilities at competitive rentals. The Company has attempted to facilitate successful leasing of its properties by investing in facilities that have been developed according to the specifications of tenants and special local needs.

Employees.

The Company's management is provided in accordance with its Advisory Agreement (the "Agreement") with the HMGA, Inc. ("the Adviser"), as described below under "Terms of the Agreement". Reference is also made to Item 13. Certain Relationships and Related Transactions, and Director Independence.

Terms of the Advisory Agreement. Under the terms of the Agreement, the Adviser serves as the Company's investment adviser and, under the supervision of the directors of the Company, administers the day-to-day operations of the Company. All officers of the Company who are officers of the Adviser are compensated solely by the Adviser for their services. The Agreement is renewable annually upon the approval of a majority of the directors of the Company who are not affiliated with the Adviser and a majority of the Company's shareholders. The contract may be terminated at any time on 120 days written notice by the Adviser or upon 60 days written notice by a majority of the unaffiliated directors of the Company or the holders of a majority of the Company's outstanding shares.

On September 18, 2014, the shareholders approved the renewal and amendment of the Advisory Agreement between the Company and the Adviser for a term commencing January 1, 2015 and expiring December 31, 2015.

The Adviser is majority owned by Mr. Wiener. The officers and directors of the Adviser are as follows: Maurice Wiener, Chairman of the Board, Chief Executive officer and President and Carlos Camarotti, Vice President - Finance and Assistant Secretary.

Advisory Fees. For the years ended December 31, 2014 and 2013, the Company and its subsidiaries incurred Adviser fees of approximately $714,000 and $3,116,000, respectively, of which $660,000 and $1,020,000 represented regular compensation for 2014 and 2013, respectively. In 2014 and 2013 Advisor fees include $54,000 and $2,096,000 in incentive fee compensation, respectively.

Item 2. Description of Property.

Executive offices (Coconut Grove, Florida). The principal executive offices of the Company and the Adviser are located at 1870 South Bayshore Drive, Coconut Grove, Florida, 33133, in premises owned by the Company's subsidiary CII and leased to the Adviser pursuant to a lease agreement originally dated December 1, 1999. In December 2014 the lease was renewed for one year with two one year extensions. The lease provides for base rent of $48,000 per year payable in equal monthly installments during the term of the lease which expires on December 1, 2015, before extension options. The Adviser, as tenant, pays utilities, certain maintenance and security expenses relating to the leased premises.

The Company regularly evaluates potential real estate acquisitions for future investment or development and would utilize funds currently available or from other resources to implement its strategy.

Item 3. Legal Proceedings.

Grove Isle Associates, LLLP 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 had been dismissed as to all counts related to the Company; however the association filed an appeal. In March 2014, the appellate court ruled on the appeal reversing the lower court's dismissal. Pursuant to an agreement dated February 25, 2013 in which the company sold its interests in Grove Isle Associates, LLLP the company will continue to defend the lawsuit and will indemnify the purchaser for any related judgment. 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 consolidated financial statements.

Item 4. Mine Safety Disclosures.

Not applicable to the Company.

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Part II.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities.

The high and low per share closing sales prices of the Company's stock on the NYSE Amex Exchange (ticker symbol: HMG) for each quarter during the past two years were as follows:

	High	Low
March 31, 2014	$18.75	$16.48
June 30, 2014	$17.17	$14.00
September 30, 2014	$16.15	$13.02
December 31, 2014	$16.50	$11.00
March 31, 2013	$20.74	$4.97
June 30, 2013	$20.20	$16.61
September 30, 2013	$20.58	$17.80
December 31, 2013	$23.80	$15.00

On December 19, 2014 the Company declared a return of capital dividend of $.50 per share which was paid on January 7, 2015 to all shareholders of record as of December 29, 2014.

On October 21, 2013 the Company declared a capital gains dividend of $4.00 per share which was paid on November 8, 2013 to all shareholders of record as of November 1, 2013.

The Company's policy has been to pay dividends as are necessary for it to qualify for taxation as a REIT under the Internal Revenue Code.

As of March 20, 2015, there were 327 shareholders of record of the Company's common stock.

The following table illustrates securities authorized for issuance under the Company's equity compensation plan, the 2011 Stock Option Plan:

	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plan approved by shareholders	17,700	$ 18.35	17,900
Equity compensation plan not approved by shareholders	—	—	—
Total	17,700	$ 18.35	17,900

The following table summarizes stock option activity during the year ended December 31, 2014:

	Options Outstanding	Weighted Average Exercise Price
Outstanding at January 1, 2014	22,700	$ 15.37
Granted	—	$ —
Exercised	(5,000)	$ 4.80
Outstanding at December 31, 2014	17,700	$ 18.35

The following table summarizes stock option activity during the year ended December 31, 2013:

	Options Outstanding	Weighted Average Exercise Price
Outstanding at January 1, 2013	102,100	$ 4.99
Granted	17,700	$ 18.35
Exercised	(97,100)	$ 5.00
Outstanding at December 31, 2013	22,700	$ 15.37

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The intrinsic value of options exercised during the years ended December 31, 2014 and 2013 was approximately $39,000 and $1.3 million, respectively.

The following table summarizes information concerning outstanding and exercisable options as of December 31, 2014:

Number Outstanding and exercisable	Weighted Average Strike Prices
9,500	$ 17.84
7,500	$ 18.89
700	$ 19.50
17,700	$ 18.35

As of December 31, 2014 stock options outstanding and exercisable had no intrinsic value.

The following table presents information regarding the shares of our common stock we purchased during each of the twelve calendar months ended December 31, 2014:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (1)	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plan (1)
Jan. 1 –31 2014	—	—	—	$ 168,900
Feb. 1 –28 2014	—	—	—	$ 168,900
March 1 –31 2014	—	—	—	$ 168,900
April 1 –30 2014	—	—	—	$ 168,900
May 1 –31 2014	—	—	—	$ 168,900
June 1 –30 2014	—	—	—	$ 168,900
July 1 –31 2014	—	—	—	$ 168,900
Aug 1 –31 2014	—	—	—	$ 168,900
Sept. 1 –30 2014	—	—	—	$ 168,900
Oct. 1 –31 2014	—	—	—	$ 168,900
Nov. 1 –30 2014	—	—	—	$ 168,900
Dec. 1 –31 2014	800	$ 11.72	—	$ 490,623

1. We have one current program to repurchase outstanding shares of our common stock from time to time in the open market at prevailing market prices or in privately negotiated transactions. This program was approved by our Board of Directors and announced in November 2012 (the “2012 Program”) and expires on December 31, 2015. As previously reported, on December 19, 2014, HMG’s Board of Directors authorized to increase the purchase limit under the 2012 Program up to a limit of $500,000 (from $300,000) of HMG common stock.

As of December 31, 2014 the maximum dollar value of shares that may yet be purchased under the program is $490,623. During the year ended December 31, 2014, there were 800 shares purchased as part of this publicly announced program, as revised

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Item 6. Selected Financial Data:

Not applicable to the Company.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Critical Accounting Policies and Estimates.

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions in applying our critical accounting policies that affect the reported amounts of assets and liabilities and the disclosure (if any) of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Our estimates and assumptions concern, among things, potential impairment of our other investments and other long-lived assets, uncertainties for Federal and state income tax and allowance for potential doubtful accounts. We evaluate those estimates and assumptions on an ongoing basis based on historical experience and on various other factors which we believe are reasonable under the circumstances. Note 1 of the consolidated financial statements, included elsewhere on this Form 10-K, includes a summary of the significant accounting policies and methods used in the preparation of the Company's consolidated financial statements. The Company believes the following critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's consolidated financial statements:

Marketable Securities. Consistent with the Company's overall investment objectives and activities, management has classified its entire marketable securities portfolio as trading. As a result, all unrealized gains and losses on the Company's investment portfolio are included in the Consolidated Statements of Comprehensive Income. Our investments in trading equity and debt marketable securities are carried at fair value and based on quoted market prices or other observable inputs. Marketable securities are subject to fluctuations in value in accordance with market conditions.

Other Investments. The Company's other investments consist primarily of nominal equity interests in various privately-held entities, including limited partnerships whose purpose is to invest venture capital funds in growth-oriented enterprises. The Company does not have significant influence over any investee and the Company's investment represents less than 3% of the investee's ownership. None of these investments meet the criteria of accounting under the equity method and are carried at cost less distributions and other than temporary unrealized losses. These investments do not have available quoted market prices, so we must rely on valuations and related reports and information provided to us by those entities. These valuations are by their nature subject to estimates which could change significantly from period to period. The Company regularly reviews the underlying assets in its other investment portfolio for events, that may indicate the investment has suffered an other-than-temporary decline in value including. These events include but are not limited to bankruptcies, closures and declines in estimated fair value. When a decline is deemed other-than-temporary, we permanently reduce the cost basis component of the investments to its estimated fair value, and the loss is recorded as a component of net income from other investments. As such, any recoveries in the value of the investments will not be recognized until the investments are sold.

We believe our estimates of each of these items historically have been adequate. However, due to uncertainties inherent in the estimation process, it is reasonably possible that the actual resolution of any of these items could vary significantly from the estimate and, accordingly, there can be no assurance that the estimates may not materially change in the near term.

Real Estate. Land, buildings and improvements, furniture, fixtures and equipment are recorded at cost. Tenant improvements, which are included in buildings and improvements, are also stated at cost. Expenditures for ordinary maintenance and repairs are expensed to operations as they are incurred. Renovations and/or replacements, which improve or extend the life of the asset are capitalized and depreciated over the shorter of their estimated useful lives, or the remaining lease term (if leased).

Depreciation is computed utilizing the straight-line method over the estimated useful lives of ten to forty years for buildings and improvements and five to ten years for furniture, fixtures and equipment. Tenant improvements are amortized on a straight-line basis over the shorter of the term of the related leases or the assets useful life.

The Company is required to make subjective assessments as to the useful lives of its properties for purposes of determining the amount of depreciation to reflect on an annual basis with respect to those properties. These assessments have a direct impact on the Company’s net income. Should the Company lengthen the expected useful life of a particular asset, it would be depreciated over more years, and result in less depreciation expense and higher annual net income.

Assessment by the Company of certain other lease related costs must be made when the Company has a reason to believe that the tenant will not be able to execute under the term of the lease as originally expected.

The Company periodically reviews the carrying value of certain of its properties and long-lived assets in relation to historical results, current business conditions and trends to identify potential situations in which the carrying value of assets may not be recoverable. If such reviews indicate that the carrying value of such assets may not be recoverable, the Company would estimate the undiscounted sum of the expected future cash flows of such assets or analyze the fair value of the asset, to determine if such sum or fair value is less than the carrying value of such assets to ascertain if a permanent impairment exists. If a permanent impairment exists, the Company would determine the fair value by using quoted market prices, if available, for such assets, or if quoted market prices are not available, the Company would discount the expected future cash flows of such assets and would adjust the carrying value of the asset to fair value. Judgments as to impairments and assumptions used in projecting future cash flow are inherently imprecise.

Results of Operations:

For the years ended December 31, 2014 and 2013, the Company reported net income attributable to the Company of approximately $233,000 ($.22 per share) and $15.2 million ($15.11 per basic share and $15.08 per diluted share), respectively. The decrease in net income was primarily the result of non-recurring income from discontinued operations of approximately $16.3 million (or $16.25 per share) relating to the gain on sales of the Grove Isle and Monty's property in the first quarter of 2013.

Revenues:

Total revenues for the years ended December 31, 2014 and 2013 were approximately $77,000 and $64,000, respectively and is primarily comprised of rental revenue from corporate office.

