

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

**FORM 10-Q**

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

For the quarterly period ended March 31, 2023

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 001-11350

**CTO REALTY GROWTH, INC.**

(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of  
incorporation or organization)  
  
369 N. New York Avenue, Suite 201  
Winter Park, Florida  
(Address of principal executive offices)

59-0483700  
(I.R.S. Employer  
Identification No.)

32789  
(Zip Code)

(407) 904-3324  
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class:</u>	<u>Trading Symbols</u>	<u>Name of each exchange on which registered:</u>
Common Stock, \$0.01 par value per share	CTO	NYSE
6.375% Series A Cumulative Redeemable Preferred Stock, \$0.01 par value per share	CTO PrA	NYSE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the 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	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act). Yes  No

As of April 20, 2023, there were 22,701,429 shares of the registrant's common stock, \$0.01 par value per share, outstanding.

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**PART I—FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

CTO REALTY GROWTH, INC.  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except share and per share data)

	As of	
	(Unaudited) March 31, 2023	December 31, 2022
<b>ASSETS</b>		
Real Estate:		
Land, at Cost	\$ 233,619	\$ 233,930
Building and Improvements, at Cost	538,449	530,029
Other Furnishings and Equipment, at Cost	748	748
Construction in Process, at Cost	4,630	6,052
Total Real Estate, at Cost	777,446	770,759
Less, Accumulated Depreciation	(41,913)	(36,038)
Real Estate—Net	735,533	734,721
Land and Development Costs	683	685
Intangible Lease Assets—Net	110,323	115,984
Assets Held for Sale—See Note 23	1,115	—
Investment in Alpine Income Property Trust, Inc.	39,259	42,041
Mitigation Credits	2,526	1,856
Mitigation Credit Rights	—	725
Commercial Loans and Investments	47,118	31,908
Cash and Cash Equivalents	7,023	19,333
Restricted Cash	1,589	1,861
Refundable Income Taxes	448	448
Deferred Income Taxes—Net	2,503	2,530
Other Assets—See Note 11	33,134	34,453
Total Assets	\$ 981,254	\$ 986,545
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Accounts Payable	\$ 2,771	\$ 2,544
Accrued and Other Liabilities—See Note 17	18,814	18,028
Deferred Revenue—See Note 18	6,564	5,735
Intangible Lease Liabilities—Net	9,346	9,885
Long-Term Debt	465,130	445,583
Total Liabilities	502,625	481,775
Commitments and Contingencies—See Note 21		
Stockholders' Equity:		
Preferred Stock – 100,000,000 shares authorized; \$0.01 par value, 6.375% Series A Cumulative Redeemable Preferred Stock, \$25.00 Per Share Liquidation Preference, 3,000,000 shares issued and outstanding at March 31, 2023 and December 31, 2022	30	30
Common Stock – 500,000,000 shares authorized; \$0.01 par value, 22,709,119 shares issued and outstanding at March 31, 2023 and 22,854,775 shares issued and outstanding at December 31, 2022	227	229
Additional Paid-In Capital	167,436	172,471
Retained Earnings	300,066	316,279
Accumulated Other Comprehensive Income	10,870	15,761
Total Stockholders' Equity	478,629	504,770
Total Liabilities and Stockholders' Equity	\$ 981,254	\$ 986,545

The accompanying notes are an integral part of these consolidated financial statements.

CTO REALTY GROWTH, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited, in thousands, except share and per share data)

	<b>Three Months Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
<b>Revenues</b>		
Income Properties	\$ 22,432	\$ 15,168
Management Fee Income	1,098	936
Interest Income From Commercial Loans and Investments	795	718
Real Estate Operations	392	388
Total Revenues	<u>24,717</u>	<u>17,210</u>
<b>Direct Cost of Revenues</b>		
Income Properties	(7,153)	(4,016)
Real Estate Operations	(85)	(51)
Total Direct Cost of Revenues	<u>(7,238)</u>	<u>(4,067)</u>
General and Administrative Expenses	(3,727)	(3,043)
Provision for Impairment	(479)	—
Depreciation and Amortization	(10,316)	(6,369)
Total Operating Expenses	<u>(21,760)</u>	<u>(13,479)</u>
Loss on Disposition of Assets	—	(245)
Other Loss	—	(245)
Total Operating Income	<u>2,957</u>	<u>3,486</u>
Investment and Other Loss	(4,291)	(1,894)
Interest Expense	(4,632)	(1,902)
Loss Before Income Tax Benefit	<u>(5,966)</u>	<u>(310)</u>
Income Tax (Expense) Benefit	(27)	512
Net Income (Loss) Attributable to the Company	<u>(5,993)</u>	<u>202</u>
Distributions to Preferred Stockholders	(1,195)	(1,195)
Net Loss Attributable to Common Stockholders	<u>\$ (7,188)</u>	<u>\$ (993)</u>
<b>Per Share Information—See Note 13:</b>		
Basic and Diluted Net Loss Attributable to Common Stockholders	<u>\$ (0.32)</u>	<u>\$ (0.06)</u>
<b>Weighted Average Number of Common Shares</b>		
Basic and Diluted	22,704,829	17,726,677

The accompanying notes are an integral part of these consolidated financial statements.

CTO REALTY GROWTH, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Unaudited, in thousands)

	<b>Three Months Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
Net Income (Loss) Attributable to the Company	\$ (5,993)	\$ 202
Other Comprehensive Income (Loss):		
Cash Flow Hedging Derivative - Interest Rate Swaps	(4,891)	8,012
Total Other Comprehensive Income (Loss)	(4,891)	8,012
Total Comprehensive Income (Loss)	<u>\$ (10,884)</u>	<u>\$ 8,214</u>

The accompanying notes are an integral part of these consolidated financial statements.

CTO REALTY GROWTH, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(Unaudited, in thousands)

For the three months ended March 31, 2023:

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity
Balance January 1, 2023	\$ 30	\$ 229	\$ 172,471	\$ 316,279	\$ 15,761	\$ 504,770
Net Loss Attributable to the Company	—	—	—	(5,993)	—	(5,993)
Stock Repurchase	—	(3)	(5,006)	—	—	(5,009)
Vested Restricted Stock and Performance Shares	—	1	(1,029)	—	—	(1,028)
Exercise of Stock Options and Stock Issuance to Directors	—	—	241	—	—	241
Stock Issuance, Net of Equity Issuance Costs	—	—	(71)	—	—	(71)
Stock-Based Compensation Expense	—	—	830	—	—	830
Preferred Stock Dividends Declared for the Period	—	—	—	(1,195)	—	(1,195)
Common Stock Dividends Declared for the Period	—	—	—	(9,025)	—	(9,025)
Other Comprehensive Loss	—	—	—	—	(4,891)	(4,891)
Balance March 31, 2023	<u>\$ 30</u>	<u>\$ 227</u>	<u>\$ 167,436</u>	<u>\$ 300,066</u>	<u>\$ 10,870</u>	<u>\$ 478,629</u>

For the three months ended March 31, 2022:

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Stockholders' Equity
Balance January 1, 2022	\$ 30	\$ 60	\$ 85,414	\$ 343,459	\$ 1,517	\$ 430,480
Net Income Attributable to the Company	—	—	—	202	—	202
Adjustment to Equity Component of Convertible Debt Upon Adoption of ASU 2020-06	—	—	(7,034)	4,022	—	(3,012)
Vested Restricted Stock and Performance Shares	—	—	(845)	—	—	(845)
Exercise of Stock Options and Stock Issuance to Directors	—	—	149	—	—	149
Stock Issuance, Net of Equity Issuance Costs	—	—	2,789	—	—	2,789
Stock-Based Compensation Expense	—	—	619	—	—	619
Preferred Stock Dividends Declared for the Period	—	—	—	(1,195)	—	(1,195)
Common Stock Dividends Declared for the Period	—	—	—	(6,660)	—	(6,660)
Other Comprehensive Income	—	—	—	—	8,012	8,012
Balance March 31, 2022	<u>\$ 30</u>	<u>\$ 60</u>	<u>\$ 81,092</u>	<u>\$ 339,828</u>	<u>\$ 9,529</u>	<u>\$ 430,539</u>

The accompanying notes are an integral part of these consolidated financial statements.

CTO REALTY GROWTH, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited, in thousands)

	Three Months Ended	
	March 31, 2023	March 31, 2022
<b>Cash Flow from Operating Activities:</b>		
Net Income (Loss) Attributable to the Company	\$ (5,993)	\$ 202
Adjustments to Reconcile Net Income (Loss) Attributable to the Company to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	10,316	6,369
Amortization of Intangible Liabilities to Income Property Revenue	679	481
Amortization of Deferred Financing Costs to Interest Expense	241	165
Amortization of Discount on Convertible Debt	39	69
Loss on Disposition of Real Estate and Intangible Lease Assets and Liabilities	—	66
Loss on Disposition of Commercial Loans and Investments	—	179
Provision for Impairment	479	—
Accretion of Commercial Loans and Investments Origination Fees	(28)	(8)
Non-Cash Imputed Interest	—	(93)
Deferred Income Taxes	27	(558)
Unrealized Loss on Investment Securities	4,918	2,457
Non-Cash Compensation	1,072	906
Decrease (Increase) in Assets:		
Refundable Income Taxes	—	29
Land and Development Costs	2	(2)
Mitigation Credits and Mitigation Credit Rights	55	—
Other Assets	(1,748)	(345)
(Decrease) Increase in Liabilities:		
Accounts Payable	226	876
Accrued and Other Liabilities	(1,787)	548
Deferred Revenue	829	87
Net Cash Provided By Operating Activities	<u>9,327</u>	<u>11,428</u>
<b>Cash Flow from Investing Activities:</b>		
Acquisition of Real Estate and Intangible Lease Assets and Liabilities	(7,798)	(23,864)
Acquisition of Commercial Loans and Investments	(16,061)	—
Proceeds from Disposition of Property, Plant, and Equipment, Net, and Assets Held for Sale	—	6,754
Principal Payments Received on Commercial Loans and Investments	400	17,182
Acquisition of Investment Securities	(2,100)	(88)
Net Cash Used In Investing Activities	<u>(25,559)</u>	<u>(16)</u>
<b>Cash Flow From Financing Activities:</b>		
Proceeds from Long-Term Debt	39,000	4,000
Payments on Long-Term Debt	(19,600)	(5,000)
Cash Paid for Loan Fees	(30)	(148)
Cash Received (Paid for) Exercise of Stock Options and Common Stock Issuance	241	(110)
Cash Used to Purchase Common Stock	(5,009)	—
Cash Paid for Vesting of Restricted Stock	(1,028)	(845)
Proceeds from (Cash Paid for) Issuance of Common Stock, Net	(71)	2,789
Dividends Paid - Preferred Stock	(1,195)	(1,195)
Dividends Paid - Common Stock	(8,658)	(6,417)
Net Cash Provided By (Used In) Financing Activities	<u>3,650</u>	<u>(6,926)</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(12,582)	4,486
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	21,194	31,349
Cash, Cash Equivalents and Restricted Cash, End of Period	<u>\$ 8,612</u>	<u>\$ 35,835</u>
<b>Reconciliation of Cash to the Consolidated Balance Sheets:</b>		
Cash and Cash Equivalents	\$ 7,023	\$ 9,450
Restricted Cash	1,589	26,385
Total Cash	<u>\$ 8,612</u>	<u>\$ 35,835</u>

CTO REALTY GROWTH, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
(Unaudited, in thousands)

	<b>Three Months Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash Paid for Taxes, Net of Refunds Received	\$ —	\$ —
Cash Paid for Interest <sup>(1)</sup>	\$ (4,268)	\$ (1,087)
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b>		
Unrealized Gain (Loss) on Cash Flow Hedges	\$ (4,891)	\$ 8,012
Adjustment to Equity Component of Convertible Debt Upon Adoption of ASU 2020-06	\$ —	\$ 3,012
Common Stock Dividends Declared and Unpaid	\$ 367	\$ 243
Assumption of Mortgage Note Payable	\$ —	\$ 17,800

(1) Includes capitalized interest of \$0.1 million during the three months ended March 31, 2023, with no interest capitalized during the three months ended March 31, 2022.

The accompanying notes are an integral part of these consolidated financial statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### **NOTE 1. DESCRIPTION OF BUSINESS**

#### ***Description of Business***

We are a publicly traded, self-managed equity REIT that focuses on the ownership, management, and repositioning of high-quality retail and mixed-use properties located primarily in what we believe to be faster growing, business-friendly markets exhibiting accommodative business tax policies, outsized relative job and population growth, and where retail demand exceeds supply. We have pursued our investment strategy by investing primarily through fee simple ownership of our properties, commercial loans and preferred equity.

We own and manage, sometimes utilizing third-party property management companies, 23 commercial real estate properties in 9 states in the United States. As of March 31, 2023, we owned 8 single-tenant and 15 multi-tenant income-producing properties comprising 3.7 million square feet of gross leasable space.

In addition to our income property portfolio, as of March 31, 2023, our business included the following:

#### **Management Services:**

- A fee-based management business that is engaged in managing Alpine Income Property Trust, Inc. (“PINE”), see Note 5, “Related Party Management Services Business”.

#### **Commercial Loans and Investments:**

- A portfolio of three commercial loan investments and one preferred equity investment which is classified as a commercial loan investment.

#### **Real Estate Operations:**

- A portfolio of subsurface mineral interests associated with approximately 353,000 surface acres in 19 counties in the State of Florida (“Subsurface Interests”); and
- An inventory of mitigation credits produced by the Company’s formerly owned mitigation bank.

Our business also includes our investment in PINE. As of March 31, 2023, the fair value of our investment totaled \$39.3 million, or 14.8% of PINE’s outstanding equity, including the units of limited partnership interest (“OP Units”) we hold in Alpine Income Property OP, LP (the “PINE Operating Partnership”), which are redeemable for cash, based upon the value of an equivalent number of shares of PINE common stock at the time of the redemption, or shares of PINE common stock on a one-for-one basis, at PINE’s election. Our investment in PINE generates investment income through the dividends distributed by PINE. In addition to the dividends we receive from PINE, our investment in PINE may benefit from any appreciation in PINE’s stock price, although no assurances can be provided that such appreciation will occur, the amount by which our investment will increase in value, or the timing thereof. Any dividends received from PINE are included in investment and other income (loss) on the accompanying consolidated statements of operations.

### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Interim Financial Information***

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. These unaudited consolidated financial statements do not include all of the information and notes required by accounting principles generally accepted in the United States of America (“U.S. GAAP”) for complete financial statements, and should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, which provides a more complete understanding of the Company’s accounting policies, financial position, operating results, business properties, and other matters. The unaudited consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly the financial position of the Company and the results of operations for the interim periods.

The results of operations for the three months ended March 31, 2023 are not necessarily indicative of results to be expected for the year ending December 31, 2023.

### ***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and other entities in which we have a controlling interest. Any real estate entities or properties included in the consolidated financial statements have been consolidated only for the periods that such entities or properties were owned or under control by us. All inter-company balances and transactions have been eliminated in the consolidated financial statements. As of March 31, 2023, the Company has an equity investment in PINE.

### ***Use of Estimates in the Preparation of Financial Statements***

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

Among other factors, fluctuating market conditions that can exist in the national real estate markets and the volatility and uncertainty in the financial and credit markets make it possible that the estimates and assumptions, most notably those related to the Company's investments in income properties, could change materially due to continued volatility in the real estate and financial markets, or as a result of a significant dislocation in those markets.

### ***Cash and Cash Equivalents***

Cash and cash equivalents includes cash on hand, bank demand accounts, and money market accounts having original maturities of 90 days or less. The Company's bank balances as of March 31, 2023 and December 31, 2022 include certain amounts over the Federal Deposit Insurance Corporation limits.

### ***Restricted Cash***

Restricted cash totaled \$1.6 million at March 31, 2023, of which \$0.2 million is being held in an escrow account to be reinvested through the like-kind exchange structure into other income properties, and \$1.4 million is being held in three interest and/or real estate tax reserve accounts related to the Company's commercial loans and investments.

### ***Derivative Financial Instruments and Hedging Activity***

The Company accounts for its cash flow hedging derivatives in accordance with FASB ASC Topic 815-20, *Derivatives and Hedging*. Depending upon the hedge's value at each balance sheet date, the derivatives are included in either other assets or accrued and other liabilities on the consolidated balance sheet at its fair value. On the date each interest rate swap was entered into, the Company designated the derivatives as a hedge of the variability of cash flows to be paid related to the recognized long-term debt liabilities.

The Company documented the relationship between the hedging instruments and the hedged item, as well as its risk-management objective and strategy for undertaking the hedge transactions. At the hedges' inception, the Company assessed whether the derivatives that are used in hedging the transactions are highly effective in offsetting changes in cash flows of the hedged items, and we will continue to do so on a quarterly basis.

Changes in fair value of the hedging instruments that are highly effective and designated and qualified as cash-flow hedges are recorded in other comprehensive income and loss, until earnings are affected by the variability in cash flows of the designated hedged items (see Note 16, "Interest Rate Swaps").

### ***Fair Value of Financial Instruments***

The carrying amounts of the Company's financial assets and liabilities including cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and accrued and other liabilities at March 31, 2023 and December 31, 2022, approximate fair value because of the short maturity of these instruments. The carrying value of the Company's Credit

Facility (hereinafter defined) as of March 31, 2023 and December 31, 2022, approximates current market rates for revolving credit arrangements with similar risks and maturities. The face value of the Company's fixed rate commercial loans and investments, the 2026 Term Loan (hereinafter defined), the 2027 Term Loan (hereinafter defined), the 2028 Term Loan (hereinafter defined), mortgage note, and convertible debt held as of March 31, 2023 and December 31, 2022 are measured at fair value based on current market rates for financial instruments with similar risks and maturities (see Note 8, "Fair Value of Financial Instruments").

#### ***Fair Value Measurements***

The Company's estimates of fair value of financial and non-financial assets and liabilities is based on the framework established by U.S. GAAP. The framework specifies a hierarchy of valuation inputs which was established to increase consistency, clarity and comparability in fair value measurements and related disclosures. U.S. GAAP describes a fair value hierarchy based upon three levels of inputs that may be used to measure fair value, two of which are considered observable and one that is considered unobservable. The following describes the three levels:

- Level 1 – Valuation is based upon quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuation is based upon inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include option pricing models, discounted cash flow models and similar techniques.

#### ***Recognition of Interest Income from Commercial Loans and Investments***

Interest income on commercial loans and investments includes interest payments made by the borrower and the accretion of purchase discounts and loan origination fees, offset by the amortization of loan costs. Interest payments are accrued based on the actual coupon rate and the outstanding principal balance and purchase discounts and loan origination fees are accreted into income using the effective yield method, adjusted for prepayments.

#### ***Mitigation Credits***

Mitigation credits are stated at historical cost. As these assets are sold, the related revenues and cost of sales are reported as revenues from, and direct costs of, real estate operations, respectively, in the consolidated statements of operations.

#### ***Accounts Receivable***

Accounts receivable related to income properties, which are classified in other assets on the consolidated balance sheets, primarily consist of accrued tenant reimbursable expenses and other tenant receivables. Receivables related to income property tenants totaled \$2.7 million and \$2.2 million as of March 31, 2023 and December 31, 2022, respectively.

