

CONSOLIDATED TOMOKA LAND CO

Form 10-Q

May 08, 2009

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 March 31, 2009

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

For the transition period from ___ to ___

CONSOLIDATED-TOMOKA LAND CO.
(Exact name of registrant as specified in its charter)

Florida
(State or other
jurisdiction of
incorporation or
organization)

59-0483700
(IRS Employer Identification No.)

1530 Cornerstone Boulevard, Suite 100
Daytona Beach, Florida
(Address of principal executive offices)

32117
(Zip Code)

Registrant's telephone number, including area code: (386) 274-2202

Not Applicable
(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

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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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceeding 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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input checked="" type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input type="radio"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined by rule 12b-2 of the Exchange Act).

Yes ___ No X

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
May 1, 2009
\$1.00 par value 5,723,268

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ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED-TOMOKA LAND CO.
CONSOLIDATED BALANCE SHEETS

	(Unaudited)	
	MARCH 31, 2009	DECEMBER 31, 2008
ASSETS		
Cash	\$ 263,798	\$ 388,787
Restricted Cash	--	462,765
Investment Securities	5,188,024	5,260,868
Notes Receivable	4,153,693	4,153,693
Land and Development Costs	19,935,142	18,973,138
Intangible Assets	4,904,527	5,009,819
Other Assets	5,940,359	6,048,126
	\$ 40,385,543	\$ 40,297,196
Property, Plant, and Equipment:		
Land, Timber and Subsurface Interests	12,942,267	12,643,391
Golf Buildings, Improvements, and Equipment	11,771,488	11,750,711
Income Properties Land, Buildings, and Improvements	116,519,767	116,517,534
Other Furnishings and Equipment	3,207,146	3,207,845
Construction in Process	2,040,788	1,217,549
Total Property, Plant, and Equipment	146,481,456	145,337,030
Less, Accumulated Depreciation and Amortization	(13,062,833)	(12,488,163)
Net - Property, Plant, and Equipment	133,418,623	132,848,867
TOTAL ASSETS	\$ 173,804,166	\$ 173,146,063
LIABILITIES		
Accounts Payable	\$ 524,335	\$ 706,095
Accrued Liabilities	7,277,623	7,204,749
Accrued Stock Based Compensation	821,461	1,190,725
Pension Liability	3,103,015	3,127,230
Income Taxes Payable	569,750	1,236,206
Deferred Income Taxes	33,169,668	33,316,436
Notes Payable	10,845,457	8,550,315
TOTAL LIABILITIES	56,311,309	55,331,756
SHAREHOLDERS' EQUITY		
Common Stock	5,723,268	5,727,515
Additional Paid in Capital	5,131,246	5,217,955
Retained Earnings	109,305,516	109,556,103
Accumulated Other Comprehensive Loss	(2,667,173)	(2,687,266)
TOTAL SHAREHOLDERS' EQUITY	117,492,857	117,814,307

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 173,804,166	\$ 173,146,063
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See Accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED-TOMOKA LAND CO.
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)		
Three Months Ended		
	March 31, 2009	March 31, 2008
Income		
Real Estate Operations:		
Real Estate Sales		
Sales and Other Income	\$ 6,093	\$ 74,844
Costs and Other Expenses	(244,128)	(417,778)
	(238,035)	(342,934)
Income Properties		
Leasing Revenues and Other Income	2,338,970	2,173,473
Costs and Other Expenses	(492,296)	(429,243)
	1,846,674	1,744,230
Golf Operations		
Sales and Other Income	1,422,767	1,379,551
Costs and Other Expenses	(1,567,194)	(1,616,968)
	(144,427)	(237,417)
Total Real Estate Operations	1,464,212	1,163,879
Profit on Sales of Other		
Real Estate Interests	11,550	8,000
Interest and Other Income	66,547	302,628
Operating Income	1,542,309	1,474,507
General and Administrative Expenses	(1,025,417)	(1,221,000)
Income before Income Taxes	516,892	253,507
Income Taxes	(194,686)	(97,383)
Net Income	\$ 322,206	\$ 156,124
Per Share Information:		
Basic and Diluted Income Per Share	\$ 0.06	\$ 0.03
Dividends	\$ 0.10	\$ 0.10

See Accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED-TOMOKA LAND CO.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
AND COMPREHENSIVE INCOME
(UNAUDITED)

	Common Stock	Additional Paid- In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Comprehensive Income
Balance, December 31, 2008	\$ 5,727,515	\$ 5,217,955	\$ 109,556,103	\$ (2,687,266)	\$ 117,814,307	
Net Income			322,206		322,206	\$ 322,206
Other Comprehensive Loss: Cash Flow Hedging Derivative, Net of Tax				20,093	20,093	20,093
Comprehensive Income						\$ 342,299
Exercise of Liability Classified Stock Options	413	13,278			13,691	
Common Stock Repurchase	(4,660)	(99,987)			(104,647)	
Cash Dividends (\$.10 per share)			(572,793)		(572,793)	
Balance, March 31, 2009	\$ 5,723,268	\$ 5,131,246	\$ 109,305,516	\$ (2,667,173)	\$ 117,492,857	

See Accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED-TOMOKA LAND CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Unaudited)	
	Three Months Ended	
	March 31, 2009	March 31, 2008
Cash Flow from Operating Activities		
Net Income	\$ 322,206	\$ 156,124
Adjustments to Reconcile Net Income to Net Cash		
Provided By (Used in) Operating Activities:		
Depreciation and Amortization	682,887	624,930
Deferred Income Taxes	(146,768)	(433,017)
Non-Cash Compensation	(357,633)	(182,068)
Decrease (Increase) in Assets:		
Notes Receivable	--	460,728
Land and Development Costs	(962,004)	405,385
Other Assets	107,767	(341,145)
Increase (Decrease) in Liabilities:		
Accounts Payable	(181,760)	(183,889)
Accrued Liabilities and Accrued Stock Based Compensation	68,753	(158,133)
Income Taxes Payable	(666,456)	(1,974,918)
Net Cash Provided By Operating Activities	(1,133,008)	(1,626,003)
Cash Flow From Investing Activities:		
Acquisition of Property, Plant and Equipment	(1,147,351)	(3,103,681)
Decrease in Restricted Cash for Acquisitions		
Through the Like-Kind Exchange Process	462,765	876,570
Proceeds from Calls or Maturities of Investment Securities	768,799	11,117,545
Acquisition of Investment Securities	(695,955)	(7,515,207)
Net Cash Provided By Investing Activities	(611,742)	1,375,227
Cash Flow from Financing Activities:		
Proceeds from Notes Payable	4,910,000	3,170,000
Payments on Notes Payable	(2,614,858)	(3,051,013)
Cash Proceeds from Exercise of Stock Options	2,059	5,090
Cash Used for Repurchase of Common Stock	(104,647)	--
Dividends Paid	(572,793)	(572,580)
Net Cash Provided By (Used in) Financing Activities	1,619,761	(448,503)
Net Decrease in Cash	(124,989)	(699,279)
Cash, Beginning of Year	388,787	863,826
Cash, End of Period	\$ 263,798	\$ 164,547

The Company paid income taxes totaling \$1,020,462 in the first quarter of 2009.

See Accompanying Notes to Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1. PRINCIPLES OF INTERIM STATEMENTS

The unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission.

Certain information and note disclosures, which are normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles, have been omitted pursuant to those rules and regulations. The consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly the Company's financial position and the results of operations for the interim periods. The consolidated format is designed to be read in conjunction with the last annual report. For further information, refer to the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Inter-company balances and transactions have been eliminated in consolidation.

NOTE 2. COMMON STOCK AND EARNINGS PER SHARE

Basic earnings per common share were computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share are based on the assumption of the conversion of stock options at the beginning of each period using the treasury stock method at average cost for the periods.

	Three Months Ended	
	MARCH	MARCH
	31,	31,
	2009	2008
Income Available to Shareholders:		
Net Income	\$ 322,206	\$ 156,124
Weighted Average Shares Outstanding	5,726,509	5,726,182
Common Shares Applicable to Stock		
Options Using the Treasury Stock Method	--	--
Total Shares Applicable to Diluted Earnings Per Share	5,726,509	5,726,182
Per Share Information:		
Basic and Diluted Income Per Share		
Net Income	\$ 0.06	\$ 0.03
No impact was considered on the conversion of stock options during the periods as the effect would be antidilutive.		

