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**Section 1: 8-K/A (8-K/A)**

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

**FORM 8-K/A**

(Amendment No. 1)

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

**Date of Report (Date of earliest event reported): October 30, 2019 (October 24, 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: None.

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

<b>Title of each class</b>	<b>Trading Symbol</b>	<b>Name of each exchange on which registered</b>
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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.

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## Explanatory Note

On October 24, 2019, Highlands REIT, Inc. (the “Company”) through The Muse Owner, LLC (the “Purchaser”), a wholly owned subsidiary of the Company, completed the purchase (the “Acquisition”) of certain real property and improvements located at 2270 South University Boulevard, Denver, Colorado (“The Muse”), pursuant to the terms and conditions of the Purchase and Sale Agreement, dated as of September 26, 2019, by and between Hill University Partners Owner, LLC and the Purchaser.

On October 30, 2019, the Company filed a Current Report on Form 8-K regarding the Acquisition (the “Original Form 8-K”) and stated that the financial statements required under Item 9.01 of Form 8-K would be filed no later than 71 days after the date on which the Original Form 8-K was required to be filed. This Current Report on Form 8-K amends Items 9.01(a) and 9.01(b) of the Original Form 8-K and contains the required financial statements relating to the Acquisition.

### Item 9.01 Financial Statements and Exhibits

These financial statements and exhibits are being filed solely to provide the required statements of revenues and certain operating expenses under Rule 8-06 of Regulation S-X with respect to the Acquisition. Additionally, this report presents the required pro forma financial information reflecting the impact of the Acquisition on the Company. The Company qualifies as a real estate investment trust for federal income tax purposes and as such, the estimated taxable operations results are excluded from this report.

Pursuant to a letter dated December 20, 2019 (the “Relief Letter”), the Company has obtained relief from the Staff of the Securities and Exchange Commission, pursuant to its authority under Note 5 of Rule 8-01 of Regulation S-X, from the requirements of Rule 8-06 of Regulation of S-X to provide certain audited historical financial statements that would otherwise be required in connection with its acquisition of The Muse. In accordance with the Relief Letter, the Company has substituted unaudited statements of revenues and certain operating expenses for the year ended December 31, 2018 in lieu of the audited statements of revenues and certain operating expenses for the year ended December 31, 2018 required by Rule 8-06 of Regulation S-X.

The Company’s results with respect to the Acquisition may be materially different from those expressed in this report due to various factors, including but not limited to those discussed under Item 1A. Risk Factors in our annual report on Form 10-K for the year ended December 31, 2018.

#### *(a) Financial Statements of Real Estate Acquired*

The following Unaudited Statements of Revenues and Certain Operating Expenses for The Muse are set forth in Exhibit 99.1, which is incorporated herein by reference.

- Unaudited Statements of Revenues and Certain Operating Expenses for The Muse for the six months ended June 30, 2019 and year ended December 31, 2018.

#### *(b) Pro Forma Financial Information*

The following unaudited pro forma financial statements are set forth in Exhibit 99.2, which is incorporated herein by reference.

- Unaudited pro forma condensed consolidated balance sheet as of June 30, 2019
- Unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2019 and
- Unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2018.

#### *(d) Exhibits*

[99.1](#) Unaudited Statements of Revenues and Certain Operating Expenses for The Muse for the six months ended June 30, 2019 and year ended December 31, 2018

[99.2](#) Unaudited Pro Forma Condensed Consolidated Financial Statements for the Company

## SIGNATURE

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 hereunto duly authorized.

Signature

Date

/s/ Richard Vance

January 9, 2020

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Name: Richard Vance

Title: President and Chief Executive Officer (Principal Executive Officer)

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## Section 2: EX-99.1 (EXHIBIT 99.1)

**Exhibit 99.1**

THE MUSE

FINANCIAL STATEMENTS

Six Months Ended June 30, 2019 (unaudited) and  
Year Ended December 31, 2018 (unaudited)



**The Muse**

**Unaudited Statements of Revenues and Certain Operating Expenses for the Six Months Ended June 30, 2019 and for the Year Ended December 31, 2018**

*(in thousands)*

	<b>Six Months Ended June 30, 2019</b>	<b>Year Ended December 31, 2018</b>
<b>Revenues</b>		
Rental income	\$ 1,261	\$ 978
Other income	128	92
Total revenues	1,389	1,070
<b>Certain operating expenses</b>		
Property operating expenses	349	723
Real estate taxes	82	164
Total certain operating expenses	431	887
Revenues in excess of certain operating expenses	\$ 958	\$ 183

