CHECK POINT SOFTWARE TECHNOLOGIES LTD
Form 6-K
October 21, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of October 2013

Commission File Number 0-28584

CHECK POINT SOFTWARE TECHNOLOGIES LTD.

(Translation of registrant's name into English)

5 Ha'solelim Street, Tel Aviv, Israel
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form, is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No x

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-________

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CHECK POINT SOFTWARE TECHNOLOGIES REPORTS 2013 THIRD QUARTER FINANCIAL RESULTS

SAN CARLOS, CA – October 21, 2013 — Check Point® Software Technologies Ltd. (NASDAQ: CHKP), the worldwide leader in securing the Internet, today announced its financial results for the third quarter ended September 30, 2013.

- Total Revenue: $344.1 million, representing a 4 percent increase year over year
- Non-GAAP Operating Income: $ 200.8 million, representing 58 percent of revenues
- Non-GAAP EPS: $0.85, representing an 8 percent increase year over year
- Deferred Revenues: $566.8 million, representing a 12 percent increase year over year

"We are very pleased with our healthy third quarter results.  Revenue and earnings per share for the quarter were toward the high-end of our projections, underscoring the strength of our business," said Gil Shwed, founder, chairman, and chief executive officer of Check Point Software Technologies. "The recently launched data center and small appliance families were received enthusiastically by our customers and posted another quarter of high growth."

Third Quarter 2013 Financial Highlights:

- Total Revenue: $344.1 million, an increase of 4 percent, compared to $332.4 million in the third quarter of 2012.
- GAAP Operating Income: $186.5 million, an increase of 2 percent, compared to $182.6 million in the third quarter of 2012. GAAP operating margin was 54 percent, compared to 55 percent in the third quarter of 2012.
- Non-GAAP Operating Income: $200.8 million, an increase of 3 percent, compared to $195.6 million in the third quarter of 2012. Non-GAAP operating margin was 58 percent, compared to 59 percent in the third quarter of 2012.
- GAAP Net Income and Earnings per Diluted Share: GAAP net income was $159.7 million, an increase of 5 percent, compared to $152.4 million in the third quarter of 2012. GAAP earnings per diluted share were $0.80, an increase of 10 percent, compared to $0.73 in the third quarter of 2012.
- Non-GAAP Net Income and Earnings per Diluted Share: Non-GAAP net income was $168.9 million, an increase of 3 percent, compared to $164.1 million in the third quarter of 2012. Non-GAAP earnings per diluted share were $0.85, an increase of 8 percent, compared to $0.79, in the third quarter of 2012.
- Deferred Revenues: As of September 30, 2013, we had deferred revenues of $566.8 million, an increase of 12 percent, compared to $505.9 million as of September 30, 2012.
- Cash Flow: Cash flow from operations was $195.5 million, an increase of 8%, compared to $180.4 million in the third quarter of 2012.
- Share Repurchase Program: During the third quarter of 2013, we repurchased 2.3 million shares at a total cost of $128.3 million.
- Cash Balances, Marketable Securities and Short Term Deposits: $3,664.3 million as of September 30, 2013, an increase of $417.5 million, compared to $3,246.8 million as of September 30, 2012.

For information regarding the Non-GAAP financial measures discussed in this release, please see "Use of Non-GAAP Financial Information" and "Reconciliation of GAAP to Non-GAAP Financial Information."

Business Highlights

During the quarter we released the latest version of Check Point's industry-leading Software Blades Architecture incorporating Threat Emulation to the platform. In addition, we expanded the breadth of our data center family of appliances:

Check Point Security Gateway R77 – Incorporates more than 50 product enhancements, including the new ThreatCloud Emulation Service, Check Point HyperSpect™ performance enhancing technology, and Check Point Compliance Software Blade. R77 enables customers to take advantage of our comprehensive security platform to attain high levels of security with a lower total cost of ownership.

Check Point Threat Emulation – Check Point Threat Emulation prevents infections from undiscovered exploits, zero-day and targeted attacks. This innovative solution quickly inspects files and runs them in a virtual sandbox across multiple OS versions to discover malicious behavior and prevent discovered malware from entering the network. Threat Emulation is available as a software blade or Private Cloud Emulation Appliance leveraging the ThreatCloud Emulation Service.

13500 Data Center Appliance Launch – The 13500 Appliance leverages Check Point HyperSpect™, which maximizes hardware utilization, and delivers 23.6 Gbps of real-life firewall throughput, 5.7 Gbps of real-life IPS throughput and 3,200 SecurityPower™ unit (SPU) rating.

