UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

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 000-55580

HIGHLANDS REIT, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**81-0862795**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
332 S Michigan Avenue, Ninth Floor Chicago, Illinois	**60604**
(Address of Principal Executive Offices)	**(Zip Code)**

(312) 583-7990
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
☐	☐	☑	☐
		(Do not check if a smaller reporting company)	

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

As of May 6, 2016 there were 863,780,125 shares of the registrant's common stock outstanding.

TABLE OF CONTENTS

HIGHLANDS REIT, INC. AND ITS PREDECESSORS

Condensed Combined Consolidated Balance Sheets

As of March 31, 2016 and December 31, 2015
(Dollar amounts in thousands)

	March 31, 2016 (unaudited)	December 31, 2015
Assets		
Investment properties		
Land	$ 138,665	$ 153,646
Building and other improvements	637,910	711,262
Total	776,575	864,908
Less accumulated depreciation	(170,987)	(185,100)
Net investment properties	605,588	679,808
Cash and cash equivalents	17,881	26,972
Restricted cash and escrows	5,682	3,647
Accounts and rents receivable (net of allowance of $126 and $104)	11,864	12,554
Intangible assets, net	10,423	12,547
Deferred costs and other assets	3,251	3,626
Total assets	$ 654,689	$ 739,154
Liabilities		
Debt, net	$ 432,223	$ 437,032
Accounts payable and accrued expenses	26,153	28,298
Intangible liabilities, net	4,543	5,074
Other liabilities	2,213	1,897
Total liabilities	$ 465,132	$ 472,301
Commitments and contingencies		
Stockholder's Equity		
Common stock, $0.01 par value	—	—
Capital	1,452,414	1,534,018
Accumulated distributions in excess of net income (loss)	(1,262,857)	(1,267,165)
Total stockholders' equity	189,557	266,853
Total liabilities and equity	$ 654,689	$ 739,154

See accompanying notes to the condensed combined consolidated financial statements

HIGHLANDS REIT, INC. AND ITS PREDECESSORS

Condensed Combined Consolidated Statements of Operations
(Dollar amounts in thousands)

For the three months ended March 31, 2016 and 2015
(unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenues		
Rental income	$ 23,425	$ 24,407
Tenant recovery income	2,951	4,403
Other property income	221	157
Total revenues	$ 26,597	$ 28,967
Expenses		
Property operating expenses	2,203	3,238
Real estate taxes	2,425	2,908
Depreciation and amortization	8,233	9,257
General and administrative expenses	2,877	3,123
Total expenses	$ 15,738	$ 18,526
Operating income	$ 10,859	$ 10,441
Other (loss) income	(2)	10
Interest expense	(6,545)	(7,017)
Income before income taxes	$ 4,312	$ 3,434
Income tax expense	(4)	(7)
Net income	$ 4,308	$ 3,427
Less: Net income attributable to non-controlling interests	—	(8)
Net income attributable to Company	$ 4,308	$ 3,419

See accompanying notes to the condensed combined consolidated financial statements.

HIGHLANDS REIT, INC. AND ITS PREDECESSORS

Condensed Combined Consolidated Statements of Equity
(Dollar amounts in thousands)

For the three months ended March 31, 2016 and 2015
(unaudited)

	Capital	Accumulated Distributions in Excess of Net Income (Loss)	Non-Controlling Interests	Total
Balance at January 1, 2016	$ 1,534,018	$ (1,267,165)	$ —	$ 266,853
Net income	—	4,308	—	4,308
Distributions to InvenTrust	(86,365)	—	—	(86,365)
Contributions from InvenTrust	4,761	—	—	4,761
Balance at March 31, 2016	$ 1,452,414	$ (1,262,857)	$ —	$ 189,557

	Capital	Accumulated Distributions in Excess of Net Income (Loss)	Non-Controlling Interests	Total
Balance at January 1, 2015	$ 1,593,858	$ (1,276,875)	$ 125	$ 317,108
Net income	—	3,419	8	3,427
Distributions to non-controlling interests	—	—	(8)	(8)
Distributions to InvenTrust	(79,985)	—	—	(79,985)
Contributions from InvenTrust	51,013	—	—	51,013
Balance at March 31, 2015	$ 1,564,886	$ (1,273,456)	$ 125	$ 291,555

See accompanying notes to the condensed combined consolidated financial statements.

HIGHLANDS REIT, INC. AND ITS PREDECESSORS

Condensed Combined Consolidated Statements of Cash Flow
(Dollar amounts in thousands)

For the three months ended March 31, 2016 and 2015
(unaudited)

	Three months ended March 31, 2016	2015
Cash flows from operating activities:		
Net income	$ 4,308	$ 3,427
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,241	9,262
Amortization of above and below market leases, net	(121)	(92)
Amortization of debt discounts and financing costs	54	57
Straight-line rental income	858	674
Changes in assets and liabilities:		
Accounts and rents receivable	(525)	(1,283)
Deferred costs and other assets	(1,581)	302
Accounts payable and accrued expenses	(344)	(986)
Other liabilities	721	29
Net cash flows provided by operating activities	$ 11,611	$ 11,390
Cash flows from investing activities:		
Capital expenditures and tenant improvements	(31)	(445)
Payment of leasing fees	(44)	(223)
Restricted escrows and other assets	(807)	258
Net cash flows used in investing activities	$ (882)	$ (410)
Cash flows from financing activities:		
Distributions to InvenTrust	(19,718)	(25,419)
Contributions from InvenTrust	20,195	25,327
Payoff of note payable	(15,062)	—
Principal payments of mortgage debt	(5,235)	(5,169)
Distributions paid to non-controlling interests	—	(8)
Net cash flows used in financing activities	$ (19,820)	$ (5,269)
Net (decrease) increase in cash and cash equivalents	(9,091)	5,711
Cash and cash equivalents, at beginning of period	26,972	10,291
Cash and cash equivalents, at end of period	$ 17,881	$ 16,002

See accompanying notes to the condensed combined consolidated financial statements.

HIGHLANDS REIT, INC. AND ITS PREDECESSORS

Condensed Combined Consolidated Statements of Cash Flow
(Dollar amounts in thousands)

For the three months ended March 31, 2016 and 2015
(unaudited)

	Three Months Ended March 31,	
	2016	2015
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 7,125	$ 6,126
Supplemental schedule of non-cash investing and financing activities:		
Allocation from InvenTrust unsecured credit facility	$ 15,434	$ (25,686)
Distribution of assets and liabilities of four and three assets, respectively, to InvenTrust, net	$ 66,647	$ 54,566

See accompanying notes to the condensed combined consolidated financial statements.

HIGHLANDS REIT, INC. AND ITS PREDECESSORS

Notes to Condensed Combined Consolidated Financial Statements (unaudited)
(Dollar amounts stated in thousands)
March 31, 2016

The accompanying Condensed Combined Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. Readers of this Quarterly Report should refer to the audited Combined Consolidated financial statements of Highlands REIT, Inc. (the "Company") for the year ended December 31, 2015, which are included in the Company's Registration Statement on Form 10, as amended, as filed with the Securities and Exchange Commission on April 13, 2016, as certain note disclosures contained in such audited consolidated financial statements have been omitted from this Report. In the opinion of management, all adjustments (consisting of normal recurring accruals, except as otherwise noted) necessary for a fair presentation have been included in these financial statements.

1. Organization

Inland American Real Estate Trust, Inc., which on April 16, 2015 changed its name to InvenTrust Properties Corp. ("InvenTrust"), was formed on October 4, 2004 to acquire and manage a diversified portfolio of commercial real estate, primarily retail assets and multi-family (both conventional and student housing), as well as office, industrial and lodging assets, located in the United States.

On April 28, 2016, Highlands REIT, Inc., a Maryland corporation ("Highlands") was spun-off from InvenTrust, its former parent, through a pro rata distribution by InvenTrust of 100% of the outstanding shares of common stock, $0.01 par value per share (the "Common Stock"), of Highlands to holders of record of InvenTrust's common stock as of the close of business on April 25, 2016 (the "Record Date"). Each holder of record of InvenTrust's common stock received one share of Common Stock for every one share of InvenTrust's common stock held at the close of business on the Record Date (the "Distribution"). As a result, Highlands became an independent, self-advised, non-traded company. Highlands intends to be taxed as, and operate in a manner that will allow the Company to qualify as a real estate investment trust ("REIT") for U.S. federal income tax purposes commencing with our short taxable year ending December 31, 2016.

Prior to the Distribution, Highlands had not conducted any business as a separate company and, prior to reorganization transactions completed prior to and in connection with the Distribution, had no material assets or liabilities. The operations transferred to Highlands by InvenTrust are presented as if the transferred business was Highlands' business for all historical periods presented in the accompanying condensed combined consolidated financial statements and at the carrying value of such assets and liabilities reflected in InvenTrust's books and records.

The accompanying condensed combined consolidated financial statements include the accounts of Highlands' predecessors (collectively, the "Company"), as well as all wholly owned subsidiaries. Wholly owned subsidiaries generally consist of limited liability companies (LLCs) and limited partnerships (LPs). The effects of all significant intercompany transactions have been eliminated.

Each asset is owned by a separate legal entity, which maintains its own books and financial records, and each entity's assets are not available to satisfy the liabilities of other affiliated entities, except as otherwise disclosed in Debt Note 5.

As of March 31, 2016, the Company owned 18 assets and four parcels of unimproved land, for which the operating activity is reflected on the condensed combined consolidated statements of operations for the three months ended March 31, 2016 and 2015. As of December 31, 2015, the Company owned 22 assets and four parcels of land.

2. Summary of Significant Accounting Policies

The accompanying condensed combined consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and require 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 condensed combined consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Management believes that the disclosures are adequate to make the information presented not misleading, and all normal and recurring adjustments necessary to present fairly the financial position as of March 31, 2016 and the results of operations for all periods presented have been made. Actual results could differ from those estimates.

Refer to the Company's audited combined consolidated financial statements for the year ended December 31, 2015 included in our Registration Statement on Form 10-12G, as amended, filed with the Securities and Exchange Commission on April 13, 2016 (the "Registration Statement"), as certain note disclosures contained in such audited financial statements have been omitted from these interim condensed combined consolidated financial statements.

Basis of Presentation

As described in Note 1, on April 28, 2016, Highlands was spun off from InvenTrust. The accompanying historical condensed combined consolidated financial statements do not represent the financial position and results of a single legal entity, but rather a combination of entities under common control that have been "carved out" of InvenTrust's consolidated financial statements and reflect significant assumptions and allocations. The condensed combined consolidated financial statements reflect the operations of certain assets and liabilities that have been historically held by InvenTrust, but which are specifically identifiable or attributable to the Company. The accompanying condensed combined consolidated financial statements include allocations of costs from certain corporate and shared functions provided to the Company by InvenTrust. InvenTrust allocated to the Company a portion of corporate overhead costs incurred by InvenTrust based upon the Company's percentage share of the average invested assets of InvenTrust, which is reflected in general and administrative expense. As InvenTrust is managing various asset portfolios, the extent of services and benefits a portfolio receives is based on the size of its assets. Therefore, using average invested assets to allocate costs is a reasonable reflection of the services and other benefits received by the Company and complies with applicable accounting guidance. InvenTrust also allocated to the Company a portion of InvenTrust's unsecured credit facility and the related interest expense. The unsecured credit facility is subject to a borrowing base consisting of a pool of unencumbered assets. To the extent the Company's assets were included within the pool of unencumbered assets, the Company was allocated a portion of the unsecured credit facility. However, actual costs may have differed from allocated costs if the Company had operated as a standalone entity during such period and those differences may have been material.

The condensed combined consolidated financial statements include transactions in which ordinary course cash transactions have been processed by InvenTrust due to InvenTrust's centralized cash management process on behalf of the Company, such as the repayment of debt, rental receipts and payables in the ordinary course of business, resulting in intercompany transactions between the Company and InvenTrust. These ordinary course intercompany transactions are considered to be effectively settled at the time of the Company's separation from InvenTrust. Accordingly, these transactions are reflected as distributions to and contributions from InvenTrust in the condensed combined consolidated statements of cash flow as a financing activity.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers,* which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective, although it will not affect the accounting for rental related revenues. ASU No. 2014-09, as issued, was to be effective for financial statements issued for fiscal years and interim period beginning after December 31, 2016. In April 2015, the FASB approved an amendment to the ASU, deferring the effective date one year to annual reporting periods beginning after December 15, 2017 for public entities. The standard permits the use of either the retrospective or cumulative effect transition method. Early adoption is prohibited. The Company is evaluating the effect that ASU No. 2014-09 will have on its condensed combined consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities,* which revises an entity's accounting related to: (i) the classification and measurement of investments in equity securities; (ii) the presentation of certain fair value changes for financial liabilities measured at fair value; and (iii) amends certain disclosure requirements associated with the fair value of financial instruments, including eliminating the requirement for public business entities to disclose the method and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company is continuing to evaluate this guidance; however, the Company does not expect its adoption to have a significant impact on the condensed combined consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, amending the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective for annual reporting periods beginning after December 15, 2018, and early adoption is permitted as of the standard's issuance date. The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company does not expect that its adoption will have a material effect on its condensed combined consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Accounting,* which requires that all excess tax benefits and tax deficiencies related to stock based compensation arrangements must be recognized in the income statement as they occur as opposed to the current guidance where excess tax benefits are recorded in equity. ASU 2016-09 also allows entities to make an accounting policy election to either continue to estimate forfeitures on stock based compensation arrangements or to account for forfeitures as they occur. ASU 2016-09 is effective for reporting periods beginning after December 15, 2016 with early adoption permitted. The Company does not expect that its adoption will have a material effect on its condensed combined consolidated financial statements.