See accompanying notes to the statements of revenues and certain operating expenses

## The Muse

### Notes to Unaudited Statements of Revenues and Certain Operating Expenses for the Six Months Ended June 30, 2019 and for the Year Ended December 31, 2018

(Dollar amounts stated in thousands)

#### 1. Organization

On October 24, 2019, Highlands REIT, Inc. (the “Company”), through The Muse Owner, LLC (the “Purchaser”), a wholly-owned subsidiary of the Company, completed the purchase of certain real property and improvements located at 2270 South University Boulevard, Denver, Colorado (the “Property”) for a gross purchase price of \$48.7 million, exclusive of closing costs. The property consists of a five-story building with a total of 120 units and an underground parking garage with 137 spaces. The property was completed in early 2018 and has gross leasable area of approximately 104,000 square feet.

#### 2. Basis of Presentation

The unaudited statements of revenue and certain operating expenses (“the Statements”) have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (the “SEC”) and with the provisions of SEC Rule 8-06 of Regulation S-X, which requires certain information with respect to real estate operations to be included with certain filings with the SEC.

In accordance with a request for relief granted by the SEC, the Company has substituted unaudited statements of revenues and certain operating expenses for the year ended December 31, 2018 for the audited statements of revenues and certain operating expenses for the year ended December 31, 2018 required by Rule 8-06 of Regulation S-X.

The Statements are not intended to be a complete presentation of the revenues and expenses for the Property. The Statements exclude certain expenses such as interest, depreciation and amortization, non-recurring professional fees, corporate expenses, and other revenues and expenses not directly related or comparable to, or expected to be incurred in, the future operations of the Property.

The revenues and operating expenses for the year ended December 31, 2018 are not indicative of future operating results because construction and leasing of the Property was not complete until 2019. Development of this property was completed during 2018 and the certificate of occupancy was granted on June 4, 2018. Total revenues and economic occupancy for selected months was as follows:

	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019
Total revenues	\$ 66	\$ 170	\$ 208	\$ 232	\$ 235
Occupancy	24.3%	62.5%	76.5%	85.3%	86.4%

The Company is not aware of any other material factors relating to the Property that would cause this financial information not to be indicative of future operating results.

#### 3. Summary of Significant Accounting Policies

##### Revenue Recognition

The Property leases its operating property to tenants under one-year agreements that are classified as operating leases. The Property recognizes the lease payments provided for under the leases over the lease term. In addition to lease payments, tenants are subject to leases whereby the tenant is responsible for fixed minimum lease payments to the Property, as well as directly paying certain costs and expenses associated with occupancy to third party service providers. Such direct payments to third parties are not recorded as revenue and expense by the Property. In addition, other income includes lease cancellation fees, parking and other lease income.

## **The Muse**

### **Notes to Unaudited Statements of Revenues and Certain Operating Expenses for the Six Months Ended June 30, 2019 and for the Year Ended December 31, 2018**

*(Dollar amounts stated in thousands)*

#### *Expense Recognition*

Property operating expenses represent the direct expenses of operating the Property and include repairs and maintenance, insurance, and other property expenses that are expected to continue in the ongoing operations of the Property. Expenditures for maintenance and repairs are charged to operations as incurred.

#### *Use of Estimates*

The preparation of the Statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues and certain expenses during the reporting periods presented. The estimates, judgments and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from those estimates under different assumptions and conditions.

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## **Section 3: EX-99.2 (EXHIBIT 99.2)**

**Exhibit 99.2**

### **Highlands REIT, Inc.**

#### **Pro Forma Condensed Consolidated Financial Statements**

The following unaudited pro forma condensed consolidated financial statements have been prepared to comply with Rule 8-05 of Regulation S-X, as promulgated by the SEC. These unaudited pro forma condensed consolidated financial statements of the Company have been prepared from the condensed consolidated financial statements and notes thereto presented in the Company’s Quarterly Report on Form 10-Q for the six months ended June 30, 2019 (the “Second Quarter Form 10-Q”)

