PGI INC
Form 10-K
March 31, 2014

U.S SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10 – K

(Mark One)

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

For the fiscal year ended December 31, 2013

o TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________________ to _____________________

Commission File Number 1-6471

PGI INCORPORATED
(Exact name of registrant as specified in its charter)

FLORIDA	59-0867335
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

212 SOUTH CENTRAL, ST. LOUIS, MISSOURI 63105
(Address of principal executive offices)

(314) 512-8650
(Issuer's telephone number)

Securities registered pursuant to section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, Par Value $.10 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes o Noþ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yeso Noþ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act 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 þ Noo

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 (Section 232.405 of this chapter) during the preceeding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yesþ Noo

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K þ

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yeso Noþ

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2013 cannot be determined. See Item 5 of Form 10-K.

State the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

As of March 31, 2014, 5,317,758 shares of Common Stock, par value $.10 per share, were outstanding.

PGI INCORPORATED AND SUBSIDIARIES
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Contents and Cross Reference Index

PART I

Item 1. Business

GENERAL

As used in this Annual Report on Form 10-K, the "Company" refers, unless the context otherwise requires, to PGI Incorporated and its subsidiaries. The Company's executive offices are at 212 S. Central, St. Louis, Missouri, 63105, and its telephone number is (314) 512-8650.

The Company, a Florida corporation, was founded in 1958, and up until the mid 1990's was in the business of building and selling homes, developing and selling home sites and selling undeveloped or partially developed tracts of land. Over approximately the last 15 years, the Company's business focus and emphasis changed substantially as it concentrated its sales and marketing efforts almost exclusively on the disposition of its remaining real estate. This change was prompted by its continuing financial difficulties due to the principal and interest owed on its debt.

Presently, the most valuable remaining asset of the Company is a parcel of 366 acres located in Hernando County, Florida. The Company also owns a number of scattered sites in Charlotte County, Florida (the "Charlotte Property"), which total approximately 60 acres, but most of these sites are subject to easements which markedly reduce their value, consist of wetlands of indeterminate value and/or are subject to obstacles to development and the sale of such property. As of December 31, 2013, the Company also owned six single family lots located in Citrus County, Florida.

As of December 31, 2013, the Company had no employees, and all services provided to the Company are through contract services.

MOST RECENT DEVELOPMENTS

The principal remaining real property asset of the Company is a 366 acre undeveloped parcel in Hernando County, Florida, which property is encumbered by secured creditor claims.

This parcel is difficult to value because of uncertainty related to the possible extension of the Suncoast Expressway, which terminates on the south side of Route 98 opposite this property. Planning continues for the proposed northward continuation of the Suncoast Expressway, and based on an endorsement by the Citrus County Commission in 2007 to re-adopt a project that was originally approved in 1998, the route that is presently believed to be the most probable is through the middle of this parcel of property. However, according to the Florida Department of Transportation – Florida's Turnpike Enterprise Website for the Suncoast Parkway, Project 2, the project for this possible expansion has been suspended (paused) and no proposed specific timeframe for continuing this project has been provided to the Company's knowledge. Until and unless the uncertainty regarding the future expansion of the Suncoast Expressway and the related prospect of an eminent domain taking of a significant portion of the parcel is resolved, planning with respect to this property is difficult. The Company continues its efforts to dispose of all of its real estate.

Item 1A. Risk Factors

Not Applicable

Item 1B. Unresolved Staff Comments

Not Applicable

Item 2. Properties

The primary asset of the Company is a 366 acre tract of vacant land in Hernando County, Florida. The present zoning, and hence the presently proposed use of this parcel, is for single family residential lot development. Several factors suggest that this originally planned use may be inappropriate and/or not the best use given present circumstances.

Foremost among these factors is that the Suncoast Expressway may be extended to the north. Such an extension is almost certain to impact the property, since the probable routes as presently proposed would require a significant part of this tract. Additional factors include the present lack of water and sewers on the site, as well as the lack of roads on the site. Also, about forty acres of the property have been designated in the Hernando County's future land use plan for commercial use rather than single family use. Finally, market demand appears to be shifting away from lots with greenways as originally contemplated in favor of larger estate type lots and/or higher density condo/townhouse development.

Other vacant parcels, which could be competitive, do exist in the immediate area, most of which do not suffer the same planning constraint concerning the possible extension of the Suncoast Expressway.

The property is encumbered by mortgages granted by the Company in connection with the primary lender debt of $866,000 in principal and accrued interest and the convertible debentures held by Love-1989 Florida Partners, L.P. ("Love-1989") which total $22,785,000 in principal and accrued interest at December 31, 2013. The primary lender debt and convertible debentures are past due and in default (See Notes 7 and 9 to the Consolidated Financial Statements under Item 8).

The Company also owns twelve parcels in Charlotte County, Florida approximating 60 acres in total. Substantially all such holdings, however, consist of scattered sites that are subject to development restrictions occasioned by being seriously impacted by wetlands. The potential purchaser market for such properties is extremely limited. The Company also owns six single family lots in Citrus County, Florida. The Company continues its efforts to dispose of all of its real estate.

The Company believes the properties are adequately covered by insurance.

Item 3. Legal Proceedings

The Company, to its knowledge, currently is not a party in any legal proceedings.

Item 4. Mine Safety Disclosures

Not Applicable

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

There is no public trading market for the Company's common equity securities. There have been no reported transactions in the Company's common stock, par value $.10 (the "Common Stock"), since January 29, 1991, with the exception of the odd lot tender offer by PGIP, LLC, an affiliate of the Company ("PGIP"), in 2003 described previously in the Company's annual report on Form 10-KSB for the fiscal year ended December 31, 2004. No dividends have ever been paid on the Common Stock, and payment of dividends on the Common Stock is restricted under the terms of the two indentures pursuant to which the Company's outstanding subordinated convertible debentures are issued and by the terms of the Company's preferred stock. As of December 31, 2013 to the Company's knowledge, there were 600 holders of record of the Company's Common Stock and approximately 445 debenture holders.

Item 6. Selected Financial Data

Not Applicable

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

PRELIMINARY NOTE

Because the liabilities of the Company far exceed the reported value of its assets, the most important information and analysis concerns the nature and probable actions of the major holders of the Company's debt. Foremost among these are the Company's 6.5% subordinated convertible debentures, which matured June, 1991, with an original face amount of $1,034,000, and its 6.0% subordinated convertible debentures which matured May, 1992, with an original face amount of $8,025,000.

The cumulative amount due for these two issues is as follows:

	12/31/2013	
	Principal Amount Due	Unpaid Interest
	($ in thousands)	
Subordinated debentures due June 1, 1991	$1,034	$1,685
Subordinated debentures due May 1, 1992	8,025	19,322
	$9,059	$21,007

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Both issues have been in payment default for approximately twenty years, and there has been little contact with or on behalf of the bondholders over the past several years. It is unclear whether any action on behalf of the bondholders is presently likely, given the negative net worth of the Company and continuing passage of time. Further, the Company believes that at least a portion of such claims (especially those with respect to the subordinated convertible debentures which matured on June 1, 1991) might be barred under the applicable statutes of limitations.

If such claims are barred, it is possible that the Company would potentially have to record net income in like amount, without the receipt of any cash, and could potentially incur a large tax liability. Any such potential tax liability might be averted and/or mitigated, however, by the utilization of the Company's tax loss carryforwards, which as of December 31, 2013 totaled approximately $ 54,349,000.

