HMG COURTLAND PROPERTIES INC
Form 10-K
March 31, 2010

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, 2009

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

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 [ ] No [ ]

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_______ Accelerated filer_______

Non-accelerated filer ______ 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 [ ] 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, 2009) was $1,316,575. The number of shares outstanding of the issuer’s common stock, $1 par value as of the latest practicable date: 1,021,383 shares of common stock, $1 par value, as of March 31, 2010.

TABLE OF CONTENTS

Part I.

Cautionary Statement. 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 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. In order for a company to qualify as a REIT, it must comply with certain rules specified in the Internal Revenue Code. These include: investing at least 75 percent of total assets in real estate; deriving at least 75 percent of gross income as rents from real property or interest from mortgages on real property; and distributing annually at least 90 percent of taxable income to shareholders in the form of dividends.

The Company’s commercial properties are located in the Coconut Grove section of Miami, Florida and consist of a luxury resort on a private island known as “Grove Isle” with a 50-room hotel, restaurant/banquet facilities, spa, tennis courts and marina with 85 dockage slips and a 50% leasehold interest in “Monty’s”, a facility consisting of a 16,000 square foot indoor/outdoor seafood restaurant adjacent to a marina with 132 dockage slips and a 40,000 square foot office/retail mall building with approximately 24,000 net rentable square feet. The Monty’s facility is subject to a ground lease with the City of Miami, Florida which expires in 2035. The Company’s corporate office is also located in Coconut Grove in a 5,000 square foot building.

The Company’s rental and related revenue for each of the years ended December 31, 2009 and 2008 were generated approximately 66% and 70%, respectively, from the Grove Isle property 34% and 30%, respectively, from the Monty’s property. Marina and related revenues for 2009 and 2008 were generated approximately 70% from the marina at the Monty’s facility and 30% coming from the marina at the Grove Isle facility. The Company’s food and beverage revenue is entirely from the restaurant at the Monty’s facility. Spa revenue is from the Company’s 50% owned spa at Grove Isle. The other 50% of the Spa is owned by the tenant operator of Grove Isle.

The Company also owns two properties held for development. A 70% interest in a 13,000 square foot commercially zoned building located on 5 acres in Montpelier, Vermont, and approximately 50 acres of vacant land held in Hopkinton, Rhode Island.

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 5 of the Notes to Consolidated Financial Statements.

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 4 of the Notes to Consolidated Financial Statements.

The Company acquires its real estate and other investments utilizing available cash, trading securities or borrowing funds.

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.

Reference is made to Item 12. 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 is a Texas Corporation with investments consisting of promissory notes receivable from its shareholders including CII and Maurice Wiener, the Chairman of the Company, and investments in marketable securities. This investment's carrying value as of December 31, 2009 and 2008 was approximately $2.9 million. CII's note payable to TGIF which is due on demand was approximately $3.6 million and $3.7 million as of December 31, 2009 and 2008. Reference is made to Item 6. 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.

The Company's subsidiary which operates a restaurant is subject to various federal, state and local laws affecting its business. In particular, this restaurant is subject to licensing and regulation by the alcoholic beverage control, health, sanitation, safety and fire department agencies of Miami-Dade County, Florida. To the extent that the Company's restaurant sells alcoholic beverages it is subject to the State of Florida's liquor liability statutes or "dram shop laws" which allow a person injured by an "obviously intoxicated person" to bring a civil suit against the business (or social host) who had served intoxicating liquors to an already "obviously intoxicated person". Dram shop claims normally involve traffic accidents and the Company would generally not learn of such claims until such claims are filed. At the present time, there are no dram shop cases pending against the Company. The Company has in place insurance coverage to protect it from losses, if any. The deductible amount on the restaurant's general liability policy is $5,000 per claim.

Competition.
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.

The food and beverage industry is highly competitive and is often affected by changes in taste and entertainment trends among the public, by local, national and economic conditions affecting spending habits, and by population and traffic patterns. The Company's Monty's restaurant is primarily outdoors and subject to climate and seasonal conditions.

The Company has the right to certain trademarks and service marks commonly known as "Monty Trainer's", "Monty's Stone Crab", "Monty's Conch", "Monty's" and "Monty's Marina", together with certain other trademarks, trade secrets, unique features, concepts, designs, operating procedures, recipes and materials used in connection with the operation of the restaurant. The Company regards its trademarks and other proprietary rights as valuable assets which are essential to the related operations. The Company will vigorously monitor and protect its trademarks against infringement and dilution where legally feasible and appropriate.

