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

FORM 10-K

☒ **Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

for the fiscal year ended December 31, 2017

☐ **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 000-53912

HARTMAN SHORT TERM INCOME PROPERTIES XX, INC.

(Exact name of registrant as specified in its charter)

Maryland (State of Organization)	**26-3455189** (I.R.S. Employer Identification Number)
2909 Hillcroft, Suite 420 **Houston, Texas** (Address of principal executive offices)	**77057** (Zip Code)

(713) 467-2222

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12 (b) of the Act: None

Securities registered pursuant to Section 12 (g) of the Act: Common stock, $0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 the definitions of "large accelerated filer", "accelerated filer," "smaller reporting company" and emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ☐ (Do not check if a smaller reporting company) Emerging growth company ☒	Smaller reporting company ☒

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

There is no established market for the registrant's shares of common stock. There were 18,094,532 shares of common stock held by non-affiliates as of June 30, 2017; the last business day of the registrant's most recently completed second fiscal quarter.

As of March 19, 2018, there were 18,009,520 shares of the registrant's common shares issued and outstanding.

Hartman Short Term Income Properties XX, Inc.
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Cautionary Note Regarding Forward-Looking Statements

As used herein, the terms "we," "us" or "our" are to Hartman Short Term Income Properties XX, Inc. and, as required by context, Hartman XX Limited Partnership, which we refer to as our "operating partnership," and their respective subsidiaries.

Certain statements included in this annual report on Form 10-K (this "Annual Report") that are not historical facts (including statements concerning investment objectives, other plans and objectives of management for future operations or economic performance, or assumptions, or forecasts related thereto) are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. These statements are only predictions. We caution that forward-looking statements are not guarantees. Actual events on our investments and results of operations could differ materially from those expressed or implied in any forward-looking statements. Forward-looking statements are typically identified by the use of terms such as "may," "should," "expect," "could," "intend," "plan," "anticipate," "estimate," "believe," "continue," "predict," "potential" or the negative of such terms and other comparable terminology.

Forward-looking statements included herein are based upon our current expectations, plans, estimates, assumptions and beliefs which involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. Factors that could have a material adverse effect on our operations and future prospects include, but are not limited to:

- the fact that we have had a net loss for each annual period since our inception;
- the risk that the pending Mergers (as defined below) will not be consummated within the expected time period or at all;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreements (as defined below);
- the outcome of any legal proceedings relating to the pending Mergers;
- the imposition of federal taxes if we fail to qualify as a REIT in any taxable year or forego an opportunity to ensure REIT status;
- uncertainties related to the national economy, the real estate industry in general and in our specific markets;
- legislative or regulatory changes, including changes to laws governing REITS;
- construction costs that may exceed estimates or construction delays;
- increases in interest rates;
- availability of credit or significant disruption in the credit markets;
- litigation risks;
- risks inherent to the real estate business, including tenant defaults, potential liability related to environmental matters and the lack of liquidity of real estate investments;
- inability to obtain new tenants upon the expiration of existing leases at our properties;
- inability to generate sufficient cash flows due to market conditions, competition, uninsured losses, changes in tax or other applicable laws;

- the potential need to fund tenant improvements or other capital expenditures out of operating cash flow;
- the fact that we pay fees and expenses to our advisor and its affiliates that were not negotiated on an arm's length basis and the fact that the payment of these fees and expenses increases the risk that our stockholders will not earn a profit on their investment in us;
- our ability to generate sufficient cash flows to pay distributions to our stockholders;
- our ability to retain our executive officers and other key personnel of our advisor and other affiliates of our advisor; and
- changes to generally accepted accounting principles, or GAAP.

Any of the assumptions underlying the forward-looking statements included herein could be inaccurate, and undue reliance should not be placed upon any forward-looking statements included herein. All forward-looking statements are made as of the date of this Annual Report, and the risk that actual results will differ materially from the expectations expressed herein will increase with the passage of time. Except as otherwise required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements made after the date of this Annual Report, whether as a result of new information, future events, changed circumstances or any other reason. In light of the significant uncertainties inherent in the forward-looking statements included in this Annual Report, including, without limitation, the risks described under "Risk Factors," the inclusion of such forward-looking statements should not be regarded as a representation by us or any other person that the objectives and plans set forth in this Annual Report will be achieved.

PART I

Item 1. Business

General

Hartman Short Term Income Properties XX, Inc. is a Maryland corporation formed on February 5, 2009, to acquire and invest in income-producing commercial real estate properties, including office buildings, retail shopping centers and flex and industrial properties. We have made and expect to continue to make investments in real estate assets located in the United States, with a strategic focus on real estate properties located in Texas, based on our view of existing market conditions. We own, and in the future intend to own, substantially all of our assets and conduct our operations through our Hartman XX Limited Partnership, a Texas limited partnership, which we refer to as our "operating partnership." Our wholly-owned subsidiary, Hartman XX REIT GP LLC, is the sole general partner of our operating partnership, and we are the sole limited partner of our operating partnership. We elected to be treated as a real estate investment trust, or REIT, for federal income tax purposes beginning with the taxable year ended December 31, 2011. References in this Annual Report to "shares" and "our common stock" refer to the shares of our common stock.

As of December 31, 2017, our portfolio consists of 17 commercial properties comprising approximately 2.9 million square feet. For more information on our real estate portfolio, see "Investment Portfolio" below.

On February 9, 2010, we commenced our initial public offering of up to $250,000,000 in shares of our common stock to the public at a price of $10 per share and up to $23,750,000 in shares of common stock to our stockholders pursuant to our distribution reinvestment plan at a price of $9.50 per share. On April 25, 2013, we terminated our initial public offering.

On July 16, 2013, we commenced our follow-on public offering, or our "follow-on offering," of up to $200,000,000 in shares of our common stock to the public at a price of $10.00 per share and up to $19,000,000 in shares of our common stock to our stockholders pursuant to our distribution reinvestment plan at a price of $9.50 per share. Effective March 31, 2016, we terminated the offer and sale of our common shares to the public in our follow-on offering. Effective July 16, 2016, we terminated the sale of additional shares of our common stock to our stockholders pursuant to our distribution reinvestment plan. As of December 31, 2016, we had accepted subscriptions for, and issued an aggregate of 18,574,461 shares of our common stock in our initial public offering and follow-on offering, including 1,216,240 shares of our common stock issued pursuant to our distribution reinvestment plan, resulting in aggregate gross proceeds to us of $181,336,480.

We operate under the direction of our board of directors, the members of which are accountable to us and our stockholders. We are externally managed by Hartman Advisors, LLC, which we refer to as our "advisor," pursuant to an advisory agreement by and among us and our advisor, which we refer to as the "Advisory Agreement." Subject to certain restrictions and limitations, our advisor manages our day-to-day operations and our portfolio of properties and real estate related assets. Our advisor sources and presents investment opportunities to our board of directors. Our advisor also provides investment management, marketing, investor relations and other administrative services on our behalf. The key personnel of our advisor are involved in the selection, acquisition, financing and disposition of our properties. The key personnel of our advisor have extensive experience in selecting and operating commercial real estate and in operating investment entities that acquire commercial real estate. Our affiliated property manager is Hartman Income REIT Management, Inc., which we refer to herein as "HIR Management" or the "property manager," which is responsible for operating, leasing and maintaining our properties.

We issued 1,000 shares of convertible preferred stock to our Advisor on February 5, 2009 for $10.00 per share. We issued 19,000 shares of our common stock to Hartman XX Holdings, Inc. on February 5, 2009 for $10.00 per share.

Our principal executive offices are located at 2909 Hillcroft, Suite 420, Houston, Texas 77057. Our telephone number is 713-467-2222. Information regarding our company is available via the internet at www.hartmaninvestment.com and www.hartmanreits.com. We are not incorporating our web-sites or any information from our web-sites into this Annual Report.

2018 Key Objectives

We intend to grow in a conservative manner consistent with our fundamental strategy of owning and operating value add properties in Texas. As we move into 2018, our business strategy for the upcoming year includes the following three objectives: (1) increase occupancy in the Houston, Dallas and San Antonio markets and extend our portfolio's weighted average in-place lease term to drive cash flow growth; (2) subject to receiving the requisite shareholder approvals and the satisfaction of all other closing conditions, complete the Mergers (as defined below); and (3) reduce leverage and extend our weighted average debt maturity. There can be no assurance regarding our achievement of any of our objectives.

Increase occupancy in Houston, Dallas and San Antonio markets and extend the portfolio's weighted average in-place lease term

The occupancy of our properties as of December 31, 2017 was 81.3%. We intend to increase occupancy at our properties by the end of 2018 to 83.7% with an average occupancy of 82.3%. We expect to accomplish occupancy increase with a combination of aggressive lease incentive offerings for prospective new tenants and enhanced customer service initiatives to improve tenant retention. We intend to increase weighted average in-place lease term remaining from approximately 34 months as of December 31, 2017 to 48 months by the end of 2018. We also intend to increase net operating income for same store properties by 10%.

Complete mergers with Hartman Income REIT and Hartman Short Term Income Properties XIX

Subject to our receipt of the requisite approvals of our shareholders and the shareholders of Hartman Income REIT, Inc. and Hartman Short Term Income Properties XIX, Inc. and the satisfaction of all other closing conditions set forth in the Merger Agreements (as defined below), we intend to complete the Mergers and integrate the portfolios of Hartman Income REIT, Inc. and Hartman Short Term Income Properties XIX, Inc. with our existing portfolio.

Reduce leverage and extend weighted average debt maturity date

We will manage our balance sheet with a goal of reducing our leverage over the intermediate term. We intend to strategically refinance certain long-term debt together with an expanded revolving credit facility capable anticipate further reducing our leverage through mark-to-market of in-place leases, delivery of our development properties, and occupancy gains. Additionally, we amended our credit facility in early 2018 to extend the maturity dates and added key new members to our lending group.

Pending Mergers

On July 21, 2017, we entered into (i) an agreement and plan of merger (the "XIX Merger Agreement") between us and Short Term Income Properties XIX, Inc., a Texas corporation and a related party ("Hartman XIX"), and (ii) an agreement and plan of merger (the "HIREIT Merger Agreement," and together with the XIX Merger Agreement, the "Merger Agreements") by and among us, our operating partnership, Hartman Income REIT, Inc., a Maryland corporation and a related party ("HIREIT"), and Hartman Income REIT Operating Partnership LP, a Delaware limited partnership, the operating partnership of HIREIT ("HIREIT Operating Partnership").

Subject to the terms and conditions of the XIX Merger Agreement, Hartman XIX will merge with and into us, with our company surviving the merger (the "Hartman XIX Merger"). Subject to the terms and conditions of the HIREIT Merger Agreement, (i) HIREIT will merge with and into us, with our company surviving the merger (the "HIREIT Merger," and together with the Hartman XIX Merger, the "REIT Mergers"), and (ii) HIREIT Operating Partnership will merge with and into our operating partnership, with our operating partnership surviving the merger (the "Partnership Merger," and together with the REIT Mergers, the "Mergers").

Subject to the terms and conditions of the XIX Merger Agreement, (i) each share of common stock of Hartman XIX (the "XIX Common Stock") issued and outstanding immediately prior to the Effective Time (as defined in the XIX Merger Agreement) will be automatically cancelled and retired and converted into the right to receive 9,171.98 shares of our common stock, (ii) each share of 8% cumulative preferred stock of Hartman XIX issued and outstanding immediately prior to the Effective Time will be automatically cancelled and retired and converted into the right to receive 1.238477 shares of our common stock, and (iii) each share of 9% cumulative preferred stock of Hartman XIX issued and outstanding

immediately prior to the Effective Time will be automatically cancelled and retired and converted into the right to receive 1.238477 shares of our common stock.

Subject to the terms and conditions of the HIREIT Merger Agreement, (a) in connection with the HIREIT Merger, (i) each share of common stock of HIREIT (the "HIREIT Common Stock") issued and outstanding immediately prior to the REIT Merger Effective Time (as defined in the HIREIT Merger Agreement) will be automatically cancelled and retired and converted into the right to receive 0.752222 shares of our common stock, and (ii) each share of subordinate common stock of HIREIT will be automatically cancelled and retired and converted into the right to receive 0.752222 shares of our common stock, and (b) in connection with the Partnership Merger, each unit of limited partnership interest in HIREIT Operating Partnership ("HIREIT OP Units") issued and outstanding immediately prior to the Partnership Merger Effective Time (as defined in the HIREIT Merger Agreement) (other than any HIREIT OP Units held by HIREIT) will be automatically cancelled and retired and converted into the right to receive 0.752222 validly issued, fully paid and non-assessable units of limited partnership interests in our operating partnership.

Each Merger Agreement contains customary covenants, including "no-shop" covenants prohibiting HIREIT and Hartman XIX and their respective subsidiaries and representatives from soliciting, providing information or entering into discussions concerning proposals relating to alternative business combination transactions, subject to certain limited exceptions.

The Merger Agreements may be terminated under certain circumstances, including but not limited to (i) by the mutual written consent of all the parties to a Merger Agreement, (ii) by either us or HIREIT or Hartman XIX, as applicable, if a final and non-appealable order is entered prohibiting or disapproving the applicable Mergers, (iii) by either us or HIREIT or Hartman XIX, as applicable, if the required approval of the applicable Mergers by our stockholders or HIREIT or Hartman XIX, as applicable (the "Stockholder Approvals"), have not been obtained, (iv) by either us or HIREIT or Hartman XIX, as applicable, upon a material uncured breach by the other party that would cause the closing conditions in the applicable Merger Agreement not to be satisfied, or (v) by either us or HIREIT or Hartman XIX, as applicable, if the applicable Mergers have not been completed on or before September 30, 2018. No termination fees or penalties are payable by any party to any Merger Agreement in the event of the termination of any Merger Agreement.

The Merger Agreements contain certain representations and warranties made by the parties thereto. The representations and warranties of the parties were made solely for purposes of the contract among the parties and are subject to certain important qualifications and limitations set forth in confidential disclosure letters delivered by the parties to the Mergers to the other parties to the Mergers. Moreover, certain of the representations and warranties are subject to a contractual standard of materiality that may be different from what may be viewed as material to stockholders, and the representations and warranties are primarily intended to establish circumstances in which either of the parties may not be obligated to consummate the Mergers, rather than establishing matters as facts.

Each Merger Agreement sets forth certain conditions of the parties thereto to consummate the Mergers contemplated by such Merger Agreement, including (i) receipt of the applicable Stockholder Approvals, (ii) receipt of all regulatory approvals, (iii) the absence of any judgments, orders or laws prohibiting or restraining the consummation of the applicable Mergers, (iv) the effectiveness with the SEC of the registration statement on Form S-4 to be filed by us to register the shares of our common stock to be issued as consideration in the REIT Mergers, (v) the delivery of certain documents, consents and legal opinions, and (vi) the truth and correctness of the representations and warranties of the respective parties, subject to the materiality standards contained in the Merger Agreements. In addition, the consummation of the HIREIT Merger and the Partnership Merger is a condition to the consummation of the Hartman XIX Merger, and vice versa. There can be no guarantee that the conditions to the closing of the Mergers set forth in the Merger Agreements will be satisfied.

Each party to the Merger Agreements will bear its own costs and expenses (including legal fees) related to the Merger Agreements and the transactions contemplated by the Merger Agreements.

Investment Objectives and Strategy: Hartman Advantage

Our primary investment objectives are to:

- realize growth in the value of our investments;
- preserve, protect and return stockholders' capital contributions; and
- grow net cash from operations and pay regular cash distributions to our stockholders.

We cannot assure our stockholders that we will achieve these objectives.

The cornerstone of our investment strategy is our advisor's discipline in acquiring a portfolio of real estate properties, specifically properties that are located in Texas, that offer a blend of current and potential income based on in place occupancy plus relatively significant potential for growth in income and value from re-tenanting; repositioning or redevelopment. We refer to this strategy as "value add" or the "Hartman Advantage."

We rely upon the value add or Hartman Advantage strategy to evaluate potential commercial real estate acquisition and investment opportunities per completed acquisition or investment.

Effective March 31, 2016, we terminated our follow-on offering. Our board of directors continues to evaluate potential liquidity events to maximize the total potential return to our stockholders, including, but not limited to, merging our company with its affiliates followed by a listing of our shares of common stock on a national securities exchange. However, our board of directors has not decided to pursue any specific liquidity event at any specific date, and there can be no assurance that we will complete any liquidity event on the terms described above, or at all.

We do not anticipate that there will be any market for our shares of common stock unless they are listed on a national securities exchange. In the event that our shares of common stock are not listed or traded on an established securities exchange prior to the tenth anniversary of the completion or termination of our initial public offering, our charter requires that the board of directors must seek the approval of our stockholders of a plan to liquidate our assets, unless the board of directors has obtained the approval of our stockholders (1) to defer the liquidation of our assets or (2) of an alternate strategy.

Investment Portfolio

As of December 31, 2017, we owned or held a majority interest in 17 commercial properties comprising approximately 2,928,000 square feet plus three pad sites, all located in Texas. We own nine properties located in Richardson, Arlington, and Dallas, Texas, six properties located in Houston, Texas and two properties located in San Antonio, Texas. As of December 31, 2016, we owned or held a majority interest in 18 commercial properties comprising approximately 2,983,000 square feet plus three pad sites, all located in Texas. For additional information regarding our property portfolio, see Part I, Item 2, "Properties" of this Annual Report.

Competition

The United States commercial real estate market is highly competitive. All our properties are located in areas that include competing properties. We face competition from various entities for investment opportunities in our targeted assets, including other REITs, pension funds, insurance companies, investment funds, real estate companies and developers. Many of these entities have substantially greater financial resources than we do and may be able to accept more risk than we can prudently manage, including risks with respect to the geographic location of investments or the creditworthiness of tenants. Competition from these entities may reduce the number of suitable investment opportunities offered to us or increase the bargaining power of property owners seeking to sell real estate assets. The amount of competition in a particular market could also impact our ability to lease space and impact the amount of rent we are able to charge.

Employees

Although we have executive officers who manage our operations, we do not have any paid employees. The employees of our advisor and its affiliates provide management, acquisition, advisory and certain administrative services for us.

Regulations

All real property investments and the operations conducted in connection with such investments are subject to federal, state and local laws and regulations. Our investments are subject to various federal, state, and local laws, ordinances, and regulations, including, among other things, zoning regulations, land use controls, environmental controls relating to air and water quality, noise pollution, and indirect environmental impacts.

Under various federal and state environmental laws and regulations, as an owner or operator of real estate, we may be required to investigate and clean up certain hazardous or toxic substances, asbestos-containing materials, or petroleum product releases at our properties. We may also be held liable to a governmental entity or to third parties for property damage and for investigation and cleanup costs incurred by those parties in connection with the contamination. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. The presence of contamination or the failure to remediate contaminations at any of our properties may adversely affect our ability to sell or lease the properties or to borrow using the properties as collateral.

We do not believe that compliance with existing environmental laws will have a material adverse effect on our financial condition or results of operations. However, we cannot predict the impact of unforeseen environmental contingencies or new or changed laws or regulations on properties in which we hold an interest, or on properties that may be acquired directly or indirectly in the future.

Tax Status

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, and have operated as such beginning with the taxable year ended December 31, 2011. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our annual REIT taxable income (which is computed without regard to the dividends paid deduction and excluding net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP) to stockholders. As a REIT, we generally will not be subject to federal income tax so long as we maintain our REIT status. If we fail to qualify as a REIT in any taxable year after the taxable year in which we initially elected to be taxed as a REIT, we will be subject to federal income tax on our taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost, unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to stockholders. We believe we are organized and operate in such a manner as to qualify for taxation as a REIT under the Internal Revenue Code, and we intend to continue to operate in such a manner, but no assurance can be given that we will operate in a manner so as to qualify or remain qualified as a REIT.

Financial Information About Segments

Our current business consists of acquiring, developing, investing-in, owning, managing, leasing, operating, and disposing of real estate assets. We internally evaluate all of our real estate assets as one industry segment and, accordingly, do not report segment information.

Economic Dependency

We are dependent on our advisor for certain services that are essential to us, including the identification, evaluation, negotiation, purchase and disposition of properties and other investments, management of the daily operations of our real estate portfolio, and other general and administrative responsibilities. In the event that our advisor is unable to provide these services to us, we will be required to obtain such services from other sources, and our failure to identify such other

sources could have an adverse impact on our financial condition and results of operations. Prior to the termination of the offer and sale of our shares to the public in our follow-on offering, we were dependent upon our dealer manager for the sale of our shares in our follow-on offering.

Available Information

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and, accordingly, we file annual reports, quarterly reports and other information with the SEC. Access to copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings with the SEC, including amendments to such filings, may be obtained free of charge from our website, http://www.hartmanreits.com/sec-filings/. These filings are available promptly after we file them with, or furnish them to, the SEC. We are not incorporating our website or any information from the website into this annual report. The SEC also maintains a website, http://www.sec.gov, were our filings with the SEC are available free of charge. We will provide without charge a copy of this Annual Report, including financial statements and schedules, upon written request delivered to our principal executive office at the address listed on the cover page of this Annual Report.

Item 1A. Risk Factors

The following are some of the risks and uncertainties that could cause our actual results to differ materially from those presented in our forward-looking statements. The risks and uncertainties described below are not the only ones we face but do represent those risks and uncertainties that we believe are material to us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also harm our business. Our stockholders or potential investors may be referred to as "you" or "your" in this Item 1A.

Risks Related to Our Business and Operations

We have experienced annual net losses from inception through December 31, 2017 and may experience similar losses in the future.

From inception through December 31, 2017, we incurred a net loss of $38,115,000. We cannot assure that we will be profitable in the future or that we will realize growth in the value of our assets.

Our cash distributions are not guaranteed, may fluctuate and may constitute a return of capital or taxable gain from the sale or exchange of property.

We began paying a distribution in January 2011 at a rate which, if paid each day over a 365-day period, is equivalent to a 7.0% annualized distribution rate based on a purchase price of $10.00 per share of our common stock. The actual amount and timing of distributions will be determined by our board of directors and typically will depend upon the amount of funds available for distribution, which will depend on items such as current and projected cash requirements and tax considerations. As a result, our distribution rate and payment frequency may vary from time to time. To the extent we do not have sufficient funds, or sources, of funds to pay distributions, we may be forced to reduce the rate at which we pay distributions or stop paying distributions entirely. Distributions payable to our stockholders may also include a return of capital, rather than a return on capital.

The geographic concentration of our portfolio may make us particularly susceptible to adverse economic developments in the real estate markets of those areas.

