

Edgar Filing: DELTONA CORP - Form 10-Q

DELTONA CORP
Form 10-Q
November 14, 2002

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 ending September 30, 2002

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 1-4719

THE DELTONA CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

59-0997584

(State of other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

8014 SW 135 STREET ROAD, OCALA, FLORIDA

34473

(Address of principal executive office)

(Zip Code)

Registrant's telephone number, including area code (352)307-8100

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of 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 X No ____

Indicate the number of shares outstanding of the issuer's classes of common
stock, as of the latest practicable date: 13,544,277 shares of common stock, \$1
par value, excluding treasury stock, as of September 30, 2002.

PART I- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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THE DELTONA CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEETS

SEPTEMBER 30, 2002 AND DECEMBER 31, 2001

(\$000 Omitted)

	September 30, 2002	December 31, 2001
	-----	-----
 ASSETS -----		
Cash and cash equivalents, including escrow deposits and restricted cash of \$424 in 2002 and \$561 in 2001	\$ 699	\$ 923
	-----	-----
Contracts receivable for land sales - net	1,007	1,213
	-----	-----
Mortgages and other receivables - net	173	248
	-----	-----
Inventories (b):		
Land and land improvements	7,399	7,941
Other	1,084	1,261
	-----	-----
Total inventories	8,483	9,202
	-----	-----
Property, plant, and equipment at cost - net ...	601	623
Investment in Venture	52	53
Prepaid expenses and other	866	1,168
	-----	-----
Total	\$ 11,881	\$ 13,430
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)

Mortgages and similar debt(c):		
Mortgage notes payable	\$ 3,300	\$ 4,200
Other loans	6,641	6,077
	-----	-----
Total mortgages and similar debt	9,941	10,277
Accounts payable, accrued expenses, customers' deposits	6,770	7,045
Deferred revenue	3,625	4,425
	-----	-----
Total liabilities	20,336	21,747
	-----	-----

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Commitments and contingencies (d):

Stockholders' equity (deficiency):

Common stock, \$1 par value - authorized 15,000,000 shares; outstanding: 13,544,277 shares (excluding 12,228 shares held in treasury)	13,544	13,544
Capital surplus	52,510	52,440
Accumulated deficit	(74,509)	(74,301)
	-----	-----
Total stockholders' equity (deficiency)	(8,455)	(8,317)
	-----	-----
Total	\$ 11,881	\$ 13,430
	=====	=====

See accompanying notes.

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THE DELTONA CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS

FOR THE PERIODS INDICATED

(\$000 Omitted Except Per Share Amounts)

	Nine Months Ended		Three Months Ended	
	September 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
	-----	-----	-----	-----
Revenues (a):				
Net land sales	\$ 3,965	\$ 5,909	\$ 927	\$ 1,816
House sales	4,092	2,821	1,757	881
Recognized improvement revenue / prior period sales	232	91	103	50
Gain on recovery of bad debt	0	178	0	0
Interest income	298	300	73	70
Other revenues	593	632	175	212
	-----	-----	-----	-----
Total	9,180	9,931	3,035	3,029
	-----	-----	-----	-----
Costs and expenses (a):				
Cost of sales and improvements ..	4,711	3,975	1,867	1,231
Selling, general, administrative and other expenses	4,311	5,129	1,316	1,617
Loss in Joint Venture	16	0	12	0
Interest expense (c) (e)	350	707	133	166
	-----	-----	-----	-----
Total	9,388	9,811	3,328	3,014
	-----	-----	-----	-----

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Net Income (Loss)	\$ (208)	\$ 120	\$ (293)	\$ 15
	=====	=====	=====	=====
Net Income (Loss) per common share	\$ (.01)	\$.01	\$ (.02)	\$.01
	=====	=====	=====	=====
Number of common and common equivalent shares	13,544,277	13,544,277	13,544,277	13,544,277
	=====	=====	=====	=====

See accompanying notes.