Employees.
The Company's management is provided in accordance with its Advisory Agreement (the "Agreement") with the HMG Advisory Corp. ("the Adviser"), as described below under "Terms of the Agreement". Reference is also made to Item 12. Certain Relationships and Related Transactions, and Director Independence. There is one employee at an 80%-owned subsidiary of CII which performs financial consulting services for which the Company receives consulting fees.

As of December 31, 2009 the Company's 50%-owned subsidiary and operator of the Monty's restaurant, Bayshore Rawbar, LLC ("BSRB"), employed approximately 94 hourly employees and two salaried employees. Reference is made to discussion of restaurant, marina and mall in
Item 2. Description of Property.

The restaurant operation is subject to federal and state laws governing such matters as wages, working conditions, citizenship requirements and overtime. Some states, including Florida, have set minimum wage requirements higher than the federal level. Significant numbers of hourly personnel at our restaurants are paid at rates related to the Florida minimum wage and, accordingly, increases in the minimum wage will increase labor costs. We are also subject to the Americans With Disability Act of 1990 (ADA), which, among other things, may require certain renovations to our restaurants to meet federally mandated requirements. The cost of any such renovations is not expected to materially affect us.

We are not aware of any statute, ordinance, rule or regulation under present consideration which would significantly limit or restrict our business as now conducted. None of our employees are represented by collective bargaining organizations. We consider our labor relations to be favorable.

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 August 13, 2009, the shareholders approved the renewal of the Advisory Agreement between the Company and the Adviser for a term commencing January 1, 2010, and expiring December 31, 2010.

The Adviser is majority owned by Mr. Wiener with the remaining shares owned by certain officers, including Mr. Rothstein. The officers and directors of the Adviser are as follows: Maurice Wiener, Chairman of the Board and Chief Executive officer; Larry Rothstein, President, Treasurer, Secretary and Director; and Carlos Camarotti, Vice President - Finance and Assistant Secretary.

Advisory Fees. For the years ended December 31, 2009 and 2008, the Company and its subsidiaries incurred Adviser fees of approximately $1,020,000 and $1,076,000, respectively, of which $1,020,000 represented regular compensation for 2009 and 2008. In 2008, approximately $56,000 represented incentive compensation. There was no incentive compensation for 2009. The Adviser is also the manager for certain of the Company's affiliates and received management fees of approximately $19,000 and $44,000 in 2009 and 2008, respectively for such services. Included in fees for 2008 was $25,000 of management fees earned relating to management of the Monty's restaurant operations.

Item 2. Description of Property.

Grove Isle Hotel, Club and Marina ("Grove Isle") (Coconut Grove, Florida). The Company has owned Grove Isle since 1993 and leases the property to a qualified luxury resort manager to operate the resort. The Grove Isle resort includes a 50 room hotel, renowned restaurant and banquet facilities, a first class spa, tennis courts and an 85-boat slip marina. It is located on 7 acres of a private island in Coconut Grove, Florida, known as "Grove Isle".

Presently, the lessee of Grove Isle is Grove Hotel Partners, LLC, an affiliate of Grand Heritage Hotel Group, LLC ("GH"). GH operates over a dozen independent hotels and resorts across North America and Mexico. The lease termination date is November 30, 2016, if not extended as provided in the lease. Base rent was $1,184,000 for the year ended December 31, 2009 and will remain at $1,184,000 in 2010. The lease also calls for participation rent consisting of a portion of operating surplus, as defined. Participation rent when and if due is payable at end of each lease year. There has been no participation rent since the inception of the lease.

GH also manages the day to day operations of Grove Isle Spa, LLC ("GS"), which is owned 50% by GH and 50% by the Company. The Grove Isle spa began operations in the first quarter of 2005. The spa operates under the name "Spa Terre at the Grove" and offers a variety of body treatments, salon services, facial care and massage therapies.

The Grove Isle property is encumbered by a mortgage note payable with an outstanding balance of approximately $3.7 million and $3.8 million as of December 31, 2009 and 2008, respectively. This loan calls for monthly principal payments of $10,000 with all outstanding principal and interest due at maturity on September 29, 2010. Interest on outstanding principal is due monthly at an annual rate of 2.5% plus the one-month LIBOR Rate.