Recently Adopted Accounting Pronouncements

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation: Amendments to the Consolidation Analysis*. This ASU provides consolidation guidance for legal entities such as limited partnerships, limited liability corporations and securitization structures. This ASU offers updated consolidation evaluation criteria and may require additional disclosure requirements. ASU No. 2015-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. The Company adopted ASU 2015-02 effective as of January 1, 2016. The adoption of ASU No. 2015-02 had no material impact on the Company's condensed combined consolidated financial position, results of operations or disclosure requirements.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected. The Company adopted ASU 2015-03 effective as of January 1, 2016 with retrospective application to the Company's December 31, 2015 combined consolidated balance sheet. The effect of the adoption of ASU 2015-03 was to reclassify debt issuance costs of approximately $1,938 as of December 31, 2015 from deferred costs and other assets in the condensed combined consolidated balance sheets to a contra account as a deduction from debt in the condensed combined consolidated balance sheets.

3. Disposed Assets

During the three months ended March 31, 2016 and 2015, the Company did not sell any assets.

On February 19, 2016, the Company distributed the assets and liabilities associated with four retail assets to InvenTrust. The distribution was recorded at carrying value due to common control, and the Company did not realize any gain or loss on disposal. The distribution is reflected as a non-cash distribution in the condensed combined consolidated statements of cash flow for the three months ended March 31, 2016.

On January 28, 2015, the Company distributed the assets and liabilities associated with three retail assets to InvenTrust. The distribution was recorded at carrying value due to common control, and the Company did not realize any gain or loss on disposal. The distribution is reflected as a non-cash distribution in the condensed combined consolidated statements of cash flow for the three months ended March 31, 2015.

(Dollar amounts stated in thousands)

4. Transactions with Related Parties

The following table summarizes the Company's related party transactions for the three months ended March 31, 2016 and 2015.

	For the three months ended	
	March 31, 2016	March 31, 2015
General and administrative expense allocation (a)	$ 2,748	$ 2,920

(a) General and administrative expense includes allocations of costs from certain corporate and shared functions provided to the Company by InvenTrust. InvenTrust allocated to the Company a portion of corporate overhead costs incurred by InvenTrust which is based upon the Company's percentage share of the average invested assets of InvenTrust. As InvenTrust is managing various asset portfolios, the extent of services and benefits a portfolio receives is based on the size of its assets. The Company believes that using average invested assets to allocate costs is a reasonable reflection of the services and other benefits received by the Company and complies with applicable accounting guidance. However, actual costs may have differed from allocated costs if the Company had operated as a standalone entity during such period and those differences may have been material.

As of March 31, 2016 and December 31, 2015, the Company has been allocated a portion of InvenTrust's unsecured credit facility of $33,348 and $17,914, respectively. In addition, as of March 31, 2016 and December 31, 2015, the Company had a note payable with InvenTrust of $0 and $15,062, respectively. Refer to Debt Note 5 for additional detail.

5. Debt

Mortgages Payable

Mortgage loans outstanding as of March 31, 2016 and December 31, 2015 were $400,758 and $405,994, respectively, and had a weighted average interest rate of 6.08% and 6.09% per annum, respectively. Deferred financing costs, net, as of March 31, 2016 and December 31, 2015 were $1,883 and $1,938, respectively. As of March 31, 2016, scheduled maturities for the Company's outstanding mortgage indebtedness had various due dates through May 2037, as follows:

For the year ended December 31,	As of March 31, 2016	Weighted average interest rate
2016	$ 88,980	5.88%
2017	30,275	5.57%
2018	—	—%
2019	—	—%
2020	—	—%
Thereafter	281,503	6.20%
Total	$ 400,758	6.08%

The amount maturing in 2016 represents one mortgage with a maturity date in September 2016 and two mortgages with maturity dates in December 2016. The Company anticipates that it will pay off its debt upon the disposition of assets or refinance existing debt. However, there can be no assurance that the Company will be able to sell assets before their debt matures or that the Company can obtain such refinancing on satisfactory terms, or at all. There is no recourse debt as of March 31, 2016 and December 31, 2015.

Some of the mortgage loans require compliance with certain covenants, such as debt service ratios, investment restrictions and distribution limitations. As of March 31, 2016 and December 31, 2015, the Company was in compliance with all such covenants. As of March 31, 2016, the loan agreements affiliated with AT&T—Hoffman Estates and AT&T—Cleveland are in "hyper-amortization," and so all net operating income from these assets, less management operating expenses, is used to pay down the principal amount of the loan.

In January 2015, the assets and liabilities associated with three retail assets were distributed to InvenTrust. Two of these assets were encumbered by a mortgage. As part of the distribution of these assets to InvenTrust, the mortgage payables of $19,893 were distributed at carrying value due to common control.

Unsecured credit facility

On November 5, 2015, InvenTrust entered into a term loan credit agreement for a $300,000 unsecured credit facility. The term loan credit facility consists of two tranches: a five-year tranche maturing on January 15, 2021, and a seven-year tranche maturing on November 5, 2022. Based upon InvenTrust's total leverage ratio at December 31, 2015, the five-year tranche bears an interest rate of LIBOR plus 1.30% and the seven-year tranche bears an interest rate of LIBOR plus 1.60%. The term loan credit facility is subject to a borrowing base consisting of a pool of unencumbered assets. To the extent the Company's assets were included within the pool of unencumbered assets, the Company was allocated a portion of the unsecured credit facility. As of March 31, 2016, the Company's allocated portion of the term loan was $16,136 and the interest rate was 1.74%. As of December 31, 2015, the Company's allocated portion of the term loan was $17,914 and the interest rate was 1.59%. As of the Distribution, the Company no longer has an allocated portion of the unsecured credit facility.

On February 3, 2015, InvenTrust entered into an amended and restated credit agreement for a $300,000 unsecured revolving line of credit, which matures on February 2, 2019. The unsecured revolving line of credit bears interest at a rate equal to LIBOR plus 1.40% and requires the maintenance of certain financial covenants. The unsecured credit facility is subject to a borrowing base consisting of a pool of unencumbered assets. To the extent the Company's assets were included within the pool of unencumbered assets, the Company was allocated its proportionate share of the revolving line of credit. As of March 31, 2016, the Company's allocated portion of the revolving line of credit was $17,212 and the interest rate was 1.84%. As of December 31, 2015, the Company's allocated portion of the revolving line of credit was $0. As of the Distribution, the Company no longer has an allocated portion of the unsecured credit facility.

Note Payable

On May 1, 2014, the Company entered into a note payable in the amount of $32,908 with InvenTrust, which matured on demand. The note payable was non-amortizing with an interest rate of 8.50%. Such interest was payable on demand or, until such time as demand was made, monthly in arrears, beginning on June 1, 2014 and continuing on the first day of each month thereafter until the note had been paid in full. On March 25, 2016, the outstanding principal balance of $15,062 and accrued interest of $89 was repaid in full. As of March 31, 2016 and December 31, 2015, the balance of this note payable was $0 and $15,062, respectively.

6. Fair Value Measurements

In accordance with ASC 820, Fair Value Measurement and Disclosures, the Company defines fair value based on the price that would be received upon sale of an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value. The fair value hierarchy consists of three broad levels, which are described below:

- Level 1 - Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- Level 2 - Observable inputs, other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company has estimated the fair value of its financial and non-financial instruments using available market information and valuation methodologies the Company believes to be appropriate for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates and, accordingly, they are not necessarily indicative of amounts that would be realized upon disposition.

(Dollar amounts stated in thousands)

Financial Instruments Not Measured at Fair Value

The table below represents the fair value of financial instruments presented at carrying values in the condensed combined consolidated financial statements as of March 31, 2016 and combined consolidated financial statements as of December 31, 2015.

	March 31, 2016		December 31, 2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Mortgages payable	$ 400,758	$ 406,068	$ 405,994	$ 410,888
Unsecured credit facility	33,348	33,348	17,914	17,914
Note payable	—	—	15,062	15,062

The Company estimates the fair value of its debt instruments using a weighted average effective interest rate of 5.63% and 4.52% per annum as of March 31, 2016 and December 31, 2015. The fair value estimate of the unsecured credit facility approximates the carrying value due to limited market volatility in pricing. The assumptions reflect the terms currently available on similar borrowing terms to borrowers with credit profiles similar to the Company's. The Company has determined that its debt instrument valuations are classified in Level 2 of the fair value hierarchy.

7. Income Taxes

The Company intends to be taxed as, and operate in a manner that will allow the Company to qualify as a REIT for U.S. federal income tax purposes beginning with the Company's short taxable year commencing immediately prior to the Company's separation from InvenTrust and ending on December 31, 2016. So long as it qualifies as a REIT, the Company generally will not be subject to federal income tax on taxable income that is distributed currently to stockholders. A REIT is subject to a number of organizational and operational requirements including a requirement that it currently distribute at least 90% of its REIT taxable income (subject to certain adjustments) to its stockholders each year. If the Company fails to qualify as a REIT in any taxable year, without the benefit of certain relief provisions, the Company will be subject to federal and state income tax on its taxable income at regular corporate tax rates and would not be able to re-elect REIT status during the four years following the year of the failure. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income, property or net worth and federal income and excise taxes on its undistributed income.

Prior to the Distribution, the Company was a qualified REIT subsidiary ("QRS") of InvenTrust, which has elected to be taxed as a REIT and has operated in a manner intended to qualify as a REIT under the Internal Revenue code of 1986, as amended (the "Code"). As a QRS, the Company was disregarded as a separate entity from InvenTrust for federal income tax purposes. All assets, liabilities and items of income, deduction and credit of the Company were treated for federal income tax purposes as those of InvenTrust.

The Company's subsidiary, MB REIT (Florida), Inc. ("MB REIT"), previously elected and operated so as to qualify to be taxed as a REIT under the Code. On December 15, 2015, MB REIT redeemed all of the outstanding shares of its Series B Preferred Stock and became a wholly owned subsidiary of InvenTrust. At that time, MB REIT became a QRS of InvenTrust and ceased to be treated as a separate REIT for U.S. federal income tax purposes. As a result of certain pre-Distribution reorganization transactions, following the Distribution, as a QRS of the Company, MB REIT is currently disregarded as a separate entity from the Company for federal income tax purposes. All assets, liabilities and items of income, deduction and credit of MB REIT are treated for federal income tax purposes as those of the Company.

During the three months ended March 31, 2016 and 2015, an income tax expense of $4 and $7, respectively, was included on the condensed combined consolidated statements of operations.

(Dollar amounts stated in thousands)

8. Segment Reporting

The Company currently has three business segments, consisting of (i) Net Lease, (ii) Retail and (iii) Multi-Tenant Office. The net lease segment consists of single-tenant office and industrial assets, as well as the Company's correctional facilities. The Company's unimproved land is presented in Other.

For the three months ended March 31, 2016, approximately 45% of the Company's revenue from continuing operations was generated by three net lease assets leased to AT&T, Inc. As a result of the concentration of revenue generated from these assets, if AT&T, Inc. were to cease paying rent or fulfilling its other monetary obligations, the Company would have significantly reduced revenues and/or higher expenses until the defaults were cured or the assets were leased to a new tenant or tenants, if at all. As of March 31, 2016, the AT&T - Hoffman Estates and AT&T - Cleveland assets are currently in hyper-amortization under the Company's loan agreements and, as a result, rental payments less certain expenses are used to pay down the principal amount of the loan and are not available cash.

The following table summarizes net property operations income by segment as of and for the three months ended March 31, 2016.

	Total	Net Lease	Retail	Multi-Tenant Office	Other
Rental income	$ 23,425	$ 15,562	$ 5,199	$ 2,664	$ —
Tenant recovery income	2,951	854	1,843	254	—
Other property income	221	134	70	11	6
Total income	26,597	16,550	7,112	2,929	6
Operating expenses	4,628	1,058	2,611	819	140
Net operating income (loss)	$ 21,969	$ 15,492	$ 4,501	$ 2,110	$ (134)
Non-allocated expenses (a)	(11,110)				
Other income and expenses (b)	(6,551)				
Net income attributable to Company	$ 4,308				
Balance Sheet Data					
Real estate assets, net (c)	$ 616,012	$ 322,486	$ 158,507	$ 103,115	$ 31,904
Non-segmented assets (d)	38,677				
Total assets	654,689				
Capital expenditures	$ 31	$ —	$ 31	$ —	$ —

(a) Non-allocated expenses consists of general and administrative expenses and depreciation and amortization.
(b) Other income and expenses consists of other loss, interest expense, and income tax expense.
(c) Real estate assets include intangible assets, net of amortization.
(d) Non-segmented assets include cash and cash equivalents, restricted cash and escrows, accounts and rents receivable and deferred costs and other assets.

(Dollar amounts stated in thousands)

The following table summarizes net property operations income by segment for the three months ended March 31, 2015.

	Total	Net Lease	Retail	Multi-Tenant Office	Other
Rental income	$ 24,407	$ 15,679	$ 6,460	$ 2,268	$ —
Tenant recovery income	4,403	1,033	3,174	196	—
Other property income	157	124	14	12	7
Total income	28,967	16,836	9,648	2,476	7
Operating expenses	6,146	1,431	3,751	895	69
Net operating income (loss)	$ 22,821	$ 15,405	$ 5,897	$ 1,581	$ (62)
Non-allocated expenses (a)	(12,380)				
Other income and expenses (b)	(7,014)				
Net income	$ 3,427				
Less: net income attributable to non-controlling interests	(8)				
Net income attributable to Company	$ 3,419				

(a) Non-allocated expenses consists of general and administrative expenses and depreciation and amortization.
(b) Other income and expenses consists of other income, interest expense and income tax expense.

9. Commitments and Contingencies

The Company is subject, from time to time, to various legal proceedings and claims that arise in the ordinary course of business. While the resolution of these matters cannot be predicted with certainty, management believes, based on currently available information, that the final outcome of such matters will not have a material adverse effect on the financial statements of the Company.