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THE DELTONA CORPORATION AND SUBSIDIARIES

 UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS

 FOR THE NINE MONTHS ENDED

 SEPTEMBER 30, 2002 AND SEPTEMBER 30, 2001

 (\$000 Omitted)

	Nine Months Ended	
	September 30, 2002	September 30, 2001
	-----	-----
Cash flows from operating activities	\$ (1,779)	\$ (3,224)
	-----	-----
Cash flows from investing activities:		
Payment for acquisition of equipment	(44)	(62)
	-----	-----
Cash flows from (used in) financing activities:		
New borrowings	1,640	3,600
Repayments of notes	(41)	0
	-----	-----
Net cash provided by funding activities.	1,599	3,600
	-----	-----
Net increase (decrease) in cash and cash equivalents (including escrow deposits and restricted cash)	(224)	314
Cash and cash equivalents beginning of period ..	923	680
	-----	-----
Cash and cash equivalents end of period	\$ 699	\$ 994
	=====	=====

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See accompanying notes.

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THE DELTONA CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS

FOR THE NINE MONTHS ENDED

SEPTEMBER 30, 2002 AND SEPTEMBER 30, 2001

(\$000 Omitted)

	Nine Months Ended	
	September 30, 2002	September 30, 2001
	-----	-----
Reconciliation of net income (loss) to net cash provided by (used in) operating activities:		
Net income (loss)	\$ (208)	\$ 120
	-----	-----
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	68	45
Provision for estimated uncollectible sales-net	(54)	1,751
Contract valuation discount, net of amortization	(31)	(82)
Imputed Interest on debt with related party ..	70	24
Loss on Joint Venture	16	0
Net change in assets and liabilities	(1,640)	(5,082)
	-----	-----
Total adjustments	\$ (1,572)	\$ (3,344)
	-----	-----
Net cash provided by (used in) operating activities.....	\$ (1,779)	\$ (3,224)
	=====	=====
Supplemental disclosure of non cash investing and financing activities:		
Purchase of equipment with note payable	\$ 0	\$ 127
	=====	=====

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Reduction of debt as a result of the		
conveyance of contracts receivable	\$ 1,935	\$ 4,486
	=====	=====

See accompanying notes.

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THE DELTONA CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

THE INFORMATION PRESENTED HEREIN AS OF SEPTEMBER 30, 2002 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001 IS UNAUDITED.

(a) BASIS OF PRESENTATION

The condensed unaudited financial statements of The Deltona Corporation and subsidiaries ("The Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "Commission"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to Commission rules and regulations. The information furnished reflects, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the results for the interim periods presented. Operating results for the three and nine months ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. These condensed consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's latest Annual Report on Form 10-K.

Certain amounts have been reclassified for comparative purposes.

The accompanying financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability of asset amounts or the amounts of liabilities should the Company be unable to continue as a going concern.

The Company has been dependent on its ability to sell or otherwise finance contracts receivable and/or secure other financing sources to meet its cash requirements. Additional financing was required in the three and nine month periods ended September 30, 2002 and was funded through additional loans from Swan, an affiliated company. Additional financing will be required in the future. Although Swan has loaned the Company additional funds to be paid back with contracts receivable at the rate of 90% of face value, with recourse since 1999, there can be no guarantee that the Company will be able to generate sufficient receivables to obtain sufficient financing in the future or that Yasawa, Scaffolding, Swan and other related parties will continue to make loans to the Company.

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(b) INVENTORIES

Information with respect to the classification of inventory of land and improvements including land held for sale or transfer is as follows (in thousands):

	Land and Improvements	

	September 30, 2002	December 31, 2001
	-----	-----
Unimproved land.....	\$ 420	\$ 420
Land in various stages of development.....	2,622	2,147
Fully improved land.....	4,357	5,374
	-----	-----
Total.....	\$ 7,399	\$ 7,941
	=====	=====

(c) MORTGAGES AND SIMILAR DEBT

The following table presents information with respect to mortgages and similar debt (in thousands):

	September 30, 2002	December 31, 2001
	-----	-----
Mortgage Notes Payable	\$ 3,300	\$ 4,200
Other Loans.....	6,641	6,077
	-----	-----
Total mortgages and similar debt.....	\$ 9,941	\$ 10,277
	=====	=====

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From June 19, 1992 through March 1999, the Company had entered into loan agreements with Selex International B.V., a Netherlands corporation ("Selex"), Yasawa Holdings, N.V., a Netherlands Antilles corporation ("Yasawa"), Swan Development Corporation ("Swan") and related parties, including Scafholding B.V. ("Scafholding"). Since December 1992, the Company has been dependent on loans and advances from Selex, Yasawa, Swan and their affiliates in order to meet its working capital requirements.

