**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, 2020

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)

| | |
|---|---|
| Delaware | 59-1914299 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| 1870 S. Bayshore Drive, Coconut Grove, Florida | 33133 |
| (Address of principal executive offices) | (Zip Code) |

305-854-6803
(Registrant's telephone number, including area code)

Not Applicable
(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. 1,013,292 Common shares were outstanding as of May 13, 2020.

**HMG/COURTLAND PROPERTIES, INC.**

**Index**



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.

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

| | March 31, 2020 (UNAUDITED) | December 31, 2019 |
|---|---|---|
| ASSETS | | |
| Investment properties, net of accumulated depreciation: | | |
| Office building and other commercial property | $ 922,113 | $ 925,963 |
| Total investment properties, net | 922,113 | 925,963 |
| | | |
| Cash and cash equivalents | 15,456,448 | 15,382,596 |
| Investments in marketable securities | 2,800,767 | 3,473,521 |
| Other investments | 5,672,251 | 5,585,666 |
| Investment in affiliate | 1,203,416 | 1,442,423 |
| Loans, notes and other receivables | 1,301,501 | 2,519,570 |
| Investment in residential real estate partnership | 3,627,598 | 3,627,598 |
| Deferred income tax asset | 22,894 | - |
| Other assets | 45,235 | 55,152 |
| TOTAL ASSETS | $ 31,052,223 | $ 33,012,489 |
| | | |
| LIABILITIES | | |
| Note payable to affiliate | $ 650,000 | $ 1,000,000 |
| Margin payable | 9,981,074 | 9,916,774 |
| Dividends payable | - | 506,646 |
| Accounts payable, accrued expenses and other liabilities | 266,727 | 373,649 |
| Amounts due to Adviser for incentive fee | 81,333 | 81,333 |
| Deferred income tax liability | - | 77,485 |
| TOTAL LIABILITIES | 10,979,134 | 11,955,887 |
| | | |
| STOCKHOLDERS' EQUITY | | |
| 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 outstanding | 1,013,292 | 1,013,292 |
| Additional paid-in capital | 23,859,686 | 23,859,686 |
| Undistributed gains from sales of properties, net of losses | 54,136,119 | 54,136,119 |
| Undistributed losses from operations | (59,168,807) | (58,203,938) |
| Total stockholders' equity | 19,840,290 | 20,805,159 |
| Noncontrolling interest | 232,799 | 251,443 |
| TOTAL EQUITY | 20,073,089 | 21,056,602 |
| TOTAL LIABILITIES AND EQUITY | $ 31,052,223 | $ 33,012,489 |

*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, 2020 | 2019 |
|---|---|---|
| **REVENUES** | | |
| Real estate rentals and related revenue | $ 19,515 | $ 18,786 |
| Total revenues | 19,515 | 18,786 |
| | | |
| **EXPENSES** | | |
| Operating Expenses: | | |
| Rental and other properties | 17,470 | 13,474 |
| Adviser's base fee | 165,000 | 165,000 |
| General and administrative | 80,968 | 81,090 |
| Professional fees and expenses | 93,941 | 79,431 |
| Directors' fees and expenses | 18,250 | 17,500 |
| Depreciation expense | 3,849 | 3,849 |
| Interest expense | 12,743 | 15,015 |
| Total expenses | 392,221 | 375,359 |
| | | |
| Loss before other income and income taxes | (372,706) | (356,573) |
| | | |
| Net realized and unrealized (losses) gains from investments in marketable securities | (869,778) | 180,474 |
| Net income from other investments | 113,843 | 77,855 |
| Other than temporary impairment losses from other investments | (50,000) | - |
| Interest, dividend and other income | 94,379 | 85,463 |
| Total other (loss) income | (711,556) | 343,792 |
| | | |
| Loss before income taxes and gain on sale of real estate | (1,084,262) | (12,780) |
| Benefit from income taxes | 100,749 | 4,472 |
| Net loss | (983,513) | (8,308) |
| Gain (loss) from noncontrolling interest | 18,644 | (2,808) |
| Net loss attributable to the Company | $ (964,869) | $ (11,116) |
| | | |
| Weighted average common shares outstanding-basic and diluted | 1,013,292 | 1,013,292 |
| Net loss per common share: Basic and diluted | | |
| Basic and diluted loss per share | $ (0.95) | $ (0.01) |

