

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the Quarterly period ended March 31, 2021

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 1-7865

HMG/COURTLAND PROPERTIES, INC.

(Exact name of small business issuer as specified in its charter)

<u>Delaware</u> (State or other jurisdiction of incorporation or organization)	<u>59-1914299</u> (I.R.S. Employer Identification No.)
<u>1870 S. Bayshore Drive, Coconut Grove, Florida</u> (Address of principal executive offices)	<u>33133</u> (Zip Code)
<u>305-854-6803</u> (Registrant's telephone number, including area code)	
<u>Not Applicable</u> (Former name, former address and former fiscal year, if changed since last report)	

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Sections 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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Emerging Growth company  (Do not check if a 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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock - Par value \$1.00 per share	HMG	NYSE Amex

APPLICABLE ONLY TO CORPORATE ISSUERS:

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. 1,007,248 Common shares were outstanding as of May 7, 2021.

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## HMG/COURTLAND PROPERTIES, INC.

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Cautionary Statement. This Form 10-Q contains certain statements relating to future results of the Company that are considered "forward-looking statements" within the meaning of the Private Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied as a result of certain risks and uncertainties, including, but not limited to, changes in political and economic conditions; interest rate fluctuation; competitive pricing pressures within the Company's market; equity and fixed income market fluctuation; technological change; changes in law; changes in fiscal, monetary, regulatory and tax policies; monetary fluctuations as well as other risks and uncertainties detailed elsewhere in this Form 10-Q or from time-to-time in the filings of the Company with the Securities and Exchange Commission. Such forward-looking statements speak only as of the date on which such statements are made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

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**HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2021	December 31, 2020
	(UNAUDITED)	
<b>ASSETS</b>		
Investment properties, net of accumulated depreciation:		
Office building and other commercial property	\$ 1,392,212	\$ 1,431,539
Total investment properties, net	1,392,212	1,431,539
Cash and cash equivalents	3,971,838	4,883,923
Investments in marketable securities	3,405,356	3,406,328
Other investments	5,220,967	4,940,403
Investment in affiliate	1,067,173	1,206,782
Loans, notes and other receivables	1,487,646	1,419,760
Investment in residential real estate partnership	3,408,896	3,552,896
Other assets	42,997	49,937
<b>TOTAL ASSETS</b>	<b>\$ 19,997,085</b>	<b>\$ 20,891,568</b>
<b>LIABILITIES</b>		
Note payable to affiliate	\$ 450,000	\$ 650,000
Dividends payable	-	503,624
Accounts payable, accrued expenses and other liabilities	394,176	206,402
Deferred income tax liability	106,021	107,237
<b>TOTAL LIABILITIES</b>	<b>950,197</b>	<b>1,467,263</b>
<b>STOCKHOLDERS' EQUITY</b>		
Excess common stock, \$1 par value; 100,000 shares authorized: no shares issued	-	-
Common stock, \$1 par value; 1,050,000 shares authorized, 1,013,292 shares issued and 1,007,248 shares outstanding	1,013,292	1,013,292
Additional paid-in capital	23,859,686	23,859,686
Less: Treasury shares at cost 6,044 shares as of March 31, 2021 and December 31, 2020	(66,392)	(66,392)
Undistributed gains from sales of properties, net of losses	53,632,495	53,632,495
Undistributed losses from operations	(59,631,633)	(59,256,052)
Total stockholders' equity	18,807,448	19,183,029
Noncontrolling interest	239,440	241,276
<b>TOTAL EQUITY</b>	<b>19,046,888</b>	<b>19,424,305</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 19,997,085</b>	<b>\$ 20,891,568</b>

