

CONSOLIDATED TOMOKA LAND CO  
Form 10-Q  
November 09, 2007

**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, 2007**

**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 0-5556**

**CONSOLIDATED-TOMOKA LAND CO.**

(Exact name of registrant as specified in its charter)

**Florida**

(State or other jurisdiction of incorporation or organization)

**59-0483700**

(I.R.S. Employer 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**

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See

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definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined by 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  
November 5, 2007  
\$1.00 par value 5,725,806

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CONSOLIDATED-TOMOKA LAND CO.  
CONSOLIDATED BALANCE SHEETS

(Unaudited)

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
<b>ASSETS</b>		
Cash	\$ 3,233,154	\$ 738,264
Restricted Cash	1,524,347	1,185,962
Investment Securities	9,521,974	11,780,205
Notes Receivable	700,000	700,000
Land and Development Costs	16,012,716	15,058,340
Intangible Assets	4,814,186	5,103,649
Other Assets	4,949,229	5,569,605
	40,755,606	40,136,025
<b>Property, Plant, and Equipment:</b>		
Land, Timber and Subsurface Interests	6,267,707	3,012,623
Golf Buildings, Improvements, and Equipment	11,613,112	11,442,492
Income Properties Land, Buildings, and Improvements	104,820,647	104,819,695
Other Building, Equipment, and Land Improvements	2,819,381	2,584,467
Total Property, Plant, and Equipment	125,520,847	121,859,277
Less, Accumulated Depreciation and Amortization	(9,762,392)	(8,221,138)
Net - Property, Plant, and Equipment	115,758,455	113,638,139
<b>TOTAL ASSETS</b>	<b>\$ 156,514,061</b>	<b>\$ 153,774,164</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 201,235	\$ 167,378
Accrued Liabilities	8,744,896	7,749,121
Accrued Stock Based Compensation	3,597,598	5,743,773
Income Taxes Payable	419,748	--
Deferred Profit	--	563,467
Deferred Income Taxes	30,127,978	29,491,587
Notes Payable	6,872,781	7,061,531
<b>TOTAL LIABILITIES</b>	<b>49,964,236</b>	<b>50,776,857</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock	5,725,806	5,693,007
Additional Paid in Capital	5,130,574	2,630,748
Retained Earnings	96,686,473	95,650,170
Accumulated Other Comprehensive Loss	(993,028)	(976,618)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>106,549,825</b>	<b>102,997,307</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 156,514,061</b>	<b>\$ 153,774,164</b>

See Accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED-TOMOKA LAND CO.  
CONSOLIDATED STATEMENTS OF INCOME

	(Unaudited) Three Months Ended		(Unaudited) Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
<b>Income</b>				
<b>Real Estate Operations:</b>				
<b>Real Estate Sales</b>				
Sales and Other Income	\$ 2,994,820	\$ 5,095,658	\$ 8,860,680	\$ 14,620,160
Costs and Other Expenses	(627,262)	(1,494,549)	(4,833,438)	(2,997,659)
	2,367,558	3,601,109	4,027,242	11,622,501
<b>Income Properties</b>				
Leasing Revenues & Other Income	2,207,308	2,183,626	6,537,982	5,997,775
Costs and Other Expenses	(520,110)	(407,697)	(1,373,192)	(1,069,569)
	1,687,198	1,775,929	5,164,790	4,928,206
<b>Golf Operations</b>				
Sales and Other Income	930,164	1,027,067	3,907,346	3,909,816
Costs and Other Expenses	(1,577,723)	(1,568,987)	(5,236,862)	(4,946,804)
	(647,559)	(541,920)	(1,329,516)	(1,036,988)
<b>Total Real Estate Operations</b>	<b>3,407,197</b>	<b>4,835,118</b>	<b>7,862,516</b>	<b>15,513,719</b>
<b>Profit on Sales of Other</b>				
Real Estate Interests	816,235	212,550	1,400,979	668,420
Interest and Other Income	149,627	38,831	450,420	484,516
<b>Operating Income</b>	<b>4,373,059</b>	<b>5,086,499</b>	<b>9,713,915</b>	<b>16,666,655</b>
<b>General and Administrative Expenses</b>	<b>(1,044,337)</b>	<b>(1,911,250)</b>	<b>(5,525,328)</b>	<b>(4,541,745)</b>
<b>Income from Continuing Operations</b>				
Before Income Taxes	3,328,722	3,175,249	4,188,587	12,124,910
Income Taxes	(1,226,158)	(791,231)	(1,553,895)	(3,897,309)
<b>Income Before Discontinued Operations and Cumulative Effect of</b>				
Change in Accounting Principle	2,102,564	2,384,018	2,634,692	8,227,601
<b>Income from Discontinued Operations</b>				
Net of Income Tax	--	--	--	240,476
<b>Cumulative Effect of Change in</b>				
Accounting Principle	--	--	--	(216,093)
<b>Net Income</b>	<b>\$ 2,102,564</b>	<b>\$ 2,384,018</b>	<b>\$ 2,634,692</b>	<b>\$ 8,251,984</b>