Expenses:

Total expenses for the year ended December 31, 2014 as compared to that of 2013 decreased by approximately $337,000 (or 19%). This decrease was primarily due to decrease advisory fee expense and general and administrative expenses partially offset by increases in professional fees, as described below.

The Adviser's base fee expense for the year ended December 31, 2014 as compared to 2013 decreased by $360,000 (or 35%) due to the reduction of the monthly base fee from $85,000 to $55,000 per month effective January 1, 2014, as previously reported.

General and administrative expenses for the year ended December 31, 2014 as compared to 2013 decreased by $53,000 (or 16%) primarily due decreased expenses relating to Courtland Houston Inc. which was dissolved effective December 31, 2013.

Professional fees and expenses increased by approximately $106,000 (or 61%) for the year ended December 31, 2014 as compared to 2013. This was primarily due to increased tax return preparation and consulting fees of approximately $54,000, and increased legal fees of approximately $52,000.

Other Income:

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

Net gain (loss) from investments in marketable securities, including marketable securities distributed by partnerships in which the Company owns minority positions, for the years ended December 31, 2014 and 2013, is as follows:

Description	2014	2013
Net realized gain (loss) from sales of marketable securities	$400,000	($119,000)
Net unrealized gain from marketable securities	259,000	263,000
Total net gain from investments in marketable securities	$659,000	$ 144,000

Net realized gain (loss) from sales of marketable securities consisted of approximately $523,000 of gains net of $123,000 of losses for the year ended December 31, 2014. The comparable amounts in fiscal year 2013 were approximately $176,000 of losses net of $57,000 of gains.

Consistent with the Company’s overall current investment objectives and activities, the entire marketable securities portfolio is classified as trading (as defined by U.S generally accepted accounting principles). Unrealized gains or losses from marketable securities are recorded as other income in the consolidated statements of comprehensive income.

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.

Investments in marketable securities give rise to exposure resulting from the volatility of capital markets. The Company attempts to mitigate its risk by diversifying its marketable securities portfolio.

Net income from other investments is summarized below (excluding other than temporary impairment losses):

	2014	2013
Venture capital funds – diversified businesses (a)	$90,000	$115,000
Partnerships owning real estate and related investments	11,000	40,000
Investment in 49% owned affiliate (b)	19,000	94,000
Total net income from other investments	$120,000	$249,000

(a) The gains in 2014 and 2013 consist of various cash distributions from an investments owning diversified businesses which made cash distributions from the sale or refinancing of operating companies.

(b) This gain represents income from the Company's 49% owned affiliate, T.G.I.F. Texas, Inc. ("TGIF"). The decrease in income is due to decreased unrealized gains from marketable securities in 2014 versus 2013 and increased operating expenses of TGIF. In 2014 and 2013 TGIF declared and paid a cash dividend of which the Company's portion of was approximately $196,000 each year. These dividends were recorded as reduction in the investment carrying value as required under the equity method of accounting for investments.

Other than temporary impairment ("OTTI") losses from other investments

	2014	2013
Technology and related	($11,000)	($50,000)
Total other than temporary impairment loss from other investments	($11,000)	($50,000)

The OTTI loss for the year ended December 31, 2014 consists of a recognized impairment loss in an investment in a partnership that invested in technology related companies.

The OTTI loss for the year ended December 31, 2013 consists of a recognized impairment loss in an investment in a partnership that invests in technology related companies. The Company committed to fund $500,000 in this investment of which $466,000 has been funded. As a result of this recognized impairment, the investment's carrying value was decreased from $369,000 to $319,000.

Net income or loss from other investments 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 gain or loss from other investments for any given period has no predictive value and variations in amount from period to period have no practical analytical value.

Interest, dividend and other income

Interest, dividend and other income for the year ended December 31, 2014 as compared with 2013 increased by approximately $668,000 (or 288%), primarily due to increased dividend and interest income from equity and debt marketable securities. Also included in other income is a gain of approximately $282,000 from the dissolution of South Bayshore Associates (SBA). In 2014 SBA was dissolved and the note payable to the Company of $905,000 was distributed 75% to the Company and 25% to Transco. Transco repaid its portion of the note (approximately $226,000) in June 2014 and the Company recognized this amount as other income.

Provision for (benefit from) income taxes:

The Company (excluding CII) qualifies as a real estate investment trust and distributes its taxable ordinary income to stockholders in conformity with requirements of the Internal Revenue Code and is not required to report deferred items due to its ability to distribute all taxable income. In addition, net operating losses can be carried forward to reduce future taxable income but cannot be carried back. Distributed capital gains on sales of real estate as they relate to REIT activities are not subject to taxes; however, undistributed capital gains may be subject to corporate tax.

(Reference is made to Item 1. Description of Business for discussion regarding REIT 75% asset test).

Benefit from income taxes for the year ended December 31, 2014 was approximately $8,000, consisting of refunding state income taxes.

As of December 31, 2014 the Company (excluding CII) had a tax net operating loss carryover (NOL) of approximately $30,000.

The Company's 95%-owned subsidiary, CII, files a separate income tax return and its operations are not included in the REIT's income tax return.

For CII, the Company follows the liability method of accounting for income taxes. Under this method, deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the carrying amount and the tax basis of assets and liabilities at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. As a result of timing differences associated with the carrying value of other investments, unrealized gains and losses of marketable securities, depreciable assets and the future benefit of a net operating loss, as of December 31, 2014 and 2013, the Company has recorded a net deferred tax liability of $217,000.

As of December 31, 2014, CII has an estimated NOL of approximately $1.3 million which has been fully reserved due to CII historically having tax losses.

Provision for income taxes for the year ended December 31, 2013 was approximately $2,508,000, is netted in income from discontinued operations and includes $915,000 of deferred income tax expense.

Effect of Inflation.

Inflation affects the costs of maintaining the Company's investments.

Liquidity, Capital Expenditure Requirements and Capital Resources. The Company's material commitments primarily consist of a note payable to the Company's 49% owned affiliate, T.G.I.F. Texas, Inc. ("TGIF") of approximately $2.1 million due on demand (see Item 13. Certain Relationships and Related Transactions and Director Independence.) and contributions committed to other investments of approximately $2.2 million due upon demand. The funds necessary to meet these obligations are expected from the proceeds from the sales of investments, distributions from investments and available cash.

A summary of the Company's contractual cash obligations at December 31, 2014 is as follows:

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Note payable	$2,100,000	$ 2,100,000	—	—	—
Other investments commitments	2,200,000	2,200,000	—	—	—
Total	$4,300,000	$ 4,300,000	—	—	—

The timing of amounts due under commitments for other investments is determined by the managing partners of the individual investments.

Material Changes in Operating, Investing and Financing Cash Flows.

The Company's cash flows are generated primarily from its dividends, interest and sales proceeds of marketable securities, distributions from other investments and borrowings.

For the year ended December 31, 2014, net cash used in operating activities was approximately $4.4 million, primarily consisting of the payment of accounts payable and accrued expenses relating to 2013 taxes paid on undistributed REIT capital gains of approximately $1.6 million and Adviser's 2013 incentive fee of $2.1 million.

For the year ended December 31, 2014, net cash used in investing activities was approximately $6.6 million and consisted primarily of $15.4 million of purchases of marketable securities and $1.3 million of contributions to other investments. These uses of funds were partially offset by proceeds from sales of marketable securities of $9.0 million and distributions from other investments of $958,000.

For the year ended December 31, 2014, net cash provided by financing activities was approximately $2.9 million and consisted primarily of $3.2 million of margin borrowings partially offset by repayment of note payable to affiliate of $403,000.

Item 7A. Quantitative and Qualitative Disclosures About Market Risks.

Not Applicable to the Company.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of HMG/Courtland Properties, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of HMG/Courtland Properties, Inc. (a Delaware corporation) and Subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HMG/Courtland Properties, Inc. and Subsidiaries at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Cherry Bekaert LLP
Coral Gables, Florida
March 31, 2015

HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2014 AND 2013

	December 31, 2014	December 31, 2013
ASSETS		
Investment properties, net of accumulated depreciation:		
Office building and other commercial property	$ 793,749	$ 809,905
Total investment properties, net	793,749	809,905
Cash and cash equivalents	9,451,152	17,655,568
Investments in marketable securities	11,790,037	4,722,597
Other investments	3,793,420	3,304,336
Investment in affiliate	2,232,972	2,445,891
Loans, notes and other receivables	1,400,877	1,408,150
Investment in real estate partnership	281,663	—
Other assets	53,356	32,773
TOTAL ASSETS	$ 29,797,226	$ 30,379,220
LIABILITIES		
Note payable to affiliate	$ 2,100,000	$ 2,502,891
Margin payable	3,253,065	—
Dividends payable	526,963	—
Accounts payable, accrued expenses and other liabilities	210,691	202,552
Amounts due to the Adviser	54,111	2,095,701
Current income tax payable	—	1,592,716
Deferred income tax payable	217,000	217,000
TOTAL LIABILITIES	6,361,830	6,610,860
COMMITMENTS AND CONTINGENCIES	—	—
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 1,053,926 and 1,048,926 issued and outstanding as of December 31, 2014 and 2013, respectively	1,053,926	1,048,926
Additional paid-in capital	24,249,844	24,230,844
Less: Treasury shares at cost (800 shares as of December 31, 2014)	(9,377)	—
Undistributed gains from sales of properties, net of losses	53,227,696	53,754,659
Undistributed losses from operations	(55,315,000)	(55,547,873)
Total stockholders' equity	23,207,089	23,486,556
Non controlling interest	228,307	281,804
TOTAL STOCKHOLDERS' EQUITY	23,435,396	23,768,360
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 29,797,226	$ 30,379,220

See notes to the consolidated financial statements

HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
REVENUES		
Real estate rentals and related revenue	$ 76,754	$ 64,142
Total revenues	76,754	64,142
EXPENSES		
Operating expenses:		
Rental and other properties	96,039	73,983
Adviser's base fee	660,000	1,020,000
General and administrative	271,326	324,852
Professional fees and expenses	279,719	173,439
Directors' fees and expenses	100,349	108,620
Depreciation expense	19,435	16,156
Interest expense	91,198	88,427
Total expenses	1,518,065	1,805,477
Loss before other income and income taxes	(1,441,312)	(1,741,335)
Net realized and unrealized gains from investments in marketable securities	659,276	144,219
Net income from other investments	120,589	248,709
Other than temporary impairment losses from other investments	(11,092)	(50,000)
Interest, dividend and other income	899,483	231,864
Total other income	1,668,256	574,792
Income (loss) before income taxes	226,944	(1,166,543)
Benefit from income taxes	(8,190)	—
Loss from continuing operations	235,134	(1,166,543)
Income from discontinued operations, net of tax and incentive fee	—	16,439,449
Net income	235,134	15,272,906
Noncontrolling interest in continuing operations	(2,261)	(3,713)
Noncontrolling interest in discontinued operations	—	(93,206)
Net income attributable to the noncontrolling interest	(2,261)	(96,919)
Net income attributable to the Company	$ 232,873	$ 15,175,987
Amounts attributable to the Company		
Continuing operations	232,873	(1,170,256)
Discontinued operations	—	16,346,243
Net income attributable to the Company	$ 232,873	$ 15,175,987
Weighted average common shares outstanding-basic	1,049,428	1,004,599
Weighted average common shares outstanding-diluted	1,049,428	1,006,067
Net income (loss) per common share:		