*See notes to the condensed consolidated financial statements*

**HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS INCOME (UNAUDITED)**

	For the three months ended March 31,	
	2021	2020
<b>REVENUES</b>		
Real estate rentals and related revenue	\$ 20,281	\$ 19,515
Total revenues	<u>20,281</u>	<u>19,515</u>
<b>EXPENSES</b>		
Operating Expenses:		
Rental and other properties	54,301	17,470
Adviser's base fee	165,000	165,000
General and administrative	88,718	80,968
Professional fees and expenses	84,960	93,941
Directors' fees and expenses	18,250	18,250
Depreciation expense	3,849	3,849
Interest expense	4,565	12,743
Total expenses	<u>419,643</u>	<u>392,221</u>
Loss before other income and income taxes	(399,362)	(372,706)
Net realized and unrealized gains (losses) from investments in marketable securities	62,943	(869,778)
Equity loss from operations of residential real estate partnership	(144,000)	-
Net income from other investments	43,484	113,843
Other than temporary impairment losses from other investments	-	(50,000)
Interest, dividend and other income	55,573	94,379
Total other income (loss)	<u>18,000</u>	<u>(711,556)</u>
Loss before income taxes	(381,362)	(1,084,262)
Benefit from income taxes	3,945	100,749
Net loss	<u>(377,417)</u>	<u>(983,513)</u>
Loss from noncontrolling interest	1,836	18,644
Net loss attributable to the Company	<u>\$ (375,581)</u>	<u>\$ (964,869)</u>
Weighted average common shares outstanding-basic and diluted	<u>1,007,248</u>	<u>1,013,292</u>
Net loss per common share: Basic and diluted		
Basic and diluted loss per share	<u>\$ (0.37)</u>	<u>\$ (0.95)</u>

*See notes to the condensed consolidated financial statements*

**HMG/COURTLAND PROPERTIES, INC. AND  
SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF  
CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
AND 2020 (UNAUDITED)**

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	Common Stock		Additional Paid-In Capital	Undistributed Gains from Sales of Properties Net of Losses	Undistributed Losses from Operations	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Cost	
Balance as of January 1, 2021	1,013,292	\$ 1,013,292	\$23,859,686	\$ 53,632,495	\$ (59,256,052)	6,044	\$ (66,392)	\$ 19,183,029
Net Loss for three months ended March 31, 2021	-	-	-	-	(375,581)	-	-	(375,581)
Balance as of March 31, 2021	<u>1,013,292</u>	<u>\$ 1,013,292</u>	<u>\$23,859,686</u>	<u>\$ 53,632,495</u>	<u>\$ (59,631,633)</u>	<u>6,044</u>	<u>\$ (66,392)</u>	<u>\$ 18,807,448</u>

	Common Stock		Additional Paid-In Capital	Undistributed Gains from Sales of Properties Net of Losses	Undistributed Losses from Operations	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Cost	
Balance as of January 1, 2020	1,013,292	\$ 1,013,292	\$23,859,686	\$ 54,136,119	\$ (58,203,938)	-	\$ -	\$ 20,805,159
Net Loss for three months ended March 31, 2020	-	-	-	-	(964,869)	-	-	(964,869)
Balance as of March 31, 2020	<u>1,013,292</u>	<u>\$ 1,013,292</u>	<u>\$23,859,686</u>	<u>\$ 54,136,119</u>	<u>\$ (59,168,807)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 19,840,290</u>

**HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss attributable to the Company	\$ (375,581)	\$ (964,869)
Adjustments to reconcile net loss attributable to the Company to net cash used in operating activities:		
Depreciation expense	3,849	3,849
Net income from other investments, excluding impairment losses	(43,484)	(113,843)
Other than temporary impairment losses from other investments	—	50,000
Loss on sale of land	28,446	—
Equity loss from operations of residential real estate partnership	144,000	—
Net (gains) losses from investments in marketable securities	(62,943)	869,778
Net loss attributable to noncontrolling interest	(1,836)	(18,644)
Deferred income taxes	(1,216)	(100,379)
Changes in assets and liabilities:		
Other assets and other receivables	(7,513)	27,986
Accounts payable, accrued expenses and other liabilities	23,665	(106,921)
Total adjustments	82,968	611,826
Net cash used in operating activities	(292,613)	(353,043)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net proceeds from sales and redemptions of marketable securities	274,935	373,005
Investments in marketable securities	(211,020)	(570,029)
Distributions from other investments	80,942	184,899
Contributions to other investments	(316,475)	(189,532)
Proceeds from repayment of notes and mortgage loans receivable	—	1,200,000
Distribution from affiliate	138,062	220,899
Purchases and improvements of properties	(9,551)	—
Proceeds from sale of property	130,692	—
Additions in mortgage loans, notes, and other receivables	(3,433)	—
Net cash provided by investing activities	84,152	1,219,242
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Margin borrowings, net of repayments	—	64,299
Dividend paid	(503,624)	(506,646)
Repayment of note payable to affiliate	(200,000)	(350,000)
Net cash used in financing activities	(703,624)	(792,347)
Net (decrease) increase in cash and cash equivalents	(912,085)	73,852
Cash and cash equivalents at beginning of the period	4,883,923	15,382,596
Cash and cash equivalents at end of the period	\$ 3,971,838	\$ 15,456,448
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	\$ 5,000	\$ 13,000
<b>NONCASH INVESTING ACTIVITIES:</b>		
Accrual of construction costs incurred in period but not paid (Vermont)	\$ 164,000	\$ —
Mortgage receivable on sale of land during the period (Rhode Island)	\$ 50,000	\$ —