Worldwide Industry Recognition:

Leader in Gartner's Magic Quadrant for Unified Threat Management - Check Point is positioned as a Leader in Gartner's Magic Quadrant for Unified Threat Management (UTM). The company has been in the Leaders quadrant for three consecutive years.

Leader in Gartner's Magic Quadrant for Mobile Data Protection - Check Point is positioned as a Leader in Gartner's Magic Quadrant for Mobile Data Protection (MDP). The company has been in the Leaders quadrant for seven consecutive years.

Top Position in Worldwide Combined Firewall and UTM Appliance Market - Check Point continued to be the number one vendor in worldwide combined Firewall and UTM appliance revenue for Q2 2013, according to the IDC Worldwide Quarterly Security Appliance Tracker Q2 2013.

Shwed concluded, "The introduction of Threat Emulation in R77 empowers organizations of all sizes to protect their networks from malicious documents utilized by the most sophisticated APT attacks. The leadership and innovation of our security solutions is recognized by the market research firms and embraced by our customers."

Fourth Quarter 2013 Investor Conference Participation Schedule:

- Wells Fargo Securities Media & Technology Conference<br>November 12, 2013 – New York, NY

- RBC Global Technology Conference<br>November 13, 2013 – New York, NY

- UBS Global Technology Conference
  November 20, 2013 – Sausalito, CA

- Credit Suisse Annual Technology Conference
  December 4, 2013 – Scottsdale, AZ

- Raymond James Supply Chain Conference
  December 9, 2013– New York, NY

Members of Check Point's management team will present at these conferences and discuss the latest company strategies and initiatives. Check Point’s conference presentations are expected to be available via webcast on the company's web site. To view these presentations and access the most updated information please visit the company's web site at www.checkpoint.com/ir. The schedule is subject to change.

Conference Call and Webcast Information
Check Point will host a conference call with the investment community on October 21, 2013 at 8:30 AM ET/5:30 AM PT. To listen to the live webcast, please visit the website at: www.checkpoint.com/ir. A replay of the conference call will be available through October 28, 2013 on the company's website or by telephone at +1.201.612.7415, replay ID number 422171.

About Check Point Software Technologies Ltd.
Check Point Software Technologies Ltd. (www.checkpoint.com), the worldwide leader in securing the Internet, provides customers with uncompromised protection against all types of threats, reduces security complexity and lowers total cost of ownership. Check Point first pioneered the industry with FireWall-1 and its patented stateful inspection technology. Today, Check Point continues to develop new innovations based on the Software Blade Architecture, providing customers with flexible and simple solutions that can be fully customized to meet the exact security needs of any organization. Check Point is the only vendor to go beyond technology and define security as a business process. Check Point 3D Security uniquely combines policy, people and enforcement for greater protection of information assets and helps organizations implement a blueprint for security that aligns with business needs. Customers include tens of thousands of organizations of all sizes, including all Fortune and Global 100 companies. Check Point's award-winning ZoneAlarm solutions protect millions of consumers from hackers, spyware and identity theft.



Use of Non-GAAP Financial Information
In addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP, Check Point uses non-GAAP measures of net income, operating income, operating margin and earnings per share, which are adjustments from results based on GAAP to exclude non-cash equity-based compensation charges, amortization of acquired intangible assets, gain on sale of marketable securities previously impaired or other than temporary impairment of marketable securities, net, and the related tax effects. Check Point’s management believes the non-GAAP financial information provided in this release is useful to investors’ understanding and assessment of Check Point’s ongoing core operations and prospects for the future. Historically, Check Point has also publicly presented these supplemental non-GAAP financial measures in order to assist the investment community to see the Company “through the eyes of management,” and thereby enhance understanding of its operating performance. The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP. A reconciliation of the non-GAAP financial measures discussed in this press release to the most directly comparable GAAP financial measures is included with the financial statements contained in this press release. Management uses both GAAP and non-GAAP information in evaluating and operating business internally and as such has determined that it is important to provide this information to investors.