Continuing operations-basic	$ .22	$(1.16)
Continuing operations-diluted	$ .22	$(1.16)
Discontinued operations-basic	$ —	$16.27
Discontinued operations-diluted	$ —	$16.25
Basic income per share	$ .22	$15.11
Diluted income per share	$ .22	$15.08
Other comprehensive income:		
Unrealized gain on interest rate swap agreement	$ —	$982,500
Total other comprehensive income	—	982,500
Comprehensive income	$ 232,873	$ 16,158,487

See notes to the consolidated financial statements

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HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Common Stock		Additional Paid-In Capital	Undistributed Gains from Sales of Properties Net of Losses	Undistributed Losses from Operations	Accumulated Other Comprehensive Loss	Treasury Stock		To St Ec
	Shares	Amount					Shares	Cost	
Balance as of January 1, 2013	969,526	$969,526	$24,129,031	$41,572,120	($54,377,617)	($982,500)	—	—	$
Net income				16,346,243	(1,170,256)				
Dividend paid - $4.00 per share				(4,163,704)					(
Reversal of unrealized loss on interest rate swap contract						982,500			9
Non-employee stock option compensation			20,498						2
Stock options exercised	97,100	97,100	388,420						4
Treasury stock from stock option reloads							17,700	(324,805)	(
Treasury stock retired	(17,700)	(17,700)	(307,105)				(17,700)	324,805	-
Balance as of December 31, 2013	1,048,926	1,048,926	24,230,844	53,754,659	(55,547,873)	—	—	—	2
Net income					232,873				2
				(526,963)					(

Dividend payable - $.50 per share									
Stock options exercised	5,000	5,000	19,000						2
Purchase of treasury stock							800	(9,377)	(
Balance as of December 31, 2014	1,053,926	$1,053,926	$24,249,844	$53,227,696	($55,315,000)	$ —	800	($9,377)	$2

See notes to the consolidated financial statements

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HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income attributable to the Company	$232,873	$15,175,987
Adjustments to reconcile net income attributable to the Company to net cash used in operating activities:		
Depreciation expense	19,435	16,156
Non-employee stock compensation	—	20,498
Net income from other investments, excluding impairment losses	(120,589)	(248,709)
Other than temporary impairment loss from other investments	11,092	50,000
Gain from sale of discontinued operations	—	(16,346,243)
Gain from dissolution of joint venture	(226,157)	—
Net gain from investments in marketable securities	(659,276)	(144,219)
Net gain attributable to non controlling interest	2,261	3,713
Changes in assets and liabilities:		
Other assets and other receivables	(13,311)	(205,746)
Accounts payable, accrued expenses and other liabilities	(3,699,205)	156,003
Total adjustments	(4,685,750)	(16,698,547)
Net cash used in operating activities	(4,452,877)	(1,522,560)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of real estate and discontinued operations	278,720	23,030,262
Purchases and improvements of properties	(274,691)	—
Investment in real estate partnership	(281,663)	—
Proceeds from collections of notes and advances from related parties	226,157	696,909
Additions in mortgage loans and notes receivable	(138,000)	—
Proceeds from collections of mortgage loans and notes receivables	138,000	75,000
Distributions from other investments	958,086	516,764
Contributions to other investments	(1,347,067)	(135,750)
Net proceeds from sales and redemptions of securities	8,997,601	1,305,944
Increased investments in marketable securities	(15,405,765)	(3,703,313)
Distribution from affiliate	232,286	196,016
Net cash (used in) provided by investing activities	(6,616,336)	21,981,832
CASH FLOWS FROM FINANCING ACTIVITIES:		
Margin borrowings	3,253,065	—
Dividend paid	—	(4,163,704)
Repayment of note payable to affiliate	(402,891)	(311,488)
Proceeds from stock options exercised	24,000	160,715
Purchase of treasury stock	(9,377)	—
Net cash provided by (used in) financing activities	2,864,797	(4,314,477)
Net (decrease) increase in cash and cash equivalents	(8,204,416)	16,144,795
Cash and cash equivalents at beginning of the year	17,655,568	1,510,773

Cash and cash equivalents at end of the year	$9,451,152	$17,655,568
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$91,000	$88,000
Cash paid during the year for income taxes	$1,593,000	$—
Non-cash Investing Activities:		
Note receivable received for sales of discontinued operations	$—	$1,000,000

See notes to the consolidated financial statements

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HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 and 2013

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Consolidation. The consolidated financial statements include the accounts of HMG/Courtland Properties, Inc. ("we" or the "Company") and entities in which the Company owns a majority voting interest or controlling financial interest. The Company was organized in 1972 and (excluding its 95% owned subsidiary Courtland Investments, Inc., which files a separate tax return) qualifies for taxation as a real estate investment trust ("REIT") under the Internal Revenue Code. The Company's business is the ownership and management of income-producing commercial properties and its management considers other investments if such investments offer growth or profit potential. The Company's recurring operating revenue is from property rental operations of its corporate offices.

All material transactions and balances with consolidated and unconsolidated entities have been eliminated in consolidation or as required under the equity method.

The Company's consolidated subsidiaries are described below:

Courtland Investments, Inc. ("CII"). A 95% owned corporation in which the Company holds a 95% non-voting interest and Masscap Investments Company, Inc. ("Masscap") which holds a 5% voting interest in CII. The Company and Masscap have had a continuing arrangement with regard to the ongoing operations of CII, which provides the Company with complete authority over all decision making relating to the business, operations and financing of CII consistent with the Company's status as a real estate investment trust. Masscap is a wholly-owned subsidiary of Transco Realty Trust which is a 45% shareholder of the Company. CII files a separate tax return and its operations are not part of the REIT tax return.

HMG Orlando, LLC ("HMGO"). This wholly owned limited liability company was formed in August 2014. In September 2014 HMGO acquired a one-third equity membership interest in JY-TV Associates, LLC a Florida limited liability company ("JY-TV") and entered into the Amended and Restated Operating Agreement of JY-TV (the "Agreement"). JY-TV was formed in 2014 for the sole purpose of purchasing and constructing up to two hundred fifty (250) unit rental apartments on approximately 9.5 acres in Orlando, Florida. The other two initial members of JY-TV are not related to the Company.

260 River Corp ("260"). This wholly owned corporation of the Company owns an approximate 70% interest in a vacant commercially zoned building located on 5.4 acres in Montpelier, Vermont. Development of this property is being considered.

HMG Bayshore, LLC ("HMGBS"). This is a wholly owned Florida limited liability company.

Baleen Associates, Inc. ("Baleen"). This corporation is wholly owned by CII and its sole asset is a 50% interest in a partnership which operates an executive suite rental business in Coconut Grove, Florida.

South Bayshore Associates ("SBA"). This was a 75% company owned joint venture with the Company's 45% shareholder, Transco Realty Trust ("TRT"). In 2013 TRT paid off its $300,000 note due to SBA. In 2014 SBA was dissolved and the note payable to the Company of $905,000 was distributed 75% to the Company and 25% to Transco. Transco repaid its portion of the note (approximately $226,000) in June 2014 and the Company recognized this amount as other income.

Preparation of Financial Statements. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes. The Company’s 95%-owned subsidiary, CII, files a separate income tax return and its operations are not included in the REIT’s income tax return. The Company accounts for income taxes in accordance with ASC Topic 740, “Accounting for Income Taxes” (“ASC Topic 740”). This requires a Company to use the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the tax consequences of “temporary differences” by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

The effect on deferred income taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred taxes only pertain to CII. The Company (excluding CII) qualifies as a real estate investment trust and distributes its taxable ordinary income to stockholders in conformity with requirements of the Internal Revenue Code and is not required to report deferred items due to its ability to distribute all taxable income. In addition, net operating losses can be carried forward to reduce future taxable income but cannot be carried back. Distributed capital gains on sales of real estate as they relate to REIT activities are not subject to taxes; however, undistributed capital gains are taxed as capital gains. State income taxes are not significant.

The Company follows the provisions of ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes" which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with ASC Topic 740, 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. This topic also provides guidance on de-recognition, 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, 2014 and 2013. The Company's federal income tax returns since 2011 are subject to examination by the Internal Revenue Service, generally for a period of three years after the returns were filed.

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.

Depreciation. Depreciation of the corporate offices properties held for investment is computed using the straight-line method over its estimated useful life of 39.5 years. Depreciation expense for the corporate offices for each of the years ended December 31, 2014 and 2013 was approximately $19,000 and $16,000, respectively.

Fair Value of Financial Instruments. The Company records its financial assets and liabilities at fair value, which is defined under the applicable accounting standards as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measure date. The Company uses valuation techniques to measure fair value, maximizing the use of observable outputs and minimizing the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Inputs include management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying value of financial instruments including other receivables, notes and advances due from related parties, accounts payable and accrued expenses and mortgages and notes payable approximate their fair values at December 31, 2014 and 2013, due to their relatively short terms or variable interest rates.

Cash equivalents are classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of transparency. Other investments which are measured by investees at net asset value per share or its equivalent are also classified within Level 2. The fair value of the interest rate swap contract payable is based on the value provided by the issuing bank on a monthly basis (Level 2).

The valuation of other investments not included above requires significant judgment by the Company's management due to the absence of quoted market values, inherent lack of liquidity and long-term nature of such assets and have been classified within Level 3. Such investments are valued initially based upon transaction price. Valuations are reviewed periodically utilizing available market data and additional factors to determine if the carrying value of these investments should be adjusted. In determining valuation adjustments, emphasis is placed on market participants' assumptions and market-based information over entity-specific information.

Marketable Securities. The entire marketable securities portfolio is classified as trading consistent with the Company's overall investment objectives and activities. Accordingly, all unrealized gains and losses on the Company's marketable securities investment portfolio are included in the consolidated statements of comprehensive income.

Gross gains and losses on the sale of marketable securities are based on the first-in first-out method of determining cost.

Marketable securities from time to time are pledged as collateral pursuant to broker margin requirements. At December 31, 2014 the Company had approximately $3,253,000 of margin balances outstanding. There were no margin balances outstanding as of December 31, 2013.

Notes and other receivables. Management periodically performs a review of amounts due on its notes and other receivable balances to determine if they are impaired based on factors affecting the collectability of those balances. Management's estimates of collectability of these receivables requires management to exercise significant judgment about the timing, frequency and severity of collection losses, if any, and the underlying value of collateral, which may affect recoverability of such receivables. As of December 31, 2014 and 2013, the Company had no allowances for bad debt.

Equity investments. Investments in which the Company does not have a majority voting or financial controlling interest but has the ability to exercise influence are accounted for under the equity method of accounting, even though the Company may have a majority interest in profits and losses. The Company follows ASC Topic 323-30 in accounting for its investments in limited partnerships. This guidance requires the use of the equity method for limited partnership investments of more than 3 to 5 percent.

The Company has no voting or financial controlling interests in its other investments which include entities that invest venture capital funds in growth oriented enterprises. These other investments are carried at cost less adjustments for other than temporary declines in value.

Comprehensive Income. The Company reports comprehensive income in its consolidated statements of comprehensive income. Comprehensive income is the change in equity from transactions and other events from nonowner sources. Comprehensive income includes net income (loss) and other comprehensive income (loss). For the year ended December 31, 2014 there was no other comprehensive income. For the year ended December 31, 2013 other comprehensive income consisted of reversal of unrealized loss from interest rate swap contract (relating to discontinued operations) of $982,500.

Income (loss) per common share. Net income (loss) per common share (basic and diluted) is based on the net income (loss) divided by the weighted average number of common shares outstanding during each year. Diluted net loss per share includes the dilutive effect of options to acquire common stock. Common shares outstanding include issued shares less shares held in treasury. There were 17,700 and 22,700 stock options outstanding as of December 31, 2014 and 2013, respectively. The 2014 options were not included in the diluted earnings per share computation as their effect would have been anti-dilutive. The 2013 options were included in the diluted earnings per share computation as their effect was dilutive.