and Annual Report on Form 10-K for the year ended December 31, 2018, (the “2018 Form 10-K”) and should therefore be read in conjunction with the Second Quarter Form 10-Q and the 2018 Form 10-K. These unaudited pro forma condensed consolidated financial statements are presented as if the Acquisition (as defined below) was completed, along with the pro forma adjustments associated with the Acquisition, as of June 30, 2019 for purposes of the unaudited pro forma condensed consolidated balance sheet, and as of January 1, 2018 for purposes of the unaudited pro forma condensed consolidated statement of operations. Our pro forma condensed consolidated financial statements are presented for informational purposes only and are based on information and assumptions we consider appropriate and reasonable, and do not purport to (i) represent our financial position had the Acquisition reflected in these unaudited pro forma condensed consolidated financial statements occurred on June 30, 2019, (ii) represent the results of our operations had the Acquisition and other adjustments described in these unaudited pro forma condensed consolidated financial statements occurred on January 1, 2018 or (iii) project or forecast our financial position or results of operations as of any future date or for any future period, as applicable. The unaudited pro forma condensed consolidated financial statements include all adjustments that are normal and recurring in management’s opinion.

#### **Asset Acquisition**

On October 24, 2019, Highlands REIT, Inc. (the “Company”) through The Muse Owner, LLC, a wholly-owned subsidiary of the Company, completed the purchase of The Muse (the “Acquisition”), a 104,000 square foot multi-family asset located at 2270 South University Boulevard, Denver, Colorado (the “Property”) for a gross purchase price of \$48.7 million, exclusive of closing costs, which was funded through cash on hand. The seller is not affiliated with the Company.

**Highlands REIT, Inc.****Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2019***(Unaudited, in thousands except share amounts)*

	Highlands REIT, Inc. Historical (a)	The Muse (b)	Pro Forma Total
<b>Assets</b>			
Investment properties			
Land	\$ 73,279	\$ 5,303 (c)	\$ 78,582
Building and other improvements	223,972	42,809 (c)	266,781
Construction in progress	51	—	51
Total	297,302	48,112	345,414
Less accumulated depreciation	(51,550)	—	(51,550)
Net investment properties	245,752	48,112	293,864
Cash and cash equivalents	122,751	(48,803) (d)	73,948
Restricted cash and escrows	2,572	—	2,572
Accounts and rents receivable	5,121	—	5,121
Intangible assets, net	669	691 (c)	1,360
Deferred costs and other assets, net	4,498	—	4,498
Total assets	\$ 381,363	\$ —	\$ 381,363
<b>Liabilities</b>			
Debt, net	\$ 74,795	\$ —	\$ 74,795
Accounts payable and accrued expenses	8,996	—	8,996
Intangible liabilities, net	902	—	902
Other liabilities	2,039	—	2,039
Total liabilities	86,732	—	86,732
Commitments and contingencies			
<b>Stockholders' Equity</b>			
Common stock, \$0.01 par value, 1,000,000,000 shares authorized, 875,875,109 shares issued and outstanding as of June 30, 2019	8,759	—	8,759
Additional paid-in capital	1,408,925	—	1,408,925
Accumulated distributions in excess of net income	(1,123,053)	—	(1,123,053)
Total stockholders' equity	294,631	—	294,631
Total liabilities and stockholders' equity	\$ 381,363	\$ —	\$ 381,363

**Highlands REIT, Inc.**

**Notes to Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2019**

*(Unaudited, in thousands)*

- (a) Historical unaudited financial information obtained from Highlands REIT, Inc. Quarterly Report on Form 10-Q for the six months ended June 30, 2019.
- (b) The Company records the assets acquired related to the Acquisition at the relative fair values in accordance with Accounting Standards Codification Section 805, *Business Combinations* (as disclosed in the Company's Annual Report on Form 10-K), as if the Acquisition was completed on June 30, 2019. The Property qualified as an asset acquisition.
- (c) The following table summarizes the estimated fair value of the property's assets acquired:

Land	\$	5,302
Buildings and other improvements (i)		42,810
Total investment property		48,112
Intangible assets (ii)		691
Total fair value of assets acquired	\$	48,803

(i) Building and other improvements include capitalized transaction costs of \$103.

(ii) Intangible assets, include in-place leases.

- (d) Reflects the gross purchase price and acquisition costs before prorations and adjustments for the Acquisition.

Highlands REIT, Inc.

Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2018

(Unaudited, in thousands, except share and per share data)

	Highlands REIT, Inc. Historical (a)	The Muse	Pro Forma Adjustments	Highlands REIT, Inc. Pro Forma
<b>Revenues</b>				
Rental income	\$ 42,761	\$ 978	(b) \$ —	\$ 43,739
Other property income	748	92	(b) —	840
Total revenues	\$ 43,509	\$ 1,070	\$ —	\$ 44,579
<b>Expenses</b>				
Property operating expenses	8,892	723	(b) —	9,615
Real estate taxes	5,028	164	(b) —	5,192
Depreciation and amortization	12,178	—	2,134	(c) 14,312
General and administrative expenses	12,603	—	—	12,603
Provision for asset impairment	4,667	—	—	4,667
Total expenses	\$ 43,368	\$ 887	\$ 2,134	\$ 46,389
Gain on sale of investment properties	27,863	—	—	27,863
Income from operations	\$ 28,004	\$ 183	\$ (2,134)	\$ 26,053
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	\$ 24,773	\$ 183	\$ (2,134)	\$ 22,822
Income tax benefit	155	—	—	155
Net income	\$ 24,928	\$ 183	\$ (2,134)	\$ 22,977
Net income per common share, basic and diluted	\$ 0.03			\$ 0.03
Weighted average number of common shares outstanding, basic and diluted	871,177,934			871,177,934

**Highlands REIT, Inc.**

**Notes to Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2018**

*(Unaudited, in thousands, except share and per share data)*

- (a) Historical financial information obtained from the Highlands REIT, Inc. Annual Report on Form 10-K for the year ended December 31, 2018.
- (b) Reflects the operating results attributable to the Property for the year ended December 31, 2018.
- (c) Reflects depreciation and amortization expense on the Property during the year ended December 31, 2018. The Company records depreciation and amortization on a straight-line basis over the estimated useful lives of 30 years for building and improvements, 5-15 years for furniture, fixtures and equipment and site improvements and one year for the in-place leases (intangible assets).

The following table details the depreciation and amortization expense for the year ended December 31, 2018:

Depreciation expense	\$	1,443
Amortization expense		691
Total	\$	<u>2,134</u>

Highlands REIT, Inc.

Pro Forma Condensed Consolidated Statement of Operations for the six months ended June 30, 2019

(Unaudited, in thousands, except share and per share data)

	Highlands REIT, Inc. Historical (a)	The Muse	Pro Forma Adjustments	Highlands REIT, Inc. Pro Forma
<b>Revenues</b>				
Rental income	\$ 20,439	\$ 1,261 (b)	\$ —	\$ 21,700
Other property income	220	128 (b)	—	348
Total revenues	<u>\$ 20,659</u>	<u>\$ 1,389</u>	<u>\$ —</u>	<u>\$ 22,048</u>
<b>Expenses</b>				
Property operating expenses	3,889	349 (b)	—	4,238
Real estate taxes	2,623	82 (b)	—	2,705
Depreciation and amortization	5,459	—	721 (c)	6,180
General and administrative expenses	7,465	—	—	7,465
Total expenses	<u>19,436</u>	<u>431</u>	<u>721</u>	<u>20,588</u>
Gain on sale of investment properties, net	8,841	—	—	8,841
Income from operations	<u>\$ 10,064</u>	<u>\$ 958</u>	<u>\$ (721)</u>	<u>\$ 10,301</u>
Interest income	767	—	—	767
Interest expense	(1,765)	—	—	(1,765)
Net income	<u>\$ 9,066</u>	<u>\$ 958</u>	<u>\$ (721)</u>	<u>\$ 9,303</u>
Net income per common share, basic and diluted	<u>\$ 0.01</u>			<u>\$ 0.01</u>
Weighted average number of common shares outstanding, basic and diluted	874,573,967			874,573,967

**Highlands REIT, Inc.**

**Notes to Pro Forma Condensed Consolidated Statement of Operations for the six months ended June 30, 2019**

*(Unaudited, in thousands, except share and per share data)*

- (a) Historical financial information obtained from Highlands REIT, Inc. Quarterly Report on Form 10-Q for the six months ended June 30, 2019.
- (b) Reflects the operating results attributable to the Property for the period January 1, 2019 through June 30, 2019, which were the periods prior to the Company's acquisition of the Property.
- (c) Reflects depreciation and amortization expense on the Property for the period January 1, 2019 through June 30, 2019. The Company records depreciation and amortization on a straight-line basis. The Company records depreciation and amortization on a straight-line basis over the estimated useful lives of 30 years for building and improvements, 5-15 years for furniture, fixtures, equipment and site improvements and one year for the in-place leases (intangible assets).

The following table details the depreciation and amortization expense for the six months ended June 30, 2019 which assumes the intangible assets were fully amortized as of December 31, 2018:

Depreciation and amortization expense	\$	721
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