Even if claims by the subordinated convertible debenture holders are barred in full and there is no cash tax consequence to the Company as a result of the utilization of the tax loss carry forwards, the Company would nonetheless have a substantial Stockholders' Deficiency. As of December 31, 2013, the Stockholders' Deficiency of the Company was $76,615,000.

Similar defenses would not appear to apply to other creditors of the Company, and the credit and debenture agreements with the Company's primary lender, PGIP, and the initial holder of its secured convertible debentures are secured by mortgages and security interests in certain assets of the Company.

Therefore, the Company's major effort and activities have been, and continue to be, to liquidate assets of the Company to pay the ordinary on-going costs of operation of the Company, with any surplus expected to be used to reduce the balance due to its primary lender (or to the initial holder of the secured convertible debentures), as required should the asset sale which generates such surplus include the collateral securing such debt.

The Company attempts to realize full market value for each such asset, which may be at substantial variance from its present carrying value. However, the remaining major assets of the Company are both difficult to value and difficult to sell. Certain of these assets may be of so little value and marketability that the Company may elect not to pay the real estate taxes on selected parcels, which may eventually result in a defacto liquidation of such property by subjecting such property to a tax sale.

Generally, the Company intends to continue to seek the liquidation of its assets and to use the proceeds from such liquidation to fund the normal cost of operations of the Company, with any surplus used to satisfy the requirements of the Company's secured creditors if the asset liquidated is included in the collateral securing such debt.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

RESULTS OF OPERATIONS

Revenues

Revenues for the year ended December 31, 2013 decreased by $13,000 to $16,000 compared to revenues of $29,000 for the year ended December 31, 2012 primarily as a result of decreased interest income due to a lower balance on the short-term note receivable balance with Love Investment Company ("LIC"), an affiliate of L-PGI, the Company's primary preferred stock shareholder. In addition, the interest rate under the terms of such note receivable dropped to 3.25 % in 2013, as compared to 5% in 2012. The note receivable and interest receivable balance was $440,000 and 543,000 as of December 31, 2013 and 2012, respectively.

There were no real estate sales during 2013 or 2012. The Company continues to be affected by a depressed real estate market and other factors as previously described under "Item 2. Properties."

Costs and Expenses

Expenses for the years 2013 and 2012 were:

	2013	2012
Taxes and Assessments	$9,000	$9,000
Consulting and Accounting-related party	39,000	39,000
Legal and Professional	10,000	9,000
General and Administrative	70,000	159,000

Legal expenses increased by $1,000 in 2013 when compared to the same period in 2012, which increase related to legal expenses incurred in connection with the Company entering into a cell tower lease on a parcel of property located in Citrus County, Florida. The lease was executed as of May 1, 2013 and rent of $1,800 per month will begin to be paid by the lessee to the Company upon the earlier of issuance of a building permit for such tower or 18 months after May 1, 2013. This lease did not generate income in 2013. The lease term is 10 years with six successive five year renewal periods.

General and administrative expenses decreased by $89,000 during the year ended December 31, 2013, compared to the year ended December 31, 2012, as a result of inclusion in 2012 of $88,000 in cumulative annual administration fees for prior years relating to the 6% subordinated convertible debentures.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Interest expense for the two years ended December 31, 2013 and 2012 was:

	2013	2012
	($ in thousands)	
Interest Expense	$6,792	$6,059

Interest expense in 2013 increased by $733,000 compared to 2012 as a result of interest accruing on past due balances which increase at various intervals throughout the year for accrued but unpaid interest.

The net loss was $6,904,000 ($1.42 per share) for 2013 compared to a net loss of $6,246,000 ($1.29 per share) for 2012 with such increase being primarily attributable to the increase in interest expense described above. Included in the 2013 and 2012 loss per share computation is $640,000 ($.12 per share of Common Stock) of annual cumulative preferred stock dividends in arrears.

FINANCIAL CONDITION

Total assets decreased by $104,000 at December 31, 2013 compared to total assets at December 31, 2012 reflecting the following changes:

	2013	2012	Increase (Decrease)
		($ in thousands)	
Cash and cash equivalents	$1	$1	$-
Restricted cash	5	5	-
Receivables-related party	440	543	(103)
Land and improvements	639	639	-
Other assets	186	187	(1)
	$1,271	$1,375	$(104)

Net cash used in operations was $103,000 for the year ended December 31, 2013 compared to net cash used in operations of $88,000 for the year ended December 31, 2012. Net cash used in operations consists of cash received from operations less cash expended for operations.

Cash received from operations during 2013 was $16,000, a $13,000 decrease from cash received during 2012 of $29,000. Cash received from operations represents interest payments received from the Company’s note receivable with LIC. There were no real estate sales in 2013 and 2012.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Cash expended for operations increased by $2,000 to $119,000 during 2013 from $117,000 in 2012, primarily for the payment of expenses incurred in connection with the Company entering into a cell tower lease on a parcel of property located in Citrus County, Florida.

During 2013 and 2012, investing activities provided $103,000 and $88,000, respectively, of cash, which consisted of the receipt of net principal repayments of the Company's short-term note with LIC. As a result, the amount of receivables-related party decreased by $103,000 as of December 31, 2013 compared to December 31, 2012.

The $1,000 decrease in other assets at December 31, 2013 compared to year-end 2012 primarily represents a decrease in prepaid insurance due to a lower insurance premium paid in 2013 as compared to 2012.

Liabilities were $77,886,000 at December 31, 2013 compared to $71,086,000 at December 31, 2012, reflecting the following changes:

	2013	2012	Increase (Decrease)
		($ in thousands)	
Accounts payable and accrued expenses	$219	$211	$8
Accrued real estate taxes	8	8	-
Accrued interest	23,965	22,688	1,277
Accrued interest-related party	41,437	35,922	5,515
Credit agreements - primary lender			
related party	500	500	-
Notes payable	1,198	1,198	-
Convertible subordianted debentures payable	9,059	9,059	-
Convertible debentures payable -			
related party	1,500	1,500	-
	$77,886	$71,086	$6,800

Accrued expenses increased by $8,000 at December 31, 2013 compared to December 31, 2012 due to the accrual of the current year's annual administration fees related to the 6% subordinated convertible debentures.

The increase in accrued interest at December 31, 2013 compared to year-end 2012 reflects changes in the following accrued interest categories:

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

	2013	2012	Increase (Decrease)
		($ in thousands)	
Primary lender-related party	$366	$324	$42
Debentures	21,007	19,792	1,215
Debentures-related party	41,071	35,598	5,473
Other	2,958	2,896	62
	$65,402	$58,610	$6,792

Accrued interest increased due to the nonpayment of interest expense during the year ended December 31, 2013. The accrued interest relating to debentures also increased due to the additional accrual of interest on the nonpayment of previously accrued interest on the Company's debentures (see Notes 8 and 9 to the consolidated financial statements under Item 8).
All of the primary lender debt, notes payable and debentures, including accrued interest, are past due.

The Company's stockholders' deficiency increased to $76,615,000 at December 31, 2013 from a $69,711,000 stockholders' deficiency at December 31, 2012, reflecting the 2013 operating loss of $6,904,000.

New Accounting Standards

There were no accounting standards issued during 2013 or 2012 that management believes will have a material impact on the Company's financial statements.

