
Section 1: DEFA14A

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1933

Date of Report (Date of earliest event reported): May 7, 2018

OWENS REALTY MORTGAGE, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland

(State or Other Jurisdiction
of Incorporation)

000-54957

(Commission
File Number)

46-0778087

(IRS Employer
Identification No.)

**2221 Olympic Boulevard
Walnut Creek, California**

(Address of Principal Executive Offices)

94595

(Zip Code)

Registrant's telephone number, including area code: **(925) 935-3840**

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On May 9, 2018, Owens Realty Mortgage, Inc. (the "Company") issued a press release announcing, among other things, the Company's financial results for the first fiscal quarter ended March 31, 2018. A copy of this press release is furnished as Exhibit 99.1 and incorporated herein by reference.

The information in this Item 2.02 of Form 8-K, including all accompanying exhibits, is being furnished and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934 (the "Exchange Act"), or otherwise subject to the liability of such section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, regardless of the general incorporation language of such filing, except as shall be expressly set forth by specific reference in such filing.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

On May 7, 2018, the Board of Directors (the "Board") of the Company approved Amendment No. 2 to the Bylaws of the Company (the "Bylaw Amendment") to change the voting standard for director elections from a plurality voting standard to a majority voting standard in uncontested elections (in which a nominee is elected only if the votes cast "for" his or her election exceed the votes cast "against" his or her election). The Bylaw Amendment retains a plurality voting standard in contested elections, which includes an election for which, as of the date that is fourteen (14) days in advance of the date the Company files its definitive proxy statement, there are more nominees for election than positions on the Board to be filled by that election. The Bylaw Amendment became effective on May 7, 2018.

The foregoing description of the Bylaw Amendment is qualified in its entirety by reference to the Bylaw Amendment attached as Exhibit 3.1 to this Form 8-K, which is incorporated by reference herein.

Item 7.01. Regulation FD Disclosure.

Concurrent with the issuance of the press release furnished as Exhibit 99.1, an updated investor slide presentation titled "Real Estate Portfolio Report" that provides information about the Company's real estate asset portfolio was posted in the "Investor Relations" area of the Company's website.

Item 8.01. Other Events.

Appointment of New Chairman

On May 7, 2018, William C. Owens, Chairman of the Board, informed the Board of his decision to step down from his role as Chairman, effective at the close of business on May 7, 2018. Upon the recommendation of the Company's Nominating and Corporate Governance Committee, and after considering the best interests of the Company and its stockholders, the Board appointed Dennis G. Schmal, the Board's current lead independent director, as Chairman of the Board, effective at the close of business on May 7, 2018. Mr. Owens will remain on the Board and will serve as executive Chairman Emeritus of the Company.

Corporate Governance Changes

In connection with the previously announced review of its corporate governance practices, the Board also approved revisions to the Company's Corporate Governance Guidelines that created, among other things, a director resignation policy setting forth the Board's expectation that any director that fails to receive the required majority vote in an uncontested election will promptly tender his or her resignation to the Board for its consideration. The amendment provides that the Board will act on any such tendered resignation no later than 120 days following the date of the stockholders' meeting at which the election occurred. The Board also approved other revisions to the Corporate Governance Guidelines including the adoption of a Board diversity policy and an anti-pledging policy. The amended Corporate Governance Guidelines are available on the Company's website at <http://www.owensmortgage.com>.

In addition, the Board also approved stock ownership guidelines for the Company's directors and executive officers.

Important Additional Information

The Company, its directors and certain of its executive officers are participants in the solicitation of proxies from the Company's stockholders in connection with the Company's 2018 Annual Meeting of Stockholders. The Company intends to file a proxy statement and WHITE proxy card with the U.S. Securities and Exchange Commission (the "SEC") in connection with any such solicitation of proxies from the Company's stockholders. STOCKHOLDERS OF THE COMPANY ARE STRONGLY ENCOURAGED TO READ SUCH PROXY STATEMENT, ACCOMPANYING WHITE PROXY CARD AND ALL OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION. Exhibit 99.2 of the Company's Current Report on Form 8-K filed with the SEC on April 25, 2018 ("Exhibit 99.2") contains information regarding the direct and indirect interest, by securities holdings or otherwise, of the Company's directors and executive officers in the Company's securities. If the holdings of the Company's securities change from the amounts provided in Exhibit 99.2, such changes will be set forth in SEC filings on Forms 3, 4, and 5, which can be found through the Company's website at www.owensmortgage.com in the section "SEC Filings & Reports" or through the SEC's website at www.sec.gov. Information can also be found in the Company's other SEC filings, including the Company's definitive proxy statement for the 2017 Annual Meeting of Stockholders and its Annual Report on Form 10-K for the year ended December 31, 2017. Updated information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, will be set forth in the definitive proxy statement and other materials to be filed with the SEC in

