Mr. Turner: At this time, I'd like to invite our CEO, Mr. Richard Vance, to deliver remarks on the state of the Company. Mr. Vance.

Mr. Vance: Thank you, Mr. Chairman and to the investors joining us online, thank you for participating in the meeting. To discuss the state of the Company in light of the Covid-19 pandemic and economic downturn, I think it's important to look back on where we started and the progress we've made over the past few years.

Highlands was created by InvenTrust, a large non-traded REIT and Highlands former parent, as a vehicle to jettison a troubled group of properties. InvenTrust cleansed its balance sheet by bundling its worst properties into Highlands, as a dedicated workout vehicle for its non-core portfolio. This allowed InvenTrust to pursue its strategic plan without the financial drain and management problems associated with working-out these problematic and time-consuming assets, concentrate on its core portfolio, and better position InvenTrust for its final liquidity event. In many respects, we caught a falling knife.

When we spun-off from InvenTrust, the portfolio was in dire shape. The properties in the portfolio suffered from a variety of ills including functional obsolescence, high levels of debt, environmental issues, locations in tertiary markets, and serious leasing difficulties. Several of our largest assets were vacant or about to be vacant and were in, or irreversibly nearing, cash-trap and default on their loans. Of those assets with paying tenants, many were facing a cliff of lease expirations. We had over $400 million in debt and near-term loan maturities. The portfolio included a variety of properties scattered across the country including cold storage warehouses, multi-tenant retail, single and multi tenant office, R&D, four tracts of vacant land, an empty prison, and a bank branch.

For our first 18 months as a stand-alone company, we were focused on triaging the assets and fixing the balance sheet. Within that time period, through asset dispositions, strategic payoffs, refinancings, and, where unavoidable, undergoing short-sales or foreclosures, we were able to reduce our debt by approximately $350 million. At the same time, we set about transforming our portfolio. It was determined that Highlands would need to keep as many liquidity options open as possible and that a less risky portfolio with higher quality assets and more dependable cash flows was essential. There were significant financial, legal, and practical obstacles to a drawn-out, piecemeal liquidation. Additionally, a piecemeal liquidation would have been sporadic, with unpredictable returns and even less certain timeframes given the issues with the properties, including a very limited or nonexistent buyer pool for certain assets. We needed to fix-up our assets in order to sell them in a value-maximizing manner. We needed to create a quality portfolio that could provide a liquidity opportunity for our shareholders.

As part of creating this quality portfolio, we have invested in well-located, difficult-to-replicate multifamily properties, primarily in Denver with additional properties in San Diego and suburban Chicago's North Shore. To enhance financial flexibility, we also obtained a credit facility from a bank group led by Huntington National.

We've been successfully executing on this strategy since the spin-off. For example, when we spun-off from InvenTrust we had Bridgeside Point, a 150K square foot office building with a single tenant, whose lease expired within months. We invested in the asset, converted it to multi-tenant office, executed on a lease-up strategy (much of it to the University of Pittsburgh) and sold the property in a non-brokered transaction at over $10 million more than its 2016 estimated net asset value. We executed on that same strategy with another office asset, which also faced the imminent loss of a single tenant.

We have sold a majority of the legacy assets we had at the spin. Three of four vacant land holdings have been sold, including 101 acres in Orlando that long ago were slated for retail development that, after significant work and an intensive marketing campaign, were sold to Universal Orlando at a significant gain to the 2016 net asset value. Many of the legacy properties have proven very difficult to sell. We recently sold one of our smallest properties, an abandoned bank branch attached to a vacant, antiquated office building. We marketed the property for years and had it under contract with four different buyers before it finally sold. Selling retail properties has also been challenging. Even before the onset of Covid 19, retail in general was an extremely troubled asset class and Highlands inherited some very onerous retail assets. The pandemic has made a bad situation even worse. Large numbers of retail tenants, including those at our remaining centers, did not pay April or May rent. Fortunately, last year we sold Lincoln Mall, our largest retail property, a partially “de-malled” shopping center in Rhode Island. We positioned Lincoln Mall for sale through intensive leasing, developing outpads, and backfilling dead interior space. Nevertheless, due to an extremely limited buyer pool the sale required a prolonged marketing period and no less than 11 amendments to the purchase and sale agreement to get the transaction closed.

The sale of Lincoln Mall, the 2018 sale of Triangle Center, and refinancings have significantly reduced the REIT’s exposure to retail. At the spin from InvenTrust, retail was Highland’s dominant asset class measured by estimated net asset value equity; it now represents around a mere 15%. Most of the estimated NAV equity we have in retail is at our Sherman Plaza property in downtown Evanston, north of Chicago and home to Northwestern University. Two years ago we opened a new-format Target store that carries groceries and we recently leased the center’s flagship space to Northwestern Medical.

While it’s premature to know the full impact of the Covid-19 pandemic on our portfolio, thus far, the multifamily portfolio we have acquired has fared far better than the legacy portfolio we inherited. Of course, the longer the crisis goes on, the more we’d expect to see problems affect the multifamily properties as well, but thus far, the restructuring of the portfolio to less risky, higher-quality assets has proven beneficial. We are reducing risk in the portfolio and improving the income producing ability and resiliency of our portfolio. This will enhance our options for a future liquidity event or events. Although the pandemic has created a great deal of uncertainty in real estate markets and the broader economy, we expect to implement one or more liquidity options during the next 18 to 30 months.

This concludes our call. Thank you again for participating in Highlands’ annual meeting, we wish everyone a safe and healthy year to come.