Accounts receivable related to real estate operations, which are classified in other assets on the consolidated balance sheets, totaled \$0.8 million as of March 31, 2023 and December 31, 2022. The accounts receivable as of March 31, 2023 and December 31, 2022 are primarily related to the reimbursement of certain infrastructure costs completed by the Company in conjunction with two land sale transactions that closed during the fourth quarter of 2015 as more fully described in Note 11, "Other Assets."

As of March 31, 2023 and December 31, 2022, \$0.2 million was due from the buyer of the golf operations for the rounds surcharge the Company paid to the City of Daytona Beach.

The collectability of the aforementioned receivables shall be considered and adjusted through an allowance for doubtful accounts which is included in income property revenue on the consolidated statements of operations. As of March 31, 2023 and December 31, 2022, the Company's allowance for doubtful accounts totaled \$2.2 million and \$1.8 million, respectively.

### ***Purchase Accounting for Acquisitions of Real Estate Subject to a Lease***

Investments in real estate are carried at cost less accumulated depreciation and impairment losses, if any. The cost of investments in real estate reflects their purchase price or development cost. We evaluate each acquisition transaction to determine whether the acquired asset meets the definition of a business. Under ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, an acquisition does not qualify as a business when there is no substantive process acquired or substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets or the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay. Transaction costs related to acquisitions that are asset acquisitions are capitalized as part of the cost basis of the acquired assets, while transaction costs for acquisitions that are deemed to be acquisitions of a business are expensed as incurred. Improvements and replacements are capitalized when they extend the useful life or improve the productive capacity of the asset. Costs of repairs and maintenance are expensed as incurred.

In accordance with FASB guidance, the fair value of the real estate acquired with in-place leases is allocated to the acquired tangible assets, consisting of land, building and tenant improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, the value of in-place leases, and the value of leasing costs, based in each case on their relative fair values. In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in-place lease values are recorded as other assets or liabilities based on the present value. The capitalized above-market lease values are amortized as a reduction of rental income over the remaining terms of the respective leases. The capitalized below-market lease values are amortized as an increase to rental income over the initial term unless management believes that it is likely that the tenant will renew the lease upon expiration, in which case the Company amortizes the value attributable to the renewal over the renewal period. The value of in-place leases and leasing costs are amortized to expense over the remaining non-cancelable periods of the respective leases. If a lease were to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be written off.

The Company incurs costs related to the development and leasing of its properties. Such costs include, but are not limited to, tenant improvements, leasing commissions, rebranding, facility expansion and other capital improvements, and are included in construction in progress during the development period. When a construction project is considered to be substantially complete, the capitalized costs are reclassified to the appropriate real estate asset and depreciation begins. The Company assesses the level of construction activity to determine the amount, if any, of interest expense to be capitalized to the underlying construction projects.

### ***Sales of Real Estate***

When income properties are disposed of, the related cost basis of the real estate, intangible lease assets, and intangible lease liabilities, net of accumulated depreciation and/or amortization, and any accrued straight-line rental income balance for the underlying operating leases are removed, and gains or losses from the dispositions are reflected in net income within gain (loss) on disposition of assets. In accordance with the FASB guidance, gains or losses on sales of real estate are generally recognized using the full accrual method.

Gains and losses on land sales, in addition to the sale of Subsurface Interests and mitigation credits, are accounted for as required by FASB ASC Topic 606, *Revenue from Contracts with Customers*. The Company recognizes revenue from such sales when the Company transfers the promised goods in the contract based on the transaction price allocated to the performance obligations within the contract. As market information becomes available, the underlying cost basis is analyzed and recorded at the lower of cost or market.

### ***Income Taxes***

The Company elected to be taxed as a REIT for U.S. federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code") commencing with its taxable year ended December 31, 2020. The Company believes that, commencing with such taxable year, it has been organized and has operated in such a manner as to qualify for taxation as a REIT under the U.S. federal income tax laws. The Company intends to continue to operate in such a manner. As a REIT, the Company will be subject to U.S. federal and state income taxation at corporate rates on its net taxable income; the Company, however, may claim a deduction for the amount of dividends paid to its stockholders. Amounts distributed as dividends by the Company will be subject to taxation at the stockholder level only. While the Company must distribute

at least 90% of its REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain, to qualify as a REIT, the Company intends to distribute all of its net taxable income. The Company is allowed certain other non-cash deductions or adjustments, such as depreciation expense, when computing its REIT taxable income and distribution requirement. These deductions permit the Company to reduce its dividend payout requirement under U.S. federal income tax laws. Certain states may impose minimum franchise taxes. To comply with certain REIT requirements, the Company holds certain of its non-REIT assets and operations through taxable REIT subsidiaries (“TRSs”) and subsidiaries of TRSs, which will be subject to applicable U.S. federal, state and local corporate income tax on their taxable income. For the periods presented, the Company held a total of two TRSs subject to taxation. The Company’s TRSs will file tax returns separately as C-Corporations.

The Company uses the asset and liability method to account for income taxes for the Company’s TRSs. Deferred income taxes result primarily from the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes (see Note 20, “Income Taxes”). In June 2006, the FASB issued additional guidance, which clarifies the accounting for uncertainty in income taxes recognized in a company’s financial statements included in income taxes. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, and disclosure and transition. In accordance with FASB guidance included in income taxes, the Company has analyzed its various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported. Additionally, the Company believes that its accruals for tax liabilities are adequate. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to the FASB guidance.

**NOTE 3. INCOME PROPERTIES**

Leasing revenue consists of long-term rental revenue from retail, office, and commercial income properties, which is recognized as earned, using the straight-line method over the life of each lease. Lease payments below include straight-line base rental revenue as well as the non-cash accretion of above and below market lease amortization. The variable lease payments are comprised of percentage rent and reimbursements from tenants for common area maintenance, insurance, real estate taxes, and other operating expenses.

The components of leasing revenue are as follows (in thousands):

	<b>Three Months Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
Leasing Revenue		
Lease Payments	\$ 18,038	\$ 12,285
Variable Lease Payments	4,394	2,883
Total Leasing Revenue	<u>\$ 22,432</u>	<u>\$ 15,168</u>

Minimum future base rental receipts under non-cancelable operating leases, excluding percentage rent and other lease payments that are not fixed and determinable, having remaining terms in excess of one year subsequent to March 31, 2023, are summarized as follows (in thousands):

<b>Year Ending December 31,</b>	<b>Amounts</b>
Remainder of 2023	\$ 55,722
2024	68,400
2025	63,643
2026	54,799
2027	44,594
2028	33,921
2029 and Thereafter (Cumulative)	86,475
Total	<u>\$ 407,554</u>

*2023 Acquisitions.* On February 24, 2023, the Company acquired one 6,000 square foot property within the 28,100 square foot retail portion of Phase II of The Exchange at Gwinnett located in Buford, Georgia (the “Gwinnett Property”), for a purchase price of \$3.3 million. The 6,000 square foot building is leased to one tenant with 9.8 years remaining on the lease at acquisition. The Company is under contract to acquire the remaining properties that make up the retail portion of Phase II of The Exchange at Gwinnett for a purchase price of \$13.8 million. The Company previously purchased the Sprouts-anchored Phase I portion of The Exchange at Gwinnett in December 2021.

*2023 Dispositions.* There were no income property dispositions during the three months ended March 31, 2023.

*2022 Acquisitions.* During the three months ended March 31, 2022, the Company acquired Price Plaza Shopping Center, a multi-tenant income property located in Katy, Texas for a purchase price of \$39.1 million, or a total acquisition cost of \$39.2 million including capitalized acquisition costs. Price Plaza Shopping Center comprises 205,813 square feet, was 95% leased at acquisition, and had a weighted average remaining lease term of 5.7 years at acquisition. In connection with the acquisition of Price Plaza Shopping Center, the company assumed a \$17.8 million fixed-rate mortgage note, as further discussed in Note 15, “Long-Term Debt.”

Of the \$39.2 million total acquisition cost, \$15.6 million was allocated to land, \$17.9 million was allocated to buildings and improvements, and \$5.9 million was allocated to intangible assets pertaining to the in-place lease value, leasing costs, and above market lease value and \$0.2 million was allocated to intangible liabilities for the below market lease value. The amortization period for the intangible assets and liabilities was 5.7 years at acquisition.

*2022 Dispositions.* During the three months ended March 31, 2022, the Company sold two income properties, including (i) Party City, a single-tenant income property located in Oceanside, New York for \$6.9 million resulting in a \$0.06 million loss and (ii) the Carpenter Hotel ground lease, a single-tenant income property located in Austin, Texas for \$17.1 million resulting in a \$0.2 million loss. The lease with Carpenter Hotel included two tenant repurchase options. Pursuant to FASB ASC Topic 842, Leases, the \$16.25 million investment was recorded in the accompanying consolidated balance sheets as a commercial loan and investment prior to its disposition during the three months ended March 31, 2022. The sale of the properties reflect a total disposition volume of \$24.0 million, resulting in aggregate losses of \$0.2 million.

#### **NOTE 4. COMMERCIAL LOANS AND INVESTMENTS**

Our investments in commercial loans or similarly structured investments, such as preferred equity, mezzanine loans or other subordinated debt, have been and are expected to continue to be secured by real estate or the borrower’s pledge of its ownership interest in the entity that owns the real estate. The investments are associated with commercial real estate located in the United States and its territories, and are current or performing with either a fixed or floating rate. Some of these loans may be syndicated in either a pari-passu or senior/subordinated structure. Commercial first mortgage loans generally provide for a higher recovery rate due to their senior position in the underlying collateral. Commercial mezzanine loans are typically secured by a pledge of the borrower’s equity ownership in the underlying commercial real estate. Unlike a mortgage, a mezzanine loan is not secured by a lien on the property. An investor’s rights in a mezzanine loan are usually governed by an intercreditor agreement that provides holders with the rights to cure defaults and exercise control on certain decisions of any senior debt secured by the same commercial property.

*2023 Activity.* On February 21, 2023, the borrower of the 4311 Maple Avenue mortgage note repaid the principal balance of \$0.4 million, leaving no remaining balance outstanding as of March 31, 2023.

On March 1, 2023, the Company originated a \$15.0 million first mortgage loan secured by the Founders Square property located in Dallas, Texas. The loan is interest-only with a term of three years with a fixed interest rate of 8.75%. The Company received an origination fee of 1.0% or \$0.15 million.

During the three months ended March 31, 2023, the Company funded \$1.2 million to the borrower under the construction loan originated in January 2022 and secured by the property and improvements to be constructed thereon for the second phase of The Exchange at Gwinnett project located in Buford, Georgia. As of March 31, 2023, the remaining commitment to the borrower is \$4.3 million.

*Watters Creek Investment.* On April 7, 2022, the Company entered into a preferred equity agreement to provide \$30.0 million of funding towards the total investment in Watters Creek at Montgomery Farm, a grocery-anchored, mixed-use property located in Allen, Texas (the “Watters Creek Investment”). The Watters Creek Investment matures on April 6,

2025, has two one-year extension options, bears a fixed interest rate of 8.50% at the time of acquisition with increases during the initial term as well as the option terms, and requires payments of interest only prior to maturity. At closing, an origination fee of \$0.15 million was received by the Company. The Watters Creek Investment represents \$30.0 million, or approximately 23%, of funding towards the total investment in Watters Creek at Montgomery Farm, a grocery-anchored, mixed-use property located in Allen, Texas (the “Watters Creek Property”). The remaining funding is comprised of a combination of third-party sponsorship equity and a secured first mortgage.

The Company’s variable interest in the entity underlying the Watters Creek Investment is primarily due to the inherent credit risk associated with the \$30.0 million fixed-return preferred investment. The day-to-day operations, including asset management and leasing, of the Watters Creek Property are managed by an unrelated third-party. Pursuant to FASB ASC Topic 810, *Consolidation*, the Company determined we are not the primary beneficiary of the entity underlying the Watters Creek Investment; accordingly, the entity was not consolidated. The investment was recorded in the consolidated balance sheets as a commercial loan investment at the time of acquisition. The significant factors related to this determination included, but were not limited to, the Company not having the power to direct the activities of the entity underlying the Watters Creek Investment due to (i) the day-to-day operations being managed by an unrelated third-party and (ii) the Company’s position as minority lender with fixed returns and maturity dates for the repayment of the \$30.0 million preferred investment.

The Company’s commercial loans and investments were comprised of the following at March 31, 2023 (in thousands):

Description	Date of Investment	Maturity Date	Original Face Amount	Current Face Amount	Carrying Value	Coupon Rate
Construction Loan – The Exchange At Gwinnett – Buford, GA	January 2022	January 2024	\$ 8,700	\$ 1,427	\$ 1,391	7.25%
Preferred Investment – Watters Creek – Allen, TX	April 2022	April 2025	30,000	30,000	29,899	8.50%
Improvement Loan – Ashford Lane – Atlanta, GA <sup>(1)</sup>	May 2022	Feb 2038	1,500	1,453	1,453	0.00%
Mortgage Note – Founders Square – Dallas, TX	March 2023	March 2026	15,000	15,000	14,854	8.75%
			<u>\$ 55,200</u>	<u>\$ 47,880</u>	<u>\$ 47,597</u>	
CECL Reserve					(479)	
Total Commercial Loans and Investments					<u>\$ 47,118</u>	

<sup>(1)</sup> During the three months ended March 31, 2023, the maturity date of this loan was extended to February 2038, and the coupon rate was reduced to 0.0%.

The Company’s commercial loans and investments were comprised of the following at December 31, 2022 (in thousands):

Description	Date of Investment	Maturity Date	Original Face Amount	Current Face Amount	Carrying Value	Coupon Rate
Mortgage Note – 4311 Maple Avenue – Dallas, TX	October 2020	April 2023	\$ 400	\$ 400	\$ 395	7.50%
Construction Loan – The Exchange At Gwinnett – Buford, GA	January 2022	January 2024	8,700	220	173	7.25%
Preferred Investment - Watters Creek – Allen, TX	April 2022	April 2025	30,000	30,000	29,887	8.50%
Improvement Loan - Ashford Lane – Atlanta, GA	May 2022	April 2025	1,500	1,453	1,453	12.00%
			<u>\$ 40,600</u>	<u>\$ 32,073</u>	<u>\$ 31,908</u>	

The carrying value of the commercial loans and investments portfolio at March 31, 2023 and December 31, 2022 consisted of the following (in thousands):

	As of	
	March 31, 2023	December 31, 2022
Current Face Amount	\$ 47,880	\$ 32,073
Unaccreted Origination Fees	(283)	(161)
CECL Reserve	(479)	(4)
Total Commercial Loans and Investments	<u>\$ 47,118</u>	<u>\$ 31,908</u>

**NOTE 5. RELATED PARTY MANAGEMENT SERVICES BUSINESS**

The Company's management fee income is within the scope of FASB ASC Topic 606, *Revenue from Contracts with Customers*. Management fee income is recognized as revenue over time, over the period the services are performed.

*Alpine Income Property Trust*. Pursuant to the Company's management agreement with PINE, the Company generates a base management fee equal to 0.375% per quarter of PINE's total equity (as defined in the management agreement and based on a 1.5% annual rate), calculated and payable in cash, quarterly in arrears. The Company also has an opportunity to achieve additional cash flows as manager of PINE pursuant to an annual incentive fee based on PINE's total stockholder return exceeding an 8% cumulative annual hurdle rate (the "Outperformance Amount") subject to a high-water mark price. PINE would pay the Company an incentive fee with respect to each annual measurement period in an amount equal to the greater of (i) \$0.00 and (ii) the product of (a) 15% multiplied by (b) the Outperformance Amount multiplied by (c) the weighted average shares. No incentive fee was earned for the year ended December 31, 2022.

During the three months ended March 31, 2023 and 2022, the Company earned management fee revenue from PINE totaling \$1.1 million and \$0.9 million, respectively. Dividend income for each of the three months ended March 31, 2023 and 2022 totaled \$0.6 million. Management fee revenue from PINE, included in management services, and dividend income, included in investment and other income (loss), are reflected in the accompanying consolidated statements of operations.

The following table represents amounts due (to) from PINE as of March 31, 2023 and December 31, 2022 which are included in other assets on the consolidated balance sheets (in thousands):

Description	As of	
	March 31, 2023	December 31, 2022
Management Services Fee due From PINE	\$ 1,098	\$ 993
Dividend Receivable	337	337
Other	70	(30)
Total	\$ 1,505	\$ 1,300

On November 26, 2019, as part of PINE's IPO, the Company sold PINE 15 properties for aggregate cash consideration of \$125.9 million. In connection with the IPO, the Company contributed to the PINE Operating Partnership five properties in exchange for an aggregate of 1,223,854 OP Units, which had an initial value of \$23.3 million. Additionally, on November 26, 2019, the Company purchased 394,737 shares of PINE common stock for a total purchase price of \$7.5 million in a private placement and 421,053 shares of PINE common stock in the IPO for a total purchase price of \$8.0 million.

On October 26, 2021, the Board authorized the purchase by the Company of up to \$5.0 million in shares of common stock of PINE, at a weighted average price not to exceed \$17.75 per share (the "Prior PINE Share Purchase Authorization"). Pursuant to the Prior PINE Share Purchase Authorization, during the year ended December 31, 2022, CTO purchased 155,665 shares of PINE common stock in the open market for \$2.7 million, or an average price per share of \$17.57. Pursuant to the Prior PINE Share Purchase Authorization, during the year ended December 31, 2021, the Company purchased 8,088 shares of PINE common stock on the open market for a total of \$0.1 million, or an average price of \$17.65 per share.

On February 16, 2023, the Board cancelled the Prior PINE Share Purchase Authorization and authorized the purchase by the Company of up to \$2.1 million in shares of common stock of PINE, at a weighted average price not to exceed \$18.50 per share (the "2023 PINE Share Purchase Authorization"). Pursuant to the 2023 PINE Share Purchase Authorization, during the three months ended March 31, 2023, the Company purchased 129,271 shares of PINE common stock on the open market for a total of \$2.1 million, or an average price of \$16.21 per share.

As of March 31, 2023, CTO owns, in the aggregate, 1,223,854 OP Units and 1,108,814 shares of PINE common stock, representing an investment totaling \$39.3 million, or 14.8% of PINE's outstanding equity.

During the year ended December 31, 2022, PINE exercised its right, pursuant to an Exclusivity and Right of First Offer Agreement between the Company and PINE (the "ROFO Agreement"), to purchase one single-tenant income property from the Company for a purchase price of \$6.9 million, which sale was completed on January 7, 2022. During



the year ended December 31, 2021, PINE exercised its right to purchase the following properties from the Company pursuant to the ROFO Agreement: (i) a portfolio of six net leased properties for an aggregate purchase price of \$44.5 million, and (ii) one single-tenant income property for a purchase price of \$11.5 million.