In addition, in connection with the Company's separation from InvenTrust, on April 14, 2016, the Company entered into a Separation and Distribution Agreement, and on April 28, 2016, the Company entered into a Transition Services Agreement and Employee Matters Agreement each with InvenTrust. Pursuant to the Separation and Distribution Agreement, Highlands has agreed to indemnify, defend and hold harmless InvenTrust and its affiliates and each of their respective current or former stockholders, directors, officers, agents and employees and their respective heirs, executors, administrators, successors and assigns from and against all liabilities relating to, arising out of or resulting from (i) the liabilities assumed by Highlands in the Separation and Distribution Agreement, Transition Services Agreement and Employee Matters Agreement, (ii) any breach by Highlands or any of its subsidiaries of the Separation and Distribution Agreement, Transition Services Agreement and Employee Matters Agreement (iii) losses arising from third party claims relating to the separation and distribution and (iv) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the Registration Statement, other than specified information relating to and provided by InvenTrust (the "Specified InvenTrust Information"). Similarly, InvenTrust has agreed to indemnify, defend and hold harmless Highlands and its affiliates and each of their respective current or former stockholders, directors, officers, agents and employees and their respective heirs, executors, administrators, successors and assigns from and against all liabilities relating to, arising out of or resulting from (i) the liabilities assumed by InvenTrust in the Separation and Distribution Agreement, Transition Services Agreement and Employee Matters Agreement, (ii) any breach by InvenTrust or any of its subsidiaries of the Separation and Distribution Agreement, Transition Services Agreement and Employee Matters Agreement and (iii) the Specified InvenTrust Information. InvenTrust and Highlands will not be deemed to be affiliates of the other for purposes for purposes of determining the above described indemnification obligations.

Highlands has also agreed to indemnify InvenTrust against all taxes related to the Company, its subsidiaries and its assets, including taxes attributable to periods prior to the separation and distribution. InvenTrust has agreed to indemnify the Company for any taxes attributable to InvenTrust's or MB REIT's failure to qualify as a REIT for any taxable year ending on or before December 31, 2016.

10. Subsequent Events

On April 28, 2016, the Company was spun-off from InvenTrust, its former parent, through a pro rata distribution by InvenTrust of 100% of the outstanding shares of Common Stock of Highlands to holders of record of InvenTrust's common stock as of the close of business on the Record Date. Each holder of record of InvenTrust's common stock received one share of Common Stock for every one share of InvenTrust's common stock held at the close of business on the Record Date. As a result, the Company became an independent, self-advised, non-traded company. The Company intends to be taxed as, and operate in a manner that will allow the Company to qualify as a REIT for U.S. federal income tax purposes commencing with our short taxable year ending December 31, 2016.

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

Certain statements in this Quarterly Report on Form 10-Q, other than purely historical information, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements include statements about Highlands' plans, objectives, strategies, financial performance and outlook, trends, the amount and timing of future cash distributions, prospects or future events and involve known and unknown risks that are difficult to predict. As a result, our actual financial results, performance, achievements or prospects may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "guidance," "predict," "potential," "continue," "likely," "will," "would," "illustrative" and variations of these terms and similar expressions, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by Highlands and its management based on their knowledge and understanding of the business and industry, are inherently uncertain. These statements are not guarantees of future performance, and stockholders should not place undue reliance on forward-looking statements. There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q. Such risks, uncertainties and other important factors include, among others: the risks, uncertainties and factors set forth in our filings with the U.S. Securities and Exchange Commission, including our Registration Statement on Form 10-12G; business, financial and operating risks inherent to real estate investments and the industry; our ability to renew leases, lease vacant space, or re-let space as leases expire; our ability to repay or refinance our debt as it comes due; business, financial and operating risks inherent to real estate investments; contraction in the global economy or low levels of economic growth; our ability to sell our assets at a price and on a timeline consistent with our investment objectives, or at all; our ability to service our debt; changes in interest rates and operating costs; compliance with regulatory regimes and local laws; uninsured or underinsured losses, including those relating to natural disasters or terrorism; our status as an emerging growth company; the amount of debt that we currently have or may incur in the future; provisions in our debt agreements that may restrict the operation of our business; our separation from InvenTrust and our ability to operate as a stand-alone public reporting company; our organizational and governance structure; our status as a REIT; the cost of compliance with and liabilities under environmental, health and safety laws; adverse litigation judgments or settlements; changes in real estate and zoning laws and increase in real property tax rates; changes in federal, state or local tax law, including legislative, administrative, regulatory or other actions affecting REITs; changes in governmental regulations or interpretations thereof; and estimates relating to our ability to make distributions to our stockholders in the future.

These factors are not necessarily all of the important factors that could cause our actual financial results, performance, achievements or prospects to differ materially from those expressed in or implied by any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above. Forward-looking statements speak only as of the date they are made, and we do not undertake or assume any obligation to update publicly any of these forward-looking statements to reflect actual results, new information or future events, changes in assumptions or changes in other factors affecting forward-looking statements, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

The following discussion and analysis should be read in conjunction with the Company's Condensed Combined Consolidated Financial Statements and accompanying notes, which appear elsewhere in this Quarterly Report on Form 10-Q.

Overview

On April 28, 2016, Highlands REIT, Inc., a Maryland corporation ("Highlands", "Company", "we" or "us") was spun-off from InvenTrust Properties Corp., a Maryland corporation ("InvenTrust"), its former parent, through a pro rata distribution by InvenTrust of 100% of the outstanding shares of common stock, $0.01 par value per share (the "Common Stock"), of Highlands to holders of record of InvenTrust's common stock as of the close of business on April 25, 2016 (the "Record Date"). Each holder of record of InvenTrust's common stock received one share of Common Stock for every one share of InvenTrust's common stock held at the close of business on the Record Date. As a result, the Company became an independent, self-advised, non-traded company. Highlands intends to be taxed as, and operate in a manner that will allow the Company to qualify as a real estate investment trust ("REIT") for U.S. federal income tax purposes commencing with our short taxable year ending December 31, 2016.

As of March 31, 2016, our portfolio of assets consisted of seven office assets, two industrial assets, six retail assets, two correctional facilities, four parcels of unimproved land and one bank branch.

Our investment objectives are to preserve, protect and maximize the total value of our portfolio in connection with our evaluation of various strategic opportunities while seeking to provide stockholders with a return of their investment by liquidating and distributing net sales proceeds. We may seek to sustain and enhance the values of our assets through additional leasing or capital expenditures, where necessary, while identifying and implementing disposition strategies for the assets in our portfolio. We intend to hold our assets until such time as we determine that a sale or other disposition achieves our investment objectives or until it appears such objectives will not be met.

We currently have three business segments, consisting of (i) net lease, (ii) retail and (iii) multi-tenant office. Our unimproved land is presented in “other”. We may have additional or fewer segments in the future to the extent we enter into additional real property sectors, dispose of property sectors, or change the character of our assets. For the complete presentation of our reportable segments, see Note 8 to our Condensed Combined Consolidated Financial Statements for the three months ended March 31, 2016 and 2015.

Separation from InvenTrust

As a result of the separation, we and InvenTrust operate separately, each as an independent company. In connection with and in order to effectuate the separation and distribution, we and InvenTrust entered into a Separation and Distribution Agreement. In addition, we entered into various other agreements with InvenTrust to effect the separation and provide a framework for our relationship with InvenTrust post-separation, such as a Transition Services Agreement and an Employee Matters Agreement. These agreements provide for the allocation between us and InvenTrust of InvenTrust’s assets, liabilities and obligations (including its properties, employees and tax-related assets and liabilities) attributable to periods prior to, at and after our separation from InvenTrust and govern certain relationships between us and InvenTrust after the separation.

Basis of Presentation

Highlands was formed in December 2015 as a wholly-owned subsidiary of InvenTrust. Prior to our separation from InvenTrust, we and InvenTrust effectuated certain reorganization transactions which were designed to consolidate the ownership of Highlands' current asset portfolio into Highlands, transfer four retail assets previously owned directly or indirectly by legal entities that are now subsidiaries of Highlands to Inventrust, facilitate our separation from InvenTrust and the distribution and enable us to qualify as a REIT for U.S. federal income tax purposes commencing with our short taxable year ending December 31, 2016. The accompanying combined condensed consolidated financial statements for periods prior to the spin-off have been “carved out” of InvenTrust’s consolidated financial statements and give effect to the completion of the reorganization transactions other than, for periods prior to February 19, 2016, the distribution of four retail assets by a current Highlands subsidiary to InvenTrust. The distribution of the four retail assets was completed on February 19, 2016, and is reflected in the accompanying combined condensed consolidated financial statements as having occurred on such date. The accompanying combined condensed consolidated financial statements prior to the spin-off reflect significant assumptions and allocations, which, among other things, includes allocations of costs from certain corporate and shared functions provided to us by InvenTrust. The allocation methods for corporate and shared services costs vary by function but were generally based on historical costs of assets. InvenTrust allocated to us a portion of corporate overhead costs incurred by InvenTrust based upon our percentage share of the average invested assets of InvenTrust, which is reflected in general and administrative expense. As

InvenTrust is managing various asset portfolios, the extent of services and benefits a portfolio receives is based on the size of its assets. We believe that using average invested assets to allocate costs is a reasonable reflection of the services and other benefits received by us and complies with applicable accounting guidance. InvenTrust also allocated to us a portion of InvenTrust's unsecured credit facility and the related interest expense. The unsecured credit facility is subject to a borrowing base consisting of a pool of unencumbered assets. To the extent our assets were included within the pool of unencumbered assets, we were allocated a portion of the unsecured credit facility. However, actual costs may have differed from allocated costs if we had operated as a stand-alone entity during such period and those differences may have been material.

Our financial statements also include transactions in which ordinary course cash transactions have been processed by InvenTrust due to InvenTrust's centralized cash management process on our behalf, such as the repayment of debt, rental receipts and payables in the ordinary course of business, resulting in intercompany transactions between InvenTrust and us. These ordinary course intercompany transactions are considered to be effectively settled at the time of our separation from InvenTrust. Accordingly, these transactions are reflected as distributions to and contributions from InvenTrust in the financial statements.

Based on these presentation matters, our financial position, results of operations and cash flows may not be comparable as if we had operated as a stand-alone public reporting company. Accordingly, our historical results should not be relied upon as an indicator of future performance.

Our Revenues and Expenses

Revenues

Our revenues are primarily derived from rental income and expense recoveries we receive from our tenants under leases with us, including monthly rent and other property income pursuant to tenant leases. Tenant recovery income primarily consists of reimbursements for real estate taxes, common area maintenance costs, management fees and insurance costs.

Our expenses consist of property operating expenses, real estate taxes, depreciation and amortization expense, general and administrative expenses and provision for asset impairment. Property operating expenses primarily consist of repair and maintenance, management fees, utilities and insurance (in each case, some of which are recoverable from the tenant).

Key Indicators of Operating Performance

We measure results of operations and the operating performance of our business by evaluating financial metrics such as funds from operations ("FFO") and modified same store net operating income ("Modified NOI"). See "Selected Financial Data" for further discussion of the Company's use, definitions and limitations of FFO and Modified NOI.

Results of Operations

Comparison of the three months ended March 31, 2016 and 2015

Key performance indicators are as follows:

	As of March 31,	
	2016	2015
Economic occupancy (a)	95.2%	94.5%
Rent per square foot (b)	$ 14.16	$ 13.89

(a) Economic occupancy is defined as the percentage of total gross leasable area for which a tenant is obligated to pay rent under the terms of its lease agreement, regardless of the actual use or occupation by the tenant of the area being leased. Actual use may be less than economic square footage.

(b) Rent per square foot is computed as annualized rent divided by the total occupied square footage at the end of the period. Annualized rent is computed as revenue for the last month of the period multiplied by twelve months. Annualized rent includes the effect of rent abatements, lease inducements and straight-line rent GAAP adjustments.

Condensed Combined Consolidated Results of Operations

	(in thousands)		
	For the Three months ended March 31,		
	2016	2015	Increase
Net income	$ 4,308	$ 3,427	$ 881
Net income attributable to Company	4,308	3,419	889

Net income increased by $0.9 million to $4.3 million for the three months ended March 31, 2016 from $3.4 million for the three months ended March 31, 2015 primarily as a result of a decrease in the allocation of general and administrative costs by InvenTrust for certain corporate services and other expenses and a decrease in interest expense primarily driven by a decrease in the principal amount of our debt, partially offset by four assets that were transferred to InvenTrust during the first quarter of 2016 and three assets that were transferred to InvenTrust during the first quarter of 2015

Operating Income and Expenses

	(in thousands)			
	For the Three months ended March 31,		Increase	
	2016	2015	(Decrease)	Variance
Income:				
Rental income	$ 23,425	$ 24,407	$ (982)	(4.0)%
Tenant recovery income	2,951	4,403	(1,452)	(33.0)%
Other property income	221	157	64	40.8 %
Operating Expenses:				
Property operating expenses	2,203	3,238	(1,035)	(32.0)%
Real estate taxes	2,425	2,908	(483)	(16.6)%
Depreciation and amortization	8,233	9,257	(1,024)	(11.1)%
General and administrative expenses	2,877	3,123	(246)	(7.9)%

Property Income and Operating Expenses

Rental income consists of monthly rent, straight-line rent adjustments, amortization of acquired above and below market leases, and other property income pursuant to tenant leases. Tenant recovery income consists of reimbursements for real estate taxes, common area maintenance costs, management fees, and insurance costs. Other property income consists of lease termination fees and other miscellaneous property income. Property operating expenses consist of regular repair and maintenance, management fees, utilities, and insurance (in each case, some of which are recoverable from the tenant).

There was a decrease in property income for the three months ended March 31, 2016 compared to 2015. Total property income decreased by $2.4 million from the three months ended March 31, 2015 compared to the same period in 2016 as a result of four assets that were transferred to InvenTrust during the first quarter of 2016 and three assets that were transferred to InvenTrust during the first quarter of 2015. This transfer activity also caused property operating expenses to decrease $1.0 million, or 32.0%, when comparing the three months ended March 31, 2016 to the same period in 2015.

Real Estate Taxes

Real estate taxes decreased $0.5 million for the three months ended March 31, 2016 compared to the same period in 2015 as a result of four assets that were transferred to InvenTrust during the first quarter of 2016 and three assets that were transferred to InvenTrust during the first quarter of 2015.

Depreciation and Amortization

Depreciation and amortization decreased by $1.0 million for the three months ended March 31, 2016 compared to the same period in 2015 as a result of four assets that were transferred to InvenTrust during the first quarter of 2016 and three assets that were transferred to InvenTrust during the first quarter of 2015.

