

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

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 1-10153

**HOMEFED CORPORATION**

(Exact name of registrant as specified in its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

33-0304982  
(I.R.S. Employer  
Identification Number)

1903 Wright Place, Suite 220, Carlsbad, California  
(Address of principal executive offices)

92008  
(Zip Code)

(760) 918-8200

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant 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 (§ 232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

YES  NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. On October 25, 2011, there were 7,879,500 outstanding shares of the Registrant's Common Stock, par value \$.01 per share.

## Part I -FINANCIAL INFORMATION

### Item 1. Financial Statements.

#### HOMEFED CORPORATION AND SUBSIDIARIES

#### **Consolidated Balance Sheets**

September 30, 2011 and December 31, 2010

(Dollars in thousands, except par value)

	September 30, 2011 <u>(Unaudited)</u>	December 31, 2010 <u></u>
<b><u>ASSETS</u></b>		
Real estate	\$ 98,804	\$ 87,909
Cash and cash equivalents	22,676	43,788
Investments available for sale (amortized cost of \$43,297 and \$38,282)	43,297	38,287
Accounts receivable, deposits and other assets	6,332	1,219
Net deferred tax asset	12,350	13,307
<b>TOTAL</b>	<b>\$ 183,459</b>	<b>\$ 184,510</b>
<b><u>LIABILITIES</u></b>		
Accounts payable and accrued liabilities	\$ 2,942	\$ 3,940
Non-refundable option payments	2,000	650
Liability for environmental remediation	9,117	9,652
Income taxes payable	-	1,902
Other liabilities	156	254
<b>Total liabilities</b>	<b>14,215</b>	<b>16,398</b>
<b><u>COMMITMENTS AND CONTINGENCIES</u></b>		
<b><u>EQUITY</u></b>		
Common stock, \$.01 par value; 25,000,000 shares authorized; 7,879,500 shares outstanding after deducting 395,409 shares held in treasury	79	79
Additional paid-in capital	376,279	376,110
Accumulated other comprehensive income	-	3
Accumulated deficit	(222,660)	(223,197)
<b>Total HomeFed Corporation common shareholders' equity</b>	<b>153,698</b>	<b>152,995</b>
Noncontrolling interest	15,546	15,117
<b>Total equity</b>	<b>169,244</b>	<b>168,112</b>
<b>TOTAL</b>	<b>\$ 183,459</b>	<b>\$ 184,510</b>

See notes to interim consolidated financial statements.

HOMEFED CORPORATION AND SUBSIDIARIES

**Consolidated Statements of Operations**

For the three and nine month periods ended September 30, 2011 and 2010

(In thousands, except per share amounts)

(Unaudited)

	For the Three Month Period Ended September 30,		For the Nine Month Period Ended September 30,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b><u>REVENUES</u></b>				
Sales of real estate	\$ 2,333	\$ 837	\$ 9,753	\$ 4,073
Co-op marketing and advertising fees	48	44	128	44
	<u>2,381</u>	<u>881</u>	<u>9,881</u>	<u>4,117</u>
<b><u>EXPENSES</u></b>				
Cost of sales	831	654	4,850	3,339
General and administrative expenses	1,823	1,969	6,025	6,163
Administrative services fees to Leucadia National Corporation	45	45	135	135
	<u>2,699</u>	<u>2,668</u>	<u>11,010</u>	<u>9,637</u>
Loss from operations	(318)	(1,787)	(1,129)	(5,520)
Interest and other income, net	3,982	2,534	2,931	1,525
Income (loss) before income taxes and noncontrolling interest	3,664	747	1,802	(3,995)
Income tax benefit (provision)	(1,579)	(156)	(836)	1,762
Net income (loss)	2,085	591	966	(2,233)
Net income (loss) attributable to the noncontrolling interest	206	(117)	429	(99)
Net income (loss) attributable to HomeFed Corporation common shareholders	<u>\$ 1,879</u>	<u>\$ 708</u>	<u>\$ 537</u>	<u>\$ (2,134)</u>
Basic and diluted earnings (loss) per common share attributable to HomeFed Corporation common shareholders	<u>\$ 0.24</u>	<u>\$ 0.09</u>	<u>\$ 0.07</u>	<u>\$ (0.27)</u>

See notes to interim consolidated financial statements.