Gain on sales of properties. Gain on sales of properties is recognized when the minimum investment requirements have been met by the purchaser and title passes to the purchaser.

There were no sales of property in 2014.

In 2013 the Company sold its interests in the Grove Isle and Monty's properties and recognized gain on sale of discontinued operations of $16.4 million, net of income taxes and incentive fee to Adviser.

Cash and cash Equivalents. For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Treasury bills, from time to time, are pledged as collateral pursuant to broker margin requirements. At December 31, 2014 the Company had $3 million of margin balances outstanding relating to the purchase of treasury bills. There were no margin balances outstanding as of December 31, 2013.

Concentration of Credit Risk. Financial instruments that potentially subject the Company to concentration of credit risk are cash and cash equivalent deposits in excess of federally insured limits, marketable securities, other receivables and notes and mortgages receivable. From time to time the Company may have bank deposits in excess of federally insured limits. The Company evaluates these excess deposits and transfers amounts to brokerage accounts and other banks to mitigate this exposure. As of December 31, 2014 and 2013, respectively, we had approximately $485,000 and $560,000 of deposits in excess of federally insured limits.

The Company maintains cash and equivalents in bank accounts which at times, may exceed federally-insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash. The federally insured limit for time deposits is presently $250,000.

Other intangible assets:

Deferred loan costs are amortized on a straight line basis over the life of the loan. This method approximates the effective interest rate method.

Non controlling Interest. Non controlling interest represents the noncontrolling or minority partners' proportionate share of the equity of the Company's majority owned subsidiaries. A summary for the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Non controlling interest balance at beginning of year	$282,000	$2,917,000
Non controlling partners' interest in operating gains of consolidated subsidiaries	2,000	4,000
Non controlling partners' balance written off upon dissolution	(56,000)	—
Non controlling partners' interest in gains of discontinued operations of consolidated subsidiaries	—	93,000
Non controlling partners' interest in sales of real estate	—	(1,750,000)
Reclassification of unrealized loss on interest rate swap agreement	—	(982,000)
Non controlling interest balance at end of year	$228,000	$282,000

Revenue recognition. CII is the lessor of the Company's principal executive offices and the Adviser corporate offices. This lease agreement is classified as an operating lease and accordingly all rental revenue is recognized as earned based upon total fixed cash flow over the initial term of the lease, using the straight line method. The lease agreement originally dated December 1, 1999 and was due to expire on December 1, 2014. In December the lease was renewed for a one year lease term expiring on December 1, 2015, with two one year extensions permitted. The lease provides for base rent of $48,000 per year payable in equal monthly installments during the term of the lease. The Adviser, as tenant, pays utilities, certain maintenance and security expenses relating to the leased premises.

Impairment of long-lived assets. The Company periodically reviews the carrying value of its properties and long-lived assets in relation to historical results, current business conditions and trends to identify potential situations in which the carrying value of assets may not be recoverable. If such reviews indicate that the carrying value of such assets may not be recoverable, the Company would estimate the undiscounted sum of the expected future cash flows of such assets or analyze the fair value of the asset, to determine if such sum or fair value is less than the carrying value of such assets to ascertain if a permanent impairment exists. If a permanent impairment exists, the Company would determine the fair value by using quoted market prices, if available, for such assets, or if quoted market prices are not available, the Company would discount the expected future cash flows of such assets and would adjust the carrying value of the asset to fair value. There were no impairment of long-lived assets in 2014 and 2013.

Share-based compensation.

The Company accounts for share-based compensation in accordance with ASC Topic 718 "Share-Based Payments". The Company has used the Black-Scholes option pricing model to estimate the fair value of stock options on the dates of grant.

Recent accounting pronouncements.

In July 2013, the FASB issued guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This guidance requires the unrecognized tax benefit to be presented in the financial statements as a reduction to a deferred tax asset. When a deferred tax asset is not available, or the asset is not intended to be used for this purpose, an entity should present the unrecognized tax benefit in the financial statements as a liability. The guidance became effective for us at the beginning of our second quarter of fiscal 2014. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," or ASU 2013-02. ASU 2013-02 implements the previously deferred requirement to disclose reclassification adjustments into and out of accumulated other comprehensive income in either a note or on the face of the financial statements. ASU 2013-02 was effective for the first interim or annual period beginning after December 15, 2012, and was applied prospectively. As we have not reclassified any balances into or out of accumulated other comprehensive income, the adoption of ASU 2013-02 did not have a material impact on our consolidated financial statements.

In January 2013, the FASB issued guidance clarifying the scope of disclosure requirements for offsetting assets and liabilities. The amended guidance limits the scope of balance sheet offsetting disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent that they are offset in the financial statements or subject to an enforceable master netting arrangement or similar agreement. The guidance became effective for us at the beginning of our first quarter of fiscal 2014. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In August 2014, the FASB issued Accounting Standard Update ASU2014-15 Disclosure of Uncertainties about an entity's Ability to Continue as a Going Concern. This ASU amends ASC205-40. ASC205-40 provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related note disclosures. With the amendments made by ASU 2014-15, financial statement disclosures will be required when there is substantial doubt about an entity's ability to continue as a going concern or when substantial doubt is alleviated as a result of considerations of management's plans. The new standard provides management with principles for evaluating whether there is substantial doubt by: providing a definition of substantial doubt, requiring an evaluation every reporting period (including interim periods), providing principles for considering the mitigating effect of management's plans, requiring certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans,requiring an express statement and other disclosures when substantial doubt is not alleviated, and requiring an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard in 2017.

2. INVESTMENT PROPERTIES

The components of the Company's investment properties and the related accumulated depreciation information follow:

	December 31, 2014		
	Cost	Accumulated Depreciation	Net
Office building and other commercial property:			
Corporate Office - (Coconut Grove, FL) – Building	$652,198	$ 295,138	$357,060
Corporate Office – (Coconut Grove, FL) – Land	325,000	—	325,000
Other (Montpelier, Vermont) – Building	52,000	52,000	—
Other (Montpelier, Vermont) - Land and improvements (5.4 acres)	111,689	—	111,689
	$1,140,887	$ 347,138	$793,749

	December 31, 2013		
	Cost	Accumulated Depreciation	Net
Office building and other commercial property:			
Corporate Office - (Coconut Grove, FL) – Building	$652,198	$ 278,982	$373,216
Corporate Office – (Coconut Grove, FL) – Land	325,000	—	325,000
Other (Montpelier, Vermont) – Building	52,000	52,000	—
Other (Montpelier, Vermont) - Land and improvements (5.4 acres)	111,689	—	111,689
Totals	$1,140,887	$ 330,982	$809,905

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3. INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities consist primarily of large capital corporate equity and debt securities in varying industries or issued by government agencies with readily determinable fair values (see table below). In April 2014, the Company purchased approximately $3.5 million of preferred equity of large capital real estate investment trusts (REITS); consisting of approximately 20 preferred stock positions with no one position exceeding $400,000 in value as of December 31, 2014. In March 2014, the Company purchased approximately $3.5 million of marketable securities consisting of approximately 50 common stock positions in large capital REITS. No one stock position of this purchase exceeds $400,000 in value as of December 31, 2014.

These securities are stated at market value, as determined by the most recently 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. Accordingly all unrealized gains and losses on this portfolio are recorded in income. For the years ended December 31, 2014 and 2013, net unrealized gains on trading securities were approximately $259,000 and $263,000, respectively.

Description	December 31, 2014 Cost Basis	Fair Value	Unrealized Gain (loss)	December 31, 2013 Cost Basis	Fair Value	Unrealized Gain (loss)
Real Estate Investment Trusts	$7,491,000	$7,791,000	$ 300,000	$345,000	$351,000	$ 6,000
Mutual Funds, ETF & other	1,468,000	1,543,000	75,000	2,030,000	2,144,000	114,000
Other Equity Securities	1,191,000	1,358,000	167,000	962,000	1,163,000	201,000
Total Equity Securities	10,150,000	10,692,000	542,000	3,337,000	3,658,000	321,000
Debt Securities	1,107,000	1,098,000	(9,000)	1,088,000	1,065,000	(23,000)
Total	$11,257,000	$11,790,000	$ 533,000	$4,425,000	$4,723,000	$ 298,000

As of December 31, 2014, debt securities are scheduled to mature as follows:

	Cost	Fair Value
2015 – 2019	$51,000	$52,000
2020 – 2024	262,000	247,000
2025 – thereafter	794,000	799,000
	$1,107,000	$1,098,000

Net gain from investments in marketable securities for the years ended December 31, 2014 and 2013 is summarized below:

Description	2014	2013
Net realized gain (loss) from sales of marketable securities	$400,000	($119,000)
Net unrealized gain from marketable securities	259,000	263,000
Total net gain from investments in marketable securities	$659,000	$ 144,000

Net realized gain from sales of marketable securities consisted of approximately $523,000 of gains net of $123,000 of losses for the year ended December 31, 2014. The comparable amounts in fiscal year 2013 were losses of approximately $176,000 and gains of $57,000.

Consistent with the Company’s overall current investment objectives and activities the entire marketable securities portfolio is classified as trading (as defined by U.S. generally accepted accounting principles). Unrealized gains or losses of marketable securities on hand are recorded in income.

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.

Investments in marketable securities give rise to exposure resulting from the volatility of capital markets. The Company attempts to mitigate its risk by diversifying its marketable securities portfolio.

4. OTHER INVESTMENTS

The Company’s other investments consist primarily of nominal equity interests in various privately-held entities, including limited partnerships whose purpose is to invest venture capital funds in growth-oriented enterprises. The Company does not have significant influence over any investee and the Company’s investment represents less than 3% of the investee’s ownership. None of these investments meet the criteria of accounting under the equity method and accordingly are carried at cost less distributions and other than temporary unrealized losses.

The Company's portfolio of other investments consists of approximately 35 individual investments primarily in limited partnerships with varying investment objectives and focus. Management has categorized these investments by investment focus: technology and communications, diversified businesses, real estate related and other.

As of December 31, 2014 and 2013, other investments had an aggregate carrying value of $3.8 million and $3.3 million, respectively. As of December 31, 2014 the Company has committed to fund approximately an additional $2.2 million as required by agreements with the investees. The carrying value of these investments is equal to contributions less distributions and other than temporary loss valuation adjustments. During the years ended December 31, 2014 and 2013 the Company made contributions of approximately $1.3 million and $136,000, respectively, and received distributions from these investments of $958,000 and $516,000, respectively.

The Company's other investments are summarized below.

	Carrying values as of December 31,	
Investment Focus	2014	2013
Venture capital funds – technology and communications	$ 288,000	$ 473,000
Venture capital funds – diversified businesses	1,200,000	1,098,000
Real estate and related	1,680,000	1,409,000
Other	625,000	325,000
Totals	$ 3,793,000	$ 3,304,000

The Company regularly reviews the underlying assets in its investment portfolio for events, including but not limited to bankruptcies, closures and declines in estimated fair value, that may indicate the investment has suffered other-than-temporary decline in value. When a decline is deemed other-than-temporary, an investment loss is recognized.