*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, 2020 AND 2019

| | Common Stock | | Additional | Undistributed Gains from Sales of Properties | Undistributed Losses from | Treasury Stock | | Total Stockholders' |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Paid-In Capital | Net of Losses | Operations | Shares | Cost | Equity |
| Balance as of January 1, 2019 | 1,046,393 | $ 1,046,393 | $ 24,157,986 | $ 54,642,765 | $ (58,473,808) | $ 33,101 | (340,281) | 21,033,055 |
| Net Loss for three months ended March 31, 2019 | | | | | (11,116) | | | (11,116) |
| Balance as of March 31,2019 | 1,046,393 | 1,046,393 | 24,157,986 | 54,642,765 | (58,484,924) | 33,101 | (340,281) | 21,021,939 |

| | Common Stock | | Additional | Undistributed Gains from Sales of Properties | Undistributed Losses from | Treasury Stock | | Total Stockholders' |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Paid-In Capital | Net of Losses | Operations | Shares | Cost | Equity |
| 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 | 1,013,292 | $ 1,013,292 | $ 23,859,686 | $ 54,136,119 | $ (59,168,807) | - | $ - | $ 19,840,290 |

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

| | For the three months ended March 31, 2020 | 2019 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss attributable to the Company | $ (964,869) | $ (11,116) |
| 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 | (113,843) | (77,855) |
| Other than temporary impairment losses from other investments | 50,000 | - |
| Net (gains) losses from investments in marketable securities | 869,778 | (180,474) |
| Net (loss) gain attributable to noncontrolling interest | (18,644) | 2,808 |
| Deferred income taxes | (100,379) | (4,472) |
| Changes in assets and liabilities: | | |
| Other assets and other receivables | 27,986 | (212,394) |
| Accounts payable, accrued expenses and other liabilities | (106,921) | 13,619 |
| Total adjustments | 611,826 | (454,919) |
| Net cash used in operating activities | (353,043) | (466,035) |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net proceeds from sales and redemptions of marketable securities | 373,005 | 645,931 |
| Investments in marketable securities | (570,029) | (696,561) |
| Distributions from other investments | 184,899 | 175,008 |
| Contributions to other investments | (189,532) | (328,108) |
| Proceeds from repayment of notes and mortgage loans receivable | 1,200,000 | - |
| Distribution from affiliate | 220,899 | 220,899 |
| Purchases and improvements of properties | - | (218) |
| Net cash provided by investing activities | 1,219,242 | 16,951 |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Margin borrowings, net of repayments | 64,299 | 117,055 |
| Dividend paid | (506,646) | (506,646) |
| Repayment of note payable to affiliate | (350,000) | (340,000) |
| Net cash used in financing activities | (792,347) | (729,591) |
| | | |
| Net increase (decrease) in cash and cash equivalents | 73,852 | (1,178,675) |
| | | |
| Cash and cash equivalents at beginning of the period | 15,382,596 | 19,738,174 |
| | | |
| Cash and cash equivalents at end of the period | $ 15,456,448 | $ 18,559,499 |
| | | |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid during the year for interest | $ 13,000 | $ 15,000 |

*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, 2019. The balance sheet as of December 31, 2019 was derived from audited consolidated financial statements as of that date. The results of operations for the three months ended March 31, 2020 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

As a result of the spread of COVID-19, economic uncertainties have arisen. Management is monitoring and managing operations in order to timely react to its potential impacts. The duration and intensity of this global health emergency and related disruptions is uncertain.

The Company has a strong balance sheet and sufficient liquidity in place. The Company has cash and cash equivalents of $5.47 million (excluding $9.98 million in quarter-end margin balance) and marketable securities of $2.80 million. Approximately 54% of marketable securities is a portfolio of preferred stock of large cap REITs. We have reviewed this portfolio and concluded the best course points to an outlook that most will return to pre-crisis levels as REITs strive to remain current on preferred dividends in order to retain access to capital markets. Our other investments with a carrying value of $5.67 million are primarily recorded on a cost recovery basis. As of March 31, 2020, we identified one investment which required an impairment valuation adjustment of $50,000 (refer to Note 6). We will continue monitoring these investments to determine if any further valuation adjustments are necessary. The Company's construction project in Fort Myers, Florida continues on schedule and is projected for completion by the first quarter of 2021.

The Company believes it is able to support continuing operations, fund commitments in other investments and meet all other liabilities as they become due. We believe that future opportunities will likely mirror the Company's present posture. This generally entails seeking development opportunities 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)

As previously reported on Form 8-K dated July 19, 2019, 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") 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 shall be 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 at approximately $56.08 million and 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, 2020, the outstanding balance on the Loan was approximately $5.33 million. The Project is 38% complete and expected to be fully completed by the first quarter of 2021.