HOMEFED CORPORATION AND SUBSIDIARIES

**Consolidated Statements of Changes in Equity**

For the nine month periods ended September 30, 2011 and 2010

(In thousands, except par value)

(Unaudited)

	HomeFed Corporation Common Shareholders						
	Common Stock \$.01 Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Subtotal	Noncontrolling Interest	Total
<b>Balance, January 1, 2010</b>	\$ 79	\$375,917	\$ 43	\$ (226,726)	\$ 149,313	\$ 14,226	\$163,539
Comprehensive loss:							
Net change in unrealized gain (loss) on investments, net of tax benefit of \$26			(41)		(41)		(41)
Net loss				(2,134)	(2,134)	(99)	(2,233)
Comprehensive loss					(2,175)	(99)	(2,274)
Share-based compensation expense		135			135		135
<b>Balance, September 30, 2010</b>	<u>\$ 79</u>	<u>\$376,052</u>	<u>\$ 2</u>	<u>\$ (228,860)</u>	<u>\$ 147,273</u>	<u>\$ 14,127</u>	<u>\$161,400</u>
<b>Balance, January 1, 2011</b>	\$ 79	\$376,110	\$ 3	\$ (223,197)	\$ 152,995	\$ 15,117	\$168,112
Comprehensive income:							
Net change in unrealized gain (loss) on investments, net of tax benefit of \$2			(3)		(3)		(3)
Net income				537	537	429	966
Comprehensive income					534	429	963
Share-based compensation expense		169			169		169
<b>Balance, September 30, 2011</b>	<u>\$ 79</u>	<u>\$376,279</u>	<u>\$ -</u>	<u>\$ (222,660)</u>	<u>\$ 153,698</u>	<u>\$ 15,546</u>	<u>\$169,244</u>

See notes to interim consolidated financial statements.

HOMEFED CORPORATION AND SUBSIDIARIES

**Consolidated Statements of Cash Flows**

For the nine month periods ended September 30, 2011 and 2010

(In thousands)

(Unaudited)

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 966	\$ (2,233)
Adjustments to reconcile net income (loss) to net cash used for operating activities:		
Provision (benefit) for deferred income taxes	959	(1,133)
Share-based compensation expense	169	135
Depreciation and amortization of property, equipment and leasehold improvements	183	200
Net securities gains	-	(1)
Accretion of discount on investments available for sale	(41)	(103)
Changes in operating assets and liabilities:		
Real estate	29	(629)
Accounts receivable, deposits and other assets	(4,913)	(3,884)
Non-refundable option payments	1,350	2,359
Accounts payable and accrued liabilities	(998)	666
Liability for environmental remediation	(535)	(276)
Income taxes receivable/payable	(2,209)	(882)
Other liabilities	(98)	(115)
Net cash used for operating activities	<u>(5,138)</u>	<u>(5,896)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of real estate	(11,000)	-
Purchases of investments (other than short-term)	(70,174)	(87,622)
Proceeds from maturities of investments available for sale	65,200	87,220
Proceeds from sale of investments	-	14,197
Net cash provided by (used for) investing activities	<u>(15,974)</u>	<u>13,795</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments to trust deed note holders	-	(730)
Net increase (decrease) in cash and cash equivalents	(21,112)	7,169
Cash and cash equivalents, beginning of period	<u>43,788</u>	<u>9,127</u>
Cash and cash equivalents, end of period	<u>\$ 22,676</u>	<u>\$ 16,296</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest (net of amounts capitalized)	\$ -	\$ -
Cash paid for income taxes	\$ 2,200	\$ 458

See notes to interim consolidated financial statements.

1. Significant Accounting Policies

The unaudited interim consolidated financial statements, which reflect all adjustments (consisting of normal recurring items or items discussed herein) that management believes necessary to fairly state results of interim operations, should be read in conjunction with the Notes to Consolidated Financial Statements (including the Summary of Significant Accounting Policies) included in the Company's audited consolidated financial statements for the year ended December 31, 2010, which are included in the Company's Annual Report filed on Form 10-K for such year (the "2010 10-K"). Results of operations for interim periods are not necessarily indicative of annual results of operations. The consolidated balance sheet at December 31, 2010 was extracted from the Company's audited annual financial statements and does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for annual financial statements.