General Administrative Expenses

General and administrative expenses decreased to $2.9 million for the three months ended March 31, 2016 from $3.1 million for the three months ended March 31, 2015. The decrease was the result of a decrease in the allocation of costs by InvenTrust for certain corporate services and other expenses. For both periods, we were allocated a portion of such expenses based upon our percentage share of the average invested assets of InvenTrust. The allocation includes costs related to corporate overhead expenses, such as payroll costs for certain of InvenTrust's employees (accounting, finance, tax, treasury and legal) and outside professional services.

Non-Operating Income and Expenses

	(in thousands)			
	For the Three months ended March 31,			
	2016	2015	Decrease	Variance
Non-operating income and expenses:				
Other (loss) income	(2)	10	(12)	(120.0)%
Interest expense	(6,545)	(7,017)	(472)	6.7 %

Interest Expense

Interest expense decreased to $6.5 million for the three months ended March 31, 2016 from $7.0 million for the three months ended March 31, 2015. This was primarily driven by a decrease in the principal amount of our debt (including mortgages and the allocation of lines of credit from InvenTrust) to $432.2 million as of March 31, 2016 from $443.9 million as of March 31, 2015.

Leasing Activity

Our primary source of funding for our property-level operating activities and debt payments is rent collected pursuant to our tenant leases. The following table represents lease expirations as of March 31, 2016:

Lease Expiration Year	Number of Expiring Leases	Gross Leasable Area (GLA) of Expiring Leases (Sq. Ft.)	Annualized Rent of Expiring Leases (in thousands)	Percent of Total GLA	Percent of Total Annualized Rent	Expiring Rent/Square Foot
2016	17	2,361,291	$ 33,800	37.3%	37.3%	$ 14.31
2017	11	1,532,993	17,261	24.2%	19.0%	11.26
2018	15	188,837	3,927	3.0%	4.3%	20.80
2019	19	436,574	6,694	6.9%	7.4%	15.33
2020	36	534,005	13,506	8.4%	14.9%	25.29
2021	15	388,144	7,603	6.1%	8.4%	19.59
2022	7	170,698	2,457	2.7%	2.7%	14.39
2023	3	41,140	923	0.6%	1.0%	22.44
2024	2	63,200	434	1.0%	0.5%	6.87
2025	8	41,830	554	0.7%	0.6%	13.24
Month to Month	4	12,000	162	0.2%	0.2%	13.50
Thereafter	11	563,882	3,360	8.9%	3.7%	5.96
	148	6,334,594	$ 90,681	100.0%	100.0%	$ 14.32

The lease for AT&T – Hoffman Estates represents a significant portion of the annualized rent scheduled to expire in 2016, as it accounts for almost 27% of the total annualized rent. As of March 31, 2016, AT&T-Hoffman Estates has one tenant, AT&T, a telecommunications company. The original term of the lease for this asset expires in August 2016. AT&T did not renew this lease during the contractual renewal period. The next three largest leases expiring in 2016 account for approximately 7% of our annualized rent in the aggregate. For one asset, we believe that the current tenant may choose to renew for a portion of the space currently leased and that the asset will therefore become multi-tenant. We expect adequate demand for this asset from current sub-tenants or new tenants, though rental rates may be approximately 10% to 20% lower, when expenses are accounted for, due to the asset changing from single-tenant sale-leaseback to multi-tenant. For the second asset, a multi-tenant asset, the current tenant will not renew the portion of the space currently leased. This asset is located in a strong market and we expect adequate demand with consistent rental rates. The third lease, which is a correctional facility located in Haskell, Texas, expires in May 2016. To date, we have not reached an agreement with the existing tenant to renew the lease; however, we continue to negotiate. Additionally, we have not reached an agreement with other potential lessees of this facility. Due to the specialized nature of this asset and limited demand for such an asset, as well as the lack of market comparables, we are unable to estimate market rents and terms for such asset. Further, we may be unable to re-lease the facility on terms equal to or better than the current terms, or at all. If the term of lease expires without a renewal of the lease, it is possible that the tenant will holdover for a period of time and continue to pay rent pursuant to the term of the lease but we cannot provide any assurances that such a holdover will occur, or the period of time that such holdover would continue. Refer to the risk factors set forth under "Risk Factors - Risks Related to Our Business and Industry" included in our Registration Statement on Form 10-12G for additional information.

The following table represents renewed leases that commenced in the three months ended March 31, 2016.

	# of Leases	Gross Leasable Area	Rent per square foot	Weighted Average Lease Term
Renewals	10	165,045	$ 17.87	2.65

During the three months ended March 31, 2016, 10 renewals commenced with gross leasable area totaling 165,045 square feet. The weighted average lease term for renewal leases was 2.65 years. No new leases commenced during the three months ended March 31, 2016.

As of December 31, 2015, we had gross leasable area totaling 30,414 square feet set to expire in the first three months of 2016, of which all 30,414 square feet, or 2 leases, were renewed. This achieved a retention rate of 100%.

Same-store

As of March 31, 2016, our portfolio consisted of 18 wholly owned assets and four parcels of unimproved land. As of March 31, 2015, our portfolio consisted of 23 wholly owned assets and four parcels of unimproved land, respectively. The assets owned during these periods have been included in our results of operations during the respective periods since their dates of acquisition. Same store assets are all assets that we have owned and operated for the entirety of the periods being compared. This same store analysis allows management to monitor the operations of our existing assets for comparable periods to determine the effects of our acquisitions and dispositions on net income.

The following are key performance indicators for same store assets at March 31, 2016 and 2015:

	As of March 31,		Variance from 2015 to
	2016	2015	2016
Economic occupancy(a)	95.2%	94.5%	0.7%
Rent per square foot(b)	$ 14.16	$ 13.89	1.9%

(a) Economic occupancy is defined as the percentage of total gross leasable area for which a tenant is obligated to pay rent under the terms of its lease agreement, regardless of the actual use or occupation by the tenant of the area being leased. Actual use may be less than economic square footage.
(b) Rent per square foot is computed as annualized rent divided by the total occupied square footage at the end of the period. Annualized rent is computed as revenue for the last month of the period multiplied by twelve months. Annualized rent includes the effect of rent abatements, lease inducements and straight-line rent GAAP adjustments.

Modified Net Operating Income

The following table represents our same store modified net operating income for the three months ended March 31, 2016 and 2015 (in thousands).

	Three Months Ended			
	March 31, 2016	March 31, 2015	Favorable (Unfav.) Variance	Favorable (Unfav.) Variance
No. of same store assets	18	18		
Operating revenues				
Rental income	$ 23,106	$ 22,405	$ 701	3.1 %
Tenant recovery income	2,664	3,386	(722)	(21.3)%
Other property income	180	142	38	26.8 %
Total income	25,950	25,933	17	0.1 %
Operating expenses				
Property operating expenses	2,039	2,570	531	20.7 %
Real estate taxes	1,979	1,989	10	0.5 %
Total operating expenses	4,018	4,559	541	11.9 %
Modified same store NOI(1)	21,932	21,374	558	2.6 %
Modified non same store NOI(1)	781	2,031	(1,250)	(61.5)%
Modified net operating income(1)	$ 22,713	$ 23,405	$ (692)	(3.0)%
Adjustments(2)				—
Adjustment to rental income	(744)	(587)	(157)	26.7 %
Termination fee income	—	3	(3)	(100.0)%
Total adjustments	(744)	(584)	(160)	27.4 %
Net operating income	$ 21,969	$ 22,821	$ (852)	(3.7)%

(1) Modified net operating income reflects the income from operations excluding adjustments, such as lease termination income, and GAAP rent adjustments in order to provide a comparable presentation of operating activity across periods.
(2) Includes adjustments for items that affect the comparability of, and were excluded from, the same store results. Such adjustments include lease termination income and GAAP rent adjustments, (such as straight-line rent and above/below market lease amortization).

Modified net operating income on a same store basis increased slightly, by $0.6 million, or 2.6%, for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to increased occupancy and rent per square foot of 95.2% and $14.16, respectively, as of March 31, 2016 compared to 94.5% and $13.89, respectively, as of March 31, 2015. On a total segment basis, there was a decrease in modified net operating income of $0.7 million, or 3.0% as a result of the transfer of four assets to InvenTrust during the first quarter of 2016.

Modified Net Income is a non-GAAP financial measure. See "Selected Financial Data" below for an explanation of how we use Modified Net Income, why we present it and material limitations on its usefulness.

Liquidity and Capital Resources

As of March 31, 2016, we had $17.9 million of cash and cash equivalents, and $5.7 million of restricted escrows.

Our principal demands for funds have been and will continue to be:

- to pay the operating expenses of our assets;
- to pay our general and administrative expenses;
- to make distributions to our stockholders;
- to service or pay-down our debt; and
- to fund capital expenditures and leasing related costs.

Generally, our cash needs have been and will be funded from:

- cash flows from our investment assets;
- proceeds from sales of assets;
- proceeds from debt; and

As of March 31, 2016, our AT&T—Hoffman Estates and AT&T—Cleveland assets are currently in hyper-amortization under our loan agreements and, as a result, rental payments less certain expenses are used to pay down the principal amount of the loan and are not available cash. In addition, all rental payments, less certain expenses, for Dulles Executive Plaza and Sherman Plaza are currently being “swept” and held by the lender pursuant to the loan agreement and, as a result, are not available cash.

Our assets have lease maturities within the next three years that may reduce our cash flows from operations. There is no assurance that we will be able to re-lease these assets at comparable rates or on comparable terms, or at all.

We may, from time to time, seek to retire or purchase additional amounts of our outstanding equity and/or debt securities through cash purchases for other securities. Such repurchases or exchanges, if any, will depend on our liquidity requirements, contractual restrictions, and other factors. The amounts involved may be material.

Borrowings

The table below presents, on a condensed combined consolidated basis, the principal amount, weighted average interest rates and maturity date (by year) on our mortgage debt, as of March 31, 2016 (dollar amounts are stated in thousands).

Fixed rate mortgage debt maturing during the year ended December 31,	As of March 31, 2016	Weighted average interest rate, fixed
2016	$ 88,980	5.88%
2017	30,275	5.57%
2018	—	—%
2019	—	—%
2020	—	—%
Thereafter	281,503	6.20%
Total	$ 400,758	6.08%

Of the total outstanding debt, none is recourse to us.

As of March 31, 2016, we had $89.0 million of mortgage debt maturing through the remainder of 2016, and $30.3 million in mortgage debt maturing in 2017. The amount maturing in 2016 represents one mortgage with a maturity date in September 2016 and two mortgages with maturity dates in December 2016.

We currently anticipate that we will pay off our debt upon the disposition of assets or refinance existing debt. However, there can be no assurance that we will be able to sell assets before their debt matures or that we can obtain such refinancing on satisfactory terms, or at all. Volatility in the capital markets could expose us to the risk of not being able to borrow on terms and conditions acceptable to us for refinancings.

As of March 31, 2016, our AT&T—Hoffman Estates and AT&T—Cleveland assets are currently in hyper-amortization under our loan agreements and, as a result, rental payments less certain expenses are used to pay down the principal amount of the loan and are not available cash. In addition, all rental payments, less certain expenses, for Dulles Executive Plaza and Sherman Plaza are currently being "swept" and held by the lender pursuant to the loan agreement and, as a result, are not available cash. As noted above, the lease for our AT&T - Hoffman Estates property expires in August, 2016. If the tenant does not renew, the potential difficulty of securing a new tenant is likely to make the loan difficult to refinance. Additionally, if AT&T does not renew and if we are unable to re-let the asset, we expect that we may be unable to make mortgage payments and may default under the loan agreement.

Mortgage loans outstanding as of March 31, 2016 and December 31, 2015 were $400.8 million and $406.0 million and had a weighted average interest rate of 6.08% and 6.09% per annum, respectively. For the three months ended March 31, 2016 and 2015, we had no additional borrowings secured by mortgages on our assets.

On May 1, 2014, a subsidiary of the Company entered into a note payable in the amount of $32.9 million with InvenTrust. On March 25, 2016, the outstanding principal balance of $15,062 and accrued interest of $89 was repaid in full. As of March 31, 2016 and December 31, 2015, the balance of this note payable was $0 million and $15.1 million, respectively.

On November 5, 2015, InvenTrust entered into a term loan credit agreement for a $300 million unsecured credit facility. The term loan credit facility consists of two tranches: a five-year tranche maturing on January 15, 2021, and a seven-year tranche maturing on November 5, 2022. Based upon the InvenTrust's total leverage ratio at December 31, 2015, the five-year tranche bears an interest rate of LIBOR plus 1.30% and the seven-year tranche bears an interest rate of LIBOR plus 1.60%. The term loan credit facility is subject to a borrowing base consisting of a pool of unencumbered assets. To the extent the Company's assets were included within the pool of unencumbered assets, the Company was allocated a portion of the unsecured credit facility. As of March 31, 2016, the Company's allocated portion of the unsecured credit facility was $16.1 million and the interest rate was 1.74%. As of December 31, 2015, the Company's allocated portion of the unsecured credit facility was $17.9 million and the interest rate was 1.59%. As of the Distribution, we no longer have an allocated portion of the unsecured credit facility.

On February 3, 2015, InvenTrust entered into an amended and restated credit agreement for a $300 million unsecured revolving line of credit, which matures on February 2, 2019. The unsecured revolving line of credit bears interest at a rate equal to LIBOR plus 1.40% and requires the maintenance of certain financial covenants. The unsecured credit facility is subject to a borrowing base consisting of a pool of unencumbered assets. To the extent the Company's assets were included within the pool of unencumbered assets, the Company was allocated its proportionate share of the revolving line of credit. As of March 31, 2016, the Company's allocated portion of the revolving line of credit was $17.2 million and the interest rate was 1.84%. As of December 31, 2015, the Company's allocated portion of the revolving line of credit was $0. As of the Distribution, we no longer have an allocated portion of the unsecured credit facility.