#### **NOTE 6. REAL ESTATE OPERATIONS**

##### **Real Estate Operations**

Land and development costs at March 31, 2023 and December 31, 2022 were as follows (in thousands):

	As of	
	March 31, 2023	December 31, 2022
Land and Development Costs	\$ 358	\$ 358
Subsurface Interests	325	327
Total Land and Development Costs	\$ 683	\$ 685

*Subsurface Interests.* As of March 31, 2023, the Company owns 353,000 acres of Subsurface Interests. The Company leases certain of the Subsurface Interests to mineral exploration firms for exploration. The Company's subsurface operations consist of revenue from the leasing of exploration rights and in some instances, additional revenues from royalties applicable to production from the leased acreage, which revenues are included within real estate operations in the consolidated statements of operations. During the three months ended March 31, 2023, the Company sold subsurface oil, gas, and mineral rights of 2,412 acres for a sales price of \$0.2 million. During the three months ended March 31, 2022, the Company sold subsurface oil, gas, and mineral rights of 4,750 acres for a sales price of \$0.4 million. Revenues received from oil royalties totaled under \$0.01 million during each of the three months ended March 31, 2023 and 2022.

The Company is not prohibited from selling any or all of its Subsurface Interests. The Company may release surface entry rights or other rights upon request of a surface owner for a negotiated release fee typically based on a percentage of the surface value. Should the Company complete a transaction to sell all or a portion of its Subsurface Interests or complete a release transaction, the Company may utilize the like-kind exchange structure in acquiring one or more replacement investments including income-producing properties. Cash payments for the release of surface entry rights totaled \$0.1 million and \$0.2 million during the three months ended March 31, 2023 and 2022, respectively.

*Mitigation Credits.* The Company owns an inventory of mitigation credits with a cost basis of \$2.5 million as of March 31, 2023. As of December 31, 2022, the Company owned mitigation credits and mitigation credit rights with an aggregate cost basis of \$2.6 million. During the three months ended March 31, 2023, the remaining mitigation credit rights were released and transferred to mitigation credits as they are available for sale as of March 31, 2023. On December 29, 2022, the Company completed the sale of the entity that owned the mitigation bank previously owned by the Company. A balance of mitigation credits and mitigation credit rights were retained by the Company as part of the sale agreement.

Revenues and the cost of sales of mitigation credit sales are reported as revenues from, and direct costs of, real estate operations, respectively, in the consolidated statements of operations. During the three months ended March 31, 2023, 0.73 mitigation credits were sold for \$0.1 million resulting in a gain of less than \$0.1 million. There were no mitigation credit sales during the three months ended March 31, 2022.

#### **NOTE 7. INVESTMENT SECURITIES**

As of March 31, 2023, the Company owns, in the aggregate and on a fully diluted basis, 2.33 million shares of PINE, or 14.8% of PINE's total shares outstanding for an investment value of \$39.3 million, which total includes 1.2 million OP Units, or 7.8%, which the Company received in exchange for the contribution of certain income properties to the PINE Operating Partnership, in addition to 1,108,814 shares of common stock owned by the Company, or 7.0%. The Company has elected the fair value option related to the aggregate investment in securities of PINE pursuant to ASC 825, otherwise such investments would have been accounted for under the equity method. For detailed financial information regarding PINE, please refer to its financial statements, which are publicly available on the website of the Securities and Exchange Commission at <http://www.sec.gov> under the ticker symbol "PINE."

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The Company calculates the unrealized gain or loss based on the closing stock price of PINE at each respective balance sheet date. The unrealized, non-cash gains and losses resulting from the changes in the closing stock price of PINE are included in investment and other income (loss) in the consolidated statements of operations for the three months ended March 31, 2023 and 2022.

The Company's available-for-sale securities as of March 31, 2023 and December 31, 2022 are summarized below (in thousands):

	Cost	Unrealized Gains in Investment Income	Unrealized Losses in Investment Income	Estimated Fair Value (Level 1 Inputs)
<b>March 31, 2023</b>				
Common Stock	\$ 20,482	\$ —	\$ (1,820)	\$ 18,662
Operating Units	23,253	—	(2,656)	20,597
Total Equity Securities	43,735	—	(4,476)	39,259
Total Available-for-Sale Securities	<u>\$ 43,735</u>	<u>\$ —</u>	<u>\$ (4,476)</u>	<u>\$ 39,259</u>
<b>December 31, 2022</b>				
Common Stock	\$ 18,382	\$ 308	\$ —	\$ 18,690
Operating Units	23,253	98	—	23,351
Total Equity Securities	41,635	406	—	42,041
Total Available-for-Sale Securities	<u>\$ 41,635</u>	<u>\$ 406</u>	<u>\$ —</u>	<u>\$ 42,041</u>

**NOTE 8. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following table presents the carrying value and estimated fair value of the Company's financial instruments not carried at fair value on the consolidated balance sheets at March 31, 2023 and December 31, 2022 (in thousands):

	March 31, 2023		December 31, 2022	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Cash and Cash Equivalents - Level 1	\$ 7,023	\$ 7,023	\$ 19,333	\$ 19,333
Restricted Cash - Level 1	\$ 1,589	\$ 1,589	\$ 1,861	\$ 1,861
Commercial Loans and Investments - Level 2	\$ 47,118	\$ 48,545	\$ 31,908	\$ 32,960
Long-Term Debt - Level 2	\$ 465,130	\$ 442,382	\$ 445,583	\$ 426,421

To determine estimated fair values of the financial instruments listed above, market rates of interest, which include credit assumptions, were used to discount contractual cash flows. The estimated fair values are not necessarily indicative of the amount the Company could realize on disposition of the financial instruments. The use of different market assumptions or estimation methodologies could have a material effect on the estimated fair value amounts.

The following table presents the fair value of assets measured on a recurring basis by level as of March 31, 2023 and December 31, 2022 (in thousands). See Note 16, “Interest Rate Swaps” for further disclosure related to the Company’s interest rate swaps.

	Fair Value	Fair Value at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>March 31, 2023</b>				
Cash Flow Hedge - 2026 Term Loan Interest Rate Swap	\$ 3,737	\$ —	\$ 3,737	\$ —
Cash Flow Hedge - 2026 Term Loan Interest Rate Swap	\$ 1,231	\$ —	\$ 1,231	\$ —
Cash Flow Hedge - 2027 Term Loan Interest Rate Swap	\$ 8,262	\$ —	\$ 8,262	\$ —
Cash Flow Hedge - 2028 Term Loan Interest Rate Swap	\$ (1,968)	\$ —	\$ (1,968)	\$ —
Cash Flow Hedge - Credit Facility Interest Rate Swap	\$ (392)	\$ —	\$ (392)	\$ —
Investment Securities	\$ 39,259	\$ 39,259	\$ —	\$ —
<b>December 31, 2022</b>				
Cash Flow Hedge - 2026 Term Loan Interest Rate Swap	\$ 4,586	\$ —	\$ 4,586	\$ —
Cash Flow Hedge - 2026 Term Loan Interest Rate Swap	\$ 1,461	\$ —	\$ 1,461	\$ —
Cash Flow Hedge - 2027 Term Loan Interest Rate Swap	\$ 10,111	\$ —	\$ 10,111	\$ —
Cash Flow Hedge - 2028 Term Loan Interest Rate Swap	\$ (397)	\$ —	\$ (397)	\$ —
Investment Securities	\$ 42,041	\$ 42,041	\$ —	\$ —

No assets were measured on a non-recurring basis as of March 31, 2023 or December 31, 2022.

#### **NOTE 9. INTANGIBLE ASSETS AND LIABILITIES**

Intangible assets and liabilities consist of the value of above-market and below-market leases, the value of in-place leases, and the value of leasing costs, based in each case on their fair values. Intangible assets and liabilities consisted of the following as of March 31, 2023 and December 31, 2022 (in thousands):

	As of	
	March 31, 2023	December 31, 2022
<b>Intangible Lease Assets:</b>		
Value of In-Place Leases	\$ 90,413	\$ 90,335
Value of Above Market In-Place Leases	31,735	32,008
Value of Intangible Leasing Costs	25,499	25,531
Sub-total Intangible Lease Assets	147,647	147,874
Accumulated Amortization	(37,324)	(31,890)
Sub-total Intangible Lease Assets—Net	110,323	115,984
<b>Intangible Lease Liabilities (Included in Accrued and Other Liabilities):</b>		
Value of Below Market In-Place Leases	(12,316)	(12,307)
Sub-total Intangible Lease Liabilities	(12,316)	(12,307)
Accumulated Amortization	2,970	2,422
Sub-total Intangible Lease Liabilities—Net	(9,346)	(9,885)
<b>Total Intangible Assets and Liabilities—Net</b>	<b>\$ 100,977</b>	<b>\$ 106,099</b>

The following table reflects the net amortization of intangible assets and liabilities during the three months ended March 31, 2023 and 2022 (in thousands):

	<b>Three Months Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
Amortization Expense	\$ 4,391	\$ 2,695
Accretion to Income Properties Revenue	679	481
Net Amortization of Intangible Assets and Liabilities	<u>\$ 5,070</u>	<u>\$ 3,176</u>

The estimated future amortization expense (income) related to net intangible assets and liabilities is as follows (in thousands):

<b>Year Ending December 31,</b>	<b>Future Amortization Amount</b>	<b>Future Accretion to Income Property Revenue</b>	<b>Net Future Amortization of Intangible Assets and Liabilities</b>
Remainder of 2023	\$ 13,134	\$ 2,037	\$ 15,171
2024	17,512	2,801	20,313
2025	15,252	2,752	18,004
2026	13,471	2,821	16,292
2027	11,214	1,744	12,958
2028	7,331	1,239	8,570
2029 and Thereafter	8,209	1,460	9,669
Total	<u>\$ 86,123</u>	<u>\$ 14,854</u>	<u>\$ 100,977</u>

As of March 31, 2023, the weighted average amortization period of total intangible assets and liabilities was 6.1 years and 7.8 years, respectively.

**NOTE 10. PROVISION FOR IMPAIRMENT**

*Income Properties.* The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The fair value of long-lived assets required to be assessed for impairment is determined on a non-recurring basis using Level 3 inputs in the fair value hierarchy. These Level 3 inputs may include, but are not limited to, executed purchase and sale agreements on specific properties, third party valuations, discounted cash flow models, and other model-based techniques.

There were no impairment charges on the Company's income property portfolio during the three months ended March 31, 2023 or 2022.

*Commercial Loans and Investments.* The Company evaluates the collectability of its commercial loans and investments on a quarterly basis or whenever events or circumstance indicate that the carrying amount of an asset may not be recoverable. The Company accounts for provisions for credit losses in accordance with ASC Topic 326, Measurement of Credit Losses on Financial Instruments.

During the three months ended March 31, 2023, the Company recorded a \$0.5 million impairment charge representing the provision for credit losses related to our commercial loans and investments. There were no such impairment charges during the three months ended March 31, 2022.

**NOTE 11. OTHER ASSETS**

Other assets consisted of the following as of March 31, 2023 and December 31, 2022 (in thousands):

	As of	
	March 31, 2023	December 31, 2022
Income Property Tenant Receivables, Net of Allowance for Doubtful Accounts <sup>(1)</sup>	\$ 2,660	\$ 2,206
Income Property Straight-line Rent Adjustment and COVID-19 Deferral Balance	6,449	6,214
Operating Leases - Right-of-Use Asset	510	63
Golf Rounds Surcharge	182	216
Cash Flow Hedge - Interest Rate Swap	13,230	16,158
Infrastructure Reimbursement Receivables	831	824
Prepaid Expenses, Deposits, and Other	5,819	5,421
Due from Alpine Income Property Trust, Inc.	1,505	1,300
Financing Costs, Net of Accumulated Amortization	1,948	2,051
Total Other Assets	<u>\$ 33,134</u>	<u>\$ 34,453</u>

(1) Allowance for doubtful accounts was \$2.2 million and \$1.8 million as of March 31, 2023 and December 31, 2022, respectively.

*Infrastructure Reimbursement Receivables.* As of March 31, 2023 and December 31, 2022, the infrastructure reimbursement receivables were all related to the land sales within the Tomoka Town Center. The balance as of March 31, 2023 consisted of \$0.7 million due from Tanger for infrastructure reimbursement to be repaid in four remaining annual installments of approximately \$0.2 million each, net of a discount of \$0.07 million, and \$0.2 million due from Sam's Club for infrastructure reimbursement to be repaid in two remaining annual installments of \$0.1 million each, net of a discount of \$0.02 million.

**NOTE 12. EQUITY****STOCK SPLIT**

On April 27, 2022, the Company announced that its Board of Directors approved a three-for-one stock split of the Company's common stock to be effected in the form of a stock dividend. Each stockholder of record at the close of business on June 27, 2022 (the "Record Date"), received two additional shares of the Company's common stock for each share held as of the Record Date. The new shares were distributed after the market closed on June 30, 2022. The Company's stock began trading at the post-split price on July 1, 2022. Pursuant to FASB ASC Topic 505, *Equity*, the Company has adjusted the computations of basic and diluted earnings per share retroactively for all periods presented. Similarly, the Company has retroactively updated the disclosures in each prior period presented to conform to the split-adjusted dividend amount, for per share amounts including but not limited to dividends declared, stock-based compensation shares outstanding, ATM program activity, and share repurchases.

**SHELF REGISTRATION**

On April 1, 2021, the Company filed a shelf registration statement on Form S-3, relating to the registration and potential issuance of its common stock, preferred stock, debt securities, warrants, rights, and units with a maximum aggregate offering price of up to \$350.0 million. The Securities and Exchange Commission declared the Form S-3 effective on April 19, 2021.

On October 11, 2022, the Company filed a new shelf registration statement on Form S-3, relating to the registration and potential issuance of its common stock, preferred stock, debt securities, warrants, rights, and units with a maximum aggregate offering price of up to \$500.0 million. The Securities and Exchange Commission declared the Form S-3 effective on October 26, 2022.

## *EQUITY OFFERING*

On December 5, 2022, the Company completed a follow-on public offering of 3,450,000 shares of common stock, which included the full exercise of the underwriters' option to purchase an additional 450,000 shares of common stock. Upon closing, the Company issued 3,450,000 shares and received net proceeds of \$62.4 million, after deducting the underwriting discount and expenses.

## *ATM PROGRAM*

On April 30, 2021, the Company implemented a \$150.0 million "at-the-market" equity offering program (the "2021 ATM Program") pursuant to which the Company sold shares of the Company's common stock. During the year ended December 31, 2022, the Company sold 961,261 shares under the 2021 ATM Program for gross proceeds of \$21.1 million at a weighted average price of \$21.99 per share, generating net proceeds of \$20.8 million after deducting transaction fees totaling less than \$0.3 million. The 2021 ATM Program was terminated in connection with the establishment of the 2022 ATM Program, hereinafter defined.

On October 28, 2022, the Company implemented a \$150.0 million "at-the-market" equity offering program (the "2022 ATM Program") pursuant to which the Company may sell, from time to time, shares of the Company's common stock. During the year ended December 31, 2022, the Company sold 604,765 shares under the 2022 ATM Program for gross proceeds of \$12.3 million at a weighted average price of \$20.29 per share, generating net proceeds of \$12.1 million after deducting transaction fees totaling \$0.2 million.

In the aggregate, under the 2021 ATM Program and 2022 ATM Program, during the year ended December 31, 2022, the Company sold 1,566,026 shares for gross proceeds of \$33.4 million at a weighted average price of \$21.33 per share, generating net proceeds of \$32.9 million after deducting transaction fees totaling \$0.5 million.

The Company was not active under the 2022 ATM Program during the three months ended March 31, 2023.

## *PREFERRED STOCK*

On June 28, 2021, the Company priced a public offering of 3,000,000 shares of its 6.375% Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock") at a public offering price of \$25.00 per share. The offering closed on July 6, 2021 and generated total net proceeds to the Company of \$72.4 million, after deducting the underwriting discount and expenses. The Series A Preferred Stock ranks senior to the Company's common stock with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Company. The Series A Preferred Stock has no maturity date and will remain outstanding unless redeemed.

The Series A Preferred Stock is not redeemable by the Company prior to July 6, 2026 except under limited circumstances intended to preserve the Company's qualification as a REIT for U.S. federal income tax purposes or upon the occurrence of a change of control, as defined in the Articles Supplementary designating the Series A Preferred Stock (the "Articles Supplementary"). Upon such change in control, the Company may redeem, at its election, the Series A Preferred Stock at a redemption price of \$25.00 per share plus any accumulated and unpaid dividends up to, but excluding the date of redemption, and in limited circumstances, the holders of preferred stock shares may convert some or all of their Series A Preferred Stock into shares of the Company's common stock at conversion rates set forth in the Articles Supplementary.

### *SERIES A PREFERRED STOCK REPURCHASE PROGRAM*

On February 16, 2023, the Company's Board of Directors approved a Series A Preferred Stock repurchase program, which is expected to be in effect until the approved dollar amount has been used to repurchase shares (the "Series A Preferred Stock Repurchase Program"). Pursuant to the Series A Preferred Stock Repurchase Program, the Company may repurchase shares of its Series A Preferred Stock for a total purchase price of up to \$3.0 million at a purchase price per share equal to or less than \$19.00. Shares may be purchased under the Series A Preferred Stock Repurchase Program in open market transactions, including through block purchases, through privately negotiated transactions or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 under the Exchange Act. The Series A Preferred Stock Repurchase Program does not obligate the Company to acquire any particular amount of shares of its Series A Preferred Stock and may be modified or suspended. The Company was not active under the Series A Preferred Stock Repurchase Program during the three months ended March 31, 2023.

### *DIVIDENDS*

The Company elected to be taxed as a REIT for U.S. federal income tax purposes under the Code commencing with its taxable year ended December 31, 2020. In order to maintain its qualification as a REIT, the Company must annually distribute, at a minimum, an amount equal to 90% of its taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, and must distribute 100% of its taxable income (including net capital gains) to eliminate U.S. federal income taxes payable by the Company. Because taxable income differs from cash flow from operations due to non-cash revenues and expenses (such as depreciation and other items), in certain circumstances, the Company may generate operating cash flow in excess of its dividends, or alternatively, may need to make dividend payments in excess of operating cash flows.

The following table outlines dividends declared and paid for each issuance of CTO's stock during the three months ended March 31, 2023 and 2022 (in thousands, except per share data):

	Three Months Ended	
	March 31, 2023	March 31, 2022
<b>Series A Preferred Stock</b>		
Dividends	\$ 1,195	\$ 1,195
Per Share	\$ 0.40	\$ 0.40
<b>Common Stock</b>		
Dividends	\$ 8,658	\$ 6,417
Per Share	\$ 0.38	\$ 0.36

### *2025 NOTES*

Effective January 1, 2022, the Company adopted ASU 2020-06 whereby diluted EPS includes the dilutive impact of the 2025 Notes (hereinafter defined) using the if-converted method. Upon adoption, during the three months ended March 31, 2022, the Company recorded a \$7.0 million adjustment to reduce additional paid-in capital to eliminate the non-cash equity component of the 2025 Notes with corresponding offsets including (i) a \$4.0 million cumulative effect adjustment to the opening balance of retained earnings and (ii) a \$3.0 million adjustment to eliminate the non-cash portion of the convertible notes discount, net of accumulated amortization (the "2025 Notes Adjustment"). The 2025 Notes Adjustment was made on January 1, 2022, and is reflected in the accompanying consolidated statements of stockholders' equity.