In April 2011, the Financial Accounting Standards Board ("FASB") issued guidance to improve the accounting for repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The amendments remove from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and the collateral maintenance implementation guidance related to that criterion. The guidance, which is effective for the first interim or annual period beginning on or after December 15, 2011, is not expected to have a significant impact on the Company's consolidated financial statements.

In May 2011, the FASB issued guidance to improve the comparability of fair value measurements presented and disclosed in financial statements issued in accordance with GAAP and International Financial Reporting Standards. The amendment includes requirements for measuring fair value and for disclosing information about fair value measurements, but does not require additional fair value measurements and is not intended to establish valuation standards or affect valuation practices outside of financial reporting. The guidance, which is effective during interim or annual periods beginning after December 15, 2011, is not expected to have a significant impact on the Company's consolidated financial statements.

In June 2011, the FASB issued amended guidance on the presentation of comprehensive income. This amendment eliminates the current option to report other comprehensive income and its components in the statement of changes in equity; instead, it requires the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This amendment, which must be applied retrospectively, is effective for fiscal years and interim periods beginning after December 15, 2011, and early adoption is permitted. Adoption of this amendment will change the presentation of the Company's consolidated financial statements but will not have any impact on its consolidated financial position, results of operations or cash flows.

## 2. Income Taxes

The Company recognized previously unrecognized tax benefits of \$150,000 during the three and nine month periods ended September 30, 2011 (reducing income tax expense) due to the expiration of the statute of limitations for the 2006 California state income tax return. The Company does not have any amounts in its consolidated balance sheet for unrecognized tax benefits related to uncertain tax positions at September 30, 2011. The statute of limitations with respect to the Company's federal and California state income tax returns has expired for all years through 2006.

## 3. Earnings (Loss) Per Common Share

Basic and diluted earnings (loss) per share amounts were calculated by dividing net income (loss) by the weighted average number of common shares outstanding. The numerators and denominators used to calculate basic and diluted earnings (loss) per share for the three and nine month periods ended September 30, 2011 and 2010 are as follows (in thousands):

	<u>For the three months</u> <u>ended September 30,</u>		<u>For the nine months</u> <u>ended September 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Numerator – net income (loss) attributable to HomeFed Corporation common shareholders	<u>\$ 1,879</u>	<u>\$ 708</u>	<u>\$ 537</u>	<u>\$ (2,134)</u>
Denominator for basic and diluted earnings (loss) per share– weighted average shares	<u>7,880</u>	<u>7,880</u>	<u>7,880</u>	<u>7,880</u>

Options to purchase 104,500 weighted average shares of common stock were outstanding for the three and nine month periods ended September 30, 2011 and for the three month period ended September 30, 2010, but were not included in the computation of diluted earnings per share primarily because the options' exercise price was greater than the average market prices of the common shares for their respective periods. For the nine month period ended September 30, 2010, there is no difference between basic and diluted loss per share amounts because the effect of increasing the weighted average number of common shares for incremental shares issuable upon exercise of outstanding options is antidilutive.

## 4. Related Party Transactions

Pursuant to an administrative services agreement, Leucadia National Corporation ("Leucadia") provides administrative and accounting services, including providing the services of the Company's Secretary. Administrative services fee expenses were \$45,000 and \$135,000 for each of the three and nine month periods ended September 30, 2011 and 2010, respectively. The administrative services agreement automatically renews for successive annual periods unless terminated in accordance with its terms. The Company subleases office space to Leucadia under a sublease agreement until February 2013. Amounts reflected in other income pursuant to this agreement were \$3,000 for each of the three month periods ended September 30, 2011 and 2010, and \$9,000 for each of the nine month periods ended September 30, 2011 and 2010.

## 5. Interest and Other Income (Expense), net

Interest and other income (expense), net includes interest income of \$40,000 and \$60,000 for the three month periods ended September 30, 2011 and 2010, respectively, and \$170,000 and \$220,000 for the nine month periods ended September 30, 2011 and 2010, respectively.

Rental income aggregated \$130,000 for the three month periods ended September 30, 2011 and 2010, and \$350,000 and \$320,000 for the nine month periods ended September 30, 2011 and 2010, respectively.

Net income from farming operations at the Rampage property was \$3,800,000 and \$2,350,000 for the three month periods ended September 30, 2011 and 2010, respectively, and \$2,250,000 and \$950,000 for the nine month periods ended September 30, 2011 and 2010, respectively.