As of December 31, 2017, we owned or held a majority interest in 17 commercial properties comprising approximately 2,928,000 square feet plus three pad sites, all of which are located in the State of Texas. We own nine properties located in Richardson, Arlington, and Dallas, Texas, six properties located in Houston, Texas and two properties located in San Antonio, Texas. Our geographic focus on the State of Texas is consistent with our investment strategy. However, our focus on investments in the State of Texas results in a geographic concentration in our portfolio which increases the likelihood that a downturn in economic or market conditions that selectively or disproportionately impact the State of Texas will have a significant impact on our results of operations and financial condition and our ability to pay distributions to our stockholders. Any adverse economic or real estate developments in the Texas market, such as business layoffs or downsizing, industry slowdowns, relocations of businesses, changing demographics and other factors, or any decrease in demand for commercial property space resulting from local business climates, could adversely affect our property revenue, and hence net operating income. An investment in our shares of common stock may entail more risk than an investment in the shares of common stock of a real estate investment trust with a more geographically diversified portfolio.

We have and may continue to pay distributions from sources other than our cash flow from operations. To the extent that we pay distributions from sources other than our cash flow from operations, we will have reduced funds available for investment and the overall return to our stockholders may be reduced.

Our organizational documents permit us to pay distributions from any source, including net proceeds from our public offerings, borrowings, advances from our sponsor or advisor and the deferral of fees and expense reimbursements by our advisor, in its sole discretion. Since our inception, our cash flow from operations has not been sufficient to fund all of our distributions, and as a consequence we have funded a significant portion of our distributions with the net proceeds of our public offerings. Of the $12,650,000 in total distributions we paid during the year ended December 31, 2017, including shares issued pursuant to our distribution reinvestment plan and but excluding distributions we paid to non-controlling interests, 36% was funded from cash flow from operations. Of the $42,118,000 in total distributions we paid during the

period from our inception through December 31, 2017, including shares issued pursuant to our distribution reinvestment plan and excluding distributions we paid to non-controlling interests, approximately 65% was funded from cash flow from operations and approximately 35% was funded from offering proceeds. In the future, our cash flow from operations may not be sufficient to fund our distributions and we may continue to fund all or a portion of our distributions from the remaining proceeds from our follow-on offering or other sources other than cash flow from operations. We have not established a limit on the amount of offering proceeds, or other sources other than cash flow from operations, which we may use to fund distributions.

If we are unable to consistently fund distributions to our stockholders entirely from our cash flow from operations, the value of your shares upon a listing of our common stock, the sale of our assets or any other liquidity event may be reduced. To the extent that we fund distributions from sources other than our cash flow from operations, our funds available for investment will be reduced relative to the funds available for investment if our distributions were funded solely from cash flow from operations, our ability to achieve our investment objectives will be negatively impacted and the overall return to our stockholders may be reduced. In addition, if we make a distribution in excess of our current and accumulated earnings and profits, the distribution will be treated first as a tax-free return of capital, which will reduce the stockholder's tax basis in its shares of common stock. The amount, if any, of each distribution in excess of a stockholder's tax basis in its shares of our common stock will be taxable as gain realized from the sale or exchange of property

Payment of fees to our advisor and its affiliates reduces cash available for investment, which may result in stockholders not receiving a full return of their invested capital.

Because a portion of the offering price from the sale of our shares was used to pay expenses and fees, the full offering price paid by our stockholders was not invested in real estate assets. As a result, stockholders will only receive a full return of their invested capital if we either (1) sell our assets or our company for a sufficient amount in excess of the original purchase price of our assets or (2) the market value of our company after we list our shares of common stock on a national securities exchange is substantially in excess of the original purchase price of our assets.

If we internalize our management functions, your interest in us could be diluted and we could incur other significant costs associated with being self-managed. See "Pending Mergers" above.

Our board of directors may decide in the future to internalize our management functions. If we do so, we may elect to negotiate to acquire our advisor's assets and personnel. At this time, we cannot anticipate the form or amount of consideration or other terms relating to any such acquisition. Such consideration could take many forms, including cash payments, promissory notes, and shares of our common stock. The payment of such consideration could cause a dilution of your interests as a stockholder and could reduce the earnings per share and funds from operations per share attributable to your investment.

Additionally, if we internalize our management functions, while we would no longer bear the costs of the various fees and expenses we pay to our advisor under the advisory agreement, our direct expenses would include general and administrative costs, including legal, accounting and other expenses related to corporate governance, SEC reporting and compliance. We would also be required to employ personnel and would be subject to potential liabilities commonly faced by employers such as worker's compensation and disability claims. We would also incur the costs of compensation and benefits of our officers, employees and consultants that is currently paid by our advisor or its affiliates. We may issue equity awards to officers, employees and consultants which would decrease net income and funds from operations and which may further dilute your investment. We cannot reasonably estimate the amount of fees to our advisor that we would save versus the costs we would incur if we became self-managed. If the costs assumed as a result of internalization exceed the costs we avoid paying to our advisor, our earnings per share and funds from operations per share would be lower, potentially decreasing the amount of funds available to distribute to our stockholders and the value of our shares.

If we internalize management functions, we could have difficulty integrating these functions as a stand-alone entity. Currently, our advisor and its affiliates perform asset management and general and administrative functions, including accounting and financial reporting, for multiple entities. These personnel have a great deal of know-how and experience which provides us with economies of scale. We may fail to properly identify the appropriate mix of personnel and capital needed to operate on a stand-alone basis. The inability to manage an internalization transaction effectively could result in our incurring excess costs and suffering deficiencies in our disclosure controls and procedures or our internal control over

financial reporting. Such deficiencies could cause us to incur additional administrative costs and our management's attention could be diverted from efficiently managing our real estate assets.

If we were to internalize our management or if another investment program, whether sponsored by our sponsor or otherwise, hires the employees of our advisor in connection with its own internalization, our ability to conduct our business may be adversely affected. See "Pending Mergers" above.

We rely on persons employed by our advisor and its affiliates to manage our day-to-day operations. If we were to effect an internalization of our advisor, we may not be able to retain all of the employees of our advisor and its affiliates or to maintain a relationship with our sponsor. Additionally, some of the employees of our advisor and its affiliates may provide services to one or more other investment programs. These programs or third parties may decide to retain some or all of our advisor's key employees. If this were to occur, these programs could hire persons currently employed by our advisor and its affiliates who are most familiar with our business and operations, which potentially may adversely impact our business.

There is currently no public trading market for your shares; therefore, it will be difficult for you to sell your shares. If you are able to sell your shares, you may have to sell them at a substantial discount from the public offering price.

There is currently no public market for the shares and we have no obligation to list our shares on any public securities market. It will therefore be difficult for you to sell your shares of our common stock promptly or at all. Even if you are able to sell your shares of our common stock, the absence of a public market may cause the price received for any shares of our common stock sold to be less than what you paid or less than your proportionate value of the assets we own. We have adopted a share redemption program but it is limited in terms of the amount of shares that stockholder may sell back to us each quarter. Our board of directors may reject any request for redemption of shares or amend, suspend or terminate our share redemption program for any reason upon 30 days' written notice to participants. Existing shareholders must be prepared to hold their shares for an indefinite length of time.

If we lose or are unable to obtain key personnel, our ability to implement our investment strategies could be delayed or hindered.

Our success depends to a significant degree upon the continued contributions of certain executive officers and other key personnel, of us, our advisor and its affiliates, including Allen R. Hartman, each of whom would be difficult to replace. In particular, we have not obtained and do not intend to obtain "key man" life insurance on Mr. Hartman. We do not have employment agreements with our executive officers, and we cannot guarantee that they will remain affiliated with us. Although several of our executive officers and key employees have entered into employment agreements with affiliates of our advisor, these agreements are generally terminable at will, and we cannot guarantee that such persons will remain affiliated with our advisor. If any of our key personnel were to cease their affiliation with us, our advisor or its affiliates, our operating results could suffer. We believe that our future success depends, in large part, upon our advisor's and its affiliates' ability to hire and retain highly skilled managerial, operational and marketing personnel. Competition for persons with these skills is intense, and we cannot assure our stockholders that our advisor will be successful in attracting and retaining such skilled personnel. Further, we have established, and intend in the future to establish, strategic relationships with firms that have special expertise in certain services or as to assets both nationally and in certain geographic regions. Maintaining these relationships will be important for us to effectively compete for assets. We cannot assure our stockholders that we will be successful in attracting and retaining such strategic relationships. If we lose or are unable to obtain the services of key personnel or do not establish or maintain appropriate strategic relationships, our ability to implement our investment strategies could be delayed or hindered.

Because we rely on our advisor and its affiliates for the provision of advisory and property management services, if our advisor were unable to meet its obligations we may be required to find alternative providers of these services, which could result in a disruption of our business and may increase our costs.

In the event that our advisor was unable to meet its obligations as they become due, we might be required to find alternative service providers, which could result in disruption of our business.

Our board of directors determined an estimated net asset value per share of $12.55 for our shares of common stock as of December 31, 2017. You should not rely on the estimated value per share as being an accurate measure of the current value of our shares of common stock.

On March 29, 2018, our board of directors determined an estimated net asset value per share of our common stock of $12.55 as of December 31, 2017. Our board of directors' objective in determining the estimated net asset value per share was to arrive at a value, based on the most recent data available, that it believed was reasonable based on methodologies that it deemed appropriate after consultation with our advisor. However, the market for commercial real estate can fluctuate quickly and substantially and the value of our assets is expected to change in the future and may decrease. Also, our board of directors did not consider certain other factors, such as a liquidity discount to reflect the fact that our shares are not currently traded on a national securities exchange and the limitations on the ability to redeem shares pursuant to our share repurchase plan.

As with any valuation method, the methods used to determine the estimated net asset value per share were based upon a number of assumptions, estimates and judgments that may not be accurate or complete. Our assets have been valued based upon appraisal standards and the values of our assets using these methods are not required to be a reflection of market value under those standards and will not necessarily result in a reflection of fair value under GAAP. Further, different parties using different property-specific and general real estate and capital market assumptions, estimates, judgments and standards could derive a different estimated net asset value per share, which could be significantly different from the estimated net asset value per share determined by our board of directors. The estimated net asset value per share is not a representation or indication that, among other things: a stockholder would be able to realize the estimated value per share if he or she attempts to sell shares; a stockholder would ultimately realize distributions per share equal to the estimated value per share upon liquidation of assets and settlement of our liabilities or upon a sale of our company; shares of our common stock would trade at the estimated net asset value per share on a national securities exchange; a third party would offer the estimated net asset value per share in an arms-length transaction to purchase all or substantially all of our shares of common stock; or the methodologies used to estimate the net asset value per share would be acceptable to FINRA or ERISA with respect to their respective requirements. Further, the estimated net asset value per share was calculated as of a moment in time and the value of our shares will fluctuate over time as a result of, among other things, future acquisitions or dispositions of assets, developments related to individual assets and changes in the real estate and capital markets. For additional information on the calculation of our estimated net asset value per share as of December 31, 2017, see Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Purchases of Equity Securities—Estimated Net Asset Value Per Share."

We disclose funds from operations and modified funds from operations, each a non-GAAP financial measure, in communications with investors, including documents filed with the SEC; however, funds from operations and modified funds from operation are not equivalent to our net income or loss of cash flow from operations as determined under GAAP, and stockholders should consider GAAP measures to be more relevant to our operating performance

We use and we disclose to investors, funds from operations, or "FFO," and modified funds from operations, or "MFFO," which are non-GAAP financial measures, as defined herein (see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Funds From Operations and Modified Funds From Operations.") FFO and MFFO are not equivalent to our net income or loss or cash flow from operations as determined in accordance with GAAP, and investors should consider GAAP measures to be more relevant to evaluating our operating performance and ability to pay distributions. FFO and MFFO and GAAP net income differ because FFO and MFFO exclude gains or losses from sales of property and asset impairment write-downs, and add back depreciation and amortization and adjustments for unconsolidated partnerships and joint ventures. MFFO further excludes acquisition-related expenses, amortization of above- and below-market leases, fair value adjustments of derivative financial instruments, deferred rent receivables and the adjustments of such items related to non-controlling interests.

Because of these differences, FFO and MFFO may not be accurate indicators of our operating performance, especially during periods in which we are acquiring properties. In addition, FFO and MFFO are not indicative of cash flow available to fund cash needs and investors should not consider FFO and MFFO as alternatives to cash flows from operations or an indication of our liquidity, or indicative of funds available to fund our cash needs, including our ability to pay distributions to our stockholders. Neither the SEC nor any other regulatory body has passed judgment on the acceptability of the

adjustments that we use to calculate FFO and MFFO. Also, because not all companies calculate FFO and MFFO the same way, comparisons with other companies may not be meaningful.

You are limited in your ability to sell your shares of common stock pursuant to our share redemption program. You may not be able to sell any of your shares of our common stock back to us, and if you do sell your shares, you may not receive the price you paid.

Our share redemption program may provide you with a limited opportunity to have your shares of our common stock redeemed by us after you have held them for at least one year, subject to the significant conditions and limitations. Shares will generally be redeemed under the share redemption program at a price equal to or at a discount from the lesser of (1) the average gross price per share the original purchaser or purchasers of the shares being redeemed paid to us, which we refer to as the "issue price," and (2) the current offering price per share for the shares being redeemed. However, our share redemption program contains certain restrictions and limitations, including those relating to the number of shares of our common stock that we can redeem at any given time and limiting the redemption price. Specifically, we limit the number of shares to be redeemed during any calendar year to no more than (1) 5.0% of the weighted average of the shares of our common stock outstanding during the prior calendar year and (2) those that could be funded from the net proceeds from the sale of shares under our distribution reinvestment plan in the prior calendar year plus, if we had positive operating cash flow from the previous fiscal year, 1.0% of all operating cash flow from the previous fiscal year. In addition, our board of directors reserves the right to reject any redemption request for any reason or no reason or to amend, suspend or terminate the share redemption program at any time. Therefore, you may not have the opportunity to make a redemption request prior to a termination of the share redemption program and you may not be able to sell any of your shares of common stock back to us pursuant to our share redemption program. Moreover, if you do sell your shares of common stock back to us pursuant to the share redemption program, you may not receive the same price you paid for any shares of our common stock being redeemed.

Our advisor relies on information technology networks and systems in providing services to us, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

Risks associated with security breaches, whether through cyber-attacks or cyber-intrusions over the Internet, malware, computer viruses, attachments to e-mails, or otherwise, against persons inside our organization, persons with access to systems inside our organization, the U.S. government, financial markets or institutions, or major businesses, including tenants, could disrupt or disable networks and related systems, other critical infrastructures, and the normal operation of business. The risk of a security breach or disruption, particularly through cyber-attack or cyber-intrusion, including by computer hackers, foreign governments, and cyber-terrorists, has generally increased as the number, intensity, and sophistication of attempted attacks and intrusions from around the world have increased. Even though we may not be specifically targeted, cyber-attacks on the U.S. government, financial markets, financial institutions, or other major businesses, including tenants, could disrupt our normal business operations and networks, which may in turn have a material adverse impact on our financial condition and results of operations.

IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations. They also may be critical to the operations of certain of our tenants. Although we believe we will be able to maintain the security and integrity of these types of networks and related systems, or implement various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems, and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. While, to date, we are not aware that we have experienced any significant cyber-attacks or cyber-intrusions, we may not be able to anticipate or implement adequate security barriers or other preventive measures. A security breach or other significant disruption involving our IT networks and related systems could:

- disrupt the proper functioning of our networks and systems and therefore our operations and/or those of certain of our tenants;

- result in misstated financial reports, violations of loan covenants, missed reporting deadlines, and/or missed permitting deadlines;

- result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT;

- result in the unauthorized access to, and destruction, loss, theft, misappropriation, or release of proprietary, confidential, sensitive, or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive, or otherwise harmful purposes and outcomes;

- result in our inability to maintain the building systems relied upon by our tenants for the efficient use of their leased space;

- require significant management attention and resources to remedy any damages that result;

- subject us to claims for breach of contract, damages, credits, penalties, or termination of leases or other agreements; or

- damage our reputation among our tenants and stockholders generally.

We may change our investment and operational policies without stockholder consent.

Except for changes to the investment restrictions contained in our charter, which require stockholder consent to amend, we may change our investment and operational policies, including our policies with respect to investments, operations, indebtedness, capitalization and distributions, at any time without the consent of our stockholders, which could result in our making investments that are different from, and possibly riskier or more highly leveraged than, the types of investments contemplated by our current investment policies. A change in our investment strategy may, among other things, increase our exposure to interest rate risk, default risk and real estate market fluctuations, all of which could materially affect our ability to achieve our investment objectives.

The recent downturn in the credit markets has increased the cost of borrowing and has made financing difficult to obtain, each of which may have a material adverse effect on our results of operations and business.

Recent events in the financial markets have had an adverse impact on the credit markets and, as a result, the availability of credit has become more expensive and difficult to obtain. Some lenders are imposing more stringent restrictions on the terms of credit and there may be a general reduction in the amount of credit available in the markets in which we conduct business. The negative impact of the tightening of the credit markets may have a material adverse effect on us resulting from, but not limited to, an inability to finance the acquisition of real estate assets on favorable terms, if at all, increased financing costs or financing with increasingly restrictive covenants.

We are uncertain of our sources for funding our future capital needs. If we cannot obtain debt or equity financing on acceptable terms, our ability to acquire real estate assets and to expand our operations will be adversely affected.

The remaining net proceeds from our follow-on offering will be used for investments in real properties, real estate securities and debt-related investments, for payment of operating expenses and for payment of various fees and expenses such as acquisition fees, origination fees, asset management fees and property management fees. We establish a general working capital reserve out of the net proceeds from our follow-on offering. Accordingly, in the event that we develop a

need for additional capital in the future for investments, the improvement of our real properties or for any other reason, sources of funding may not be available to us. If we cannot establish reserves out of cash flow generated by our real estate assets or out of net sale proceeds in non-liquidating sale transactions, or obtain debt or equity financing on acceptable terms, our ability to acquire real estate assets and to expand our operations will be adversely affected. As a result, we would be less likely to achieve portfolio diversification and our investment objectives, which may negatively impact our results of operations and reduce our ability to make distributions to our stockholders.

Non-traded REITs have been the subject of increased scrutiny by regulators and media outlets resulting from inquiries and investigations initiated by FINRA and the SEC. We could also become the subject of scrutiny and may face difficulties in raising capital should negative perceptions develop regarding non-traded REITs.

Our securities, like other non-traded REITs, were sold through the independent broker-dealer channel (*i.e.*, U.S. broker-dealers that are not affiliated with money center banks or similar financial institutions). Governmental and self-regulatory organizations like the SEC and FINRA impose and enforce regulations on broker-dealers, investment banking firms, investment advisers and similar financial services companies. Self-regulatory organizations such as FINRA adopt rules, subject to approval by the SEC, that govern aspects of the financial services industry and conduct periodic examinations of the operations of registered investment dealers and broker-dealers.

Recently, FINRA has initiated investigations of broker-dealers with respect to the sales practices related to the sale of shares of non-traded REITS. These proceedings have resulted in increased regulatory scrutiny from the SEC regarding non-traded REITs. As a result of this increased scrutiny and accompanying negative publicity and coverage by media outlets, FINRA may impose additional restrictions on sales practices in the independent broker-dealer channel for non-traded REITs, and accordingly we may face increased difficulties in raising capital in the future. This could result in a reduction in the returns achieved on those investments as a result of a smaller capital base limiting our investments. If we become the subject of scrutiny, even if we have complied with all applicable laws and regulations, responding to such scrutiny could be expensive and distracting our management.

FINRA has also adopted changes to rules relating to information required to be included on customer account statements by registered broker dealers. In order to assist broker dealers in complying with the new rules, we were required to obtain independent valuations of our assets to determine an estimated per share value of our common stock more frequently than under prior regulations. Compliance with these new rules and future rule changes by FINRA could increase our operating expenses which could have an adverse effect on our results of operations.

The pendency of the Mergers could adversely affect our business and operations.

Between the date that the Merger Agreements were signed and the date that the Mergers are consummated, the attention of our management may be diverted from day-to-day operations, regardless of whether or not the Mergers are ultimately consummated. The pendency of the Mergers could have an adverse impact on our relationships with other parties, which parties may delay or decline entering into agreements with us as a result of the announcement of our entry into the Merger Agreements. In addition, due to operating covenants to which we are subject pursuant to the Merger Agreements, we may be unable during the pendency of the Mergers to pursue certain transactions, incur certain financing and otherwise pursue other actions that are not in the ordinary course of business, even if such actions could prove beneficial.

There can be no certainty that the Mergers will be consummated, and failure to consummate the Mergers could negatively affect our future business and financial results.

Consummation of the Mergers remains subject to the satisfaction or waiver of a number of significant conditions, some of which are beyond our control, including receipt of the approval of our stockholders and the stockholders of each of Hartman XIX and HIREIT, delivery of certain documents, consents and legal opinions, and the truth and correctness of the representations and warranties of the parties, subject to the materiality standards contained in the Merger Agreements. There can be no certainty that all such conditions will be met or waived, or that the Mergers will be consummated. If the Mergers are not consummated, our ongoing business could be adversely affected and we may be subject to a number of

material risks, including that fact that we will have incurred substantial costs and expenses related to the Mergers, such as legal, accounting and advisory fees, which will be payable by us even if the Mergers are not consummated. If the Mergers are not consummated, these risks could materially affect our business and financial results.

There may be unexpected delays in the consummation of the pending Mergers.

Each Merger Agreement provides that either we or Hartman XIX or HIREIT, as applicable, may terminate the Merger Agreement if the applicable Merger has not occurred by December 31, 2017. Certain events may delay the consummation of the Mergers. Some of the events that could delay the consummation of the Mergers include difficulties in obtaining the approval of our stockholders and the stockholders of each of Hartman XIX and HIREIT or satisfying the other closing conditions to which the Mergers are subject.

Our stockholders will be diluted by the pending Mergers.

The Mergers will dilute the ownership position of our current stockholders and result in our stockholders (excluding stockholders affiliated with our advisor or sponsor) having an ownership stake in us that is smaller than their current stake in our company.

Following the consummation of the Mergers, we will assume certain potential liabilities relating to Hartman XIX and HIREIT.

If the Mergers are consummated, we will have assumed certain potential liabilities relating to Hartman XIX and HIREIT. These liabilities could have a material adverse effect on our business to the extent we have not identified such liabilities or have underestimated the amount of such liabilities.

The future results of the combined company will suffer if the combined company does not effectively integrate and manage its expanded operations following the Mergers.