Forward Looking Statements

The discussion set forth in this Item 7, as well as other portions of this Form 10-K, may contain forward-looking statements. Such statements are based upon the information currently available to management of the Company and management's perception thereof as of the date of the Form 10-K. When used in this Form 10-K, words such as "anticipates," "estimates," "believes," "expects," and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Such state–ments are subject to risks and uncertainties. Actual results of the Company's operations could materially differ from those forward-looking statements. The differences could be caused by a number of factors or combination of factors including, but not limited to: changes in the real estate market in Florida and the counties in which the Company owns any property; the overall national economy and financial markets; institution of legal action by the bondholders for collection of any amounts due under the subordinated convertible debentures (notwithstanding the Company's belief that at least a portion of such actions might be barred under applicable statute of limitations); continued failure by governmental authorities to make a decision with respect to the Suncoast Expressway as described under Item 1; changes in management strategy; and other factors set forth in reports and other documents filed by the Company with the Securities and Exchange Commission from time to time.

Item 7A. Qualitative and Quantitative Disclosures About Market Risk.

Not Applicable

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders
PGI Incorporated
St. Louis, Missouri

We have audited the accompanying consolidated statements of financial position of PGI Incor–porated and Subsidiaries ("Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, stockholders' deficiency and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PGI Incorporated and Subsidiaries at December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has a significant accumulated deficit, and is in default on its primary debt (Note 7), certain sinking fund and interest payments on its convertible subordinated debentures (Note 8) and its convertible debentures (Note 9). These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in this regard are described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BKD, LLP

St. Louis, Missouri
March 31, 2014

PGI INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31 ,2013 and 2012

ASSETS	2013	2012	LIABILITIES	2013	2012
Cash and cash equivalents	$ 1,000	$ 1,000	Accounts payable and		
			accrued expenses (Note 6)	$ 219,000	$ 211,000
Restricted cash (Note 3)	5,000	5,000			
			Accrued real estate taxes	8,000	8,000
Receivables-related party (Note 14)	440,000	543,000	(Note 6)		
			Accrued Interest:		
Land and improvement	639,000	639,000	Primary lender-related party		
inventories (Note 4)			(Note 7)	366,000	324,000
Other assets (Note 5)	186,000	187,000	Subordinated convertible		
			debentures (Note 8)	21,007,000	19,792,000
			Convertible debentures-		
			related party (Note 9)	41,071,000	35,598,000
			Other (Note 7)	2,958,000	2,896,000
			Credit Agreements (Note 7):		
			Primary lender-related party	500,000	500,000
			Notes payable	1,198,000	1,198,000
			Subordinated convertible		
			debentures payable (Note 8)	9,059,000	9,059,000
			Convertible debentures		
			payable-related party (Note 9)	1,500,000	1,500,000
				77,886,000	71,086,000
			Commitments and		
			Contingencies (Note 13)		
			STOCKHOLDERS' DEFICIENCY		
			Preferred stock, par value		
			$1.00 per share; authorized		

		5,000,000 shares; 2,000,000 Class A cumulative convertible shares issued and outstanding; (liquidation preference of $8,000,000 and cumulative dividends) (Note 11)	2,000,000	2,000,000
		Common stock, par value $.10 per share; authorized 25,000,000 shares; 5,317,758 shares issued and outstanding (Note 11)	532,000	532,000
		Paid-in capital	13,498,000	13,498,000
		Accumulated deficit	(92,645,000)	(85,741,000)
			(76,615,000)	(69,711,000)
1,271,000	1,375,000		$1,271,000	$1,375,000

See accompanying notes to consolidated financial statements.

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PGI INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31, 2013 and 2012

	2013	2012
Revenues:		
Interest income-related party (Note 2)	$16,000	$29,000
	16,000	29,000
Costs and expenses:		
Interest	1,277,000	1,248,000
Interest-related party	5,515,000	4,811,000
Taxes and assessments	9,000	9,000
Consulting and accounting-related party	39,000	39,000
Legal and professional	10,000	9,000
General and administrative	70,000	159,000
	6,920,000	6,275,000
Net Loss	$(6,904,000)	$(6,246,000)
Loss Per Share Available to Common Stockholders- Basic and Diluted (Note 16)	$(1.42)	$(1.29)

See accompanying notes to consolidated financial statements.

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PGI INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activites:		
Cash received from operations:		
Interest received-related party	$16,000	$29,000
	16,000	29,000
Cash expended for operations:		
Taxes and assessments	10,000	9,000
Consulting and accounting-related party	39,000	39,000
Legal and professional	9,000	9,000
General and administrative	61,000	60,000
	119,000	117,000
Net cash flow used in operating activites	(103,000)	(88,000)
Cash flow from investing activities:		
Net repayments of notes receivable-related party	103,000	88,000
Net cash flow provided by investing activities	103,000	88,000
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	1,000	1,000
Cash and cash equivalents at end of year	$1,000	$1,000

See accompanying notes to consolidated financial statements.

PGI INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years ended December 31. 2013 and 2012

	2013	2012
Reconciliation of net loss to net cash used in operating activities:		
Net loss	(6,904,000)	$(6,246,000)
Adjustments to reconcile net loss to net cash used in operating activites:		
(Increase) decrease in assets:		
Prepaid expenses	-	2,000
Deferred charges	1,000	4,000
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	8,000	93,000
Accrued interest	1,277,000	1,248,000
Accrued interest-related party	5,515,000	4,811,000
Net cash flow used in operating activities	$(103,000)	$(88,000)

See accompanying notes to consolidated financial statements.

PGI INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY
Years ended December 31, 2013 and 2012

	Preferred Stock		Common Stock			Accumulated
	Shares	Par Value	Shares	Par Value	Paid-in Capital	Deficit
Balances at 1/1/12	20,000,000	$2,000,000	5,317,758	$532,000	$13,498,000	$(79,495,000)
Net Loss	-	-	-	-	-	(6,246,000)
Balances at 12/31/12	20,000,000	2,000,000	5,317,758	532,000	13,498,000	(85,741,000)
Net Loss	-	-	-	-	-	(6,904,000)
Balances at 12/31/13	20,000,000	$2,000,000	5,317,758	$532,000	$13,498,000	$(92,645,000)

See accompanying notes to consolidated financial statements.

PGI INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. Significant Accounting Policies:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries after eliminating all significant inter-company transactions.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and Profit Recognition

Homesites

The Company follows the installment method of profit recognition in accordance with Accounting Standard Codification (ASC) Topic 360-20, "Real Estate Sales".

Acreage

Sales of undeveloped and developed acreage tracts are recognized, net of any deferred revenue and valuation discount, when minimum down payment and other requirements are met.

Land and Improvement Inventories

Land held for sale to customers and land held for bulk sale are stated at cost, which is not in excess of estimated net realizable value. Homesite costs are allocated to projects based on area methods, which consider footage, future improvements costs and frontage.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

PGI INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

2. Revenues:

Revenues for the years ended December 31, 2013 and 2012 included interest income from a short-term note receivable with Love Investment Company ("LIC"), an affiliate of L-PGI, the Company's primary preferred stock shareholder.

There were no real estate sales in 2013 and 2012. As of December 31, 2013 the Company owned six lots in Citrus County, Florida. The Company continues to be effected by a depressed real estate market in Citrus County, Florida.

3. Restricted Cash:

Restricted cash includes restricted proceeds held by PGIP, LLC ("PGIP"), the Primary Lender, as collateral for debt repayment (see Note 14).

The restricted escrow funds balance was $5,000 at December 31, 2013 and December 31, 2012.