<u>Net income from other investments is summarized below (excluding other than temporary impairment loss):</u>

	2014	2013
Income from investment in 49% owned affiliate (a)	$19,000	$94,000
Real estate and related (b)	11,000	40,000
Venture capital funds – diversified businesses (c)	90,000	104,000
Other	—	10,000
Total net income from other investments	$120,000	$248,000

(a) This gain represents income from the Company's 49% owned affiliate, T.G.I.F. Texas, Inc. ("TGIF"). The decrease in income is due to increased operating expenses of TGIF and reduced investment income. In 2014 and 2013 TGIF declared and paid a cash dividend, the Company's portion of which was approximately $196,000 each year. These dividends were recorded as reduction in the investment carrying value as required under the equity method of accounting for investments.

(b) The gain in 2014 and 2013 consists primarily of cash distributions from an investment in real estate partnership which distributed proceeds from sales of its real estate.

(c) The gain in 2014 and 2013 consists of cash distributions from various investments in partnerships owning diversified businesses which made cash distributions from the sale or refinancing of operating companies and/or distributions from operating activities.

<u>Other than temporary impairment losses from other investments</u>

For the years ended December 31, 2014 and 2013, approximately $11,000 and $50,000, respectively, of valuation losses from other than temporary impairment losses from other investments were recorded. In 2014 this consisted of valuation loss of $11,000 from an investment in a limited partnership which invests in technology related entities and made a liquidating distribution in 2014. In 2013 this consisted of valuation loss of $50,000 from an investment in a limited partnership which invests in technology related entities.

	2014	2013
Technology and related	($11,000)	($50,000)
Total other than temporary impairment loss from other investments	($11,000)	($50,000)

Net gain or loss from other investments 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 gain or loss from other investments for any given period has no predictive value and variations in amount from period to period have no practical analytical value.

The following tables present gross unrealized losses and fair values for those investments that were in an unrealized loss position as of December 31, 2014 and 2013, aggregated by investment category and the length of time that investments have been in a continuous loss position:

	As of December 31, 2014					
	Less than 12 Months		Greater than 12 Months		Total	
Investment Description	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Partnerships owning investments in technology related industries	—	—	$ 5,000	$ (11,000)	$ 5,000	$ (11,000)
Partnerships owning diversified businesses investments	190,000	(10,000)	—	—	190,000	(10,000)
Partnerships owning real estate and related investments	45,000	(30,000)	—	—	45,000	(30,000)
Other (private banks, etc.)	242,000	(8,000)			242,000	(8,000)
Total	$477,000	$ (48,000)	$ 5,000	$ (11,000)	$482,000	$ (59,000)

	As of December 31, 2013					
	Less than 12 Months		Greater than 12 Months		Total	
Investment Description	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Partnerships owning investments in technology related industries	—	—	$ 346,000	$ (76,000)	$ 346,000	$ (76,000)
Partnerships owning real estate and related investments	—	—	246,000	(11,000)	246,000	(11,000)
Total	—	—	$ 592,000	$ (87,000)	$ 592,000	$ (87,000)

5. FAIR VALUE INSTRUMENTS

In accordance with ASC Topic 820, the Company measures cash and cash equivalents, marketable debt and equity securities at fair value on a recurring basis. Other investments are measured at fair value on a nonrecurring basis.

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the years ended December 31, 2014 and 2013, using quoted prices in active markets for identical assets (Level 1) and significant other observable inputs (Level 2). For the year ended December 31, 2014 and 2013, there were no major assets or liabilities measured at fair value on a recurring basis which uses significant unobservable inputs (Level 3):

	Fair value measurement at reporting date using			
Description	Total December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Time deposits	$ 55,000	—	$ 55,000	—
Money market mutual funds	1,206,000	$ 1,206,000	—	—
U.S. T-bills	7,200,000	$ 7,200,000	—	—

Marketable securities:				
Corporate debt securities	1,098,000	—	1,098,000	—
Marketable equity securities	10,692,000	10,692,000	—	—
Total assets	$20,251,000	$ 19,098,000	$ 1,153,000	$ —

Description	Fair value measurement at reporting date using Total December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Time deposits	$55,000	—	$ 55,000	—
Money market mutual funds	1,257,000	$ 1,257,000	—	—
U.S. T-bills	15,305,000	$ 15,305,000	—	
Marketable securities:				
Corporate debt securities	1,065,000	—	1,065,000	—
Marketable equity securities	3,658,000	3,658,000	—	—
Total assets	$21,340,000	$ 20,220,000	$ 1,120,000	$ —

Carrying amount is the estimated fair value for corporate debt securities and time deposits based on a market-based approach using observable (Level 2) inputs such as prices of similar assets in active markets.

The following are the major categories of assets and liabilities measured at fair value on a nonrecurring basis during the years ended December 31, 2014 and 2013. This category includes other investments which are measured using significant other observable inputs (Level 2) and significant unobservable inputs (Level 3):

	Fair value measurement at reporting date using				Total losses for year ended
Description	Total December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2) (a)	Significant Unobservable Inputs (Level 3) (b)	12/31/2014
Assets:					
Other investments by investment focus:					
Technology & Communication	$ 288,000	$ —	$ 288,000	$ —	$ 11,000
Diversified businesses	1,200,000	—	1,200,000	—	—
Real estate and related	1,680,000	—	737,000	943,000	—
Other	625,000	—	—	625,000	—
Total assets	$ 3,793,000	$ —	$ 2,225,000	$ 1,568,000	$ 11,000

	Fair value measurement at reporting date using				Total losses for year ended
Description	Total December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2) (a)	Significant Unobservable Inputs (Level 3) (b)	12/31/2013
Assets:					
Other investments by investment focus:					
Technology & Communication	$ 472,000	$ —	$ 472,000	$ —	$ 50,000
Diversified businesses	1,098,000	—	1,098,000	—	—
Real estate and related	1,409,000	—	462,000	947,000	—
Other	325,000	—	—	325,000	—
Total assets	$ 3,304,000	$ —	$ 2,032,000	$ 1,272,000	$ 50,000

(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 December 31, 2014, 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. During the year ended December 31, 2014, the Company received distributions of approximately $852,000 from this type of investment primarily from investments in diversified businesses and real estate. During the year ended December 31, 2014 the Company made contributions totaling $947,000 in this type of investment primarily in investments in diversified businesses and real estate. As of December 31, 2014, the amount of the Company's unfunded commitments related to the aforementioned investments is approximately $2.2 million.

(b) 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 $943,000 include one investment in a commercial building located near the Company's offices purchased in 2005 with a carrying value as of December 31, 2014 of $724,000. These investments are 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. The other Level 3 investments include investments in private bank stocks and a reinsurance company. The fair values of these other Level 3 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 investee.

The following table includes a roll-forward of the investments classified within level 3 of the fair value hierarchy for the year ended December 31, 2014:

	Level 3 Investments:
Balance at January 1, 2014	$ 1,272,000
Investment in private community bank	400,000
Distributions from Level 3 investments, net of gains	(104,000)
Transfers from Level 2	—
Balance at December 31, 2014	$ 1,568,000

6. INVESTMENT IN AFFILIATE

Investment in affiliate consists of CII's 49% equity interest in T.G. I.F. Texas, Inc. ("T.G.I.F."). T.G.I.F. is a Texas Corporation which holds promissory notes receivable from its shareholders, including CII and Maurice Wiener, the Chairman of the Company and T.G.I.F. Reference is made to Note 9 for discussion on notes payable by CII to T.G.I.F. This investment is recorded under the equity method of accounting. For the years ended December 31, 2014 and 2013, income from investment in affiliate amounted to approximately $19,000 and $94,000, respectively and is included in net income from other investments in the consolidated statements of comprehensive income. In December 2014 and 2013 T.G.I.F. declared and paid a cash dividend of $.07 per share. CII's dividend amount received was approximately $196,000 each year. This dividend is recorded as a reduction in the carrying amount of CII investment in T.G.I.F. as required under the equity method of accounting.

7. LOANS, NOTES AND OTHER RECEIVABLES

	As of December 31,	
Description	2014	2013
Promissory note and accrued interest due from purchaser of Grove Isle (a)	$1,034,000	$1,034,000
Promissory note and accrued interest due from individual (b)	205,000	214,000
Other	162,000	160,000
Total loans, notes and other receivables	$1,401,000	$1,408,000

(a) In February 2013, the Company sold its interest in Grove Isle and related entities and received a $1 million promissory note from the purchaser as part of the purchase proceeds. This note bears interest of 4% per annum and will mature upon the earlier of ten years (February 25, 2023) or when any expansion or development occurs at Grove Isle (as defined in the purchase agreement). All interest due on this loan has been collected.

(b) In December 2007 the Company loaned $400,000 to a local real estate developer who is well known to the Company and which loan is secured by numerous real estate interests. In 2010 $197,000 of principal payments were received. As of December 31, 2014 and 2013 the principal outstanding on this loan was $203,000. In February 2014, the loan was modified and the maturity date was extended to February 1, 2015. In 2015, the loan was further modified with the maturity date extended to June 30, 2015 and the interest rate reduced from 9% to 8% per annum. All interest due on the loan has been collected.

8. INVESTMENT IN REAL ESTATE PARTNERSHIP

In September 2014, the Company, through a newly-formed wholly owned subsidiary (HMG Orlando LLC, a Delaware limited liability company), acquired a one-third equity membership interest in JY-TV Associates, LLC a

Florida limited liability company (“JY-TV”) and entered into the Amended and Restated Operating Agreement of JY-TV (the “Agreement”). JY-TV was formed in 2014 for the sole purpose of purchasing and constructing up to two hundred fifty (250) unit rental apartments on approximately 9.5 acres in Orlando, Florida. The other two initial members of JY-TV are not related to the Company. As provided in the Agreement, the three members have each committed to fund approximately $1.8 million in equity in this project.

As of December 31, 2014 the Company has funded $250,000 towards this commitment, and has funded another $1.185 million to date in 2015. In February 2015 JY-TV completed the purchased the 9.5 acres for approximately $3.4 million. JY-TV is in the process of obtaining construction financing of approximately $27 million and construction is expected to commence in 2015. This investment is accounted for under the equity method.

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

The Company has an agreement (the “Agreement”) with HMGA, Inc. (the “Adviser”) for its services as investment adviser and administrator of the Company’s affairs. All officers of the Company who are officers of the Adviser are compensated solely by the Adviser for their services.

The Adviser is majority owned by Mr. Wiener, the Company's Chairman, CEO and President. The officers and directors of the Adviser are as follows: Maurice Wiener, Chairman of the Board, President and Chief Executive Officer; and Carlos Camarotti, Vice President - Finance and Assistant Secretary.

Under the terms of the Agreement, the Adviser serves as the Company's investment adviser and, under the supervision of the directors of the Company, administers the day-to-day operations of the Company. All officers of the Company, who are officers of the Adviser, are compensated solely by the Adviser for their services. The Agreement is renewable annually upon the approval of a majority of the directors of the Company who are not affiliated with the Adviser and a majority of the Company's shareholders. The contract may be terminated at any time on 120 days written notice by the Adviser or upon 60 days written notice by a majority of the unaffiliated directors of the Company or the holders of a majority of the Company's outstanding shares.

In September 2014, the shareholders approved the renewal of the Advisory Agreement between the Company and the Adviser for a term commencing January 1, 2015 and expiring December 31, 2015, under the same terms as in 2014.

For the years ended December 31, 2014 and 2013, the Company incurred Adviser fees of approximately $714,000 and $3,116,000, respectively, of which $660,000 and $1,020,000 represented regular compensation for 2014 and 2013, respectively. In 2014 and 2013 Advisor fees include $54,000 and $2,096,000 in incentive fee compensation, respectively.