## 6. Financial Instruments

The Company's material financial instruments include cash and cash equivalents and investments classified as available for sale; investments classified as available for sale are the only assets or liabilities that are measured at fair value on a recurring basis. All of the Company's investments mature in one year or less. The par value, amortized cost, gross unrealized gains and losses and estimated fair value of investments classified as available for sale as of September 30, 2011 and December 31, 2010 are as follows (in thousands):

	Par Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)	Total Fair Value Measurements
<u>September 30, 2011</u>							
U.S. Treasury securities	\$ 43,300	\$ 43,297	\$ 1	\$ 1	\$ 43,297	\$ -	\$ 43,297
<u>December 31, 2010</u>							
U.S. Treasury securities	\$ 38,300	\$ 38,282	\$ 5	\$ -	\$ 38,287	\$ -	\$ 38,287

As of September 30, 2011, the Company did not have any assets or liabilities measured at fair value on a nonrecurring basis. As more fully discussed in the 2010 10-K, during the fourth quarter of 2010 the Company recorded an impairment charge for certain real estate assets at the San Elijo Hills Towncenter ("Towncenter") which reduced the carrying amount of those assets to their fair value of \$1,200,000 at December 31, 2010.

For cash and cash equivalents, the carrying amounts of such financial instruments approximate their fair values.

The Company does not invest in any derivatives or engage in any hedging activities.

## 7. Real Estate Acquisitions

In January 2011, the Company acquired in a foreclosure sale the Fanita Ranch property, a 2,600 acre parcel of vacant land located in Santee, California. The aggregate purchase price of \$12,350,000 consisted of cash consideration of \$11,000,000 and the assumption of certain payables. Fanita Ranch is partially entitled for approximately 1,400 residential units. The Company acquired the property with the intention of completing the necessary entitlements to develop the property as a master-planned community, although there can be no assurance that the Company will be successful in these efforts. If successful, obtaining all the entitlements is expected to take several years.



## 8. Real Estate Sales Agreements

During the three and nine month periods ended September 30, 2011, the Company sold a Towncenter commercial lot to a bank for cash proceeds of \$1,400,000, and recognized a gain of \$1,150,000, and sold a Towncenter commercial lot to a daycare operator for \$550,000, including a \$50,000 non-refundable option payment received in June 2011, and recognized a gain of \$350,000.

During the three month period ended September 30, 2011, the Company sold one residential condominium unit at the Towncenter for gross proceeds of \$400,000 and recognized a gain of \$30,000. In addition to the third quarter sale, the nine month period ended September 30, 2011 reflects the sale of one residential condominium unit at the Towncenter earlier in the year for gross cash proceeds of \$400,000, for which a gain of \$40,000 was recognized.

During the nine month period ended September 30, 2011, the Company also sold 32 single family lots at San Elijo Hills to a homebuilder for aggregate cash proceeds of \$7,000,000, for which it had previously received a non-refundable option payment of \$650,000 in 2009, and recognized a gain of \$3,350,000.

During the three month period ended September 30, 2010, the Company sold two residential condominium units at the Towncenter for gross cash proceeds of \$850,000 and recognized a gain of \$200,000. During the nine month period ended September 30, 2010, the Company sold nine residential condominium units at the Towncenter for gross cash proceeds of \$4,050,000 and recognized a gain of \$750,000.

As of October 25, 2011, the Company has entered into two agreements to sell an aggregate of 77 single family residential lots to homebuilders for aggregate cash proceeds of \$21,100,000, for which it has received non-refundable option deposits totaling \$2,000,000 during the nine month period ended September 30, 2011. These option payments are non-refundable if the Company fulfills its obligations under the agreements, and will be applied to reduce the amount due from the purchaser at closing. Although these agreements are binding on the purchasers, should the Company fulfill its obligations under the agreements within the specified timeframes and the purchasers decide not to close, the Company's recourse will be primarily limited to retaining the option payments.

## 9. Litigation

As previously disclosed, in June 2009, a lawsuit entitled *Walter E. Wolf v. Paul J. Borden, et al.* was filed against the Company, its President and certain affiliates of the Company by a minority stockholder of the Company's subsidiary, CDS Devco, Inc. ("CDS DEVCO"). The action alleges, among other things, breach of fiduciary duty, fraud, breach of contract and intentional interference with contract and seeks unspecified monetary damages and other relief.