4. Land and Improvements:

Land and improvement inventories consisted of:

	2013	2012
Unimproved land	$625,000	$625,000
Fully improved land	14,000	14,000
	$639,000	$639,000

5. Other Assets:

Other assets consisted of:

	2013	2012
Deposit with Trustee of 6 1/2% debentures	$184,000	$184,000
Prepaid expenses	1,000	2,000
Deferred charges	1,000	1,000
	$186,000	$187,000

PGI INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

6. Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses consisted of:

	2013	2012
Accounts payable	$ -	$-
Accrued audit/tax expense	36,000	36,000
Accrued consulting fees-related party	1,000	1,000
Environmental remediatiom obligations	70,000	70,000
Accrued debenture fees	111,000	103,000
Accrued Miscellaneous	1,000	1,000
	$ 219,000	$211,000

Accrued Real Estate Taxes:

Accrued real estate taxes consisted of:

	2013	2012
Current accrued real estate taxes	$8,000	$8,000

7. Credit Agreements – Primary Lender and Notes Payable:

Credit agreements with the Company's primary lender and notes payable consisted of the following:

	2013	2012
Credit agreements-		
Primary lender (PGIP-related party),		
at prime plus 5%, due June 1, 1997	$500,000	$500,000
Notes Payable-		
At prime plus 2%, due October 1, 1984	176,000	176,000
At prime plus 2%, due October 1, 1987	1,000,000	1,000,000
Non-interest bearing, due August 1, 1993	22,000	22,000
	$1,698,000	$1,698,000

The prime rate at December 31, 2013 and 2012, was 3.25%.

At December 31, 2013 assets collateralizing the Company's credit agreements with its primary lender totaled $644,000, of which $5,000 represented escrow held by the primary lender, and $639,000 represented land and improvement inventories.

PGI INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

7. Credit Agreements – Primary Lender and Notes Payable (continued):

The overall weighted-average interest rate for the Company's credit agreements with its primary lender and all remaining notes and mortgages was approximately 6.1% as of both December 31, 2013 and 2012.

Although substantially all of the Company's real and personal property including all of the stock of the Company's wholly-owned subsidiaries remains pledged as collateral, the Company negotiated agreements with its mortgage holders to allow the Company to sell part of its land holdings without requiring full payment of the secured debt.

Accrued interest due to the primary lender was $366,000 and $324,000 at December 31, 2013 and 2012, respectively. Accrued interest on other notes payable was $2,958,000 and $2,896,000 at December 31, 2013 and 2012, respectively.

All of the primary lender debt and notes payable including accrued interest are past due.

8. Subordinated Convertible Debentures Payable:

Subordinated debentures payable consisted of:

	2013	2012
6 1/2%, due June, 1991	$1,034,000	$1,034,000
6%, due May, 1992	8,025,000	8,025,000
	$9,059,000	$9,059,000

Since issuance, $650,000 and $152,000 of the 6½% and 6% debentures, respectively, have been converted into common stock. This conversion feature is no longer in effect.

The Company is in default of certain sinking fund and interest payments on both subordi–nated debentures totaling $9,059,000 in principal plus accrued and unpaid interest of $21,007,000 at December 31, 2013 and $19,792,000 as of December 31, 2012.

The debentures are not collateralized and are not subordinate to each other, but are subordinate to senior indebtedness ($3,198,000 at December 31, 2013). Payment of dividends on the Company's common stock is restricted under the terms of the two indentures pursuant to which the outstanding debentures are issued.

In order to meet liquidity needs for future periods, the Company has been and intends to continue to actively seek buyers for the remaining portion of the underdeveloped acreage, when appropriate.

No assurances can be made that the Company can achieve this objective.

PGI INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

9. Convertible Debentures Payable:

In May 2008, LIC, an affiliate of L-PGI, the Company's preferred shareholder, purchased $703,050 in principal amount of the Company's convertible debentures from the previous debenture holder. The balance of the outstanding convertible debentures in the amount of $796,950, are held by Love-1989. The debentures held by Love-1989 are secured by a second mortgage behind PGIP on the 366 acres retained by the Company and a security interest behind that held by PGIP in the restricted proceeds escrow. The total debentures balance of $1,500,000 carry a maturity date of July 8, 1997 and are in default. Interest on the debentures accrues at the rate of fourteen percent compounded quarterly. The Company's primary lender credit agreements prohibit the payment of interest until such time as the primary lender loans are repaid.

Accrued interest was $41,071,000 and $35,598,000 at December 31, 2013 and 2012 respectively.

10. Income Taxes:

Reconciliation of the statutory federal income tax rates, 34% for the years ended December 31, 2013 and 2012, to the Company's effective income tax rates follows:

	2013		2012	
	($ in thousands)			
	Amount of tax	Percent of Pre-tax Loss	Amount of tax	Percent of Pre-tax Loss
Expected tax (credit)	$(2,347)	-34.0%	$(2,124)	-34.0%
State income taxes, net of federal tax benefits	(277)	-4.0%	(250)	-4.0%
Expiration of net operating loss carryovers	-	0.0%	1,247	20.0%
Increase in valuation allowance	2,624	38.0%	1,127	18.0%
	$-	-	$-	-

At December 31, 2013, the Company had an operating loss carryforward of approxi–mately $ 54,349,000 which are expiring and will expire at various dates through 2033.

PGI INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

10. Income Taxes (continued):

	2013	2012
	($ in thousands)	
Deferred tax asset:		
Net operating loss carryover	$20,653	$18,029
Adjustments to reduce land to net		
realizable value	12	12
Expenses capitalized under IRC 263(a)	56	56
Environmental liability	27	27
Valuation allowance	(20,576)	(17,952)
	172	172
Deferred tax liability:		
Basis difference of land and		
improvement inventories	172	172
Net deferred tax asset	$-	$-

The Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2010.

11. Capital Stock:

In March 1987, the Company sold, in a private placement, 1,875,000 shares of its Class A cumulative convertible preferred stock to L-PGI for a purchase price of $7,500,000 cash ($4.00 per share). The Company also converted $500,000 of indebtedness owed to a corporation owned by the Company's former Chairman of the Board of Directors and members of his family into 125,000 shares of the cumulative convertible preferred stock.

The holders of the preferred stock are entitled to one vote per share and, except as provided by law, will vote as one class with the holders of the common stock. Class A preferred stockholders are also entitled to receive cumulative dividends at the annual rate of $.32 per share, an effective yield of 8%. Dividends accrued for an initial two year period and, at the expiration of this period, preferred stockholders had the option of receiving accumulated dividends, when and if declared by the Board of Directors, in cash (unless prohibited by law or contract) or common stock. At December 31, 2013 cumulative preferred dividends in arrears totaled $11,955,000 ($640,000 of which related to the year ended December 31, 2013). On May 15, 1997 preferred dividends accrued through April 25, 1995 totaling $4,260,433 were paid in the form of 2,000,203 shares of common stock.

As of December 31, 2013, the preferred stock is callable or redeemable at the option of the Company at $4.00 per share plus accrued and unpaid dividends. In addition, the preferred stock will be entitled to preference of $4.00 per share plus accrued and unpaid dividends in the event of liquidation of the Company.

PGI INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

At December 31, 2013 the Company had reserved 6,319,540 common shares for the conversion of preferred stock and debentures.

12. Quarterly Results:

There were no significant transactions in the fourth quarter of 2013.

13. Commitments and Contingencies:

The Company is currently not a party in any legal proceedings.