Following the Mergers, we expect to continue to expand our operations through additional acquisitions and other strategic transactions, some of which may involve complex challenges. Our future success will depend, in part, upon our ability to manage expansion opportunities, which may pose substantial challenges to integrate new operations into our existing business in an efficient and timely manner, and upon our ability to successfully monitor our operations, costs, regulatory compliance and service quality, and to maintain other necessary internal controls. There is no assurance that our expansion or acquisition opportunities will be successful, or that we will realize the expected operating efficiencies, cost savings, revenue enhancements or other benefits.

Risks Related to Conflicts of Interest

Because other Hartman real estate programs use investment strategies that are similar to ours, our advisor, their advisor and our executive officers will face conflicts of interest relating to the purchase and leasing of properties and other investments, and such conflicts may not be resolved in our favor.

Although our sponsor generally seeks to avoid simultaneous public offerings of funds that have a substantially similar mix of fund characteristics, including targeted investment types, investment objectives and criteria, and anticipated fund terms, there may be periods during which one or more Hartman-sponsored programs are seeking to invest in similar properties and other real estate-related investments. As a result, we may be buying properties and other real estate-related investments at the same time as one or more of the other Hartman-sponsored programs managed by officers and employees of our advisor and/or its affiliates, and these other Hartman-sponsored programs may use investment strategies that are similar to ours. Our executive officers and the executive officers of our advisor are also the executive officers of other Hartman-sponsored REITs and their advisors, the general partners of Hartman-sponsored partnerships and/or the advisors or fiduciaries of other Hartman-sponsored programs, and these entities are and will be under common control. There is a risk that our advisor will choose a property that provides lower returns to us than a property purchased by another Hartman-sponsored program. In the event these conflicts arise, we cannot assure stockholders that our best interests will be met when officers and employees acting on behalf of our advisor and on behalf of advisors and managers of other Hartman-sponsored programs decide whether to allocate any particular property to us or to another Hartman-sponsored program or affiliate of our advisor, which may have an investment strategy that is similar to ours. In addition, we may acquire properties in

geographic areas where other Hartman-sponsored programs own properties. If one of the other Hartman-sponsored programs attracts a tenant that we are competing for, we could suffer a loss of revenue due to delays in locating another suitable tenant. Stockholders will not have the opportunity to evaluate the manner in which these conflicts of interest are resolved before or after making an investment.

Our advisor and its affiliates, including all of our executive officers and some of our directors, will face conflicts of interest caused by their compensation arrangements with us, which could result in actions that are not in the long-term best interests of our stockholders.

Our advisor and its affiliates, including our property manager, are entitled to substantial fees from us under the terms of the advisory agreement and the property management agreements with our property manager. These fees could influence our advisor's advice to us as well as the judgment of affiliates of our advisor performing services for us. Among other matters, these compensation arrangements could affect their judgment with respect to:

- the continuation, renewal or enforcement of our agreements with our advisor and its affiliates, including the advisory agreement and the property management agreement;
- property sales, which entitle our advisor or its affiliates to real estate commissions and the possible issuance to our advisor of shares of our common stock through the conversion of our convertible preferred stock;
- property acquisitions from other Hartman-sponsored programs, which might entitle affiliates of our advisor to real estate commissions and possible success-based sale fees in connection with its services for the seller;
- development of real properties, which entitle our advisor or its affiliates to development acquisition fees and asset management fees;
- acquisition of properties from third parties, which entitle our advisor or its affiliates to acquisition fees and asset management fees;
- borrowings to acquire properties, which borrowings will increase the acquisition and asset management fees payable to our advisor;
- whether and when we seek to list our common stock on a national securities exchange, which listing could entitle our advisor to the issuance of shares of our common stock through the conversion of our convertible preferred stock; and
- whether and when we seek to sell the company or its assets, which sale could entitle our property manager to real estate commissions and our advisor to the issuance of shares of our common stock through the conversion of our convertible preferred stock.

The fees our advisor receives in connection with transactions involving the purchase and management of an asset are based on the cost of the investment, including the amount budgeted for the development, construction, and improvement of each asset, and not based on the quality of the investment or the quality of the services rendered to us. This may influence our advisor to recommend riskier transactions to us. Furthermore, the advisor will refund these fees to the extent they are based on budgeted amounts that prove too high once development, construction, or improvements are completed, but the fact that these fees are initially calculated in part based on budgeted amounts could influence our advisor to overstate the estimated costs of development, construction, or improvements in order to accelerate the cash flow it receives.

In addition, the terms of our convertible preferred stock provide for its conversion into shares of common stock if we terminate the advisory agreement prior to the listing of our shares for trading on a national securities exchange other than as a result of the advisor's material breach of the advisory agreement. In addition, the conversion feature of our convertible preferred stock could cause us to make different investment or disposition decisions than we would otherwise make, in order to avoid the stock conversion. Moreover, our advisor has the right to terminate the advisory agreement for any reason upon 60 days' notice and thereby trigger the conversion of the convertible preferred stock, which could have the effect of delaying, deferring or preventing a change of control that might otherwise be in our stockholders' best interests.

Executive officers and key personnel of our advisor and property manager will face competing demands on their time, and this may cause our return to suffer.

We rely upon the executive officers and employees of our advisor and our property manager to conduct our day-to day operations and performance. These persons also conduct the day-to-day operations of other Hartman-sponsored programs and may have other business interests as well. Because these persons have competing interests on their time and resources, they may have conflicts of interest in allocating their time between our business and these other activities. During times of intense activity in other programs and ventures, they may devote less time and resources to our business than is necessary or appropriate. If this occurs, we may lose the opportunity to enter into or renew a lease or to purchase or sell a property and the returns on our investments may suffer. Our advisor holds a fiduciary relationship to us and to our stockholders' and will endeavor to avoid putting us in a situation where we would lose an economic opportunity due to the inability of our advisor or property manager to perform a necessary task.

Our officers face conflicts of interest related to the positions they hold with entities affiliated with our advisor, which could diminish the value of the services they provide to us.

Each of our executive officers, including Mr. Hartman, who serves as our Chief Executive Officer, and Chairman of our Board of Directors, is also an officer of our advisor and other entities affiliated with our advisor, including the advisors and fiduciaries to other Hartman-sponsored programs. As a result, these individuals owe fiduciary duties to these other entities and their investors, which may conflict with the fiduciary duties that they owe to us and our stockholders. Their loyalties to these other entities and investors could result in action or inaction that is detrimental to our business, which could harm the implementation of our business strategy and our investment and leasing opportunities. Conflicts with our business and interests are most likely to arise from involvement in activities related to (1) allocation of new investments and management time and services between us and the other entities, (2) the timing and terms of the investment in or sale of an asset, (3) development of our properties by affiliates of our advisor, (4) investments with affiliates of our advisor, (5) compensation to our advisor, and (6) our relationship with our property manager. If we do not successfully implement our business strategy, we may be unable to generate the cash needed to make distributions to stockholders and to maintain or increase the value of our assets.

Existing shareholders will be diluted upon conversion of the convertible preferred stock.

Our advisor purchased 1,000 shares of our convertible preferred stock for an aggregate purchase price of $10,000. Under limited circumstances, these shares may be converted into shares of our common stock, resulting in dilution of our stockholders' interest in us. Our convertible preferred stock will convert to shares of common stock if (1) we have made total distributions on then outstanding shares of our common stock equal to the issue price of those shares plus a 6% cumulative, non-compounded, annual return on the issue price of those outstanding shares, (2) we list our common stock for trading on a national securities exchange if the sum of prior distributions on then outstanding shares of our common stock plus the aggregate market value of our common stock (based on the 30-day average closing price) meets the same 6% performance threshold, or (3) our advisory agreement with our advisor expires without renewal or is terminated (other than because of a material breach by our advisor), and at the time of such expiration or termination we are deemed to have met the foregoing 6% performance threshold based on our enterprise value and prior distributions, and, at or subsequent to the expiration or termination, the stockholders actually realize such level of performance upon listing or through total distributions. In general, our convertible preferred stock will convert into shares of common stock with a value equal to 15% of the excess of our enterprise value plus the aggregate value of distributions paid to date on then outstanding shares of our common stock over the aggregate issue price of those outstanding shares plus a 6% cumulative, non-compounded, annual return on the issue price of those outstanding shares. With respect to conversion in connection with the termination of the advisory agreement, this calculation is made at the time of termination even though the actual conversion may occur later or not at all. As a result, following conversion, the holder of the convertible preferred stock will be entitled to a portion of amounts distributable to our stockholders, which such amounts distributable to the holder could be significant.

Our advisor and Mr. Hartman can influence whether we terminate the advisory agreement or allow it to expire without renewal, or whether our common stock is listed for trading on a national securities exchange. Accordingly, our advisor can influence both the conversion of the convertible preferred stock issued to it, and the resulting dilution of other stockholders' interests.

Risks Related To Our Organizational Structure

Maryland law and our organizational documents limit your right to bring claims against our officers and directors.

Maryland law provides that a director will not have any liability as a director so long as he or she performs his or her duties in accordance with the applicable standard of conduct. In addition, our charter provides that, subject to the applicable limitations set forth therein or under Maryland law, no director or officer will be liable to us or our stockholders for monetary damages. Our charter also provides that we will generally indemnify and advance expenses to our directors, our officers, our advisor and its affiliates for losses they may incur by reason of their service in those capacities subject to any limitations under Maryland law or in our charter. As a result, we and our stockholders may have more limited rights against these persons than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by these persons in some cases. However, our charter provides that we may not indemnify our directors, our advisor and its affiliates for loss or liability suffered by them or hold our directors or our advisor and its affiliates harmless for loss or liability suffered by us unless they have determined that the course of conduct that caused the loss or liability was in our best interests, they were acting on our behalf or performing services for us, the liability was not the result of negligence or misconduct by our non-independent directors, our advisor and its affiliates or gross negligence or willful misconduct by our independent directors, and the indemnification or obligation to hold harmless is recoverable only out of our net assets, including the proceeds of insurance, and not from the stockholders.

The limit on the percentage of shares of our common stock that any person may own may discourage a takeover or business combination that may benefit our stockholders.

Our charter restricts the direct or indirect ownership by one person or entity to no more than 9.8% of the value of our then outstanding shares of capital stock (which includes common stock and any preferred stock we may issue) and no more than 9.8% of the value or number of shares, whichever is more restrictive, of our then outstanding common stock unless exempted by our board of directors. This restriction may discourage a change of control of us and may deter individuals or entities from making tender offers for shares of our common stock on terms that might be financially attractive to stockholders or which may cause a change in our management. In addition to deterring potential transactions that may be favorable to our stockholders, these provisions may also decrease your ability to sell your shares of our common stock.

Maryland law prohibits certain business combinations, which may make it more difficult for us to be acquired.

Under Maryland law, “business combinations” between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of the then outstanding voting stock of the corporation; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the expiration of the five-year period described above, any business combination between the Maryland corporation and an interested stockholder must generally be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of the then outstanding shares of voting stock of the corporation; and

- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares. Maryland law also permits various exemptions from these provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Maryland law also limits the ability of a third party to buy a large stake in us and exercise voting power in electing directors.

Maryland law provides a second anti-takeover statute, the Control Share Acquisition Act, which provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved by the corporation's disinterested stockholders by a vote of two-thirds of the votes entitled to be cast on the matter. Shares of stock owned by interested stockholders, that is, by the acquirer, by officers or by directors who are employees of the corporation, are excluded from the vote on whether to accord voting rights to the control shares. "Control shares" are voting shares of stock that would entitle the acquirer to exercise voting power in electing directors within specified ranges of voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of control shares. The control share acquisition statute does not apply (1) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (2) to acquisitions approved or exempted by a corporation's charter or bylaws. Our charter contains a provision exempting from the Control Share Acquisition Act any and all acquisitions by any person of shares of our stock. We can offer no assurance that this provision will not be amended or eliminated at any time in the future. This statute could have the effect of discouraging offers from third parties to acquire us and increasing the difficulty of successfully completing this type of offer by anyone other than our affiliates or any of their affiliates.

Our charter includes an anti-takeover provision that may discourage a stockholder from launching a tender offer for our shares.

Our charter provides that any tender offer made by a stockholder, including any "mini-tender" offer, must comply with most provisions of Regulation 14D of the Exchange Act. The offering stockholder must provide our company notice of such tender offer at least ten business days before initiating the tender offer. If the offering stockholder does not comply with these requirements, our company will have the right to redeem that stockholder's shares and any shares acquired in such tender offer. In addition, the non-complying stockholder shall be responsible for all of our company's expenses in connection with that stockholder's noncompliance. This provision of our charter may discourage a stockholder from initiating a tender offer for our shares and prevent a stockholder from receiving a premium price for their shares in such a transaction.

Your investment return may be reduced if we are required to register as an investment company under the Investment Company Act; if we are subject to registration under the Investment Company Act, we will not be able to continue our business.

Neither we, our operating partnership nor any of our subsidiaries Intend to register as an investment company under the Investment Company Act. Our operating partnership's and subsidiaries' intended investments in real estate will represent the substantial majority of our total asset mix. In order for us not to be subject to regulation under the Investment Company Act, we intend to engage, through our operating partnership and our wholly and majority owned subsidiaries, primarily in the business of buying real estate.

We expect that most of our assets will be held through wholly-owned or majority-owned subsidiaries of our operating partnership. We expect that most of these subsidiaries will be outside the definition of an "investment company" under Section 3(a)(1) of the Investment Company Act as they are generally expected to hold at least 60% of their assets in real property. Section 3(a)(1)(A) of the Investment Company Act defines an investment company as any issuer that is or holds

itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, which we refer to as the "40% test." Excluded from the term "investment securities," among other things, are U.S. government securities and securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

We believe that we, our operating partnership and most of the subsidiaries of our operating partnership will not fall within either definition of investment company under Section 3(a)(1) of the Investment Company Act as we intend to invest primarily in real property, through our wholly or majority-owned subsidiaries, the majority of which we expect to have at least 60% of their assets in real property. As these subsidiaries would be investing either solely or primarily in real property, they would be outside of the definition of "investment company" under Section 3(a)(1) of the Investment Company Act. We are organized as a holding company that conducts its businesses primarily through our operating partnership, which in turn is a holding company conducting its business through its subsidiaries. Both we and our operating partnership intend to conduct our operations so that we comply with the 40% test. We will monitor our holdings to ensure continuing and ongoing compliance with this test. In addition, we believe that neither we nor our operating partnership will be considered an investment company under Section 3(a)(1)(A) of the Investment Company Act because neither we nor our operating partnership will engage primarily or hold itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, through our operating partnerships wholly owned or majority owned subsidiaries, we and our operating partnership will be primarily engaged in the non-investment company businesses of these subsidiaries, namely the business of purchasing or otherwise acquiring real property.

In the event that the value of investment securities held by a subsidiary of our operating partnership were to exceed 40% of the value of its total assets, we expect that subsidiary to be able to rely on the exclusion from the definition of "investment company" provided by Section 3(c)(5)(C) of the Investment Company Act. Section 3(c)(5)(C), as interpreted by the staff of the SEC, requires each of our subsidiaries relying on this exception to invest at least 55% of its portfolio in "mortgage and other liens on and interests in real estate," which we refer to as "qualifying real estate assets," and maintain at least 80% of its assets in qualifying real estate assets or other real estate-related assets. The remaining 20% of the portfolio can consist of miscellaneous assets. What we buy and sell is therefore limited by these criteria. How we determine to classify our assets for purposes of the Investment Company Act will be based in large measure upon no-action letters issued by the SEC staff in the past and other SEC interpretive guidance and, in the absence of SEC guidance, on our view of what constitutes a qualifying real estate asset and a real estate-related asset. These no-action positions were issued in accordance with factual situations that may be substantially different from the factual situations we may face, and a number of these no-action positions were issued more than ten years ago. Pursuant to this guidance, and depending on the characteristics of the specific investments, certain mortgage loans, participations in mortgage loans, mortgage-backed securities, mezzanine loans, joint venture investments and the equity securities of other entities may not constitute qualifying real estate assets and therefore investments in these types of assets may be limited. No assurance can be given that the SEC or its staff will concur with our classification of our assets. Future revisions to the Investment Company Act or further guidance from the SEC staff may cause us to lose our exclusion from the definition of investment company or force us to re-evaluate our portfolio and our investment strategy. Such changes may prevent us from operating our business successfully.

There can be no assurance that the laws and regulations governing the Investment Company Act status of REITs, including more specific or different guidance regarding these exclusions that may be published by the SEC or its staff, will not change in a manner that adversely affects our operations. In addition, the SEC or its staff could take action that results in our or our subsidiary's failure to maintain an exception or exemption from the Investment Company Act.

In the event that we, or our operating partnership, were to acquire assets that could make either entity fall within one of the definitions of an investment company under Section 3(a)(1) of the Investment Company Act, we believe that we would still qualify for an exclusion from registration pursuant to Section 3(c)(6) of the Investment Company Act. Although the SEC staff has issued little interpretive guidance with respect to Section 3(c)(6), we believe that we and our operating partnership may rely on Section 3(c)(6) if 55% of the assets of our operating partnership consist of, and at least 55% of the income of our operating partnership is derived from, qualifying real estate assets owned by wholly owned or majority-owned subsidiaries of our operating partnership.

To ensure that neither we, our operating partnership nor any of our subsidiaries are required to register as an investment company, each entity may be unable to sell assets that it would otherwise want to sell and may need to sell assets that it would otherwise wish to retain. In addition, we, our operating partnership or our subsidiaries may be required to acquire additional income- or loss-generating assets that we might not otherwise acquire or forego opportunities to acquire interests in companies that we would otherwise want to acquire. Although we, our operating partnership and our subsidiaries intend to monitor our portfolio periodically and prior to each acquisition and disposition, any of these entities may not be able to remain outside the definition of investment company or maintain an exclusion from the definition of an investment company. If we, our operating partnership or our subsidiaries are required to register as an investment company but fail to do so, the unregistered entity would be prohibited from engaging in our business, and criminal and civil actions could be brought against such entity. In addition, the contracts of such entity would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of the entity and liquidate its business.

Stockholders have limited control over changes in our policies and operations.

Our board of directors determines our major policies, including our policies regarding financing, growth, debt capitalization, REIT qualification and distributions. Our board of directors may amend or revise these and other policies without a vote of the stockholders. Our charter sets forth the stockholder voting rights required to be set forth therein under the NASAA REIT Guidelines. Under our charter and the Maryland General Corporation Law, our stockholders currently have a right to vote only on the following matters:

- the election or removal of directors;
- any amendment of our charter, provided that our board of directors may amend our charter without stockholder approval to:
  - increase or decrease the aggregate number of our shares;
  - increase or decrease the number of our shares of any class or series that we have the authority to issue;
  - classify or reclassify any unissued shares by setting or changing the preferences, conversion or other rights, restrictions, limitations as to distributions, qualifications or terms and conditions of redemption of such shares;
  - effect reverse stock splits; and
  - after the listing of our shares of common stock on a national securities exchange, opting into any of the provisions of Subtitle 8 of Title 3 of the Maryland General Corporation Law (see “Description of Shares — Provisions of Maryland Law and our Charter and Bylaws – Subtitle 8” below);
  - our liquidation and dissolution; and
  - our being a party to any merger, consolidation, sale or other disposition of substantially all of our assets (notwithstanding that Maryland law may not require stockholder approval).

All other matters are subject to the discretion of our board of directors.

We may issue preferred stock or other classes of common stock; which issuance could adversely affect the holders of our common stock issued pursuant to our public offerings.

Existing shareholders do not have preemptive rights to any shares issued by us in the future. We may issue, without stockholder approval, preferred stock or other classes of common stock with rights that could dilute the value of your shares of common stock. However, the issuance of preferred stock must be approved by a majority of our independent directors not otherwise interested in the transaction, who will have access, at our expense, to our legal counsel or to independent legal counsel. The issuance of preferred stock or other classes of common stock could increase the number of stockholders entitled to distributions without simultaneously increasing the size of our asset base.

Our board of directors may amend our charter from time to time to increase or decrease the aggregate number of authorized shares of capital stock or the number of authorized shares of capital stock of any class or series without stockholder approval. If we ever created and issued preferred stock with a distribution preference over common stock, payment of any distribution preferences of outstanding preferred stock would reduce the amount of funds available for the payment of distributions on our common stock. Further, holders of preferred stock are normally entitled to receive a

preference payment in the event we liquidate, dissolve or wind up before any payment is made to our common stockholders, likely reducing the amount common stockholders would otherwise receive upon such an occurrence.

Our UPREIT structure may result in potential conflicts of interest with limited partners in our operating partnership whose interests may not be aligned with those of our stockholders.

We are structured as an "UPREIT," which stands for "umbrella partnership real estate investment trust." We use the UPREIT structure because a contribution of property directly to us is generally a taxable transaction to the contributing property owner. In the UPREIT structure, a contributor of a property who desires to defer taxable gain on the transfer of a property may transfer the property to our operating partnership in exchange for limited partnership units and defer taxation of gain until the contributor later exchanges his or her limited partnership units, typically on a one-for-one basis, for shares of our common stock. We believe that using an UPREIT structure gives us an advantage in acquiring desired properties from persons who may not otherwise sell their properties because of unfavorable tax results.

We may issue limited partner interests of our operating partnership in connection with certain transactions. Limited partners in our operating partnership have the right to vote on certain amendments to the operating partnership agreement, as well as on certain other matters. Persons holding such voting rights may exercise them in a manner that conflicts with the interests of our stockholders. As general partner of our operating partnership, we are obligated to act in a manner that is in the best interest of all partners of our operating partnership. Circumstances may arise in the future when the interests of limited partners in our operating partnership may conflict with the interests of our stockholders. These conflicts may be resolved in a manner stockholders do not believe are in their best interest.

Adverse economic conditions will negatively affect our returns and profitability.

Our operating results may be affected by many factors, including a continued or exacerbated general economic slowdown experienced by the nation as a whole or by the local economies where our properties and the properties underlying our other real estate-related investments are located. These factors include:

- poor economic conditions may result in defaults by tenants of our properties;
- job transfers and layoffs may cause tenant vacancies to increase;
- increasing concessions, reduced rental rates or capital improvements may be required to maintain occupancy levels;
- increased insurance premiums may reduce funds available for distribution or, to the extent such increases are passed through to tenants, may lead to tenant defaults. Also, increased insurance premiums may make it difficult to increase rents to tenants on turnover, which may adversely affect our ability to increase our returns.
- changes in general economic or local conditions;
- changes in supply of or demand for similar or competing properties in an area;
- changes in interest rates and availability of permanent mortgage funds that may render the sale of a property difficult or unattractive;
- the illiquidity of real estate investments generally;
- changes in tax, real estate, environmental and zoning laws; and
- periods of high interest rates and tight money supply.
- For these and other reasons, we cannot assure stockholders that we will be profitable or that we will realize growth in the value of our real estate properties.