In March 2010, the Court dismissed certain of the plaintiff's claims and on April 11, 2011, the Court granted summary judgment in favor of all defendants on all remaining claims. Judgment was entered in favor of the Company and all of its officers and affiliates on May 26, 2011. On July 22, 2011, the plaintiff served a notice of appeal. The Company believes that the judgment should be affirmed on appeal and will continue to vigorously defend itself.

## 10. Stock Options

On July 29, 2011, options to purchase an aggregate of 6,000 shares of common stock were granted to the members of the Board of Directors under the Company's 1999 Stock Incentive Plan at an exercise price of \$21.50 per share.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Interim Operations.

### Liquidity and Capital Resources

For the nine month periods ended September 30, 2011 and 2010, net cash was used for operating activities, principally for real estate expenditures at the San Elijo Hills and Otay Ranch projects, general and administrative expenses, and estimated federal and state tax payments. The Company’s principal sources of funds are proceeds from the sale of real estate, fee income from the San Elijo Hills project, dividends and tax sharing payments from its subsidiaries, farming income related to grape sales at the Rampage property, borrowings from or repayment of advances by its subsidiaries and cash and cash equivalents and investments. As of September 30, 2011, the Company had aggregate cash, cash equivalents and investments of \$66,000,000 to meet its current liquidity needs and for future investment opportunities.

As of September 30, 2011, the remaining land at the San Elijo Hills project to be developed and sold or leased consisted of the following (including real estate under contract for sale):

Single family lots	325
Multi-family units	29
Square footage of commercial space	38,800

As of October 25, 2011, the Company has entered into two agreements to sell an aggregate of 77 single family residential lots to homebuilders for aggregate cash proceeds of \$21,100,000, for which it has received non-refundable option deposits totaling \$2,000,000 during the nine month period ended September 30, 2011. These option payments are non-refundable if the Company fulfills its obligations under the agreements, and will be applied to reduce the amount due from the purchaser at closing. Although these agreements are binding on the purchasers, should the Company fulfill its obligations under the agreements within the specified timeframes and the purchasers decide not to close, the Company’s recourse will be primarily limited to retaining the option payments.

As more fully discussed in the 2010 10-K, residential property sales volume, prices and new building starts have declined significantly in many U.S. markets, including California and the greater San Diego region, which have negatively affected sales and profits at the San Elijo Hills project. The slowdown in residential sales has been exacerbated by the turmoil in the mortgage lending and credit markets, which has resulted in stricter lending standards and reduced liquidity for prospective home buyers. Sales of new homes and re-sales of existing homes have declined substantially from the early years of the project’s development.

The Company has substantially completed development of all of its remaining residential single family lots at the San Elijo Hills project, many of which are “premium” lots which are expected to command premium prices if, and when, the market fully recovers. Although recent homebuilder interest and sales activity in the project are encouraging, it is too soon to determine if the long slump in the housing market is coming to an end, or when the Company will be able to sell its remaining inventory. The Company believes that by exercising patience and waiting for market conditions to improve it can best maximize shareholder value with its remaining residential lot inventory. However, on an ongoing basis the Company evaluates the local real estate market and economic conditions in general, and updates its expectations of future market conditions as it continues to assess the best time to market its remaining residential lot inventory for sale.

The Towncenter includes multi-family residential units and commercial space, which are being constructed in phases. The Company has completed construction of the first phase of the Towncenter, which includes 12 residential condominium units and 11,000 square feet of commercial space. Eleven of the twelve condominium units have been sold. During the third quarter of 2011, the Company entered into a lease agreement with a new commercial tenant which is expected to open for business in late December 2011. As of October 25, 2011, the Company has entered into leases for eight of the nine phase one retail spaces covering 9,900 square feet. The Company is currently evaluating design options for phase two of the Towncenter.

In January 2011, the Company acquired in a foreclosure sale the Fanita Ranch property, a 2,600 acre parcel of vacant land located in Santee, California. The aggregate purchase price of \$12,350,000 consisted of cash consideration of \$11,000,000 and the assumption of certain payables. Fanita Ranch is partially entitled for approximately 1,400 residential units. The Company acquired the property with the intention of completing the necessary entitlements to develop the property as a master-planned community, although there can be no assurance that the Company will be successful in these efforts. If successful, obtaining all the entitlements is expected to take several years.