*See notes to the condensed consolidated financial statements*

**HMG/COURTLAND PROPERTIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements prepared in accordance with instructions for Form 10-Q, include all adjustments (consisting only of normal recurring accruals) which are necessary for a fair presentation of the results for the periods presented. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the Company's Annual Report for the year ended December 31, 2020. The balance sheet as of December 31, 2020 was derived from audited consolidated financial statements as of that date. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the full year.

The condensed consolidated financial statements include the accounts of HMG/Courtland Properties, Inc. (the "Company") and entities in which the Company owns a majority voting interest or controlling financial interest. All material transactions and balances with consolidated and unconsolidated entities have been eliminated in consolidation or as required under the equity method.

**2. COVID-19 DISCLOSURE**

Management continues monitoring and managing operations to timely react to potential impacts of the ongoing COVID-19 pandemic on our business, financial condition, liquidity, results of operations and prospects. The ultimate extent of any impact of the pandemic we may experience is highly uncertain and cannot be predicted with confidence.

During the quarter ended March 31, 2021, the value of our portfolio in marketable securities remained valued at approximately the same value as of December 31, 2020. We have made no substantial changes to our outlook regarding our marketable securities holdings from the prior year end. We experienced no further valuation impairments in our other investments during the current quarter. We will continue monitoring these investments to determine if any further valuation adjustments are necessary. Our construction project in Fort Myers, Florida was completed in March 2021 and is approximately 33% leased.

Our liquidity remains strong and able to support continuing operations, fund commitments in other investments and meet all other liabilities as they become due in the foreseeable future. We continue to seek and explore development opportunities primarily in the multi-family segment, together with qualified partners in various markets.

**3. NEW ACCOUNTING PRONOUNCEMENTS**

There are several new accounting pronouncements issued or proposed by the FASB. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe any of these accounting pronouncements has had or will have a material impact on the Company's condensed consolidated financial position, operating results, or cash flow.

**4. INVESTMENT IN RESIDENTIAL REAL ESTATE PARTNERSHIP (FORT MYERS, FL)**

Pursuant to the terms of a Construction and Mini Perm Loan Agreement ("Loan Agreement"), between Murano At Three Oaks Associates LLC, a Florida limited liability company formed in September 2018 (the "Borrower" or "Murano") which is 25% owned by HMG, and PNC Bank, National Association ("Lender"), Lender provided a construction loan to the Borrower for the principal sum of approximately \$41.59 million ("Loan"). The proceeds of the Loan were used to finance the construction of multi-family residential apartments containing 318 units totaling approximately 312,000 net rentable square feet on a 17.5-acre site located in Fort Myers, Florida ("Project"). The Project site was purchased by the Borrower concurrently with the closing of the Loan. Total development costs for the Project are estimated to come in at approximately \$54.08 million, or approximately \$2 million less than originally projected. The Borrower's equity totals approximately \$14.49 million. HMG's share of the equity is 25%, or approximately \$3.62 million. As of March 31, 2021, the outstanding balance on the Loan was approximately \$36.59 million. The Project has been completed and a certificate of occupancy was obtained in March 2021. The Project is approximately 33% leased. For the three months ended March 31, 2021 Murano reported a net loss of \$576,000 including \$55,000 loss from operations (due to rent concessions which burned off by end of March 2021), depreciation and amortization of \$383,000 and \$138,000 of interest expense. HMG's portion of the 2021 loss was approximately \$144,000.