Summary of Cash Flows

Comparison of the three months ended March 31, 2016 and March 31, 2015

	(in thousands) For the Three months ended March 31,	
	2016	**2015**
Cash provided by operating activities	$ 11,611	$ 11,390
Cash used in investing activities	(882)	(410)
Cash used in financing activities	(19,820)	(5,269)
(Decrease) increase in cash and cash equivalents	(9,091)	5,711
Cash and cash equivalents, at beginning of period	26,972	10,291
Cash and cash equivalents, at end of period	$ 17,881	$ 16,002

Cash provided by operating activities was $11.6 million and $11.4 million for the three months ended March 31, 2016 and 2015, respectively, and was generated primarily from operating income from property operations.

Cash used in investing activities was $0.9 million and $0.4 million for the three months ended March 31, 2016 and 2015, respectively. The cash used in investing activities is primarily related to capital expenditures, payment of leasing fees and restricted escrows. In the three months ended March 31, 2016, cash used in restricted escrows was $0.8 million primarily for lender required escrows. In the three months ended March 31, 2015, payments for capital expenditures were $0.4 million.

Cash used in financing activities was $19.8 million and $5.3 million for the three months ended March 31, 2016 and 2015, respectively. Cash used in financing activities for the three months ended March 31, 2016 was primarily related to principal payments on mortgage debt of $5.2 million and the payoff of a note payable of $15.1 million. Cash used in financing activities for the three months ended March 31, 2015 was primarily due to principal payments of mortgage debt of $5.2 million.

We consider all demand deposits, money market accounts and investments in certificates of deposit and repurchase agreements with a maturity of three months or less, at the date of purchase, to be cash equivalents. We maintain our cash and cash equivalents at financial institutions. The combined account balances at one or more institutions periodically exceed the Federal Depository Insurance Corporation ("FDIC") insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage.

Distributions

On December 15, 2015, MB REIT, currently a subsidiary of Highlands REIT, Inc., became a "qualified REIT subsidiary" of InvenTrust and ceased to be treated as a REIT for U.S. federal income tax purposes. Prior to that time, MB REIT made distributions to its stockholders in order to qualify as a REIT. As of March 31, 2015, MB REIT had issued and outstanding 943,000 shares of common stock having a par value of $1.00 per share, 207,000 shares of 3.5% Series A Cumulative Redeemable Preferred Stock, $0.01 par value per share, and 125 shares of 12.5% Series B Cumulative Non-Voting Preferred Stock, $0.01 par value per share. For the three months ended March 31, 2016 and 2015, no dividends were paid by Highlands or MB REIT.

Off-Balance Sheet Arrangements

As of March 31, 2016 and December 31, 2015, we have no off-balance sheet arrangements.

Selected Financial Data

The following table shows our condensed combined consolidated selected financial data relating to our condensed combined consolidated historical financial condition and results of operations. Such selected data should be read in conjunction with the condensed combined consolidated financial statements and related notes appearing elsewhere in this report (dollar amounts are stated in thousands, except per share amounts).

	As of	
	March 31, 2016	December 31, 2015
Balance Sheet Data:		
Total assets	$ 654,689	$ 739,154
Debt, net	432,223	437,032

	Three Months Ended March 31,	
	2016	2015
Operating Data:		
Total revenues	$ 26,597	$ 28,967
Net income	$ 4,308	$ 3,427
Net income attributable to Company	$ 4,308	$ 3,419
Supplemental Measures:		
Funds from operations (a)	$ 12,549	$ 12,681
Modified net operating income (b)	$ 22,713	$ 23,405
Cash Flow Data:		
Net cash flows provided by operating activities	$ 11,611	$ 11,390
Net cash flows used in investing activities	$ (882)	$ (410)
Net cash flows used in financing activities	$ (19,820)	$ (5,269)

(a) The National Association of Real Estate Investment Trusts ("NAREIT"), an industry trader group, has promulgated a standard known as FFO, or Funds from Operations. As defined by NAREIT, FFO is net income (loss) in accordance with GAAP excluding gains (or losses) resulting from dispositions of properties, plus depreciation and amortization and impairment charges on depreciable property. We have adopted the NAREIT definition in our calculation of FFO as management considers FFO a widely accepted and appropriate measure of performance for REITs.

In calculating FFO, impairment charges of depreciable real estate assets are added back even though the impairment charge may represent a permanent decline in value due to decreased operating performance of the applicable property. Further, because gains and losses from sales of property are excluded from FFO, it is consistent and appropriate that impairments, which are often early recognition of losses on prospective sales of property, also be excluded.

We believe that FFO is a better measure of our properties' operating performance because FFO excludes non-cash items from GAAP net income. FFO is neither intended to be an alternative to "net income" nor to "cash flows from operating activities" as determined by GAAP as a measure of our capacity to pay distributions. Other REITs may use alternative methodologies for calculating similarly titled measures, which may not be comparable to our calculation of FFO. FFO is calculated as follows:

	Three Months Ended March 31,	
	2016	2015
Net income	$ 4,308	$ 3,427
Less: Net income attributable to non-controlling interests	—	(8)
Net income attributable to Company	$ 4,308	$ 3,419
Depreciation and amortization related to investment properties	8,241	9,262
Funds from operations	$ 12,549	$ 12,681

As of March 31, 2016, (i) the loan agreements affiliated with AT&T—Hoffman Estates and AT&T—Cleveland are in "hyper-amortization," and so all net operating income from these assets, less management operating expenses, is used to pay down the principal amount of the loan, and (ii) all net operating income, less management operating expenses, for Dulles Executive Plaza and Shops at Sherman Plaza is being "swept" and held by the lender pursuant to the applicable loan agreement, in each case, as a result of defaults under the respective loan agreements. For the three months ended March 31, 2016, the company relinquished $5.9 million, $1.3 million and $0.8 million to the lenders under the loan agreements for AT&T Hoffman Estates, Dulles Executive Plaza and AT&T Cleveland, respectively. For the three months ended March 31, 2016, Shops at Sherman Plaza had a net loss of $0.1 million.

The table below reflects additional information related to certain items that significantly impact the comparability of our FFO and net income or significant non-cash items from the periods presented (in thousands):

	Three Months Ended March 31,	
	2016	2015
Amortization of mark to market debt discounts and financing costs	$ 54	$ 57

(b) Management of the Company uses modified net operating income, or Modified NOI as a key indicator of operating performance for internal monitoring and planning purposes, including the preparation of its annual operating budget and monthly operating reviews, as well as to facilitate analysis of future business decisions. Modified NOI reflects the income from operations excluding adjustments for lease termination income and GAAP rent adjustments. Management believes these adjustments provide a comparable presentation of operating activities across periods. Thus, the Company believes that presentation of this non-GAAP financial measure is helpful to investors' understanding of the Company's operating and investment decisions. In addition, the Company believes that Modified NOI allows management, investors and analysts to evaluate the Company's operating results and performance trends on a year-to-year basis because it is an indicator of the return on property investment, before corporate-level allocations and other expenses.

The following table reflects a reconciliation of modified net operating income to the net income attributable to the Company on the condensed combined consolidated statements of operations (in thousands):

	Three Months Ended March 31,	
	2016	2015
Modified net operating income	$ 22,713	$ 23,405
Adjustments(1)	(744)	(584)
Net operating income	21,969	22,821
Non-allocated expenses(2)	(11,110)	(12,380)
Other income and expenses(3)	(6,551)	(7,014)
Net income	4,308	3,427
Less: Net income attributable to non-controlling interests	—	(8)
Net income attributable to Company	$ 4,308	$ 3,419

(1) Includes adjustments for items that affect the comparability of, and were excluded from, the same store results. Such adjustments include lease termination income and GAAP rent adjustments (such as straight-line rent and above/below market lease amortization).

(2) Non-allocated expenses consist of general and administrative expenses and depreciation and amortization.

(3) Other income and expenses consist of other (loss) income, interest expense and income tax expense.

Use and Limitations of Non-GAAP Financial Measures

FFO and Modified NOI do not represent cash generated from operating activities under GAAP and should not be considered as alternatives to net income or loss, operating profit, cash flows from operations or any other operating performance measure prescribed by GAAP. Although we present and use FFO and Modified NOI because we believe they are useful to investors in evaluating and facilitating comparisons of our operating performance between periods and between REITs that report similar measures, the use of these non-GAAP measures has certain limitations as analytical tools. These non-GAAP financial measures are not measures of our liquidity, nor are they indicative of funds available to fund our cash needs, including our ability to fund capital expenditures, contractual commitments, working capital, service debt or make cash distributions. These measurements do not reflect cash expenditures for long-term assets and other items that we have incurred and will incur. These non-GAAP financial measures may include funds that may not be available for management's discretionary use due to functional requirements to conserve funds for capital expenditures, property acquisitions and other commitments and uncertainties. These non-GAAP financial measures as presented may not be comparable to non-GAAP financial measures as calculated by other real estate companies.

We compensate for these limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessments of our operating performance. Our reconciliation to the most comparable GAAP financial measures, and our condensed combined consolidated statements of operations and cash flows, include interest expense, capital expenditures and other excluded items, all of which should be considered when evaluating our performance, as well as the usefulness of our non-GAAP financial measures. These non-GAAP financial measures reflect additional ways of viewing our operations that we believe, when viewed with our GAAP results and the reconciliations to the corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting our business than could be obtained absent this disclosure. We strongly encourage investors to review our financial information in its entirety and not to rely on a single financial measure.

Subsequent Events

On April 28, 2016, the Company was spun-off from InvenTrust, its former parent, through a pro rata distribution by InvenTrust of 100% of the outstanding shares of Common Stock of Highlands to holders of record of InvenTrust's common stock as of the close of business on the Record Date. Each holder of record of InvenTrust's common stock received one share of Common Stock for every one share of InvenTrust's common stock held at the close of business on the Record Date. As a result, Highlands became an independent, self-advised, non-traded company. Highlands intends to be taxed as, and operate in a manner that will allow the Company to qualify as a REIT for U.S. federal income tax purposes commencing with our short taxable year ending December 31, 2016.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risk associated with changes in interest rates in terms of the price of new fixed-rate debt upon maturity of existing debt and for acquisitions.

Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs.

Existing fixed rate loans that are scheduled to mature in the next year or two are evaluated for possible early refinancing and or extension due to consideration given to current interest rates. Refer to Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation - Borrowings for mortgage debt principal amounts and weighted average interest rates by year and expected maturity to evaluate the expected cash flows. As of March 31, 2016, we did not have any variable rate loans outstanding.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15(b) and Rule 15d-15(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our management, including our principal executive officer and our principal financial officer evaluated, as of March 31, 2016, the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and Rule 15d-15(e) of the Exchange Act. Based on that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures, as of March 31, 2016, were effective at a reasonable assurance level for the purpose of ensuring that information required to be disclosed by us in this report is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Exchange Act and is accumulated and communicated to management, including our principal executive officer and our principal financial officer as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There has been no change in the Company’s internal control over financial reporting during the quarter ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

We are from time to time involved in legal actions arising in the ordinary course of business. We are not currently involved in any legal or administrative proceedings that we believe are likely to have a materially adverse effect on our business, results of operations or financial condition.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in our Registration Statement on Form 10-12G (File No. 000-55580) under the heading "Risk Factors".

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The exhibits filed in response to Item 601 of Regulation S-K are listed on the Exhibit Index attached hereto and are incorporated herein by reference.

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.

Highlands REIT, Inc.

Date: May 10, 2016	By: /s/ Richard Vance
	Richard Vance
	President, Chief Executive Officer and Secretary (Principal Executive Officer)
Date: May 10, 2016	By: /s/ Joseph Giannini
	Joseph Giannini
	Senior Vice President, Principal Accounting Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT NO.	DESCRIPTION
2.1	Separation and Distribution Agreement between InvenTrust Properties, Corp. and Highlands REIT, Inc., dated as of April 16, 2016 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 14, 2016)
3.1	Articles of Amendment and Restatement of Highlands REIT, Inc. (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, filed with the Securities and Exchange Commission on April 27, 2016)
3.2	Amended and Restated Bylaws of Highlands REIT, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 28, 2016)
10.1	Transition Services Agreement by and between InvenTrust Properties Corp. and Highlands REIT, Inc., dated as of April 28, 2016 (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 28, 2016)
10.2	Employee Matters Agreement by and between InvenTrust Properties Corp. and Highlands REIT, Inc., dated as of April 28, 2016 (incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 28, 2016)
10.3*	Executive Employment Agreement between Highlands REIT, Inc. and Richard Vance, dated as of April 14, 2016
10.4	Highlands REIT, Inc. 2016 Incentive Award Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8, filed with the Securities and Exchange Commission on April 27, 2016)
10.5*	First Amendment to Highlands REIT, Inc. 2016 Incentive Award Plan
10.6	Form of Indemnification Agreement entered into between Highlands REIT, Inc. and each of its directors and executive officers (incorporated by reference to Exhibit 10.5 of the Company’s Registration Statement on Form 10, filed with the Securities and Exchange Commission on March 18, 2016)
10.7	Highlands REIT, Inc. Director Compensation Program (incorporated by reference to Exhibit 10.9 of Amendment No. 1 to the Company’s Registration Statement on Form 10, filed with the Securities and Exchange Commission on April 8, 2016)
10.8*	Form of Highlands REIT, Inc. 2016 Incentive Award Plan Stock Payment Award Grant Notice
31.1*	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Link Document

* Filed as part of this Quarterly Report on Form 10-Q.

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (this "Agreement"), dated as of April 14, 2016, is entered into by and among Highlands REIT, Inc. ("Highlands" or the "Company") and Richard Vance ("Executive").

RECITALS:

WHEREAS, the Company is, and prior to the Distribution (as defined below) will be, a wholly owned subsidiary of InvenTrust Properties Corp. ("InvenTrust");

WHEREAS, to effect the separation of the Company from InvenTrust, on or about the date hereof, the Company and InvenTrust are entering into that certain Separation and Distribution Agreement (as amended or otherwise modified from time to time, the "Separation Agreement");

WHEREAS, effective as of the date of the Distribution, the Company desires to employ Executive in the position of President and Chief Executive Officer;

WHEREAS, this Agreement sets forth the terms and conditions of the employment relationship between the Company and Executive; and

WHEREAS, this Agreement shall become effective only if the Distribution occurs.