CHECK POINT SOFTWARE TECHNOLOGIES LTD.
CONSOLIDATED STATEMENT OF INCOME

(In thousands, except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenues: | | | | |
| Products and licenses | $121,081 | $121,036 | $348,373 | $ 354,373 |
| Software updates, maintenance and subscription | 223,046 | 211,320 | 658,656 | 619,748 |
| Total revenues | 344,127 | 332,356 | 1,007,029 | 974,121 |
| | | | | |
| Operating expenses: | | | | |
| Cost of products and licenses | 21,727 | 20,606 | 61,492 | 60,881 |
| Cost of software updates, maintenance and subscription | 18,342 | 17,380 | 54,395 | 50,164 |
| Amortization of technology | 60 | 294 | 552 | 3,688 |
| Total cost of revenues | 40,129 | 38,280 | 116,439 | 114,733 |
| | | | | |
| Research and development | 30,034 | 28,517 | 88,717 | 82,621 |
| Selling and marketing | 68,783 | 64,501 | 201,093 | 189,415 |
| General and administrative | 18,690 | 18,412 | 53,995 | 51,288 |
| Total operating expenses | 157,636 | 149,710 | 460,244 | 438,057 |
| | | | | |
| Operating income | 186,491 | 182,646 | 546,785 | 536,064 |
| Financial income, net | 9,098 | 10,452 | 25,548 | 30,688 |
| Income before taxes on income | 195,589 | 193,098 | 572,333 | 566,752 |
| Taxes on income | 35,888 | 40,691 | 113,664 | **3. INVESTMENTS IN MARKETABLE SECURITIES** |

Investments in marketable securities consist primarily of large capital corporate equity and debt securities in varying industries or issued by government agencies with readily determinable fair values. These securities are stated at fair value, as determined by the most recent traded price of each security at the balance sheet date. Consistent with the Company's overall current investment objectives and activities its entire marketable securities portfolio is classified as trading. Included in investments in marketable securities is approximately $3.2 million and $6.2 million, of large capital real estate investment trusts (REITs) as of September 30, 2017 and December 31, 2016, respectively.

Net realized and unrealized (loss) gain from investments in marketable securities for the three and nine months ended September 30, 2017 and 2016 is summarized below:

| Description | Three months ended September 30, 2017 | Three months ended September 30, 2016 | Nine months ended September 30, 2017 | Nine months ended September 30, 2016 |
|---|---|---|---|---|
| Net realized gain from sales of securities | $115,000 | $318,000 | $26,000 | $301,000 |
| Unrealized net gain (loss) in trading securities | (105,000) | (257,000) | 215,000 | 315,000 |
| Total net gain from investments in marketable securities | $10,000 | $61,000 | $241,000 | $616,000 |

For the three months ended September 30, 2017, net realized gain from sales of marketable securities was approximately $115,000, and consisted of approximately $221,000 of gross gains and $105,000 of gross losses. For the nine months ended September 30, 2017, net realized gains from sales of marketable securities was approximately $26,000, and consisted of approximately $313,000 of gross gains net of $287,000 of gross losses.

For the three months ended September 30, 2016, net realized gain from sales of marketable securities was approximately $318,000, and consisted of approximately $408,000 of gross gains and $90,000 of gross losses. For the nine months ended September 30, 2016, net realized gain from sales of marketable securities was approximately $301,000, and consisted of approximately $620,000 of gross gains net of $319,000 of gross losses.

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.

## 4. INVESTMENT IN RESIDENTIAL REAL ESTATE PARTNERSHIP

In September 2014, the Company, through a 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"). On May 19, 2015, pursuant to the terms of a Construction Loan Agreement, between JY-TV Associates LLC ("JY-TV" or the "Borrower", which is one-third owned by a wholly-owned subsidiary of the Company) and Wells Fargo Bank ("Lender"), Lender loaned to the Borrower the principal sum of $27 million pursuant to a senior secured construction loan ("Loan"). The proceeds of the Loan were used to finance the previously reported construction of multi-family residential apartments containing 240 units totaling approximately 239,000 net rentable square feet on a 9.5-acre site located in Orlando, Florida ("Project"). The Project is approximately 97% leased. For the nine months ended September 30, 2017 JY-TV reported a net loss of approximately $500,000, which includes depreciation and amortization expense of $1.2 million and interest expense of $845,000. The Company's portion of that loss for the nine months ended September 30, 2017 is approximately $167,000.