### **NOTE 13. COMMON STOCK AND EARNINGS PER SHARE**

Basic earnings per common share is computed by dividing net income (loss) attributable to common stockholders during the period by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share is based on the assumption of the conversion of stock options and vesting of restricted stock at the beginning of each period using the treasury stock method at average cost for the periods. Effective as of January 1, 2022, diluted earnings per common share also reflects the 2025 Notes on an if-converted basis.

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The following is a reconciliation of basic and diluted earnings per common share for each of the periods presented (in thousands, except share and per share data):

	<b>Three Months Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
<b>Basic and Diluted Earnings:</b>		
Net Loss Attributable to Common Stockholders, Used in Basic EPS	\$ (7,188)	\$ (993)
Add Back: Effect of Dilutive Interest Related to 2025 Notes <sup>(1)</sup>	—	—
Net Loss Attributable to Common Stockholders, Used in Diluted EPS	<u>(7,188)</u>	<u>(993)</u>
<b>Basic and Diluted Shares:</b>		
Weighted Average Shares Outstanding, Basic	22,704,829	17,726,677
Common Shares Applicable to Dilutive Effect of 2025 Notes <sup>(2)</sup>	—	—
Weighted Average Shares Outstanding, Diluted	<u>22,704,829</u>	<u>17,726,677</u>
<b>Per Share Information:</b>		
Net Loss Attributable to Common Stockholders		
Basic and Diluted	\$ (0.32)	\$ (0.06)

<sup>(1)</sup> As applicable, includes interest expense, amortization of discount, amortization of fees, and other changes in net income or loss that would result from the assumed conversion of the 2025 Convertible Senior Notes to derive FFO (as defined herein) effective January 1, 2022 due to the implementation of ASU 2020-06 which requires presentation on an if-converted basis. For the three months ended March 31, 2023 and 2022, a total of \$0.5 million and \$0.6 million of interest was not included, respectively, as the impact of the 2025 Notes, if-converted, would be antidilutive to the net loss attributable to common stockholders of \$7.2 million and \$1.0 million, respectively.

<sup>(2)</sup> A total of 3.2 million and 3.0 million shares, representing the dilutive impact of the 2025 Notes, upon adoption of ASU 2020-06 effective January 1, 2022, were not included in the computation of diluted net loss attributable to common stockholders for the three months ended March 31, 2023 and 2022, respectively, because they were antidilutive to the net loss attributable to common stockholders of \$7.2 million and \$1.0 million, respectively.

There were no potentially dilutive securities for the three months ended March 31, 2023 or 2022 related to the Company's stock options and restricted stock. The effect of 68,447 potentially dilutive restricted stock units were not included for the three months ended March 31, 2023, as the effect would be anti-dilutive.

Effective January 1, 2022, the Company adopted ASU 2020-06 whereby diluted EPS includes the dilutive impact, if any, of the 2025 Notes (hereinafter defined) using the if-converted method, irrespective of intended cash settlement. The Company intends to settle its 3.875% Convertible Senior Notes due 2025 (the "2025 Notes") in cash upon conversion with any excess conversion value to be settled in shares of our common stock. The Company elected, upon adoption, to utilize the modified retrospective approach, negating the required restatement of EPS for periods prior to adoption. The effect of 3.2 million and 3.0 million potentially dilutive 2025 Notes, if-converted, were not included for the three months ended March 31, 2023 and 2022, as the effect would be anti-dilutive.

**NOTE 14. SHARE REPURCHASES**

In February 2020, the Company's Board approved a \$10.0 million common stock repurchase program (the "\$10.0 Million Common Stock Repurchase Program"). During the year ended December 31, 2020, the Company repurchased 265,695 shares of its common stock on the open market for a total cost of \$4.1 million, or an average price per share of \$15.43. During the year ended December 31, 2021, the Company repurchased 121,659 shares of its common stock on the open market for a total cost of \$2.2 million, or an average price per share of \$18.16. During the year ended December 31, 2022, the Company repurchased 145,724 shares of its common stock on the open market for a total cost of \$2.8 million, or an average price per share of \$19.15.

On February 16, 2023, the Company's Board of Directors approved a common stock repurchase program (the "February \$5.0 Million Common Stock Repurchase Program"). Pursuant to the February \$5.0 Million Common Stock Repurchase Program, the Company was authorized to repurchase shares of its common stock for a total purchase price of up to \$5.0 million at an average per share purchase price equal to or less than \$17.00. During the three months ended March 31, 2023, the Company repurchased 303,354 shares of its common stock on the open market for a total cost of \$5.0 million, or an average price per share of \$16.48. Accordingly, as of March 31, 2023, no shares of the Company's common stock remained available for repurchase under the February \$5.0 Million Common Stock Repurchase Program.



On April 25, 2023, the Company’s Board of Directors approved a common stock repurchase program, which is expected to be in effect until the approved dollar amount has been used to repurchase shares (the “April \$5.0 Million Common Stock Repurchase Program”). Pursuant to the April \$5.0 Million Common Stock Repurchase Program, the Company may repurchase shares of its common stock for a total purchase price of up to \$5.0 million at an average per share purchase price equal to or less than \$15.75. Shares may be purchased under the April \$5.0 Million Common Stock Repurchase Program in open market transactions, including through block purchases, through privately negotiated transactions or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The April \$5.0 Million Common Stock Repurchase Program does not obligate the Company to acquire any particular amount of shares of its common stock and may be modified or suspended.

**NOTE 15. LONG-TERM DEBT**

As of March 31, 2023, the Company’s outstanding indebtedness, at face value, was as follows (in thousands):

	Face Value Debt	Maturity Date	Interest Rate
Credit Facility <sup>(1)</sup>	\$ 133,150	January 2027	SOFR + 0.10% + [1.25% - 2.20%]
2026 Term Loan <sup>(2)</sup>	65,000	March 2026	SOFR + 0.10% + [1.25% - 2.20%]
2027 Term Loan <sup>(3)</sup>	100,000	January 2027	SOFR + 0.10% + [1.25% - 2.20%]
2028 Term Loan <sup>(4)</sup>	100,000	January 2028	[1.20% - 2.15%]
3.875% Convertible Senior Notes due 2025	51,034	April 2025	3.875%
Mortgage Note Payable	17,800	August 2026	4.060%
<b>Total Long-Term Face Value Debt</b>	<b>\$ 466,984</b>		

<sup>(1)</sup> The Company utilized interest rate swaps on \$100.0 million of the Credit Facility balance to fix SOFR and achieve a weighted average fixed swap rate of 3.28% plus the 10 bps SOFR adjustment plus the applicable spread.

<sup>(2)</sup> The Company utilized interest rate swaps on the \$65.0 million 2026 Term Loan balance to fix SOFR and achieve a weighted average fixed swap rate of 0.26% plus the 10 bps SOFR adjustment plus the applicable spread.

<sup>(3)</sup> The Company utilized interest rate swaps on the \$100.0 million 2027 Term Loan balance to fix SOFR and achieve a fixed swap rate of 0.64% plus the 10 bps SOFR adjustment plus the applicable spread.

<sup>(4)</sup> The Company utilized interest rate swaps on the \$100.0 million 2028 Term Loan balance to fix SOFR and achieve a weighted average fixed swap rate of 3.78% plus the 10 bps SOFR adjustment plus the applicable spread.

*Credit Facility.* The Credit Facility, with Bank of Montreal (“BMO”) as the administrative agent for the lenders thereunder, is unsecured with regard to our income property portfolio but is guaranteed by certain wholly owned subsidiaries of the Company. The Credit Facility bank group is led by BMO and also includes Truist Bank and Wells Fargo. On September 7, 2017, the Company executed the second amendment and restatement of the Credit Facility (the “2017 Amended Credit Facility” and, as amended, the “Credit Agreement”). As a result of the March 2021 Revolver Amendment and the Eighth Amendment, both as defined below, The Huntington National Bank, PNC Bank, National Association, and Regions Bank, were added as lenders to the Company’s Credit Facility.

On May 24, 2019, the Company executed the second amendment to the 2017 Amended Credit Facility (the “May 2019 Revolver Amendment”). As a result of the May 2019 Revolver Amendment, the Credit Facility had a total borrowing capacity of \$200.0 million with the ability to increase that capacity up to \$300.0 million during the term, subject to lender approval. The Credit Facility provides the lenders with a security interest in the equity of the Company subsidiaries that own the properties included in the borrowing base. The indebtedness outstanding under the Credit Facility accrues interest at a rate ranging from SOFR plus 0.10% plus 125 basis points to SOFR plus 0.10% plus 220 basis points based on the total balance outstanding under the Credit Facility as a percentage of the total asset value of the Company, as defined in the 2017 Amended Credit Facility, as amended by the Eighth Amendment. The Credit Facility also accrues a fee of 15 to 25 basis points for any unused portion of the borrowing capacity based on whether the unused portion is greater or less than 50% of the total borrowing capacity. Pursuant to the Eighth Amendment, the Credit Facility matures on January 31, 2027, with the ability to extend the term for 1 year.

On November 26, 2019, the Company entered into the third amendment to the 2017 Amended Credit Facility (the “November 2019 Revolver Amendment”), which further amends the 2017 Amended Credit Facility. The November 2019 Revolver Amendment included, among other things, an adjustment of certain financial maintenance covenants, including a temporary reduction of the minimum fixed charge coverage ratio to allow the Company to redeploy the proceeds received from the sale of certain income properties to PINE, and an increase in the maximum amount the Company may invest in stock and stock equivalents of real estate investment trusts to allow the Company to invest in PINE’s common stock and OP Units.

On July 1, 2020, the Company entered into the fourth amendment to the 2017 Amended Credit Facility (the “July 2020 Revolver Amendment”) whereby the tangible net worth covenant was adjusted to be more reflective of market terms. The July 2020 Revolver Amendment was effective as of March 31, 2020.

On November 12, 2020, the Company entered into the fifth amendment to the 2017 Amended Credit Facility (the “November 2020 Revolver Amendment”). The November 2020 Revolver Amendment provided that, among other things, (i) the Company must comply with certain adjusted additional financial maintenance requirements, including (x) a new restricted payments covenant which limits the type and amount of cash distributions that may be made by the Company and (y) an adjusted fixed charges ratio, which now excludes certain onetime expenses for purposes of calculation and (ii) the Company must, from and after the date that the Company elects to qualify as a REIT, maintain its status as a REIT.

On March 10, 2021, the Company entered into the sixth amendment to the 2017 Amended Credit Facility (the “March 2021 Revolver Amendment”). The March 2021 Revolver Amendment included, among other things, (i) increase of the revolving credit commitment from \$200.0 million to \$210.0 million, (ii) addition of a term loan in the aggregate amount of \$50.0 million (the “2026 Term Loan”), (iii) updates to certain financing rate provisions provided therein, and (iv) joinder of The Huntington National Bank as a 2026 Term Loan lender and Credit Facility lender. The March 2021 Revolver Amendment also includes accordion options that allow the Company to request additional 2026 Term Loan lender commitments up to a total of \$150.0 million and additional Credit Facility lender commitments up to a total of \$300.0 million. During the six months ended June 30, 2021, the Company exercised the 2026 Term Loan accordion option for \$15.0 million, increasing total lender commitments to \$65.0 million.

On November 5, 2021, the Company entered into the seventh amendment to the 2017 Amended Credit Facility (the “November 2021 Revolver Amendment”). The November 2021 Revolver Amendment included, among other things, (i) addition of a term loan in the aggregate amount of \$100.0 million (the “2027 Term Loan”) and (ii) joinder of KeyBank National Association, Raymond James Bank, and Synovus Bank as 2027 Term Loan lenders. The November 2021 Revolver Amendment also includes an accordion option that allows the Company to request additional term loan lender commitments up to a total of \$400.0 million in the aggregate.

On September 20, 2022, the Company entered into the eighth amendment to the 2017 Amended Credit Facility (the “Eighth Amendment”), which includes among other things: (i) the origination of a term loan, in the amount of \$100.0 million (the “2028 Term Loan”), (ii) the increase of the revolving credit commitment from up to \$210.0 million to up to \$300.0 million, (iii) an accordion option that allows the Company to request additional revolving loan commitments and additional term loan commitments, provided, (a) the aggregate amount of revolving loan commitments shall not exceed \$750,000,000 and (b) the aggregate amount of term loan commitments shall not exceed \$500,000,000, (iv) an extension of the maturity date to January 31, 2027, (v) a sustainability-linked pricing component pursuant to which the Company will receive interest rate reductions based on its performance against certain sustainability performance targets, (vi) the release of the Pledge Collateral, as defined in the Eighth Amendment, and (vii) the joinder of PNC Bank, National Association (“PNC”) as a Term Loan Lender, as defined in the Credit Agreement, and PNC and Regions Bank as Revolving Lenders, as defined in the Credit Agreement.

At March 31, 2023, the current commitment level under the Credit Facility was \$300.0 million. The undrawn commitment under the Credit Facility totaled \$166.8 million. As of March 31, 2023, the Credit Facility had a \$133.2 million balance outstanding.

The Credit Facility is subject to customary restrictive covenants including, but not limited to, limitations on the Company’s ability to: (a) incur indebtedness; (b) make certain investments; (c) incur certain liens; (d) engage in certain affiliate transactions; and (e) engage in certain major transactions such as mergers. In addition, the Company is subject to various financial maintenance covenants including, but not limited to, a maximum indebtedness ratio, a maximum secured indebtedness ratio, and a minimum fixed charge coverage ratio. The Credit Facility also contains affirmative covenants

and events of default including, but not limited to, a cross default to the Company's other indebtedness and upon the occurrence of a change in control. The Company's failure to comply with these covenants or the occurrence of an event of default could result in acceleration of the Company's debt and other financial obligations under the Credit Facility.

*Mortgage Notes Payable.* On March 3, 2022, in connection with the acquisition of Price Plaza Shopping Center, the Company assumed an existing \$17.8 million secured fixed-rate mortgage note payable, which bears interest at a fixed rate of 4.06% and matures in August 2026.

*Convertible Debt.* The Company had an initial aggregate principal amount of \$75.0 million of 3.875% Convertible Notes (the "2025 Notes"). During the year ended December 31, 2020, the Company repurchased \$12.5 million aggregate principal amount of 2025 Notes at a \$2.6 million discount, resulting in a gain on extinguishment of debt of \$1.1 million. During the year ended December 31, 2021, the Company repurchased \$11.4 million aggregate principal amount of 2025 Notes at a \$1.6 million premium, resulting in a loss on extinguishment of debt of \$2.9 million. Following these repurchases, \$51.0 million aggregate principal amount of the 2025 Notes remains outstanding at March 31, 2023.

On February 16, 2023, the Company's Board of Directors approved a 2025 Notes repurchase program, which is expected to be in effect until the approved dollar amount has been used to repurchase 2025 Notes (the "2025 Notes Repurchase Program"). Pursuant to the 2025 Notes Repurchase Program, the Company may repurchase, in one or more transactions, 2025 Notes in the aggregate principal amount of not more than \$4.74 million, at a price not to exceed 117% of par value. The 2025 Notes Repurchase Program does not obligate the Company to acquire any particular amount of 2025 Notes and may be modified or suspended. The Company was not active under the 2025 Notes Repurchase Program during the three months ended March 31, 2023.

The 2025 Notes represent senior unsecured obligations of the Company and pay interest semi-annually in arrears on each April 15th and October 15th, commencing on April 15, 2020, at a rate of 3.875% per annum. The 2025 Notes mature on April 15, 2025 and may not be redeemed by the Company prior to the maturity date. The conversion rate for the 2025 Notes was initially 12.7910 shares of the Company's common stock per \$1,000 of principal of the 2025 Notes (equivalent to an initial conversion price of \$78.18 per share of the Company's common stock). The initial conversion price of the 2025 Notes represented a premium of 20% to the \$65.15 closing sale price of the Company's common stock on the NYSE American on January 29, 2020. If the Company's Board increases the quarterly dividend above the \$0.13 per share in place at issuance, the conversion rate is adjusted with each such increase in the quarterly dividend amount. After the first quarter 2023 dividend, the conversion rate is equal to 63.4237 shares of common stock for each \$1,000 principal amount of 2025 Notes, which represents an adjusted conversion price of \$15.77 per share of common stock. At the maturity date, the 2025 Notes are convertible into cash, common stock or a combination thereof, subject to various conditions, at the Company's option. Should certain corporate transactions or events occur prior to the stated maturity date, the Company will increase the conversion rate for a holder that elects to convert its 2025 Notes in connection with such corporate transaction or event.

The conversion rate is subject to adjustment in certain circumstances. Holders may not surrender their 2025 Notes for conversion prior to January 15, 2025 except upon the occurrence of certain conditions relating to the closing sale price of the Company's common stock, the trading price per \$1,000 principal amount of 2025 Notes, or specified corporate events including a change in control of the Company. The Company may not redeem the 2025 Notes prior to the stated maturity date and no sinking fund is provided for the 2025 Notes. The 2025 Notes are convertible, at the election of the Company, into solely cash, solely shares of the Company's common stock, or a combination of cash and shares of the Company's common stock. The Company intends to settle the 2025 Notes in cash upon conversion, with any excess conversion value to be settled in shares of our common stock. At time of issuance, in accordance with U.S. GAAP, the 2025 Notes were accounted for as a liability with a separate equity component recorded for the conversion option. The equity component was eliminated on January 1, 2022 with the 2025 Notes Adjustment.

As of March 31, 2023, the unamortized debt discount of our 2025 Notes was \$0.3 million, which represents the cash component of the discount.

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Long-term debt consisted of the following (in thousands):

	March 31, 2023		December 31, 2022	
	Total	Due Within One Year	Total	Due Within One Year
Credit Facility	\$ 133,150	\$ —	\$ 113,750	\$ —
2026 Term Loan	65,000	—	65,000	—
2027 Term Loan	100,000	—	100,000	—
2028 Term Loan	100,000	—	100,000	—
3.875% Convertible Senior Notes, net of Discount	50,710	—	50,670	—
Mortgage Note Payable	17,800	—	17,800	—
Financing Costs, net of Accumulated Amortization	(1,530)	—	(1,637)	—
Total Long-Term Debt	<u>\$ 465,130</u>	<u>\$ —</u>	<u>\$ 445,583</u>	<u>\$ —</u>

Payments applicable to reduction of principal amounts as of March 31, 2023 will be required as follows (in thousands):

As of March 31, 2023	Amount
Remainder of 2023	\$ —
2024	—
2025	51,034
2026	82,800
2027	233,150
2028	100,000
2029 and Thereafter	—
Total Long-Term Debt - Face Value	<u>\$ 466,984</u>

The carrying value of long-term debt as of March 31, 2023 consisted of the following (in thousands):

	Total
Current Face Amount	\$ 466,984
Unamortized Discount on Convertible Debt	(324)
Financing Costs, net of Accumulated Amortization	(1,530)
Total Long-Term Debt	<u>\$ 465,130</u>

In addition to the \$1.5 million of financing costs, net of accumulated amortization included in the table above, as of March 31, 2023, the Company also had financing costs, net of accumulated amortization related to the Credit Facility of \$1.9 million which is included in other assets on the consolidated balance sheets. These costs are amortized on a straight-line basis over the term of the Credit Facility and are included in interest expense in the Company's accompanying consolidated statements of operations.