Included in Mortgage Notes Payable is the Yasawa loan (\$3,300,000 at September 30, 2002); included in Other Loans is the Swan loan (\$6,533,000 as of September 30, 2002).

Indebtedness under various purchase money mortgages and loan agreements is collateralized by substantially all of the Company's assets, including stock of certain wholly-owned subsidiaries. The Company's outstanding debt to Yasawa is secured by a first lien on the Company's receivables and a mortgage on all of the Company's property; and the Company's outstanding debt to Swan is secured by a second lien on the Company's receivables.

The Company's outstanding debt to Yasawa as of September 30, 2002 was \$3,300,000. The terms of repayment of the restructured Yasawa loan provide for monthly payments of principal in the amount of \$100,000 payable monthly in cash or with contracts receivable at 100% of face value, with recourse.

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Interest accrues on the declining balance at the prime rate, adjusted semi-annually to equal the prime rate then in effect. From January 2002 to September 30, 2002, the interest rate on the outstanding debt was 4.75%, which was prime. Yasawa and Scaffolding have not required the Company to make interest payments since September 1, 1998. As of September 30, 2002, the total amount of interest accrued is approximately \$2,226,000, which is included in accrued expenses.

From October 9, 1998 through the present, Swan continued to loan the Company funds to meet its working capital requirements. The Company's outstanding debt to Swan was \$6,533,000 as of September 30, 2002. The Company signed a promissory note to Swan in March 1999, which provides that funds advanced by Swan will be paid back by the Company monthly in contracts receivables at 90% of face value, with recourse. The Company has recognized the loss on the transfer at less than face value as a component of the estimated uncollectible sales expense. There is no interest for the first six months after the Company receives an advance of money from Swan. Currently, the interest rate is the prime rate, adjusted semi-annually to equal the prime rate then in effect (4.75% as of September 30, 2002). Each time an advance is made, a supplemental note is signed. The amount of each monthly payment will vary and will be dependent upon the amount of contracts receivable in the Company's portfolio, excluding contracts receivable held as collateral for prior receivable sales. Pursuant to the terms of the promissory note, the Company is required to transfer to Swan monthly as debt repayment all current contracts receivable in the Company's portfolio in excess of the aggregate sum of \$500,000. Under these repayment terms, the Company transferred contracts receivable of \$4.2 million and recognized the losses on the transfers of \$424,000 for the year ended 2001. For each of the nine month periods ending September 30, 2002 and 2001, the transfers were \$1.0 million and \$3.6 million, on which the Company recognized losses on transfers of \$100,000 and \$360,000, respectively. Funds advanced by Swan were used by the Company to meet the Company's working capital requirements. From January 2002 to September 30, 2002, the interest rate on the outstanding debt was 4.75%, which was prime. As of September 30, 2002, the total amount of interest accrued is approximately \$765,000, which is included in accrued expenses.

For 2002 and 2001, the Company recorded interest expense for the first nine months of each loan advance from Swan that is non-interest bearing at the prime rate. Since the interest is not paid to Swan, the amount calculated is recorded as a capital contribution increase to capital surplus. For the first nine months of 2002, the Company recorded interest expense and a capital contribution in the amount of approximately \$70,000.

In the future, if the Company elects to do so, Yasawa and Scaffolding have agreed to purchase contracts receivable at 65% of face value, with recourse. The Company has an agreement with Swan whereby Swan may loan the Company funds to be repaid with contracts receivable at 90% of face value, with recourse.

(d) COMMITMENTS AND CONTINGENCIES

Homesite sales contracts provide for the return of all monies paid in (including paid-in interest) should the Company be unable to meet its contractual obligations after the use of reasonable diligence. If a refund is made, the Company will recover the related homesite and any improvement thereto.

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(e) CAPITALIZED INTEREST

The Company capitalizes interest cost incurred during a project's construction period. Interest expense incurred prior to capitalization was \$385,000 and \$744,000 for the nine months ended September 30, 2002 and September 30, 2001, respectively. Interest in the amount of \$36,000 and \$37,000 was capitalized for the nine months ended September 30, 2002 and 2001, respectively.