The length and severity of any economic downturn cannot be predicted. Our operations could be negatively affected to the extent that an economic downturn is prolonged or becomes more severe.

General Risks Related to Investments in Real Estate

Our operating results will be affected by economic and regulatory changes that impact the real estate market in general.

Our investments in commercial properties will be subject to risks generally attributable to the ownership of real property, including:

- changes in global, national, regional or local economic, demographic or real estate market conditions;
- changes in supply of or demand for similar properties in an area;
- increased competition for real property investments targeted by our investment strategy;
- bankruptcies, financial difficulties or lease defaults by our tenants;
- changes in interest rates and availability of financing;
- changes in the terms of available financing, including more conservative loan-to-value requirements and shorter debt maturities;
- competition from other commercial properties;
- the inability or unwillingness of tenants to pay rent increases;
- changes in government rules, regulations and fiscal policies, including changes in tax, real estate, environmental and zoning laws; and
- the severe curtailment of liquidity for certain real estate related assets.

All of these factors are beyond our control. Any negative changes in these factors could affect our ability to meet our obligations and make distributions to stockholders.

We are unable to predict future changes in global, national, regional or local economic, demographic or real estate market conditions. For example, a recession or rise in interest rates could make it more difficult for us to lease or dispose of properties and could make alternative interest-bearing and other investments more attractive and therefore potentially lower the relative value of the real estate assets we acquire. These conditions, or others we cannot predict, may adversely affect our results of operations and returns to our stockholders. In addition, the value of the properties we acquire may decrease following the date we acquire such properties due to the risks described above or any other unforeseen changes in market conditions. If the value of our properties decreases, we may be forced to dispose of our properties at a price lower than the price we paid to acquire our properties, which could adversely impact the results of our operations and our ability to make distributions and return capital to our investors.

Acquisition and ownership of real estate is subject to risks associated with environmental hazards.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the cost of removal or remediation of hazardous or toxic substances on, under or in such property. The costs of removal or remediation could be substantial. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures. Environmental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances, including asbestos-containing materials into the air, and third parties may seek recovery from owners or operators of real properties for personal injury or property damage associated with exposure to released hazardous substances. The cost of defending against claims of liability, of compliance with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could materially adversely affect our business, assets or results of operations and, consequently, amounts available for distribution. We may be liable for environmental hazards at our properties, including those created by prior owners or occupants, existing tenants, abutters or other persons. The properties

that we plan to develop or acquire could include automobile and truck repair and maintenance facilities and tanks for the storage of petroleum products and other hazardous substances, all of which create the potential for environmental damages. As a result, we may be expected to regularly incur environmental clean-up costs. We intend to include in the leases that we entered with future tenants, an agreement for such tenant to indemnify us from all environmental liabilities arising its activities at such property during the term of the lease. Despite this indemnity, various federal and state laws impose environmental liabilities upon property owners, such as us, for any environmental damages arising on properties they own or occupy, and we cannot be assured that we will not be held liable for environmental clean-up at our properties, including environmental damages at sites we own and lease. As an owner or previous owner of properties which contain environmental hazards, we also may be liable to pay damages to governmental agencies or third parties for costs and damages they incur arising from environmental hazards at the properties. Moreover, the costs and damages which may arise from environmental hazards are often difficult to project and our future tenants may not have sufficient resources to pay its environmental liabilities.

Properties that have significant vacancies could be difficult to sell, which could diminish the return on stockholders' investments.

A property may incur vacancies either by the continued default of tenants under their leases or the expiration of tenant leases. If vacancies continue for a long period of time, we may suffer reduced revenues resulting in decreased distributions to stockholders. In addition, the value of the property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

Many of our investments will be dependent on tenants for revenue, and lease terminations could reduce our ability to make distributions to stockholders.

The success of our real property investments often will be materially dependent on the financial stability of our tenants. Lease payment defaults by tenants could cause us to reduce the amount of distributions to stockholders. A default by a significant tenant on its lease payments to us would cause us to lose the revenue associated with such lease and cause us to have to find an alternative source of revenue to meet mortgage payments and prevent a foreclosure if the property is subject to a mortgage. In the event of a tenant default, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and re-letting our property. If significant leases are terminated, we cannot assure stockholders that we will be able to lease the property for the rent previously received or sell the property without incurring a loss.

We may be unable to secure funds for future tenant improvements, which could adversely impact our ability to make cash distributions to our stockholders.

When tenants do not renew their leases or otherwise vacate their space, in order to attract replacement tenants, we will be required to expend substantial funds for tenant improvements and tenant refurbishments to the vacated space. If we have insufficient capital reserves, we will have to obtain financing from other sources. We intend to establish capital reserves on a property-by-property basis, as we deem necessary. In addition to any reserves we establish, a lender may require escrow of capital reserves in excess of our established reserves. If these reserves or any reserves otherwise established are designated for other uses or are insufficient to meet our cash needs, we may have to obtain financing from either affiliated or unaffiliated sources to fund our cash requirements. We cannot assure stockholders that sufficient financing will be available or, if available, will be available on economically feasible terms or on terms acceptable to us. Moreover, certain reserves required by lenders may be designated for specific uses and may not be available for capital purposes such as future tenant improvements. Additional borrowing for capital purposes will increase our interest expense, and therefore our financial condition and our ability to make cash distributions to our stockholders may be adversely affected. If we do not have enough reserves for capital to supply needed funds for capital improvements throughout the life of the investment in a property and there is insufficient cash available from our operations, we may be required to defer necessary improvements to the property, which may cause the property to suffer from a greater risk of obsolescence or a decline in value, or a greater risk of decreased cash flow as a result of fewer potential tenants being attracted to the property. If this happens, we may not be able to maintain projected rental rates for affected properties, and our results of operations may be negatively impacted. The need for and amount of reserves for capital improvements will be determined on a property by property basis in consultation

with our property manager. Generally, we will be responsible for the costs of these capital improvements, which gives rise to the following risks:

- cost overruns and delays;
- renovations can be disruptive to operations and can displace revenue at the properties, including revenue lost while under renovation and out of service;
- the cost of funding renovations and the possibility that financing for these renovations may not be available on attractive terms; and
- the risk that the return on our investment in these capital improvements will not be what we expect.

If we have insufficient cash flow from operations to fund needed capital expenditures, we will need to borrow to fund future capital improvements.

We may be unable to sell a property if or when we decide to do so, which could adversely impact our ability to make cash distributions to our stockholders.

We intend to hold the various real properties in which we invest until such time as our advisor determines that a sale or other disposition appears to be advantageous to achieve our investment objectives or until it appears that such objectives will not be met. Otherwise, our advisor, subject to approval of our board of directors, may exercise its discretion as to whether and when to sell a property and we will have no obligation to sell properties at any particular time, except upon our liquidation. If we do not begin the process of liquidating our assets or listing our shares within ten years of the termination of our initial public offering, our charter requires that we hold a stockholder meeting to vote on a proposed alternate strategy for our orderly liquidation unless a majority of our board of directors and a majority of our independent directors vote to defer such a meeting beyond the tenth anniversary of the termination of our initial public offering. The real estate market is affected, as discussed above, by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any asset for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We cannot predict the length of time needed to find a willing purchaser and to close the sale of an asset. If we are unable to sell an asset when we determine to do so, it could have a significant adverse effect on our cash flow and results of operations.

Our co-venture partners, co-tenants or other partners in co-ownership arrangements could take actions that decrease the value of an investment to us and lower stockholder's overall return.

We may enter into joint ventures or other co-ownership arrangements with other Hartman programs or with third parties having investment objectives similar to ours for the acquisition, development or improvement of properties as well as the acquisition of real estate-related investments. We may also purchase and develop properties in joint ventures or in partnerships, co-tenancies or other co-ownership arrangements with the sellers of the properties, affiliates of the sellers, developers or other persons. Such investments may involve risks not otherwise present with other forms of real estate investment, including, for example:

- the possibility that our co-venturer, co-tenant or partner in an investment might become bankrupt;

- the possibility that a co-venturer, co-tenant or partner in an investment might breach a loan agreement or other agreement or otherwise, by action or inaction, act in a way detrimental to us or the investment;

- that such co-venturer, co-tenant or partner may at any time have economic or business interests or goals that are or that become inconsistent with our business interests or goals;

- the possibility that we may incur liabilities as the result of the action taken by our partner or co-investor; or

- that such co-venturer, co-tenant or partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives, including our policy with respect to qualifying and maintaining

our qualification as a REIT.

Any of the above might subject a property to liabilities in excess of those contemplated and thus reduce our returns on that investment.

Uninsured losses relating to real property or excessively expensive premiums for insurance coverage may adversely affect stockholder returns.

Our advisor has a duty to ensure that all of our properties are adequately insured to cover casualty losses. The nature of the activities at certain properties we may acquire will expose us and our operators to potential liability for personal injuries and, in certain instances property damage claims. In addition, there are types of losses, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters that are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. Insurance risks associated with potential terrorist acts could sharply increase the premiums we pay for coverage against property and casualty claims. Mortgage lenders generally insist that specific coverage against terrorism be purchased by commercial property owners as a condition for providing mortgage loans. It is uncertain whether such insurance policies will be available, or available at reasonable cost, which could inhibit our ability to finance or refinance our properties. In such instances, we may be required to provide other financial support, either through financial assurances or self-insurance, to cover potential losses. We cannot assure stockholders that we will have adequate coverage for such losses. In the event that any of our properties incurs a casualty loss that is not fully covered by insurance, the value of our assets will be reduced by the amount of any such uninsured loss. In addition, other than the capital reserve or other reserves we may establish, we have no source of funding to repair or reconstruct any uninsured damaged property, and we cannot assure stockholders that any such sources of funding will be available to us for such purposes in the future. Also, to the extent we must pay unexpectedly large amounts for insurance, we could suffer reduced earnings that would result in decreased distributions to stockholders.

Our operating results may be negatively affected by potential development and construction delays and result in increased costs and risks, which could diminish the return on stockholders' investments.

We may invest in the acquisition, development and/or redevelopment of properties upon which we will develop and construct improvements. We could incur substantial capital obligations in connection with these types of investments. We will be subject to risks relating to uncertainties associated with rezoning for development and environmental concerns of governmental entities and/or community groups and our builder's ability to control construction costs or to build in conformity with plans, specifications and timetables. The developer or builder's failure to perform may necessitate legal action by us to rescind the purchase or the construction contract or to compel performance. Performance may also be affected or delayed by conditions beyond the builder's control. Delays in completion of construction could also give tenants the right to terminate preconstruction leases for space at a newly developed project. We may incur additional risks when we make periodic progress payments or other advances to such builders prior to completion of construction. These and other such factors can result in increased costs of a project or loss of our investment. Substantial capital obligations could delay our ability to make distributions. In addition, we will be subject to normal lease-up risks relating to newly constructed projects. Furthermore, we must rely upon projections of rental income and expenses and estimates of the fair market value of property upon completion of construction when agreeing upon a price to be paid for the property at the time of acquisition of the property. If our projections are inaccurate, we may pay too much for a property, and the return on our investment could suffer.

In addition, we may invest in unimproved real property. Returns from development of unimproved properties are also subject to risks and uncertainties associated with rezoning the land for development and environmental concerns of governmental entities and/or community groups. Although our principal intention is to acquire developed properties and to limit any investment in unimproved property, a portion of stockholders' investment nevertheless may be subject to the risks associated with investments in unimproved real property.

If we contract with an affiliate of our advisor to purchase a newly developed property or to develop a parcel that we acquire, we cannot guarantee that any earnest money deposit we make to that affiliate of the advisor or its affiliates would be fully refunded if the work were not performed.

We may enter into one or more contracts, either directly or indirectly through joint ventures, tenant-in-common investments or other co-ownership arrangements with affiliates of our advisor or others, to acquire real property from affiliates of our advisor. Properties acquired from these affiliates may be existing income-producing properties, properties to be developed or properties under development. We anticipate that we will be obligated to pay a substantial earnest money deposit at the time of contracting to acquire such properties. In the case of properties to be developed by HIR Management, our property manager, or its affiliates, we anticipate that we will be required to close the purchase of the property upon completion of the development of the property by HIR Management or its affiliates. At the time of contracting and the payment of the earnest money deposit by us, HIR Management or its affiliates typically will not have acquired title to any real property. Typically, HIR Management or its affiliates will only have a contract to acquire land, a development agreement to develop a building on the land and an agreement with one or more tenants to lease all or part of the property upon its completion. However, we will not be required to close a purchase from HIR Management or its affiliates, and will be entitled to a refund of our earnest money, in the following circumstances:

- HIR Management or its affiliates fails to develop the property;
- all or a specified portion of the pre-leased tenants fail to take possession under their leases for any reason; or
- we have insufficient offering proceeds available to pay the purchase price at closing.

The obligation of HIR Management or its affiliates to refund our earnest money will be unsecured, and no assurance can be made that we would be able to obtain a refund of such earnest money deposit from it under these circumstances since HIR Management is an entity without substantial assets or operations.

Competition with third parties in acquiring properties and other assets may reduce our profitability and the return on stockholders' investment.

We believe that the current market for properties that meet our investment objectives is highly competitive. We compete with many other entities engaged in real estate investment activities, including individuals, corporations, bank and insurance company investment accounts, other REITs, real estate limited partnerships, and other entities engaged in real estate investment activities, many of which have greater resources than we will. Larger real estate programs may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. In addition, the number of entities and the amount of funds competing for suitable properties may increase. Any such increase would result in increased demand for these assets and therefore increased prices paid for them. If we pay higher prices for properties and other investments, our profitability will be reduced and stockholders may experience a lower return on investment.

A concentration of our investments in any one property class may leave our profitability vulnerable to a downturn in such sector.

At any one time, a significant portion of our investments could be in one property class. As a result, we will be subject to risks inherent in investments in a single type of property. If our investments are substantially in one property class, then the potential effects on our revenues, and as a result, on cash available for distribution to our stockholders, resulting from a downturn in the businesses conducted in those types of properties could be more pronounced than if we had more fully diversified our investments.

Failure to succeed in new markets or in new property classes may have adverse consequences on our performance.

We may from time to time commence development activity or make acquisitions outside of our existing market areas or the property classes of our primary focus if appropriate opportunities arise. Our historical experience in our existing markets in developing, owning and operating certain classes of property does not ensure that we will be able to operate successfully in new markets, should we choose to enter them, or that we will be successful in new property classes. We may be exposed to a variety of risks if we choose to enter new markets, including an inability to evaluate accurately local market conditions, to obtain land for development or to identify appropriate acquisition opportunities, to hire and retain key personnel, and a lack of familiarity with local governmental and permitting procedures. In addition, we may abandon opportunities to enter new markets or acquire new classes of property that we have begun to explore for any reason and may, as a result, fail to recover expenses already incurred.

Acquiring or attempting to acquire multiple properties in a single transaction may adversely affect our operations.

From time to time, we may attempt to acquire multiple properties in a single transaction. Portfolio acquisitions are more complex and expensive than single property acquisitions, and the risk that a multiple-property acquisition does not close may be greater than in a single-property acquisition. Portfolio acquisitions may also result in us owning investments in geographically dispersed markets, placing additional demands on our ability to manage the properties in the portfolio. In addition, a seller may require that a group of properties be purchased as a package even though we may not want to purchase one or more properties in the portfolio. In these situations, if we are unable to identify another person or entity to acquire the unwanted properties, we may be required to operate or attempt to dispose of these properties. To acquire multiple properties in a single transaction we may be required to accumulate a large amount of cash. We would expect the returns that we earn on such cash to be less than the ultimate returns in real property and therefore, accumulating such cash could reduce the funds available for distributions. Any of the foregoing events may have an adverse effect on our operations.

Our failure to integrate acquired properties and new personnel could create inefficiencies and reduce the return of stockholders' investment.

To grow successfully, we must be able to apply our experience in managing real estate to a larger number of properties. In addition, we must be able to integrate new management and operations personnel as our organization grows in size and complexity. Failures in either area will result in inefficiencies that could adversely affect our expected return on our investments and our overall profitability.

Properties in which we have invested may not be readily adaptable to other uses, and if these properties become unprofitable, we may not be able to recoup the value of our investment.

Properties in which we have invested may have limited alternative uses. If the operations of any of our properties in these sectors become unprofitable due to industry competition, a general deterioration of the applicable industry or otherwise, we may have great difficulty selling the property or we may have to sell the property for substantially less than the amount we paid for it. Should any of these events occur, our income and cash available for distribution could be reduced.

The costs of compliance with environmental laws and other governmental laws and regulations may adversely affect our income and the cash available for any distributions.

All real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. These laws and regulations generally govern wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials, and the remediation of contamination associated with disposals. Some of these laws and regulations may impose joint and several liability on tenants, owners or operators for the costs of investigation or remediation of contaminated properties, regardless of fault or the legality of the original disposal. In addition, the presence of these substances, or the failure to properly remediate these substances, may adversely affect our ability to sell or rent such property or to use the property as collateral for future borrowing.

Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require material expenditures by us. We cannot assure stockholders that future laws, ordinances or regulations will not impose any material environmental liability, or that the current environmental condition of our properties will not be affected by the operations of the tenants, by the existing condition of the land, by operations in the vicinity of the properties, such as the presence of underground storage tanks, or by the activities of unrelated third parties. In addition, there are various local, state and federal fire, health, life-safety and similar regulations that we may be required to comply with, and that may subject us to liability in the form of fines or damages for noncompliance. Any foreign investments we make will be subject to similar laws in the jurisdictions where they are located.

Our costs associated with complying with the Americans with Disabilities Act may affect cash available for distributions.

Our properties are generally subject to the Americans with Disabilities Act of 1990, as amended (Disabilities Act), or similar laws of foreign jurisdictions. Under the Disabilities Act, all places of public accommodation are required to comply with federal requirements related to access and use by disabled persons. The Disabilities Act has separate compliance requirements for "public accommodations" and "commercial facilities" that generally require that buildings and services be

made accessible and available to people with disabilities. The Disabilities Act's requirements could require removal of access barriers and could result in the imposition of injunctive relief, monetary penalties or, in some cases, an award of damages. We attempt to acquire properties that comply with the Disabilities Act or similar laws of foreign jurisdictions or place the burden on the seller or other third party, such as a tenant, to ensure compliance with such laws. However, we cannot assure stockholders that we will be able to acquire properties or allocate responsibilities in this manner. If we cannot, our funds used for compliance with these laws may affect cash available for distributions and the amount of distributions.

Any properties we acquire must comply with Title III of the Disabilities Act, to the extent that such properties are "public accommodations" and/or "commercial facilities" as defined by the Disabilities Act. Compliance with the Disabilities Act could require removal of structural barriers to handicapped access in public areas of our properties where such removal is readily achievable.

If we sell properties by providing financing to purchasers, we will bear the risk of default by the purchaser.

If we decide to sell any of our properties, we intend to use commercially reasonable efforts to sell them for cash or in exchange for other property. However, in some instances we may sell our properties by providing financing to purchasers. If we provide financing to purchasers, we will bear the risk of default by the purchaser and will be subject to remedies provided by law, which could negatively impact distributions to our stockholders. There are no limitations or restrictions on our ability to take purchase money obligations. We may, therefore, take a purchase money obligation secured by a mortgage as partial payment for the purchase price of a property. The terms of payment to us generally will be affected by custom in the area where the property being sold is located and the then-prevailing economic conditions. If we receive promissory notes or other property in lieu of cash from property sales, the distribution of the proceeds of sales to our stockholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property are actually paid, sold, refinanced or otherwise disposed of. In some cases, we may receive initial down payments in cash and other property in the year of sale in an amount less than the selling price and subsequent payments will be spread over a number of years. If any purchaser defaults under a financing arrangement with us, it could negatively impact our ability to make distributions to our stockholders.

Risks Associated with Debt Financing

Our borrowings may increase our business risks.

We financed a portion of the acquisition cost of our real properties with mortgage indebtedness. In addition, we have entered into revolving credit agreements with banks secured by certain real properties. We also may borrow funds if necessary to satisfy the requirement that we distribute to stockholders at least 90% of our annual REIT taxable income, or otherwise as is necessary or advisable to assure that we maintain our qualification as a REIT for federal income tax purposes.

There is no limitation on the amount we may invest in any single property or other asset or on the amount we can borrow for the purchase of any individual property or other investment. Our board of directors has adopted a policy to generally limit our aggregate borrowings to approximately 50% of the aggregate value of our assets unless substantial justification exists that borrowing a greater amount is in our best interests. Our policy limitation, however, does not apply to individual real estate assets and only will apply once we have ceased raising capital and invested substantially all of our capital. As a result, we expect to borrow more than 50% of the contract purchase price of each real estate asset we acquire to the extent our board of directors determines that borrowing these amounts is prudent. Our policy of limiting our aggregate borrowings to no more than 50% of the value of our properties' value will have the effect of causing the aggregate debt to equal our net asset value. Such debt may be at a level that is higher than real estate investment trusts with similar investment objectives or criteria. High debt levels would cause us to incur higher interest charges, would result in higher debt service payments, and could be accompanied by restrictive covenants. These factors could limit the amount of cash we have available to distribute and could result in a decline in the value of stockholders' investment.

We do not intend to incur mortgage debt on a particular real property unless we believe the property's projected cash flow is sufficient to service the mortgage debt. However, if there is a shortfall in cash flow, then the amount available for distributions to stockholders may be affected. In addition, incurring mortgage debt increases the risk of loss because defaults on indebtedness secured by a property may result in foreclosure actions initiated by lenders and our loss of the

property securing the loan that is in default. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds from the foreclosure. We may give full or partial guarantees to lenders of mortgage debt to the entities that own our properties. When we give a guaranty on behalf of an entity that owns one of our properties, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages contain cross-collateralization or cross-default provisions, there is a risk that more than one real property may be affected by a default. If any of our properties are foreclosed upon due to a default, our ability to make distributions to our stockholders will be adversely affected. In addition, because our goal is to be in a position to liquidate our assets within five years after the termination of our primary offering, which terminated in March 2016, our approach to investing in properties utilizing leverage in order to accomplish our investment objectives over this period of time may present more risks to investors than comparable real estate programs that have a longer intended duration and that do not utilize borrowing to the same degree.

If mortgage debt is unavailable at reasonable rates, we may not be able to refinance our properties, which could reduce the amount of cash distributions we can make.

When we place mortgage debt on properties, we run the risk of being unable to refinance the properties when the loans come due, or of being unable to refinance on favorable terms. If interest rates are higher when the properties are refinanced, we may not be able to finance the properties at reasonable rates and our income could be reduced. If this occurs, it would reduce cash available for distribution to our stockholders, and it may prevent us from borrowing more money.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders.