HMG and the other members (or affiliates thereof) of the Borrower ("Guarantors") entered into a Completion Guaranty ("Completion Guaranty") and a Guaranty and Suretyship Agreement ("Repayment Guaranty") (collectively, the "Guaranties"). Under the Completion Guaranty, each Guarantor shall unconditionally guaranty, as a primary obligor, and become surety for the prompt payment and performance by Borrower of the "Guaranteed Obligations" (as defined). Under the Repayment Guaranty, Guarantor unconditionally guarantees, as a primary obligor, and becomes surety for the prompt payment and performance of, as defined (i) all Interest Obligations, (ii) all Loan Document Obligations, (iii) all Expense Obligations, (iv) the Carrying Cost Obligations, (v) the Principal Amount, (vi) interest on each of the foregoing including, if applicable, interest at the Default Rate (as defined). At all times prior to the First Reduction Date (as defined below), the Guarantors are collectively responsible for 30% of the Principal Obligations, (ii) at all times after the First Reduction Date, the Guarantors are collectively responsible for 15% of the Principal Obligations, and (iii) at all times after the Second Reduction Date, 0% of the Principal Obligations. First Reduction Date occurs upon satisfaction of the following conditions: (i) no Event of Default has occurred and is continuing; (ii) Completion of Construction has occurred; and (iii) the Project has achieved a DSCR of not less than 1.25 to 1.00 for two (2) consecutive fiscal quarters.

Each Guarantor is required to maintain compliance with the following financial covenants, as defined: (1) liquidity shall not be less than \$2.5 million. Liquidity is defined as the sum of unencumbered, unrestricted cash and cash equivalents and marketable securities, and (2) net worth shall not be less than \$10 million. As of March 31, 2021, HMG was in compliance with all covenants required by Guarantors in the Loan Agreement.

##### **5. 260 RIVER CORP. MONTPELIER, VERMONT**

The Company's property located in Montpelier Vermont has completed the required environmental remediation as previously disclosed. Groundwater monitoring is ongoing and will continue on a long term (annually or biannually) until levels of contaminants reach acceptable levels. The costs of such monitoring are expected to be less than \$4,000 per year. The owners agreed with a local developer on a fixed fee of \$500,000 to remediate the property, of which a balance of approximately \$61,000 is owed and payable upon the property receiving a Certificate of Completion (COC) from the State of Vermont Agency of Natural Resources ("ANR"). The COC provides certain liability protections for environmental contamination at the property under Vermont's Brownfields Reuse and Environmental Liability Limitation Act program ("BRELLA"). We are expecting to receive the COC sometime in the second quarter of 2021.

In August 2020, the existing owners of the property amended and restated the previously reported Pre-Development Agreement. The Amended and Restated Pre-Development Agreement calls for the transfer of 50% of our interest in the property to the local developer which remediated the property and 10% to an unrelated real estate consultant which has assisted us in the process of remediating and developing the property. The transfer of ownership will occur upon receipt of the COC and will result in the Company owning approximately 28% of the project thereafter. Also, in August 2020, we entered into a lease agreement with an unrelated party which covers approximately 3.5 acres of land and existing improvements together with an expansion building of approximately 8,000 square feet. The term of the lease will commence on the earlier of: (a) 30 days after the date the project is substantially completed (as defined); or (b) the date that the tenant opens for business (the "Commencement Date") and shall continue until the 10<sup>th</sup> anniversary of the Commencement Date. The lease provides the tenant the option to renew or extend the lease for two consecutive renewal terms of five years each. Average gross annual rent over the ten-year initial term is approximately \$229,000. Under the terms of the lease the tenant is responsible for real estate taxes, insurance, and maintenance (except for capital repairs and replacements, as defined). The remainder of the property (approximately 2.5 acres) is subject to development limitations related to wetlands, the location of the Winooski River and institutional controls that have been or will be implemented to address contamination related to historical site operations.