(f) EARNINGS OR LOSS PER SHARE

Basic earnings (loss) per common and common equivalent share were computed by dividing net income (loss) by the weighted average number of shares of Common Stock and common stock equivalents outstanding during each period.

(g) CAPITAL TRANSACTION

On December 13, 2001, the Board of Directors approved a 1 for 500,000 reverse split of the Company's common stock and a related amendment to the Company's Articles of Incorporation reducing the number of authorized shares to 30. Both actions are subject to stockholder approval. The Company has filed a Form 13E(3) and a preliminary proxy statement related to the proposals. The effect of the reverse split will be to reduce the number of the Company's stockholders to two stockholders: Selex International, B.V., a Netherlands corporation ("Selex") and Yasawa Holdings, N.V., a Netherlands Antilles corporation ("Yasawa"). The date of the meeting of stockholders to consider both matters will be determined upon the conclusion of SEC review.

(h) RELATED PARTY TRANSACTION

During 2001, the Company entered into a joint venture agreement (the "Venture") with Scaffolding for the purchase of property tax certificates, application of tax deeds, administration and the acquisition and sale of land. The Company provides administrative, managerial, sales and marketing services to the Venture. The Company is reimbursed by the Venture for all commissions and marketing costs plus an administrative fee of 10% of all sales consummated. Scaffolding provides financing to the Venture and has loaned the Venture approximately \$1,369,000 as of September 30, 2002. There were no reimbursements for the nine months ended September 30, 2002. Administrative fees in the amount of \$1,960 were earned for the nine months ended September 30, 2002; no administrative fees were earned in 2001. Interest on the outstanding debt accrues at the fixed rate of 7.75% (the prime rate as of July 1, 2001 plus one percent). Net income is to be distributed equally between the Company and Scaffolding. The Company records its investment in the Venture using the equity method of accounting as control of the Venture rests with Scaffolding as specified in the joint venture agreement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report on Form 10-Q of the Company for the three and nine months ended September 30, 2002 contains certain forward-looking statements within the

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meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. To the extent that such statements are not recitations of historical fact, such statements constitute forward-looking statements which, by definition, involve risks and uncertainties. In particular, statements under Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operation, contain forward-looking statements. Where, in any forward-looking statement, the Company has an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have reasonable basis, but there can be no assurance that the statement of expectation or belief will result or be achieved or accomplished.

RESULTS OF OPERATIONS

For the nine months ended September 30, 2002 and September 30, 2001.

Revenues

Total revenues were \$9,180,000 for the first nine months of 2002 (\$3,035,000 for the quarter ending September 30, 2002) compared to \$9,931,000 for the comparable 2001 period (\$3,029,000 for the quarter ending September 30, 2001).

Gross land sales were \$5,093,000 for the first nine months of 2002 (\$1,300,000 for the quarter ending September 30, 2002) compared to \$7,758,000 for the first nine months of 2001 (\$2,305,000 for the quarter ending September 30, 2001). Net land sales (gross land sales less estimated uncollectible installment sales and contract valuation discount) decreased to \$3,965,000 for the first nine months of 2002 (\$927,000 for the quarter ending September 30, 2002) compared to \$5,909,000 for the first nine months of 2001 (\$1,816,000 for the quarter ending September 30, 2001). The decrease in sales reflects lower land sales by the Company's independent dealers.

New retail land sales contracts entered into, including deposit sales on which the Company has received less than 20% of the sales price, net of cancellations, for the nine months ended September 30, 2002 and September 30, 2001 were \$4,820,000 and \$8,602,000, respectively and \$1,433,000 and \$2,887,000 for the three months ended September 30, 2002 and 2001, respectively. The Company had a backlog of approximately \$2,406,000 in unrecognized sales as of September 30, 2002. Such contracts are not included in retail land sales until the applicable rescission period has expired and the Company has received payments totaling 20% of the contract sales price.

Housing revenues were \$4,092,000 for the first nine months of 2002 versus \$2,821,000 for the comparable 2001 period. Revenues are not recognized from housing sales until the completion of construction and passage of title. Housing revenues increased as of result of more homes being closed in the period. The backlog of houses under contract, including both houses under construction and to be constructed, was \$8,034,000 and \$3,019,000 as of September 30, 2002 and September 30, 2001, respectively.