The following table reflects a summary of interest expense incurred and paid during the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended	
	March 31, 2023	March 31, 2022
Interest Expense	\$ 4,352	\$ 1,668
Amortization of Deferred Financing Costs	241	165
Amortization of Discount on Convertible Notes	39	69
Total Interest Expense	<u>\$ 4,632</u>	<u>\$ 1,902</u>
Total Interest Paid	<u>\$ 4,268</u>	<u>\$ 1,087</u>

The Company was in compliance with all of its debt covenants as of March 31, 2023 and December 31, 2022.

**NOTE 16. INTEREST RATE SWAPS**

The Company has entered into interest rate swap agreements to hedge against changes in future cash flows resulting from fluctuating interest rates related to the below noted borrowings. The interest rate agreements were 100% effective during the three months ended March 31, 2023 and 2022. Accordingly, the changes in fair value on the interest rate swaps have been classified in accumulated other comprehensive income. The fair value of the interest rate swap agreements are included in other assets and accrued and other liabilities, respectively, on the consolidated balance sheets. Information related to the Company's interest rate swap agreements are noted below (in thousands):

Hedged Item <sup>(1)</sup>	Effective Date	Maturity Date	Rate	Amount	Fair Value as of March 31, 2023
2026 Term Loan	3/10/2021	3/29/2024	0.12% + 0.10% + applicable spread	\$ 50,000	\$ 2,206
2026 Term Loan	3/29/2024	3/10/2026	1.44% + 0.10% + applicable spread	\$ 50,000	\$ 1,531
2026 Term Loan	8/31/2021	3/10/2026	0.70% + 0.10% + applicable spread	\$ 15,000	\$ 1,231
2027 Term Loan	11/5/2021	3/29/2024	0.64% + 0.10% + applicable spread	\$ 100,000	\$ 3,908
2027 Term Loan	3/29/2024	1/31/2027	1.35% + 0.10% + applicable spread	\$ 100,000	\$ 4,354
2028 Term Loan	9/30/2022	1/31/2028	3.78% + 0.10% + applicable spread	\$ 50,000	\$ (979)
2028 Term Loan	9/30/2022	1/31/2028	3.78% + 0.10% + applicable spread	\$ 50,000	\$ (989)
Credit Facility	1/31/2023	1/31/2030	3.27% + 0.10% + applicable spread	\$ 50,000	\$ (163)
Credit Facility	1/31/2023	1/31/2030	3.26% + 0.10% + applicable spread	\$ 33,000	\$ (91)
Credit Facility	1/31/2023	1/31/2030	3.36% + 0.10% + applicable spread	\$ 17,000	\$ (138)

(1) On September 30, 2022, the Company converted its existing interest rate swaps from 1-month LIBOR to SOFR.

**NOTE 17. ACCRUED AND OTHER LIABILITIES**

Accrued and other liabilities consisted of the following (in thousands):

	As of	
	March 31, 2023	December 31, 2022
Accrued Property Taxes	\$ 2,264	\$ 716
Reserve for Tenant Improvements	5,063	6,186
Tenant Security Deposits	2,620	2,719
Accrued Construction Costs	650	903
Accrued Interest	1,028	872
Environmental Reserve	67	67
Cash Flow Hedge - Interest Rate Swaps	2,360	397
Operating Leases - Liability	497	64
Other	4,265	6,104
Total Accrued and Other Liabilities	\$ 18,814	\$ 18,028

*Reserve for Tenant Improvements.* In connection with recent acquisitions, the Company received an aggregate of \$7.4 million from the sellers of certain properties for tenant improvement allowances, leasing commissions and other capital improvements. These amounts are included in accrued and other liabilities on the consolidated balance sheets. Through March 31, 2023, payments totaling \$2.3 million were made, leaving a remaining reserve for tenant improvements of \$5.1 million.

**NOTE 18. DEFERRED REVENUE**

Deferred revenue consisted of the following (in thousands):

	As of	
	March 31, 2023	December 31, 2022
Prepaid Rent	\$ 4,704	\$ 3,951
Interest Reserve from Commercial Loans and Investments	1,351	1,262
Tenant Contributions	509	522
Total Deferred Revenue	\$ 6,564	\$ 5,735

*Interest Reserve from Commercial Loans and Investments.* In connection with three of the Company’s commercial loan investments, the borrower has deposited interest and/or real estate tax reserves in accounts held by the Company. Those accounts balances are included in restricted cash on the Company’s consolidated balance sheets with the corresponding liability recorded in deferred revenue as seen above. Pursuant to each respective agreement, interest reserves are either (i) utilized to fund the monthly interest due on the loan or (ii) maintained throughout the term of the loan.

**NOTE 19. STOCK-BASED COMPENSATION**

**SUMMARY OF STOCK-BASED COMPENSATION**

A summary of share activity for all equity classified stock compensation during the three months ended March 31, 2023 is presented below.

<b>Type of Award</b>	<b>Shares Outstanding at 1/1/2023</b>	<b>Granted Shares</b>	<b>Vested / Exercised Shares</b>	<b>Expired Shares</b>	<b>Forfeited Shares</b>	<b>Shares Outstanding at 3/31/2023</b>
Equity Classified - Performance Share Awards - Peer Group Market Condition Vesting	230,247	88,754	(72,141)	—	—	246,860
Equity Classified - Three Year Vest Restricted Shares	212,079	91,003	(74,229)	—	(240)	228,613
<b>Total Shares</b>	<b>442,326</b>	<b>179,757</b>	<b>(146,370)</b>	<b>—</b>	<b>(240)</b>	<b>475,473</b>

Amounts recognized in the financial statements for stock-based compensation are as follows (in thousands):

	<b>Three Months Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
Total Cost of Share-Based Plans Charged Against Income	\$ 1,072	\$ 906

**EQUITY-CLASSIFIED STOCK COMPENSATION**

***Performance Share Awards – Peer Group Market Condition Vesting***

Performance shares have been granted to certain employees under the 2010 Plan. The performance share awards entitle the recipient to receive, upon the vesting thereof, shares of common stock of the Company equal to between 0% and 150% of the number of performance shares awarded. The number of shares of common stock ultimately received by the award recipient is determined based on the Company’s total stockholder return as compared to the total stockholder return of a certain peer group during a three-year performance period. The Company granted a total of 88,754 performance shares during the three months ended March 31, 2023.

The Company used a Monte Carlo simulation pricing model to determine the fair value of its awards that are based on market conditions. The determination of the fair value of market condition-based awards is affected by the Company’s stock price as well as assumptions regarding a number of other variables. These variables include expected stock price volatility over the requisite performance term of the awards, the relative performance of the Company’s stock price and stockholder returns to companies in its peer group, annual dividends, and a risk-free interest rate assumption. Compensation cost is recognized regardless of the achievement of the market conditions, provided the requisite service period is met.

As of March 31, 2023, there was \$2.7 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to the non-vested performance share awards, which will be recognized over a remaining weighted average period of 2.2 years.

A summary of the activity for these awards during the three months ended March 31, 2023 is presented below:

<b>Performance Shares With Market Conditions</b>	<b>Shares</b>	<b>Wtd. Avg. Fair Value Per Share</b>
Non-Vested at January 1, 2023	230,247	\$ 16.85
Granted	88,754	\$ 18.10
Vested	(72,141)	\$ 14.17
Expired	—	—
Forfeited	—	—
Non-Vested at March 31, 2023	246,860	\$ 18.08

**Restricted Shares**

Restricted shares have been granted to certain employees under the 2010 Plan. Certain of the restricted shares vest on each of the first, second, and third anniversaries of January 28 of the applicable year provided the grantee is an employee of the Company on those dates. Certain other restricted share awards, granted on July 1, 2022, vest entirely on the third anniversary of the grant date, or July 1, 2025, provided the grantee is an employee of the Company on that date. In addition, any unvested portion of the restricted shares will vest upon a change in control. The Company granted a total of 91,003 shares of restricted Company common stock during the three months ended March 31, 2023.

The Company's determination of the fair value of the restricted stock awards was calculated by multiplying the number of shares issued by the Company's stock price at the grant date. Compensation cost is recognized on a straight-line basis over the applicable vesting period.

As of March 31, 2023, there was \$3.8 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to the non-vested restricted share awards, which will be recognized over a remaining weighted average period of 2.3 years.

A summary of the activity for these awards during the three months ended March 31, 2023 is presented below:

<b>Non-Vested Restricted Shares</b>	<b>Shares</b>	<b>Wtd. Avg. Fair Value Per Share</b>
Non-Vested at January 1, 2023	212,079	\$ 17.97
Granted	91,003	\$ 19.24
Vested	(74,229)	\$ 16.00
Expired	—	—
Forfeited	(240)	\$ 18.88
Non-Vested at March 31, 2023	228,613	\$ 19.12

**NON-EMPLOYEE DIRECTOR STOCK COMPENSATION**

Each member of the Company's Board of Directors has the option to receive his or her annual retainer and meeting fees in shares of Company common stock rather than cash. The number of shares awarded to the directors making such election is calculated quarterly by dividing (i) the sum of (A) the amount of the quarterly retainer payment due to such director plus (B) meeting fees earned by such director during the quarter, by (ii) the trailing 20-day average price of the Company's common stock as of the date two business days prior to the date of the award, rounded down to the nearest whole number of shares.

Each non-employee director serving as of the beginning of each calendar year shall receive an annual award of the Company's common stock. The value of such award totaled \$35,000 for the three months ended March 31, 2023 and 2022 (the "Annual Award"). The number of shares awarded is calculated based on the trailing 20-day average price of the Company's common stock as of the date two business days prior to the date of the award, rounded down to the nearest whole number of shares. Non-employee directors do not receive meeting fees, but will receive additional retainers for service on Board committees, as set forth in the Company's Non-Employee Director Compensation Policy available on the Company's website ([www.ctoreit.com](http://www.ctoreit.com)).

During the three months ended March 31, 2023 and 2022, the expense recognized for the value of the Company's common stock received by non-employee directors totaled \$0.2 million, or 12,764 shares and \$0.3 million, or 14,112 shares, respectively. The expense recognized includes the Annual Award received during the first quarter of each respective year, which totaled \$0.2 million during each of the three months ended March 31, 2023 and 2022.

#### **NOTE 20. INCOME TAXES**

The Company elected to be taxed as a REIT for U.S. federal income tax purposes, commencing with its taxable year ended December 31, 2020. The Company believes that, commencing with such taxable year, it has been organized and has operated in such a manner as to qualify for taxation as a REIT under the U.S. federal income tax laws. The Company intends to continue to operate in such a manner. As a REIT, the Company will be subject to U.S. federal and state income taxation at corporate rates on its net taxable income; the Company, however, may claim a deduction for the amount of dividends paid to its stockholders. Amounts distributed as dividends by the Company will be subject to taxation at the stockholder level only. While the Company must distribute at least 90% of its REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain, to qualify as a REIT, the Company intends to distribute all of its net taxable income. The Company is allowed certain other non-cash deductions or adjustments, such as depreciation expense, when computing its REIT taxable income and distribution requirement. These deductions permit the Company to reduce its dividend payout requirement under U.S. federal income tax laws. Certain states may impose minimum franchise taxes. To comply with certain REIT requirements, the Company holds certain of its non-REIT assets and operations through TRSs and subsidiaries of TRSs, which will be subject to applicable U.S. federal, state and local corporate income tax on their taxable income. For the periods presented, the Company held a total of two TRSs subject to taxation. The Company's TRSs will file tax returns separately as C-Corporations.

As a result of the Company's election to be taxed as a REIT, during the year ended December 31, 2020, an \$82.5 million deferred tax benefit was recorded to de-recognize the deferred tax assets and liabilities associated with the entities included in the REIT. A significant portion of the deferred tax benefit recognized related to the de-recognition of deferred tax liabilities resulting from Internal Revenue Code Section 1031 like-kind exchanges ("1031 Exchanges"). The Company will be subject to corporate income taxes related to assets held by it that are sold during the 5-year period following the date of conversion to the extent such sold assets had a built-in gain as of January 1, 2020. The Company has disposed of certain, primarily single-tenant, REIT assets after the REIT conversion within the 5-year period. All such sales were completed using 1031 Exchanges or other deferred tax structures to mitigate the built-in gain tax liability of conversion.

#### **NOTE 21. COMMITMENTS AND CONTINGENCIES**

##### ***Legal Proceedings***

From time to time, the Company may be a party to certain legal proceedings, incidental to the normal course of its business. While the outcome of the legal proceedings cannot be predicted with certainty, the Company does not expect that these proceedings will have a material effect upon our financial condition or results of operations.

##### ***Contractual Commitments – Expenditures***

The Company has committed to fund the following capital improvements. The improvements, which are related to several properties, are estimated to be generally completed within twelve months. These commitments, as of March 31, 2023, are as follows (in thousands):

	<b>As of March 31, 2023</b>
Total Commitment <sup>(1)</sup>	\$ 30,091
Less Amount Funded	(10,821)
Remaining Commitment	<u>\$ 19,270</u>

<sup>(1)</sup> Commitment includes tenant improvements, leasing commissions, rebranding, facility expansion and other capital improvements.

In addition, the Company is committed to one construction loan as described in Note 4, "Commercial Loans and Investments". The unfunded portion of the construction loan totaled \$4.3 million as of March 31, 2023.



**NOTE 22. BUSINESS SEGMENT DATA**

The Company operates in four primary business segments: income properties, management services, commercial loans and investments, and real estate operations. Our income property operations consist of income-producing properties, and our business plan is focused on investing in additional income-producing properties. Our income property operations accounted for 91% of our identifiable assets as of March 31, 2023 and December 31, 2022, and 90.8% and 88.1% of our consolidated revenues for the three months ended March 31, 2023 and 2022, respectively. The management services segment consists of the revenue generated from managing PINE. As of March 31, 2023, our commercial loans and investments portfolio consisted of three commercial loan investments and one preferred equity investment which is classified as a commercial loan investment. Our real estate operations consist of revenues generated from the sale of and royalty income related to our interests in subsurface oil, gas, and mineral rights, and the sale of mitigation credits.

The Company evaluates segment performance based on operating income. The Company's reportable segments are strategic business units that offer different products. They are managed separately because each segment requires different management techniques, knowledge, and skills.

Information about the Company's operations in different segments for the three months ended March 31, 2023 and 2022 is as follows (in thousands):

	<b>Three Months Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
<b>Revenues:</b>		
Income Properties	\$ 22,432	\$ 15,168
Management Fee Income	1,098	936
Interest Income From Commercial Loans and Investments	795	718
Real Estate Operations	392	388
Total Revenues	<u>\$ 24,717</u>	<u>\$ 17,210</u>
<b>Operating Income:</b>		
Income Properties	\$ 15,279	\$ 11,152
Management Fee Income	1,098	936
Interest Income From Commercial Loans and Investments	795	718
Real Estate Operations	307	337
General and Corporate Expense	(14,043)	(9,412)
Provision for Impairment	(479)	—
Loss on Disposition of Assets	—	(245)
Total Operating Income	<u>\$ 2,957</u>	<u>\$ 3,486</u>
<b>Depreciation and Amortization:</b>		
Income Properties	\$ 10,302	\$ 6,356
Corporate and Other	14	13
Total Depreciation and Amortization	<u>\$ 10,316</u>	<u>\$ 6,369</u>
<b>Capital Expenditures:</b>		
Income Properties	\$ 7,773	\$ 40,499
Commercial Loans and Investments	16,061	—
Corporate and Other	25	16
Total Capital Expenditures	<u>\$ 23,859</u>	<u>\$ 40,515</u>

Identifiable assets of each segment as of March 31, 2023 and December 31, 2022 are as follows (in thousands):

	As of	
	March 31, 2023	December 31, 2022
<b>Identifiable Assets:</b>		
Income Properties	\$ 896,537	\$ 902,427
Management Services	1,505	1,370
Commercial Loans and Investments	47,368	32,269
Real Estate Operations	3,992	4,041
Corporate and Other	31,852	46,438
Total Assets	<u>\$ 981,254</u>	<u>\$ 986,545</u>

Operating income represents income from operations before interest expense, investment income, and income taxes. General and corporate expenses are an aggregate of general and administrative expenses and depreciation and amortization expense. Identifiable assets by segment are those assets that are used in the Company's operations in each segment. Real Estate Operations primarily includes the identifiable assets of the Company's Subsurface Interests and mitigation credits. Corporate and other assets consist primarily of cash and restricted cash, property, plant, and equipment related to the other operations, as well as the general and corporate operations. The management services and real estate operations segments had no capital expenditures during the three months ended March 31, 2023 or 2022.

#### **NOTE 23. ASSETS HELD FOR SALE**

Assets held for sale as of March 31, 2023 are summarized below (in thousands). There were no assets held for sale as of December 31, 2022.

	As of March 31, 2023	
Plant, Property, and Equipment—Net	\$	906
Intangible Lease Assets—Net		209
Total Assets Held for Sale	<u>\$</u>	<u>1,115</u>

#### **NOTE 24. SUBSEQUENT EVENTS**

Subsequent events and transactions were evaluated through April 27, 2023, the date the consolidated financial statements were issued. There were no reportable subsequent events or transactions.

## **ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

When we refer to “we,” “us,” “our,” or “the Company,” we mean CTO Realty Growth, Inc. and its consolidated subsidiaries. References to “Notes to Financial Statements” refer to the Notes to the Consolidated Financial Statements of CTO Realty Growth, Inc. included in this Quarterly Report on Form 10-Q.

