

CONSOLIDATED TOMOKA LAND CO
Form 10-Q
October 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 01-11350

CONSOLIDATED-TOMOKA LAND CO.

(Exact name of registrant as specified in its charter)

Florida	59-0483700
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

1530 Cornerstone Blvd., Suite 100

Daytona Beach, Florida	32117
(Address of principal executive offices)	(Zip Code)

(386) 274-2202

(Registrant's telephone number, including area code)

N/A

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or 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 filer, or a smaller reporting company. See the definitions of "accelerated filer," "smaller reporting company," and "large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock Outstanding

October 23, 2015

\$1.00 par value 5,944,412

INDEX

	Page No.
<u>PART I—FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Balance Sheets – September 30, 2015 (Unaudited) and December 31, 2014</u>	3
<u>Consolidated Statements of Operations – Three and Nine Months ended September 30, 2015 and 2014 (Unaudited)</u>	4
<u>Consolidated Statements of Comprehensive Income – Three and Nine Months ended September 30, 2015 and 2014 (Unaudited)</u>	5
<u>Consolidated Statements of Shareholders' Equity – Nine Months ended September 30, 2015 (Unaudited)</u>	6
<u>Consolidated Statements of Cash Flows – Nine Months ended September 30, 2015 and 2014 (Unaudited)</u>	7
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	9
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	32
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risks</u>	43
Item 4. <u>Controls and Procedures</u>	43
<u>PART II—OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	43
Item 1A. <u>Risk Factors</u>	44
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	44
Item 3. <u>Defaults Upon Senior Securities</u>	45
Item 4. <u>Mine Safety Disclosures</u>	45
Item 5. <u>Other Information</u>	45
Item 6. <u>Exhibits</u>	46

SIGNATURES

47

2

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED-TOMOKA LAND CO.

CONSOLIDATED BALANCE SHEETS

	(Unaudited)	
	September 30,	December 31,
	2015	2014
ASSETS		
Property, Plant, and Equipment:		
Income Properties, Land, Buildings, and Improvements	\$202,799,358	\$191,634,698
Golf Buildings, Improvements, and Equipment	3,431,639	3,323,177
Other Furnishings and Equipment	1,036,648	1,008,150
Construction in Progress	487,456	—
Total Property, Plant, and Equipment	207,755,101	195,966,025
Less, Accumulated Depreciation and Amortization	(15,452,291)	(15,177,102)
Property, Plant, and Equipment—Net	192,302,810	180,788,923
Land and Development Costs (\$11,329,574 Related to Consolidated VIE)	50,247,962	38,071,264
Intangible Assets—Net	14,740,833	10,352,123
Assets Held for Sale	4,231,425	—
Impact Fee and Mitigation Credits	4,692,581	5,195,764
Commercial Loan Investments	38,315,150	30,208,074
Cash and Cash Equivalents	4,219,044	1,881,195
Restricted Cash	10,625,517	4,440,098
Investment Securities	7,867,077	821,436
Refundable Income Taxes	—	267,280
Other Assets	6,115,169	4,566,291
Total Assets	\$333,357,568	\$276,592,448
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts Payable	\$1,384,811	\$859,225
Accrued and Other Liabilities	7,192,014	6,071,202
Deferred Revenue	2,240,416	2,718,543
Accrued Stock-Based Compensation	106,446	560,326
Income Taxes Payable	201,433	—
Deferred Income Taxes—Net	35,910,210	34,038,442
Long-Term Debt	149,390,506	103,940,011
Total Liabilities	196,425,836	148,187,749
Commitments and Contingencies - See Note 17		
Shareholders' Equity:		
Consolidated-Tomoka Land Co. Shareholders' Equity:		
Common Stock – 25,000,000 shares authorized; \$1 par value, 6,056,401 shares issued	5,886,068	5,862,063

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and 5,945,695 shares outstanding at September 30, 2015; 5,922,130 shares issued and