The following table reflects the Company's real estate product mix for the periods indicated (in thousands):

Nine Months Ended		Three Months Ended	
September 30,	September 30,	September 30,	September 30,
2002	2001	2002	2001
-----	-----	-----	-----

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Gross Land Sales.....	\$ 5,093	\$ 7,758	\$ 1,300	\$ 2,305
	-----	-----	-----	-----
Housing Sales.....	4,092	2,821	1,757	881
	-----	-----	-----	-----
Total Real Estate...	\$ 9,185	\$ 10,579	\$ 3,057	\$ 3,186
	=====	=====	=====	=====

Improvement revenues result from recognition of revenues deferred from prior period sales. Recognition occurs as development work proceeds on the previously sold property or customers are exchanged to a developed lot. Improvement revenues totaled \$232,000 for the first nine first nine months of 2002 (\$103,000 for the third quarter of 2002) versus \$91,000 for the comparable 2001 period (\$50,000 for the third quarter of 2001).

Interest income was \$298,000 for the first nine months of 2002 (\$73,000 for the third quarter of 2002) versus \$300,000 for the comparable 2001 period (\$70,000 for the third quarter of 2001).

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Other revenues were \$593,000 for the first nine months of 2002 (\$174,000 for the third quarter of 2002) versus \$632,000 for the comparable 2001 period (\$212,000 for the third quarter of 2001). Other revenues are principally generated by the Company's title insurance and real estate brokerage subsidiaries.

Costs and Expenses -----

Costs and expenses were \$9,388,000 for the first nine months of 2002 (\$3,328,000 for the third quarter of 2002) versus \$9,811,000 for the comparable 2001 period (\$3,014,000 for the third quarter of 2001).

Cost of sales increased to \$4,711,000 from \$3,975,000 for the first nine months of 2002 compared to 2001, and to \$1,867,000 from \$1,231,000 for the third quarter of 2002 for the third quarter of 2002 compared to 2001. The higher cost of sales is due to a higher percentage of housing sales.

Commissions and other selling expenses decreased to \$2,620,000 from \$3,469,000 for the first nine months of 2002 compared to 2001, and to \$790,000 from \$1,109,000 for the third quarter of 2002 compared to 2001. Retail land sales, which have a higher percentage selling costs, decreased; housing sales, which have a lower percentage selling costs, increased. Advertising and promotional expenses decreased to \$97,000 for the first nine months of 2002 (\$34,000 for the third quarter of 2002) versus \$168,000 for the comparable 2001 period (\$33,000 for the third quarter of 2001). General and administrative expenses were \$1,163,000 for the first nine months of 2002 (\$348,000 for the third quarter of 2002) versus \$1,061,000 for the comparable 2001 period (\$331,000 for the third quarter of 2001). General and administrative expenses increased primarily due to increased overhead expenses. Real estate tax expenses were \$431,000 for the first nine months of 2002 (\$144,000 for the third quarter of 2002) versus \$431,000 for the comparable 2001 period (\$144,000 for the third quarter of 2001).

Interest expense was \$350,000 for the first nine months of 2002 (\$133,000 for the third quarter of 2002) compared to \$707,000 for the first nine months of 2001 (\$166,000 for the third quarter of 2001). The decrease in interest expense

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is a result of debt balances accruing interest at a lower interest rate. For an expanded discussion of the Company's debt agreements, see the following section, "Liquidity and Capital Resources".

Net Income

The Company reported a net loss of \$208,000 for the first nine months of 2002 (a net loss of \$293,000 for the third quarter of 2002) versus a net income of \$120,000 for the comparable 2001 period (a net income of \$15,000 for the third quarter of 2001). The decrease in earnings is primarily attributable to lower land sales through the Company's independent dealers. The Company has taken actions to increase its housing and land sales, including efforts to continue to seek new independent broker representatives.

Regulatory Developments which may affect Future Operations

In Florida, as in many growth areas, local governments have sought to limit or control population growth in their communities through restrictive zoning, density reduction, the imposition of impact fees and more stringent development requirements. Although the Company has taken such factors into consideration in its master plans by agreeing, for example, to make improvements, construct public facilities and dedicate certain property for public use, the increased regulation has lengthened the development process and added to development costs.