The Company and certain affiliates of the other two members of the Borrower ("Guarantors") entered into a Completion Guaranty Agreement ("Completion Guaranty") and a Repayment Guaranty Agreement ("Repayment Guaranty") (collectively, the "Guaranties") with the Lender. Under the Completion Guaranty, Guarantors shall unconditionally guaranty, on a joint and several bases, lien free completion of all improvements with respect to the Project and any construction or completion obligations required to be made by the Borrower pursuant to any approved leases. Under the Repayment Guaranty, Guarantors shall provide an unconditional guaranty including the repayment of $11.5 million of the principal balance of the Loan, repayment of all accrued but unpaid interest and payment of any other sums payable under any of the Loan Agreement. Each Guarantor is required to maintain compliance at all times with certain financial covenants, as defined. As of September 30, 2017, the Company was in compliance with all debt covenants. The construction loan matures on May 19, 2018.

## 5. OTHER INVESTMENTS

As of September 30, 2017, the Company's portfolio of other investments had an aggregate carrying value of approximately $6.2 million and we have committed to further fund approximately $2.5 million as required by agreements with the investees. The carrying value of these investments is equal to contributions less distributions and loss valuation adjustments, if any.

During the nine months ended September 30, 2017, we made contributions to other investments of approximately $1.7 million, including five new investments totaling approximately $1.1 million in contributions plus $600,000 in follow on contributions to existing investments. The new investments consist of an investment in a partnership owning multi-family residential real estate in Atlanta, Georgia for $400,000, $250,000 in a partnership owning a mortgage secured by property being developed in Hollywood, Florida, $300,000 in a pool of mortgage loans secured by property located near the west coast of Florida, $75,000 co-investment with current investee in a partnership owning one stock, and $75,000 in a seed capital fund.

During the nine months ended September 30, 2017, we received distributions from other investments of approximately $1.2 million. Such distributions included $368,000 from one investment in a partnership owning one stock which was sold in March 2017, a $260,000 distribution from an investment in a pool of mortgages sold back to the seller bank in July 2017, and various other distributions primarily from real estate and related investments.

Net income from other investments for the three and nine months ended September 30, 2017 and 2016, is summarized below:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| Description | 2017 | 2016 | 2017 | 2016 |
| Partnerships owning diversified businesses | $17,000 | $58,000 | $196,000 | $103,000 |
| Partnerships owning real estate and related | 59,000 | 84,000 | 187,000 | 148,000 |
| Income from investment in 49% owned affiliate (T.G.I.F. Texas, Inc.) | 4,000 | 15,000 | 45,000 | 24,000 |
| Total net income from other investments | $80,000 | $157,000 | $428,000 | $274,000 |

The following tables present gross unrealized losses and fair values for those investments that were in an unrealized loss position as of September 30, 2017 and December 31, 2016, aggregated by investment category and the length of time that investments have been in a continuous loss position:

| | As of September 30, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | 12 Months or Less | | Greater than 12 Months | | Total | |
| Investment Description | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Partnerships owning investments in technology related industries | $140,000 | $(23,000) | $ - | $ - | $140,000 | $(23,000) |
| Partnerships owning diversified businesses investments | 132,000 | (6,000) | - | - | 132,000 | (6,000) |
| Total | $272,000 | $(29,000) | $ - | $ - | $272,000 | $(29,000) |

| | As of December 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | 12 Months or Less | | Greater than 12 Months | | Total | |
| Investment Description | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Partnerships owning investments in technology related industries | $151,000 | $(11,000) | $ - | $ - | $151,000 | $(11,000) |
| Partnerships owning diversified businesses investments | 498,000 | (30,000) | - | - | 498,000 | (30,000) |
| Total | $649,000 | $(41,000) | $ - | $ - | $649,000 | $(41,000) |

When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer and any changes thereto, and the Company's intent to sell, or whether it is more likely than not it will be required to sell, the investment before recovery of the investment's amortized cost basis.

In accordance with ASC Topic 320-10-65, Recognition and Presentation of Other-Than-Temporary Impairments there were no impairment valuation adjustments for the three and nine months ended September 30, 2017 and 2016.

## 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during as of September 30, 2017 and December 31, 2016, using quoted prices in active markets for identical assets (Level 1) and significant other observable inputs (Level 2). For the periods presented, there were no major assets measured at fair value on a recurring basis which uses significant unobservable inputs (Level 3):