As of December 31, 2009, 6 of the 85 yacht slips at the facility are owned by the Company and the other 79 are owned by unrelated individuals or their entities. The Company operates and maintains all aspects of the Grove Isle marina for an annual management fee from the slip owners to cover operational expenses. In addition the Company rents the unsold slips to boat owners on a short term basis.

Restaurant, marina and mall ("Monty's") (Coconut Grove, Florida).
In August 2004, the Company, through two 50%-owned entities, Bayshore Landing, LLC ("Landing") and Bayshore Rawbar, LLC ("BSRB"), (collectively, "Bayshore") purchased a restaurant, office/retail and marina property located in Coconut Grove (Miami), Florida known as Monty's. The other 50% owner of Bayshore is The Christoph Family Trust (the "Trust" or "CFT"). Members of the Trust are experienced real estate and marina operators.

The Monty's property consists of a two story building with approximately 40,000 rentable square feet and approximately 3.7 acres of land and submerged land with a 132-boat slip marina. It includes a 16,000 square foot indoor-outdoor raw bar restaurant known as Monty's Raw Bar and 24,000 net rentable square footage of office/retail space leased to tenants operating boating and marina related businesses. Monty's Raw Bar has operated in the same location since 1969 and is an established culinary landmark in South Florida. It is a casual restaurant and bar located next to the picturesque Monty's marina.

The Monty's property is subject to a ground lease with the City of Miami, Florida expiring in 2035. Under the lease, Landing pays percentage rent ranging from 8% to 15% of gross revenues from various components of the property.

The Monty's property is encumbered by a loan mortgage payable to a bank with an outstanding principal balance of $11.2 million as of December 31, 2009. The loan is repayable in equal monthly principal payments necessary to fully amortize the principal amount over the remaining term of the loan maturing in February 2021, plus accrued interest. In conjunction with this loan Bayshore entered into an interest rate swap agreement to manage their exposure to interest rate fluctuation through the entire term of the mortgage. The effect of the swap agreement is to provide a fixed interest rate of 7.57%.

The operations of the Monty's restaurant are managed by BSRB personnel with the exception of its accounting related functions which are performed by RMI, an unrelated third party and former operator of the restaurant. Under an amended management agreement BSRB retained RMI to perform accounting related administrative functions only. For the year ended December 31, 2009, BSRB paid RMI $114,000 (or $9,500 per month) for accounting and related service. The amended management agreement is renewable on an annual basis. In October 2009 the agreement with RMI was renewed and extended through the year ended December 31, 2010 under the same terms of the prior agreement.

Land held for development (Vermont and Rhode Island).
The Company owns approximately 50 acres of vacant land held for development located in Hopkinton, Rhode Island. There are no current plans for development of this land.

The Company also owns a 70% interest in a commercially zoned 5 acre property located in Montpelier, Vermont. Further development of this property is being considered.

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, and as renewed in 2009. The lease provides for base rent of $48,000 per year payable in equal monthly installments during the five year term of the lease. 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

The Company is 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 Company believes that the claims are without merit and intends to vigorously defend its position. The ultimate outcome of this litigation cannot presently be determined. However, in management's opinion the likelihood of a material adverse outcome is remote. Accordingly, adjustments, if any that might result from the resolution of this matter have not been reflected in the financial statements.

Part II.

Item 4. 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, 2009	$ 3.40	$ 2.16
June 30, 2009	$ 3.76	$ 2.88
September 30, 2009	$ 4.35	$ 3.06
December 31, 2009	$ 4.67	$ 3.25
March 31, 2008	$ 10.00	$ 8.60
June 30, 2008	$ 8.80	$ 7.20
September 30, 2008	$ 7.59	$ 4.56
December 31, 2008	$ 5.20	$ 2.05

No dividends were declared or paid during 2009 and 2008. 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 31, 2010, there were 388 holders of record of the Company's common stock.

In 2009 the Company purchased 1,200 shares of its common stock for $4,080 representing the aggregate market value paid for the shares.

The following table illustrates securities authorized for issuance under the Company's equity compensation 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	102,100	$8.83	16,000
Equity compensation plan not approved by shareholders	--	--	--
Total	102,100	$8.83	16,000

Item 5. Selected Financial Data:
Not applicable to the Company.

Item 6. 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 other things, goodwill impairment, impairment of our other investments and other long-lived assets, uncertainties for Federal and state income tax and allowance for 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 financial statements:

Goodwill Impairment. The Company’s entire goodwill balance of $7.8 million as of December 31, 2009 relates to its Monty’s property which operates in two of the Company’s reportable segments (Restaurant and real estate/marina rentals and related).