In April 2008, the City of Chula Vista approved an agreement whereby the Company dedicated 50 acres of development land in the Otay Ranch project and 160 acres of open space land in the unincorporated area of San Diego County and committed to pay an endowment of \$2,000,000 (of which \$1,000,000 has been paid) to fund costs associated with establishing a higher education facility on the property. Subject to numerous public hearings and the discretionary action of the City Council, the City committed to allocate a maximum of 6,050 residential units and 1.8 million square feet of commercial development space to the Company's project, and agreed to process its development applications by August 2011. The Company's development applications have not as yet been approved; however, the Company continues to work with the City to obtain the approvals while retaining its rights to seek a refund of the endowment funds and a return of the land should the approvals ultimately not be received.

## Results of Operations

### Real Estate Sales Activity

#### San Elijo Hills Project:

During the three and nine months ended September 30, 2011 and 2010, the Company closed on sales of real estate and recognized revenues as follows:

	For the three month periods ended		For the nine month periods ended	
	<u>September 30, 2011</u>	<u>September 30, 2010</u>	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Single family units	–	–	32	–
Multi-family units	–	–	–	–
Residential condominium units	1	2	2	9
Commercial lot sales- planned square feet	11,200	–	11,200	–
Sales price	\$ 2,350,000	\$ 850,000	\$ 9,750,000	\$ 4,050,000

During the three month periods ended September 30, 2011 and 2010, cost of sales of real estate aggregated \$850,000 and \$650,000, respectively, and during the nine month periods ended September 30, 2011 and 2010, cost of sales of real estate aggregated \$4,850,000 and \$3,350,000, respectively.

#### Otay Ranch Project:

There was no real estate sales activity at the Otay Ranch project during the three and nine months ended September 30, 2011 and 2010. As discussed in the 2010 10-K, the Company continues to evaluate how to maximize the value of this investment while pursuing land sales and processing further entitlements on portions of its property. The Otay Ranch Project is in the early stages of development; as a result, the Company does not expect any sales activity in the near future.

### Other Results of Operations Activity

The Company recorded co-op marketing and advertising fees of \$50,000 and \$40,000 for the three month periods ended September 30, 2011 and 2010, respectively, and \$130,000 and \$40,000 for the nine month periods ended September 30, 2011 and 2010, respectively. The Company records these fees when the San Elijo Hills project builders sell homes, and are generally based upon a fixed percentage of the homes' selling price. These fees provide the Company with funds to conduct its marketing activities.

General and administrative expenses decreased during the three and nine month periods ended September 30, 2011 as compared to the same periods in 2010 primarily due to lower legal expenses. During the three month 2011 period, legal expenses decreased by \$200,000 as compared to the same period in the prior year, principally due to lower legal fees associated with litigation brought by the minority stockholder against CDS DEVCO discussed above, and decreased litigation activity at the Otay Ranch project. During the nine month 2011 period, legal expenses decreased by \$250,000 as compared to the same period in the prior year, principally due to decreased litigation activity at the Otay Ranch project and lower legal fees related to corporate matters. In addition, marketing expenses increased during the three and nine month periods ended September 30, 2011 as compared to the same periods in 2010 by \$30,000 and \$50,000, respectively, principally as a result of advertising costs related to the marketing of the Ramage property for sale.

Interest and other income, net includes farming income at the Ramage property of \$4,750,000 for the three and nine month periods ended September 30, 2011 as compared to \$3,250,000 for the same periods in 2010. The increase in farming income reflects a larger harvest yield and higher market prices for grapes. Interest and other income, net also reflects a decline in interest income for the three and nine month periods ended September 30, 2011 as compared to the same periods in 2010 of \$20,000 and \$50,000, respectively, due to lower interest rates. The change in interest and other income, net for the nine month period ended September 30, 2011 as compared to the same period in 2010 also reflects an increase in farming expenses at the Ramage property of \$150,000 resulting from increased vineyard rejuvenation, replanting and repairs.

The Company recognized previously unrecognized tax benefits of \$150,000 during the three and nine month periods ended September 30, 2011 (reducing income tax expense) due to the expiration of the statute of limitations for the 2006 California state income tax return. The income tax provision also includes provisions for state income taxes. These items account for the differences between the effective income tax rate and the federal statutory rate.