**Per Share Information:**

Basic and Diluted Income (Loss) Per Share  
Income Before Discontinued Operations

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and Cummulative Effect of					
Change in Accounting Principle	\$	0.37	\$	0.42	\$ 0.46 \$ 1.45
Income from Discontinued Operations					
Net of Income Tax		--		--	0.04
Cummulative Effect of Change in					
Accounting Principle		--		--	(0.04)
Net Income	\$	0.37	\$	0.42	\$ 0.46 \$ 1.45
Dividends	\$	0.10	\$	0.09	\$ 0.28 \$ 0.25

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	Co
Balance, December 31, 2006	\$ 5,693,007	\$ 2,630,748	\$ 95,650,170	\$ (976,618)	102,997,307	
Net Income			2,634,692		2,634,692	
Other Comprehensive Loss: Cash Flow Hedging Derivative, Net of Tax				(16,410)	(16,410)	
Comprehensive Income						\$
Exercise of Liability Classified Stock Options	32,799	2,499,826			2,532,625	
Cash Dividends (\$ .28 per share)			(1,598,389)		(1,598,389)	
Balance, September 30, 2007	\$ 5,725,806	\$ 5,130,574	\$ 96,686,473	\$ (993,028)	106,549,825	

See Accompanying Notes to Consolidated Financial Statements.

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See

CONSOLIDATED-TOMOKA LAND CO.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Unaudited)	
	Nine Months Ended	
	September 30, 2007	September 30, 2006
<b>Cash Flow from Operating Activities</b>		
Net Income	\$ 2,634,692	\$ 8,251,984
<b>Adjustments to Reconcile Net Income to Net Cash</b>		
<b>Provided By Operating Activities:</b>		
Depreciation and Amortization	1,848,214	1,662,368
Loss (Gain) on Sale of Property, Plant, and Equipment	110,790	(436,971)
Deferred Income Taxes	636,391	3,353,834
Non Cash Compensation	1,661,438	1,348,525
Deferred Profit	(563,467)	--
<b>(Increase) Decrease in Assets:</b>		
Land and Development Costs	(954,376)	(3,744,466)
Refundable Income Taxes	37,664	--
Other Assets	582,714	293,022
<b>Increase (Decrease) in Liabilities:</b>		
Accounts Payable	33,857	502,140
Accrued Liabilities and Accrued Stock Based Compensation	979,365	379,620
Deferred Profit	--	(3,648,986)
Income Taxes Payable	419,748	(4,772,188)
Net Cash Provided By Operating Activities	7,427,030	3,188,882
<b>Cash Flow From Investing Activities:</b>		
Acquisition of Property, Plant, and Equipment	(3,789,860)	(15,627,639)
Acquisition of Intangible Assets	--	(858,808)
Increase in Restricted Cash for Acquisitions		
Through the Like-Kind Exchange Process	(338,385)	5,736,528
Net (Increase) Decrease in Investment Securities	2,258,231	7,430,271
Proceeds from Disposition of Property, Plant, and Equipment	--	1,630,205
Net Cash Used In Investing Activities	(1,870,014)	(1,689,443)
<b>Cash Flow from Financing Activities:</b>		
Proceeds from Notes Payable	1,776,000	5,540,000
Payments on Notes Payable	(1,964,750)	(4,816,914)
Cash Proceeds from Exercise of Stock Options	16,762	19,515
Cash Used to Settle Stock Appreciation Rights	(1,291,749)	(771,333)
Dividends Paid	(1,598,389)	(1,421,071)
Net Cash Used in Financing Activities	(3,062,126)	(1,449,803)
Net Increase in Cash	2,494,890	49,636

Cash, Beginning of Year	738,264	1,127,143
Cash, End of Period	\$ 3,233,154	\$ 1,176,779

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, 2006.

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. DISCONTINUED OPERATIONS**

In accordance with SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets," the Company has classified the revenues and income/(loss) of a vacant income- property, a former automobile dealer site, located in Daytona Beach, Florida, and sold on May 26, 2006, as discontinued operations. Financial statements for 2006 have been reclassified to reflect the discontinued operation.