14. Related Party Transactions:

The Company's primary preferred shareholder is L-PGI, with LIC being its general partner. The Company's convertible debentures (Note 9) are held by L-1989 and LIC. LIC is also the controlling general partner of L-1989. LIC is primarily owned and managed by Andrew S. Love and Laurence A. Schiffer. Messrs. Love and Schiffer serve as the executive officers and directors of the Company.

As of December 31, 2013 the Company was in default of its primary credit agreements with PGIP, its Primary Lender (Note 7).

PGIP is owned and managed by Love Savings Holding Company ("LSHC"). Messrs. Love and Schiffer are directors and executive officers of LSHC and own 90% of all the issued and outstanding voting stock of LSHC.

The Company maintains its administration and accounting offices with Love Real Estate Company ("LREC"). LREC, which is owned by Mr. Love and Mr. Schiffer, is paid a monthly fee for the following:

1. Maintain books of original entry;
2. Prepare quarterly and annual SEC filings;
3. Coordinate the annual audit;
4. Assemble information for tax filing, review reports as prepared by tax account−ants and file same;
5. Track shareholder records through transfer agent;
6. Maintain policies of insurance against property and liability exposure;
7. Handle day-to-day accounting requirements

In addition, the Company receives office space, telephone service and computer service from LREC. A fee of $2,800 per month was accrued in 2013 and 2012. The Company made payments of $33,600 to LREC in 2013 and 2012 respectively for accounting service fees. There were no accrued accounting service fees as of December 31, 2013 and 2012.

PGI INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

14. Related Party Transactions (continued):

Effective March 25, 1987, the Company entered into a Management Consulting Agree–ment with LREC. As a consultant to the Company and in addition to the above services, LREC provides other services including, but not limited to, strategic planning, marketing and financing as requested by the Company. In consideration for these consulting services, the Company pays LREC a quarterly consulting fee of one-tenth of one percent of the carrying value of the Company's assets, plus reasonable out-of-pocket expenses. As of December 31, 2013, the carrying value of the Company's assets was approximately $1,271,000. Consulting fees were $5,000 and $6,000 in 2013 and 2012, respectively. As of both December 31, 2013 and 2012, a total of $1,000 of unpaid fees had accrued under this agreement.

In 1985 a corporation owned by the former Chairman of the Board and his family made an uncollateralized loan to the Company, which at December 31, 2013 had an outstanding balance, including accrued interest, of $589,000. Interest accrued on this loan was $9,000 in both 2013 and 2012, respectively.

From time to time, the Company invests in short-term debt obligations of an affiliate of L-PGI, the Company's preferred shareholder, Love Investment Company (Note 2). The balance of this receivable including accrued interest at December 31, 2013 and 2012 was $440,000 and $543,000, respectively. Interest on the loans was $16,000 and $29,000 for 2013 and 2012, respectively.

15. Fair Value of Financial Instruments:
The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

Cash and Restricted Cash:

The carrying amount approximates fair value because of the short maturity of those instruments.

Receivables:

The carrying amount approximates fair value because of the short-term maturity of those receivables.

Accounts Payable:

The carrying amount approximates fair value because of the short-term maturity of those debts.

PGI INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements (continued)

15. Fair Value of Financial Instruments (continued):

Debt:

It was not practicable to estimate the fair value of the Company's debt with its primary lender, its notes payable and its convertible debentures because these debts are in default causing no basis for estimating value by reference to quoted market prices or current rates offered to the Company for debt of the same remaining maturities.

The estimated fair values of the Company's financial instruments are as follows:

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and restricted cash	$6,000	$6,000	$6,000	$6,000
Receivables	440,000	440,000	543,000	543,000
Accounts payable	-	-	-	-
Debt	12,257,000	-	12,257,000	-

16. Loss Per Share:

The following is a summary of the calculations used in computing basic and diluted loss per share:

	2013	2012
Numerator:		
Net Loss	$(6,904,000)	$(6,246,000)
Preferred Dividends	(640,000)	(640,000)
Loss Available to Common Shareholders	$(7,544,000)	$(6,886,000)
Denominator:		
BASIC		
Weighted average amount of shares outstanding	5,317,758	5,317,758
DILUTED		
Weighted average amount of shares outstanding	5,317,758	5,317,758
Dilutive effect of assumed conversion of		
Preferred Stock	-	-
Dilutive common shares	5,317,758	5,317,758
Loss per share		
Basic	$(1.42)	$(1.29)
Diluted	(1.42)	(1.29)

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable.

Item 9A. Controls and Procedures

The Company has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended) under the supervision and with the participation of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company. Based on this evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of December 31, 2013. There have been no changes in the Company's internal control over financial reporting during the Company's fourth fiscal quarter ending December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management of PGI Incorporated (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention of overriding controls. Accordingly, even an effective system of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that degree of compliance with the policies or procedures may deteriorate.

Item 9A. Controls and Procedures (continued)

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on that assessment, management concludes that, as of December 31, 2013, the Company's internal control over financial reporting is effective.

Item 9B. Other Information

Not Applicable

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

The following information, regarding executive officers and directors of the Company, is as of March 31, 2014.

Name and Age	Position with Company and Business Experience During the Last Five Years
Laurence A. Schiffer (age 74)	Director of the Company since April 1987; President, Chief Executive Officer and Chief Financial Officer of the Company since February 1994; Vice Chairman of the Board since May 1987; President and Chief Executive Officer of Love Real Estate Company and Love Investment Company since 1973; Chairman of Heartland Bank and President of LSHC, the parent company of Heartland Bank since December 1985; Manager of PGIP since 1995; member of the Real Estate Board of Metropolitan St. Louis and the National Association of Real Estate Boards.
Andrew S. Love Jr. (age 70)	Director and Chairman of the Company's Board of Directors since May 1987; Secretary since February 1994; Chairman of the Board of Love Real Estate Company and Secretary of Love Investment Company since 1973; Partner in St. Louis based law firm of Bryan, Cave, McPheeters & McRoberts until 1991; Director of Heartland Bank and Chairman of LSHC, the parent company of Heartland Bank since December 1985; Manager of PGIP since 1995.

Executive officers of the Company are appointed annually by the Board of Directors to hold office until their successors are appointed and qualify.

The directors of the Company have determined that the Company does not have an audit committee financial expert serving on its board of directors (which acts as the Company's audit committee). In addition, the Company has not adopted a code of ethics that applies to its principal executive officer and principal financial officer (principal accounting officer). The Company's decision not to adopt a code of ethics or to have an audit committee financial expert are primarily attributable to the following reasons: (i) as a result of its continuing financial difficulties due to amounts owed on its debt, the Company is focused almost exclusively on the disposition of its remaining real estate; (ii) as described in Item 5, there have been no reported transactions in the Company's Common Stock since January 29, 1991, other than the odd lot tender offer in 2003; (iii) the board of directors of the Company consists of only two directors and these two directors are also the only executive officers of the Company; and (iv) the same person serves as the Company's chief executive officer and chief financial officer.

Section 16(a) Beneficial Ownership Reporting Compliance

The Company was not furnished any Forms 3, 4 or 5, or any amendments thereto, during our most recent fiscal year. Accordingly, the Company is not aware of any officer, director or beneficial owner of more than 10 percent of the Company's registered securities that failed to file on a timely basis Forms 3, 4 and 5 required under Section 16(a) of the Securities Exchange Act of 1934, as amended, during fiscal year ended 2013.