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 Conditions" means 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, 2020, HMG was in compliance with all covenants required by Guarantors in the Loan Agreement.

## 5. 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 $1.51 million and $1.86 million in preferred stock of large capital real estate investment trusts (REITs) as of March 31, 2020 and December 31, 2019, respectively.

Net realized and unrealized gain from investments in marketable securities for the three months ended March 31, 2020 and 2019 is summarized below:

| | Three Months Ended March 31, | |
|---|---|---|
| Description | 2020 | 2019 |
| Net realized loss from sales of securities | $ (27,000) | $ (28,000) |
| Unrealized net (loss) gain securities | (843,000) | 208,000 |
| Total net (loss) gain from investments in marketable securities | $ (870,000) | $ 180,000 |

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.

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, 2019, net realized losses from sales of marketable securities of approximately $28,000 consisted of approximately $31,000 of gross losses net of $3,000 of gross gains.

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.

6. **OTHER INVESTMENTS**

As of March 31, 2020, the Company's portfolio of other investments had an aggregate carrying value of approximately $5.67 million and we have committed to fund approximately $715,000 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, 2020, we made cash contributions to other investments of approximately $189,000. This consisted $100,000 as an addition to our existing investment in a private lending fund and approximately $89,000 in follow on commitments of existing investments.

During the three months ended March 31, 2020, we received cash distributions from other investments of approximately $185,000. This consisted of distributions from existing investments primarily in real estate and related entities. One investee sold its remaining rental apartment building located in Atlanta, Georgia and we received $121,000.

In the first quarter of 2019 the Company's $300,000 investments in a private insurance company publicly registered all shares and began trading on the NASDAQ on March 29, 2019. Accordingly, this investment is included in marketable securities, and as of March 31, 2020, had an unrealized loss of approximately $190,000.

Net income from other investments for the three months ended March 31, 2020 and 2019, is summarized below:

| | 2020 | 2019 |
|---|---|---|
| Partnerships owning real estate & related | $ 130,000 | $ 42,000 |
| Partnerships owning diversified businesses | 2,000 | 28,000 |
| Income from investment in affiliate T.G.I.F. Texas, Inc. | (18,000) | 8,000 |
| Total net income from other investments | $ 114,000 | $ 78,000 |

The following tables present gross unrealized losses and fair values for those investments that were in an unrealized loss position as of March 31, 2020 and December 31, 2019, aggregated by investment category and the length of time that investments have been in a continuous loss position:

| | As of March 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | 12 Months or Less | | Greater than 12 Months | | Total | |
| Investment Description | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Partnerships owning investments in diversified businesses | $ 829,000 | $ (261,000) | $ - | $ - | $ 829,000 | $ (261,000) |
| Partnerships owning real estate and related investments | 169,000 | (52,000) | - | - | 169,000 | (52,000) |
| Total | $ 998,000 | $ (313,000) | $ - | $ - | $ 998,000 | $ (313,000) |

| | As of December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | 12 Months or Less | | Greater than 12 Months | | Total | |
| Investment Description | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Partnerships owning real estate and related investments | $ 169,000 | $ (52,000) | $ - | $ - | $ 169,000 | $ (52,000) |
| Partnerships owning diversified businesses investments | 363,000 | (57,000) | 188,000 | (45,000) | 551,000 | (102,000) |
| Total | $ 532,000 | $ (109,000) | $ 188,000 | $ (45,000) | $ 720,000 | $ (154,000) |

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.

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.

There were no OTTI adjustments for the three months ended March 31, 2019.

## 7. 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, 2020 and December 31, 2019, 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:

| | Fair value measurement at reporting date using | | | |
|---|---|---|---|---|
| Description | Total March 31, 2020 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Cash equivalents: | | | | |
| Money market mutual funds | $ 1,371,000 | $ 1,371,000 | - | - |
| US T-bills | 13,588,000 | 13,588,000 | | |
| Marketable securities: | | | | |
| Corporate debt securities | 546,000 | - | 546,000 | - |
| Marketable equity securities | 2,255,000 | 2,255,000 | - | - |
| Total assets | $ 17,760,000 | $ 17,214,000 | $ 546,000 | $ - |

| | Fair value measurement at reporting date using | | | |
|---|---|---|---|---|
| Description | Total December 31, 2019 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Cash equivalents: | | | | |
| Money market mutual funds | $ 606,000 | $ 606,000 | - | - |
| US T-bills | 14,130,000 | 14,130,000 | | |
| Marketable securities: | | | | |
| Corporate debt securities | 474,000 | - | 474,000 | - |
| Marketable equity securities | 2,999,000 | 2,999,000 | - | - |
| Total assets | $ 18,209,000 | $ 17,735,000 | $ 474,000 | $ - |

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.