connection with the 2018 Annual Meeting of Stockholders. Stockholders will be able to obtain the definitive proxy statement, any amendments or supplements to the proxy statement and other documents filed by the Company with the SEC at no charge at the SEC's website at www.sec.gov. Copies will also be available at no charge at the Company's website at www.owensmortgage.com in the section "SEC Filings & Reports."

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Description
<u>3.1</u>	<u>Amendment No. 2 to Bylaws of Owens Realty Mortgage, Inc., adopted as of May 7, 2018</u>
<u>99.1</u>	<u>Press Release dated May 9, 2018 announcing the Company's financial results for the fiscal quarter ended March 31, 2018</u>

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 hereunto duly authorized.

OWENS REALTY MORTGAGE, INC.,
a Maryland corporation

Date: May 9, 2018

By: /s/ Bryan H. Draper
Name: Bryan H. Draper
Title: President and Chief Executive Officer

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Section 2: EX-3.1

Exhibit 3.1

AMENDMENT NO. 2 TO BYLAWS OF OWENS REALTY MORTGAGE, INC.

Section 7 of Article II of the Bylaws of Owens Realty Mortgage is hereby deleted in its entirety and replaced with the following:

"SECTION 7. Voting.

A majority of the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to approve any matter which may properly come before the meeting other than the election of directors, unless more than a majority of the votes cast is required by statute or by the charter of the Corporation. A majority of all the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to elect a director; *provided, however*, that if as of a date that is fourteen (14) days in advance of the date the Corporation files its definitive proxy statement (regardless of whether or not thereafter revised or supplemented) with the Securities and Exchange Commission the number of nominees (including those proposed nominees identified in any notices delivered pursuant to Section 11 of this Article II and not withdrawn by such date, determined ineligible or determined by the Board of Directors (or a committee thereof) to not create a *bona fide* election contest) exceeds the number of directors to be elected, the directors shall be elected by a plurality of all the votes cast at any such meeting of stockholders duly called and at which a quorum is present. For the purposes of this section, a majority of all the votes cast means that the number of shares voted "For" a director must exceed the number of shares cast "Against" that director. Unless otherwise provided by statute or by the charter, each outstanding share of the Corporation's common stock, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders. Voting on any question or in any election may be viva voces unless the chairman of the meeting shall order that voting be by ballot or otherwise."

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Section 3: EX-99.1



For Immediate Release

Contact: **Investor Relations**
Owens Realty Mortgage, Inc.
www.owensmortgage.com
(925) 239-7001

Owens Realty Mortgage, Inc. Reports First Quarter 2018 Financial Results

WALNUT CREEK, CA. – May 9, 2018 – Owens Realty Mortgage, Inc. (the "Company") (NYSE American: ORM) today reported financial results for the first quarter ended March 31, 2018.

First Quarter 2018 Financial Highlights

- Net income attributable to common stockholders of \$469,466, or \$0.05 per fully-diluted common share
- Book value attributable to common stockholders of \$22.04 per common share at March 31, 2018 as compared to \$22.10 per common share at December 31, 2017
- Declared a quarterly dividend of \$0.16 per share of common stock

First Quarter 2018 Operational Highlights

- Originated four new loans in the quarter totaling \$27,315,000 (note amount), received full or partial payoffs on four loans totaling \$11,826,000 and extended the maturity dates of five loans with principal balances aggregating \$22,437,000
- Average balance of performing loans for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017 increased by approximately 9%
- Sold five real estate properties (including four condominium units at Zalanta) for net proceeds totaling \$10,631,000 (including a \$5,406,000 discounted note receivable) and net gain totaling \$155,000
- Authorized a new Rule 10b5-1 stock repurchase plan (the "2018 Repurchase Plan") allowing the Company to purchase up to \$10 million of common stock. Repurchases commenced March 19, 2018 and the Company repurchased 32,483 shares during the quarter at a total cost of approximately \$478,000 (including commissions) and an average cost of \$14.71 per share