### **Forward-Looking Statements**

Statements contained in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Also, when the Company uses any of the words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend,” or similar expressions, the Company is making forward-looking statements. Management believes the expectations reflected in such forward-looking statements are based upon present expectations and reasonable assumptions. However, the Company’s actual results could differ materially from those set forth in the forward-looking statements. Further, forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update or revise such forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required by law. The risks and uncertainties that could cause our actual results to differ materially from those presented in our forward-looking statements, include, but are not limited to, the following:

- we are subject to risks related to the ownership of commercial real estate that could affect the performance and value of our properties;
- our business is dependent upon our tenants successfully operating their businesses, and their failure to do so could materially and adversely affect us;
- competition that traditional retail tenants face from e-commerce retail sales, or the integration of brick and mortar stores with e-commerce retail operators, could adversely affect our business;
- we operate in a highly competitive market for the acquisition of income properties and more established entities or other investors may be able to compete more effectively for acquisition opportunities than we can;
- we may be unable to successfully execute on asset acquisitions or dispositions;
- the loss of revenues from our income property portfolio or certain tenants would adversely impact our results of operations and cash flows;
- our revenues include receipt of management fees and potentially incentive fees derived from our provision of management services to Alpine Income Property Trust, Inc. (“PINE”) and the loss or failure, or decline in the business or assets, of PINE could substantially reduce our revenues;
- there are various potential conflicts of interest in our relationship with PINE, including our executive officers and/or directors who are also officers and/or directors of PINE, which could result in decisions that are not in the best interest of our stockholders;
- a prolonged downturn in economic conditions could adversely impact our business, particularly with regard to our ability to maintain revenues from our income-producing assets;
- a part of our investment strategy is focused on investing in commercial loans and investments which may involve credit risk;
- we may suffer losses when a borrower defaults on a loan and the value of the underlying collateral is less than the amount due;
- the Company’s real estate investments are generally illiquid;
- if we are not successful in utilizing the like-kind exchange structure in deploying the proceeds from dispositions of income properties, or our like-kind exchange transactions are disqualified, we could incur significant taxes and our results of operations and cash flows could be adversely impacted;
- the Company may be unable to obtain debt or equity capital on favorable terms, if at all, or additional borrowings may impact our liquidity or ability to monetize any assets securing such borrowings;
- servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to service or pay our debt;
- our operations and properties could be adversely affected in the event of natural disasters, pandemics, or other significant disruptions;
- we may encounter environmental problems which require remediation or the incurrence of significant costs to resolve, which could adversely impact our financial condition, results of operations, and cash flows;

- failure to remain qualified as real estate investment trust (“REIT”) for U.S. federal income tax purposes would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distribution to stockholders;
- the risk that the REIT requirements could limit our financial flexibility;
- our limited experience operating as a REIT;
- our ability to pay dividends consistent with the REIT requirements, and expectations as to timing and amounts of such dividends;
- the ability of our board of directors (the “Board”) to revoke our REIT status without stockholder approval;
- our exposure to changes in U.S. federal and state income tax laws, including changes to the REIT requirements;
- general business and economic conditions, including unstable macroeconomic conditions due to, among other things, the war in Ukraine, the COVID-19 pandemic, inflation and rising interest rates; and
- an epidemic or pandemic (such as the COVID-19 pandemic), and the measures that international, federal, state and local governments, agencies, law enforcement and/or health authorities implement to address it, may precipitate or materially exacerbate one or more of the above-mentioned and/or other risks and may significantly disrupt or prevent us from operating our business in the ordinary course for an extended period.

The Company describes the risks and uncertainties that could cause actual results and events to differ materially in “Risk Factors” (Part II, Item 1A of this Quarterly Report on Form 10-Q and Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022), “Quantitative and Qualitative Disclosures about Market Risk” (Part I, Item 3 of this Quarterly Report on Form 10-Q), and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” (Part I, Item 2 of this Quarterly Report on Form 10-Q).

## OVERVIEW

We are a publicly traded, self-managed equity REIT that focuses on the ownership, management, and repositioning of high-quality retail and mixed-use properties located primarily in what we believe to be faster growing, business-friendly markets exhibiting accommodative business tax policies, outsized relative job and population growth, and retail demand that exceeds supply. We have pursued our investment strategy by investing primarily through fee simple ownership of our properties, commercial loans and preferred equity.

We own and manage, sometimes utilizing third-party property management companies, 23 commercial real estate properties in 9 states in the United States. As of March 31, 2023, we owned 8 single-tenant and 15 multi-tenant income-producing properties comprising 3.7 million square feet of gross leasable space.

In addition to our income property portfolio, as of March 31, 2023, our business included the following:

### Management Services:

- A fee-based management business that is engaged in managing PINE, see Note 5, “Related Party Management Services Business”.

### Commercial Loans and Investments:

- A portfolio of three commercial loan investments and one preferred equity investment which is classified as a commercial loan investment.

### Real Estate Operations:

- A portfolio of subsurface mineral interests associated with approximately 353,000 surface acres in 19 counties in the State of Florida (“Subsurface Interests”); and
- An inventory of mitigation credits produced by the Company’s formerly owned mitigation bank.

Our business also includes our investment in PINE. As of March 31, 2023, the fair value of our investment totaled \$39.3 million, or 14.8% of PINE’s outstanding equity, including the units of limited partnership interest (“OP Units”) we hold in Alpine Income Property OP, LP (the “PINE Operating Partnership”), which are redeemable for cash, based upon the value of an equivalent number of shares of PINE common stock at the time of the redemption, or shares of PINE common stock on a one-for-one basis, at PINE’s election. Our investment in PINE generates investment income through the dividends distributed by PINE. In addition to the dividends we receive from PINE, our investment in PINE may benefit from any appreciation in PINE’s stock price, although no assurances can be provided that such appreciation will occur,

the amount by which our investment will increase in value, or the timing thereof. Any dividends received from PINE are included in investment and other income (loss) on the accompanying consolidated statements of operations.

Our strategy for investing in income-producing properties is focused on factors including, but not limited to, long-term real estate fundamentals and target markets, including markets we believe to be faster growing, business-friendly markets exhibiting accommodative business tax policies, outsized relative job and population growth. We employ a methodology for evaluating targeted investments in income-producing properties which includes an evaluation of: (i) the attributes of the real estate (e.g. location, market demographics, comparable properties in the market, etc.); (ii) an evaluation of the existing tenant(s) (e.g. creditworthiness, property level sales, tenant rent levels compared to the market, etc.); (iii) other market-specific conditions (e.g. tenant industry, job and population growth in the market, local economy, etc.); and (iv) considerations relating to the Company's business and strategy (e.g. strategic fit of the asset type, property management needs, ability to use a Section 1031 like-kind exchange structure, etc.).

We believe investment in income-producing assets provides attractive opportunities for generally stable cash flows and increased returns over the long run through potential capital appreciation. Our focus on acquiring income-producing investments includes a continual review of our existing income property portfolio to identify opportunities to recycle our capital through the sale of income properties based on, among other possible factors, the current or expected performance of the property and favorable market conditions. No income properties were sold during the three months ended March 31, 2023. As a result of entering into the Exclusivity and Right of First Offer Agreement with PINE (the "ROFO Agreement") which generally prevents us from investing in single-tenant net lease income properties, our income property investment strategy is focused on multi-tenant, primarily retail-oriented, properties. We may pursue this strategy by monetizing certain of our single-tenant properties, and should we do so, we would seek to utilize the 1031 like-kind exchange structure to preserve the tax-deferred gain on the original transaction(s) that pertains to the replacement asset.

Our current portfolio of 15 multi-tenant properties generates \$67.0 million of revenue from annualized straight-line base lease payments and had a weighted average remaining lease term of 4.7 years as of March 31, 2023. Our current portfolio of 8 single-tenant income properties generates \$8.6 million of revenues from annualized straight-line base lease payments and had a weighted average remaining lease term of 5.4 years as of March 31, 2023.

## COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

### Revenue

Total revenue for the three months ended March 31, 2023 is presented in the following summary and indicates the changes as compared to the three months March 31, 2022 (in thousands):

Operating Segment	Three Months Ended		\$ Variance	% Variance
	March 31, 2023	March 31, 2022		
Income Properties	\$ 22,432	\$ 15,168	\$ 7,264	47.9%
Management Services	1,098	936	162	17.3%
Commercial Loans and Investments	795	718	77	10.7%
Real Estate Operations	392	388	4	1.0%
Total Revenue	<u>\$ 24,717</u>	<u>\$ 17,210</u>	<u>\$ 7,507</u>	<u>43.6%</u>

Total revenue for the three months ended March 31, 2023 increased to \$24.7 million, compared to \$17.2 million during the three months ended March 31, 2022. The increase in total revenue is primarily attributable to increased income produced by the Company's recent income property acquisitions versus that of properties disposed of by the Company during the comparative period, in addition to increases in management fee income and income from commercial loans and investments.

### Income Properties

Revenue and operating income from our income property operations totaled \$22.4 million and \$15.3 million, respectively, during the three months ended March 31, 2023, compared to total revenue and operating income of \$15.2 million and \$11.2 million, respectively, for the three months ended March 31, 2022. The direct costs of revenues for our income property operations totaled \$7.1 million and \$4.0 million for the three months ended March 31, 2023 and 2022, respectively. The increase in revenues of \$7.3 million, or 47.9%, during the three months ended March 31, 2023 is primarily related to the overall growth of the Company's income property portfolio, as well as the timing of acquisitions versus dispositions. The increase in operating income of \$4.1 million from our income property operations reflects increased rent revenues, offset by an increase of \$3.1 million in our direct costs of revenues which is also related to the overall growth of the Company's income property portfolio.

### Management Services

Revenue from our management services from PINE totaled \$1.1 million and \$0.9 million during the three months ended March 31, 2023 and 2022, respectively, due to the increase in PINE's total equity.

### Commercial Loans and Investments

Interest income from our commercial loans and investments totaled \$0.8 million and \$0.7 million during the three months ended March 31, 2023 and 2022, respectively. The increase is primarily due to increased income from the investments made during the previous fiscal year ended December 31, 2022, including two construction loans and the Waters Creek Investment, as defined in Note 4, "Commercial Loans and Investments", as well as the \$15.0 million Founders Square loan origination during the three months ended March 31, 2023, which were partially offset by commercial loans for which principal was repaid prior to March 31, 2023.

### Real Estate Operations

During the each of three months ended March 31, 2023 and 2022, operating income from real estate operations was \$0.3 million on revenues totaling \$0.4 million. Overall results were consistent although mitigation credit sales were higher during the three months ended March 31, 2023 which were offset by lower Subsurface Interest sales as compared to the same period in 2022.

### General and Administrative Expenses

Total general and administrative expenses for the three months ended March 31, 2023 is presented in the following summary and indicates the changes as compared to the three months ended March 31, 2022 (in thousands):

	Three Months Ended		\$ Variance	% Variance
	March 31, 2023	March 31, 2022		
General and Administrative Expenses				
Recurring General and Administrative Expenses	\$ 2,655	\$ 2,137	\$ 518	24.2%
Non-Cash Stock Compensation	1,072	906	166	18.3%
Total General and Administrative Expenses	\$ 3,727	\$ 3,043	\$ 684	22.5%

The overall reason for the increase in total general and administrative expenses is the overall higher employee count as a result of the increased operating activity from the significant increase in managed income property assets.

### Depreciation and Amortization

Depreciation and amortization totaled \$10.3 million and \$6.4 million during the three months ended March 31, 2023 and 2022, respectively. The increase of \$3.9 million is due to the overall growth in the Company's income property portfolio.

### **Loss on Disposition of Assets and Provision for Impairment**

*Dispositions.* There were no income property dispositions during the three months ended March 31, 2023. During the three months ended March 31, 2022, the Company sold two income properties, including (i) Party City, a single-tenant income property located in Oceanside, New York for \$6.9 million resulting in a \$0.06 million loss and (ii) the Carpenter Hotel ground lease, a single-tenant income property located in Austin, Texas for \$17.1 million resulting in a \$0.2 million loss. The lease with Carpenter Hotel included two tenant repurchase options. Pursuant to FASB ASC Topic 842, Leases, the \$16.25 million investment was recorded in the accompanying consolidated balance sheets as a commercial loan and investment prior to its disposition during the three months ended March 31, 2022. The sale of the properties reflect a total disposition volume of \$24.0 million, resulting in aggregate losses of \$0.2 million.

*Provision for Impairment.* There were no impairment charges on the Company's income property portfolio during the three months ended March 31, 2023 and 2022. The Company recorded a \$0.5 million impairment charge representing the provision for credit losses related to our commercial loans and investments, during the three months ended March 31, 2023, with no such impairment charges during the three months ended March 31, 2022.

### **Investment and Other Loss**

During the three months ended March 31, 2023, the closing stock price of PINE decreased by \$2.25 per share, with a closing price of \$16.83 on March 31, 2023. During the three months ended March 31, 2022, the closing stock price of PINE decreased by \$1.24 per share, with a closing price of \$18.80 on March 31, 2022. The change in stock price resulted in unrealized, non-cash losses on the Company's investment in PINE of \$4.9 million and \$2.5 million which is included in investment and other loss in the consolidated statements of operations for the three months ended March 31, 2023 and 2022, respectively.

The Company earned dividend income from the investment in PINE of \$0.6 million during each of the three months ended March 31, 2023 and 2022, respectively.

### **Interest Expense**

Interest expense totaled \$4.6 million and \$1.9 million for the three months ended March 31, 2023 and 2022, respectively. The increase of \$2.7 million resulted primarily from (i) the higher balance outstanding on the Company's Credit Facility as well as the increase in the variable interest rate under the Credit Facility during the three months ended March 31, 2023 prior to fixing the rate on \$100.0 million of outstanding principal effective January 31, 2023, (ii) the increase in debt related to the \$17.8 million mortgage loan assumed in connection with the acquisition of Price Plaza, and (iii) the increase in debt related to the \$100.0 million 2028 Term Loan.

### **Net Income (Loss) Attributable to the Company**

Net loss attributable to the Company totaled \$6.0 million during the three months ended March 31, 2023 as compared to \$0.2 million of net income during the three months ended March 31, 2022. The \$6.2 million decrease in net income is attributable to the factors described above, and most notably the increases in non-cash depreciation and amortization, non-cash unrealized loss on the investment PINE, and interest expense, which are partially offset by increases in the operating income generated by the income property portfolio operations.

### **LIQUIDITY AND CAPITAL RESOURCES**

Cash and cash equivalents totaled \$7.0 million at March 31, 2023, while restricted cash totaled \$1.6 million, see Note 2, "Summary of Significant Accounting Policies" under the heading Restricted Cash for the Company's disclosure related to its restricted cash balance at March 31, 2023.

Our cash flows provided by operating activities totaled \$9.3 million during the three months ended March 31, 2023, as compared to \$11.4 million during the three months ended March 31, 2022, a decrease of \$2.1 million. The primary reason for the decrease is related to the \$3.2 million increase in cash paid for interest expense as the result of higher overall debt balances and rising variable interest rates on the un-hedged portion of debt. The increase in interest expense was partially offset by the increase in the cash flows provided by income properties, which is the result of the overall growth of the Company's income property portfolio.

Our cash flows used in investing activities totaled \$25.6 million during the three months ended March 31, 2023, compared to no net cash outflows during the three months ended March 31, 2022, an increase in cash outflows of \$25.6 million. The increase in cash used in investing activities is primarily the result of \$23.5 million less in proceeds from income property dispositions and principal payments received on commercial loan investments during the three months ended March 31, 2023 as compared to the same period in 2022.

Our cash flows provided by financing activities totaled \$3.7 million for the three months ended March 31, 2023, compared to cash flows used in financing activities of \$6.9 million for the three months ended March 31, 2022, an increase in cash inflows of \$10.6 million. The increase is primarily related to a \$20.4 million increase in cash inflows provided by net debt activity offset by (i) an increase in cash outflows of \$5.0 million related to repurchases of the Company's common stock, (ii) a decrease in cash inflows of \$2.9 million due to proceeds from the sale of shares of Company common stock during the three months ended March 31, 2022 with no such activity during the three months ended March 31, 2023, and (iii) an increase in cash outflows of \$2.2 million related to the dividend paid on common stock as a result of the increased common stock outstanding as well as the increased dividend per share.

*Long-Term Debt.* At March 31, 2023, the current commitment level under the Credit Facility was \$300.0 million. The undrawn commitment under the Credit Facility totaled \$166.8 million. As of March 31, 2023, the Credit Facility had a \$133.2 million balance outstanding. See Note 15, "Long-Term Debt" for the Company's disclosure related to its long-term debt balance at March 31, 2023.

*Acquisitions and Investments.* On February 24, 2023, the Company acquired one 6,000 square foot property within the 28,100 square foot retail portion of Phase II of The Exchange at Gwinnett located in Buford, Georgia (the "Gwinnett Property"), for a purchase price of \$3.3 million. The 6,000 square foot building is leased to one tenant with 9.8 years remaining on the lease at acquisition. The Company is under contract to acquire the remaining properties that make up the retail portion of Phase II of The Exchange at Gwinnett for a purchase price of \$13.8 million. The Company previously purchased the Sprouts-anchored Phase I portion of The Exchange at Gwinnett in December 2021. The Company also originated one structured investment to provide \$15.0 million of funding towards the acquisition of Founders Square in Dallas, Texas.

The Company's guidance for 2023 investments in income-producing properties, including structured investments, ranges from \$100.0 million to \$200.0 million. We expect to fund future acquisitions utilizing cash on hand, cash from operations, proceeds from the dispositions of income properties through 1031 like-kind exchanges, and potentially the sale of all or a portion of our Subsurface Interests, and borrowings on our Credit Facility, if available. We expect dispositions of income properties and subsurface interests will qualify under the like-kind exchange deferred-tax structure, and additional financing sources.

*Dispositions.* There were no income property dispositions during the three months ended March 31, 2023.

*ATM Program.* The Company was not active under the 2022 ATM Program during the three months ended March 31, 2023.

*Contractual Commitments – Expenditures.* The Company has committed to fund the following capital improvements. The improvements, which are related to several properties, are estimated to be generally completed within twelve months. These commitments, as of March 31, 2023, are as follows (in thousands):

	<b>As of March 31, 2023</b>
Total Commitment <sup>(1)</sup>	\$ 30,091
Less Amount Funded	(10,821)
Remaining Commitment	<u>\$ 19,270</u>

<sup>(1)</sup> Commitment includes tenant improvements, leasing commissions, rebranding, facility expansion and other capital improvements.

In addition, the Company is committed to fund the three construction loans as described in Note 4, "Commercial Loans and Investments". The unfunded portion of the construction loan totaled \$4.3 million as of March 31, 2023.

*Off-Balance Sheet Arrangements.* None.



*Other Matters.* We believe we will have sufficient liquidity to fund our operations, capital requirements, maintenance, and debt service requirements over the next twelve months and into the foreseeable future, with cash on hand, cash flow from our operations, \$137.7 million of availability remaining under the ATM Program, and \$166.8 million undrawn commitment under the existing \$300.0 million Credit Facility as of March 31, 2023.

Our Board and management consistently review the allocation of capital with the goal of providing the best long-term return for our stockholders. These reviews consider various alternatives, including increasing or decreasing regular dividends, repurchasing the Company's securities, and retaining funds for reinvestment. Annually, the Board reviews our business plan and corporate strategies, and makes adjustments as circumstances warrant. Management's focus is to continue our strategy to diversify our portfolio by redeploying proceeds from like-kind exchange transactions and utilizing our Credit Facility to increase our portfolio of income-producing properties, providing stabilized cash flows with strong risk-adjusted returns primarily in larger metropolitan areas and growth markets.

We believe that we currently have a reasonable level of leverage. Our strategy is to utilize leverage, when appropriate and necessary, and proceeds from sales of income properties, the disposition or payoffs on our commercial loan and master lease investments, and certain transactions in our subsurface interests, to acquire income properties. We may also acquire or originate commercial loan and master lease investments, invest in securities of real estate companies, or make other shorter-term investments. Our targeted investment classes may include the following:

- Multi-tenant, primarily retail-oriented, properties in major metropolitan areas and growth markets, typically stabilized;
- Single-tenant retail or other commercial, double or triple net leased, properties in major metropolitan areas and growth markets that are compliant with our commitments under the PINE ROFO Agreement;
- Ground leases, whether purchased or originated by the Company, that are compliant with our commitments under the ROFO Agreement;
- Self-developed retail or other commercial properties;
- Commercial loan and master lease investments, whether purchased or originated by the Company, with loan terms of 1-10 years with strong risk-adjusted yields secured by property types to include hotel, retail, residential, land and industrial;
- Select regional area investments using Company market knowledge and expertise to earn strong risk-adjusted yields; and
- Real estate-related investment securities, including commercial mortgage-backed securities, preferred or common stock, and corporate bonds.