On March 1, 2021 the project was completed, a certificate of occupancy was obtained, and the lease commenced upon tenant taking possession of the property. The total costs of renovation and construction is expected to be approximately \$2.5 million (pending final accounting). The Company's portion of the total costs (28% ownership) is approximately \$695,000 of which \$395,000 has been paid as of March 31, 2021 and \$300,000 is accrued and not yet paid, including \$164,000 accrued in this quarter. Loss from operations and estimated depreciation expense for the period ended March 31, 2021 was minimal.



## 6. INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities consist primarily of large capital corporate equity and debt securities in varying industries or issued by government agencies with readily determinable fair values. These securities are stated at market value, as determined by the most recent traded price of each security at the balance sheet date. Consistent with the Company's overall current investment objectives and activities its entire marketable securities portfolio is classified as trading. Accordingly, all unrealized gains (losses) on this portfolio are recorded in income. Included in investments in marketable securities is approximately \$1.61 million and \$1.66 million in preferred stock of large capital real estate investment trusts (REITs) as of March 31, 2021 and December 31, 2020, respectively.

Net realized and unrealized gain from investments in marketable securities for the three months ended March 31, 2021 and 2020 is summarized below:

Description	2021	2020
Net realized gain (loss) from sales of securities	\$ 6,000	\$ (27,000)
Net unrealized gain (loss) from securities	57,000	(843,000)
Total net gain (loss) from investments in marketable securities	<u>\$ 63,000</u>	<u>\$ (870,000)</u>

For the three months ended March 31, 2021, net realized gains from sales of marketable securities of approximately \$6,000 consisted of approximately \$46,000 of gross gains net of \$40,000 of gross losses. For the three months ended March 31, 2020, net realized losses from sales of marketable securities of approximately \$27,000 consisted of approximately \$39,000 of gross losses net of \$12,000 of gross gains.

For the three months ended March 31, 2020, net unrealized loss from marketable securities of approximately \$843,000 was primarily the result of the large decline in the overall U.S. stock market experienced as a result of business closures from the on-going pandemic. Our marketable securities have substantially recovered in 2021.

Investment gains and losses on marketable securities may fluctuate significantly from period to period in the future and could have a significant impact on the Company's net earnings. However, the amount of investment gains or losses on marketable securities for any given period has no predictive value and variations in amount from period to period have no practical analytical value.

## 7. OTHER INVESTMENTS

As of March 31, 2021, the Company's portfolio of other investments had an aggregate carrying value of approximately \$5.22 million and we have committed to fund approximately \$1.11 million as required by agreements with the investees. The carrying value of these investments is equal to contributions less distributions and impairment valuation adjustments, if any.

During the three months ended March 31, 2021, we made cash contributions to other investments of approximately \$316,000. This consisted of \$200,000 as an addition to our existing investment in a multi-family residential building located in Hollywood, Florida, \$50,000 in a new co-investment in one of the existing portfolio companies of our diversified technology fund, and we committed a total of \$500,000 (of which \$40,000 was funded), in a new private equity fund which will invest in various technology innovators globally. We also funded approximately \$26,000 in follow on commitments of existing investments.

During the three months ended March 31, 2021, we received cash distributions from other investments of approximately \$81,000. This consisted of small distributions from existing investments.

Net income from other investments for the three months ended March 31, 2021 and 2020, is summarized below:

	2021	2020
Partnerships owning real estate & related	\$ 10,000	\$ 130,000
Partnerships owning diversified businesses	35,000	2,000
Loss from investment in affiliate T.G.I.F. Texas, Inc.	(1,000)	(18,000)
Total net income from other investments	<u>\$ 44,000</u>	<u>\$ 114,000</u>

The following tables present gross unrealized losses and fair values for those investments that were in an unrealized loss position as of March 31, 2021 and December 31, 2020, aggregated by investment category and the length of time that investments have been in a continuous loss position:

Investment Description	As of March 31, 2021					
	12 Months or Less		Greater than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Partnerships owning investments in diversified businesses	\$ 576,000	\$ (131,000)	\$ -	\$ -	\$ 576,000	\$ (131,000)
Total	\$ 576,000	\$ (131,000)	\$ -	\$ -	\$ 576,000	\$ (131,000)

  

Investment Description	As of December 31, 2020					
	12 Months or Less		Greater than 12 Months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Partnerships owning investments in diversified businesses	\$ 576,000	\$ (131,000)	\$ -	\$ -	\$ 576,000	\$ (131,000)
Total	\$ 576,000	\$ (131,000)	\$ -	\$ -	\$ 576,000	\$ (131,000)

When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer and any changes thereto, and the Company's intent to sell, or whether it is more likely than not it will be required to sell, the investment before recovery of the investment's amortized cost basis.

