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.

TABLE OF CONTENTS

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.

3

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.

5

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

6

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

7

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.

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

	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 operati