The Adviser leases its executive offices from CII pursuant to a lease agreement. This lease agreement calls for base rent of $48,000 per year payable in equal monthly installments. Additionally, the Adviser is responsible for all utilities, certain maintenance, and security expenses relating to the leased premises. In 2014, the lease term was extended one year, expiring in November 2015, with two one-year extensions options available.

In 2014, South Bayshore Associates ("SBA"), a 75% owned joint venture was dissolved and the note payable to the Company of $905,000 was distributed 75% to the Company (previously eliminated in consolidation) and 25% to Transco (a 45% shareholder of the Company and SBA's other venture partner). Transco repaid its portion of the note (approximately $226,000) in June 2014 and the Company recognized this amount as other income.

Mr. Wiener is an 19% shareholder and the chairman and director of T.G.I.F. Texas, Inc., a 49% owned affiliate of CII. As of December 31, 2014 and 2013, T.G.I.F. had amounts due from CII in the amount of approximately $2,100,000 and $2,503,000, respectively. These amounts are due on demand and bear interest at the prime rate (3.25% at December 31, 2014). All interest due has been paid.

As of December 31, 2014, and 2013 T.G.I.F. owns 10,000 shares of the Company's common stock it purchased at market value in 1996.

As of December 31, 2014 and 2013, T.G.I.F. had amounts due from Mr. Wiener in the amount of approximately $707,000. These amounts bear interest at the prime rate and principal and interest are due on demand. All interest due has been paid.

Mr. Wiener received consulting and director's fees from T.G.I.F totaling approximately $23,000 for each of the years ended December 31, 2014 and 2013.

10. INCOME TAXES

One of the qualifications the Company must satisfy in order to be considered a REIT is the asset tests relating to the nature and diversification of its assets determined in accordance with generally accepted accounting principles. The asset tests must be satisfied within 30 days after the close of each quarter of the REIT's taxable year. The key asset test requires that at least 75% of the value of the REIT's total assets must be represented by real estate assets, cash, cash items (including receivables arising in the ordinary course of operation), government securities and qualified temporary investments. During the fourth quarter of 2014 the Company discovered that it fell short of meeting the 75% asset test. However, a REIT is deemed to have satisfied the asset test, if management has taken steps outlined under the safe harbor provisions of section 856(c)(7) of the Internal Revenue Code to correct the failure within the time period provided under the safe harbor rules. Under such rules the REIT must 1) pay a tax equal to the 35% maximum corporate rate on the income from the assets that caused the failure or $50,000 (the excise tax), whichever is greater, 2) disclose the discrepancy and corrections on a disclosure schedule in its 2014 tax return, and 3) dispose of any asset that caused the REIT to fail the test within six months after the last day of the quarter in which the discrepancy was discovered or otherwise meet the test within the same six month time period. In addition, management must have reasonable cause for not satisfying the test. Management is taking these steps and intends to include the disclosure statement in the tax return for the REIT, which will be filed by September 15, 2015. In addition, the $50,000 excise tax has been accrued as of December 31, 2014 and paid to the IRS as of March 15, 2015. Management believes it has reasonable cause for failing the test, and expects to meet the 75% asset test as of June 30, 2015. As such, the Company fully anticipates that it will still qualify as a REIT for 2014 and beyond and thus will not be subject to federal income taxation.

The Company (excluding CII) as a qualifying real estate investment trust distributes its taxable ordinary income to stockholders in conformity with requirements of the Internal Revenue Code and is not required to report deferred items due to its ability to distribute all taxable income. In addition, net operating losses can be carried forward to reduce future taxable income but cannot be carried back. Distributed capital gains on sales of real estate as they relate to REIT activities are not subject to taxes; however, undistributed capital gains may be subject to corporate tax.

As previously reported, in January 2015, the Company paid a cash dividend of approximately $527,000 (or $.50 per share) to shareholders of record as of December 29, 2014. This dividend was a return of capital to shareholders.

As previously reported, in November 2013, the Company paid a cash dividend of $4.2 million (or $4.00 per share) to shareholders of record as of November 1, 2013. This dividend reduced 2013 REIT taxable income and was a distribution of REIT tax capital gains primarily from gain on sales of real estate interests in 2013. The Company's undistributed tax capital gains for the year ended December 31, 2013 were approximately $3.8 million (or $3.67 per share), after giving effect for the utilization of $5.1 net operating loss carryover. The Company (REIT only, excluding CII) had federal and state tax liability of $1.35 million and $250,000, respectively as of December 31, 2013. The $1.6 million federal and state liability was netted in gain from sale of discontinued operations.

The Company's 95%-owned subsidiary, CII, files a separate income tax return and its operations are not included in the REIT's income tax return.

The Company accounts for income taxes in accordance with ASC Topic 740, "Accounting for Income Taxes". ASC Topic 740 requires a Company to use the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred income taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred taxes only pertain to CII. As of December 31, 2014 the Company has recorded a net deferred tax liability of $217,000 as a result of timing differences associated with the carrying value of the investment in affiliate (TGIF) and other investments. CII's NOL carryover to 2014 is estimated at $1.3 million expiring in 2033 and has been fully reserved due to CII historically having tax losses.

The components of income before income taxes and the effect of adjustments to tax computed at the federal statutory rate for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
Income before income taxes	$225,000	$17,684,000
Computed tax at federal statutory rate of 34%	$76,000	$6,012,000
State taxes at 5.5%	12,000	973,000
REIT capital gains dividend paid	—	(1,645,000)
Utilization of net operating loss carryover	(17,000)	(2,408,000)
REIT related adjustments	218,000	(407,000)
Unrealized gain from marketable securities for book not tax	(298,000)	(26,000)
Other items, net	1,000	9,000
Tax (benefit from) provision for income taxes	$(8,000)	$2,508,000

The REIT related adjustments represent the difference between estimated taxes on undistributed income and/or capital gains and book taxes computed on the REIT's income before income taxes.

The benefit from income taxes in the consolidated statements of comprehensive income consists of the following:

Year ended December 31,	2014	2013
Current:		
Federal	$—	$1,347,000
State	(8,000)	246,000
	(8,000)	1,593,000
Deferred:		
Federal	$22,000	$905,000
State	2,000	10,000
	24,000	915,000
Additional valuation allowance	(24,000)	
Total	$(8,000)	$2,508,000

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As of December 31, 2014 and 2013, the components of the deferred tax assets and liabilities are as follows:

	As of December 31, 2014		As of December 31, 2013	
	Deferred tax		Deferred tax	
	Assets	Liabilities	Assets	Liabilities
Net operating loss carry forward	$ 487,000		$ 504,000	
Excess of book basis of 49% owned corporation over tax basis		$ 407,000		$ 424,000
Unrealized gain on marketable securities		87,000		105,000
Excess of tax basis over book basis of other investments	306,000	98,000	306,000	104,000
Valuation allowance	(418,000)		(394,000)	
Totals	$ 375,000	$ 592,000	$ 416,000	$ 633,000

11. STOCK-BASED COMPENSATION

The Company's 2011 Stock Option Plan (the Plan) provides for the grant of options to purchase up to 120,000 shares of the Company's common stock to the officers and directors of the Company.

The Company's policy is to record stock compensation expense in accordance with ASC Topic 505-50, "Equity-Based Payments to Non-Employees". Stock based compensation expense is recognized using the fair-value method for all awards. There were no stock options granted during the year ended December 31, 2014.

For the year ended December 31, 2013 the Company granted 17,700 reload options related to options previously granted which were exercised during the year. A reload stock option is granted for the number of shares tendered as payment for the exercise price and tax withholding obligation (if any) upon the exercise of a stock option with a reload provision. The exercise price of the reload option is equal to the market price of the stock on the date of grant and the reload option will expire on the same date as the original option which was exercised. The Company determined the fair value of its option awards using the Black-Scholes option pricing model. The following assumptions were used to value the reload options granted during the year ended December 31, 2013: 3 year expected life; expected volatility of approximately 37%; risk-free of .11% and annual dividend yield of 17%. The expected life for options granted during the period represents the period of time that options are to be outstanding based on the expiration date of the Plan. Expected volatilities are based upon historical volatility of the Company's stock over a period equal to the 3 year expected life.

The weighted average fair value for the 17,700 reload options granted during the year ended December 31, 2013 was $18.35 per share.

The Company's non-employee stock compensation expense based on the fair value at the date of grant for stock options was approximately $20,000 for the year ended December 31, 2013, and is included in the results of operations in the condensed consolidated financial statements.

As of December 31, 2014 and 2013, there is no unrecognized non-employee stock compensation expense related to unvested stock options under the Plan.

A summary of the status of the Company's stock option plan as of December 31, 2014 and 2013, and changes during the periods ending on those dates are presented below:

	As of December 31, 2014		As of December 31, 2013	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at the beginning of the period	22,700	$ 15.37	102,100	$ 4.99
Granted	—	$ —	17,700	$ 18.35
Exercised	(5,000)	$ 4.80	(97,100)	$ 5.00
Expired	—	—	—	—
Forfeited	—	—	—	—
Outstanding at the end of the period	17,700	$ 18.35	22,700	$ 15.37
Options exercisable at period-end	17,700	$ 18.35	22,700	$ 15.37
Weighted average fair value of options granted during the period	17,700	—	17,700	$ 18.35
Aggregate intrinsic value of outstanding and exercisable options at the end of the period	17,700	—	22,700	$ 2.63

The intrinsic value of options exercised during the years ended December 31, 2014 and 2013 was approximately $39,000 and $1.3 million, respectively.

The following table summarizes outstanding and exercisable options as of December 31, 2014:

Number Outstanding and exercisable	Weighted Average Strike Prices
9,500	$ 17.84
7,500	$ 18.89
700	$ 19.50
17,700	$ 18.35

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As of December 31, 2014, the options outstanding and exercisable had no intrinsic value.

12. BASIC AND DILUTED EARNINGS PER SHARE

There was no difference between basic and diluted weighted average common shares for the year ended December 31, 2014.

Basic and diluted earnings per share for the year ended December 31, 2013 were computed as presented in the table below.

Basic:	For the year ended December 31, 2013
Net income	$ 15,175,987
Weighted average shares outstanding	1,004,599
Basic earnings per share	$ 15.11

Diluted:	For the year ended December 31, 2013
Net income	$ 15,175,987
Weighted average shares outstanding	1,004,599
Plus incremental shares from assumed conversion	1,468
Diluted weighted average common shares	1,006,067
Diluted earnings per share	$ 15.08

13. DISCONTINUED OPERATIONS AND REAL ESTATE INTERESTS HELD FOR SALE

As previously reported, on February 25, 2013 the Company completed the sale of its interests in Grove Isle Associates LLLP, Grove Isle Yacht Club Associates, Grove Isle Investments Inc. and CII Yacht Club, Inc., which represent interests in the Grove Isle hotel, club, tennis courts and marina (collectively, the “Grove Isle Property”) to Grove Isle Yacht & Tennis, LLC, a Florida limited liability company and an unrelated entity (“the Purchaser”), pursuant to a purchase agreement entered into on the same day (the “Agreement”). The purchase price was $24.4 million, consisting of $23.4 million in cash and a $1 million promissory note due from the Purchaser. Approximately $2.7 million of the proceeds were used to pay off the existing mortgage on the Grove Isle Property. The Company realized gain on the sale of these interests (including amounts received in June 2013 described below) of approximately $19 million (or $19 per share) net of incentive fee due to the Adviser of approximately $2.1 million.

In June 2013 the Company received approximately $327,000 of past due rental payments from the Grove Isle tenant. This amount is included in the realized gain on the sale of Grove Isle. Also in June 2013 the Purchaser exercised its option to purchase our 50% interest in the spa for $100,000 as provided in the Agreement. There was no gain or loss realized on this transaction.

