

Section 1: 8-K (8-K)

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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): June 21, 2019

HIGHLANDS REIT, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland
(State or Other Jurisdiction
of Incorporation)

000-55580
(Commission
File Number)

81-0862795
(IRS Employer
Identification No.)

**332 S Michigan Avenue, Ninth Floor
Chicago, IL 60604**
(Address of Principal Executive Offices)

(312) 583-7990
(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock	N/A	N/A

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR

§230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

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.

ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

As previously reported in our Current Report on Form 8-K filed on February, 13, 2019, and in our Quarterly Report on Form 10-Q filed on May 10, 2019, Highlands REIT, Inc. (the “Company”), through MB Lincoln Mall, L.L.C. (the “Seller”), a wholly-owned subsidiary of the Company, entered into an Agreement of Purchase and Sale (as amended, the “Agreement”) with Lincoln Mall Owner LLC, a Delaware limited liability company (the “Purchaser”), an unaffiliated third party buyer and an affiliate of Acadia Strategic Opportunity Fund V LLC, pursuant to which the Seller agreed to sell a 456,666 square-foot retail property located in Lincoln, Rhode Island commonly known as the “Lincoln Center” for a gross sale price of \$55.8 million (the “Sale”), subject to certain pro-rations and other adjustments as described in the Agreement. As of March 31, 2019, our accounting basis of the real estate assets (net of accumulated depreciation and amortization) for the Lincoln Center was approximately \$45.0 million.

On June 21, 2019, the Seller and the Purchaser consummated the Sale, which resulted in net cash proceeds to the Company of approximately \$52.6 million after closing costs, pro-rations and other adjustments as described in the Agreement.

The Agreement was filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 10, 2019. The foregoing description of the Agreement does not purport to be complete and is qualified in its entirety by the full text of the Agreement.

In connection with the consummation of the Sale, the Company is filing herewith certain pro forma financial information related to the disposition of the Lincoln Center, which is attached hereto as Exhibit 99.1.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(b) Exhibits

[99.1](#) Pro forma financial information.

Intangible liabilities, net	2,890	(1,951)	939
Other liabilities	2,020	9,869 (d)	11,889
Total liabilities	87,664	\$ 7,072	\$ 94,736
Stockholders' Equity			
Common stock, \$0.01 par value, 1,000,000,000 shares authorized, 875,589,393 shares issued and outstanding as of March 31, 2019	8,756	—	8,756
Additional paid in capital	1,408,828	—	1,408,828
Accumulated distributions in excess of net income	(1,132,574)	(1,900) (d)	(1,134,474)
Total stockholders' equity	285,010	(1,900)	283,110
Total liabilities and stockholders' equity	\$ 372,674	\$ 5,172	\$ 377,846

HIGHLANDS REIT, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2019

(Amounts in thousands, except share and per share amounts)

The following unaudited pro forma condensed consolidated statement of operations for the three months ended March 31, 2019 is presented assuming the disposition of Lincoln Center had occurred as of January 1, 2018. This unaudited pro forma condensed consolidated statement of operations should be read in conjunction with our unaudited pro forma condensed consolidated balance sheet appearing herein and our historical financial statements and notes thereto as filed in our quarterly report on Form 10-Q for the three months ended March 31, 2019. This unaudited pro forma condensed consolidated statement of operations is not necessarily indicative of what the actual results of operations would have been had we completed this transaction on January 1, 2018, nor does it purport to represent our future operations.

	<u>Highlands REIT Historical (aa)</u>	<u>Adjustments for the disposition of Lincoln Center (bb)</u>	<u>Pro Forma Total</u>
Revenues			
Rental income	\$ 10,141	\$ (2,238)	\$ 7,903
Other property income	116	5	121
Total revenues	<u>\$ 10,257</u>	<u>\$ (2,233)</u>	<u>\$ 8,024</u>
Expenses			
Property operating expenses	1,904	(726)	1,178
Real estate taxes	1,306	(295)	1,011
Depreciation and amortization	2,730	(586)	2,144
General and administrative expenses	4,383	—	4,383
Total expenses	<u>\$ 10,323</u>	<u>\$ (1,607)</u>	<u>\$ 8,716</u>
Loss from operations	(66)	(626)	(692)
Interest income	369	—	369
Interest expense	(758)	—	(758)
Net loss	<u>\$ (455)</u>	<u>\$ (626)</u>	<u>\$ (1,081)</u>
Net loss per common share, basic and diluted	<u>\$ 0.00</u>	<u>\$ 0.00 (cc)</u>	<u>\$ 0.00</u>
Weighted average number of common shares outstanding, basic and diluted	873,379,003		873,379,003