Subsequent Events

- Amended the Management Agreement, effective April 1, 2018, to reduce the management fees, eliminate the service fees and salary expense reimbursements to the Manager and to give 30% of loan fees and late payment charges to the Company following extensive engagement with, and input from stockholders, independent financial advisors, independent legal counsel and management
 - On April 25, 2018, the Board approved a quarterly dividend of \$0.20 per share of common stock for the quarter ending June 30, 2018 (an increase from the \$0.16 per share dividend paid for the quarter ending March 31, 2018). The dividend will be paid on July 13, 2018 to stockholders of record at the close of business on June 29, 2018
 - Repurchased an additional 88,291 shares of Common Stock in April 2018 pursuant to the 2018 Repurchase Plan, at a total cost of approximately \$1,338,000 (including commissions) and an average cost of \$15.15 per share
 - Appointed an independent Board chair after Bill Owens announced he will be stepping down as the Chairman of the Board, effective as of May 7, 2018. Mr. Owens will remain on the Board and continue as an officer of the Company as executive Chairman Emeritus
 - Adopted a majority voting standard for uncontested director elections, a Board diversity policy, a director and executive officer stock ownership policy and an anti-pledging policy
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"During the first quarter, we continued to execute against our strategic plan and took a number of important steps in support of our efforts to deliver a consistent, competitive risk-adjusted return to stockholders. We had better than typical growth in the loan portfolio in the quarter which is historically a slow period for loan production. We also continued our real estate dispositions, and the sale of the assisted living facility located in Bensalem, Pennsylvania in March which will positively affect our cash flow from real estate operations moving forward."

"Most importantly, effective April 1, 2018, we completed an Amendment to our Management Agreement to make several changes designed to benefit our stockholders. The Amendment, which was negotiated on behalf of the Company by a committee of completely independent directors and supported by the Manager, changes our management fee structure to make permanent the interim fee adjustments we made last July along with an additional adjustment that will decrease the management fee when Stockholders' Equity exceeds \$300 million. The Amendment also eliminates the payment of servicing fees and salary expense reimbursements to the Manager and gives 30% of all loan fees and late payment charges to the Company, with the exception of certain administrative fees. With these changes and continued sales of under producing real estate, we are well positioned to significantly grow our loan portfolio and increase the Company's income. In association with this, the Company increased its dividend for the first quarter 2018 to \$0.16 per share and has announced a further increase to \$0.20 per share for the second quarter of this year. Lastly, as part of its previously announced review of its corporate governance practices, the Board adopted a majority voting standard for uncontested director elections, a Board diversity policy, director and executive stock ownership requirements and an anti-pledging policy," said Bryan Draper, the Company's CEO.

Summary of First Quarter 2018 Financial Results

The Company reported net income attributable to common stockholders of \$469,466, or \$0.05 per fully-diluted common share, for the quarter ended March 31, 2018 as compared to net income of \$191,678, or \$0.02 per fully-diluted common share, for the quarter ended March 31, 2017. The increase was primarily a result of the following:

- An increase in interest income on loans secured by trust deeds of \$343,000 for the quarter ended March 31, 2018 primarily due to an increase in the average balance of performing loans between the quarter ended March 31, 2017 and the quarter ended March 31, 2018 of approximately 9%.
 - An increase in gain on sale of real estate of \$155,000 for the quarter ended March 31, 2018 due to the sale of five properties (including four condominium units at Zalanta) during the quarter ended March 31, 2018 with net gains totaling \$155,000 as compared to the sale of two properties during the quarter ended March 31, 2017 that resulted in an insignificant loss.
 - A decrease in management fees of \$210,000 for the quarter ended March 31, 2018 as compared to the quarter ended March 31, 2017 due to the fact that the Board and the Manager agreed to adjust the Prior Management Fee during the Interim Adjustment Period beginning July 1, 2017 and the new Interim Management Fee calculation (based on stockholders' equity) resulted in a management fee for the quarter ended March 31, 2018 that was approximately \$299,000 lower than the fee that would have been payable to the Manager using the Prior Management Fee calculation. Effective April 1, 2018, the Interim Management Fee calculation was further adjusted and made permanent and additional changes to the compensation of the Manager have been made by Amendment to the Management Agreement.
 - A decrease in the provision for loan losses (from provision of \$38,000 in 2017 to reversal of \$80,000 in 2018) due primarily to the recovery of loan losses totaling \$76,000 on one previously impaired loan that was repaid during the quarter ended March 31, 2018.
-