In connection with obtaining financing, a lender could impose restrictions on us that affect our ability to incur additional debt and our distribution and operating policies. In general, we expect our loan agreements to restrict our ability to encumber or otherwise transfer our interest in the respective property without the prior consent of the lender. Loan documents we enter may contain other customary negative covenants that may limit our ability to further mortgage the property, discontinue insurance coverage, replace Hartman Advisors as our advisor or impose other limitations. Any such restriction or limitation may have an adverse effect on our operations and our ability to make distributions.

Interest-only indebtedness may increase our risk of default and ultimately may reduce our funds available for distribution to our stockholders.

We may finance our property acquisitions using interest-only mortgage indebtedness. During the interest-only period, the amount of each scheduled payment will be less than that of a traditional amortizing mortgage loan. The principal balance of the mortgage loan will not be reduced (except in the case of prepayments) because there are no scheduled monthly payments of principal during this period. After the interest-only period, we will be required either to make scheduled payments of amortized principal and interest or to make a lump-sum or “balloon” payment at maturity. These required principal or balloon payments will increase the amount of our scheduled payments and may increase our risk of default under the related mortgage loan. If the mortgage loan has an adjustable interest rate, the amount of our scheduled payments also may increase at a time of rising interest rates. Increased payments and substantial principal or balloon maturity payments will reduce the funds available for distribution to our stockholders because cash otherwise available for distribution will be required to pay principal and interest associated with these mortgage loans.

Increases in interest rates could increase the amount of our debt payments and adversely affect our ability to make distributions to our stockholders.

We may incur indebtedness that bears interest at a variable rate. In addition, from time to time we may pay mortgage loans or finance and refinance our properties in a rising interest rate environment. Accordingly, increases in interest rates could increase our interest costs, which could have an adverse effect on our operating cash flow and our ability to make distributions. In addition, if rising interest rates cause us to need additional capital to repay indebtedness in accordance with its terms or otherwise, we may need to liquidate one or more of our investments at times that may not permit realization of the maximum return on such investments.

If we enter into financing arrangements involving balloon payment obligations, it may adversely affect our ability to make distributions.

Some of our financing arrangements may require us to make a lump-sum or "balloon" payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the balloon payment on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT. Any of these results would have a significant, negative impact on stockholders' investment.

U.S. Federal Income Tax Risks

Failure to qualify as a REIT would adversely affect our operations and our ability to make distributions.

Our qualification as a REIT depends on our ongoing satisfaction of numerous requirements established under highly technical and complex provisions of the Internal Revenue Code for which there are only limited judicial or administrative interpretations and involve the determination of various factual matters and circumstances not entirely within our control. The complexity of these provisions and of the applicable income tax regulations that have been promulgated under the Internal Revenue Code is greater in the case of a REIT that holds its assets through a partnership, as we do. Moreover, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not change the tax laws with respect to qualification as a REIT or the federal income tax consequences of that qualification.

If we fail to qualify as a REIT in any taxable year for which we have elected to be taxed as a REIT and do not qualify for certain statutory relief provisions, we would be required to pay U.S. federal income tax on our taxable income, and distributions to our stockholders would not be deductible by us in determining our taxable income. In such a case, we might need to borrow money or sell assets in order to pay our taxes. Our payment of income tax would decrease the amount of our income available for distribution to our stockholders. Furthermore, we would not be required to distribute substantially all of our net taxable income to our stockholders. If we fail to qualify as a REIT in any taxable year for which we have elected to be taxed as a REIT, unless we are eligible for certain statutory relief provisions, we could not re-elect to qualify as a REIT until the fifth calendar year following the year in which we failed to qualify. In addition, although we intend to operate in a manner intended to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause our board of directors to recommend that we revoke our REIT election.

We believe that our operating partnership will be treated for federal income tax purposes as a partnership and not as an association or as a publicly traded partnership taxable as a corporation. If the Internal Revenue Service were successfully to determine that our operating partnership should properly be treated as a corporation, our operating partnership would be required to pay federal income tax at corporate rates on its net income. In addition, we would fail to qualify as a REIT, with the resulting consequences described above.

Legislative, regulatory or administrative changes could adversely affect us.

The tax laws are complex and are subject to change at any time as a result of legislative, judicial or administrative actions, and these changes may adversely affect the taxation of a stockholder. Any such changes could have an adverse effect on an investment in our shares or on the market value or the resale potential of our assets.

On December 22, 2017, the TCJA was signed into law, which makes major changes to the Code, including a number of provisions of the Code that affect the taxation of REITs and their stockholders. The individual and collective impact of these provisions and other provisions of the TCJA on REITs and their stockholders is uncertain, and may not become evident for some period of time. Prospective investors should consult their tax advisors regarding the implications of the TCJA on their investment in our shares.

To qualify as a REIT we must meet annual distribution requirements, which may result in us distributing amounts that may otherwise be used for our operations.

To qualify as a REIT, we are required each year to distribute to our stockholders at least 90% of our real estate investment trust taxable income, determined without regard to the dividends-paid deduction and excluding net capital gains. We will be subject to federal income tax on any undistributed taxable income and to a 4% nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (1) 85% of our ordinary income, (2) 95% of our capital gain net income and (3) 100% of our undistributed income from prior years. These requirements could cause us to distribute amounts that otherwise would be spent on investments in real estate assets, and it is possible that we might be required to borrow funds or sell assets to fund these distributions. If we fund distributions through borrowings, then we will have to repay debt using money we could have otherwise used to acquire properties. If we sell assets or use offering proceeds to pay distributions, we also will have fewer investments. Fewer investments may impact our ability to generate future cash flows from operations and, therefore, reduce your overall return. Although we intend to make distributions sufficient to meet the annual distribution requirements and to avoid corporate income and excise taxes, it is possible that we might not always be able to do so.

In certain circumstances, we may be subject to federal and state income taxes as a REIT which would reduce our cash available to pay distributions.

Even if we maintain our status as a REIT, we may yet become subject to federal income taxes and related state taxes.
example:

- We are subject to tax on any undistributed income. We will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions we pay in any calendar year plus amounts retained for which federal income tax was paid are less than the sum of 85% of our ordinary income, 95% of our capital gain net income, and 100% of our undistributed income from prior years.

- State laws may change so as to begin taxing REITs.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income (which is determined without regard to the dividends paid deduction or net capital gain for this purpose) in order to qualify as a REIT. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our REIT taxable income (including net capital gain), we will be subject to federal corporate income tax on our undistributed REIT taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under federal tax laws. We intend to make distributions to our stockholders to comply with the REIT requirements of the Internal Revenue Code.

From time to time, we may generate taxable income greater than our taxable income for financial reporting purposes, or our taxable income may be greater than our cash flow available for distribution to stockholders. If we do not have other funds available in these situations we could be required to borrow funds, sell investments at disadvantageous prices or find another alternative source of funds to make distributions sufficient to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. There is no assurance that outside financing will be available to us. Even if available, the use of outside financing or other alternative sources of funds to pay distributions could increase our costs or dilute our stockholders' equity interests. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

To maintain our REIT status, we may be forced to forgo otherwise attractive opportunities, which may delay or hinder our ability to meet our investment objectives and reduce your overall return.

To maintain our REIT status, we must satisfy certain tests on an ongoing basis concerning, among other things, the sources of our income, nature of our assets and the amounts we distribute to our stockholders. We may be required to make

distributions to stockholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits and the value of your investment.

Our gains from sales of our assets are potentially subject to the prohibited transaction tax, which could reduce the return on your investment.

Our ability to dispose of property during the first few years following acquisition is restricted to a substantial extent as a result of our REIT status. We will be subject to a 100% tax on any gain realized on the sale or other disposition of any property (other than foreclosure property) we own, directly or through any subsidiary entity, including our operating partnership, but excluding our taxable REIT subsidiaries, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of trade or business unless we qualify for a statutory safe harbor. Whether property is inventory or otherwise held primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances surrounding each property. We intend to avoid the 100% prohibited transaction tax by (1) conducting activities that may otherwise be considered prohibited transactions through a taxable REIT subsidiary, (2) conducting our operations in such a manner so that no sale or other disposition of an asset we own, directly or through any subsidiary other than a taxable REIT subsidiary, will be treated as a prohibited transaction or (3) structuring certain dispositions of our properties to comply with certain safe harbors available under the Internal Revenue Code for properties held at least two years. However, no assurance can be given that any particular property we own, directly or through any subsidiary entity, including our operating partnership, but excluding our taxable REIT subsidiaries, will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business.

Complying with REIT requirements may force us to liquidate otherwise attractive investments.

To maintain our REIT status, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualifying real estate assets, including certain mortgage loans and mortgage-backed securities. Our investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 25% of the value of our total assets can be represented by securities of one or more taxable REIT subsidiaries.

If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate from our portfolio otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

Liquidation of assets may jeopardize our REIT status.

To maintain our REIT status, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory.

Legislative or regulatory action could adversely affect investors.

In recent years, numerous legislative, judicial and administrative changes have been made to the federal income tax laws applicable to investments in REITs and similar entities. Additional changes to tax laws are likely to continue to occur in the future and we cannot assure you that any such changes will not adversely affect the taxation of a stockholder. Any such changes could have an adverse effect on an investment in shares of our common stock. We urge you to consult with your own tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in shares of our common stock.

Non-U.S. investors may be subject to U.S. federal income tax on the sale of shares of our common stock if we are unable to qualify as a "domestically controlled" REIT.

A non-U.S. person disposing of a U.S. real property interest, including shares of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to U.S. federal income tax on the gain recognized on such disposition. A non-U.S. stockholder generally would not be subject to U.S. federal income tax, however, on gain from the disposition of stock in a REIT if the REIT is a "domestically controlled REIT." A domestically controlled REIT is a REIT in which, at all times during a specified testing period, less than 50% in value of its shares is held directly or indirectly by non-U.S. holders. We cannot assure you that we will qualify as a domestically controlled REIT. If we were to fail to so qualify, gain realized by a non-U.S. investor on a sale of our common stock would be subject to U.S. federal income tax unless our common stock was traded on an established securities market, which is not currently the case, and the non-U.S. investor did not at any time during a specified testing period directly or indirectly own more than 10% of the value of our outstanding common stock.

Retirement Plan Risks

There are special considerations for pension or profit-sharing or 401(k) plans, health or welfare plans or individual retirement accounts whose assets are being invested in our common stock due to requirements under ERISA and the Internal Revenue Code. Furthermore, a person acting on behalf of a plan not subject to ERISA may be subject to similar penalties under applicable federal, state, local, or non-U.S. law by reason of purchasing our stock.

If you are investing the assets of a pension, profit sharing or 401(k) plan, health or welfare plan, or an IRA, or other plan or arrangement subject to ERISA or Section 4975 of the Internal Revenue Code in us, you should consider:

- whether the investment is consistent with stockholders' fiduciary obligations under ERISA and the Internal Revenue Code;
- whether the investment is made in accordance with the documents and instruments governing the plan or IRA, including plan or account's investment policy;
- whether the investment satisfies the prudence and diversification requirements of Section 404(a)(1)(B) and 404(a)(1)(C) of ERISA and other applicable provisions of ERISA and/or the Internal Revenue Code;
- whether the investment will not impair the liquidity of the plan or IRA;
- whether the investment will not produce unrelated business taxable income, referred to as UBTI, for the plan or IRA;
- whether the stockholder will be able to value the assets of the plan annually in accordance with ERISA requirements and applicable provisions of the plan or IRA; and
- whether the investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

You should consider whether your investment in us will cause some or all of our assets to be considered assets of an employee benefit plan, IRA, or other arrangement. We do not believe that under ERISA and U.S. Department of Labor regulations currently in effect that our assets would be treated as "plan assets" for purposes of ERISA, although there can be no assurances. However, if our assets were considered to be plan assets, transactions involving our assets would be subject to ERISA and Section 4975 of the Internal Revenue Code and some of the transactions we have entered into with our advisor and its affiliates could be considered "prohibited transactions," under ERISA or the Internal Revenue Code. If such transactions were considered "prohibited transactions," our advisor and its affiliates could be subject to liabilities and excise taxes or penalties. In addition, our officers and directors, our advisor and its affiliates could be deemed to be fiduciaries under ERISA, subject to other conditions, restrictions and prohibitions under Part 4 of Title I of ERISA and those serving as fiduciaries of plans investing in us may be considered to have improperly delegated fiduciary duties to us. Additionally, other transactions with "parties-in-interest" or "disqualified persons" with respect to an investing plan might be prohibited under ERISA, the Internal Revenue Code or other governing authority in the case of a government plan.

Therefore, we would be operating under a burdensome regulatory regime that could limit or restrict investments we can make or our management of our real estate assets. Even if our assets are not considered to be plan assets, a prohibited transaction could occur if we or any of our affiliates is a fiduciary (within the meaning of ERISA) with respect to an employee benefit plan purchasing shares and, therefore, in the event any such persons are fiduciaries (within the meaning of ERISA) of your plan or IRA, you should not purchase shares unless an administrative or statutory exemption applies to your purchase.

Failure to satisfy the fiduciary standards of conduct and other requirements of ERISA, the Internal Revenue Code, or other applicable statutory or common law may result in the imposition of civil (and criminal, if the violation was willful) penalties, and can subject the fiduciary to equitable remedies and/or damages. In addition, if an investment in our common stock constitutes a prohibited transaction under ERISA or the Internal Revenue Code, the fiduciary that authorized or directed the investment may be subject to the imposition of excise taxes with respect to the amount invested. Furthermore, to the extent that the assets of a plan or arrangement not subject to the fiduciary provisions of ERISA (for example, governmental plans, non-electing church plans, and foreign plans) will be used to purchase our stock, such plans should consider the impact of applicable federal, state, local, or non-U.S. law on the decision to make such purchase.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

General

As of December 31, 2017, we owned or held a majority interest in 17 commercial properties comprising approximately 2,928,000 square feet plus three pad sites, all located in Texas. We own nine properties located in Richardson, Arlington, and Dallas, Texas, six properties located in Houston, Texas and two properties located in San Antonio, Texas. We believe that the long-term outlook for commercial real estate values in the Houston, Dallas and San Antonio metropolitan statistical areas remains positive.

We do not directly manage our properties. Hartman Income REIT Management, Inc. manages our properties pursuant to a property management agreement which is renewable annually. Our board of directors has approved the renewal of the property management agreement which will expire on February 9, 2019. In addition to property management, our property manager is also responsible for leasing our properties. Our tenants consist of national, regional and local businesses.

Substantially all of our revenues consist of base rents and expense recoveries under leases that generally have terms that range from less than one year to 15 years. A majority of our existing leases as of December 31, 2017 contain "rent bump" rental provisions which provide for increases in base rental amounts over the term of the lease.

Our Properties

The following table provides summary information regarding our properties as of December 31, 2017. Except as otherwise noted in the footnotes to the table below, we own a 100% ownership interest in each of our properties.

Name/Location	Rentable SF (1)	Date Acquired	Acquisition Cost (in thousands)	Annualized Base Rent (in thousands)	% Leased
Richardson Heights SC Richardson, TX	201,433	12/28/2010	$ 19,150	$2,881	75%
Cooper Street Plaza Arlington, TX	127,696	5/11/2012	10,613	1,606	100%
Bent Tree Green Dallas, TX	139,609	10/16/2012	12,015	2,193	84%
Parkway Plaza I & II Dallas, TX	136,506	3/15/2013	9,490	1,587	70%
Gulf Plaza Houston, TX	120,651	3/11/2014	13,950	2,402	100%
Mitchelldale Business Park Houston, TX	377,752	6/13/2014	19,175	2,181	93%
Energy Plaza I&II San Antonio, TX	180,119	12/30/2014	17,610	3,228	84%
Timbercreek Atrium Houston, TX	51,035	12/30/2014	2,897	872	100%
Copperfield Building Houston, TX	42,621	12/30/2014	2,419	679	89%
400 North Belt Houston, TX	230,872	5/8/2015	10,150	1,297	61%
Commerce Plaza Hillcrest Dallas, TX	203,688	5/1/2015	11,400	2,272	77%
Skymark Tower Arlington, TX	115,700	9/2/2015	8,846	2,335	86%
Corporate Park Place Dallas, TX	113,429	8/24/2015	9,500	1,121	68%
Ashford Crossing Houston, TX	158,451	7/31/2015	10,600	1,110	43%
One Technology Center San Antonio, TX	196,348	11/10/2015	19,575	4,378	95%
Westway One (1) Dallas, TX	165,982	6/1/2016	21,638	3,095	100%
Three Forest Plaza Dallas, TX	366,549	12/22/2016	35,655	5,130	77%
	2,928,411		**$ 234,683**	**$38,367**	**81%**

(1) The Westway One property is owned by Hartman Westway LLC. On June 17, 2016, we sold a 45.67% non-controlling interest in Hartman Westway LLC to an unrelated investor for $5,500,000. As of December 31, 2017 and 2016, we own a 54.33% membership interest in the Hartman Westway LLC.

The following table sets forth certain information relating to our properties, by commercial property type, as of December 31, 2017:

Property Name	Location	Gross Leasable Area SF	Percent Occupied	Annualized Base Rental Revenue (in thousands)	Average Base Rental Revenue per Occupied SF	Average Net Effective Annual Base Rent per Occupied SF
Retail:						
Richardson Heights	Dallas	201,433	75%	$ 2881	$ 19.08	$ 19.56
Cooper Street	Dallas	127,696	100%	$ 1,606	$ 12.60	$ 12.49
Total – Retail		**329,129**	**85%**	$ 4,487	$ 16.08	$ 16.32
Office:						
Bent Tree Green	Dallas	139,609	84%	$ 2,193	$ 18.72	$ 20.83
Parkway Plaza I&II	Dallas	136,506	70%	$ 1,587	$ 16.20	$ 16.43
Hillcrest	Dallas	203,688	77%	$ 2,272	$ 14.28	$ 14.90
Skymark	Dallas	115,700	86%	$ 2,335	$ 23.52	$ 23.83
Corporate Park Place	Dallas	113,429	68%	$ 1,121	$ 14.64	$ 15.76
Westway One (1)	Dallas	165,982	100%	$ 3,095	$ 18.60	$ 20.32
Three Forest Plaza	Dallas	366,549	77%	$ 5,130	$ 18.12	$ 20.61
Gulf Plaza	Houston	120,651	100%	$ 2,402	$ 19.92	$ 19.87
Timbercreek Atrium	Houston	51,035	100%	$ 872	$ 17.04	$ 17.30
Copperfield	Houston	42,621	89%	$ 679	$ 18.00	$ 17.92
400 N. Belt	Houston	230,872	61%	$ 1,297	$ 9.24	$ 10.30
Ashford Crossing	Houston	158,451	43%	$ 1,110	$ 16.44	$ 17.59
Energy Plaza	San Antonio	180,119	84%	$ 3,228	$ 21.36	$ 20.96
One Technology Center	San Antonio	196,348	95%	$ 4,378	$ 23.52	$ 24.38
Total – office		**2,221,560**	**79%**	**$ 31,699**	**$ 18.08**	**$ 19.11**
Flex/Industrial						
Mitchelldale	Houston	377,752	93%	$ 2,181	$ 6.24	$ 6.26
Total – Flex/Industrial		**377,752**	**93%**	**$ 2,181**	**$ 6.24**	**$ 6.26**
Grand Total		**2,928,441**	**81%**	**$ 38,367**	**$ 16.10**	**$ 16.89**

Significant Tenants

The following table sets forth information about our five largest tenants as of December 31, 2017:

Tenant Name	Location	Annualized Rental Revenue (in thousands)	Percentage of Total Annualized Rental Revenue	Initial Lease Date	Lease Expiration Year
Gulf Interstate Engineering	Gulf Plaza	$ 2,393	6%	3/1/2011	2/28/2018
Galen College of Nursing	One Technology	1,530	4%	10/1/2016	12/31/2023
Weaver & Tidwell	Three Forest Plaza	1,247	3%	9/16/2008	9/30/2018
Lennar Homes of Texas	Westway One	1,111	3%	3/1/2016	2/28/2022
Black Knight National Flood, LLC	Skymark	988	3%	11/1/2012	(1)
Total		$ 7,269	19.0%		

(1) Tenant exercised its early termination option and moved-out effective March 23, 2018.

Lease Expirations

The following table shows lease expirations for our properties as of December 31, 2017 during each of the next ten years:

		Gross Leasable Area Covered by Expiring Leases		Annualized Base Rent Represented by Expiring Leases	
Year of Lease Expiration	Number of Leases Expiring	Approx. Square Feet	Percent of Total Occupied Square Feet	Amount (in thousands)	Percent of Total Rent
2018	139	401,175	17%	$7,115	19%
2019	111	341,385	14%	$5,522	14%
2020	89	267,425	11%	$4,377	11%
2021	66	212,155	9%	$2,543	7%
2022	72	312,519	13%	$4,563	12%
2023	26	190,622	8%	$2,786	7%
2024	11	63,071	3%	$1,105	3%
2025	9	55,737	2%	$1,024	3%
2026	4	71,706	3%	$1,134	3%
2027	4	50,521	2%	$880	2%
Total	531	1,966,216	82%	$31,049	81%

Leases expiring beyond the period presented are not included in the table above, therefore the percent of total annualized base rents do not total 100%.

Location of Properties

Our properties, which represent continuing operations, are located in the Houston, Dallas and San Antonio metropolitan statistical areas (“MSAs”). We believe that the long-term outlook for Texas MSAs remains positive.

As of December 31, 2017, our real estate properties comprised the following annualized base rental revenue by asset type and geographic location:

	Retail	Office	Flex/Industrial	Total
Dallas	$ 4,487	$ 17,733	$ -	$ 22,220
Houston	-	6,360	2,181	8,541
San Antonio	-	7,606	-	7,606
Total	$ 4,487	$ 31,699	$ 2,181	$ 38,367

The following information generally applies to all of our properties:

- we believe all of our properties are adequately covered by insurance and are suitable for their intended purposes;
- except as otherwise noted above, we have no plans for any material renovations, improvements or developments with respect to any of our properties; and
- our properties face competition in attracting new residents and retaining current residents from other multifamily properties in and around their respective submarkets.

Item 3. Legal Proceedings

We are not presently subject to any material litigation nor, to our knowledge, is any litigation threatened against us or any of our properties, other than routine actions arising in the ordinary course of business, some of which are expected to be covered by liability insurance and all of which collectively are not expected to have a material adverse effect on our business or financial condition or results of operations.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Stockholder Information

As of March 19, 2018, we had 18,586,461 shares of common stock issued and outstanding, held by a total of approximately 3,027 stockholders. The number of stockholders is based on the records of Phoenix American Financial Services, which serves as our transfer agent.