HIGHLANDS REIT, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2018

(Amounts in thousands, except share and per share amounts)

The following unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2018 is presented assuming the disposition of Lincoln Center had occurred as of January 1, 2018. This unaudited pro forma condensed consolidated statement of operations should be read in conjunction with our unaudited pro forma condensed consolidated balance sheet appearing herein and our historical financial statements and notes thereto as filed in our annual report on Form 10-K for the year ended December 31, 2018. This unaudited pro forma condensed consolidated statement of operations is not necessarily indicative of what the actual results of operations would have been had we completed this transaction on January 1, 2018, nor does it purport to represent our future operations.

	<u>Highlands REIT Historical (aa)</u>	<u>Adjustments for the disposition of Lincoln Center (bb)</u>	<u>Pro Forma Total</u>
Revenues			
Rental income	\$ 34,966	\$ (5,407)	\$ 29,559
Tenant recovery income	7,795	(3,474)	4,321
Other property income	748	(30)	718
Total revenues	<u>\$ 43,509</u>	<u>\$ (8,911)</u>	<u>\$ 34,598</u>
Expenses			
Property operating expenses	8,892	(3,097)	5,795
Real estate taxes	5,028	(1,150)	3,878
Depreciation and amortization	12,178	(2,294)	9,884
General and administrative expenses	12,603	—	12,603
Provision for asset impairment	4,667	—	4,667
Total expenses	<u>\$ 43,368</u>	<u>\$ (6,541)</u>	<u>\$ 36,827</u>
Gain on sale of investment properties	27,863	—	27,863
Income from operations	<u>\$ 28,004</u>	<u>\$ (2,370)</u>	<u>\$ 25,634</u>
Interest income	497	—	497
Loss on extinguishment of debt	(1,199)	—	(1,199)
Other income	30	—	30
Interest expense	(2,559)	—	(2,559)
Income before income taxes	<u>\$ 24,773</u>	<u>\$ (2,370)</u>	<u>\$ 22,403</u>
Income tax benefit	155	—	155
Net income	<u>\$ 24,928</u>	<u>\$ (2,370)</u>	<u>\$ 22,558</u>
Net income per common share, basic and diluted	<u>\$ 0.03</u>	<u>\$ 0.00 (cc)</u>	<u>\$ 0.03</u>
Weighted average number of common shares outstanding, basic and diluted	871,177,934		871,177,934

HIGHLANDS REIT, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Balance sheet adjustments

- (a) Represents the historical condensed consolidated balance sheet as of March 31, 2019.
- (b) Reflects the elimination of the assets and liabilities of the Property as of March 31, 2019.
- (c) Reflects receipt of cash consideration at the closing of the disposition.
- (d) Reflects the change in net assets arising from the disposition of the property, net of any estimated gain on disposition. This change has not been reflected in the pro forma condensed consolidated statements of operations because it is considered to be non-recurring in nature. No adjustment has been made to the sale proceeds to give effect to any potential post-closing adjustments under the terms of the agreement.

2. Income statement adjustments

- (aa) Reflects the Company's historical condensed consolidated statement of operations for the three-month period ended March 31, 2019 and for the year ended December 31, 2018.
- (bb) The pro forma adjustments reflect the disposition of the Property for the three-month period ended March 31, 2019 and for the year ended December 31, 2018 as if the Property was disposed of on January 1, 2018.
- (cc) Pro forma income per share attributable to common shareholders basic and diluted is calculated by dividing pro forma condensed consolidated net income allocable to common stockholders by the number of weighted average shares of common stock outstanding for the three-month period ended March 31, 2019 and for the year ended December 31, 2018.