

Owens Realty Mortgage, Inc.
Form 10-Q
May 15, 2014

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2014

OR

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 000-54957

OWENS REALTY MORTGAGE, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction
of Incorporation or Organization)

46-0778087
(I.R.S. Employer Identification No.)

2221 Olympic Boulevard
Walnut Creek, California
(Address of Principal Executive Offices)

94595
(Zip Code)

(925) 935-3840
Registrant's Telephone Number, Including Area Code

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 reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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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 (§232.405 of this chapter) 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 “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check One):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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	Outstanding as of May 15, 2014
Common Stock, \$.01 par value	10,768,001 shares

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

OWENS REALTY MORTGAGE, INC.
Consolidated Balance Sheets
(UNAUDITED)

	March 31, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	\$ 1,422,955	\$ 8,158,734
Restricted cash	3,986,573	4,095,435
Loans, net of allowance for losses of \$4,866,260 in 2014 and \$4,739,088 in 2013	57,525,419	54,057,205
Interest and other receivables	1,661,189	1,673,978
Other assets, net of accumulated depreciation and amortization of \$998,566 in 2014 and \$976,090 in 2013	1,435,260	1,197,683
Investment in limited liability company	2,184,278	2,142,582
Real estate held for sale	5,910,138	5,890,131
Real estate held for investment, net of accumulated depreciation of \$10,118,917 in 2014 and \$9,599,719 in 2013	137,002,127	129,425,833
Total Assets	\$ 211,127,939	\$ 206,641,581
LIABILITIES AND EQUITY		
LIABILITIES:		
Dividends payable	\$ 538,400	\$ 180,000
Due to Manager	157,596	293,776
Accounts payable and accrued liabilities	3,252,317	2,710,745
Deferred gains	3,037,015	3,313,169
Line of credit payable	4,100,000	—
Notes payable	13,872,676	13,917,585
Total Liabilities	24,958,004	20,415,275
Commitments and Contingencies (Note 13)		
EQUITY:		
Stockholders' equity:		
Preferred stock, \$.01 par value per share, 5,000,000 shares authorized, no shares issued and outstanding at March 31, 2014 and December 31, 2013	—	—
Common stock, \$.01 par value per share, 50,000,000 shares authorized, 11,198,119 shares issued, 10,768,001 and 10,794,209 shares outstanding at March 31, 2014 and December 31, 2013, respectively	111,981	111,981
Additional paid-in capital	182,437,522	182,437,522
Treasury stock, at cost – 430,118 and 403,910 shares at March 31, 2014 and December 31, 2013, respectively	(5,349,156)	(5,023,668)
Retained earnings	2,571,405	2,348,575
Total stockholders' equity	179,771,752	179,874,410
Non-controlling interests	6,398,183	6,351,896
Total Equity	186,169,935	186,226,306
Total Liabilities and Equity	\$ 211,127,939	\$ 206,641,581

The accompanying notes are an integral part of these consolidated financial statements.

OWENS REALTY MORTGAGE, INC.
Consolidated Statements of Operations
(UNAUDITED)

	Three Months Ended March 31,	
	2014	2013 As Recast (1)
Revenues:		
Interest income on loans	\$ 1,136,784	\$ 887,229
Gain on foreclosure of loan	257,020	952,357
Rental and other income from real estate properties	2,689,975	2,723,417
Income from investment in limited liability company	41,696	41,002
Other income	18	793
Total revenues	4,125,493	4,604,798
Expenses:		
Management fees to Manager	420,306	439,772
Servicing fees to Manager	38,210	43,455
General and administrative expense	415,743	273,108
Rental and other expenses on real estate properties	1,915,115	2,206,821
Depreciation and amortization	546,097	398,018
Interest expense	127,385	127,482
Provision for (reversal of) loan losses	127,172	(257,213)
Impairment losses on real estate properties	7,540	—
Total expenses	3,597,568	3,231,443
Operating income	527,925	1,373,355
Gain on sale of real estate and other assets, net	277,184	30,337
Net income	805,109	1,403,692
Less: Net (income) loss attributable to non-controlling interests	(44,546)	26,240
Net income attributable to common stockholders	\$ 760,563	\$ 1,429,932
Per common share data:		
Basic and diluted earnings per common share	\$ 0.07	\$ 0.13
Basic and diluted weighted average number of common shares outstanding	10,769,498	11,198,119
Dividends declared per share of common stock	\$ 0.05	\$ 0.003

(1) As recast to reflect the balances of Owens Mortgage Investment Fund, LP combined with the balances of Owens Realty Mortgage, Inc. beginning January 1, 2013, as required under the accounting guidelines for a transfer of an entity under common control (refer to Note 1).

The accompanying notes are an integral part of these consolidated financial statements.

OWENS REALTY MORTGAGE, INC.
Consolidated Statements of Stockholders' Equity
(UNAUDITED)

	Common Stock		Additional	Treasury Stock		Retained Earnings	Total
	Shares	Amount	Paid-in Capital	Shares	Amount	(Accumulated Deficit)	Stockholder Equity
Balances, December 31, 2012 As Recast (1)	11,198,119	\$ 111,981	\$ 182,985,281	—	—	(3,637,331) \$	179,459
Net income (loss)	—	—	—	—	—	1,429,932	1,429,932
Offering costs incurred	—	—	(439,725)	—	—	—	(439,725)
Dividends declared	—	—	—	—	—	(31,024)	(31,024)
Distributions to non-controlling interests	—	—	—	—	—	—	—
Balances, March 31, 2013	11,198,119	\$ 111,981	\$ 182,545,556	—	—	(2,238,423) \$	180,419
Balances, December 31, 2013 As Recast (1)	11,198,119	\$ 111,981	\$ 182,437,522	(403,910)	(5,023,668) \$	2,348,575 \$	179,874
Net income	—	—	—	—	—	760,563	760,563
Dividends declared	—	—	—	—	—	(537,733)	(537,733)
Purchase of treasury stock	—	—	—	(26,208)	(325,488)	—	(325,488)
Contribution from non-controlling interest	—	—	—	—	—	—	—
Distributions to non-controlling interests	—	—	—	—	—	—	—
Balances, March 31, 2014	11,198,119	\$ 111,981	\$ 182,437,522	(430,118)	\$(5,349,156) \$	2,571,405 \$	179,771

(1) As recast to reflect the balances of Owens Mortgage Investment Fund, LP combined with the balances of Owens Realty Mortgage, Inc. beginning January 1, 2013, as required under the accounting guidelines for a transfer of an entity under common control (refer to Note 1).

The accompanying notes are an integral part of these consolidated financial statements.

OWENS REALTY MORTGAGE, INC.
Consolidated Statements of Cash Flows
(UNAUDITED)

	Three Months Ended March 31,	
	2014	2013 As Recast (1)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 805,109	\$ 1,403,692
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Gain on sale of real estate and other assets, net	(277,184)	(30,337)
Gain on foreclosure of loan	(257,020)	(952,357)
Accretion of discount on loan	(12,200)	—
Income from investment in limited liability company	(41,696)	(41,002)
Provision for (reversal of) loan losses	127,172	(257,213)
Impairment losses on real estate properties	7,540	—
Depreciation and amortization	546,097	398,017
Changes in operating assets and liabilities:		
Interest and other receivables	(268,931)	676,684
Other assets	(120,808)	18,002
Accounts payable and accrued liabilities	(582,186)	(1,192,634)
Due to Manager	(136,180)	154,699
Net cash (used in) provided by operating activities	(210,287)	177,551
CASH FLOWS FROM INVESTING ACTIVITIES:		