These items that increased net income during the three months ended March 31, 2018 were partially offset by the following:

- A decrease in rental and other income from real estate properties net of expenses on such properties of \$132,000 for the quarter ended March 31, 2018 (from loss of \$257,000 in the first quarter of 2017 to loss of \$389,000 in the first quarter of 2018) due primarily to disbursements of \$300,000 related to certain operating expenses of the assisted living facility located in Bensalem, Pennsylvania prior to its sale in March 2018. Many of the remaining properties held by us are non-operating properties that do not generate income and, thus, will likely continue to generate a loss until they are disposed of in 2018 and beyond.
- An increase in interest expense of \$249,000 for the quarter ended March 31, 2018 as compared to the quarter ended March 31, 2017 due primarily to increased interest expense on the Zalanta construction loan as construction was completed in mid-2017 and capitalization of interest was discontinued.
- An increase in income tax expense of \$193,000 during the quarter ended March 31, 2018 as compared to the quarter ended March 31, 2017 due primarily to an increase in the valuation allowance recorded against deferred tax assets as a result of additional net operating losses incurred during the quarter and lower expected net gains from the sales of ZRV assets in the future.

We believe, from period to period in the near term, there could be fluctuations in earnings and net income resulting from the lag time between the sale of our real estate assets and deployment of the proceeds into new loan investments.

Quarter End Loan Portfolio Summary

The following tables set forth certain information regarding the Company's loan portfolio at March 31, 2018 and December 31, 2017.

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
<u>By Property Type:</u>		
Commercial	\$ 141,509,463	\$ 127,873,281
Residential	11,449,421	13,170,795
Land	5,022,460	5,127,574
	<u>\$ 157,981,344</u>	<u>\$ 146,171,650</u>
<u>By Position:</u>		
Senior loans	\$ 154,592,543	\$ 142,782,492
Junior loans	3,388,801	3,389,158
	<u>\$ 157,981,344</u>	<u>\$ 146,171,650</u>

The types of property securing the Company's commercial real estate loans are as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
<u>Commercial Real Estate Loans:</u>		
Office	\$ 26,966,962	\$ 29,480,103
Retail	28,748,612	32,329,395
Storage	16,521,790	15,807,016
Apartment	29,855,340	24,582,181
Hotel	12,204,066	11,777,351
Parking garage	7,873,277	—

Industrial	2,690,000	2,690,000
Warehouse	3,000,000	3,000,000
Marina	3,580,000	3,580,000
Assisted care	7,062,077	1,650,000
Golf course	1,242,956	1,212,851
Restaurant	1,764,383	1,764,384
	<u>\$ 141,509,463</u>	<u>\$ 127,873,281</u>

Loans by geographic location:

	March 31, 2018		December 31, 2017	
	Balance	Percentage	Balance	Percentage
California	\$ 107,059,873	67.77%	\$ 110,884,117	75.86%
Arizona	—	—%	815,890	0.56%
Colorado	7,582,037	4.80%	4,380,616	3.00%
Hawaii	1,450,000	0.92%	1,450,000	0.99%
Illinois	1,364,384	0.86%	1,364,384	0.93%
Indiana	795,998	0.50%	388,793	0.27%
Michigan	11,090,000	7.02%	10,714,764	7.33%
Nevada	8,386,384	5.31%	1,653,107	1.13%
Ohio	3,755,000	2.38%	3,755,000	2.57%
Pennsylvania	5,412,077	3.42%	—	—%
Texas	6,625,000	4.19%	6,625,000	4.53%
Washington	3,219,066	2.04%	3,159,460	2.16%
Wisconsin	1,241,525	0.79%	980,519	0.67%
	<u>\$ 157,981,344</u>	<u>100.00%</u>	<u>\$ 146,171,650</u>	<u>100.00%</u>

Quarter End Real Estate Property Portfolio

The following tables set forth certain information regarding the Company's real estate portfolio at March 31, 2018 and December 31, 2017.