Market Information

Our shares of common stock are not currently listed on a national securities exchange or any over-the-counter market. We do not expect our shares to become listed in the near future, and they may not become listed at all. Consequently, there is the risk that our stockholders may not be able to sell their shares at a time or price acceptable to them. Effective March 31, 2016, we terminated our follow-on public offering. Our board of directors continues to evaluate potential liquidity events to maximize the total potential return to our stockholders, including, but not limited to, merging our company with its affiliates followed by a listing of our shares of common stock on a national securities exchange. However, our board of directors has not made a decision to pursue any specific liquidity event, and there can be no assurance that we will complete a liquidity event on the terms described above or at all.

On March 29, 2018, our board of directors determined an estimated net asset value per share of our common stock of $12.55 as of December 31, 2017. Our board of directors' objective in determining the estimated net asset value per share was to arrive at a value, based on the most recent data available, that it believed was reasonable based on methodologies that it deemed appropriate after consultation with our advisor. However, the market for commercial real estate can fluctuate quickly and substantially and the value of our assets is expected to change in the future and may decrease. Also, our board of directors did not consider certain other factors, such as a liquidity discount to reflect the fact that our shares are not currently traded on a national securities exchange and the limitations on the ability to redeem shares pursuant to our share repurchase plan.

As with any valuation method, the methods used to determine the estimated net asset value per share were based upon a number of assumptions, estimates and judgments that may not be accurate or complete. Our assets have been valued based upon appraisal standards and the values of our assets using these methods are not required to be a reflection of market value under those standards and will not necessarily result in a reflection of fair value under GAAP. Further, different parties using different property-specific and general real estate and capital market assumptions, estimates, judgments and standards could derive a different estimated net asset value per share, which could be significantly different from the estimated net asset value per share determined by our board of directors. The estimated net asset value per share is not a representation or indication that, among other things: a stockholder would be able to realize the estimated value per share if he or she attempts to sell shares; a stockholder would ultimately realize distributions per share equal to the estimated value per share upon liquidation of assets and settlement of our liabilities or upon a sale of our company; shares of our common stock would trade at the estimated net asset value per share on a national securities exchange; a third party would offer the estimated net asset value per share in an arms-length transaction to purchase all or substantially all of our shares of common stock; or the methodologies used to estimate the net asset value per share would be acceptable to FINRA or ERISA with respect to their respective requirements. Further, the estimated net asset value per share was calculated as of a moment in time and the value of our shares will fluctuate over time as a result of, among other things, future acquisitions or dispositions of assets, developments related to individual assets and changes in the real estate and capital markets. For additional information on the determination of our estimated fair value per share, see our Current Report on Form 8-K filed with the SEC on March 29, 2018.

We intend to determine an updated estimated fair value per share every year on or about the last day of our fiscal year or more frequently in the sole discretion of our board of directors. The market for commercial real estate can fluctuate quickly and substantially, and values of our assets and liabilities are expected to change in the future.

Unregistered Sales of Equity Securities

For the year ended December 31, 2017, each of our two independent directors received a grant of 3,000 shares of restricted common stock as compensation for their service on our board of directors pursuant to our omnibus stock incentive plan. We issued 6,000 shares of restricted common stock in the aggregate to our independent directors in 2017 in fulfillment of shares granted for 2016 service on our board of directors. As of December 31, 2017, a total of 46,875 shares of restricted common stock have been issued by us to our independent directors pursuant to our omnibus stock incentive plan, and 12,000 shares of restricted common stock have been issued to executives of our advisor and our property manager pursuant to our omnibus stock incentive plan.

The shares of restricted stock issued to our independent directors and executives of our advisor and property manager were issued in transactions exempt from registration under the Securities Act pursuant to Section 4(a)(2) of the Securities Act.

Share Redemption Program

Our board of directors has adopted a share redemption program that permits our stockholders to sell their shares back to us after they have held them for at least one year, subject to the significant conditions and limitations described below. Our board of directors can amend the provisions of our share redemption program without the approval of our stockholders. The purchase price for shares redeemed under the share redemption program will be as set forth below. Except for redemptions sought upon a stockholder's death or qualifying disability or redemptions sought upon a stockholder's confinement to a long-term care facility, the purchase price for shares redeemed under the redemption program will be determined as follows:

Share Purchase Anniversary	Redemption Price as a Percentage of Purchase Price Per Share
1 year or more	90.0%
2 years or more	92.5%
3 years or more	95.0%
4 years or more	97.5%
5 years or more	100.0%

Our board of directors reserves the right in its sole discretion at any time to (1) waive the one-year holding period in the event of exigent circumstances affecting a stockholder such as bankruptcy, a mandatory distribution requirement under a stockholder's IRA or death or disability (as described below), (2) reject any request for redemption, (3) change the purchase price for redemptions, or (4) otherwise amend the terms of our redemption program.

Subject to the limitations described below and provided that the redemption request is made within 270 days of the event giving rise to the following special circumstances, we will waive the one-year holding requirement (a) upon the request of the estate, heir or beneficiary of a deceased stockholder or (b) upon the disability of a stockholder or upon a stockholder's confinement to a long-term care facility, provided that the condition causing such disability or need for long-term care was not preexisting on the date that such person became a stockholder.

The purchase price per share for shares redeemed upon the death or disability of the stockholder or upon such stockholder's confinement to a long-term care facility will be equal to the amount by which (a) the average issue price per share for all of the stockholder's shares (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to the shares of common stock) exceeds (b) the aggregate amount of net sale proceeds per share, if any, distributed to investors prior to the redemption date as a result of the sale of one or more of our investments.

We intend to redeem shares quarterly under the program. We will not redeem in excess of 5.0% of the weighted-average number of shares outstanding during the 12-month period immediately prior to the date of redemption. Generally, the cash available for redemption will be limited to proceeds from our distribution reinvestment plan plus, if we had positive operating cash flow, as defined in the share redemption program, from the previous fiscal year, 1.0% of all operating cash flow from the previous fiscal year, provided that we terminated the sale of shares pursuant to our distribution reinvestment plan effective as of July 16, 2016. These limitations apply to all redemptions, including redemptions sought upon a stockholder's death, qualifying disability or confinement to a long-term care facility. If those

limitations prevent us from redeeming shares, those shares will remain in line to be redeemed with priority based on the date that the redemption is first requested. A stockholder may withdraw a request for redemption by submitting written instructions withdrawing its redemption request at any time prior to the date that we redeem the shares submitted. A stockholder will have no right to request redemption of its shares if the shares are listed for trading on a national securities exchange.

For the years ended December 31, 2017 and December 31, 2016, we received 47 and 32 requests, respectively, for share redemptions pursuant to the terms of our share redemption program. For the year ended December 31, 2017, we redeemed 167,359 shares at a weighted average price per share of $9.64 per share. For the year ended December 31, 2016, we redeemed 141,152 shares at a weighted average price of $9.36 per share. For the period from our initial public offering commencement date (February 9, 2009) to December 31, 2017, we received and fulfilled 119 redemption requests representing 576,942 shares of our common stock. Redemption prices paid were as set forth in our share redemption program. The source of cash used to fund the redemption requests was subscription proceeds. As of December 31, 2017, we had 5 unfulfilled redemption requests.

During the three months ended December 31, 2017, we fulfilled redemption requests and redeemed shares of our common stock pursuant to our share redemption program as follows:

	Total Number of Shares Requested to be Redeemed (1)	Total Number of Shares Redeemed	Average Price Paid per Share (2)	Approximately Dollar Value of Shares Available That May Yet Be Redeemed Under the Program
October 2017	-	-		(2)
November 2017	27,442	82,257	$ 9.72	(2)
December 2017	12,141	-		(2)
Total	39,583	82,257		

(1) We generally redeem shares in the month following the end of the fiscal quarter in which requests were received.

(2) The number of shares that may be redeemed pursuant to our share redemption program will not exceed (i) 5% of the weighted-average number of shares outstanding during the 12-month period immediately prior to the effective date of the redemption and (ii) those share redemptions that can be funded with proceeds from our distribution reinvestment plan (provided that we terminated the sale of shares pursuant to our distribution reinvestment plan effective as of July 16, 2016) plus, if we had positive net operating cash flow for the previous fiscal year, 1% of all operating cash flow from the previous fiscal year.

Distribution Policy

To maintain our qualification as a REIT, we must meet certain organizational and operational requirements, including a requirement to annually distribute at least 90% of our REIT taxable income (computed without regard to the dividends-paid deduction and excluding net capital gain and which does not necessarily equal net income as calculated in accordance with U.S. generally accepted accounting principles, or GAAP) to our stockholders. Our board of directors may authorize distributions in excess of those required for us to maintain REIT status depending on our financial condition and such other factors as our board of directors deems relevant.

We declared distributions based on daily record dates for each day. Distributions declared for all record dates of a given month are paid approximately 20 days after month-end. Distributions are currently calculated at a rate of $0.001918 per share per day, which if paid each day over a 365-day period is equivalent to a 7.0% annualized distribution rate based on a purchase price of $10.00 per share of common stock.

For federal income tax purposes, distributions to common stockholders are characterized as ordinary dividends, capital gain distributions or nontaxable distributions. To the extent that we make distributions in excess of our current or accumulated earnings and profits, the distribution will be a nontaxable return of capital which reduces the tax basis of each

share of common stock held by a U.S. stockholder. The amount of distributions in excess of a U.S. stockholder's tax basis will be a taxable gain realized upon the sale of the stockholders' shares.

The following table summarizes the distributions we paid in cash and pursuant to our distribution reinvestment plan for the years ended December 31, 2017 and 2016, in thousands:

Period	Cash (1)	DRIP (1)(2)	Total
First Quarter 2017	$ 3,135	$ -	$ 3,135
Second Quarter 2017	3,180	-	3,180
Third Quarter 2017	3,169	-	3,169
Fourth Quarter 2017	3,166	-	3,166
Total	$ 12,650	$ -	$ 12,650
First Quarter 2016	$ 1,269	$ 1,209	$ 2,478
Second Quarter 2016	1,707	1,335	3,042
Third Quarter 2016	2,769	444	3,213
Fourth Quarter 2016	3,173	-	3,173
Total	$ 8,918	$ 2,988	$ 11,906

(1) Distributions are paid on a monthly basis. Distributions for all record dates of a given month are paid approximately 20 days following the end of such month.

(2) Amount of distributions paid in shares of common stock pursuant to our distribution reinvestment plan, which was terminated effective as of July 16, 2016.

Item 6. Selected Financial Data

The following table sets forth selected financial data for the years ended December 31, 2017, 2016, 2015, 2014 and 2013. Certain information in the table has been derived from our audited consolidated financial statements and notes thereto. This data should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Item 15, Financial Statements and Notes thereto, appearing elsewhere in this Annual Report. Our results of operations for the periods presented below are not indicative of those expected in future periods.

	As of December 31,				
Balance Sheet Data (in thousands)	**2017**	**2016**	**2015**	**2014**	**2013**
Total real estate assets, at cost	$ 259,962	$ 253,099	$ 189,707	$ 115,928	$ 56,993
Total real estate assets, net	186,822	203,227	162,323	103,023	50,714
Total assets	230,712	248,264	177,595	119,370	52,829
Notes payable	117,237	117,609	74,995	58,555	2,129
Total liabilities	130,673	131,833	85,688	64,798	5,061
Total stockholders' equity	$ 100,039	$ 116,431	$ 91,907	$ 54,572	$ 47,768

	For the year ended December 31,				
	2017	2016	2015	2014	2013
Operating Data (in thousands)					
Total revenues	$ 44,309	$ 38,570	$ 26,204	$ 12,166	$ 7,314
Net loss	(9,035)	(10,924)	(8,488)	(4,415)	(1,985)
Net loss per common share – basic and diluted	($0.49)	($0.64)	($0.79)	($0.63)	($0.40)

	For the year ended December 31,				
	2017	2016	2015	2014	2013
Other Data (in thousands, except per share amounts)					
Cash flow provided by (used in)					
Operating activities	$ 9,288	$ 10,115	$ 8,325	$ 2,942	$ 1,201
Investing activities	2,739	(90,871)	(73,529)	(66,085)	(10,899)
Financing activities	(8,217)	78,101	62,155	67,428	9,779
Distributions paid	12,650	11,906	7,193	4,839	3,275
Distributions declared per common share (1)	$0.70	$0.70	$0.70	$0.70	$0.70
Weighted average number of common shares outstanding, basic and diluted	18,110	17,362	10,734	7,035	4,928
FFO (2)	$14,233	$ 11,564	$ 5,992	$ 2,211	$ 1,761
MFFO (2)	$14,233	$ 13,138	$ 7,744	$ 3,612	$ 1,918

(1) Distributions declared per common share for the years ended December 31, 2017, 2016, 2015, 2014, and 2013 assumes each share was issued and outstanding each day of each year. Distributions currently declared are calculated at a rate of $0.001918 per share of common stock per day, which if paid each day over a 365-day period is equivalent to a 7.0% annualized distribution rate based on a purchase price of $10.00 per share of common stock. We paid our first monthly distribution payment in January 2011.

(2) GAAP basis accounting for real estate utilizes historical cost accounting and assumes real estate values diminish over time. In an effort to overcome the difference between real estate values and historical cost accounting for real estate assets, the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT, established the measurement tool of funds from operations ("FFO"). Since its introduction, FFO has become a widely used non-GAAP financial measure among REITs. Additionally, we use modified funds from operations ("MFFO") as defined by the Investment Program Association as a supplemental measure to evaluate our operating performance. MFFO is based on FFO but includes certain adjustments we believe are necessary due to changes in accounting and reporting under GAAP since the establishment of FFO. Neither FFO nor MFFO should be considered as alternatives to net loss or other measurements under GAAP as indicators of our operating performance, nor should they be considered as alternatives to cash flow from operating activities or other measurements under GAAP as indicators of liquidity. For additional information on how we calculate FFO and MFFO and a reconciliation of FFO and MFFO to net loss, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Funds From Operations and Modified Funds From Operations."

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the "Selected Financial Data" above and our consolidated financial statements and the notes thereto included in this Annual Report. Also see "Forward Looking Statements" preceding Part I of this Annual Report. As used herein, the terms "we," "our," "us" and "our company" refer to Hartman Short Term Income Properties XX, Inc. and, as required by context, Hartman XX Limited Partnership, our operating partnership, and to their respective subsidiaries. References to "shares" and "our common stock" refer to the shares of our common stock.

Overview

We were formed as a Maryland corporation on February 5, 2009 to invest in and operate real estate and real estate-related assets on an opportunistic basis. We may acquire a wide variety of commercial properties, including office, industrial, retail, and other real properties. These properties may be existing, income-producing properties, newly constructed properties or properties under development or construction. In particular, we will focus on acquiring properties with significant possibilities for short-term capital appreciation, such as those requiring development, redevelopment or repositioning or those located in markets with high growth potential. We also may invest in real estate-related securities and, to the extent that our advisor determines that it is advantageous, we may invest in mortgage loans. We expect to make our investments in real estate assets located in the United States and other countries.

On February 9, 2010, we commenced our initial public offering of up to $250,000,000 in shares of our common stock to the public at a price of $10.00 per share and up to $23,750,000 in shares of our common stock to our stockholders pursuant to our distribution reinvestment plan at a price of $9.50 per share. On April 25, 2013, we terminated our initial public offering. As of the termination of our initial public offering on April 25, 2013, we had accepted subscriptions for and issued 4,455,678 shares of our common stock, including 162,561 shares of our common stock issued pursuant to our distribution reinvestment plan, resulting in aggregate gross offering proceeds of $43,943,731.

On July 16, 2013, we commenced our follow-on offering of up to $200,000,000 in shares of our common stock to the public at a price of $10.00 per share and up to $19,000,000 in shares of our common stock to our stockholders pursuant to our distribution reinvestment plan at a price of $9.50 per share. As of December 31, 2017, we had accepted subscriptions for, and issued, 18,574,461 shares of our common stock in our initial public offering and follow-on offering, including 1,216,240 shares of our common stock issued pursuant to our distribution reinvestment plan, resulting in aggregate gross proceeds of $181,336,480.

Effective March 31, 2016, we terminated the offer and sale of shares of our common stock to the public in our follow-on offering. The sale of shares of our common stock to our stockholders pursuant to our distribution reinvestment plan was terminated effective July 16, 2016.

As of December 31, 2017, we owned or held a majority ownership interest in 17 commercial real properties.

We have $33,700,000 of short term debt outstanding as of December 31, 2017 borrowed pursuant to three credit agreements which have maturity dates in 2018, each of which are within one-year of the date that this Annual Report was available to be issued. Management has considered whether the conditions of these credit facility maturity dates raise substantial doubt, as set forth in Accounting Standards Update (ASU) 2014-15, "Presentation of Financial Statements – Going Concern," regarding our ability to continue as a going concern and meet these debt obligations when they become due.

Management has a plan to refinance the maturing credit facility agreements, either as a comprehensive plan to refinance the credit facilities in connection with or following the proposed Mergers with our Hartman affiliates or on a standalone basis without regard to the approval and completion of the proposed Mergers. Inasmuch as management's plan has not been fully implemented, the guidance provided by ASU 2014-15 requires that management must conclude that the fact of the loan maturity dates within one-year of the issuance date of the consolidated financial statements included in this Annual Report raises the issue of substantial doubt. Management believes that its plan to renew, extend or refinance the credit facilities is likely based upon its history of successfully financing and refinancing our debt and will mitigate the maturity date issue within one year of the issuance date of the consolidated financial statements included in this Annual Report.

Without limiting the foregoing, we believe that we will have sufficient capital to meet our existing debt service and other operating obligations for the next year and that we have adequate resources to fund our cash needs. However, our operations are subject to a variety of risks, including, but not limited to, changes in national economic conditions, the restricted availability of financing, changes in demographic trends and interest rates and declining real estate valuations. As a result of these uncertainties, there can be no assurance that we will meet our investment objectives or that the risks described above will not have an adverse effect on our properties or results of operations.

We elected under Section 856 of the Internal Revenue Code to be taxed as a REIT beginning with the taxable year ending December 31, 2011. As a REIT we generally are not subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year after the year in which we initially elected to be treated as a REIT, we will be subject to federal income tax on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is denied. Such an event could materially and adversely affect our net income. However, we believe that we are organized and will operate in a manner that will enable us to qualify for treatment as a REIT for federal income tax purposes and we intend to operate so as to remain qualified as a REIT for federal income tax purposes.

Our Real Estate Portfolio

As of December 31, 2017, our portfolio consisted of the 17 commercial real estate properties listed below. Except as otherwise noted in the footnotes to the table below, we own a 100% ownership interest in each of our properties.

Property Name	Location	Gross Leasable Area SF	Percent Occupied	Annualized Base Rental Revenue (in thousands)	Average Base Rental Revenue per Occupied SF	Average Net Effective Annual Base Rent per Occupied SF
Retail:						
Richardson Heights	Dallas	201,433	75%	$ 2881	$ 19.08	$ 19.56
Cooper Street	Dallas	127,696	100%	$ 1,606	$ 12.60	$ 12.49
Total – Retail		**329,129**	**85%**	$ 4,487	$ 16.08	$ 16.32
Office:						
Bent Tree Green	Dallas	139,609	84%	$ 2,193	$ 18.72	$ 20.83
Parkway Plaza I&II	Dallas	136,506	70%	$ 1,587	$ 16.20	$ 16.43
Hillcrest	Dallas	203,688	77%	$ 2,272	$ 14.28	$ 14.90
Skymark	Dallas	115,700	86%	$ 2,335	$ 23.52	$ 23.83
Corporate Park Place	Dallas	113,429	68%	$ 1,121	$ 14.64	$ 15.76
Westway One (1)	Dallas	165,982	100%	$ 3,095	$ 18.60	$ 20.32
Three Forest Plaza	Dallas	366,549	77%	$ 5,130	$ 18.12	$ 20.61
Gulf Plaza	Houston	120,651	100%	$ 2,402	$ 19.92	$ 19.87
Timbercreek Atrium	Houston	51,035	100%	$ 872	$ 17.04	$ 17.30
Copperfield	Houston	42,621	89%	$ 679	$ 18.00	$ 17.92
400 N. Belt	Houston	230,872	61%	$ 1,297	$ 9.24	$ 10.30
Ashford Crossing	Houston	158,451	43%	$ 1,110	$ 16.44	$ 17.59
Energy Plaza	San Antonio	180,119	84%	$ 3,228	$ 21.36	$ 20.96
One Technology Center	San Antonio	196,348	95%	$ 4,378	$ 23.52	$ 24.38
Total – office		**2,221,560**	**79%**	**$ 31,699**	**$ 18.08**	**$ 19.11**
Flex/Industrial						
Mitchelldale	Houston	377,752	93%	$ 2,181	$ 6.24	$ 6.26
Total – Flex/Industrial		**377,752**	**93%**	**$ 2,181**	**$ 6.24**	**$ 6.26**
Grand Total		**2,928,441**	**81%**	**$ 38,367**	**$ 16.10**	**$ 16.89**

(1) The Westway One property is owned by Hartman Westway LLC. On June 17, 2016, we sold a 45.67% minority interest in Westway One LLC to an unrelated investor for $5,500,000. As of December 31, 2017, we own a 54.33% membership interest in the Westway One joint venture.

Property Acquisitions and Real Estate Investments

2017 Property Acquisitions

We did not make any property acquisitions or acquire any real estate investments in 2017.

2016 Property Acquisitions

Westway One

On June 1, 2016, we acquired an office building comprising approximately 165,982 square feet located in Dallas, Texas, commonly known as Westway One, for $21,638,000, exclusive of closing costs and liabilities assumed. The Westway One property was approximately 100% occupied at the acquisition date. We financed the Westway One acquisition with proceeds from our follow-on offering and mortgage loan proceeds from a bank. On June 17, 2016, we admitted an unrelated independent investor as a joint venture member for $5,500,000 in exchange for a 45.67% non-controlling member interest in the entity which owns the Westway One property.

Village Pointe

On November 14, 2016, we acquired an interest in a retail shopping center comprising approximately 54,246 square feet located in San Antonio, Texas, commonly known as Village Pointe, or the Village Pointe property. We acquired an interest in the Village Pointe property through Hartman Village Pointe, LLC, or Hartman Village Pointe, a joint venture between our operating partnership and Hartman vREIT XXI, Inc., or Hartman vREIT XXI, a public, non-listed REIT sponsored by our affiliated property manager. As described below, subsequent to our initial investment in Hartman Village Pointe, Hartman vREIT XXI has incrementally acquired all of our operating partnership's membership interests in Hartman Village Pointe and as a result Hartman vREIT XXI has become the sole owner of the Village Pointe property.