NOW, THEREFORE, in consideration of the covenants herein contained and the employment of Executive and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Effectiveness. This Agreement shall become effective on the date on which the Distribution is completed (the "Effective Date"). Notwithstanding anything contained herein, in the event that the Separation Agreement is terminated in accordance with its terms or the Distribution does not occur for any reason, this Agreement shall not become effective, and, in the event that the Separation Agreement is terminated, shall automatically, and without notice, terminate without any obligation due to the other party and the provisions of this Agreement shall be of no force or effect. For purposes of this agreement, "Distribution" shall mean the pro rata distribution by InvenTrust of 100% of the outstanding shares of common stock of Highlands to the stockholders of InvenTrust.

2. **Position**. The Company will employ Executive as its President and Chief Executive Officer. The principal location of Executive's employment shall be at the Company's principal executive office located in the greater Chicago metropolitan area, although Executive understands and agrees that Executive will be required to travel from time to time for business reasons. Executive agrees to devote Executive's full working time and attention to the Company and to act at all times in the best interests of the Company. Executive will have such duties, responsibilities and authority as are consistent with Executive's position. Executive shall report to the Board. Executive agrees to perform Executive's duties and responsibilities to the Company faithfully, competently, diligently and to the best of Executive's ability, and subject to, and in accordance with, all of the policies, rules and regulations from time to time applicable to employees of the Company. Executive further agrees to execute any additional documents as the Company may from time to time request Executive and other similarly situated executives to sign regarding such policies, rules and regulations of the Company, provided that any such additional documents shall not be inconsistent with the terms of this Agreement.

3. **Compensation and Benefits**.

(a) *Base Salary*. During the "Term" (as defined in Section 4 below), the Company will pay to Executive a base salary at a rate of $385,000 per annum, which may be reviewed and increased (but not decreased) from time to time in the normal course of business (such annual salary, as in effect from time to time, to be referred to herein as "Base Salary"). Executive's Base Salary will be payable in accordance with the Company's normal payroll practices.

(b) *Annual Performance Bonus*. For each fiscal year of the Company during Executive's employment with the Company hereunder (each, a "Performance Period"), Executive will be eligible to receive an annual performance bonus award payable in cash in an amount determined by the Board, or a committee thereof, based upon the achievement of performance criteria established by the Board or the Compensation Committee of the Board with respect to such period (the "Annual Bonus"). The bonus program to be established by the Board will include threshold, target and maximum levels. Executive will be eligible to receive an annual target bonus of no less than eighty percent (80%) of Executive's Base Salary ("Target Bonus") with threshold and maximum bonus levels to be determined on an annual basis, with the actual bonus that becomes payable to be based on the actual achievement of the applicable performance criteria as determined by the Board or a committee thereof. In the event of the occurrence of a Change in Control during a Performance Period, in addition to any other payments or benefits to which Executive is or may become entitled to pursuant to the terms of this Agreement or any plan or agreement in which Executive participates or is a party to, Executive will be entitled to receive an Annual Bonus equal to the target Annual Bonus for the year in which the Change in Control occurs, pro-rated for the portion of the Performance Period that elapsed prior to the occurrence of the Change in Control. Any Annual Bonus shall be paid to Executive in a lump sum as soon as reasonably practicable, but in no event later than March 15, following the end of the applicable fiscal year.

(c) *Stock Awards*. Within thirty (30) days following the Effective Date, Executive will be granted an award of fully-vested Shares having an aggregate value equal to \$1,000,000. In addition, not later than March 15, 2017, and subject to Executive's continued employment with the Company until such date, Executive will be granted an award of fully-vested Shares having an aggregate value equal to \$600,000. The number of Shares subject to each such award shall be determined by dividing such dollar amount by the fair market value of a Share on the grant date, as determined by the Company in good faith.

(d) *Employee Benefits*. Executive is also eligible for the benefit plans and employment policies offered by the Company to other senior level executives under the same terms and conditions offered to senior level executives, subject to and on a basis consistent with the terms, conditions, and overall administration of such benefit plans. During the Term, Executive will accrue vacation with pay at an annual accrual rate consistent with the Company's policy in effect from time to time.

(e) *Reservation of Rights*. Notwithstanding the foregoing, the Company may change, amend, or discontinue any employee benefit plans and policies at any time in its sole discretion.

(f) *Business Expenses*. The Company shall reimburse Executive for reasonable business expenses incurred by Executive on Company business, pursuant to the Company's standard expense reimbursement policy as in effect from time to time.

4. Term; Termination of Employment. The term of this Agreement (the "Term") begins on the Effective Date and will end, along with Executive's employment with the Company, on the earliest to occur of the following events.

(a) *Notice by Executive*. Executive can terminate Executive's employment and the Term with Good Reason in accordance with the notice requirement under the definition of Good Reason under Section 12(g) of this Agreement or without Good Reason by providing 60 days advance written notice to the Company of such intent, with the last day of Executive's employment being the end of such 60-day notice period. The Company can elect, in its sole discretion, to have Executive continue to provide services to the Company during some, all or none of such notice period and can elect, in its sole discretion, whether such services will be performed on or off Company premises.

(b) *Notice by the Company without Cause*. The Company can terminate Executive's employment and the Term without Cause by providing 60 days' advance written notice to Executive of such intent, with the last day of Executive's employment being the end of such 60-day notice period. At the Company's option, it may place Executive on a paid leave of absence for all or part of such notice period.

(c) *Termination For Cause*. The Company can terminate Executive's employment and the Term immediately upon notice to Executive if such termination of employment is for Cause.

(d) *Other Reasons*. Executive's employment and the Term will be terminated upon Executive's death or Executive becoming Disabled.

(e) *Certain Payments*. Upon Executive's termination of employment for any reason, the Company will pay to Executive (a) Executive's earned but unpaid Base Salary through the effective date of the termination and (b) any other amounts due to Executive from the Company or any of its Affiliates thereof as of the effective date of the termination, such as approved, unreimbursed business expenses and accrued and unused vacation. Executive's participation in and payouts under employee benefit plans of the Company will be governed by the terms of those plans then in effect.

5. Severance.

(a) *Termination Without Cause or Resignation for Good Reason other than within 24 months Following a Change in Control*. If Executive's employment is terminated by the Company without Cause or if Executive resigns for Good Reason, and such termination is not a CIC Termination (as defined below), then, subject to Section 6 and Section 9, Executive will receive a lump-sum payment in an amount equal to 1.5 times the sum of (i) Executive's Base Salary and (ii) Executive's Target Bonus for the year in which the termination occurs. Such lump-sum amount will be payable within sixty (60) calendar days following Executive's separation from service.

(b) *Termination Without Cause or Resignation for Good Reason Following a Change in Control*. If Executive's employment is terminated by the Company without Cause or if Executive resigns for Good Reason, and such termination is on the date of, or during the twenty-four- (24-) month period following, a Change in Control (a "***CIC Termination***"), then, subject to Section 6 and Section 9, Executive will receive a lump sum payment equal to the CIC Severance Multiple times the sum of (i) Executive's Base Salary and (ii) Executive's Target Bonus for the year in which the termination occurs. Such lump sum amount will be payable within

60 calendar days following Executive's separation from service. In the event that Executive's employment with the Company is terminated (other than by the Company for Cause, by the Executive's voluntary resignation other than for Good Reason or due to the Executive's death or Executive becoming Disabled) in connection with or by reason of a liquidation of the Company or a sale, liquidation or other disposition or exit (including any trustee sale, foreclosure, default, or placement into receivership) of all or substantially all of the Company's assets (in each case, in a single transaction or series of transactions) (a "***Disposition of Assets***"), such termination shall constitute a CIC Termination for purposes of this Agreement, any other agreement between the Executive and the Company, and any plan maintained by the Company.

(c) *Benefit Continuation*. If Executive is entitled to severance payments under either Section 5(a) or 5(b) hereof, the Company shall, at the Company's expense, for the period ending on the earliest of (A) 18 months following the termination of Executive's employment with the Company, or (B) the date Executive becomes eligible to be covered under any other group health plan (as an employee or otherwise) that does not contain any exclusion or limitation with respect to any preexisting condition which would actually limit Executive's coverage under such plan (the "Benefit Continuation Period"), provide medical insurance benefit coverage in coordination with the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") by paying directly or reimbursing Executive for the applicable coverage premiums, provided that (i) Executive completes and timely files all necessary COBRA election documentation, which will be sent to Executive after the last day of employment and (ii) Executive continues to make all required premium payments required by COBRA. In the event such premium payments or reimbursements by the Company, by reason of change in the applicable law, may, in the reasonable view of the Company, result in tax or other penalties on the Company or in the event that the Company is otherwise unable to continue to cover Executive under its group health plan or ceases to maintain or participate in a group health plan, this provision shall terminate and Executive and the Company shall, in good faith, negotiate for a substitute provision that would not result in such tax or other penalties or would provide Executive with a comparable benefit or value, as applicable.

6. Conditions to Receiving Severance. The receipt of any severance or other benefits pursuant to Section 5 will be subject to Executive signing, returning to the Company and not revoking, a general release agreement, in a form of agreement generally used by the Company for such purposes, releasing the Company and its Affiliates from any and all claims Executive may have arising out of Executive's employment, or termination thereof (the "Release Agreement") and such Release Agreement becoming effective no later than fifty-five (55) days following Executive's termination of employment; provided, however, that in the event such fifty-five (55) day period straddles two taxable years, the payments described in Section 5 shall not commence until the later of the two taxable years; and provided further that the general release agreement and any accompanying separation agreement shall have no greater obligations or more limiting post-employment restrictions than are expressly set forth in this Agreement.

7. Executive Covenants. Executive acknowledges that the covenants contained in Section 7 of this Agreement shall survive the termination of the Term and that the consideration noted in Section 3, as well as Executive's employment, is sufficient compensation for such covenants. For purposes of this Section 7, "Company" means the Company and its subsidiaries, parent companies and affiliated companies other than InvenTrust.

(a) *Nondisclosure of Confidential Information*. "Confidential Information" means data and information relating to the business of the Company, which is disclosed to or created by Executive, or of which Executive becomes aware as a consequence of Executive's relationship with the Company, that has value to the Company and is not generally known to competitors of the Company. Subject to the foregoing, Confidential Information includes, but is not limited to, business development, marketing and sales programs, customer, potential customer and supplier/vendor information, customer lists, employee information, marketing strategies, Company financial results, information related to mergers and acquisitions, pricing information, personnel information, financial data, regulatory approval strategies, investigative records, research, marketing strategy, testing methodologies and results, computer programs, programs and protocols, and related items used by the Company in its business, whether contained in written form, computerized records, models, prototypes or any other format, and any and all information obtained in writing, orally or visually during visits to offices of the Company. Confidential Information shall not include any information that (A) is or becomes generally available to the public other than as a result of an unauthorized disclosure, (B) has been independently developed and disclosed by others without violating this Agreement, or (C) otherwise enters the public domain through lawful means. Executive acknowledges that Executive will continue to receive and develop Confidential Information of the Company as a necessary part of Executive's job. Executive agrees that while employed by the Company, Executive will continue to benefit and add to the Company goodwill with its clients and in the marketplace generally. Executive further agrees that the loss of such clients will cause the Company significant and irreparable harm and that the restrictions on Executive's use of such Confidential Information are reasonable and necessary to protect the Company's legitimate business interests in its Confidential Information. Accordingly, Executive will not at any time during Executive's employment by the Company, and for so long thereafter as the pertinent information or documentation constitutes Confidential Information as defined above, use or disclose to others any Confidential Information, except as specifically authorized in a signed writing by the Company or in the performance of work assigned to Executive by the Company. The covenants made by Executive herein are in addition to, and not exclusive of, any and all other rights to which the Company is entitled under federal and state law, including, but not limited to, rights provided under copyright and trade secret laws, and laws concerning fiduciary duties. Executive hereby agrees not to disclose, copy, or remove from the premises of the Company any documents, records, tapes or other media or format that contain or may contain Confidential Information, except as required by the nature of Executive's duties for the Company. Notwithstanding the foregoing, nothing herein prohibits Executive from reporting possible violations of federal law or regulation to any governmental agency or entity including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Executive does not need the prior authorization of the Company to make any such reports or disclosures and will not be required to notify the Company of any such reports or disclosures.

(b) *Return of Company Property*. Promptly following the end of the Term, or at any time at the request of the Company, Executive will return to the Company all Confidential Information, physical property of the Company and any information relating to the clients or customers of the Company that Executive may possess or have under Executive's control, together with all copies thereof, including but not limited to company hardware, records, memoranda, notes, plans, reports, computer tapes, software and other documents and data containing confidential information.

(c) *Employee and Independent Contractor Nonsolicitation and Noninterference*. During the Term and for one year following the termination of Executive's employment for any reason or no reason by either the Company or Executive, Executive will not, directly or indirectly (i) recruit, hire, retain or attempt to recruit, hire or retain, any then-current employee or independent contractor of the Company or any former employee who was employed by the Company within the prior six (6) months, for employment or engagement with an entity other than the Company, or (ii) entice or attempt to persuade the Company's then-current employee or independent contractor to leave employment or engagement with the Company.

(d) *Nondisparagement*. Executive shall not make, and the Company shall instruct each member of the Board and each executive officer of the Company not to make, or cause to be made, during the Term and at all times thereafter, any statement or communicate any information (whether oral or written) that disparages the Company or Executive, respectively, including, with respect to Executive's obligations, the Company's subsidiaries or parent companies or any of their respective officers, directors, board members, investors, shareholders, agents or employees.

(e) *Reasonableness*. Executive acknowledges that the provisions contained in this Section 7 are reasonable and necessary to protect the Company's interests in its good will, business relationships, and confidential information and that the Company will suffer substantial harm if Executive engages in any of the prohibited activities. Executive warrants that no provision of this Section 7 will work to prevent Executive from earning a living.