We test goodwill for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired using a two-step process. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and we must perform step two of the impairment test (measurement). Step two of the impairment test, if necessary, requires the estimation of the fair value for the assets and liabilities of a reporting unit in order to calculate the implied fair value of the reporting unit’s goodwill. Under step two, an impairment loss is recognized to the extent the carrying amount of the reporting unit’s goodwill exceeds the implied fair value of goodwill. The fair value of the reporting unit is determined by management and is based on the results of estimates we made regarding the present value of the anticipated cash flows associated with each reporting unit (the “income approach”).

The income approach which considers factors unique to each of our reporting units and related long range plans that may not be comparable to other companies and is dependent on several critical management assumptions. These assumptions include estimates of future sales growth, gross margins, operating costs, income tax rates, terminal value growth rates, capital expenditures and the weighted average cost of capital (discount rate). Anticipated cash flows used under the income approach are developed in conjunction with our annual budgeting process.

The discount rates used in the income approach are an estimate of the rate of return that a market participant would expect of each reporting unit. To select an appropriate rate for discounting the future earnings stream, a review was made of short-term interest rate yields of long-term corporate and government bonds, as well as the typical capital structure of companies in the industry. The discount rates used for each reporting unit may vary depending on the risk inherent in the cash flow projections, as well as the risk level that would be perceived by a market participant. A terminal value is included at the end of the projection period used in our discounted cash flow analyses to reflect the remaining value that each reporting unit is expected to generate. The terminal value represents the present value in the last year of the projection period of all subsequent cash flows into perpetuity. The terminal value growth rate is a key assumption used in determining the terminal value as it represents the annual growth of all subsequent cash flows into perpetuity.

The estimated fair value of our reporting units are subject to change as a result of many factors including, among others, any changes in our business plans, changing economic conditions and the competitive environment. Should actual cash flows and our future estimates vary adversely from those estimates we use, we may be required to recognize goodwill impairment charges in future years.

We performed our annual goodwill impairment test in the fourth quarter of 2009. As a result of our testing, we concluded that the fair value of the reporting units of Monty’s exceeded their carrying amounts.

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 Statement 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, including but not limited to bankruptcies, closures and declines in estimated fair value, that may indicate the investment has suffered an other-than-temporary decline in 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.

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 their estimated useful lives.

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 term of the related leases.

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, 2009 and 2008, the Company reported net loss attributable to the Company of approximately $85,000 (or $.08 per share) and $1,617,000 (or $1.58 per share), respectively.

Revenues:
Total revenues for the year ended December 31, 2009 as compared with that of 2008 decreased by approximately $665,000 (or 6%). This decrease was primarily due to the decrease in restaurant, marine and spa revenues, as discussed below.

Real estate and related revenue:
Real estate rentals and related revenue increased by approximately $117,000 (or 7%) for the year ended December 31, 2009 as compared with 2008. This increase was the result of increased rental income from the Monty's office/retail space of approximately $74,000 and increased rental revenue from Grove Isle and other of $43,000. As of December 31, 2009 all but 1,800 square feet out of approximately 24,000 net rentable square feet of the Monty's office/retail space are leased.

Monty's restaurant operations:
Summarized statement of income of the Monty's restaurant operations for the years ended December 31, 2009 and 2008 is presented below (Note: the information below represents 100% of the restaurant operations while the Company's ownership percentage in these operations is 50%):

Summarized statements of income of Monty's restaurant	Year ended December 31, 2009	Percentage of sales		Year ended December 31, 2008	Percentage of sales	
Revenues:						
Food and Beverage Sales	$6,271,000	100	%	$6,697,000	100	%
Expenses:						
Cost of food and beverage sold	1,616,000	25.8	%	1,794,000	26.8	%
Labor, entertainment and related costs	1,495,000	23.8	%	1,557,000	23.2	%
Other food and beverage related costs	274,000	4.4	%	287,000	4.3	%
Other operating costs	569,000	9.1	%	529,000	7.9	%
Insurance	295,000	4.7	%	318,000	4.7	%
Management and accounting fees	115,000	1.8	%	140,000	2.1	%
Utilities	247,000	3.9	%	255,000	3.8	%
Rent (as allocated)	644,000	10.3	%	688,000	10.3	%
Total Expenses	5,255,000	83.8	%	5,568,000	83.1	%
Income before depreciation and minority interest	$1,016,000	16.2	%	$1,129,000	16.9	%

The Monty's restaurant is subject to seasonal fluctuations in sales. January through May sales typically account for over 50% of annual sales. Restaurant sales in 2009 as compared with 2008 decreased by approximately 6% we believe primarily due to the general decline in economic activity.