There were no OTTI adjustments for the three months ended March 31, 2021.

For the three months ended March 31, 2020, in accordance with ASC Topic 320-10-65, Recognition and Presentation of Other-Than-Temporary Impairments ("OTTI"), we have recognized \$50,000 in an impairment valuation adjustment for an investment that has been in a continuous unrealized loss position for over 12 months. This investment is in a small business investment company licensed by the Small Business Administration in which we invested \$300,000 in 2007. Distributions to date from this investment total \$68,000. The carrying value of this investment is \$182,000 after the OTTI adjustment.

## 8. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with ASC Topic 820, the Company measures cash and cash equivalents, marketable debt and equity securities at fair value on a recurring basis. Other investments are measured at fair value on a nonrecurring basis.

The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of March 31, 2021 and December 31, 2020, using quoted prices in active markets for identical assets (Level 1) and significant other observable inputs (Level 2). For the periods presented, there were no major assets measured at fair value on a recurring basis which uses significant unobservable inputs (Level 3):

Assets and liabilities measured at fair value on a recurring basis are summarized below:

Description	Fair value measurement at reporting date using			
	Total March 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
<b>Cash equivalents:</b>				
Money market mutual funds	\$ 1,316,000	\$ 1,316,000	\$ -	\$ -
US T-bills	2,400,000	2,400,000		
<b>Marketable securities:</b>				
Corporate debt securities	613,000	-	613,000	-
Marketable equity securities	2,793,000	2,793,000	-	-
Total assets	\$ 7,122,000	\$ 6,509,000	\$ 613,000	\$ -

Description	Fair value measurement at reporting date using			
	Total December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
<b>Cash equivalents:</b>				
Money market mutual funds	\$ 1,496,000	\$ 1,496,000	\$ -	\$ -
US T-bills	2,900,000	2,900,000		
<b>Marketable securities:</b>				
Corporate debt securities	613,000	-	613,000	-
Marketable equity securities	2,793,000	2,793,000	-	-
<b>Total assets</b>	<b>\$ 7,802,000</b>	<b>\$ 7,189,000</b>	<b>\$ 613,000</b>	<b>\$ -</b>

Carrying amount is the estimated fair value for corporate debt securities and time deposits based on a market-based approach using observable (Level 2) inputs such as prices of similar assets in active markets.

## 9. INCOME TAXES

The Company as a qualifying real estate investment trust (“REIT”) distributes its taxable ordinary income to stockholders in conformity with requirements of the Internal Revenue Code and is not required to report deferred items due to its ability to distribute all taxable income. In addition, net operating losses can be carried forward to reduce future taxable income but cannot be carried back.

The Company’s 95%-owned taxable REIT subsidiary, CII, files a separate income tax return and its operations are not included in the REIT’s income tax return.

Distributed capital gains on sales of real estate as they relate to REIT activities are not subject to taxes; however, undistributed capital gains may be subject to corporate tax.

On December 11, 2020 the Company declared a dividend of \$0.50 per share (100% return of capital) which was payable on January 12, 2021 to all shareholders of record as of December 29, 2020.

On December 13, 2019 the Company declared a dividend of \$0.50 per share (100% return of capital) which was payable on January 13, 2020 to all shareholders of record as of December 30, 2019.

The Company accounts for income taxes in accordance with ASC Topic 740, “Accounting for Income Taxes.” ASC Topic 740 requires a Company to use the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the tax consequences of “temporary differences” by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect on deferred income taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred taxes only pertain to CII. As of March 31, 2021 and December 31, 2020, the Company reported a net deferred tax liability of \$106,000, and \$107,000, respectively. Deferred taxes are primarily a result of timing differences associated with the carrying value of the investment in affiliate (TGIF), other investments and investments in marketable securities.