(f) *Enforcement*. It is the desire and intent of the parties hereto that the provisions of Section 7 of this Agreement be construed independently of one another to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Each restriction contained in this Section 7 is intended to be severable, and the unenforceability of any such provision shall not affect the enforceability of any other provision of Section 7. The Company shall be entitled to all rights and remedies as set forth in this Section 7 until the expiration of the covenants contained herein in accordance with their terms. The parties agree and acknowledge that damages will be difficult, if not impossible, to calculate in the event of a breach, or threatened breach, of any of the provisions of this Section 7 and, in any event, damages will be an insufficient remedy in the event of such breach. Accordingly, the parties agree that the Company shall, in addition to all other remedies, be entitled to injunctive relief in the event of any breach of the provisions of this Section 7.

8. Parachute Payment Limitations. Notwithstanding anything to the contrary contained herein (or any other agreement entered into by and between Executive and the Company or any incentive arrangement or plan offered by the Company), in the event that any amount or benefit paid or distributed to Executive pursuant to this Agreement, taken together with any amounts or benefits otherwise paid to Executive by the Company (collectively, the "Covered Payments"), would constitute an "excess parachute payment" as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and would thereby subject Executive to an excise tax under Section 4999 of the Code (an "Excise Tax"), the provisions of this Section 8 shall apply. If the aggregate present value (as determined for purposes of Section 280G of the Code) of the Covered Payments exceeds the amount which can be paid to Executive without Executive incurring an Excise Tax, then, solely to the extent that Executive would be better off on an after tax basis by receiving the maximum amount which may be paid hereunder without Executive becoming subject to the Excise Tax, the amounts payable to Executive under this Agreement (or any other agreement by and between Executive and the Company or pursuant to any incentive arrangement or plan offered by the Company) shall be reduced (but not below zero) to the maximum amount which may be paid hereunder without Executive becoming subject to the Excise Tax (such reduced payments to be referred to as the "Payment Cap"). The determination of whether Covered Payments would result in the application of the Excise Tax, and the amount of reduction that is necessary so that no such Excise Tax would be applied, shall be made, at the Company's expense, by the independent accounting firm employed by the Company immediately prior to the occurrence of the Change in Control. In the event Executive receives reduced payments and benefits as a result of application of this Section 8, Executive shall have the right to designate which of the payments and benefits otherwise set forth herein (or any other agreement between the Company and Executive or any incentive arrangement or plan offered by the Company) shall be received in connection with the application of the Payment Cap, subject to the following sentence. Reduction shall first be made from payments and benefits which are determined not to be nonqualified deferred compensation for purposes of Section 409A of the Code, and then shall be made (to the extent necessary) out of payments and benefits that are subject to Section 409A of the Code and that are due at the latest future date.

9. **Recoupment**. Notwithstanding any other provision of this Agreement to the contrary, Executive acknowledges that Executive will be subject to recoupment policies adopted by the Company, including any policy adopted pursuant to the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act or other law or the listing requirements of any national securities exchange on which the securities of the Company may be listed.

10. **Tax Withholding**. Executive shall be liable for all income taxes incurred with respect to all benefits provided under this Agreement. All payments required to be made to Executive under this Agreement shall be subject to withholding of amounts relating to income tax, excise tax, employment tax and other payroll taxes to the extent the Company determines is required to be withheld pursuant to applicable law or regulation.

11. **Section 409A of the Internal Revenue Code**. It is the intent of the parties that payments and benefits under this Agreement comply with, or be exempt from, Section 409A of the Code and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered consistent with such intent. With respect to expenses eligible for reimbursement under the terms of this Agreement: (i) the amount of such expenses eligible for reimbursement in any taxable year shall not affect the expenses eligible for reimbursement in another taxable year; and (ii) any reimbursements of such expenses shall be made no later than the end of the calendar year following the calendar year in which the related expenses were incurred, except, in each case, to the extent that the right to reimbursement does not provide for a "deferral of compensation" within the meaning of Section 409A of the Code. In addition, Executive's right to reimbursement (or in-kind benefits) cannot be liquidated or exchanged for any other benefit or payment. Notwithstanding anything contained herein to the contrary, to the extent required to avoid accelerated taxation or tax penalties under Section 409A of the Code, Executive shall not be considered to have terminated employment for purposes of this Agreement and no payments shall be due to Executive under this Agreement that are payable upon Executive's termination of employment until Executive would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A of the Code. In addition, for purposes of this Agreement, each amount to be paid or benefit to be provided to Executive pursuant to this Agreement shall be construed as a separate identified payment for purposes of Section 409A of the Code and any payments described herein that are due within the "short term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. Notwithstanding anything contained herein to the contrary, if Executive is a "specified employee," as defined in Section 409A of the Code, as of the date of Executive's separation from service, then to the extent any amount payable under this Agreement (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon Executive's separation from service and (iii) under the terms of this Agreement would be payable prior to the six-month anniversary of Executive's separation from service, such payment shall be delayed until the earlier to occur of (A) the first business day following the six-month anniversary of the separation from service or (B) the date of Executive's death.

12. Definitions. For the purposes of this Agreement, the following terms shall be defined as set forth below:

(a) "Affiliate" means any domestic or foreign individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or governmental entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the Company.

(b) "Board" means the board of directors of Highlands or its successor.

(c) "Cause" means any of the following:

(i) the willful fraud or material dishonesty of Executive in connection with the performance of Executive's duties to the Company;

(ii) the deliberate or intentional failure by Executive to substantially perform Executive's duties to the Company (other than Executive's failure resulting from Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after Executive's issuance of a Notice of Termination for Good Reason) which (if capable of cure) remains uncured after written notice is delivered to Executive by the Board, which notice specifically identifies the manner in which the Board believes Executive has not substantially performed Executive's duties;

(iii) willful misconduct by Executive that is materially detrimental to the reputation, goodwill or business operations of the Company or any Affiliate;

(iv) willful disclosure of the Company's Confidential Information or trade secrets;

(v) a breach of Section 7(a), (b) or (c) or Section 19 of this Agreement; or

(vi) the conviction of, or plea of nolo contendere to a charge of commission of a felony or crime of moral turpitude by Executive.

For purposes of this Section, no act or failure to act will be considered "willful," unless it is done or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company will be presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company.

(d) "Change in Control" means the first to occur of any of the events set forth in the following paragraphs:

(i) any "person," as such term is used in Sections 13(d) and 14 (d) of the Securities Exchange Act of 1934 (the "Exchange Act"), other than the Company or an Affiliate or a Company employee benefit plan, including any trustee of such plan acting as trustee, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors;

(ii) a merger, reverse merger or other business combination or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation other than an Affiliate, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger, reverse merger, business combination or consolidation;

(iii) a majority of the members of the Board is replaced during any 12 month period by directors whose appointment or election is not endorsed by a majority of the Board prior to the date of the appointment or election; or

(iv) a sale or disposition (other than to an Affiliate) of all or substantially all of the Company's assets in any single transaction or series of related transactions; or

(v) the shareholders of the Company or the Board adopts a plan of liquidation.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to an amount that provides for a the deferral of compensation that is subject to Section 409A of the Code, then, to the extent required to avoid the imposition of additional taxes under Section 409A of the Code, the transaction or event described in subsection (i), (ii), (iii), (iv) or (v) above shall only constitute a Change in Control if such transaction also constitutes a "change in control event" (within the meaning of Section 409A of the Code).

(e) "CIC Severance Multiple" shall be determined based on the date of Executive's termination of employment with the Company, as follows:

Termination of Employment (All Dates Inclusive)		**CIC Severance Multiple**
Between the Effective Date and June 30, 2018		Three (3)
Between July 1, 2018 and December 31, 2018		Two and one-half (2.5)
Between January 1, 2019 and June 30, 2019		Two (2)
On or after July 1, 2019		One and one-half (1.5)

(f) "Disabled" has the same meaning as provided in the long-term disability plan or policy maintained by the Company or in which the Company participates. If no such disability plan or policy is maintained or participated in by the Company, Disabled means Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment, which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months. If Executive disputes the Company's determination of Disability, Executive (or Executive's designated physician) and the Company (or its designated physician) shall jointly appoint a third party physician to examine Executive and determine whether Executive is Disabled.

(g) "Good Reason" means, without Executive's written consent, (i) a material diminution of Executive's annual Base Salary or Target Bonus as in effect on the Effective Date and as may be increased from time to time; (ii) a material reduction in Executive's authority, duties or responsibilities (including any such diminution resulting from a Disposition of Assets); (iii) a requirement that Executive report to anyone other than the Board; (iv) Executive being required to relocate Executive's principal place of employment with the Company more than 50 miles from Executive's principal place of employment as of the Effective Date, it being understood that Executive may be required to travel frequently in connection with Executive's position as set forth herein and that prolonged periods away from Executive's principal residence shall not constitute Good Reason; or (v) failure of any successor to the Company following a Change in Control to assume this Agreement and the obligations hereunder. A termination of employment by Executive shall not be deemed to be for Good Reason unless (A) Executive gives the Company written notice describing the event or events which are the basis for such termination within sixty (60) days after the event or events occur, (B) such grounds for termination (if susceptible to correction) are not corrected by the Company within thirty (30) days of the Company's receipt of such notice ("Correction Period"), and (C) Executive terminates Executive's employment no later than thirty (30) days following the Correction Period.

(h) "Shares" means shares of the common stock, par value $0.01 per share, of the Company.

13. Engagement of Professional Employer Organization. Executive hereby acknowledges and agrees that for purposes of providing certain human resource services, including payroll and certain employee benefits, the Company may, in its sole discretion, engage a professional employer organization or similar organization (a "PEO"). In the event that the Company engages a PEO, the Company may be in a co-employment relationship with the PEO, and to that extent Executive will be in a separate employment relationship with each of the Company and the PEO (which may be considered Executive's employer of record for such purposes). Accordingly, Executive acknowledges and agrees that certain obligations of the Company under this Agreement may be satisfied by the provision of services or benefits by the PEO and its affiliates; provided, however, that all obligations and liabilities with respect thereto shall ultimately be obligations and liabilities of the Company, and not of the PEO or InvenTrust or its subsidiaries (other than the Company and its subsidiaries). Executive agrees to execute such additional documents in this connection as the Company may from time to time request. Notwithstanding the foregoing, the Company shall have the sole authority to direct and control Executive with respect to the services provided by Executive to the Company.

14. Successors and Assigns. This Agreement and all rights hereunder are personal to Executive and shall not be assignable by Executive; provided, however, that any amounts that shall have become payable under this Agreement prior to Executive's death shall inure to the benefit of Executive's heirs or other legal representatives, as the case may be. This Agreement shall be binding upon and inure to the benefit of the Company's successors, including any entity that succeeds to the business and interests of the Company whether by merger, consolidation, purchase of assets or otherwise, of all or substantially all of the Company's assets and business.

15. Blue-Penciling; Severability. In the event that any provision of this Agreement is determined to be partially or wholly invalid, illegal, unenforceable, or unreasonable or excessive as to duration, geographic scope, or activity, then such provision shall be modified or restricted to the extent necessary to make such provision valid, binding and enforceable. Any provision that is modified shall be construed by limiting and reducing it to the maximum time, geographic or scope limitations, as the case may be, so as to be reasonable and enforceable to the extent compatible with the applicable law. If such provision cannot be modified or restricted, then such provision shall be deemed to be excised from this Agreement, provided that the binding effect and enforceability of the remaining provisions of this Agreement shall not be affected or impaired in any manner.

16. Amendment. This Agreement may not be amended orally; it may only be amended in a writing signed by Executive and a duly authorized representative of the Company.

17. **<u>Notices</u>**. Any notices to be given under this Agreement may be made by personal delivery, e-mail, or recognized overnight courier. Notice by personal delivery or courier will be deemed made on the date of actual receipt.

Notice to the Company shall be addressed to:

Chairman of the Board
Highlands REIT, Inc.
332 S. Michigan Avenue, Ninth Floor
Chicago, IL 60604

Notice to Executive shall be addressed to Executive at the home address most recently provided to the Company.

18. **<u>Governing Law</u>**. This Agreement shall be governed by and enforceable in accordance with the laws of the State of Maryland as applicable to contracts executed and performed within such state, without regard to the application of any choice-of-law rules that would result in the application of another state's laws.

19. **<u>Arbitration</u>**.

(a) The Company and Executive mutually consent to the resolution by final and binding arbitration of any and all disputes, controversies or claims related in any way to Executive's relationship with the Company or any Affiliate, including, but not limited to, any dispute, controversy or claim of alleged discrimination, harassment or retaliation (including, but not limited to, claims based on race, sex, sexual preference, religion, national origin, age, marital or family status, medical condition, handicap or disability); any dispute, controversy or claim arising out of or relating to this Agreement or the breach of this Agreement; and any dispute as to the arbitrability of a matter under this Agreement (collectively, "<u>Claims</u>"); provided, however, that nothing in this Agreement shall require arbitration of any Claims which, by law, cannot be the subject of a compulsory arbitration agreement.

(b) All Claims shall be resolved exclusively by arbitration administered by JAMS under its Employment Arbitration Rules and Procedures then in effect (the "<u>JAMS Rules</u>"). Notwithstanding the foregoing, the Company and Executive shall have the right to (i) seek a restraining order or other injunctive or equitable relief or order in aid of arbitration or to compel arbitration, from a court of competent jurisdiction, or (ii) interim injunctive or equitable relief from the arbitrator pursuant to the JAMS Rules, in each case to prevent any violation of this Agreement. The Company and Executive must notify the other party in writing of a request to arbitrate any Claims within the same statute of limitations period applicable to such Claims.

(c) Any arbitration proceeding brought under this Agreement shall be conducted before one arbitrator in the greater Chicago metropolitan area, or such other location to which the parties mutually agree. The arbitrator shall be selected in accordance with the JAMS Rules, provided that the arbitrator shall be an attorney with significant experience in employment matters. Each party to any dispute shall pay its own expenses, including attorneys' fees; provided, however, that the Company shall pay all costs and fees that Executive would not otherwise have been subject to paying if the claim had been resolved in a court of law and, to the extent required by applicable law for this arbitration provision to be enforceable, the Company shall reimburse Executive for any reasonable travel expenses incurred by Executive in connection with Executive's travel to Illinois for any arbitration proceedings. The arbitrator will be empowered to award either party any remedy at law or in equity that the party would otherwise have been entitled to had the matter been litigated in court, including, but not limited to, general, special and punitive damages, injunctive relief, costs and attorney fees; provided, however, that the authority to award any remedy is subject to whatever limitations, if any, exist in the applicable law on such remedies. The arbitrator shall issue a decision or award in writing, stating the essential findings of fact and conclusions of law, and the arbitrators shall be required to follow the laws of the State of Maryland consistent with Section 18 of this Agreement.