## 8. 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 13, 2019, the Company declared a dividend of $0.50 per share which was payable on January 13, 2020 to all shareholders of record as of December 30, 2019. The dividend was 72% capital gain and 28% return of capital.

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, 2020, the Company has recorded a net deferred tax asset of $23,000, and as December 31, 2019 recorded a net deferred tax liability of $77,000. 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. CII's NOL carryover to 2020 is estimated at $896,000 and has been fully reserved due to CII historically having tax losses.

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

| Three months ended March 31, | 2020 | 2019 |
|---|---|---|
| Current: | | |
| Federal | $ - | $ - |
| State | - | - |
| | - | - |
| Deferred: | | |
| Federal | $ (75,000) | $ (3,000) |
| State | (16,000) | (1,000) |
| | (91,000) | (4,000) |
| Decreased valuation allowance | (10,000) | - |
| Total | $ (101,000) | $ (4,000) |

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 years ended December 31, 2019. The Company's federal income tax returns since 2016 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 consolidated financial statements as selling, general and administrative expense.

## 9. STOCK OPTIONS

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

The following table summarizes information concerning outstanding and exercisable options as of March 31, 2020:

| | 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 | 36,608 |
| Equity compensation plan not approved by shareholders | — | — | — |
| Total | 9,600 | $ 13.55 | 36,608 |

As of March 31, 2020, 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 $965,000 (or $0.95 per share) for the three months ended March 31, 2020. For the three months ended March 31, 2019 the Company reported a net loss of approximately $11,000 (or $0.01 per share).

**REVENUES**
Rentals and related revenues for the three months ended March 31, 2020 and 2019 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 (loss) gain from investments in marketable securities:
Net realized and unrealized loss from investments in marketable securities for the three months ended March 31, 2020 was approximately $870,000. 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.

For the three months ended March 31, 2019 net realized and unrealized gains from marketable securities was approximately $180,000. For further details, refer to Note 5 to Condensed Consolidated Financial Statements (unaudited).

Income from other investments:
Income from other investments for the three months ended March 31, 2020 and 2019 was approximately $113,000 and $78,000, respectively. For further details, refer to Note 6 to Condensed Consolidated Financial Statements (unaudited).

Other than temporary impairment losses from other investments (“OTTI”):
For the three months ended March 31, 2019 OTTI valuation adjustment was $50,000 from one investment. For further details, refer to Note 6 to Condensed Consolidated Financial Statements (unaudited).

**EXPENSES**
Professional fees and expenses for the three months ended March 31, 2020 as compared with the same period in 2019 increased by approximately $15,000 (or 18%) primarily due to increased tax preparation fees.

**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 $650,000 due on demand, contributions committed to other investments of approximately $715,000 due upon demand. The $9.98 million in margin is primarily related to the purchase of US T-bills at quarter end. The T-bills were sold in April 2020 and the related margin was repaid. The purchase of T-bills at each fiscal quarter end is for the purposes of qualifying for the REIT asset test. 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, 2020, net cash used in operating activities was approximately $353,000, primarily consisting of operating expenses.

For the three months ended March 31, 2020, net cash provided by investing activities was approximately $1.2 million. This consisted primarily of $1 million collection of loan due from purchaser of Grove Isle, $200,000 collection of loan participation, net proceeds from sales and redemptions of marketable securities of $373,000, distributions from other investments of $185,000 and distribution from affiliate of $221,000. These sources of funds were partially offset by uses of cash consisting primarily of $570,000 in purchases of marketable securities and $189,000 of contributions to other investments.

For the three months ended March 31, 2020, net cash used in financing activities was approximately $792,000, consisting of $507,000 dividend paid and $350,000 principal payment on note due to affiliate. These uses of funds were partially offset by increased margin borrowings (net of repayments) of $64,000.

**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. During the three months ended March 31, 2020, there were no shares purchased as part of this publicly announced program.

**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.

Dated: May 13, 2020

/s/ Maurice Wiener
CEO and President

Dated: May 13, 2020

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

**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 13, 2020

/s/ Maurice Wiener

Maurice Wiener, Principal Executive Officer

**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 13, 2020

/s/ Carlos Camarotti

Carlos Camarotti, Principal Financial Officer

**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, 2020 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
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, 2020 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
Principal Financial Officer
HMG/Courtland Properties, Inc.