Real Estate Held for Sale:

	March 31, 2018	December 31, 2017
Residential	\$ 20,311,450	\$ 24,627,710
Land	9,747,275	14,389,620
Retail	7,633,753	7,632,893
Golf course	1,999,449	1,999,449
Marina	2,207,675	2,207,675
Assisted care	—	5,253,125
	<u>\$ 41,899,602</u>	<u>\$ 56,110,472</u>

Real Estate Held for Investment:

	March 31, 2018	December 31, 2017
Retail	\$ 16,470,092	\$ 16,623,238
Land	6,664,220	2,018,068
Residential	2,344,883	2,356,995
Office	3,325,543	3,357,352
	<u>\$ 28,804,738</u>	<u>\$ 24,355,653</u>

Conference Call

The Company will host a conference call to discuss the results on Thursday, May 10, 2018, at 10:00 a.m. PT / 1:00 p.m. ET.

To participate in the call, please dial (844) 850-0545 (United States) or (412) 317-5202 (International) and request the Owens Realty Mortgage call. A live webcast of the call will also be available on the Company's website at www.owensmortgage.com. Please allow 10 minutes prior to the call to visit this site to download and install any necessary audio software.

An archive of the webcast will be available approximately one hour after completion of the live event and will be accessible on the Investor Relations section of the Company's website at www.owensmortgage.com until June 10, 2017. To access the replay, dial (877) 344-7529 (United States) or (412) 317-0088 (International) and enter code: 10120044.

About Owens Realty Mortgage, Inc.

Owens Realty Mortgage, Inc., a Maryland corporation, is a specialty finance mortgage company organized to qualify as a real estate investment trust that focuses on the origination, investment, and management of small balance and middle-market commercial real estate loans. We provide customized, short-term acquisition and transition capital to commercial real estate investors that require speed and flexibility. Our primary objective is to provide investors with attractive current income and long-term shareholder value. Owens Realty Mortgage, Inc., is headquartered in Walnut Creek, California, and is externally managed and advised by Owens Financial Group, Inc.

Additional information can be found on the Company's website at www.owensmortgage.com.

Important Additional Information

The Company, its directors and certain of its executive officers are participants in the solicitation of proxies from the Company's stockholders in connection with the Company's 2018 Annual Meeting of Stockholders. The Company intends to file a proxy statement and WHITE proxy card with the U.S. Securities and Exchange Commission (the "SEC") in connection with any such solicitation of proxies from the Company's stockholders. STOCKHOLDERS OF THE COMPANY ARE STRONGLY ENCOURAGED TO READ SUCH PROXY STATEMENT, ACCOMPANYING WHITE PROXY CARD AND ALL OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION. Exhibit 99.2 of the Company's Current Report on Form 8-K filed with the SEC on April 25, 2018 ("Exhibit 99.2") contains information regarding the direct and indirect interest, by securities holdings or otherwise, of the Company's directors and executive officers in the Company's securities. If the holdings of the Company's securities change from the amounts provided in Exhibit 99.2, such changes will be set forth in SEC filings on Forms 3, 4, and 5, which can be found through the Company's website at www.owensmortgage.com in the section "SEC Filings & Reports" or through the SEC's website at www.sec.gov. Information can also be found in the Company's other SEC filings, including the Company's definitive proxy statement for the 2017 Annual Meeting of Stockholders and its Annual Report on Form 10-K for the year ended December 31, 2017. Updated information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, will be set forth in the definitive proxy statement and other materials to be filed with the SEC in connection with the 2018 Annual Meeting of Stockholders. Stockholders will be able to obtain the definitive proxy statement, any amendments or supplements to the proxy statement and other documents filed by the Company with the SEC at no charge at the SEC's website at www.sec.gov. Copies will also be available at no charge at the Company's website at www.owensmortgage.com in the section "SEC Filings & Reports."

Forward-Looking Statements

This press release includes "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements about Owens Realty Mortgage Inc.'s plans, strategies, prospects, and anticipated events, including the maximum borrowings available under its credit facilities, anticipated construction progress and completion, potential leasing activities, repositioning and possible sale of real estate assets and anticipated benefits of the Amendment to the Management Agreement, are based on current information, estimates, and projections; they are subject to, risks and uncertainties, as well as known and unknown risks, which could cause actual results to differ from expectations, estimates and projections and, consequently, readers should not rely on these forward-looking statements as predictions of future events. Words such as "expect," "target," "assume," "estimate," "project," "budget," "forecast," "anticipate," "intend," "plan," "may," "will," "could," "should," "believe," "predicts," "potential," "continue," and similar expressions are intended to identify such forward-looking statements.

Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. The Company does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based. Additional information concerning these, and other risk factors is contained in the Company's most recent filings with the Securities and Exchange Commission. All subsequent written and oral forward-looking statements concerning the Company or matters attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above.

Selected Financial Data:

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

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<u>ASSETS</u>		
Cash, cash equivalents and restricted cash	\$ 5,902,365	\$ 5,670,816
Loans, net of allowance for losses of \$1,637,067 in 2018 and \$1,827,806 in 2017	156,344,277	144,343,844
Interest and other receivables	1,264,823	2,430,457
Other assets, net of accumulated depreciation and amortization of \$322,203 in 2017 and \$309,686 in 2017	622,214	725,341
Deferred financing costs, net of accumulated amortization of \$292,099 in 2018 and \$265,276 in 2017	—	26,823
Deferred tax assets, net	3,023,877	3,207,322
Investment in limited liability company	2,172,428	2,140,545
Real estate held for sale	41,899,602	56,110,472
Real estate held for investment, net of accumulated depreciation of \$3,521,308 in 2018 and \$3,316,753 in 2017	28,804,738	24,355,653
Total assets	<u>\$ 240,034,324</u>	<u>\$ 239,011,273</u>
<u>LIABILITIES AND EQUITY</u>		
LIABILITIES:		
Dividends payable	\$ 1,449,435	\$ 1,572,047
Due to Manager	312,344	277,671
Accounts payable and accrued liabilities	1,314,836	1,390,329
Deferred gains on sales of real estate	—	302,895
Forward contract liability – share repurchase	—	2,731,171
Lines of credit payable	12,085,200	1,555,000
Notes and loans payable on real estate	25,238,519	30,192,433
Total liabilities	<u>40,400,334</u>	<u>38,021,546</u>
Commitments and Contingencies (Note 14)		
EQUITY:		
Stockholders' equity:		
Preferred stock, \$.01 par value per share, 5,000,000 shares authorized, no shares issued and outstanding at March 31, 2018 and December 31, 2017	—	—
Common stock, \$.01 par value per share, 50,000,000 shares authorized, 11,198,119 shares issued, 9,058,971 and 9,095,454 shares outstanding at March 31, 2018 and December 31, 2017	111,981	111,981
Additional paid-in capital	182,437,522	182,437,522
Treasury stock, at cost – 2,139,148 and 2,102,665 shares at March 31, 2018 and December 31, 2017	(32,197,782)	(31,655,119)
Retained earnings	49,282,269	50,095,343
Total stockholders' equity	<u>199,633,990</u>	<u>200,989,727</u>
Total liabilities and equity	<u>\$ 240,034,324</u>	<u>\$ 239,011,273</u>

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

	Three Months Ended March 31,	
	2018	2017
Revenues:		
Interest income on loans	\$ 2,889,568	\$ 2,547,042
Rental and other income from real estate properties	1,070,236	946,371
Other income	32,116	43,992
Total revenues	<u>3,991,920</u>	<u>3,537,405</u>
Expenses:		
Management fees to Manager	737,361	947,514
Servicing fees to Manager	95,143	86,138
General and administrative expense	529,196	483,814
Rental and other expenses on real estate properties	1,459,172	1,203,319
Depreciation and amortization	217,072	309,960
Interest expense	535,907	286,801
(Reversal of) provision for loan losses	(80,265)	38,036
Total expenses	<u>3,493,586</u>	<u>3,355,582</u>
Operating income (loss)	498,334	181,823
Gain (loss) on sales of real estate, net	154,577	(181)
Net income before income tax expense	652,911	181,642
Income tax (expense) benefit	(183,445)	10,036
Net income attributable to common stockholders	<u>\$ 469,466</u>	<u>\$ 191,678</u>
 Per common share data:		
Basic and diluted earnings per common share	<u>\$ 0.05</u>	<u>\$ 0.02</u>
Basic and diluted weighted average number of common shares outstanding	<u>9,089,270</u>	<u>10,247,477</u>
Dividends declared per share of common stock	<u>\$ 0.16</u>	<u>\$ 0.08</u>

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