On November 14, 2016, Hartman vREIT XXI contributed $100,000 to Hartman Village Pointe in exchange for an initial 2.65% membership interest in Hartman Village Pointe, our operating partnership contributed $3,675,000 to Hartman Village Pointe in exchange for an initial 97.35% membership interest in Hartman Village Pointe, and Hartman Village Pointe acquired a fee simple interest in the Village Pointe property from an unrelated third party seller for a purchase price of $7,050,000, exclusive of closing costs and liabilities assumed. Hartman Village Pointe financed the payment of the purchase price for the Village Pointe property with our operating partnership's and Hartman vREIT XXI's initial capital contributions to Hartman Village Pointe and the proceeds of a mortgage loan in the principal amount of $3,525,000 from our operating partnership to Hartman Village Pointe, or the Village Pointe Loan. The terms of the affiliate mortgage loan required a 2% origination fee of $70,500 and interest at annual rate of 10%. On December 14, 2016, Hartman Village Pointe refinanced the Village Pointe Loan with a $3,525,000 mortgage loan provided by a bank. In connection with the refinancing, the entire outstanding principal amount of the Village Pointe Loan of $3,525,000, plus $29,938 in accrued interest, was repaid in full on December 14, 2016.

Pursuant to the terms of a membership purchase agreement between us and Hartman vREIT XXI, Hartman vREIT XXI had the option to acquire up to all of our operating partnership's remaining membership interest in Hartman Village Pointe at a price equal to our operating partnership's investment cost. As of December 31, 2016, Hartman vREIT XXI acquired an additional 33.11% membership interest in Hartman Village Pointe from our operating partnership in exchange for $1,250,000 in cash. After giving effect to the additional membership interest in Hartman Village Pointe acquired by Hartman vREIT XXI our equity investment in Hartman Village Pointe was $2,425,000, which represented an approximately 64.24% membership interest in Hartman Village Pointe. For the period from January 1, 2017 to February 8, 2017, Hartman vREIT XXI acquired the remaining 35.76% of our membership interest in Hartman Village Pointe from our operating partnership for $1,350,000 in cash.

As of February 8, 2017, Hartman vREIT XXI owned 100% membership interest in Hartman Village Pointe.

Three Forest Plaza

On December 22, 2016, we acquired an office building comprising approximately 366,549 square feet located in Dallas, Texas, commonly known as Three Forest Plaza, for $35,655,000 exclusive of closing costs and liabilities assumed. The Three Forest Plaza property was approximately 74% occupied at the acquisition date. We financed the Three Forest Plaza acquisition with proceeds from our follow-on offering and loan proceeds from Southside Bank.

On April 11, 2017, our operating partnership entered into a membership interest purchase agreement with Hartman vREIT XXI, pursuant to which Hartman vREIT XXI may acquire up to $10,000,000 of the operating partnership's equity ownership in Hartman Three Forest Plaza LLC, the subsidiary of our operating partnership which owned the Three Forest Plaza property. As of December 31, 2017, vREIT XXI had acquired an approximately 48.8% equity interest in Hartman Three Forest Plaza LLC for $8,700,000.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our results of operations and financial condition, as reflected in the accompanying consolidated financial statements and related notes, require us to make estimates and assumptions that are subject to management's evaluation and interpretation of business conditions, changing capital market conditions and other factors related to the ongoing viability of our customers. With different estimates or assumptions, materially different amounts could be reported in our consolidated financial statements. We believe the following are our more critical accounting policies due to the significance, subjectivity and judgment used in determining our estimates included in the preparation of our consolidated financial statements. See also Note 2 of the notes to our consolidated financial statements included in this Annual Report for a discussion of the application of these and other accounting policies. We evaluate our assumptions and estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable and appropriate based upon the circumstances.

Revenue Recognition

Our leases are accounted for as operating leases. Certain leases provide for tenant occupancy during periods for which no rent is due and/or for increases or decreases in the minimum lease payments over the terms of the leases. Revenue is recognized on a straight-line basis over the terms of the individual leases. Revenue recognition under a lease begins when the tenant takes possession of or controls the physical use of the leased space. When we acquire a property, the term of existing leases is considered to commence as of the acquisition date for the purposes of this calculation. Accrued rents are included in accrued rent and accounts receivable, net. In accordance with Accounting Standards Codification ("ASC") 605-10-S99, Revenue Recognition, we will defer the recognition of contingent rental income, such as percentage rents, until the specific target that triggers the contingent rental income is achieved. Cost recoveries from tenants are included in tenant reimbursements and other income in the period the related costs are incurred.

Real Estate

Allocation of Purchase Price of Acquired Assets

Upon the acquisition of real properties, it is our policy to allocate the purchase price of properties to acquired tangible assets, consisting of land and buildings, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases and leasehold improvements and value of tenant relationships, based in each case on their fair values. We utilize internal valuation methods to determine the fair values of the tangible assets of an acquired property (which includes land and buildings).

The fair values of above-market and below-market in-place lease values, including below-market renewal options for which renewal has been determined to be reasonably assured, are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (a) the contractual amounts to be paid pursuant to the in-place leases and (b) an estimate of fair market lease rates for the corresponding in-place leases and below-market renewal options, which is generally obtained from independent appraisals, measured over a period equal to the remaining non-cancelable term of the lease. The above-market and below-market lease and renewal option values are

capitalized as intangible lease assets or liabilities and amortized as an adjustment of rental revenue over the remaining expected terms of the respective leases.

The fair values of in-place leases include direct costs associated with obtaining a new tenant, opportunity costs associated with lost rentals which are avoided by acquiring an in-place lease, and tenant relationships. Direct costs associated with obtaining a new tenant include commissions, tenant improvements, and other direct costs and are estimated based on independent appraisals and management's consideration of current market costs to execute a similar lease. These direct costs are included in intangible lease assets and are amortized to expense over the remaining terms of the respective leases. The value of opportunity costs is calculated using the contractual amounts to be paid pursuant to the in-place leases over a market absorption period for a similar lease. Customer relationships are valued based on expected renewal of a lease or the likelihood of obtaining a particular tenant for other locations. These intangibles are included in intangible lease assets in the consolidated balance sheets and are amortized to expense over the remaining term of the respective leases.

The determination of the fair values of the assets and liabilities acquired requires the use of significant assumptions with regard to the current market rental rates, rental growth rates, discount rates and other variables. The use of inappropriate estimates would result in an incorrect assessment of the purchase price allocations, which could impact the amount of our reported net income (loss).

Depreciation and amortization

Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 39 years for buildings and improvements. Tenant improvements are depreciated using the straight-line method over the lesser of the life of the improvement or the remaining term of the lease. In-place leases are amortized using the straight-line method over the weighted average years calculated on terms of all of the leases in-place when acquired.

Impairment

We review our real estate assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of the assets, including accrued rental income, may not be recoverable through operations. We determine whether an impairment in value has occurred by comparing the estimated future cash flows (undiscounted and without interest charges), including the estimated residual value of the property, with the carrying cost of the property. If impairment is indicated, a loss will be recorded for the amount by which the carrying value of the property exceeds its fair value. Management has determined that there has been no impairment in the carrying value of our real estate assets as of December 31, 2017 and 2016.

Projections of expected future cash flows require management to estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, discount rates, the number of months it takes to release the property and the number of years the property is held for investment. The use of inappropriate assumptions in the future cash flow analysis would result in an incorrect assessment of the property's future cash flow and fair value and could result in the overstatement of the carrying value of our real estate and related intangible assets and net income.

Fair Value Measurement

Fair value measures are classified into a three-tiered fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets.
Level 2: Directly or indirectly observable inputs, other than quoted prices in active markets.
Level 3: Unobservable inputs in which there is little or no market data, which require a reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of the following valuation techniques:

Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach:	Amount required to replace the service capacity of an asset (replacement cost).
Income approach:	Techniques used to convert future amounts to a single amount based on market expectations (including present-value, option-pricing, and excess-earnings models).

Our estimates of fair value were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts. We classify assets and liabilities in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement.

Accrued Rent and Accounts Receivable

Included in accrued rent and accounts receivable are base rents, tenant reimbursements and receivables attributable to recording rents on a straight-line basis. An allowance for the uncollectible portion of accrued rents and accounts receivable is determined based upon customer credit-worthiness (including expected recovery of our claim with respect to any tenants in bankruptcy), historical bad debt levels, and current economic trends.

Deferred Costs

Loan costs are capitalized and amortized using the straight-line method over the terms of the loans, which approximates the interest method. Leasing commissions are capitalized and amortized using the straight-line method over the term of the related lease agreements.

Goodwill

Generally accepted accounting principles in the United States require us to test goodwill for impairment at least annually or more frequently whenever events or circumstances occur indicating goodwill might be impaired. We have the option to perform a qualitative assessment to determine if it is more likely than not that the fair value is less than the carrying amount. If the qualitative assessment determines that it is more likely than not that the fair value is less than the carrying amount, or if we elect to bypass the qualitative assessment, we perform a two-step impairment test. In the first step, management compares the net book value of our carrying amount of goodwill at the balance sheet date. In the event our net book value is less than the carrying amount of goodwill, we proceed to step two and assesses the need to record an impairment charge. For the years ended December 31, 2017 and 2016, no goodwill impairment was recognized in our consolidated financial statements.

RESULTS OF CONTINUING OPERATIONS

Comparison of the year ended December 31, 2017 versus the year ended December 31, 2016.

As of December 31, 2017, we owned or held a majority ownership interest in 17 commercial properties comprising approximately 2,928,000 square feet plus three pad sites, all located in Texas. As of December 31, 2017, we owned nine properties located in Richardson, Arlington, and Dallas, Texas, six properties located in Houston, Texas and two properties located in San Antonio, Texas. As of December 31, 2016, we owned or held a majority ownership interest in 18 commercial properties comprising approximately 2,983,000 square feet plus three pad sites, all located in Texas. As of December 31, 2016, we owned nine properties located in Richardson, Arlington, and Dallas, Texas, six properties located in Houston, Texas and three properties located in San Antonio, Texas.

We define same store ("Same Store") properties as those properties which we owned for the entirety of the year ended December 31, 2017 and the year ended December 31, 2016. Net operating income (property revenues minus property expenses), or "NOI," is the measure used by management to assess property performance. NOI is not a measure of operating income or cash flows from operating activities as measured by accounting principles generally accepted in the United States, or "GAAP," and is not indicative of cash available to fund cash needs. As a result, NOI should not be considered an alternative to cash flows as a measure of liquidity. Not all companies calculate NOI in the same manner. We consider NOI to be an appropriate supplemental measure to net income because it assists both investors and management in understanding the operating results of our real estate. For purposes of the following discussion, Same Store properties refer to Richardson Heights, Cooper Street, Bent Tree Green, Parkway, Gulf Plaza, Mitchelldale, Energy Plaza, Timbercreek Atrium, Copperfield, Commerce Plaza Hillcrest, 400 North Belt, Ashford Crossing, Corporate Park Place,

Skymark Tower and One Technology Center properties, and new store ("New Store") properties refer to the Westway One and Three Forest Plaza properties, which we did not own for the entirety of the year ended December 31, 2017 and the year ended December 31, 2016.

(in thousands)	Year ended December 31,		
	2017	2016	Change
Same Store:			
Revenue	$ 34,531	$ 36,281	$ (1,750)
Property operating expenses	11,839	13,999	(2,160)
Real estate taxes and insurance	5,011	4,243	768
Asset management fees	1,330	1,331	(1)
General and administrative	2,608	2,348	260
Same Store NOI	$ 13,743	$ 14,360	$ (617)
New Store:			
Revenue	$ 9,778	$ 2,289	$ 7,489
Property operating expenses	2,840	531	2,309
Real estate taxes and insurance	1,518	267	1,251
Asset management fees	430	102	328
General and administrative	118	34	84
New Store NOI	$ 4,872	$ 1,355	$ 3,517
Property NOI	$ 18,615	$ 15,715	$ 2,900
Reconciliation of Net loss to Property NOI			
Net loss	$ (9,035)	$ (10,924)	$ 1,889
Asset acquisition fees	-	1,574	(1,574)
Organization and offering costs	-	(44)	44
Depreciation and amortization	23,268	22,488	780
Interest expense	5,764	3,737	2,027
Other (income)	(1,332)	(1,147)	(185)
(Loss) income from discontinued operations	(50)	31	(81)
Property NOI	$ 18,615	$ 15,715	$ 2,900

Revenues – The primary source of our revenue is rental revenues and tenant reimbursements. For the years ended December 31, 2017 and 2016 we had total rental revenues and tenant reimbursements of $44,309,000 and $38,570,000, respectively. The $5,739,000 increase in total rental revenues and tenant reimbursements from the year ended December 31, 2016 to the year ended December 31, 2017 was mainly attributable to New Store Sales. Same Store property revenues decreased by $1,750,000 or approximately 4.8%, for the year ended December 31, 2017 compared to the year ended December 31, 2016.

The table below presents the significant increases and decreases in Same Store properties revenue for the year ended December 31, 2017 compared to the year ended December 31, 2016:

Same Store Property	Revenue Increase (Decrease)
Ashford Crossing	$ (1,504,000)
400 North Belt	(439,000)
One Technology Center	406,000
Bent Tree Green	(256,000)
Richardson Heights	(227,000)
Net revenue increase properties – six properties not otherwise listed above	644,000
Net revenue decrease properties – five properties not otherwise listed above	(374,000)
Total	**$ (1,750,000)**

The decrease in Ashford Crossing revenue is a result of the loss of two significant tenants, Rignet, Inc. and RAC Conference Center. Rignet exercised an early lease termination option in 2016, paid a termination fee of $406,000 in 2016 and moved out in February 2017. RAC Conference Center effected an early termination of their lease due to financial distress and moved out in September 2017. Rignet annual rent was $851,000. RAC Conference Center annual rent was $272,000.

The decrease in 400 North Belt revenue is the result of the 2016 termination of the National Oilwell Varco lease. National Oilwell Varco's lease ended June 2016, which was a known non-renewal when the 400 North Belt property was acquired in 2015. National Oilwell Varco rent for the six months ended June 2016 was $674,000. Other than the loss of revenue attributable to the National Oilwell Varco lease termination, 400 North Belt net revenue increased $235,000 in 2017.

The increase in One Technology Center revenue is the result of the expansion of Galen College of Nursing from 41,808 square feet to 67,977 square feet. In connection with the expansion, Galen annual rent increase for $941,000 to $1,530,000.

The decrease in Bent Tree Green revenue is the result of the loss of a significant tenant in 2016, Behringer Harvard, with annual rent of $288,000.

The decrease in Richardson Heights revenue is the result of a reduction in the receipt of percentage rent and sales tax rebate incentives for Alamo Draft House totaling $165,000; an increase in tenant lease incentives of $22,000; and a $40,000 reduction in net tenant recoveries due to reduced operating expenses for the Richardson Heights property. The decrease due percentage rent billing and sales tax rebate incentives is a timing difference. These revenue items are subject to the fiscal year term of the Alamo Draft House lease agreement.

Property operating expenses – Property operating expenses consists of labor, contract services, repairs and maintenance, utilities and management fees. For the years ended December 31, 2017 and December 31, 2016, we had operating expenses of $14,679,000 and $14,530,000, respectively. Same Store property operating expenses decreased $2,160,000 which is primarily attributable to the change in casualty repair expenses for the Commerce Hillcrest property which was the subject of fire damage in 2016. Costs associated with casualty repairs decreased from $1,228,000 in 2016 to a net recovery of ($491,000) in 2017. Our provision for uncollectible accounts decreased approximately $300,000 from 2016 to 2017. New Store costs increased as a result of a full year of 2017 operations for the Westway One property versus a partial year of operations in 2016. We acquired the Westway One property in May 2016. New Store costs also increased as a result of a full year of 2017 operations for the Three Forest Plaza property versus approximately one-week of operations in 2016. We acquired the Three Forest Plaza property in late December 2016.

Fees to affiliates – We pay acquisition fees and asset management fees to our advisor in connection with the acquisition of properties and management of our company. Asset management fees were $1,760,000 and $1,433,000 for the years ended December 31, 2017 and December 31, 2016, respectively. Acquisition costs related to the acquisition of

our properties were $0 and $1,574,000 for the years ended December 31, 2017 and December 31, 2016, respectively. The increase in asset management fees we paid to our advisor from the year ended December 31, 2016 to the year ended December 31, 2017 was due to the full-year versus partial year operating period for New Stores in 2017. We pay property management and leasing commissions to our Property Manager in connection with the management and leasing of our properties. For the years ended December 31, 2017 and December 31, 2016 we paid our Property Manager $4,038,000 and $3,611,000, respectively, for property management fees and reimbursements and $2,518,000 and $3,110,000, respectively, for leasing commissions. The increase in property management fees and reimbursements we paid to our Property Manager was also due to the full-year versus partial year operating period for New Stores in 2017.

Real estate taxes and insurance – Real estate taxes and insurance were $6,529,000 and $4,510,000 for the years ended December 31, 2017 and 2016, respectively. The increase in real estate taxes and insurance for Same Stores is attributable to increase in ad valorem tax valuation of certain properties from the year ended December 31, 2016 to the year ended December 31, 2017. New Store real estate taxes and insurance increased due to the full-year versus partial year operating period for New Stores in 2017.

Depreciation and amortization – Depreciation and amortization were $23,268,000 and $22,488,000 for the years ended December 31, 2017 and 2016, respectively. Depreciation and amortization increased from the year ended December 31, 2016 to the year ended December 31, 2017 due to New Store ownership of a full year in 2017 versus partial year ownership in 2016. the fact that we owned or held a majority interest in 18 properties as of December 31, 2016, as compared to the 15 properties we owned as of December 31, 2015.

General and administrative expenses - General and administrative expenses were $2,726,000 and $2,382,000 for the years ended December 31, 2017 and 2016, respectively. General and administrative expenses consist primarily of transfer agent fees, other professional fees, and independent director compensation. The increase in general and administrative expenses is mainly attributable increased professional fees.

Organizational and offering costs - We have incurred certain expenses in connection with our organization and the sale of our shares of common stock. These costs principally relate to professional and filing fees. As of December 31, 2017, such costs totaled $3,020,000 and have been expensed as incurred since February 5, 2009, the date of our inception, however $858,000 was reimbursed by our advisor according to the terms of the Advisory agreement. For the years ended December 31, 2017 and December 31, 2016, organization and offering costs (recovery) were $0 and ($44,000), respectively.

Net loss – We incurred a net loss from continuing operations of $9,038,000 and $10,924,000 for the years ended December 31, 2017 and 2016, respectively. The net loss for the year ended December 31, 2016 is primarily attributable to (i) asset acquisition fees and (ii) depreciation and amortization expense related to the properties owned.

Funds From Operations and Modified Funds From Operations

Funds From Operations, or FFO, is a non-GAAP financial measure defined by the National Association of Real Estate Investment Trusts ("NAREIT"), an industry trade group, which we believe is an appropriate supplemental measure to reflect the operating performance of a real estate investment trust, or REIT in conjunction with net income. FFO is used by the REIT industry as a supplemental performance measure. FFO is not equivalent to our net income or loss as determined under GAAP.

We define FFO, a non-GAAP measure, consistent with the standards established by the White Paper on FFO approved by the Board of Governors of NAREIT, as revised in February 2004, or the White Paper. The White Paper defines FFO as net income or loss computed in accordance with GAAP, excluding gains or losses from sales of property and asset impairment write-downs, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO. Our FFO calculation complies with NAREIT's policy described above.

The historical accounting convention used for real estate assets requires straight-line depreciation of buildings and improvements, which implies that the value of real estate assets diminishes predictably over time, especially if such assets are not adequately maintained or repaired and renovated as required by relevant circumstances and/or is requested or required by lessees for operational purposes in order to maintain the value disclosed. We believe that, since real estate

values historically rise and fall with market conditions, including inflation, interest rates, the business cycle, unemployment and consumer spending, presentations of operating results for a REIT using historical accounting for depreciation may be less informative. Additionally, we believe it is appropriate to disregard impairment charges, as this is a fair value adjustment that is largely based on market fluctuations and assessments regarding general market conditions which can change over time. An asset will only be evaluated for impairment if certain impairment indicators exist and if the carrying, or book value, exceeds the total estimated undiscounted future cash flows (including net rental and lease revenues, net proceeds on the sale of the property, and any other ancillary cash flows at a property or group level under GAAP) from such asset. Investors should note, however, that determinations of whether impairment charges have been incurred are based partly on anticipated operating performance, because estimated undiscounted future cash flows from a property, including estimated future net rental and lease revenues, net proceeds on the sale of the property, and certain other ancillary cash flows, are taken into account in determining whether an impairment charge has been incurred. While impairment charges are excluded from the calculation of FFO as described above, investors are cautioned that due to the fact that impairments are based on estimated future undiscounted cash flows and the relatively limited term of our operations, it could be difficult to recover any impairment charges.

Historical accounting for real estate involves the use of GAAP. Any other method of accounting for real estate such as the fair value method cannot be construed to be any more accurate or relevant than the comparable methodologies of real estate valuation found in GAAP. Nevertheless, we believe that the use of FFO, which excludes the impact of real estate related depreciation and amortization and impairments, provides a more complete understanding of the our performance to investors and to management, and when compared year over year, reflects the impact on our operations from trends in occupancy rates, rental rates, operating costs, general and administrative expenses, and interest costs, which may not be immediately apparent from net income. However, FFO and MFFO, as described below, should not be construed to be more relevant or accurate than the current GAAP methodology in calculating net income or in its applicability in evaluating our operating performance. The method utilized to evaluate the value and performance of real estate under GAAP should be construed as a more relevant measure of operational performance and considered more prominently than the non-GAAP FFO and MFFO measures and the adjustments to GAAP in calculating FFO and MFFO.