The increase in other operating costs in 2009 (9.1% of sales) versus 2008 (7.9% of sales) was primarily due to increase repairs and maintenance and other indirect operating costs of the restaurant. The decrease in management and accounting fees in 2009 (1.8% of sales) versus 2008 (2.1% of sales) was primarily due to reduction in restaurant management fees payable.

All other restaurant related expenses in 2009 were generally consistent, as a percentage of sales, with that of 2008.

Grove Isle and Monty's marina operations:
The Grove Isle marina operates for the benefit of the slip owners and maintains all aspects of the marina in exchange for an annual maintenance fee from the slip owners to cover operational expenses. There are 85 boat slips at Grove Isle, of which 79 are privately owned by unrelated individuals or entities, the remaining 6 slips are owned by the Company. The Company rents the unsold slips to boat owners on a short term basis. The Monty's marina has approximately 4,400 total square feet available for rent to the public.

Summarized and combined statements of income from marina operations:
(The Company owns 50% of the Monty's marina and 95% of the Grove Isle marina)

	Year ended December 31, 2009		Combined marina operations Year ended December 31,	Combined marina operations Year ended December 31,
Summarized statements of income of marina operations	Grove Isle Marina	Monty's Marina	2009	2008
Revenues:				
Dockage fees and related income	$63,000	$1,187,000	$1,250,000	$1,339,000
Grove Isle marina slip owners dues	448,000	-	448,000	420,000
Total marina revenues	511,000	1,187,000	1,698,000	1,759,000
Expenses:				
Labor and related costs	259,000	-	259,000	247,000
Insurance	61,000	139,000	200,000	194,000
Management fees	40,000	4,000	44,000	77,000
Utilities (net of reimbursements)	36,000	(8,000)	28,000	25,000
Bay bottom lease	39,000	190,000	229,000	236,000
Repairs and maintenance	55,000	29,000	84,000	115,000
Other	25,000	123,000	149,000	74,000
Total Expenses	515,000	477,000	993,000	968,000
(Loss) income before interest, depreciation and minority interest	$(4,000)	$710,000	$705,000	$791,000

16

Total marina revenues decreased by approximately $61,000 (or 3%) for the year ended December 31, 2009 as compared with 2008 primarily as a result of decreased transient rentals at both marinas.

Total marina expense for the year ended December 31, 2009 as compared with 2008 increased by approximately $25,000 (or 3%) primarily due to an increase in general and administrative expenses. This includes a provision for bad debt of $50,000 from one broker tenant at Monty's marina, and was partially offset by decreased Monty's marina management fees.

Grove Isle spa operations:
Spa revenues decreased by $295,000 (or 37%) for the year ended December 31, 2009 as compared with 2008. Spa and related services have been severely affected by the economic downturn and all spa services at Grove experienced significant declines in 2009.

Spa expenses decreased by $128,000 (or 19%) for the year ended December 31, 2009 as compared with 2008, primarily due decreased cost of sales and labor as a result of reduced demand for spa services.

Below is a summarized income statement for these operations for the year ended December 31, 2009 and 2008. The Company owns 50% of the Grove Isle Spa with the other 50% owned by an affiliate of the Grand Heritage Hotel Group, the tenant operator of the Grove Isle Resort.

Grove Isle Spa Summarized statement of income	For the year ended December 31, 2009	For the year ended December 31, 2008
Revenues:		
Services provided	$ 432,000	$ 754,000
Membership and other	72,000	45,000
Total spa revenues	504,000	799,000
Expenses:		
Cost of sales (commissions and other)	119,000	246,000
Salaries, wages and related	180,000	233,000
Other operating costs	204,000	145,000
Management and administrative fees	33,000	43,000
Other	3,000	-
Total Expenses	539,000	667,000
(Loss) income before interest, depreciation, minority interest and income taxes	$ (35,000)	$ 132,000

Expenses:
Total expenses for the year ended December 31, 2009 as compared to that of 2008 decreased by approximately $700,000 (or 6%).

Food and beverage costs are solely from the Monty's restaurant operations. Spa expenses are solely from the Grove Isle spa operations. Marina expenses are from both the Monty's and Grove Isle marinas. Summarized income statements and discussion of significant changes in expenses for each of these operations are presented above.