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Assets and liabilities measured at fair value on a recurring basis are summarized below:

| Description | Fair value measurement at reporting date using<br>Total September 30, 2017 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Assets: | | | | |
| Cash equivalents: | | | | |
| Time deposits | $ 352,000 | - | $ 352,000 | $ - |
| Money market mutual funds | 1,213,000 | 1,213,000 | - | - |
| U.S. T-Bills | 2,935,000 | 2,935,000 | | |
| Marketable securities: | | | | |
| Corporate debt securities | 746,000 | - | 746,000 | - |
| Marketable equity securities | 4,357,000 | 4,357,000 | - | - |
| Total assets | $ 9,603,000 | $ 8,505,000 | $ 1,098,000 | $ - |

| Description | Fair value measurement at reporting date using<br>Total December 31, 2016 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Assets: | | | | |
| Cash equivalents: | | | | |
| Time deposits | $ 350,000 | $ - | $ 350,000 | $ - |
| Money market mutual funds | 2,182,000 | 2,182,000 | - | - |
| Marketable securities: | | | | |
| Corporate debt securities | 714,000 | - | 714,000 | - |
| Marketable equity securities | 7,037,000 | 7,037,000 | - | - |
| Total assets | $ 10,283,000 | $ 9,219,000 | $ 1,064,000 | $ - |

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

## 7. INCOME TAXES

The Company as a qualifying real estate investment trust (“REIT”) 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.

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

The Company accounts for income taxes in accordance with ASC Topic 740, "Accounting for Income Taxes." ASC Topic 740 requires a Company to use the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred income taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred taxes only pertain to CII. As of September 30, 2017, and December 31, 2016, the Company has recorded a net deferred tax liability of $76,000 as a result of timing differences associated with the carrying value of the investment in affiliate (TGIF) and other investments. CII's NOL carryover to 2018 is estimated at $1 million expiring beginning in 2028 and has been fully reserved due to CII historically having tax losses.

The provision for income taxes in the consolidated statements of comprehensive income consists of the following:

| Nine months ended September 30, | 2017 | 2016 |
|---|---|---|
| Current: | | |
| Federal | $- | $20,000 |
| State | - | - |
| | - | 20,000 |
| Deferred: | | |
| Federal | $34,000 | $42,000 |
| State | 4,000 | 5,000 |
| | 38,000 | 47,000 |
| Decreased valuation allowance | (38,000) | (47,000) |
| Total | $- | $20,000 |

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The Company follows the provisions of ASC Topic 740-10, “Accounting for Uncertainty in Income Taxes” which clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with ASC Topic 740, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This topic also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our consolidated financial statements. Our evaluation was performed for the tax years ended December 31, 2016. The Company’s federal income tax returns since 2013 are subject to examination by the Internal Revenue Service, generally for a period of three years after the returns were filed.

We may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. In the event we have received an assessment for interest and/or penalties, it has been classified in the consolidated financial statements as selling, general and administrative expense.

**8. <u>STOCK OPTIONS</u>**

Stock based compensation expense is recognized using the fair-value method for all awards. During the nine months ended September 30, 2017 there were no options granted, exercised, expired or forfeited.

The following table summarizes information concerning outstanding and exercisable options as of September 30, 2017:

| Number Outstanding and exercisable | Weighted Average Strike Price |
|---|---|
| 12,500 | $ 9.31 |

As of September 30, 2017, the options outstanding and exercisable had an intrinsic value of approximately $13,000.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**RESULTS OF OPERATIONS**

The Company reported a net loss of approximately $182,000 ($0.18 per share) and $151,000 ($0.15 per share) for the three and nine months ended September 30, 2017, respectively. For the three months ended September 30, 2016, we reported a net loss of $49,000 ($0.05 per share), and for the nine months ended September 30, 2016 we reported net income of $181,000 ($0.18 per share).

**REVENUES**

Rentals and related revenues for the three and nine months ended September 30, 2017 were approximately $16,000 and $52,000, respectively and primarily consists of rent from the Advisor to CII for its corporate office. For the three and nine months ended September 30, 2016 rental and related revenues were $16,000 and $49,000, respectively.

Net realized and unrealized gain from investments in marketable securities:

Net realized gain from sales of marketable securities for the three and nine months ended September 30, 2017 was approximately $115,000 and $26,000, respectively. Net realized gain from sales of marketable securities for the three and nine months ended September 30, 2016 was approximately $318,000 and $301,000, respectively. Net unrealized loss from investments in marketable securities for the three months ended September 30, 2017 and 2016 was approximately $105,000 and $257,000, respectively. Net unrealized gain from investments in marketable securities for the nine months ended September 30, 2017 and 2016 was approximately $215,000 and $315,000, respectively. For further details refer to Note 3 to Condensed Consolidated Financial Statements (unaudited).