Item 11. Executive Compensation

The Company's Chief Executive Officer and Chief Financial Officer is Mr. Laurence A. Schiffer. Because of the Company's impaired financial condition, it does not compensate in any manner Mr. Schiffer or Mr. Love, the Company's only other executive officer, for the services they perform for the Company in that capacity or in their capacity as directors of the Company. Management services are provided to the Company by Love Real Estate Company ("LREC"), which is an affiliate of L-PGI, pursuant to that certain Management Consulting Agreement by and between the Company and LREC dated March 25, 1987 (the "Management Agreement"). Mr. Schiffer is an employee of, and receives an annual salary from LREC. Mr. Love receives only a nominal salary from LREC. Neither the Company nor LREC maintains records, which would allow either of them to attribute any portion of the remuneration Mr. Schiffer receives from LREC to the management services he performs for the Company. See Item 13. "Certain Relationships and Related Party Transactions, and Director Independence" for additional information about the Management Agreement.

Neither Mr. Schiffer nor Mr. Love received fees from any source directly attributable to their services as directors of the Company during 2013.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The table below provides certain information as of March 31, 2014 regarding the bene–ficial ownership of the Common Stock and the Class A cumulative convertible preferred stock (the "Preferred Stock") by each person known by the Company to be the beneficial owner of more than five percent of either the Common Stock or the Preferred Stock, each director of the Company (which persons are also the Company's only executive officers), and by virtue of the foregoing, the directors and executive officers of the Company as a group.

					Percent of Totsl					
Name (9)	Common Stock		Preferred Stock		Common Stock (1)		Preferred Stock		Percent of Total Voting Power (1)	
Estate of Harold Vernon	998,777	(2)(3)	-		18.8	%	-		13.7	%
Mary Anne Johns Trust	-	(4)	125,000	(4)	-	(4)	6.3	%	5.0	%
Love-PGI Partners, L.P.("L-PGI")	2,260,706	(5)	1,875,000	(5)	42.50	%	93.80	%	56.50	%
Andrew S. Love, Jr.	2,263,215	(6)	1,875,000	(6)	42.50	%	93.80	%	56.50	%
Laurence A. Schiffer	2,263,215	(7)	1,875,000	(7)	42.50	%	93.80	%	56.50	%
All executive officers and directors as a group (2 persons)	2,263,215	(8)	1,875,000	(8)	42.50	%	93.80	%	56.50	%

1. The above table does not include 2,595,356 shares that may be received upon conversion of the Company's secured convertible debentures.

2. The shares of Common Stock owned by the Estate of Mr. Vernon are currently in the possession of the Federal Deposit Insurance Corporation ("FDIC") which is the receiver for First American Bank and Trust, Lake Worth, Florida ("First American"). First American previously made a loan to Mr. Vernon, which was secured by these shares. The loan is in default and the Company understands that the FDIC has the right, pursuant to a pledge agreement, to vote the shares at any annual or special meeting of shareholders.

3. Information obtained from filings made with the Securities and Exchange Commission.
4. Includes the beneficial ownership of shares of Common Stock which represent less than 5% of the outstanding shares of Common Stock; sole voting and investment power over 125,000 shares of Preferred Stock, which shares are held in the name of Mary Anne Johns, as Trustee of the Mary Anne Johns Declaration of Trust.
5. The controlling general partner of L-PGI is Love Investment Company, a Missouri Corporation owned by Mr. Love, Love family members and trusts and Mr. Schiffer. Messrs. Love and Schiffer serve as the executive officers and directors of Love Investment Company.
6. These shares are the same shares owned by L-PGI and PGIP, LLC (2,509 shares of Common Stock). Mr. Love is an indirect owner of L-PGI and PGIP, LLC. See Footnote 5 above and Item 13. "Certain Relationships and RelatedTransactions, and Director Independence" for more information. Accordingly, Mr. Love has shared voting and investment power over all of these shares.
7. These shares are the same shares owned by L-PGI and PGIP, LLC (2,509 shares of Common Stock). Mr. Schiffer is an indirect owner of L-PGI and PGIP, LLC. See Footnote 5 above and Item 13. "Certain Relationships and Related Transactions, and Director Independence" for more information. Accordingly, Mr. Schiffer has shared voting and investment power over all of these shares.
8. These shares are the same shares reflected in Footnotes 5, 6 and 7. See Footnote 5 above and Item 13. "Certain Relationships and Related Transactions, and Director Independence" for more information.
9. Addresses for beneficial owners are as follows:

Estate of Harold Vernon	Love-PGI Partners, L.P	Laurence A. Schiffer
3201 W. Rolling Hills Circle	212 So. Central, Suite 100	212 So. Central, Suite 201
Davie, FL 33328	St. Louis, MO 63105	St. Louis, MO 63105
Mary Anne Johns	Andrew S. Love, Jr.	
One Woodland Drive	212 So. Central, Suite 201	
Punta Gorda, FL 33982	St. Louis, MO 63105	

As of December 31, 2013, the Company did not have a compensation plan or individual compensation arrangement under which its equity securities may be issued.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The Company's primary lender debt of $500,000 as of December 31, 2013, and which remained at this amount during all of fiscal year 2013, is with PGIP, LLC, an affiliate of the Company ("PGIP") and is secured by substantially all of the Company's real estate. PGIP became the primary lender in March 1996, with the assignment by First Union, the Company's former primary bank lender, of all its right, title and interest in and to the loan documents. PGIP is 100% owned by Love Savings Holding Company ("LSHC"). Messrs. Love and Schiffer own approximately 90% of all of the issued and outstanding voting stock of LSHC and serve as the directors and officers of LSHC. LSHC along with Messrs. Love and Schiffer are the managers of PGIP. There were no principal or interest payments made during fiscal year 2013 to PGIP with respect to this debt. See also Note 7 to the Notes to Consolidated Financial Statements.

As further security to the primary lender indebtedness with PGIP, a restricted proceeds escrow was established in connection with the closing of the bulk acreage sale in May 1998. The escrow agreement permits funds to be paid (i) as requested by PGI and agreed to by PGIP, or (ii) as deemed necessary and appropriate by PGIP to protect its interest in the remaining real estate, including its right to receive principal and interest payments on the indebtedness, or (iii) to PGIP to pay any other obligations owed to PGIP by the Company. The restricted escrow balance was $ 5,000 at both December 31, 2013 and 2012.

The Company maintains its administration and accounting offices with the offices of LREC in St. Louis, Missouri. LREC, a Missouri Corporation, is owned by Mr. Love and Mr. Schiffer, and is located at 212 South Central Avenue, St. Louis, Missouri 63105. A fee of $2,800 per month was accrued in 2013 and 2012 and the Company made payments of $33,600 to LREC in 2013 and 2012 respectively, for the services described in the next paragraph. There were no accrued accounting service fees as of December 31, 2013 and 2012, respectively.

The following is a list of services provided:

1. Maintain books of original entry;
2. Prepare quarterly and annual SEC filings;
3. Coordinate the annual audit;
4. Assemble information for tax filing, review reports as prepared by tax accountants and file same;
5. Track shareholder records through transfer agent;
6. Maintain policies of insurance against property and liability exposure;
7. Handle day-to-day accounting requirements; and
8. Provide telephone and computer service.

Although an amount is paid to LREC as reimbursement for expenses and as a fee for providing management services to the Company, neither the Company nor LREC maintain records which would allow them to attribute any portion of the aforementioned monthly fee to reimbursement of particular expenses or to payment for the management services performed for the Company by individual employees of LREC, including Messrs. Love and Schiffer.