Our investments in income-producing properties are typically subject to long-term leases. For multi-tenant properties, each tenant typically pays its proportionate share of the aforementioned operating expenses of the property, although for such properties we typically incur additional costs for property management services. Single-tenant leases are typically in the form of triple or double net leases and ground leases. Triple-net leases generally require the tenant to pay property operating expenses such as real estate taxes, insurance, assessments and other governmental fees, utilities, repairs and maintenance, and capital expenditures.

### **Non-U.S. GAAP Financial Measures**

Our reported results are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). We also disclose Funds From Operations (“FFO”), Core Funds From Operations (“Core FFO”), and Adjusted Funds From Operations (“AFFO”), each of which are non-U.S. GAAP financial measures. We believe these non-U.S. GAAP financial measures are useful to investors because they are widely accepted industry measures used by analysts and investors to compare the operating performance of REITs.

FFO, Core FFO, and AFFO do not represent cash generated from operating activities and are not necessarily indicative of cash available to fund cash requirements; accordingly, they should not be considered alternatives to net income as a performance measure or cash flows from operating activities as reported on our statement of cash flows as a liquidity measure and should be considered in addition to, and not in lieu of, U.S. GAAP financial measures.

We compute FFO in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT. NAREIT defines FFO as U.S. GAAP net income or loss adjusted to exclude extraordinary items (as defined by U.S. GAAP), net gain or loss from sales of depreciable real estate assets, impairment write-downs associated with depreciable real estate assets and real estate related depreciation and amortization, including the pro rata share of such adjustments of unconsolidated subsidiaries. The Company also excludes the gains or losses from sales of assets incidental to the primary business of the REIT which specifically include the sales of mitigation credits, impact fee credits, subsurface sales, and land sales, in addition to the mark-to-market of the Company’s investment securities and interest related to the 2025 Notes, if the effect is dilutive. To derive Core FFO, we modify the NAREIT computation of FFO to include other adjustments to U.S. GAAP net income related to gains and losses recognized on the extinguishment of debt, amortization of above- and below-market lease related intangibles, and other unforecastable market- or transaction-driven non-cash items. To derive AFFO, we further modify the NAREIT computation of FFO and Core FFO to include other adjustments to U.S. GAAP net income related to non-cash revenues and expenses such as straight-line rental revenue, non-cash compensation, and other non-cash amortization, as well as adding back the interest related to the 2025 Notes, if the effect is dilutive. Such items may cause short-term fluctuations in net income but have no impact on operating cash flows or long-term operating performance. We use AFFO as one measure of our performance when we formulate corporate goals.

FFO is used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers primarily because it excludes the effect of real estate depreciation and amortization and net gains or losses on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. We believe that Core FFO and AFFO are additional useful supplemental measures for investors to consider because they will help them to better assess our operating performance without the distortions created by other non-cash revenues or expenses. FFO, Core FFO, and AFFO may not be comparable to similarly titled measures employed by other companies.

**Reconciliation of Non-U.S. GAAP Measures (in thousands, except share and dividend data):**

	Three Months Ended	
	March 31, 2023	March 31, 2022
Net Income (Loss) Attributable to the Company	\$ (5,993)	\$ 202
Add Back: Effect of Dilutive Interest Related to 2025 Notes <sup>(1)</sup>	—	—
Net Income (Loss) Attributable to the Company, If-Converted	\$ (5,993)	\$ 202
Depreciation and Amortization of Real Estate	10,302	6,369
Loss on Disposition of Assets	—	245
Gain on Disposition of Other Assets	(323)	(332)
Provision for Impairment	479	—
Unrealized Loss on Investment Securities	4,918	2,457
Funds from Operations	\$ 9,383	\$ 8,941
Distributions to Preferred Stockholders	(1,195)	(1,195)
Funds From Operations Attributable to Common Stockholders	\$ 8,188	\$ 7,746
Amortization of Intangibles to Lease Income	679	481
Less: Effect of Dilutive Interest Related to 2025 Notes <sup>(1)</sup>	—	—
Core Funds From Operations Attributable to Common Stockholders	\$ 8,867	\$ 8,227
Adjustments:		
Straight-Line Rent Adjustment	(251)	(538)
COVID-19 Rent Repayments	26	27
Other Depreciation and Amortization	(59)	(139)
Amortization of Loan Costs, Discount on Convertible Debt, and Capitalized Interest	208	234
Non-Cash Compensation	1,072	906
Adjusted Funds From Operations Attributable to Common Stockholders	<u>\$ 9,863</u>	<u>\$ 8,717</u>
Weighted Average Number of Common Shares:		
Basic	22,704,829	17,726,677
Diluted <sup>(2)</sup>	22,704,829	17,726,677
Dividends Declared and Paid - Preferred Stock	\$ 0.40	\$ 0.40
Dividends Declared and Paid - Common Stock	\$ 0.38	\$ 0.36

<sup>(1)</sup> As applicable, includes interest expense, amortization of discount, amortization of fees, and other changes in net income or loss that would result from the assumed conversion of the 2025 Notes to derive FFO effective January 1, 2022 due to the implementation of ASU 2020-06 which requires presentation on an if-converted basis. For the three months ended March 31, 2023 and 2022, a total of \$0.5 million and \$0.6 million of interest was not included, respectively, as the impact of the 2025 Notes, if-converted, would be antidilutive to the net loss attributable to common stockholders of \$7.2 million and \$1.0 million, respectively.

<sup>(2)</sup> A total of 3.2 million and 3.0 million shares, representing the dilutive impact of the 2025 Notes, upon adoption of ASU 2020-06 effective January 1, 2022, were not included in the computation of diluted net loss attributable to common stockholders for the three months ended March 31, 2023 and 2022, respectively, because they were antidilutive to the net loss attributable to common stockholders of \$7.2 million and \$1.0 million, respectively.

**Other Data (in thousands, except per share data):**

	Three Months Ended	
	March 31, 2023	March 31, 2022
FFO Attributable to Common Stockholders	\$ 8,188	\$ 7,746
FFO Attributable to Common Stockholders per Common Share - Diluted	\$ 0.36	\$ 0.44
Core FFO Attributable to Common Stockholders	\$ 8,867	\$ 8,227
Core FFO Attributable to Common Stockholders per Common Share - Diluted <sup>(1)</sup>	\$ 0.39	\$ 0.46
AFFO Attributable to Common Stockholders	\$ 9,863	\$ 8,717
AFFO Attributable to Common Stockholders per Common Share - Diluted <sup>(1)</sup>	\$ 0.43	\$ 0.49

<sup>(1)</sup> A total of 3.2 million and 3.0 million shares, representing the dilutive impact of the 2025 Notes, upon adoption of ASU 2020-06 effective January 1, 2022, were not included in the computation of diluted net loss attributable to common stockholders for the three months ended March 31, 2023 and 2022, respectively, because they were antidilutive to the net loss attributable to common stockholders of \$7.2 million and \$1.0 million, respectively.

**CRITICAL ACCOUNTING ESTIMATES**

Critical accounting estimates include those estimates made in accordance with U.S. GAAP that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on the Company's financial condition or results of operations. Our most significant estimate is as follows:

*Purchase Accounting for Acquisitions of Real Estate Subject to a Lease.* As required by U.S. GAAP, the fair value of the real estate acquired with in-place leases is allocated to the acquired tangible assets, consisting of land, building and tenant improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, the value of in-place leases, and the value of leasing costs, based in each case on their relative fair values. In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in-place lease values are recorded as other assets or liabilities based on the present value. The assumptions underlying the allocation of relative fair values are based on market information including, but not limited to: (i) the estimate of replacement cost of improvements under the cost approach, (ii) the estimate of land values based on comparable sales under the sales comparison approach, and (iii) the estimate of future benefits determined by either a reasonable rate of return over a single year's net cash flow, or a forecast of net cash flows projected over a reasonable investment horizon under the income capitalization approach. The underlying assumptions are subject to uncertainty and thus any changes to the allocation of fair value to each of the various line items within the Company's consolidated balance sheets could have an impact on the Company's financial condition as well as results of operations due to resulting changes in depreciation and amortization as a result of the fair value allocation. The acquisitions of real estate subject to this estimate totaled one building within an existing multi-tenant income property for a purchase price of \$3.3 million for the three months ended March 31, 2023 and one multi-tenant income property for a purchase price of \$39.1 million for the three months ended March 31, 2022.

See Note 2, "Summary of Significant Accounting Policies", for further discussion of the Company's accounting estimates and policies.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The principal market risk (i.e. the risk of loss arising from adverse changes in market rates and prices), to which we are exposed is interest rate risk relating to our debt. We may utilize overnight sweep accounts and short-term investments as a means to minimize the interest rate risk. We do not believe that interest rate risk related to cash equivalents and short-term investments, if any, is material due to the nature of the investments.

We are primarily exposed to interest rate risk relating to our own debt in connection with our Credit Facility, as this facility carries a variable rate of interest. Our borrowings on the un-hedged portion of our \$300.0 million revolving Credit Facility bear a variable rate of interest based on SOFR plus a rate of between 125 basis points and 220 basis points plus a 0.10% SOFR adjustment based on our level of borrowing as a percentage of our total asset value. Effective January 31, 2023, the interest rate on \$100.0 million of the Credit Facility balance was fixed by virtue of three interest rate swaps. As of March 31, 2023 and 2022, the outstanding balance on our Credit Facility totaled \$133.2 million and \$66.0 million, of which \$33.2 million and \$66.0 million, respectively, were not fixed by virtue of an interest rate swap agreement. A hypothetical change in the interest rate of 100 basis points (i.e., 1%) would affect our financial position, results of operations, and cash flows by \$0.3 million and \$0.7 million as of March 31, 2023 and 2022, respectively. The Company entered into interest rate swap agreements to hedge against changes in future cash flows resulting from fluctuating interest rates related to certain of its debt borrowings, see Note 16, “Interest Rate Swaps.” By virtue of fixing the variable rate on certain debt borrowings, our exposure to changes in interest rates is minimal but for the impact on other comprehensive income and loss. Management’s objective is to limit the impact of interest rate changes on earnings and cash flows and to manage our overall borrowing costs.

### **ITEM 4. CONTROLS AND PROCEDURES**

As of the end of the period covered by this report, an evaluation, as required by Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934 (the “Exchange Act”) was carried out under the supervision and with the participation of the Company’s management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act). Based on that evaluation, the CEO and CFO have concluded that the design and operation of the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and to provide reasonable assurance that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company’s management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. There were no changes in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) during the three months ended March 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

From time to time, the Company may be a party to certain legal proceedings, incidental to the normal course of its business. While the outcome of the legal proceedings cannot be predicted with certainty, the Company does not expect that these proceedings will have a material effect upon our financial condition or results of operations.

### **ITEM 1A. RISK FACTORS**

For a discussion of the Company’s potential risks and uncertainties, see the information under the heading Part I, “Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022. The risks described in the Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company. As of March 31, 2023, there have been no material changes in our risk factors from those set forth within the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following repurchases of shares of the Company's common stock were made during the three months ended March 31, 2023:

	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as a Part of Publicly Announced Plans or Programs <sup>(1)</sup></b>	<b>Maximum Number (or Approximate Dollar Value) of Shares That May yet be Purchased Under the Plans or Programs (\$000's) <sup>(1)</sup></b>
1/01/2023 - 1/31/2023	—	—	—	908
2/01/2023 - 2/28/2023	—	—	—	5,000
3/01/2023 - 3/31/2023	303,354	16.48	303,354	—
Total	<u>303,354</u>	<u>\$ 16.48</u>	<u>303,354</u>	

<sup>(1)</sup> In February 2020, the Board approved a \$10.0 million common stock repurchase program, which was announced on February 12, 2020, of which \$0.9 million remained available as of December 31, 2022. In February 2023, the Board approved a \$5.0 million common stock repurchase program which eliminated the unutilized portion of the February 2020 repurchase program.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable

**ITEM 5. OTHER INFORMATION**

Not applicable

**ITEM 6. EXHIBITS**

(a) Exhibits:

- (3.1) [Articles of Amendment and Restatement of CTO Realty Growth, Inc., as amended by the Articles of Amendment \(Name Change\), filed as Exhibit 3.1 to the registrant's current report on Form 8-K12B filed February 1, 2021, and incorporated herein by reference.](#)
- (3.2) [Articles Supplementary, designating CTO Realty Growth, Inc.'s 6.375% Series A Cumulative Redeemable Preferred Stock, filed as Exhibit 3.2 to the registrant's Registration Statement on Form 8-A filed July 1, 2021 \(File No. 001-11350\), and incorporated herein by reference.](#)
- (3.3) [Third Amended and Restated Bylaws of CTO Realty Growth, Inc., effective as of February 16, 2023, filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K filed February 17, 2023, and incorporated herein by reference.](#)
- (4.1) [Specimen Common Stock Certificate of CTO Realty Growth, Inc., filed as Exhibit 4.2 to the registrant's current report on Form 8-K12B filed February 1, 2021, and incorporated herein by reference.](#)
- (10.1) † [Form of February 17, 2023 Performance Share Award Agreement.](#)
- Exhibit 31.1 [Certification filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- Exhibit 31.2 [Certification filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- \*Exhibit 32.1 [Certification furnished pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- \*Exhibit 32.2 [Certification furnished pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- Exhibit 101.INS Inline XBRL Instance Document
- Exhibit 101.SCH Inline XBRL Taxonomy Extension Schema Document
- Exhibit 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- Exhibit 101.DEF Inline XBRL Taxonomy Definition Linkbase Document
- Exhibit 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- Exhibit 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- Exhibit 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* In accordance with Item 601(b)(32) of Regulation S-K, this Exhibit is not deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

† Management contract or compensatory plan or arrangement.

**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.

CTO REALTY GROWTH, INC.  
(Registrant)

April 27, 2023

By: /s/ John P. Albright  
**John P. Albright**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

April 27, 2023

By: /s/ Matthew M. Partridge  
**Matthew M. Partridge, Senior Vice President,**  
**Chief Financial Officer and Treasurer**  
**(Principal Financial Officer)**

April 27, 2023

By: /s/ Lisa M. Vorakoun  
**Lisa M. Vorakoun, Vice President and**  
**Chief Accounting Officer**  
**(Principal Accounting Officer)**



**CTO REALTY GROWTH, INC.  
PERFORMANCE SHARE AWARD AGREEMENT**

This PERFORMANCE SHARE AWARD AGREEMENT (this “Agreement”) is made as of the 17<sup>th</sup> day of February, 2023 (the “Grant Date”), by and between CTO REALTY GROWTH, INC., a Maryland corporation (the “Company”), and \_\_\_\_\_ (“Grantee”).

**BACKGROUND**

The Company has adopted the Fourth Amended and Restated CTO Realty Growth, Inc. 2010 Equity Incentive Plan (the “Plan”), which is administered by the Compensation Committee (the “Committee”) of the Company’s Board of Directors (the “Board”). Section 8 of the Plan provides that the Committee shall have the discretion and right to grant Performance Shares, subject to the terms and conditions of the Plan and any additional terms provided by the Committee. The Committee has granted Performance Shares to Grantee as of the Grant Date pursuant to the terms of the Plan and this Agreement. Grantee desires to accept the grant of Performance Shares and agrees to be bound by the terms and conditions of the Plan and this Agreement. Unless otherwise defined herein, capitalized terms used herein shall have the meaning ascribed to such terms in the Plan.

**AGREEMENT**

1. Award of Performance Shares. Subject to the terms and conditions provided in this Agreement and the Plan, the Company hereby grants to Grantee \_\_\_\_\_ Performance Shares (the “Performance Shares”) as of the Grant Date. The extent to which Grantee’s rights and interest in the Performance Shares become vested and non-forfeitable shall be determined in accordance with the provisions of Section 2 of this Agreement. The grant of the Performance Shares is made in consideration of the services to be rendered by Grantee to the Company.

2. Performance Vesting.

(a) The vesting of Grantee’s rights and interest in the Performance Shares shall be determined in accordance with the performance vesting criteria set forth in **Exhibit A** hereto. In addition to such vesting criteria, Grantee must remain in continuous employment with the Company or one of its Subsidiaries from the Grant Date through either (i) the date of a “Qualifying Termination” (as defined below), (ii) the date of a “Qualifying CIC Termination” (as defined below) or (iii) the end of the Performance Period, as applicable, in order to have a vested and nonforfeitable right to the Performance Shares. Any termination of employment, other than a Qualifying Termination or a Qualifying CIC Termination, prior to the end of the Performance Period shall result in the forfeiture of the Performance Shares. The Performance Shares shall be settled in shares of the Company’s Common Stock, par value \$0.01 per share, within sixty (60) days following either the end of the Performance Period or the date of the Qualifying Termination or the Qualifying CIC Termination, as applicable.

(b) “Cause” shall have the meaning ascribed to such term in Grantee’s employment or similar agreement with the Company; provided, that if Grantee is not a

party to such an agreement with the Company, then “Cause” shall mean (i) Grantee’s arrest or conviction for, plea of *nolo contendere* to, or admission of the commission of, any act of fraud, misappropriation, or embezzlement, or a criminal felony involving dishonesty or moral turpitude; (ii) a breach by Grantee of any material provision of this Agreement or any employment or similar agreement, provided that Grantee is given reasonable notice of, and a reasonable opportunity to cure within thirty (30) days of such notice (if such breach is curable), any such breach; (iii) any act or intentional omission by Grantee involving dishonesty or moral turpitude; (iv) Grantee’s material failure to adequately perform his or her duties and responsibilities as such duties and responsibilities are, from time to time, in the Company’s discretion, determined and after reasonable notice of, and a reasonable opportunity to cure within thirty (30) days of such notice (if such breach is curable), any such breach; or (iv) any intentional independent act by Grantee that would cause the Company significant reputational injury.

(c) “Change in Control” means any of the following events: (i) any person (as such term is used in Section 13(d) of the Securities Exchange Act of 1934 (the “Exchange Act”)) or group (as such term is defined in Sections 3(a)(9) and 13(d)(3) of the Exchange Act), other than a subsidiary of the Company or any employee benefit plan (or any related trust) of the Company or a subsidiary, becomes the beneficial owner of 50% or more of the Company’s outstanding voting shares and other outstanding voting securities that are entitled to vote generally in the election of directors (“Voting Securities”); (ii) approval by the shareholders of the Company and consummation of either of the following: (A) a merger, reorganization, consolidation or similar transaction (any of the foregoing, a “Merger”) as a result of which the persons who were the respective beneficial owners of the outstanding Common Stock and/or the Voting Securities immediately before such Merger are not expected to beneficially own, immediately after such Merger, directly or indirectly, more than 50% of, respectively, the outstanding voting shares and the combined voting power of the voting securities resulting from such merger in substantially the same proportions as immediately before such Merger; or (B) a plan of liquidation of the Company or a plan or agreement for the sale or other disposition of all or substantially all of the assets of the Company; or (iii) a change in the composition of the Board such that, during any 12-month period, the individuals who, as of the beginning of such period, constitute the Board (the “Existing Board”) cease for any reason to constitute more than 50% of the Board; provided, however, that any individual becoming a member of the Board subsequent to the beginning of such period whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least two-thirds of the directors immediately prior to the date of such appointment or election will be considered as though such individual were a member of the Existing Board.