The benefit from income taxes in the condensed consolidated statements of income consists of the following:

Three months ended March 31,	2021	2020
<b>Current:</b>		
Federal	\$ -	\$ -
State	(3,000)	-
	(3,000)	-
<b>Deferred:</b>		
Federal	\$ (11,000)	\$ (75,000)
State	(2,000)	(16,000)
	(13,000)	(91,000)
Valuation allowance	12,000	(10,000)
Total	<u>\$ (4,000)</u>	<u>\$ (101,000)</u>

The Company follows the provisions of ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes" which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with ASC Topic 740 and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This topic also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our consolidated financial statements. Our evaluation was performed for the tax year ended December 31, 2020. The Company's federal income tax returns since 2017 are subject to examination by the Internal Revenue Service, generally for a period of three years after the returns were filed.

We may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. In the event we have received an assessment for interest and/or penalties, it has been classified in the condensed consolidated financial statements as general and administrative expense.

## 10. STOCK OPTIONS

During the three months ended March 31, 2021 and 2020 there were no options granted, expired or forfeited.

The following table summarizes information concerning outstanding and exercisable options as of March 31, 2021:

	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plan approved by shareholders	9,600	\$ 13.55	42,752
Equity compensation plan not approved by shareholders	—	—	—
Total	<u>9,600</u>	<u>\$ 13.55</u>	<u>42,752</u>

As of March 31, 2021, the stock options outstanding and exercisable had no intrinsic value.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **RESULTS OF OPERATIONS**

The Company reported net loss of approximately \$376,000 (or \$0.37 per share) and \$965,000 (or \$0.95 per share) for the three months ended March 31, 2021 and 2020, respectively.

#### **REVENUES**

Rentals and related revenues for the three months ended March 31, 2021 and 2020 were approximately \$20,000 and \$19,000, respectively and primarily consists of rent from the Advisor to CII for its corporate office.

#### **Net realized and unrealized gain (loss) from investments in marketable securities:**

Net realized and unrealized gain from investments in marketable securities for the three months ended March 31, 2021 was approximately \$63,000. For the three months ended March 31, 2020, net unrealized loss from marketable securities of approximately \$870,000 was primarily the result of the large decline in the overall U.S. stock market experienced as a result of business closures from the on-going pandemic. For further details, refer to Note 6 to the Condensed Consolidated Financial Statements (unaudited).

#### **Equity loss from operations of residential real estate partnership:**

Equity loss from operations of residential real estate partnership for the three months ended March 31, 2021 was approximately \$144,000. For further details, refer to Note 4 to the Condensed Consolidated Financial Statements (unaudited).

#### **Income from other investments:**

Income from other investments for the three months ended March 31, 2021 and 2020 was approximately \$43,000 and \$114,000, respectively. For further details, refer to Note 7 to the Condensed Consolidated Financial Statements (unaudited).

#### **Other than temporary impairment losses from other investments ("OTTI"):**

OTTI valuation adjustment for the three months ended March 31, 2021 and 2020 was zero and \$50,000, respectively. This was the result of one investment written down in the first quarter of 2020. For further details, refer to Note 7 to the Condensed Consolidated Financial Statements (unaudited).

#### **EXPENSES**

Operating expenses from rental and other properties for the three months ended March 31, 2021 as compared with the same period in 2020 increased by approximately \$37,000 (or 211%) primarily due to a loss on the sale of land held for development located in Hopkinton, Rhode Island. The property had a carrying value of \$209,000 and was sold for \$200,000. After commissions, legal and closing costs the loss was approximately \$28,000. The Company had attempted to develop this property for several years and was unsuccessful.

#### **EFFECT OF INFLATION:**

Inflation affects the costs of holding the Company's investments. Increased inflation would decrease the purchasing power of our mainly liquid investments.