As previously reported, on March 29, 2013, pursuant to a Membership Interests Purchase Agreement (the “Agreement”) entered into in December 2012, HMG/Courtland Properties, Inc. and its 95% owned subsidiary, Courtland Investments, Inc. (the “Company”), completed the sale of the Company’s 50% membership interests in Bayshore Landing LLC, Bayshore Rawbar LLC and Bayshore Restaurant LLC, (collectively the “Monty’s property) to the other 50% owner, The Christoph Family Trusts, which are unrelated entities. The purchase price for the membership interests of $3 million was paid in cash. The Company realized a loss on the sale of these interests of approximately $28,000 (or $.03 per share).

For the year ended December 31, 2013, we have classified the results of operations for the real estate interests discussed above into discontinued operations in the accompanying consolidated financial statements of operations.

Revenues:	2013		
Rental and related revenue	$	171,000	
Food & beverage sales		1,950,000	
Marina revenue		382,000	
Other		—	
Total revenue	$	2,503,000	
Expenses:			
Rental operating expenses		97,000	
Food & beverage operation expenses		1,430,000	
Marina expenses		178,000	
Professional fees		53,000	
Interest expense		190,000	
Depreciation, amortization and other expenses		199,000	
Total expenses	$	2,147,000	
Less: noncontrolling interest sold		(212,000	)
Gain on sale of discontinued operations, net of incentive fee		18,803,000	
Provision for income tax expense on gain on sale of discontinued operations		(2,508,000	)
Income from discontinued operations	$	16,439,000	

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Form 10-K 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 Exchange Act, was made known to them by others within those entities and reported within the time periods specified in the SEC's rules and forms.

Management's Assessment on Internal Control over Financial Reporting/Limitations on the Effectiveness of Controls and Permitted Omission from Management's Assessment

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Management conducted an evaluation of the effectiveness of the internal controls over financial reporting (as defined in Rule 13a-15(f) promulgated under the Exchange Act) based on the 1992 framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO"). Management has selected the COSO framework for its evaluation as it is a control framework recognized by the SEC and the Public Company Accounting Oversight Board that is free from bias, permits reasonably consistent qualitative and quantitative measurement of our internal controls, is sufficiently complete so that relevant controls are not omitted and is relevant to an evaluation of internal controls over financial reporting.

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can only provide reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Principal Executive and Principal Financial Officers, based on their evaluation of our internal control over financial reporting, has concluded that our internal control over financial reporting was effective as of December 31, 2014.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

During the last fiscal quarter, we have not made any change to our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Part III.

Item 10. Directors, Executive Officers and Corporate Governance.

Listed below is certain information relating to the executive officers and directors of the Company:

Name and Office	Age	Principal Occupation and Employment other than With the Company During the Past Five Years - Other Directorships
Maurice Wiener; Chairman of the Board of Directors, Chief Executive Officer, President and Secretary	73	Chairman of the Board, Chief Executive Officer, President and Secretary of the Adviser; Executive Trustee, Transco; Director, T.G.I.F. Texas, Inc.
Carlos Camarotti; Vice President-Finance and Assistant Secretary	54	Vice President - Finance and Assistant Secretary of the Adviser. Vice President, Transco; Vice President, T.G.I.F. Texas, Inc.
Larry Rothstein; Director	62	Director, President and Secretary of the Company (until April 15, 2014); President and Secretary of the Adviser (until April 15, 2014); Trustee and Vice President of Transco (until December 31, 2013); Vice President and Secretary, T.G.I.F. Texas, Inc. (until April 15, 2014).
Walter Arader; Director	96	President, Walter G. Arader and Associates (financial and management consultants).
Harvey Comita; Director	85	Business Consultant; Trustee of Transco Realty Trust.
Richard Wiener; Director	73	Practicing attorney - real estate and commercial transactions.

All executive officers of the Company were elected to their present positions to serve until their successors are elected and qualified at the 2015 annual organizational meeting of directors immediately following the annual meeting of shareholders. All directors of the Company were elected to serve until the next annual meeting of shareholders and until the election and qualification of their successors.

Richard M. Wiener was elected to the Board in 2010. Mr. Wiener (who is not related to Maurice Wiener) is a practicing attorney in New York, specializing in real estate and commercial transactions for more than twenty-five years. He has broad experience in real estate investment, development, financing and acquisitions. Mr. Wiener's legal background and experience, and his long outstanding involvement in the real estate industry are valuable to his service on the Board.

All other directors and executive officers have been in their present position for more than five years.

Code of Ethics.

The Company has adopted a Code of Ethics that applies to directors and officers including principal executive officer, principal financial officer, principal accounting officer and controller and HMGA, Inc. and subsidiaries ("HMGA") and its employees in all instances in which HMGA is acting on behalf of the Company. The Company will provide to any person without charge, upon written request, a copy of the Code of Ethics including any amendments as well as any waivers that are required to be disclosed by the rules of the SEC or the NYSE Amex Stock Exchange.

Audit Committee and Audit Committee Financial Expert.

The Company has a separately designated standing Audit Committee established in accordance with Section 3(a) (58) (A) of the Securities Exchange act of 1934, as amended (the “Exchange Act”). The members of the Audit Committee are Walter Arader, Harvey Comita and Richard Wiener (added in 2014). The Board of Directors has determined that each of Messrs. Arader, Comita and R. Wiener is (1) an “audit committee financial expert,” as that term is defined in Item 401(e) of Regulation S-B of the Exchange Act, and (2) independent as defined by the listing standards of the NYSE Amex Stock Exchange and Section 10A(m)(3) of the Exchange Act.

Item 11. Executive Compensation.

Executive officers received no cash compensation from the Company in their capacity as executive officers. Reference is made to Item 1. Business and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for information concerning fees paid to the Adviser.

Compensation of Directors. The following table summarizes compensation to existing directors for the year ended December 31, 2014:

Director	Annual Fee	Board Meeting Fee	Committee Meeting Fee	Total Compensation
Maurice Wiener	$ 17,100	$ 3,750	—	$ 20,850
Larry Rothstein	14,500	3,750	$ 1,500	19,750
Walter Arader	12,000	3,000	2,250	17,250
Harvey Comita	12,000	3,000	3,000	18,000
Richard Wiener	12,000	3,750	750	16,500
Totals	$ 67,600	$ 17,250	$ 7,500	$ 92,350

Annual director's fees are paid at the beginning of each quarter and board and committee meeting fees are paid for each meeting a director attends. The annual fee for directors is $12,000 per year plus meeting fees $750 per meeting. For the year ended December 31, 2014 Maurice Wiener and Larry Rothstein received, respectively, $5,000 and $2,500, in director fees per year from Courtland Investments, Inc. included in the amounts above.

Outstanding Equity Awards to Executive Officers.

The following table summarizes all outstanding equity awards to the Company's executive officers as of December 31, 2014.

Executive Officer	Number of Options	Exercise Price	Expiration Date
Maurice Wiener	9,500	$17.84 per share	August 25, 2016
Maurice Wiener	700	$19.50 per share	August 25, 2016

Stock Options.

The Company's 2011 Stock Option Plan (the "Plan"), which was approved by the shareholders on August 25, 2011 provides for the grant of options to purchase up to 120,000 shares of the Company's common stock to the officers and directors of the Company. In 2011 options were granted to all officers and directors to purchase an aggregate of 102,000 common shares at no less than 100% of the fair market value at the date of grant. Options are not transferable and expire on August 25, 2016 or upon termination of employment, except to a limited extent in the event of retirement, disability or death of the grantee.

The Plan, which permits the grant of qualified and non-qualified options and is intended to provide incentives to the directors and employees (the "employees") of the Company, as well as to enable the Company to obtain and retain the services of such employees. The Plan is administered by a Stock Option Committee (the "Committee") appointed by the Board of Directors. The Committee selects those key officers and employees of the Company to whom options for shares of common stock of the Company shall be granted. The Committee determines the purchase price of shares deliverable upon exercise of an option; such price may not, however, be less than 100% of the fair market value of a share on the date the option is granted. Shares subject to an option may be purchased by the optionee within five years from the date of the grant of the option. However, options automatically terminate if the optionee's employment with the Company terminates other than by reason of death, disability or retirement. Further, if, within one year following exercise of any option, an optionee terminates his employment other than by reason of death, disability or retirement, the shares acquired upon exercise of such option must be sold to the Company at a price equal to the lesser of the purchase price of the shares or their fair market value.

The following table summarizes activity in equity awards to the Company's executive officers for the year ended December 31, 2014.

	Maurice Wiener	
	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2014	10,200	$ 17.95
Granted	—	—
Exercised	—	—
Expired	—	—
Forfeited	—	—
Outstanding at December 31, 2014	10,200	$ 17.95
Options exercisable at period-end	10,200	$ 17.95
Weighted average fair value of options granted during the period	10,200	$ 17.95
Aggregate intrinsic value of outstanding and exercisable options at the end of the period	10,200	—

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Set forth below is certain information concerning common stock ownership by directors, executive officers, directors and officers as a group, and holders of more than 5% of the outstanding common stock.

Name (7), (8)	**Shares Owned by Named Persons & Members of His Family** (1)		Additional Shares in Which the named Person Has, or Participates in, the Voting or Investment Power (2)		Total Shares & Percent of Class		
Maurice Wiener	45,846	(4)	541,830	(3), (5)	587,676	55	%
Carlos Camarotti	8,700	(4)			8,700	*	%
Larry Rothstein	47,900	(4)			47,900	4	%
Walter G. Arader	5,058	(4)			5,058	*	
Harvey Comita	10,000	(4)	477,300	(6)	487,300	45	%
All Directors and Officers as a Group	117,504	(4)	541,830	(3)	659,334	62	%
Transco Realty Trust 1870 S. Bayshore Drive Coconut Grove, FL 33133	477,300	(5)			477,300	46	%
	136,794	(9)			136,794	13	%

Comprehensive Financial Planning, Inc. 3950
Fairlane Drive Dacula, GA 30019
* less than 1%

(1) Unless otherwise indicated, beneficial ownership is based on sole voting and investment power.

(2) Shares listed in this column represent shares held by entities with which directors or officers are associated. Directors, officers and members of their families have no ownership interest in these shares.

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(3) This number includes the number of shares held by Transco Realty Trust (Transco) (477,300 shares), HMGA, Inc. (HMGA) (54,530 shares) and T.G.I.F. Texas, Inc. (T.G.I.F.) (10,000 shares). Mr. M. Wiener is a director of T.G.I.F. and a trustee of Transco. Mr. H. Comita is a trustee of Transco.

(4) This number includes options granted and outstanding under the 2011 Stock Option Plan. These options have been granted to Mr. M. Wiener, 10,200; Mr. Rothstein, 7,500. Reference is made to Item 11. Executive Compensation for further information about the 2011 Stock Option Plan.

(5) Mr. Wiener holds approximately 55% of the stock of Transco and approximately 72% of HMGA Inc., and may therefore be deemed to be the beneficial owner of the shares of the Company held by Transco and HMGA Inc.

(6) This number represents the number of shares held by Transco Realty Trust, of which, Mr. Comita is a Trustee.

(7) Except as otherwise set forth, the address for these individuals is 1870 South Bayshore Drive, Coconut Grove, Florida 33133.

(8) No shares of stock of the executive officers and directors have been pledged as collateral.

(9) Comprehensive Financial Planning, Inc. has shared investment power on all shares and sole voting power on all shares.

Item 13. Certain Relationships and Related Transactions and Director Independence. The following discussion describes the organizational structure of the Company's subsidiaries and affiliates.