The implementation of the Florida Growth Management Act of 1985 (the "Act") precludes the issuance of development orders or permits if public facilities such as transportation, water and sewer services will not be available concurrent with development. Development orders have been issued for, and development has commenced in, the Company's existing communities (with development being completed in certain of these communities). Thus, the Company's communities are less likely to be affected by the new growth management policies than future communities. Any future communities developed by the Company will be strongly impacted by new growth management policies. Since the Act and its implications are consistently being re-examined by the State, together with local governments and various state and local governmental agencies, the Company cannot further predict the timing or the effect of new growth management policies, but anticipates that such policies may increase the Company's permitting and development costs.

The Company's real estate business is subject to regulation by various local, state and federal agencies. The communities are increasingly subject to substantial regulation as they are planned, designed and constructed, the nature of such regulation extending to improvements, zoning, building, environmental, health and related matters. Although the Company has been able to operate within the regulatory environment in the past, there can be no assurance that such regulations could not be made more restrictive and thereby adversely affect the Company's operations.

LIQUIDITY AND CAPITAL RESOURCES

MORTGAGES AND SIMILAR DEBT

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From June 19, 1992 through March 1999, the Company had entered into loan agreements with Selex International B.V., a Netherlands corporation ("Selex"), Yasawa Holdings, N.V., a Netherlands Antilles Corporation ("Yasawa"), Swan Development Corporation ("Swan") and related parties, including Scaffolding B.V. ("Scaffolding"). Since December, 1992, the Company has been dependent on loans and advances from Selex, Yasawa, Swan and their affiliates in order to meet its working capital requirements.

Indebtedness under various purchase money mortgages and loan agreements is collateralized by substantially all of the Company's assets, including stock of certain wholly-owned subsidiaries. The Company's outstanding debt to Yasawa is secured by a first lien on the Company's receivables and a mortgage on all of the Company's property; and the Company's outstanding debt to Swan is secured by a second lien on the Company's receivables.

The Company's outstanding debt to Yasawa as of September 30, 2002 was \$3,300,000. The terms of repayment of the restructured Yasawa loan provide for monthly payments of principal in the amount of \$100,000 payable monthly in cash or with contracts receivable at 100% of face value, with recourse. Interest accrues on the declining balance at the prime rate, adjusted semi-annually to equal the prime rate then in effect. From January 2002 to September 30, 2002, the interest rate on the outstanding debt was 4.75%, which was prime. Yasawa and Scaffolding have not required the Company to make interest payments since September 1, 1998. As of September 30, 2002, the total amount of interest accrued is approximately \$2,226,000, which is included in accrued expenses.

From October 9, 1998 through the present, Swan continued to loan the Company funds to meet its working capital requirements. The Company's outstanding debt to Swan was \$6,533,000 as of September 30, 2002. The Company signed a promissory note to Swan in March 1999, which provides that funds advanced by Swan will be paid back by the Company monthly in contracts receivables at 90% of face value, with recourse. The Company has recognized the loss on the transfer at less than face value as a component of the estimated uncollectible sales expense. There is no interest for the first six months after the Company receives an advance of money from Swan. Currently, the interest rate is the prime rate, adjusted semi-annually to equal the prime rate then in effect (4.75% as of September 30, 2002). Each time an advance is made, a supplemental note is signed. The amount of each monthly payment will vary and will be dependent upon the amount of contracts receivable in the Company's portfolio, excluding contracts receivable held as collateral for prior receivable sales. Pursuant to the terms of the promissory note, the Company is required to transfer to Swan monthly as debt repayment all current contracts receivable in the Company's portfolio in excess of the aggregate sum of \$500,000. Under these repayment terms, the Company transferred contracts receivable of \$4.2 million and recognized the losses on the transfers of \$424,000 for the year ended 2001. For each of the nine month periods ending September 30, 2002 and 2001, the transfers were \$1.0 million and \$3.6 million, on which the Company recognized losses on transfers of \$100,000 and \$360,000, respectively. Funds advanced by Swan were used by the Company to meet the Company's working capital requirements. From January 2002 to September 30, 2002, the interest rate on the outstanding debt was 4.75%, which was prime. As of September 30, 2002, the total amount of interest accrued is approximately \$765,000, which is included in accrued expenses.