(d) “Good Reason” shall have the meaning ascribed to such term in Grantee’s employment or similar agreement with the Company; provided, that if Grantee is not a party to such an agreement with the Company, then “Good Reason” shall mean a material reduction in Grantee’s compensation or employment related benefits, or a material change in Grantee’s status, working conditions or management responsibilities. Unless provided otherwise in Grantee’s employment or similar agreement, Grantee’s termination of employment shall not constitute a termination for Good Reason unless Grantee first provides written notice to the Company of the existence of the Good Reason within sixty

(60) days following the effective date of the occurrence of the Good Reason, and the Good Reason remains uncorrected by the Company for more than thirty (30) days following such written notice of the Good Reason from Grantee to the Company, and the effective date of Grantee's termination of employment is within one (1) year following the effective date of the occurrence of the Good Reason.

(e) "Qualifying Termination" means, during the Performance Period, (i) the termination of Grantee's employment by the Company or one of its Subsidiaries without "Cause" (as defined above) or (ii) Grantee voluntarily terminates employment for "Good Reason" (as defined above). The date of a Qualifying Termination will be the date that a "separation from service" occurs as such term is defined in Treasury Regulation 1.409A-1(h).

(f) "Qualifying CIC Termination" means, during the Performance Period, (i) the termination of Grantee's employment by the Company or one of its Subsidiaries without "Cause" (as defined above) or (ii) Grantee voluntarily terminates employment for "Good Reason" (as defined above), in each case, at any time during the 24-month period following a Change in Control (as defined above).

### 3. Shareholder Rights; Restrictions on Transfer.

(a) Grantee shall not have any right to vote any Performance Shares and shall not receive any dividends with respect to any unvested Performance Shares. Notwithstanding the foregoing, if the Company declares and pays dividends on its outstanding Shares during the Performance Period, Grantee will be entitled to have dividend equivalents accrued with respect to the Performance Shares. Such dividend equivalents shall vest or be forfeited in the same manner and to the same extent as the Performance Shares to which they relate, and shall, to the extent they become vested, be paid to Grantee in cash no later than sixty (60) days after the conclusion of the Performance Period.

(b) Except as otherwise provided for in Section 12 of the Plan, the Performance Shares may not be sold, assigned, transferred, pledged or otherwise disposed of by Grantee. Any attempt to transfer the Performance Shares in violation of this Section 3(b) shall render the Performance Shares null and void.

4. Taxes. Grantee shall pay to the Company all applicable federal, state and local income and employment taxes (including taxes of any foreign jurisdiction) which the Company is required to withhold at any time with respect to the Performance Shares. Such payment shall be made in full, at Grantee's election, in cash or check, by withholding from Grantee's next normal payroll, or by the tender of Shares of the Company's common stock (including the withholding of Shares otherwise issuable upon vesting of the Performance Shares, provided that the number of Shares so withheld does not exceed the amount necessary to satisfy the maximum statutory tax rates in Grantee's applicable jurisdictions). Shares tendered or withheld as payment of required withholding shall be valued at the closing price per share of the Company's common stock on the date such withholding obligation arises.

5. No Effect on Employment or Rights under Plan. Nothing in the Plan or this Agreement shall confer upon Grantee the right to continue in the employment of the Company or affect any right which the Company may have to terminate the employment of Grantee regardless of the effect of such termination of employment on the rights of Grantee under the Plan or this Agreement. If Grantee's employment is terminated for any reason whatsoever (and whether lawful or otherwise), Grantee will not be entitled to claim any compensation for or in respect of any consequent diminution or extinction of Grantee's rights or benefits (actual or prospective) under this Agreement or any Award (including any unvested portion of any Performance Shares) or otherwise in connection with the Plan. The rights and obligations of Grantee under the terms of Grantee's employment with the Company or any Subsidiary will not be affected by Grantee's participation in the Plan or this Agreement, and neither the Plan nor this Agreement form part of any contract of employment between Grantee and the Company or any Subsidiary. The granting of Awards (including the Performance Shares) under the Plan is entirely at the discretion of the Committee, and Grantee shall not in any circumstances have any right to be granted any other award concurrently or in the future.

6. Governing Law; Compliance with Law.

(a) This Agreement shall be construed and enforced in accordance with the laws of the State of Florida without regard to conflict of law principles.

(b) The issuance and transfer of Performance Shares shall be subject to compliance by the Company and Grantee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's securities may be listed. No Performance Shares, or any share of common stock underlying such Performance Shares, shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

(c) A legend may be placed on any certificate(s) or other document(s) delivered to Grantee indicating restrictions on transferability of the Performance Shares pursuant to this Agreement or any other restrictions that the Committee may deem advisable under the rules, regulations and other requirements of any applicable federal or state securities laws or any stock exchange on which the Company's securities may be listed.

7. Successors. This Agreement shall inure to the benefit of, and be binding upon, the Company and Grantee and their heirs, legal representatives, successors and permitted assigns.

8. Severability. In the event that any one or more of the provisions or portion thereof contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Agreement, and this Agreement shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

9. Entire Agreement. Subject to the terms and conditions of the Plan, which are incorporated herein by reference, this Agreement expresses the entire understanding and agreement of the parties hereto with respect to such terms, restrictions and limitations.

10. Headings. Section headings used herein are for convenience of reference only and shall not be considered in construing this Agreement.

11. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

12. No Impact on Other Benefits. The value of the Performance Shares is not part of Grantee's normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit.

13. Additional Acknowledgements. By their signatures below, Grantee and the Company agree that the Performance Shares are granted under and governed by the terms and conditions of the Plan and this Agreement. Grantee has reviewed in their entirety the prospectus that summarizes the terms of the Plan and this Agreement, has had an opportunity to request a copy of the Plan in accordance with the procedure described in the prospectus, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of the Plan and this Agreement. Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan and this Agreement.

[The balance of this page is intentionally blank.]

IN WITNESS WHEREOF, the Company and Grantee have executed this Agreement as of the Grant Date set forth above.

CTO REALTY GROWTH, INC.

BY: \_\_\_\_\_  
Name:  
Title:

I have read the Fourth Amended and Restated CTO Realty Growth, Inc. 2010 Equity Incentive Plan originally adopted by the Company’s stockholders on April 28, 2010, last amended, amended February 16, 2023, and by my signature I agree to be bound by the terms and conditions of said Plan and this Agreement.

Date: \_\_\_\_\_ Name: \_\_\_\_\_



## **EXHIBIT A**

### VESTING OF PERFORMANCE SHARES (3-YEAR PERFORMANCE)

1. Vesting of Performance Shares:

Except in the event of a Qualifying Termination or a Qualifying CIC Termination (each as defined in the Agreement), the number of Performance Shares that shall vest under this Agreement shall be based upon the following performance goal: The Company's Total Shareholder Return as compared to the Total Shareholder Return of the Comparison Group during the Performance Period, as further described below. Upon (a) the expiration of the Performance Period, and (b) the Committee's determination and certification of the extent to which the performance goal has been achieved, the Participant shall become vested in the number of Performance Shares that corresponds to the level of achievement of the performance goal set forth below that is certified by the Committee.

Notwithstanding the foregoing, (a) in the case of a Qualifying Termination prior to the expiration of the Performance Period, the percentage of Performance Shares that vest pursuant to the Agreement shall be the greater of (i) the percentage of Performance Shares that would vest based on the Total Shareholder Return achieved by the Company as if the Performance Period had ended on the date of the Qualifying Termination, as determined and certified by the Committee, *multiplied by* a fraction, the denominator of which is the total number of days in the original Performance Period and the numerator of which is the number of days from the beginning of the Performance Period to the date of the Qualifying Termination or (ii) 100% of the Performance Shares; and (b) in the case of a Qualifying CIC Termination prior to the expiration of the Performance Period, the number of Performance Shares that vest pursuant to the Agreement shall be 150% of the Performance Shares.

2. Determination of Comparison Group:

The "Comparison Group" used for purposes of this **Exhibit A** shall consist of the companies comprising the MSCI US REIT Index as of the date of this Agreement, which companies are listed on the attached **Schedule A-1**.

If a company in the Comparison Group experiences a bankruptcy event during the Performance Period, the company will remain in the Comparison Group and its stock price will continue to be tracked for purposes of the Total Shareholder Return calculation. If the company is subsequently acquired or goes private, the provisions below will apply. If the company liquidates, the company will remain in the Comparison Group and its Ending Stock Price will be reduced to zero.

If a company in the Comparison Group is acquired by another company in the Comparison Group, the acquired company will be removed from the Comparison Group and the surviving company will remain in the Comparison Group.

If a company in the Comparison Group is acquired by a company not in the Comparison Group, the acquired company will remain in the Comparison Group, and its Ending Stock Price

will be equal to the value per share of the consideration paid to the shareholders of the acquired company in the transaction. The surviving company in such transaction will not be added to the Comparison Group.

If a company in the Comparison Group ceases to be a public company due to a going private transaction, the company will remain in the Comparison Group, and its Ending Stock Price shall be equal to the value per share of the consideration paid to the shareholders of the target company in the transaction.

3. Calculation of Total Shareholder Return:

“Total Shareholder Return” for the Company and each company in the Comparison Group shall include dividends paid and shall be determined as follows:

$$\text{Total Shareholder Return} = \frac{\text{Change in Stock Price} + \text{Dividends Paid}}{\text{Beginning Stock Price}}$$

“Beginning Stock Price” shall mean the average closing sale price of one (1) share of common stock for the twenty (20) trading days immediately prior to the first day of the Performance Period, as reported by the New York Stock Exchange, such other national securities exchange on which the stock is traded or, if the stock is traded over-the-counter, the OTC Bulletin Board, Pink OTC Markets Inc. or other applicable reporting organization. The Beginning Stock Price shall be appropriately adjusted to reflect any stock splits, reverse stock splits or stock dividends during the Performance Period.

“Change in Stock Price” shall mean the difference between the Ending Stock Price and the Beginning Stock Price.

“Dividends Paid” shall mean the total of all cash and in-kind dividends paid on (1) share of stock during the Performance Period.

“Ending Stock Price” shall mean the average closing sale price of one (1) share of common stock for the twenty (20) trading days immediately prior to the last day of the Performance Period, except as otherwise provided under “Determination of Comparison Group” above. Such closing sale prices shall be as reported by the New York Stock Exchange, such other national securities exchange on which the stock is traded or, if the stock is traded over-the-counter, the OTC Bulletin Board, Pink OTC Markets Inc. or other applicable reporting organization.

“Performance Period” shall mean the period commencing on January 1, 2023 and ending on December 31, 2025.

4. Calculation of Percentile Rank:

Following the Total Shareholder Return determination for the Company and the companies in the Comparison Group, the “Company Rank” within the Comparison Group shall be determined by listing each company in the Comparison Group (including the Company) from the highest Total



Shareholder Return to lowest Total Shareholder Return and counting up to the Company from the company with the lowest Total Shareholder Return.

The Company’s “Percentile Rank” shall then be determined as follows:

$$\text{Percentile Rank for Comparison Group} = \frac{\text{Company Rank in Comparison Group}}{\text{Total Number of Companies in the Comparison Group Including the Company}}$$

In the event that the Company’s Total Shareholder Return for the Performance Period is equal to the Total Shareholder Return(s) of one or more other companies in the Comparison Group for that same period, the Company’s Total Shareholder Return Percentile Rank will be determined by ranking the Company’s Total Shareholder Return for that period as being greater than such other companies in the Comparison Group.

5. Calculation of Number of Vested Performance Shares:

The percent of Performance Shares that vest shall then be determined based on the following chart:

<u>Company’s Percentile Rank</u>	<u>Percent of Performance Shares to Vest</u>
67 <sup>th</sup> and above	150%
51 <sup>st</sup>	100%
34 <sup>th</sup>	50%
Below 34 <sup>th</sup>	0%

Interpolation shall be used to determine the percent of Performance Shares that vest in the event the Company’s Percentile Rank does not fall directly on one of the ranks listed in the above chart. Once the percent of Performance Shares to vest has been determined, the percent shall be multiplied by the number of Performance Shares awarded to determine the actual number of Performance Shares that vest, rounded to the next highest whole share. All Performance Shares that do not vest in accordance with this **Exhibit A** shall be automatically forfeited and canceled.

6. Absolute TSR Governor:

Notwithstanding anything set forth in Section 5 above, and regardless of the Company’s Percentile Rank, if the Company’s Total Shareholder Return for the Performance Period does not exceed 3% per annum, then the number of Performance Shares that vest pursuant to Section 5 shall not exceed 100% of the number of Performance Shares granted.



## SCHEDULE A-1

### Ticker Company Name

PLD Prologis Inc  
EQIX Equinix Inc  
PSA Public Storage  
O Realty Income Corp  
SPG Simon Property Group Inc  
WELL Welltower Inc  
VICI VICI Properties Inc  
DLR Digital Realty Trust Inc  
AVB AvalonBay Communities Inc  
ARE Alexandria Real Estate Equities Inc  
EQR Equity Residential  
EXR Extra Space Storage Inc  
VTR Ventas Inc  
MAA Mid-America Apartment Communities Inc  
INVH Invitation Homes Inc  
SUI Sun Communities Inc  
WPC WP Carey Inc  
IRM Iron Mountain Inc  
ESS Essex Property Trust Inc  
PEAK Healthpeak Properties Inc  
GLPI Gaming and Leisure Properties Inc  
KIM Kimco Realty Corp  
UDR UDR Inc  
HST Host Hotels & Resorts Inc  
ELS Equity LifeStyle Properties Inc  
CPT Camden Property Trust  
BXP Boston Properties Inc  
REG Regency Centers Corp  
AMH American Homes 4 Rent  
REXR Rexford Industrial Realty Inc  
CUBE CubeSmart  
STOR STORE Capital Corp  
NNN National Retail Properties Inc  
LSI Life Storage Inc  
COLD Americold Realty Trust Inc  
HR Healthcare Realty Trust Inc  
FRT Federal Realty Investment Trust  
MPW Medical Properties Trust Inc  
BRX Brixmor Property Group Inc  
OHI Omega Healthcare Investors Inc  
EGP EastGroup Properties Inc  
FR First Industrial Realty Trust Inc  
STAG STAG Industrial Inc  
ADC Agree Realty Corp

Schedule A-1

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SRC Spirit Realty Capital Inc  
AIRC Apartment Income REIT Corp  
KRG Kite Realty Group Trust  
TRNO Terreno Realty Corp  
RHP Ryman Hospitality Properties Inc  
KRC Kilroy Realty Corp  
CUZ Cousins Properties Inc  
PECO Phillips Edison & Co Inc  
IRT Independence Realty Trust Inc  
VNO Vornado Realty Trust  
APPLE Apple Hospitality REIT Inc  
DOC Physicians Realty Trust  
EPRT Essential Properties Realty Trust Inc  
NSA National Storage Affiliates Trust  
HIW Highwoods Properties Inc  
SBRA Sabra Health Care REIT Inc  
OFC Corporate Office Properties Trust  
LXP LXP Industrial Trust  
EQC Equity Commonwealth  
BNL Broadstone Net Lease Inc  
EPR EPR Properties  
IIPR Innovative Industrial Properties Inc  
DEI Douglas Emmett Inc  
SITC SITE Centers Corp  
PK Park Hotels & Resorts Inc  
MAC Macerich Co/The  
NHI National Health Investors Inc  
SLG SL Green Realty Corp  
FCPT Four Corners Property Trust Inc  
SHO Sunstone Hotel Investors Inc  
JBGS JBG SMITH Properties  
ROIC Retail Opportunity Investments Corp  
SKT Tanger Factory Outlet Centers Inc  
CTRE CareTrust REIT Inc  
RLJ RLJ Lodging Trust  
PEB Pebblebrook Hotel Trust  
DRH DiamondRock Hospitality Co  
UE Urban Edge Properties  
IVT InvenTrust Properties Corp  
ELME Elme Communities  
XHR Xenia Hotels & Resorts Inc  
LTC LTC Properties Inc  
AKR Acadia Realty Trust  
ALEX Alexander & Baldwin Inc  
AAT American Assets Trust Inc  
GTY Getty Realty Corp

HPP Hudson Pacific Properties Inc  
GNL Global Net Lease Inc  
DEA Easterly Government Properties Inc  
VRE Veris Residential Inc  
SVC Service Properties Trust  
PDM Piedmont Office Realty Trust Inc  
AIV Apartment Investment and Management Co  
BDN Brandywine Realty Trust  
PGRE Paramount Group Inc  
NXRT NexPoint Residential Trust Inc  
NTST NETSTREIT Corp  
ESRT Empire State Realty Trust Inc  
CSR Centerspace  
CHCT Community Healthcare Trust Inc  
RPT RPT Realty  
UMH UMH Properties Inc  
RTL Necessity Retail REIT Inc/The  
AHH Armada Hoffler Properties Inc  
PLYM Plymouth Industrial REIT Inc  
INN Summit Hotel Properties Inc  
GOOD Gladstone Commercial Corp  
SAFE Safehold Inc  
OPI Office Properties Income Trust  
STAR iStar Inc  
FPI Farmland Partners Inc  
UHT Universal Health Realty Income Trust  
LAND Gladstone Land Corp  
GMRE Global Medical REIT Inc  
BFS Saul Centers Inc  
UBA Urstadt Biddle Properties Inc  
CLDT Chatham Lodging Trust  
ALX Alexander's Inc  
ONL Orion Office REIT Inc  
WSR Whitestone REIT  
OLP One Liberty Properties Inc  
CIO City Office REIT Inc  
CBL CBL & Associates Properties Inc  
INDT Indus Realty Trust Inc  
ILPT Industrial Logistics Properties Trust

Schedule A-1

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## CERTIFICATIONS

I, John P. Albright, certify that:

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

Date: April 27, 2023

By: /s/ John P. Albright  
John P. Albright  
President and Chief Executive Officer  
(Principal Executive Officer)

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## CERTIFICATIONS

I, Matthew M. Partridge, certify that:

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

Date: April 27, 2023

By: /s/ Matthew M. Partridge  
Matthew M. Partridge, Senior Vice President and  
Chief Financial Officer and Treasurer  
(Principal Financial Officer)

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**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 CTO Realty Growth, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John P. Albright, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) 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.

Date: April 27, 2023

By: /s/ John P. Albright  
John P. Albright  
President and Chief Executive Officer  
(Principal Executive Officer)

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**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 CTO Realty Growth, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew M. Partridge, Senior Vice President, Chief Financial Officer, and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) 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.

Date: April 27, 2023

By: /s/ Matthew M. Partridge  
Matthew M. Partridge, Senior Vice President and  
Chief Financial Officer and Treasurer  
(Principal Financial Officer)

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