(d) Any judgment on or enforcement of any award, including an award providing for interim or permanent injunctive relief, rendered by the arbitrator may be entered, enforced or appealed in any court having jurisdiction thereof. Any arbitration proceedings, decision or award rendered hereunder, and the validity, effect and interpretation of this arbitration provision, shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq.

(e) It is part of the essence of this Agreement that any Claims hereunder shall be resolved expeditiously and as confidentially as possible. Accordingly, the Company and Executive agree that all proceedings in any arbitration shall be conducted under seal and kept strictly confidential. In that regard, no party shall use, disclose or permit the disclosure of any information, evidence or documents produced by any other party in the arbitration proceedings or about the existence, contents or results of the proceedings except as necessary and appropriate for the preparation and conduct of the arbitration proceedings, or as may be required by any legal process, or as required in an action in aid of arbitration or for enforcement of or appeal from an arbitral award. Before making any disclosure permitted by the preceding sentence, the party intending to make such disclosure shall give the other party reasonable written notice of the intended disclosure and afford such other party a reasonable opportunity to protect its interests.

20. **<u>Captions and Headings</u>**. Captions and paragraph headings are for convenience only, are not a part of this Agreement, and shall not be used to construe any provision of this Agreement.

21. **Counterparts**. This Agreement may be executed in counterparts, each of which shall constitute an original, but both of which when taken together shall constitute one Agreement. Signatures may be exchanged by facsimile or email.

22. **Survival**. The respective obligations of, and benefits accorded to, the Company and Executive as provided in Section 3(b) and 3(c), 4(e), 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 19 of this Agreement shall survive the expiration or earlier termination of this Agreement. Without limiting the foregoing, Executive acknowledges and agrees that Executive's obligations under Section 7 of this Agreement shall survive the cessation of Executive's employment with the Company for whatever reason.

23. **Entire Agreement**. This Agreement sets forth the entire agreement between the Company (or any Affiliate) and Executive with respect to its subject matter, and merges and supersedes all prior discussions, negotiations, representations, proposals, agreements and understandings of every kind and nature between the Company (or any Affiliate) and Executive. Executive and the Company represent that, in executing this Agreement, each party has not relied upon any representation or statement made by the other party, other than those set forth herein, with regard to the subject matter, basis or effect of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the Company and Executive have executed this Agreement on the date first written above.

Highlands REIT, Inc.	Executive
By: InvenTrust Properties Corp., as the sole stockholder of Highlands REIT, Inc.	
/s/ Scott W. Wilton	/s/ Richard Vance
By: Scott W. Wilton	Richard Vance
Its: Executive Vice President, General Counsel and Secretary	

Exhibit 10.5

FIRST AMENDMENT TO HIGHLANDS REIT, INC. 2016 INCENTIVE AWARD PLAN

THIS FIRST AMENDMENT TO HIGHLANDS REIT, INC. 2016 INCENTIVE AWARD PLAN (this "First Amendment"), dated as of May 9, 2016, is made and adopted by the Board of Directors (the "Board") of Highlands REIT, Inc., a Maryland corporation (the "Company"). Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to them in the Plan (as defined below).

RECITALS

WHEREAS, the Company maintains the Highlands REIT, Inc. 2016 Incentive Award Plan (the "Plan");

WHEREAS, pursuant to Section 11.1(a) of the Plan, the Plan may be wholly or partially amended at any time or from time to time by the Board; and

WHEREAS, the Company desires to amend the Plan as set forth herein.

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended as set forth herein.

AMENDMENT

1. The second and third sentences of Section 9.2 of the Plan are hereby amended and restated in their entirety as follows:

   "The Administrator may in its sole discretion and in satisfaction of the foregoing requirement or in satisfaction of such additional withholding obligations as a Participant may have elected allow a Participant to satisfy such obligations by any payment means described in Section 9.1 hereof, including without limitation, by allowing such Participant to elect to have the Company or an Affiliate withhold Shares otherwise issuable under an Award (or allow the surrender of Shares). The number of Shares which may be so withheld or surrendered shall be limited to the number of Shares which have a fair market value on the date of withholding or repurchase no greater than the aggregate amount of such liabilities based on the maximum statutory withholding rates in such Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income."

2. This First Amendment shall be and is hereby incorporated in and forms a part of the Plan.

3. Except as expressly provided herein, all terms and provisions of the Plan shall remain in full force and effect.

[*Signature Page Follows*]

I hereby certify that the foregoing First Amendment was duly adopted by the Board of Directors of Highlands REIT, Inc. on May 9, 2016.

Executed on this 9th day of May, 2016.

/s/ Richard Vance
Richard Vance
President and Chief Executive Officer

Exhibit 10.8

HIGHLANDS REIT, INC. 2016 INCENTIVE AWARD PLAN

STOCK PAYMENT AWARD GRANT NOTICE

Highlands REIT, Inc., a Maryland corporation, (the "***Company***"), pursuant to the Highlands REIT, Inc. 2016 Incentive Award Plan, as amended from time to time (the "***Plan***"), hereby grants to the individual listed below (the "***Participant***"), in consideration of the mutual agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the number of shares of the Company's Common Stock set forth below (the "***Shares***"). This Stock Payment award is subject to all of the terms and conditions as set forth herein and in the Stock Payment Award Agreement attached hereto as Exhibit A (the "***Stock Payment Agreement***") and the Plan, each of which is incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Stock Payment Award Grant Notice (the "***Grant Notice***") and the Stock Payment Agreement.

Participant:
Grant Date:
Total Number of Shares of Common Stock:

By his or her signature and the Company's signature below, the Participant agrees to be bound by the terms and conditions of the Plan, the Stock Payment Agreement and this Grant Notice. The Participant has reviewed the Stock Payment Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Stock Payment Agreement and the Plan. The Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator of the Plan upon any questions arising under the Plan, this Grant Notice and/or the Stock Payment Agreement. In addition, by signing below, the Participant also agrees that the Company or any Affiliate, in its sole discretion, may satisfy any withholding obligations in accordance with Section 2.2 of the Stock Payment Agreement by (i) withholding shares of Common Stock otherwise issuable to the Participant, (ii) instructing a broker on the Participant's behalf to sell shares of Common Stock otherwise issuable to the Participant and remit the proceeds of such sale to the Company, or (iii) using any other method permitted by Section 2.2 of the Stock Payment Agreement or the Plan.

HIGHLANDS REIT, INC.: HOLDER:		**PARTICIPANT:**	
By:	______________________	By:	______________________
Print Name:	______________________	Print Name:	______________________
Title:	______________________		
Address:	332 S. Michigan Avenue Ninth Floor Chicago, Illinois 60604	Address:	______________________ ______________________ ______________________

EXHIBIT A
TO STOCK PAYMENT AWARD GRANT NOTICE

STOCK PAYMENT AWARD AGREEMENT

Pursuant to the Stock Payment Award Grant Notice (the "***Grant Notice***") to which this Stock Payment Award Agreement (the "***Agreement***") is attached, Highlands REIT, Inc., a Maryland corporation (the "***Company***") has granted to the Participant the number of shares of Common Stock (the "***Shares***") under the Highlands REIT, Inc. 2016 Incentive Award Plan, as amended from time to time (the "***Plan***"), as set forth in the Grant Notice. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

ARTICLE I.

GENERAL

1.1 Incorporation of Terms of Plan. The Award (as defined below) is subject to the terms and conditions of the Plan, which are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE II.

AWARD OF COMMON STOCK

2.1 Award of Common Stock.

(a) Award. Pursuant to the Grant Notice and upon the terms and conditions set forth in the Plan and this Agreement, effective as of the Grant Date set forth in the Grant Notice, the Company has granted to the Participant an award of Common Stock (the "***Award***") under the Plan in consideration of the Participant's past and/or continued employment with or service to the Company or its Affiliates, and/or for other good and valuable consideration which the Administrator has determined exceeds the aggregate par value of the Common Stock subject to the Award as of the Grant Date. The number of Shares subject to the Award is set forth in the Grant Notice. The Participant is an Employee, Non-Employee Director or Consultant of the Company or one of its Affiliates.

(b) Book Entry Form; Certificates. At the sole discretion of the Administrator, the Shares will be issued in either (i) uncertificated form, with the Shares recorded in the name of the Participant in the books and records of the Company's transfer agent; or (ii) certificated form.

2.2 Tax Withholding. The Company or its Affiliates shall be entitled to require a cash payment (or to elect, or permit the Participant to elect, such other form of payment determined in accordance with Section 9.2 of the Plan) by or on behalf of the Participant and/or to deduct from other compensation payable to the Participant any sums to be withheld with respect to the grant of the Award, not to exceed the amount of the liability based on the maximum statutory withholding rates in the Participant's applicable jurisdiction. In satisfaction of the foregoing requirement with respect to the grant of the Award, unless otherwise determined by the Company, the Company or its Affiliates shall withhold Shares otherwise issuable under the Award having a fair market value equal to the sums to be withheld. Notwithstanding any other provision of this Agreement (including without limitation Section 2.1(b) hereof), the Company shall not be obligated to deliver any new certificate representing Shares to the Participant or the Participant's legal representative or to enter any such Shares in book entry form unless and until the Participant or the Participant's legal representative, as applicable, shall have paid or otherwise satisfied in full the amount of all federal, state and local taxes applicable to the taxable income of the Participant resulting from the grant or vesting of the Award or the issuance of Shares hereunder.

2.3 Conditions to Delivery of Shares. Subject to Section 2.1 above, the Shares deliverable under this Award may be either previously authorized but unissued Shares or Shares purchased on the open market. Such Shares shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any Shares under this Award prior to fulfillment of the conditions set forth in Section 9.4 of the Plan.

Notwithstanding the foregoing, the issuance of such Shares shall not be delayed if and to the extent that such delay would result in a violation of Section 409A of the Code. In the event that the Company delays the issuance of such Shares because it reasonably determines that the issuance of such Shares will violate Applicable Law, such issuance shall be made at the earliest date at which the Company reasonably determines that issuing such Shares will not cause such violation, as required by Treasury Regulation Section 1.409A-2(b)(7)(ii).

2.4 Ownership Limits. To ensure compliance with the Stock Ownership Limit (as defined in the Company's charter, as amended from time to time), any other provision of Section 7.2.1(a) of the Company's charter, and/or Applicable Law and for other proper purposes, the Company may issue appropriate "stop transfer" and other instructions to its transfer agent with respect to the Shares.

2.5 Consideration to the Company. In consideration of the grant of the Award pursuant hereto, the Participant agrees to render faithful and efficient services to the Company or any Affiliate.

ARTICLE III.

OTHER PROVISIONS

3.1 Rights as Stockholder. Except as otherwise provided herein, upon the Grant Date, the Participant shall have all the rights of a stockholder of the Company with respect to the Shares, subject to Sections 2.2 and 2.3 above, including, without limitation, voting rights and rights to receive any cash or stock dividends, in respect of the Shares subject to the Award and deliverable hereunder.

3.2 Not a Contract of Service Relationship. Nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue to serve as an Employee, Director or other service provider of the Company or any of its Affiliates or shall interfere with or restrict in any way the rights of the Company and its Affiliates, which rights are hereby expressly reserved, to discharge or terminate the services of the Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or an Affiliate and the Participant.

3.3 Governing Law. The laws of the State of Maryland shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

3.4 Conformity to Securities Laws. The Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act, and any and all Applicable Law. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Award is granted, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by Applicable Law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

3.5 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board; *provided, however*, that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the Award in any material way without the prior written consent of the Participant.

3.6 Notices. Any notice to be given under the terms of this Agreement shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to the Participant shall be addressed to the Participant at the Participant's last address reflected on the Company's records. Any notice shall be deemed duly given when sent via email or when sent by reputable overnight courier or by certified mail (return receipt requested) through the United States Postal Service.

3.7 Successors and Assigns. The Company or any Affiliate may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company and its Affiliates. This Agreement shall be binding upon the Participant and his or her heirs, executors, administrators, successors and assigns.

3.8 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if the Participant is subject to Section 16 of the Exchange Act, then the Plan, the Award and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.9 Entire Agreement. The Plan, the Grant Notice and this Agreement (including all Exhibits thereto, if any) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and its Affiliates and the Participant with respect to the subject matter hereof.

3.10 Limitation on the Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. The Plan, in and of itself, has no assets. The Participant shall have only the rights of a general unsecured creditor of the Company and its Affiliates with respect to amounts credited and benefits payable, if any, with respect to the Shares issuable hereunder.

Exhibit 31.1

Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Richard Vance, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Highlands REIT, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and 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) 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

   (c) 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(s) 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: May 10, 2016

/s/ Richard Vance

Name: Richard Vance

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

Exhibit 31.2

Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph Giannini, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Highlands REIT, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and 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) 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

   (c) 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(s) 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: May 10, 2016

/s/ Joseph Giannini

Name: Joseph Giannini

Title: Senior Vice President, Principal Accounting Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

Certification of Principal Executive Officer
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 on Form 10-Q of Highlands REIT, Inc. (the "Company") for the period ended March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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: May 10, 2016	/s/ Richard Vance
	Name: Richard Vance
	Title: President, Chief Executive Officer and Secretary (Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as a part of the Report or on a separate disclosure document.

Exhibit 32.2

Certification of Principal Financial Officer
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 on Form 10-Q of Highlands REIT, Inc. (the "Company") for the period ended March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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: May 10, 2016	/s/ Joseph Giannini
	Name: Joseph Giannini
	Title: Senior Vice President, Principal Accounting Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as a part of the Report or on a separate disclosure document.