Operating expenses of rental and other properties for the year ended December 31, 2009 as compared with 2008 decreased by $137,000 (or 18%). This was primarily due to decreased operating costs of the Monty's rental operations due to decreased repairs and maintenance expense and reduced management fees as a result of less oversight on the build out of the Monty's rental space which was essentially completed in 2009.

Depreciation and amortization expense decreased by approximately $67,000 (or 5%) primarily due to a non-recurring write off of unamortized deferred loan costs at Grove Isle Spa in 2008 of approximately $22,000 and reduction in amortization expense of approximately $35,000 relating to deferred leasing commissions on Monty's leases which were written off in 2009.

Interest expense decreased by approximately $221,000 (or 17%) for year ended December 31, 2009 as compared to 2008. This was due to decreased interest rates in 2009 as compared to 2008, and due to loan principal reductions of approximately $827,000 during the year ended December 31, 2009.

General and administrative expenses increased by approximately $108,000 (or 34%) for year ended December 31, 2009 as compared to 2008. This was due to increased provision for bad debt expense of $150,000, which was partially offset by decreased dues and subscriptions of $42,000.

Professional fees increased by approximately $35,000 (or 11%) for the year ended December 31, 2009 as compared to 2008. This was primarily due to increased legal and related costs associated with Monty's facility.

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, 2009 and 2008, is as follows:

Description	2009	2008
Net realized loss from sales of marketable securities	$ (4,000)	$ (53,000)
Net unrealized gain (loss) from marketable securities	1,129,000	(1,383,000)
Total net gain (loss) from investments in marketable securities	$ 1,125,000	$ (1,436,000)

Net realized gain from sales of marketable securities consisted of approximately $261,000 of gains net of $265,000 of losses for the year ended December 31, 2009. The comparable amounts in fiscal year 2008 were gains of approximately $435,000 net of $488,000 of losses.

Consistent with the Company's overall current investment objectives and activities, the entire marketable securities portfolio is classified as trading (versus available for sale, as defined by 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):

	2009	2008
Partnerships owning stocks and bonds (a)	$ 22,000	$ 392,000
Venture capital funds – diversified businesses (b)	31,000	208,000
Venture capital funds – technology & communications	12,000	22,000
Income from investment in 49% owned affiliate (c)	74,000	40,000
Other	15,000	5,000
Total net income from other investments	$ 154,000	$ 665,000

(a) In 2009 and 2008 amounts consist of gains from the full redemption of investments in private equity funds that invested in equities, debt or debt like securities.
(b) In 2008 amounts consist primarily of gains from distributions of investments in two private limited partnerships which own interests in various diversified businesses, primarily in the manufacturing and production related sectors.
(c) This gain represents income from the Company's 49% owned affiliate, T.G.I.F. Texas, Inc. ("TGIF"). The increase in income is due to increase net income of TGIF as a result of reduced operating expenses. In December 2009 and 2008 TGIF declared and paid a cash dividend of the Company's portion of which was approximately $140,000 and $224,000, respectively. 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 losses from other investments

	2009	2008
Venture capital funds – diversified businesses (a)	$ (130,000)	-
Real estate and related (b)	(138,000)	(37,000)
Venture capital funds – technology & communications (c)	(150,000)	-
Other	(5,000)	-
Total other than temporary impairment loss from other investments	$ (423,000)	$ (37,000)

(a) In 2009 amount consist of write downs of two investments in private limited partnerships owning real diversified businesses. These investments experienced other than temporary impairment in value of approximately $130,000.

(a) In 2009 amount consist of write downs of three investments in private limited partnerships owning real estate interests. These investments experienced other than temporary impairment in value of approximately $138,000. In 2008 amount consist of one write down of approximately $37,000 in an investment owning a limited partnership real estate interest.

(b) In 2009 amount primarily consists of write downs of two investments in private limited partnerships owning technology related entities. These investments experienced other than temporary impairment in value of approximately $150,000.

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 years ended December 31, 2009 and 2008 was approximately $415,000 and $509,000, respectively. The decrease of approximately $94,000 (or 18%) was primarily due to decreased consulting revenue of approximately $50,000 from the Company's 80% owned subsidiary, Courtland Houston, Inc. and decreased dividend income of approximately $53,000, partially offset by increased bond interest income.