Effective as of March 25, 1987, the Company entered into the Management Agreement with LREC. As a consultant to the Company and in addition to the above services, LREC provides other services including, but not limited to, strategic planning, marketing, and financing as requested by the Company. In consideration for these consulting services, the Company pays LREC a quarterly consulting fee of one-tenth of one percent of the book value of the Company's assets, plus reasonable out-of-pocket expenses. As of December 31, 2013, the book value of the Company's assets was approximately $1.3 million. Consulting fees accrued and paid were $5,000 and $6,000 in 2013 and 2012, respectively. As of December 31, 2013 and 2012, a total of $1,000 and $1,000, respectively, of unpaid fees had accrued under the Management Agreement. The Management Agreement will continue in effect until terminated upon 90 days prior written notice by a majority vote of the Company's directors.

Mr. Love receives a nominal salary from LREC. Although Mr. Schiffer receives a salary from LREC, such salary compensates him for his services to LREC, which provides consulting services for numerous other entities affiliated with the Company, and none of the amount earned by LREC under the Management Agreement is intended to be allocated or attributable to any officer or employee, including Mr. Schiffer, of LREC. No part of Mr. Schiffer's annual salary from LREC is directly attributable to the management services he performs for the Company as an employee of LREC pursuant to the Management Agreement.

In 1989, the Company sold an aggregate $2,282,451 principal amount of the Convertible Debentures ("Debentures") in a private placement to Love-1989 Florida Partners, L.P. ("Love-1989"). The controlling general partner of Love-1989 is Love Investment Company ("LIC"), which is owned by Mr. Love, Love family members and trusts and Mr. Schiffer. The above purchase by Love-1989 of the Debentures was funded in part with a loan from L-PGI. Love-1989 repaid the debt to L-PGI in full, in part by transferring a portion of the Debentures held by Love-1989 to L-PGI. In July 1992, as partial consideration for the Company's conveyance of 350 acres of property to L-PGI, the Company retired $782,000 in principal amount of the Debentures held by L-PGI together with $389,000 in accrued interest. The maturity date on all of the remaining Debentures was extended to July 8, 1997. The Debentures are past due and in default.

The Debentures were in part collateralized by a second mortgage in favor of Love-1989 on 650 acres of the property owned by the Company, which was sold in May 1998. The 350 acres transferred to L-PGI as described above were also included in the property sold. Messrs. Love and Schiffer caused the Company to grant a second mortgage on the remaining 366 acre parcel of property located in Hernando County, Florida to Love-1989 and in their capacities as control persons of Love-1989, they caused Love-1989 to release its second mortgage on the 650 acres of the property sold and they caused the Company to grant a security interest to Love-1989 behind that held by PGIP in the restricted proceeds escrow which is under the control of Messrs. Love and Schiffer since they and a company they control are the managers of PGIP.

As of and during December 31, 2013, Love-1989 held $796,950 in principal amount of the Debentures with respect to which there was as of December 31, 2013 accrued and unpaid interest in the amount of $21,987,000. In May 2008, LIC, an affiliate of L-PGI, the Company's preferred shareholder, purchased $703,050 in principal amount of Debentures from the previous debenture holder for which there was as of December 31, 2013 accrued and unpaid interest in the amount of $19,083,000. The total debentures balance of $1,500,000 carry a maturity date of July 8, 1997 and are in default. Interest on the Debentures accrues at the rate of fourteen percent compounded quarterly, and no interest payments were made during December 31, 2013.

From time to time, the Company invests in short term debt obligations with LIC. The balance of this receivable at December 31, 2013 and 2012 was $440,000 and $542,000, respectively. Interest on such receivables was $16,000 and $29,000 for 2013 and 2012, respectively.

The Company believes that the affiliated transactions are on terms comparable to those which would be obtained from unaffiliated persons.

Neither of the two directors of the Company is independent pursuant to the definition of "independent director" set forth in the NYSE Amex Equities' Company Guide because both of them are executive officers of the Company. The Company does not have a separate designated audit, compensation or nominating committee or committee performing similar functions.

Item 14. Principal Accountant Fees and Services

Audit and tax fees rendered by BKD, LLP, the principal accountant of the Company, for the fiscal years ended December 31, 2013 and December 31, 2012 were:

	2013	2012
Audit Fees	$32,600	$32,600
Audit related fees	-	-
Tax fees	4,000	4,000
All other fees	-	-
	$36,600	$36,600

Tax fees are comprised of fees for tax compliance, tax planning, and tax advice. Corporate tax services encompass a variety of permissible services, including technical tax advice related to U.S. tax matters as well as preparation of applicable tax returns.

The Board of Directors of the Company pre-approves all audit and other permissible services to be provided by BKD, LLP and the estimated fees for these services.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. The following financial statements and the report of independent registered public accounting firm are filed as part of this Report:

a. Report of Independent Registered Public Accounting Firm
b. Consolidated Statements of Financial Position as of December 31, 2013 and 2012
c. Consolidated Statements of Operations for the Years Ended December 31, 2013 and 2012
d. Consolidated Statements of Cash Flows for the Years Ended December 31, 2013 and 2012
e. Consolidated Statements of Stockholders' Deficiency for the Years Ended December 31, 2013 and 2012
f. Notes to Consolidated Financial Statements

2. Financial statement schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable and therefore have been omitted.

3. Reference is made to the Exhibit Index contained on page 36 herein for a list of exhibits required to be filed or furnished under this Item.

PGI INCORPORATED AND SUBSIDIARIES

Pursuant to the requirements of Section 13 or 15(d) 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.

	PGI INCORPORATED (Registrant)	
Date: March 31, 2014	By:	/s/ Laurence A. Schiffer Laurence A. Schiffer, President (Duly Authorized Officer and Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Andrew S. Love Andrew S. Love	Chairman of the Board Secretary	March 31, 2014
/s/ Laurence A. Schiffer Laurence A. Schiffer	Vice Chairman of the Board, President, Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer	March 31, 2014

EXHIBIT INDEX

Exhibit No.	Description
2	Inapplicable.
3.1	Restated Articles of Incorporation of PGI Incorporated executed September 4, 1998 with certificate from the State of Florida dated October 27, 1998 (filed as Exhibit 3.1 to Registrant's September 30, 1998 Form 10-QSB and incorporated herein by reference).
3.2	Certificate of the Designation, Powers, Preferences and Relative Rights, and the Qualifica–tions, Limitations or Restrictions Thereof, which have not been set forth in the Articles of Incorporation, of the Class A Cumulative Convertible Preferred Stock, effective as of March 24, 1987 (filed as Exhibit 3.2 to Registrant's Form 10-K Annual Report for the year ended December 31, 1986 ("1986 Form 10-K") and incorporated herein by reference).
3.3	Bylaws of Registrant, as amended September 1987 (filed as Exhibit 3.3 to Registrant's original Form 10-K Annual Report for the year ended December 31, 1987 ("Original 1987 Form 10-K") dated as of March 29, 1987 and incorporated herein by reference).
3.4	Amendments to the Bylaws of the Registrant by the Board of Directors of PGI Incorporated by the Unanimous Written Consent, dated as of March 17, 1995 (filed as Exhibit 3.5 to the December 31, 1995 Form 10-KSB and incorporated herein by refer–ence).
4.1	Extension and Forbearance Agreement among PGI Incorporated, Punta Gorda Developers, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation and BancFlorida (formerly Naples Federal Savings and Loan Association), dated as of March 25, 1987 (filed as Exhibit 4.4 to the 1986 Form 10-K and incorporated herein by reference).
4.2	Seventh Mortgage and Loan Modification Agreement among PGI Incorporated, Punta Gorda Developers, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation and BancFlorida, dated as of March 25, 1987 (filed as Exhibit 4.5 to the 1986 Form 10-K and incorporated herein by reference).
4.3	Eighth Mortgage and Loan Modification Agreement among PGI Incorporated, Punta Gorda Developers, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation and BancFlorida, dated as of March 25, 1987 (filed as Exhibit 4.6 to the 1986 Form 10-K and incorporated herein by reference).
4.4	Restated Loan and Security Agreement among PGI Incorporated, Punta Gorda Developers, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation and BancFlorida, as well as Restated Consolidating Substituted Renewal Note and Future Advance Mortgage Note related thereto, dated as of March 25, 1987 (filed as Exhibit 4.7 to the 1986 Form 10-K and incorporated herein by reference).
4.5	Forbearance Agreement among PGI Incorporated, Punta Gorda Developers, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation and BancFlorida (Restated Loan Agreement No.1), dated as of October 19, 1985 (filed as Exhibit 4.1 to the Registrant's Form 10-Q Quarterly Report for the quarter ended September 30, 1985 and incorporated herein by reference).
4.6	