Transco Realty Trust ("Transco").

Transco is a 45% shareholder of the Company of which Mr. Wiener is its executive trustee and holds 55% of its stock.

HMGA, Inc. (the "Adviser") and subsidiaries.

The day-to-day operations of the Company are handled by the Adviser, as described above under Item 1. Business "Advisory Agreement." The Adviser is majority owned by Mr. Wiener, its Chairman and CEO.

Reference is made to Item 1. Business and Item 1. Business and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for further information about the remuneration of the Adviser.

Courtland Investments, Inc. ("CII").

The Company holds a 95% non-voting interest and Masscap Investment Company ("Masscap") holds a 5% voting interest in CII. In May 1998, the Company and Masscap entered into a written agreement in order to confirm and clarify the terms of their previous continuing arrangement with regard to the ongoing operations of CII, all of which provide the Company with complete authority over all decision making relating to the business, operation, and financing of CII consistent with the Company's status as a real estate investment trust.

T.G.I.F. Texas, Inc. ("T.G.I.F.").

CII owns approximately 49% of the outstanding shares of T.G.I.F. Mr. Wiener is a director and chairman of T.G.I.F. and owns, directly and indirectly, approximately 18% of the outstanding shares of T.G.I.F. T.G.I.F also owns 10,000 shares of the Company's stock.

The following discussion describes all material transactions, receivables and payables involving related parties. All of the transactions described below were on terms as favorable to the Company as comparable transactions with unaffiliated third parties.

The Adviser.

The principal executive offices of the Company and the Adviser are located at 1870 South Bayshore Drive, Coconut Grove, Florida, 33133, in premises owned by the Company's subsidiary CII and leased to the Adviser pursuant to a lease agreement originally dated December 1, 1999, and as renewed in 2009 and 2014. The lease provides for base rent of $48,000 per year payable in equal monthly installments during the one year term of the lease which expires on December 1, 2015 and can be extended for two one-year terms. The Adviser, as tenant, pays utilities, certain maintenance and security expenses relating to the leased premises.

As of December 2014 and 2013, the Company owes the Advisor approximately $54,000 and $2.1 million, respectively, in incentive fee from capital gains.

CII.

The Company holds a demand note due from its 95%-owned consolidated subsidiary, CII. The note bears interest at a fixed rate of 5% per annum, payable quarterly. The outstanding principal balance of the note was $1,000,000 as of December 31, 2014 and 2013, respectively. There were no principal repayments or advances relating to this note during 2014. Repayments from CII to the Company during 2013 were $222,000, and advances from the Company to CII during 2013 were $130,000. CII is a consolidated subsidiary of the Company and the note payable and related interest is eliminated in consolidation. The note is secured by a mortgage security agreement with the Company's executive offices as collateral.

T.G.I.F.

As of December 31, 2014 and 2013, CII owed approximately $2,100,000 and $2,503,000, respectively, to T.G.I.F. All advances between CII and T.G.I.F. are due on demand and bear interest at the prime rate plus 1%. All interest due has been paid.

As of December 31, 2014 and 2013, T.G.I.F. had amounts due from Mr. Wiener of approximately $707,000. These amounts are due on demand and bear interest at the prime rate. All interest due has been paid. Mr. Wiener received consulting and director's fees from T.G.I.F of approximately $22,000 for the years ended December 31, 2014 and 2013. Also, T.G.I.F. owns 10,000 shares of the Company which were purchased in 1996 at the market value. In 2014 and 2013 T.G.I.F. declared and paid a cash dividend of $.07 per share. CII's portion of the dividends was approximately $196,000 each year.

Item 14. Principal Accountants Fees and Services.

The following table sets forth fees billed to the Company by the Company's independent auditors for the year ended December 31, 2014 and December 31, 2013 for (i) services rendered for the audit of the Company's annual financial statements and the review of the Company's quarterly financial statements, (ii) services rendered that are reasonably related to the performance of the audit or review of the Company's financial statements that are not reported as Audit Fees, and (iii) services rendered in connection with tax preparation, compliance, advice and assistance. The Audit Committee pre-approved all services rendered by the Company's independent auditors.

Principal Accountant Fees and Services

For the fiscal year ended	December 31, 2014	December 31, 2013
Audit fees, including reviews of quarterly financial statements	$ 47,000	$ 45,000
Tax fees (consists of fees relating to tax compliance and planning)	84,000	28,000
Total Fees	$ 131,000	$ 73,000

Part IV.

Item 15. Exhibits and Financial Statement Schedules.

(a) Exhibits listed in the Index to Exhibits.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

March 31, 2015 by: /s/ Maurice Wiener
Maurice Wiener
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

/s/ Maurice Wiener Maurice Wiener Chairman of the Board, President and Secretary Chief Executive Officer	March 31, 2015
/s/ Carlos Camarotti Carlos Camarotti Vice President – Finance Principal Financial Officer	March 31, 2015
/s/ Larry Rothstein Larry Rothstein Director	March 31, 2015
/s/ Walter G. Arader Walter G. Arader, Director	March 31, 2015
/s/ Harvey Comita Harvey Comita, Director	March 31, 2015
/s/ Richard Wiener Richard Wiener, Director	March 31, 2015

EXHIBIT INDEX

		Description	
(3)	(a)	Certificate of Incorporation as amended	Incorporated by reference to Exhibit 3(a) to the 2010 Form 10-K.
	(b)	By-laws	Incorporated by reference to Exhibit 6.1 to the Registration Statement of Hospital Mortgage Group, Inc. on Form S-14, No. 2-64, 789, filed July 2, 1979.
(10)	(a)	Amended and restated lease agreement between Grove Isle Associates, Ltd. and Westgroup Grove Isle Associates, Ltd. dated November 19, 1996.	Incorporated by reference to Exhibit 10(d) to the 1996 Form 10-KSB
	(b)	Master agreement between Grove Isle Associates, Ltd. Grove Isle Clubs Inc., Grove Isle Investments, Inc. and Westbrook Grove Isle Associates, Ltd. dated November 19, 1996.	Incorporated by reference to Exhibit 10(e) to the 1996 Form 10-KSB
	(c)	Agreement Re: Lease Termination between Grove Isle Associates, Ltd. and Grove Isle Club, Inc. dated November 19, 1996.	Incorporated by reference to Exhibit 10(f) to the 1996 Form 10-KSB
	(d)	Amended and restated agreement between NAF Associates and the Company, dated August 31, 1999.	Incorporated by reference to Exhibit 10(f) to the 1999 Form 10-KSB
	(e)	Amendment to Amended and restated lease agreement between Grove Isle Associates, Ltd. and Westgroup Grove Isle Associates, Ltd. dated December 1, 1999.	Incorporated by reference to Exhibit 10(g) to the 1999 Form 10-KSB
	(f)	Lease agreement between Courtland Investments, Inc. and HMG Advisory Corp. dated December 1, 1999.	Incorporated by reference to Exhibit 10(h) to the 1999 Form 10-KSB
	(g)	2000 Incentive Stock Option Plan of HMG/ Courtland Properties, Inc.	Incorporated by reference to Exhibit 10(h) to the 2001 Form 10-KSB
	(h)	Amended and Restated Advisory Agreement between the Company and HMG Advisory Corp. effective January 1, 2003.	Incorporated by reference to Exhibit 10(i) and 10(j) to the 2002 Form 10-KSB
	(i)	Second Amendment to Amended and restated lease agreement included herein between Grove Isle Associated, Ltd. and Westgroup Grove Isle Associates, Ltd. dated	Incorporated by reference to Exhibit 10(i) to the 2004 Form 10-KSB

	September 15, 2004	
(j)	Operating Agreement of Grove Spa, LLC dated September 15, 2004	Incorporated by reference to Exhibit 10(j) to the 2004 Form 10-KSB
(k)	Sublease between Westgroup Grove Isle Associates, Ltd. and Grove Spa, LLC dated September 15, 2004	Incorporated by reference to Exhibit 10(k) to the 2004 Form 10-KSB Included herein.
(l)	Purchase and Sale Agreement ("Acquisition of Monty's") between Bayshore Restaurant Management Corp. and Bayshore Landing, LLC dated August 20, 2004	Incorporated by reference to Exhibit 10(l) to the 2004 Form 10-KSB
(m)	Ground Lease between City of Miami and Bayshore Landing, LLC dated August 20, 2004 and related document	Incorporated by reference to Exhibit 10(m) to the 2004 Form 10-KSB

(n)	Loan Agreement between Wachovia Bank and Bayshore Landing, LLC dated August 20, 2004	Incorporated by reference to Exhibit 10(n) to the 2004 Form 10-KSB
(o)	Operating Agreement of Bayshore Landing, LLC dated August 19, 2004	Incorporated by reference to Exhibit 10(o) to the 2004 Form 10-KSB
(p)	Management Agreement for Bayshore Rawbar, LLC executed by RMI, LLC	Incorporated by reference to Exhibit 10(p) to the 2004 Form 10-KSB
(q)	Management Agreement for Bayshore Rawbar, LLC executed by HMG Advisory Bayshore, Inc.	Incorporated by reference to Exhibit 10(q) to the 2004 Form 10-KSB
(r)	Management and Leasing Agreement for Bayshore Landing, LLC executed by RCI Bayshore, Inc.	Incorporated by reference to Exhibit 10(r) to the 2004 Form 10-KSB
(s)	Assignment and Assumption of Management Agreement by Noble House Grove Isle, Ltd. To GH-Grove Isle Management LLC And Consent by Grove Spa, LLC	Incorporated by reference to Exhibit 10(s) to the 2008 Form 10-K
(t)	Third Amendment to Amended and Restated Lease Agreement	Incorporated by reference to Exhibit 10(t) to the 2008 Form 10-K
(u)	Assignment and Assumption of Lease and Consent of Landlord	Incorporated by reference to Exhibit 10(u) to the 2008 Form 10-K
(v)	Amendment to Operating Agreement of Grove Spa, LLC, A Delaware Limited Liability Company	Incorporated by reference to Exhibit 10(v) to the 2008 Form 10-K
(w)	First Amendment to Management Agreement	Incorporated by reference to Exhibit 10(w) to the 2008 Form 10-K
(x)	Interest Purchase Agreement by and among Courtland Investments, Inc., HMG/Courtland Properties, Inc. as Seller and Grove Isle Yacht and Tennis Club, Inc. and Grove Isle Associates LLLP, CII Spa, LLC, Grove Isle Investments, Inc. CII Yacht Club, Inc. and Grove Isle Yacht Club Associates – February 25, 2013	Incorporated by reference to Exhibit 99.1 to Form 8-K filed on February 25, 2013.
(y)	Membership Interests Purchase Agreement (HMG to Christoph) by and among The Christoph Family Trusts, as Purchasers and HMG Bayshore, LLC, Courtland Bayshore Rawbar, LLC and Courtland Bayshore Restaurant, LLC as	Incorporated by reference to Exhibit 10(y) to Form 8-K filed on April 3, 2013.

		Sellers	
	(z)	Amended and Restated Operating Agreement of JY-TV Associates LLC.	Incorporated by reference to Exhibit 10(z) to Form 10-Q filed on November 14, 2014.
(14)		Code of Ethics for Chief Executive Officer and Senior Financial Officers dated May 2003	Incorporated by reference to Exhibit 14 to the 2004 Form 10-KSB
(21)		Subsidiaries to the Company	Included herein.
(31)	(a)	Certification of Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Included herein.
	(b)	Certification of Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Included herein.
(32)	(a)	Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350 as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002	Included herein.
	(b)	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350 as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002	Included herein.

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