The following table presents information with respect to mortgages and similar debt (in thousands):

	September 30, 2002	December 31, 2001
--	--------------------	-------------------

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Mortgage Notes Payable	\$ 3,300	\$ 4,200
Other Loans.....	6,641	6,077
	-----	-----
Total mortgages and similar debt.....	\$ 9,941	\$ 10,277
	=====	=====

Included in Mortgage Notes Payable is the Yasawa loan (\$3,300,000 at September 30, 2002); included in Other Loans is the Swan loan (\$6,533,000 as of September 30, 2002).

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CONTRACTS AND MORTGAGES RECEIVABLE SALES

In 1990 and 1992, the Company sold contracts and mortgages receivable to third parties. These transactions, among other things require that the Company replace or repurchase any receivable that becomes 90 days delinquent upon the request of the purchaser. Such requirement can be satisfied from contracts in which the purchaser holds a security interest (approximately \$1,019,000 as of September 30, 2002). The Company has reserved for the estimated future cancellations based on the Company's historical experience for receivables the Company services and believes these reserves to be adequate. The Company did not replace any delinquent receivables under these transactions in 2001 or 2002. As of September 30, 2002 and December 31, 2001, \$996,000 and \$1,060,000 in receivables were delinquent, respectively.

Since 1997, the Company sold or transferred for debt repayment contracts and mortgages receivable to related third parties, Scafholding and Swan. These transactions, among other things, require that the Company replace any receivable that becomes eligible to be canceled. Such requirement is satisfied monthly from contracts in the Company's receivable portfolio not otherwise secured to unrelated third parties.

The Company has reserved for the estimated future cancellations of these contracts based on the Company's historical experience for receivables the Company services and believes these reserves to be adequate. Approximately \$17,969,000 of outstanding contracts receivable, subject to recourse provisions, were sold or transferred as of September 30, 2002, for the transactions described above. There are no funds on deposit with purchasers of the receivables as security to assure collectibility as of such date. A provision has been established for the Company's obligation under the recourse provisions of which approximately \$2,728,000 remains at September 30, 2002. The Company has been in compliance with all receivable transactions since the consummation of receivable sales.

The Company has an agreement with Scafholding and Citony Development Corporation for the servicing of their receivable portfolios. The Company received approximately \$110,000 for the nine months ended September 30, 2002 and \$73,000 for the year 2001 in revenue pursuant to these agreements.

In the future, if the Company elects to do so, Yasawa and Scafholding have agreed to purchase contracts receivable at 65% of face value, with recourse. The Company has an agreement with Swan whereby Swan may loan the Company funds to be repaid with contracts receivable at 90% of face value, with recourse.

LIQUIDITY

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Retail land sales have traditionally produced negative cash flow through the point of sale as a result of a regulatory requirement to sell fully developed lots and the additional requirement to pay marketing and selling expenses prior to or shortly after the point of sale. In an effort to offset the negative cash flow effects of installment land sales, the Company is directing a greater portion of its marketing efforts to the sale of lots with homes and is now offering lots for sale in compulsory building areas where a lot purchaser must complete payments for the lot and construct a home within a limited period of time.

The Company has been dependent on its ability to sell or otherwise finance its contracts receivable and/or secure other financing to meet its cash requirements. Since 1992, the Company has been largely dependent on Yasawa, Scaffolding and Swan and related parties for the financing of its operations. Although Scaffolding has purchased contracts receivables at the rate of 65% of face value, with recourse, and Swan has loaned the Company additional funds to be paid back with contracts receivable at the rate of 90% of face value, with recourse, there can be no guarantee that the Company will be able to generate sufficient receivables to obtain sufficient financing in the future nor can there be any guarantee that Yasawa, Scaffolding, Swan and other related parties will continue to make loans to the Company.

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PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

See attached Exhibit 99.1 for Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002 (CEO Certification by Antony Gram)

See attached Exhibit 99.2 for Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002 (CFO Certification by Robert O. Moore)

(b) Reports on Form 8-K

None.

SIGNATURE

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.

THE DELTONA CORPORATION

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Date: November 14, 2002

By: /s/Robert O. Moore

Robert O. Moore,
Treasurer & Chief Financial Officer