### **LIQUIDITY, CAPITAL EXPENDITURE REQUIREMENTS AND CAPITAL RESOURCES**

The Company's material commitments primarily consist of a note payable to the Company's 49% owned affiliate, T.G.I.F. Texas, Inc. ("TGIF") of \$450,000 due on demand and contributions committed to other investments of approximately \$1.1 million due upon demand. The funds necessary to meet these obligations are expected from the proceeds from the sales of investments, distributions from investments and available cash.

#### **MATERIAL COMPONENTS OF CASH FLOWS**

For the three months ended March 31, 2021, net cash used in operating activities was approximately \$293,000, primarily consisting of operating expenses.

For the three months ended March 31, 2021, net cash provided by investing activities was approximately \$84,000. This consisted primarily of net proceeds from sales and redemptions of marketable securities of \$275,000, distributions from other investments of \$81,000, distribution from affiliate of \$138,000 and proceeds from the sale of the land in Hopkinton, Rhode Island (we took back a first mortgage of \$50,000 on the sale). These sources of funds were partially offset by uses of cash consisting primarily of \$211,000 in purchases of marketable securities and \$317,000 of contributions to other investments.

For the three months ended March 31, 2021, net cash used in financing activities was approximately \$704,000, consisting of \$504,000 dividend paid and \$200,000 principal payment on note due to affiliate.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not applicable

**Item 4. Controls and Procedures**

(a) Evaluation of Disclosure Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q have concluded that, based on such evaluation, our disclosure controls and procedures were effective and designed to ensure that material information relating to us and our consolidated subsidiaries, which we are required to disclose in the reports we file or submit under the Securities Exchange Act of 1934, was made known to them by others within those entities and reported within the time periods specified in the SEC's rules and forms.

(b) Changes in Internal Control Over Financial Reporting.

There were no changes in the Company's internal controls over financial reporting identified in connection with the evaluation of such internal control over financial reporting that occurred during our last fiscal quarter which have materially affected, or reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings:** None.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds:**

As previously reported on December 14, 2018, HMG announced that its Board of Directors has authorized the purchase of up to \$500,000 of HMG common stock on the open market or through privately negotiated transactions. The program will be in place through December 31, 2021. There were no purchases made under the program during the three months ended March 31, 2021. During the year ended December 31, 2020, there were 6,044 shares purchased for \$66,392 as part of this publicly announced program. As of March 31, 2021, the maximum dollar value of shares that may yet be purchased under the program is \$433,608.

**Item 3. Defaults Upon Senior Securities:** None.

**Item 4. Mine Safety Disclosures:** Not applicable.

**Item 5. Other Information:** None

**Item 6. Exhibits:**

(a) Certifications pursuant to 18 USC Section 1350-Sarbanes-Oxley Act of 2002. Filed herewith.

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.

HMG/COURTLAND PROPERTIES, INC.

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Dated: May 7, 2021

/s/ Maurice Wiener  
CEO and President

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Dated: May 7, 2021

/s/Carlos Camarotti  
Vice President- Finance and Controller  
Principal Accounting Officer

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**Exhibits:**

**EXHIBIT 31A: CERTIFICATION REQUIRED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Maurice Wiener, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HMG/Courtland Properties, Inc.
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer(s) 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 (as defined in Exchange Act Rules 13a-15(e)), 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 quarterly 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 the 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 this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
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 registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 7, 2021

/s/ Maurice Wiener

Maurice Wiener, Principal Executive Officer

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**EXHIBIT 31B:**

**CERTIFICATION REQUIRED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Carlos Camarotti, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HMG/Courtland Properties, Inc.
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer(s) 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 (as defined in Exchange Act Rules 13a-15(e)), 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 quarterly 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 the 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 this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
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 registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 7, 2021

/s/ Carlos Camarotti  
Carlos Camarotti, Principal Financial Officer

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**EXHIBIT 32:**

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

In connection with the Quarterly Report of HMG/Courtland Properties, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Maurice Wiener, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ Maurice Wiener

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Principal Executive Officer  
HMG/Courtland Properties, Inc.

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

In connection with the Quarterly Report of HMG/Courtland Properties, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carlos Camarotti, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ Carlos Camarotti

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Principal Financial Officer  
HMG/Courtland Properties, Inc.

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