5,881,660 shares outstanding at December 31, 2014

Treasury Stock – 110,706 shares at September 30, 2015; 40,470 shares at December 31, 2014	(5,239,167)	(1,381,566)
Additional Paid-In Capital	15,792,935	11,289,846
Retained Earnings	114,985,772	112,561,115
Accumulated Other Comprehensive Income (Loss)	(151,073)	73,241
Total Consolidated-Tomoka Land Co. Shareholders' Equity	131,274,535	128,404,699
Noncontrolling Interest in Consolidated VIE	5,657,197	—
Total Shareholders' Equity	136,931,732	128,404,699
Total Liabilities and Shareholders' Equity	\$333,357,568	\$276,592,448

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED-TOMOKA LAND CO.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2015	2014	2015	2014
Revenues				
Income Properties	\$5,034,090	\$3,864,632	\$13,426,817	\$10,821,121
Interest Income from Commercial Loan Investments	546,640	382,087	1,816,834	1,581,746
Real Estate Operations	1,748,398	8,781,759	3,976,340	11,184,591
Golf Operations	949,083	994,651	3,935,076	3,844,428
Agriculture and Other Income	19,504	182,731	59,181	258,052
Total Revenues	8,297,715	14,205,860	23,214,248	27,689,938
Direct Cost of Revenues				
Income Properties	(997,760)	(456,869)	(2,321,493)	(1,281,380)
Real Estate Operations	(316,613)	(3,572,082)	(1,221,189)	(4,017,659)
Golf Operations	(1,355,469)	(1,309,789)	(4,201,313)	(4,155,009)
Agriculture and Other Income	(51,484)	(34,158)	(149,830)	(144,690)
Total Direct Cost of Revenues	(2,721,326)	(5,372,898)	(7,893,825)	(9,598,738)
General and Administrative Expenses	(2,778,960)	(1,506,964)	(6,123,603)	(4,562,645)
Impairment Charges	—	(421,040)	(510,041)	(421,040)
Depreciation and Amortization	(1,417,129)	(886,618)	(3,644,620)	(2,505,007)
Gain on Disposition of Assets	3,763,140	—	3,781,329	—
Total Operating Expenses	(3,154,275)	(8,187,520)	(14,390,760)	(17,087,430)
Operating Income	5,143,440	6,018,340	8,823,488	10,602,508
Investment Income	170,466	14,246	395,743	42,564
Interest Expense	(1,892,145)	(569,154)	(4,847,081)	(1,554,583)
Income Before Income Tax Expense	3,421,761	5,463,432	4,372,150	9,090,489
Income Tax Expense	(1,349,480)	(1,984,741)	(1,721,896)	(3,388,483)
Net Income	2,072,281	3,478,691	2,650,254	5,702,006
Less: Net Loss Attributable to Noncontrolling Interest in				
Consolidated VIE	7,590	—	7,590	—
Net Income Attributable to Consolidated-Tomoka Land Co.	\$2,079,871	\$3,478,691	\$2,657,844	\$5,702,006
Per Share Information- See Note 9:				
Basic				
Net Income Attributable to Consolidated-Tomoka Land Co.	\$0.36	\$0.60	\$0.46	\$0.99
Diluted				
Net Income Attributable to Consolidated-Tomoka Land Co.	\$0.36	\$0.60	\$0.45	\$0.99

Dividends Declared and Paid	\$-	\$-	\$0.04	\$0.03
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See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED-TOMOKA LAND CO.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Net Income Attributable to Consolidated-Tomoka Land Co.	\$2,079,871	\$ 3,478,691	\$2,657,844	\$ 5,702,006
Other Comprehensive Income (Loss)				
Realized Gain on Investment Securities Sold (Net of Tax of \$(59,758) and \$-0- for the three months ended September 30, 2015 and 2014, respectively, and Net of Tax of \$(108,998) and \$-0- for the nine months ended September 30, 2015 and 2014, respectively)	(95,156)	—	(176,707)	—
Unrealized Gain (Loss) on Investment Securities (Net of Tax of \$11,193 and \$2,464 for the three months ended September 30, 2015 and 2014, respectively, and Net of Tax of \$(29,901) and \$51,894 for the nine months ended September 30, 2015 and 2014, respectively)	17,824	3,926	(47,607)	82,635
Total Other Comprehensive Income (Loss), Net of Tax	(77,332)	3,926	(224,314)	82,635
Total Comprehensive Income	\$2,002,539	\$ 3,482,617	\$2,433,530	\$ 5,784,641