Summary financial information for the operation is as follows:

	Three Months Ended		Nine Months Ended	
	September	September	September	September
	30,	30,	30,	30,
	2007	2006	2007	2006
Revenues	--	--	--	--
Loss	--	--	--	\$ (45,475)
Income Tax Benefit	--	--	--	17,542
Gain on Sale ( Net of Income Tax of \$168,562)	--	--	--	268,409
Net Income	--	--	--	\$ 240,476

**Index****NOTE 3. 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.

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	Three Months		Nine Months	
	Ended		Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
<b>Income Available to Common Shareholders:</b>				
Income Before Discontinued Operations and				
Cumulative Effect of Change in Accounting Principle	\$ 2,102,564	\$ 2,384,018	\$ 2,634,692	\$ 8,227,601
Discontinued Operations (Net of Income Tax)	--	--	--	240,476
Cumulative Effect of Change in Accounting Principle (Net of Income Tax)	--	--	--	(216,093)
Net Income	\$ 2,102,564	\$ 2,384,018	\$ 2,634,692	\$ 8,251,984
Weighted Average Shares Outstanding	5,720,219	5,691,192	5,713,450	5,681,060
Common Shares Applicable to Stock Options Using the Treasury Stock Method	--	7,452	14,738	11,526
Total Shares Applicable to Diluted Earnings Per Share	5,720,219	5,698,644	5,728,188	5,692,586

**Per Share Information:**

<b>Basic Income Per Share</b>				
Income Before Discontinued Operations and				
Cumulative Effect of Change in Accounting Principle	\$ 0.37	\$ 0.42	\$ 0.46	\$ 1.45
Discontinued Operations (Net of Income Tax)	--	--	--	0.04
Cumulative Effect of Change in Accounting Principle (Net of Income Tax)	--	--	--	(0.04)
Net Income	\$ 0.37	\$ 0.42	\$ 0.46	\$ 1.45

<b>Diluted Income Per Share</b>				
Income Before Discontinued Operations and				
Cumulative Effect of Change in Accounting Principle	\$ 0.37	\$ 0.42	\$ 0.46	\$ 1.45
Discontinued Operations (Net of Income Tax)	--	--	--	0.04
Cumulative Effect of Change in Accounting Principle (Net of Income Tax)	--	--	--	(0.04)
Net Income	\$ 0.37	\$ 0.42	\$ 0.46	\$ 1.45

Diluted shares outstanding for the quarter ended September 30, 2007, does not assume the conversion of stock options as it would have an anti-dilutive effect on earnings per share.

Index**NOTE 4. NOTES PAYABLE**

Notes Payable consist of the following:

	September 30, 2007	
	Total	Due Within One Year
\$20,000,000 Line of Credit	\$ --	\$ --
Notes Payable	6,872,781	266,726
<b>Total</b>	<b>\$ 6,872,781</b>	<b>\$ 266,726</b>

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

<u>Year Ending June 30,</u>	
2008	\$ 266,726
2009	287,004
2010	308,824
2011	332,303
2012	5,677,924
2013 & thereafter	--
	<b>\$ 6,872,781</b>

During the first quarter of 2007 the Company amended its financing agreements with its primary lender. The changes to the agreements included the expansion of the revolving line of credit to \$20 million from \$10 Million, while decreasing the interest rate to 140 basis points over the 30-day LIBOR and releasing the 3,000 acres mortgaged under the \$8 million ten-year term loan.

For the first nine-months of 2007, interest expense was \$290,313, net of \$94,344 interest capitalized to land and development costs, with interest of \$384,657 paid during the nine-month period. During the first nine months of 2006, interest expensed and paid totaled \$406,334.

Index**NOTE 5. STOCK OPTION PLAN**

The Company maintains a stock option plan ("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 September 30, 2007, and changes during the nine months ended is presented below:

STOCK OPTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007:

	Shares	Wtd Avg. Ex. Price	Wtd. Avg. Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding December 31, 2006	172,200	\$ 41.96		
Granted	62,000	\$ 77.25		
Exercised	(54,400)	\$ 30.78		

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Expired	--		--		
Outstanding September 30, 2007	179,800	\$	59.04	8.15	\$ 2,094,708
Exercisable at September 30, 2007	8,400	\$	65.53	8.34	\$ 14,604

STOCK APPRECIATION RIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007:

	Shares	Wtd.Avg. Fair Value	Wtd. Avg. Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding December 31, 2006	172,200	\$ 13.60		
Granted	62,000	\$ 15.73		
Exercised	(54,400)	\$ 20.83		
Expired	--	--		
Outstanding September 30, 2007	179,800	\$ 13.89	8.15	\$ 1,127,920
Exercisable at September 30, 2007	8,400	\$ 11.43	8.34	