Benefit from income taxes:
Benefit from income taxes for the years ended December 31, 2009 and 2008 was $92,000 and $130,000, respectively.

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, 2009 and 2008, the Company has recorded a net deferred tax asset of $458,000 and $366,000, respectively. A valuation allowance against deferred tax asset has not been established as management believes it is more likely than not, based on the Company's previous history and expectation of future taxable income before expiration, that these assets will be realized.

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

Liquidity, Capital Expenditure Requirements and Capital Resources. The Company's material commitments primarily consist of maturities of debt obligations of approximately $8.1 million in 2010 and contributions committed to other investments of approximately $900,000 due upon demand. The funds necessary to meet these obligations are expected from the proceeds from the sales of properties or investments, bank construction loan, refinancing of existing bank loans, distributions from investments and available cash.

Included in the maturing debt obligations for 2010 is the bank mortgage note payable on the Grove Isle property which matures in September 2010. The Company is in the process of refinancing this loan and expects to do so prior to maturity.

Also included in the maturing debt obligations for 2010 is a note payable to the Company's 49% owned affiliate, T.G.I.F. Texas, Inc. ("TGIF") of approximately $3.6 million due on demand.(see Item 12. Certain Relationships and Related Transactions and Director Independence.) The obligation due to TGIF will be paid with funds available from distributions from its investment in TGIF and from available cash.

A summary of the Company's contractual cash obligations at December 31, 2009 is as follows:

		Payments Due by Period			
Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Mortgages and notes payable	$18,470,000	$8,130,000	$715,000	$767,000	$8,858,000
Other investments commitments (a)	900,000	900,000	--	--	--
Total	$19,370,000	$9,030,000	$715,000	$767,000	$8,858,000

(a) The timing of amounts due under commitments for other investments is determined by the managing partners of the individual investments. These amounts are reflected as due in less than one year although the actual funding may not be required until some time in the future.

Material Changes in Operating, Investing and Financing Cash Flows.
The Company's cash flows are generated primarily from its real estate net rental and related activities, sales of marketable securities, distributions from other investments and borrowings.

For the year ended December 31, 2009 the Company's net cash used in operating activities was approximately $113,000. This was primarily from real estate net rental and related activities. The Company believes that there will be sufficient cash flows in the next year to meet its operating requirements.

For the year ended December 31, 2009, the net cash used in investing activities was approximately $531,000. This included sources of cash consisting of proceeds from the sales and redemptions of marketable securities of $2.1 million, cash distributions from other investments of $393,000 and distribution from affiliate of $140,000. These sources of cash were offset by purchases of marketable securities of $2.2 million, contributions to other investments of $527,000, purchases and improvements of fixed assets of $309,000 and increase loans receivable of $150,000.

For the year ended December 31, 2009, net cash used in financing activities was approximately $816,000. This primarily consisted of repayments of mortgages and notes payable of $827,000.

Item 6A. Quantitative and Qualitative Disclosures About Market Risks.
Not Applicable to the Company.

Item 7. Financial Statements and Supplementary Data

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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 balances sheets of HMG/Courtland Properties, Inc. (a Delaware corporation) and Subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the years in the two year period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the 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 audit 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 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 financial position of HMG/Courtland Properties, Inc. and Subsidiaries at December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

/s/ Berenfeld Spritzer Shechter & Sheer LLP

Berenfeld Spritzer Shechter & Sheer LLP;
Certified Public Accountants and Advisors
March 31, 2010
Ft. Lauderdale, Florida