### **Cautionary Statement for Forward-Looking Information**

Statements included in this Report may contain forward-looking statements. Such statements may relate, but are not limited, to projections of revenues, income or loss, development expenditures, plans for growth and future operations, competition and regulation, as well as assumptions relating to the foregoing. Such forward-looking statements are made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted or quantified. When used in this Report, the words “estimates,” “expects,” “anticipates,” “believes,” “plans,” “intends” and variations of such words and similar expressions are intended to identify forward-looking statements that involve risks and uncertainties. Future events and actual results could differ materially from those set forth in, contemplated by or underlying the forward-looking statements.

Factors that could cause actual results to differ materially from any results projected, forecasted, estimated or budgeted or may materially and adversely affect the Company’s actual results include but are not limited to the following: the performance of the real estate industry in general; changes in mortgage interest rate levels or changes in consumer lending practices that reduce demand for housing; recent turmoil in the mortgage lending markets; the economic strength of the Southern California region where our business is currently concentrated; changes in domestic laws and government regulations or in the implementation and/or enforcement of government rules and regulations; demographic changes in the United States generally and California in particular that reduce the demand for housing; increases in real estate taxes and other local government fees; significant competition from other real estate developers and homebuilders; delays in construction schedules and cost overruns; increased costs for land, materials and labor; imposition of limitations on our ability to develop our properties resulting from condemnations, environmental laws and regulations and developments in or new applications thereof; earthquakes, fires and other natural disasters where our properties are located; construction defect liability on structures we build or that are built on land that we develop; our ability to insure certain risks economically; shortages of adequate water resources and reliable energy sources in the areas where we own real estate projects; changes in the composition of our assets and liabilities through acquisitions or divestitures; the actual cost of environmental liabilities concerning our land could exceed liabilities recorded; opposition from local community or political groups at our development projects; and our ability to generate sufficient taxable

income to fully realize our deferred tax asset. For additional information see Part I, Item 1A. Risk Factors in the 2010 10-K.

Undue reliance should not be placed on these forward-looking statements, which are applicable only as of the date hereof. The Company undertakes no obligation to revise or update these forward-looking statements to reflect events or circumstances that arise after the date of this Report or to reflect the occurrence of unanticipated events.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Information required under this Item is contained in Item 7A of the 2010 10-K, and is incorporated by reference herein.

### **Item 4. Controls and Procedures.**

The Company's management evaluated, with the participation of the Company's principal executive and principal financial officers, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of September 30, 2011. Based on their evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures were effective as of September 30, 2011.

There has been no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's fiscal quarter ended September 30, 2011, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

For a description of our legal proceedings, see Note 9 Litigation in the notes to the interim consolidated financial statements in Item 1 of Part I of this Form 10-Q, which is incorporated herein by reference.

### **Item 6. Exhibits.**

- 31.1 Certification of President pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Vice President, Treasurer and Controller pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 Financial statements from the Quarterly Report on Form 10-Q of HomeFed Corporation for the quarter ended September 30, 2011, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Changes in Shareholders Equity, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**HOMEFED CORPORATION**  
(Registrant)

Date: October 27, 2011

By: /s/ Erin N. Ruhe  
Erin N. Ruhe  
Vice President, Treasurer and Controller  
(Principal Accounting Officer)

## EXHIBIT INDEX

Exhibit Number	Description
31.1	Certification of President pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.



## CERTIFICATIONS

I, Paul J. Borden, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HomeFed Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2011

By: /s/ Paul J. Borden  
Paul J. Borden  
President

## CERTIFICATIONS

I, Erin N. Ruhe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HomeFed Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2011

By: /s/ Erin N. Ruhe  
Erin N. Ruhe  
Vice President, Treasurer and Controller

CERTIFICATION  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul J. Borden, as President of HomeFed Corporation (the "Company") certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the accompanying Form 10-Q report for the period ending September 30, 2011 as filed with the U.S. Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 27, 2011

By: /s/ Paul J. Borden  
Paul J. Borden  
President

CERTIFICATION  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Erin N. Ruhe, as Vice President, Treasurer and Controller of HomeFed Corporation (the "Company") certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the accompanying Form 10-Q report for the period ending September 30, 2011 as filed with the U.S. Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 27, 2011

By: /s/ Erin N. Ruhe  
Erin N. Ruhe  
Vice President, Treasurer and Controller