	Amendment to Restated Loan Agreement No. 1 (Receivables Loan), as well as Restated Consolidating Substituted Renewal Note relating thereto, dated as of March 25, 1987 (filed as Exhibit 4.9 to the 1986 Form 10-K and incorporated herein by reference).
4.7	Extension, Forbearance and Modification Agreement between PGI Incorporated, Punta Gorda Developers, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation, and BancFlorida, dated as of May 20, 1988 (filed as Exhibit 4.1 to the Registrant's Form 10-Q Quarterly Report for the quarter ended June 30, 1988 and incorporated herein by reference).
4.8	Ninth Mortgage and Loan Modification Agreement between PGI Incorporated, Punta Gorda Developers, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation, and BancFlorida, dated as of May 20, 1988 (filed as Exhibit 4.2 to Registrant's Form 10-Q Quarterly Report for the quarter ended June 30, 1988 and incorporated herein by reference).

4.9	Purchase Agreement among Finova Financial Services, PGI Incorporated and Punta Gorda Developers, Inc., as well as certain Exhibits and the Mortgage related thereto, dated March 15, 1988 (filed as Exhibit 1 to Registrant's Form 8-K dated as of March 28, 1988 and incorporated herein by reference).
4.1	Tenth Mortgage and Loan Modification Agreement between PGI Incorporated, Punta Gorda Developers, Inc., as well as certain Exhibits and the Mortgage related thereto, dated May 30, 1989 (filed as Exhibit 1 to Registrant's Form 8-K dated as of June 8, 1989 and incorporated herein by reference).
4.11	Eleventh Mortgage and Loan Modification Agreement among PGI Incorporated (formerly Punta Gorda Isles, Inc.), Sugarmill Woods, Inc. (formerly Punta Gorda Developers, Inc.), Burnt Store Marina, Inc. and Gulf Coast Credit Corporation and BancFlorida (formerly Naples Federal Savings and Loan Association), dated as of June 1, 1990 (filed as Exhibit 4.2 to Registrant's Form 10-Q Quarterly Report for the quarter ended June 30, 1990 and incorporated herein by reference).
4.12	Loan Forbearance Agreement among PGI Incorporated (formerly Punta Gorda Isles, Inc.), Sugarmill Woods, Inc, (formerly Punta Gorda Developers, Inc.), Burnt Store Marina, Inc. and Gulf Coast Credit Corporation and BancFlorida (formerly Naples Federal Savings and Loan Association), dated as of October 17, 1991 (filed as Exhibit 4.12 to Registrant's Form 10-K dated March 30, 1994 and incorporated herein by reference).
4.13	Twelfth Mortgage and Loan Modification Agreement among PGI Incorporated, Sugarmill Woods, Inc., Burnt Store Marina, Inc. and Gulf Coast Credit Corporation and BancFlorida, dated as of July 8, 1992 (filed as Exhibit 4.1 to Registrant's Form 8-K dated as of July 24, 1992, and incorporated herein by reference).
4.14	Thirteenth Mortgage and Loan Modification Agreement among PGI Incorporated, Sugarmill Woods, Inc., Burnt Store Marina, Inc., Gulf Coast Credit Corporation and First Union, dated as of May 13, 1994 (filed as Exhibit 4.1 to Registrant's Form 8-K dated May 27, 1994 and incorporated herein by reference).
4.15	Forbearance Agreement dated as of October 12, 1995 by First Union National Bank of Florida, PGI Incorporated, Sugarmill Woods, Inc., Burnt Store Marina, Inc., Gulf Coast Credit Corporation, Southern Woods, Incorporated, Punta Gorda Isles, Inc., Deep Creek Utilities, Inc., Burnt Store Utilities, Inc., and Sugarmill Woods Sales, Inc. (filed as Exhibit 4(i) to Registrant's Form 8-K on November 1, 1995 and incorporated herein by reference).
4.16	Note and Loan Document Purchase Agreement dated as of October 12, 1995 by First Union National Bank of Florida, PGIP, L.L.C., PGI Incorporated, Sugarmill Woods, Inc., Burnt Store Marina, Inc., and Gulf Coast Credit Corporation (filed as Exhibit 4 (ii) to Registrant's Form 8-K on November 1, 1995 and incorporated herein by reference).
4.17	Note Purchase and Loan Transaction dated as of March 28, 1996, by First Union National Bank of Florida, PGIP, LLC, PGI Incorporated, Sugarmill Woods, Inc., Burnt Store Marina, Inc. and Gulf Coast Credit Corporation (filed as Exhibit 4.17 to Registrant's Form 10-KSB/A dated August 27, 1997, and incorporated herein by reference).
9.	Inapplicable.
10.3	Preferred Stock Purchase Agreement by and between PGI Incorporated and Love Development and Investment Company, dated as of February 16, 1987 (filed as Exhibit (i) to the Registrant's Form 8-K

	Current Report dated February 25, 1987 and incorporated herein by reference).
10.4	Form of Convertible Debenture Agreement due April 30, 1992 between PGI Incorporated and Love-1989 Florida Partners, L.P. and Mortgage and Security Agreement dated July 28, 1989 between Sugarmill Woods, Inc. and Love-1989 Florida Partners, L.P. (filed as Exhibit 10.9 to the Registrant's Form 10-K Annual Report for the year ended December 31, 1989 and incorporated herein by reference).
10.5	Consulting Agreement between PGI Incorporated and Love Real Estate Company, dated as of March 25, 1987 (filed as Exhibit 10.7 to the 1986 Form 10-K and incorporated herein by reference).
11.	See Note 16 to the consolidated financial statements.
13.	Inapplicable.
14.	Inapplicable (See discussion regarding code of ethics under Item 10. of this Form 10-K).

16.	Inapplicable.
18	Inapplicable.
21	Subsidiaries of the Registrant, filed herein.
22.	Inapplicable.
23.	Inapplicable.
24	Inapplicable.
31(i).1	Principal Executive Officer certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended, filed herein.
31(i).2	Principal Financial Officer certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended, filed herein.
32.1	Principal Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herein.
32.2	Principal Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herein.
95	Not applicable.
99.	Not applicable.
100.	Not applicable.
101.	Instance Document, Schema Document, Calculation Linkbase Document, Labels Linkbase Document, Presentation Linkbase Document and Definition Linkbase Document.*

*Furnished with this report.