HMG/COURTLAND PROPERTIES, INC. AND
SUBSIDIARIES CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2009 AND 2008

	December 31, 2009	December 31, 2008
ASSETS		
Investment properties, net of accumulated depreciation:		
Commercial properties	$7,653,850	$7,961,765
Hotel, club and spa facility	3,864,491	4,338,826
Marina properties	2,319,387	2,566,063
Land held for development	27,689	27,689
Total investment properties, net	13,865,417	14,894,343
Cash and cash equivalents	1,909,218	3,369,577
Cash and cash equivalents-restricted	2,401,546	2,390,430
Investments in marketable securities	4,508,433	3,295,391
Other investments	3,524,246	3,733,101
Investment in affiliate	2,881,394	2,947,758
Loans, notes and other receivables	722,210	621,630
Notes and advances due from related parties	590,073	587,683
Deferred taxes	458,000	366,000
Goodwill	7,728,627	7,728,627
Other assets	787,662	888,535
TOTAL ASSETS	$39,376,826	$40,823,075
LIABILITIES		
Mortgages and notes payable	$18,470,448	$19,297,560
Accounts payable, accrued expenses and other liabilities	1,056,827	1,577,115
Interest rate swap contract payable	1,144,000	2,156,000
TOTAL LIABILITIES	20,671,275	23,030,675
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Excess common stock, $1 par value;100,000 shares authorized; as of December 31, 2009 and 500,000 shares authorized as of December 31, 2008; no shares issued	-	-
Common stock, $1 par value; 1,200,000 shares authorized and and 1,023,955 issued as of December 31, 2009; 1,500,000 authorized and 1,317,535 issued as of December 31, 2008	1,023,955	1,317,535
Additional paid-in capital	24,313,341	26,585,595
Less: Treasury stock, at cost (2,572 and 294,952 shares as of December 31, 2009 & 2008, respectively)	(8,881)	(2,570,635)
Undistributed gains from sales of properties, net of losses	41,572,120	41,572,120
Undistributed losses from operations	(52,109,035)	(52,023,776)

Accumulated other comprehensive loss	(572,000)	(1,078,000)
Total stockholders' equity	14,219,500	13,802,839
Non controlling interests	4,486,051	3,989,561
TOTAL EQUITY	18,705,551	17,792,400
TOTAL LIABILITIES AND EQUITY	$39,376,826	$40,823,075

See notes to the consolidated financial statements

HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

REVENUES	2009	2008
Real estate rentals and related revenue	$1,795,119	$1,677,949
Food & beverage sales	6,270,728	6,696,816
Marina revenues	1,697,950	1,759,386
Spa revenues	503,963	799,011
Total revenues	10,267,760	10,933,162
EXPENSES		
Operating expenses:		
Rental and other properties	636,198	773,251
Food and beverage cost of sales	1,616,172	1,793,807
Food and beverage labor and related costs	1,495,471	1,556,906
Food and beverage other operating costs	2,142,587	2,216,260
Marina expenses	993,080	967,696
Spa expenses	539,160	667,134
Depreciation and amortization	1,318,329	1,384,928
Adviser's base fee	1,020,000	1,020,000
General and administrative	424,315	316,020
Professional fees and expenses	344,688	309,458
Directors' fees and expenses	110,844	115,072
Total operating expenses	10,640,844	11,120,532
Interest expense	1,111,944	1,332,706
Total expenses	11,752,788	12,453,238
Loss before other income and income taxes	(1,485,028)	(1,520,076)
Net realized and unrealized gains (losses) from investments in marketable securities	1,125,428	(1,436,224)
Net income from other investments	153,817	665,427
Other than temporary impairment losses from other investments	(422,800)	(37,491)
Interest, dividend and other income	415,417	509,263
Total other income (loss)	1,271,862	(299,025)
Loss before income taxes	(213,166)	(1,819,101)
Benefit from income taxes	(92,000)	(130,000)
Net loss	(121,166)	(1,689,071)
Less: Net (loss) income attributable to non controlling interests consolidated entities	35,907	(72,030)
Net loss attributable to the Company	$(85,259)	$(1,617,071)
Other comprehensive income (loss):		
Unrealized gain (loss) on interest rate swap agreement	$506,000	$(815,000)

Total other comprehensive loss	506,000	(815,000)
Comprehensive income (loss)	$420,741	$(2,432,571)
Basic and diluted Net Loss per Common Share	$(0.08)	$(1.58)
Weighted average common shares outstanding basic and diluted	1,021,408	1,023,919

See notes to the consolidated financial statements

26

HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008

	Common Stock		Additional Paid-In	Undistributed Gains from Sales of Properties Net	Undistributed Losses from	Comprehensive Income (loss)	Accumulated Other Compre-hensive Income (loss)	Treasury St	
	Shares	Amount	Capital	of Losses	Operations			Shares	C
Balance as of January 1, 2008	1,317,535	$1,317,535	$26,585,595	$41,572,120	$(50,406,705)		$(262,500)	293,580	$(2,5
Net loss					(1,617,071)	(1,617,071)			
Other comprehensive income:									
Unrealized loss on interest rate swap contract						(815,500)	(815,500)		
Comprehensive income (loss)						(2,432,571)			
Purchase of Treasury stock								1,372	(4,8
Balance as of December 31, 2008	1,317,535	1,317,535	26,585,595	41,572,120	(52,023,776)		(1,078,000)	294,952	(2,5