

Owens Realty Mortgage, Inc.
Form 10-Q
November 09, 2015

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 September 30, 2015

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

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

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(§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 Smaller reporting company
(Do not check if a smaller reporting 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 November 6, 2015
Common Stock, \$.01 par value	10,326,205 shares

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

	Page
Item 1. Financial Statements	4
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	35
Item 3. Quantitative and Qualitative Disclosures about Market Risk	56
Item 4. Controls and Procedures	58

PART II – OTHER INFORMATION

Item 1. Legal Proceedings	58
Item 1A. Risk Factors	58
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	59
Item 6. Exhibits	59

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	\$ 6,707,686	\$ 1,413,545
Restricted cash	7,495,337	6,248,746
Loans, net of allowance for loan losses of \$3,341,714 in 2015 and \$2,869,355 in 2014	73,492,372	65,164,156
Interest and other receivables	1,688,948	1,482,380
Other assets, net of accumulated depreciation and amortization of \$259,597 in 2015 and \$1,065,172 in 2014	681,715	1,138,123
Deferred financing costs, net of accumulated amortization of \$676,047 in 2015 and \$253,675 in 2014	936,948	1,317,585
Investment in limited liability company	2,188,064	2,142,581
Real estate held for sale	104,681,106	59,494,339
Real estate held for investment, net of accumulated depreciation of \$2,591,431 in 2015 and \$6,075,287 in 2014	53,905,407	103,522,466
Total assets	\$ 251,777,583	\$ 241,923,921
LIABILITIES AND EQUITY		
LIABILITIES:		
Dividends payable	\$ 835,533	\$ 1,292,160
Due to Manager	234,588	283,644
Accounts payable and accrued liabilities	4,654,230	2,219,674
Deferred gains on sales of real estate	209,662	362,283
Lines of credit payable	8,954,000	11,450,000
Notes and loans payable on real estate	41,197,782	37,569,549
Total liabilities	56,085,795	53,177,310
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 September 30, 2015 and December 31, 2014	—	—
Common stock, \$.01 par value per share, 50,000,000 shares authorized, 11,198,119 shares issued, 10,407,738 and 10,768,001 shares outstanding at September 30, 2015 and December 31, 2014	111,981	111,981
Additional paid-in capital	182,437,522	182,437,522
Treasury stock, at cost – 790,381 and 430,118 shares at September 30, 2015 and December 31, 2014	(10,602,004)	(5,349,156)
Retained earnings	19,143,709	7,371,511
Total stockholders' equity	191,091,208	184,571,858
Non-controlling interests	4,600,580	4,174,753
Total equity	195,691,788	188,746,611
Total liabilities and equity	\$ 251,777,583	\$ 241,923,921

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

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

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenues:				
Interest income on loans	\$ 1,372,739	\$ 1,399,122	\$ 6,697,476	\$ 3,564,842
Rental and other income from real estate properties	2,996,873	3,262,549	9,983,138	8,936,923
Income from investment in limited liability company	44,605	43,686	130,483	126,357
Other income	—	—	—	19
Total revenues	4,414,217	4,705,357	16,811,097	12,628,141
Expenses:				
Management fees to Manager	513,292	435,652	1,410,293	1,275,901
Servicing fees to Manager	46,663	39,605	128,208	115,991
General and administrative expense	292,531	285,669	951,579	1,090,876
Rental and other expenses on real estate properties	2,070,680	2,060,670	6,420,490	5,952,479
Depreciation and amortization	526,178	549,189	1,712,136	1,642,922
Interest expense	354,163	338,225	1,413,109	718,707
Bad debt expense	150,402	660	150,537	1,296
Provision for loan losses	44,316	117,680	472,359	141,032
Impairment losses on real estate properties	—	123,500	1,256,434	179,040
Total expenses	3,998,225	3,950,850	13,915,145	11,118,244
Operating income	415,992	754,507	2,895,952	1,509,897
Gain on sales of real estate, net	—	113,113	15,031,299	2,740,105
Gain on foreclosure of loan	—	—	—	257,020
Net income	415,992	867,620	17,927,251	4,507,022
Less: Net income attributable to non-controlling interests	(31,671)	(83,797)	(2,630,434)	(151,752)
Net income attributable to common stockholders	\$ 384,321	\$ 783,823	\$ 15,296,817	\$ 4,355,270
Per common share data:				
Basic and diluted earnings per common share	\$ 0.04	\$ 0.07	\$ 1.43	\$ 0.40
Basic and diluted weighted average number of common shares outstanding	10,538,735	10,768,001	10,690,736	10,768,495
Dividends declared per share of common stock	\$ 0.08	\$ 0.05	\$ 0.33	\$ 0.15

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

OWENS REALTY MORTGAGE, INC.
Consolidated Statements of Stockholders' Equity
Nine Months Ended September 30, 2015 and 2014
(UNAUDITED)

	Common Stock		Additional	Treasury Stock		Retained	Total	Non-
	Shares	Amount	Paid-in	Shares	Amount			
			Capital			Earnings	Equity	Interests
Balances, December 31, 2013	11,198,119	\$ 111,981	\$ 182,437,522	(403,910)	\$(5,023,668)	\$ 2,348,575	\$ 179,874,410	\$ 6,351,800
Net income	—	—	—	—	—	4,355,270	4,355,270	151,700
Dividends declared	—	—	—	—	—	(1,614,533)	(1,614,533)	—
Purchase of treasury stock	—	—	—	(26,208)	(325,488)	—	(325,488)	—
Contribution from non-controlling interest	—	—	—	—	—	—	—	112,500
Distributions to non-controlling interests	—	—	—	—	—	—	—	(6,100)
Balances, September 30, 2014	11,198,119	\$ 111,981	\$ 182,437,522	(430,118)	\$(5,349,156)	\$ 5,089,312	\$ 182,289,659	\$ 6,610,000
Balances, December 31, 2014	11,198,119	\$ 111,981	\$ 182,437,522	(430,118)	\$(5,349,156)	\$ 7,371,511	\$ 184,571,858	\$ 4,174,700
Net income	—	—	—	—	—	15,296,817	15,296,817	2,630,400
Dividends declared	—	—	—	—	—	(3,524,619)	(3,524,619)	—
Purchase of treasury stock	—	—	—	(360,263)	(5,252,848)	—	(5,252,848)	—
Contribution from non-controlling interest	—	—	—	—	—	—	—	279,100
Distributions to non-controlling interests	—	—	—	—	—	—	—	—