Equity loss in residential real estate partnership:

Equity loss in residential real estate partnership for the three and nine months ended September 30, 2017 was approximately $14,000 and $167,000, respectively. This is as compared with equity loss of $52,000 for the three and nine months ended September 30, 2016. For further details, refer to Note 4 to Condensed Consolidated Financial Statements (unaudited).

Net income from other investments:

Net income from other investments for the three and nine months ended September 30, 2017 was approximately $80,000 and $428,000, respectively. This is as compared with net income from other investments for the three and nine months ended September 30, 2016 of approximately $157,000 and $274,000, respectively. For further details refer to Note 5 to Condensed Consolidated Financial Statements (unaudited).

Interest, dividend and other income:

Interest, dividend and other income for the three and nine months ended September 30, 2017 was approximately $109,000 and $373,000, respectively. This is as compared with interest, dividend and other income for the three and nine months ended September 30, 2016 was approximately $148,000 and $452,000, respectively. The decreases in the three and nine-month prior year comparable periods was primarily due to decreased dividend income as a result of increased sale of marketable securities.

**EXPENSES**

General and administrative expenses for the three months ended September 30, 2017 as compared with the same period in 2016 increased by approximately $37,000 (45%). The increase was due primarily to $26,000 in expenses relating to a prospective real estate transaction in Orlando, Florida which did not close.

Professional fees and expenses for the three and nine months ended September 30, 2017 decreased by approximately $33,000 (60%) and $44,000 (25%), respectively as compared with the prior year comparable periods. The decreases were primarily from decreased shareholder relations legal fees and decreased tax consulting fees.

**EFFECT OF INFLATION:**

Inflation affects the costs of holding the Company's investments. Increased inflation would decrease the purchasing power of our mainly liquid investments.

**LIQUIDITY, CAPITAL EXPENDITURE REQUIREMENTS AND CAPITAL RESOURCES**

The Company's material commitments primarily consist of a note payable to the Company's 49% owned affiliate, T.G.I.F. Texas, Inc. ("TGIF") of approximately $1.55 million due on demand, contributions committed to other investments of approximately $2.5 million due upon demand. The funds necessary to meet these obligations are expected from the proceeds from the sales of investments, distributions from investments and available cash.

**MATERIAL COMPONENTS OF CASH FLOWS**

For the nine months ended September 30, 2017, net cash used in operating activities was approximately $501,000, primarily consisting of operating expenses.

For the nine months ended September 30, 2017, net cash provided by investing activities was approximately $2.8 million. This consisted primarily of proceeds from sales of marketable securities of $5.6 million, distributions from other investments of $1.2 million, distributions from investment in residential partnership of $130,000 and distribution from TGIF of $193,000. These sources of funds were partially offset by uses including $2.7 million in purchases of marketable securities and $1.7 million of contributions to other investments

For the nine months ended September 30, 2017, net cash used in financing activities was $532,000, consisting of dividends paid of $501,000 and $50,000 principal repayment on loan due to TGIF. This is partially offset by increased margin borrowings of $20,000.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not applicable

**Item 4. Controls and Procedures**

(a) Evaluation of Disclosure Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q have concluded that, based on such evaluation, our disclosure controls and procedures were effective and designed to ensure that material information relating to us and our consolidated subsidiaries, which we are required to disclose in the reports we file or submit under the Securities Exchange Act of 1934, was made known to them by others within those entities and reported within the time periods specified in the SEC’s rules and forms.

(b) Changes in Internal Control Over Financial Reporting.

There were no changes in the Company’s internal controls over financial reporting identified in connection with the evaluation of such internal control over financial reporting that occurred during our last fiscal quarter which have materially affected, or reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

**Item 1. Legal Proceedings:** None

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds:**

The Company has one current program to repurchase up to $600,000 of 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 on June 30, 2016 and expires on June 29, 2021. As of September 30, 2017, the maximum dollar value of shares that may yet be purchased under the program is $259,719. During the nine months ended September 30, 2017, there were no shares purchased as part of this publicly announced program.

**Item 3. Defaults Upon Senior Securities:** None.

**Item 4. Mine Safety Disclosures:** Not applicable.

**Item 5. Other Information:** None

**Item 6. Exhibits:**

(a) Certifications pursuant to 18 USC Section 1350-Sarbanes-Oxley Act of 2002. Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | |
|---|---|
| | HMG/COURTLAND PROPERTIES, INC. |
| Dated: November 13, 2017 | /s/ Maurice Wiener<br>CEO and President |
| Dated: November 13, 2017 | /s/Carlos Camarotti<br>CFO and Vice President |

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