NOTE 3. NOTES PAYABLE

Notes Payable consist of the following:

	March 31, 2009	
	Total	Due Within One Year

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\$20,000,000 Line of Credit	\$ 4,384,554	\$ 4,384,554
Notes Payable	6,460,903	273,729
Total	\$ 10,845,457	\$ 4,658,283

Payments applicable to reduction of principal amounts will be required as follows:

	Year Ending March 31,	
2010		\$ 4,658,283
2011		320,349
2012		344,703
2013		5,522,122
2014 & thereafter		--
		\$ 10,845,457

The \$20,000,000 line of credit expires on March 29, 2010.

For the first three months of 2009, interest expense was \$58,498, net of \$71,347 interest capitalized to land and development costs and construction in process, with interest of \$129,845 paid during the period. For the first three months of 2008, interest expense was \$90,746, net of \$68,400 interest capitalized to land and development costs, with interest of \$129,146 paid during the period.

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NOTE 4. STOCK OPTION PLAN

The Company maintains a stock option plan (“the Plan”) pursuant to which 500,000 shares of the Company’s common stock may be issued. A summary of share option activity under the Plan as of March 31, 2009 and changes during the quarter then ended is presented below.

STOCK OPTIONS FOR THE THREE MONTHS ENDED MARCH 31, 2009:

	Shares	Wtd Avg Ex. Price	Wtd. Avg. Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding December 31, 2008	226,000	\$ 58.11		
Granted	55,000	33.16		
Exercised	(1,600)	25.88		
Expired	(800)	42.87		
Outstanding March 31, 2009	278,600	\$ 53.42	7.68	\$ 80,472
Exercisable at March 31, 2009	102,400	\$ 53.80	6.23	\$ 80,472

STOCK APPRECIATION RIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2009:

	Shares	Wtd.Avg. Fair Value	Wtd. Avg. Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding December 31, 2008	226,000	\$ 3.12		
Granted	55,000	4.76		
Exercised	(1,600)	2.42		
Expired	(800)	--		
Outstanding March 31, 2009	278,600	\$ 2.41	7.68	\$ 43,331
Exercisable at March 31, 2009	102,400	\$ 1.94	6.23	\$ 43,331

In connection with the exercise of 1,600 option shares, 413 shares of stock were issued and 1,187 shares of stock were surrendered to relieve the stock option liability by \$11,632. Cash proceeds of \$2,059 were received on the exercise of the stock options.

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NOTE 5. PENSION PLAN

The Company maintains a defined benefit pension plan for all employees who have attained the age of 21 and completed one year of service. The pension benefits are based primarily on age, years of service, and the average compensation for the highest five years during the final ten years of employment. The benefit formula provides for a life annuity benefit.

Following are the components of the Net Period Benefit Cost:

	Three Months Ended	
	March 31, 2009	March 31, 2008
Service Cost	\$ 88,803	\$ 84,092
Interest Cost	112,753	108,800
Expected Return on Plan Assets	(116,096)	(130,116)
Net Amortization	47,335	19,879
Net Periodic Benefit Cost	\$ 132,795	\$ 82,655

A contribution in the range of approximately \$456,860 is expected to be made in 2009.

NOTE 6. NOTES RECEIVABLE

Notes receivable relate to the financing of real estate sales, bear interest at a market rate, and are recorded at face value. The Company has not and does not intend to sell these receivables. Amounts collected on notes receivable are included in net cash provided by operating activities in the consolidated statements of cash flows.

Notes Receivable consisted of the following:

	March 31, 2009
Mortgage notes with fixed interest rates between 6.5—7.25% collateralized by real estate, payments due in 2008 and 2009	\$ 1,995,376
Mortgage note with variable interest rate at 200 basis points above the 30-day London Interbank Offer Rate "LIBOR," principal and interest payments due annually through 2012	2,158,317