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED-TOMOKA LAND CO.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

	Consolidated-Tomoka Land Co. Shareholders					Total Consolidated-Tomoka Land Co.		
	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity	Noncontrolling Interest in Consolidated VIE	Total Shareholders' Equity
Balance December 31, 2014	\$5,862,063	\$(1,381,566)	\$11,289,846	\$112,561,115	\$73,241	\$128,404,699	\$-	\$128,404,699
Net Income	—	—	—	2,657,844	—	2,657,844	(7,590)	2,650,254
Contributions from Noncontrolling Interest in Consolidated VIE	—	—	—	—	—	-	5,664,787	5,664,787
Stock Repurchase	—	(3,857,601)	—	—	—	(3,857,601)	—	(3,857,601)
Equity Component of Convertible Debt	—	—	2,130,002	—	—	2,130,002	—	2,130,002
Exercise of Stock Options	19,955	—	685,755	—	—	705,710	—	705,710
Vested Restricted Stock	3,556	—	(33,119)	—	—	(29,563)	—	(29,563)
Stock Issuance	494	—	26,938	—	—	27,432	—	27,432
Stock Compensation Expense from Restricted Stock Grants and Equity Classified Stock Options	—	—	1,693,513	—	—	1,693,513	—	1,693,513
Cash Dividends (\$0.04 per	—	—	—	(233,187)	—	(233,187)	—	(233,187)

share)									
Other									
Comprehensive									
Loss, Net of									
Tax	—	—	—	—	(224,314)	(224,314)	—	(224,314
Balance									
September 30,									
2015	\$5,886,068	\$(5,239,167)	\$15,792,935	\$114,985,772	\$(151,073)	\$131,274,535	\$5,657,197	\$136,931,732	

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED-TOMOKA LAND CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended	
	September	September
	30,	30,
	2015	2014
Cash Flow from Operating Activities:		
Net Income	\$2,650,254	\$5,702,006
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	3,644,620	2,505,007
Loan Cost Amortization	265,443	173,965
Amortization of Discount on Convertible Debt	583,152	-
Amortization of Discount on Debt Securities within Investment Securities	(6,519)	-
Gain on Disposition of Property, Plant, and Equipment and Intangible Assets	(3,781,329)	-
Impairment Charges	510,041	421,040
	-	(649,658)

Discount		
Accretion on		
Commercial		
Loan		
Investments		
Accretion of		
Commercial		
Loan		
Origination		
Fees	(59,581)	(10,156)
Amortization		
of Fees on		
Acquisition of		
Commercial		
Loan		
Investments	224	29,711
Realized Gain		
on Investment		
Securities	(285,705)	-
Realized Gain		
on Put Option		
Derivative	(15,622)	-
Deferred		
Income Taxes	673,023	1,385,517
Non-Cash		
Compensation	1,350,557	1,021,955
Decrease		
(Increase) in		
Assets:		
Refundable		
Income Taxes	267,280	-
Land and		
Development		
Costs	(847,124)	905,025
Impact Fees		
and Mitigation		
Credits	503,183	432,213
Net Pension		
Asset	-	(85,136)
Other Assets	(1,814,321)	(1,650,227)
Increase		
(Decrease) in		
Liabilities:		
Accounts		
Payable	525,586	(159,976)
Accrued and		
Other		
Liabilities	1,060,091	756,300
Deferred		
Revenue	(478,127)	104,914
	201,433	(933,502)

Income Taxes		
Payable		
Net Cash		
Provided By		
Operating		
Activities	4,946,559	9,948,998
Cash Flow		
from Investing		
Activities:		
Acquisition of		
Property,		
Plant, and		
Equipment	(29,736,375)	(20,815,135)