Changes in the accounting and reporting promulgations under GAAP (for acquisition fees and expenses from a capitalization/depreciation model to an expensed-as-incurred model) that were put into effect in 2009 and other changes to GAAP accounting for real estate subsequent to the establishment of NAREIT's definition of FFO have prompted an increase in cash-settled expenses, specifically acquisition fees and expenses for all industries as items that are expensed under GAAP, that are typically accounted for as operating expenses. Management believes these fees and expenses do not affect our overall long-term operating performance. Publicly registered, non-listed REITs typically have a significant amount of acquisition activity and are substantially more dynamic during their initial years of investment and operation. While other start up entities may also experience significant acquisition activity during their initial years, we believe that non-listed REITs are unique in that they have a limited life with targeted exit strategies within a relatively limited time frame after the acquisition activity ceases. We intend to use the remaining net proceeds raised in our follow-on offering to continue to acquire properties, and intend to begin the process of achieving a liquidity event (*i.e.*, the listing of our common stock on a national exchange, a merger or sale or our company or another similar transaction) within ten years of the completion of our initial public offering. The Investment Program Association, or "IPA," an industry trade group, has standardized a measure known as Modified Funds From Operations, or "MFFO," which the IPA has recommended as a supplemental measure for publicly registered non-listed REITs and which we believe to be another appropriate supplemental measure to reflect the operating performance of a non-listed REIT having the characteristics described above. MFFO is not equivalent to our net income or loss as determined under GAAP, and MFFO may not be a useful measure of the impact of long-term operating performance on value if we do not continue to operate with a limited life and targeted exit strategy, as currently intended. We believe that, because MFFO excludes costs that we consider more reflective of investing activities and other non-operating items included in FFO and also excludes acquisition fees and expenses that affect our operations only in periods in which properties are acquired, MFFO can provide, on a going forward basis, an indication of the sustainability (*i.e.*, the capacity to continue to be maintained) of our operating performance after the period in which we are acquiring our properties and once our portfolio is in place. By providing MFFO, we believe we are presenting useful information that assists investors and analysts to better assess the sustainability of our operating performance after our public offering has been completed and our properties have been acquired. We also believe that MFFO is a recognized measure of sustainable operating performance by the non-listed REIT industry. Further, we believe MFFO is useful in comparing the sustainability of our operating performance after our public offering and acquisitions are completed with the sustainability of the operating performance of other real estate companies that are not as involved in acquisition activities. Investors are cautioned that MFFO should only be used to assess the sustainability of our operating

performance after our public offering has been completed and properties have been acquired, as it excludes acquisition costs that have a negative effect on our operating performance during the periods in which properties are acquired.

We define MFFO, a non-GAAP measure, consistent with the IPA's Guideline 2010-01, Supplemental Performance Measure for Publicly Registered, Non-Listed REITs: Modified Funds from Operations, or the Practice Guideline, issued by the IPA in November 2010. The Practice Guideline defines MFFO as FFO further adjusted for the following items, as applicable, included in the determination of GAAP net income: acquisition fees and expenses; amounts relating to deferred rent receivables and amortization of above and below market leases and liabilities (which are adjusted in order to reflect such payments from a GAAP accrual basis to a cash basis of disclosing the rent and lease payments); accretion of discounts and amortization of premiums on debt investments; mark-to-market adjustments included in net income; nonrecurring gains or losses included in net income from the extinguishment or sale of debt, hedges, foreign exchange, derivatives or securities holdings where trading of such holdings is not a fundamental attribute of the business plan, unrealized gains or losses resulting from consolidation from, or deconsolidation to, equity accounting, and after adjustments for consolidated and unconsolidated partnerships and joint ventures, with such adjustments calculated to reflect MFFO on the same basis. The accretion of discounts and amortization of premiums on debt investments, nonrecurring unrealized gains and losses on hedges, foreign exchange, derivatives or securities holdings, unrealized gains and losses resulting from consolidations, as well as other listed cash flow adjustments are adjustments made to net income in calculating the cash flows provided by operating activities and, in some cases, reflect gains or losses which are unrealized and may not ultimately be realized.

Our MFFO calculation complies with the IPA's Practice Guideline described above. In calculating MFFO, we exclude acquisition related expenses. We do not currently exclude amortization of above and below market leases, fair value adjustments of derivative financial instruments, deferred rent receivables and the adjustments of such items related to noncontrolling interests. Under GAAP, acquisition fees and expenses are characterized as operating expenses in determining operating net income. These expenses are paid in cash by us, and therefore such funds will not be available to distribute to investors. All paid and accrued acquisition fees and expenses negatively impact our operating performance during the period in which properties are acquired and will have negative effects on returns to investors, the potential for future distributions, and cash flows generated by us, unless earnings from operations or net sales proceeds from the disposition of other properties are generated to cover the purchase price of the property, these fees and expenses and other costs related to such property. Accordingly, MFFO may not be an accurate indicator of our operating performance, especially during periods in which properties are being acquired. MFFO that excludes such costs and expenses would only be comparable to non-listed REITs that have completed their acquisition activities and have similar operating characteristics to us. Further, under GAAP, certain contemplated non-cash fair value and other non-cash adjustments are considered operating non-cash adjustments to net income in determining cash flow from operating activities. In addition, we view fair value adjustments of derivatives and gains and losses from dispositions of assets as non-recurring items or items which are unrealized and may not ultimately be realized, and which are not reflective of on-going operations and are therefore typically adjusted for when assessing operating performance. The purchase of properties, and the corresponding expenses associated with that process, is a key operational feature of our business plan to generate operational income and cash flows in order to make distributions to investors. Acquisition fees and expenses will not be reimbursed by the advisor if there are no further proceeds from the sale of shares in our public offering, and therefore such fees and expenses will need to be paid from either additional debt, operational earnings or cash flows, net proceeds from the sale of properties or from ancillary cash flows.

Our management uses MFFO and the adjustments used to calculate it in order to evaluate our performance against other non-listed REITs which have limited lives with short and defined acquisition periods and targeted exit strategies shortly thereafter. As noted above, MFFO may not be a useful measure of the impact of long-term operating performance on value if we do not continue to operate in this manner. We believe that our use of MFFO and the adjustments used to calculate it allow us to present our performance in a manner that reflects certain characteristics that are unique to non-listed REITs, such as their limited life, limited and defined acquisition period and targeted exit strategy, and hence that the use of such measures is useful to investors. For example, acquisitions costs are funded from the remaining net proceeds of our public offerings and other financing sources and not from operations. By excluding expensed acquisition costs, the use of MFFO provides information consistent with management's analysis of the operating performance of the properties. Additionally, fair value adjustments, which are based on the impact of current market fluctuations and underlying assessments of general market conditions, but can also result from operational factors such as rental and occupancy rates, may not be directly related or attributable to our current operating performance. By excluding such changes that may reflect anticipated and unrealized gains or losses, we believe MFFO provides useful supplemental information.

Presentation of this information is intended to provide useful information to investors as they compare the operating performance of different REITs, although it should be noted that not all REITs calculate FFO and MFFO the same way, so comparisons with other REITs may not be meaningful. FFO and MFFO are not necessarily indicative of cash flow available to fund cash needs and should not be considered as an alternative to net income (loss) or income (loss) from continuing operations as an indication of our performance, as an alternative to cash flows from operations as an indication of its liquidity, or indicative of funds available to fund its cash needs including its ability to make distributions to its stockholders. FFO and MFFO should be reviewed in conjunction with other GAAP measurements as an indication of our performance. MFFO is useful in assisting management and investors in assessing the sustainability of operating performance in future operating periods, and in particular, after the offering and acquisition stages are complete and net asset value is disclosed. FFO and MFFO are not useful measures in evaluating net asset value because impairments are taken into account in determining net asset value but not in determining FFO or MFFO.

Neither the SEC, NAREIT nor any other regulatory body has passed judgment on the acceptability of the adjustments that we use to calculate FFO or MFFO. In the future, the SEC, NAREIT, or another regulatory body may decide to standardize the allowable adjustments across the non-listed REIT industry and as a result we may have to adjust our calculation and characterization of FFO or MFFO.

The table below summarizes our calculation of FFO and MFFO for the years ended December 31, 2017, 2016 and 2015, respectively, and a reconciliation of such non-GAAP financial performance measures to our net loss, in thousands.

	December 31,		
	2017	**2016**	**2015**
Net loss	($9,035)	($10,924)	($8,488)
Depreciation and amortization of real estate assets	23,268	22,488	14,480
Funds from operations (FFO)	14,233	11,564	5,992
Acquisition related expenses	0	1,5	1,752
Modified funds from operations (MFFO)	$14,233	$13,138	$7,744

Distributions

The following table summarizes the distributions we paid in cash and pursuant to our distribution reinvestment plan for the period from January 2011 (the month we first paid distributions) through December 31, 2017, in thousands:

Period	Cash (1)	DRIP (2)(3)	Total
First Quarter 2011	$21	$20	$41
Second Quarter 2011	45	51	96
Third Quarter 2011	70	70	140
Fourth Quarter 2011	119	101	220
First Quarter 2012	175	150	325
Second Quarter 2012	209	194	403
Third Quarter 2012	236	246	482
Fourth Quarter 2012	271	279	550
First Quarter 2013	316	311	627
Second Quarter 2013	373	388	761
Third Quarter 2013	442	412	854
Fourth Quarter 2013	550	483	1,033
First Quarter 2014	568	535	1,103
Second Quarter 2014	614	577	1,191
Third Quarter 2014	632	605	1,237
Fourth Quarter 2014	665	641	1,306
First Quarter 2015	703	714	1,417
Second Quarter 2015	803	876	1,679
Third Quarter 2015	927	1,020	1,947
Fourth Quarter 2015	1,042	1,108	2,150
First Quarter 2016	1,269	1,209	2,478
Second Quarter 2016	1,707	1,335	3,042
Third Quarter 2016	2,769	444	3,213
Fourth Quarter 2016	3,173	-	3,173
First Quarter 2017	3,135	-	3,135
Second Quarter 2017	3,180	-	3,180
Third Quarter 2017	3,169		3,169
Fourth Quarter 2017	3,166	-	3,166
Total	$30,349	$11,769	$42,118

(1) Distributions are paid on a monthly basis. Distributions for all record dates of a given month are paid approximately 20 days following the end of such month.

(2) Distributions accrued for the period from December 27, 2010 through December 31, 2010 were paid on January 20, 2011, the date we first paid a distribution.

(3) Amount of distributions paid in shares of common stock pursuant to our distribution reinvestment plan. Effective July 16, 2016, we terminated the sale of additional shares of our common stock to our stockholders pursuant to our distribution reinvestment plan.

For the year ended December 31, 2017, we paid aggregate distributions of $12,650,000, including distributions paid in shares of common stock pursuant to our distribution reinvestment plan. During the same period, cash provided by operating activities was $9,288,000 and our FFO was $14,233,000. For the year ended December 31, 2017, 73% of distributions were paid from cash provided by operating activities.

For the year ended December 31, 2016, we paid aggregate distributions of $11,905,000, including distributions paid in shares of common stock pursuant to our distribution reinvestment plan. During the same period, cash provided by operating activities was $10,115,000 and our FFO was $11,564,000. For the year ended December 31, 2016, 85% of distributions were paid from cash provided by operating activities.

For the period from inception to December 31, 2017, we paid aggregate distributions of $42,118,000. During the period from our inception to December 31, 2017, our cash provided by operating activities was $31,962,000, our net loss was $38,115,000 and our FFO was $34,878,000. Of the $42,118,000 in aggregate distributions paid to our stockholders from inception to December 31, 2017, approximately 76% was paid from net cash provided by operating activities and approximately 24% was funded from offering proceeds. For a discussion of how we calculate FFO, see "Funds From Operations and Modified Funds From Operations".

For Federal income tax purposes, the cash distributed to stockholders was characterized as follows for the years ended December 31, 2017 and 2016:

	2017		2016
Ordinary income *(unaudited)*	29.4%		34.8%
Return of capital *(unaudited)*	70.6%		65.2%
Capital gains distribution *(unaudited)*	- %		- %
Total	**100.0%**		**100.0%**

Liquidity and Capital Resources

Our principal demands for funds are for real estate and real estate-related acquisitions, for the payment of operating expenses, for the payment of interest on our outstanding indebtedness, and for the payment of distributions. Generally, we expect to meet cash needs for items other than acquisitions from our cash flow from operations; provided, that some or all of our distributions have been and may continue to be paid from sources other than cash from operations (as discussed below). We expect to meet cash needs for acquisitions from the remaining net proceeds of our follow-on offering and from financings.

There may be a delay between the sale of our shares of common stock and the purchase of properties or other investments, which could result in a delay in our ability to make distributions to our stockholders. Some or all of our distributions have been and may continue to be paid from sources other than cash flow from operations, including proceeds of our public offerings, cash advances to us by our advisor, cash resulting from a waiver of asset management fees and borrowings secured by our assets in anticipation of future operating cash flow. We may have little, if any, cash flow from operations available for distribution until we make substantial investments and those investments stabilize. In addition, to the extent our investments are in development or redevelopment projects or in properties that have significant capital requirements, our ability to make distributions may be negatively impacted, especially during our early periods of operation.

We use, and intend to use in the future, secured and unsecured debt to acquire properties and make other investments. As of December 31, 2017, our outstanding secured debt is $118,358,000. There is no limitation on the amount we may invest in any single property or other asset or on the amount we can borrow for the purchase of any individual property or other investment. Under our charter, we are prohibited from borrowing in excess of 300% of our "net assets" (as defined by our charter) as of the date of any borrowing; however, we may exceed that limit if approved by a majority of our independent directors and if such excess is disclosed to the stockholders in the next quarterly report along with the explanation for such excess borrowings. Our board of directors has adopted a policy to limit our aggregate borrowings to approximately 50% of the aggregate value of our assets unless substantial justification exists that borrowing a greater amount is in our best interests. Such limitation, however, does not apply to individual real estate assets and only will apply once we have ceased raising capital in our public offering and invested substantially all of our capital. As a result, we

expect to borrow more than 50% of the contract purchase price of each real estate asset we acquire to the extent our board of directors determines that borrowing these amounts is prudent.

Pursuant to ASU 2014-15, "Presentation of Financial Statements – Going Concern," management is required to evaluate our ability to continue as a going concern within one-year after the date that financial statements are issued. The TCB Credit Facility, the EWB Credit Facility and the EWB II Credit Facility have maturity dates, each of which is less than twelve months from the date these consolidated financial statements are issued. Our management has considered whether the conditions of the credit facility maturity dates raise substantial doubt that our ability to continue as a going concern and meet these debt obligations when they become due.

Our management has a plan to refinance the TCB Credit Facility, the EWB Credit Facility and the EWB II Credit Facility, either as a comprehensive plan to refinance our credit facilities in connection with or following our proposed merger with our Hartman affiliates or on a standalone basis without regard to the approval and completion of the proposed mergers. Inasmuch as management's plan has not been fully implemented, the guidance provided by ASU 2014-15 requires that management must conclude that the fact of the loan maturity dates within one-year of the issuance date of these consolidated financial statements raises the issue of substantial doubt. Management believes that management's plan to renew, extend or refinance the credit facilities is likely based upon its history of successfully financing and refinancing our debt and will mitigate the maturity date issue within one year of the issuance date of our financial statements.

Our advisor may, but is not required to, establish capital reserves from gross offering proceeds, out of cash flow generated by operating properties and other investments or out of non-liquidating net sale proceeds from the sale of our properties and other investments. Capital reserves are typically utilized for non-operating expenses such as tenant improvements, leasing commissions and major capital expenditures. Alternatively, a lender may require its own formula for escrow of capital reserves.

Potential future sources of capital include proceeds from secured or unsecured financings from banks or other lenders, proceeds from the sale of properties and undistributed funds from operations. If necessary, we may use financings or other sources of capital in the event of unforeseen significant capital expenditures.

Cash Flows from Operating Activities

As of December 31, 2017, we had continuing operations from 17 commercial real estate properties versus 18 properties owned as of December 31, 2016. During the year ended December 31, 2017, net cash provided by operating activities was $9,288,000 versus $10,115,000 in net cash provided by operating activities for the year ended December 31, 2016. The decrease in cash flow from operating activities is primarily attributable to the change in cash used to reduce accounts payable and accrued expenses for the year ended December 31, 2017 versus the net change in cash provided by accounts payable and accrued expenses for the year ending December 31, 2016.

Cash Flows from Investing Activities

During the year ended December 31, 2017, net used in investing activities was $2,739,000 versus $90,871,000 for the year ended December 31, 2016. The change in cash flows from investing activities consists of a change in additions to real estate of $56,528,000; a change in investments and advances to affiliates of $17,464,000; change in the disposition of assets held for disposition of $14,100,000 and change in acquisition deposits of $40,000.

Cash Flows from Financing Activities

Net cash (used in) provided by financing activities for the years ending December 31, 2017 and 2016, respectively, was ($8,217,000) and $78,101,000 and consisted of the following:

- $0 and $39,477,000, respectively, of net cash provided by offering proceeds related to our public offering, net of payments of commissions on sales of common stock of $0 and $2,103,000 respectively;
- ($1,556,000) and $(1,324,000), respectively, of cash used to redeem common stock pursuant to our share redemption plan;
- ($694,000) and $42,725,000, respectively, of cash (used in) provided by borrowing under term loan and revolving credit agreements, net of repayments;

- $12,650,000 and $8,918,000, respectively, of net cash distributions, after giving effect to distributions reinvested by stockholders of $0 and $2,988,000; and distributions to non-controlling interests of $543,000 and $208,000 respectively:
- $7,350,000 and $6,850,000, respectively, of investment proceeds received from non-controlling interest investor; and
- $124,000 and $501,000, respectively, of net cash used in payment of deferred loan costs.

Discontinued Operations

On November 14, 2016, we acquired an interest in the Village Pointe property through an investment in Hartman Village Point, a joint venture between our operating partnership and our affiliate, Hartman vREIT XXI, Inc., which owned the Village Pointe property. Our operating partnership contributed $3,675,000 to Hartman Village Pointe in exchange for a 97.35% membership interest in Hartman Village Pointe and Hartman vREIT XXI, Inc. contributed $100,000 to Hartman Village Pointe in exchange for a 2.65% membership interest in Hartman Village Pointe. Our operating partnership also made a mortgage loan of $3,525,000, secured by the Village Pointe property, to Hartman Village Pointe. The mortgage loan was refinanced with a loan from an bank in December 2016.

As of February 8, 2017, Hartman vREIT XXI, Inc. has acquired all of our interests in Hartman Village Pointe.

Contractual Commitments and Contingencies

We use, and intend to use in the future, secured and unsecured debt as a means of providing additional funds for the acquisition of our properties and our real estate-related assets. We believe that the careful use of borrowings will help us achieve our diversification goals and potentially enhance the returns on our investments. Under our charter, we are prohibited from borrowing in excess of 300% of our net assets, which generally approximates to 75% of the aggregate cost of our assets. We may borrow in excess of this amount if such excess is approved by a majority of the independent directors and disclosed to stockholders in our next quarterly report, along with a justification for such excess. In such event, we will monitor our debt levels and take action to reduce any such excess as practicable. Our aggregate borrowings are reviewed by our board of directors at least quarterly. As of December 31, 2016, our borrowings were not in excess of 300% of the value of our net assets.

In addition to using our capital resources for investing purposes and meeting our debt obligations, we expect to use our capital resources to make certain payments to our advisor. We expect to make payments to our advisor or its affiliates in connection with the selection and origination or purchase of real estate and real estate-related investments, the management of our assets, the management of the development or improvement of our assets and costs incurred by our advisor in providing services to us.

As of December 31, 2017, we had notes payable totaling an aggregate principal amount of $118,358,000. For more information on our outstanding indebtedness, see Note 7 (Notes Payable) to the consolidated financial statements included in this Annual Report.

The following is a summary of our contractual obligations as of December 31, 2017 (in thousands):

Contractual Obligations	Total	2018	2019-2020	2021-2022	Thereafter
Long-term debt obligations (1)	$ 118,358	$ 35,020	$ 31,480	$ 11,793	$ 40,065
Interest payments on outstanding debt obligations (2)	32,888	1,920	7,227	4,184	19,557
Purchase obligations (3)	-	-	-	-	-
Total	$ 151,246	$ 36,940	$ 38,707	$ 15,977	$ 59,622

(1) Principal payments only.
(2) Projected interest payments are based on the outstanding principal amounts and weighted-average interest rates at December 31, 2017.

(3) Purchase obligations were excluded from contractual obligations as there were no binding purchase obligations as of December 31, 2017.

Off-Balance Sheet Arrangements

As of December 31, 2017 and 2016, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Recent Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective accounting standards, if currently adopted, would have a material effect on the accompanying consolidated financial statements. See Note 2 to the notes to the consolidated financial statements included in this Annual Report.

Related-Party Transactions and Agreements

We have entered into agreements with our advisor and its affiliates whereby we have paid, and may continue to pay, certain fees to, or reimburse certain expenses of, our advisor and its affiliates. See Item 13, "Certain Relationships and Related Transactions and Director Independence" and Note 10 (Related Party Transactions) to the consolidated financial statements included in this Annual Report for a discussion of the various related-party transactions, agreements and fees.

Review of our Investment Policies

Our board of directors, including our independent directors, has reviewed our investment policies as described in this Annual Report and determined that such policies are in the best interests of our stockholders based on the following factors: (1) such policies increase the likelihood that we will be able to acquire a diversified portfolio of income producing properties, thereby reducing risk in our portfolio; (2) our executive officers and directors and the affiliates of our advisor have expertise with the type of real estate investments we seek; (3) there are sufficient property acquisition opportunities with the attributes that we seek; and (4) borrowings should enable us to purchase assets and earn income more quickly, thereby increasing the likelihood of generating income for our stockholders and preserving stockholder capital.

Item 7A. Quantitative and Qualitative Disclosures about Market Risks

We will be exposed to interest rate changes primarily as a result of short and long-term debt used to acquire properties and make loans and other permitted investments. Our interest rate risk management objectives will be to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we expect to borrow primarily at fixed rates or variable rates with the lowest margins available and, in some cases, with the ability to convert variable rates to fixed rates. With regard to variable rate financing, we will assess interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements and supplementary data required by this Item 8 can be found beginning on page F-1 of this Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On February 5, 2018, we dismissed Weaver and Tidwell LLP ("Weaver") as our independent registered public accounting firm. The decision to dismiss Weaver as our independent registered public accounting firm was approved by the Audit Committee of the Company's Board of Directors. The report of Weaver dated April 10, 2017 with respect to our consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, equity and cash flows for each of the years in the two-year period ended December 31, 2016, did not contain an adverse opinion or disclaimer of opinion, and such report was not qualified or modified as to uncertainty, audit scope, or accounting principle.

During the two most recent fiscal years and through February 5, 2018, we did not have any disagreements with Weaver on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to Weaver's satisfaction, would have caused them to make reference thereto in their reports on our financial statements for such periods.

During the two most recent fiscal years and through February 5, 2018, there were no reportable events, as defined in Item 304(a)(1)(v) of Regulation S-K.

We provided Weaver with a copy of the foregoing disclosure together with a request to furnish a letter addressed to the Securities & Exchange Commission stating whether or not they agreed with the above statements.

On February 5, 2018 (the "Engagement Date"), we engaged Grant Thornton LLP ("Grant Thornton") as our independent registered public accounting firm for our fiscal year ended December 31, 2017. The decision to engage Grant Thornton as our independent registered public accounting firm was approved by the Audit Committee of our Board of Directors.

During the two most recent fiscal years and through the Engagement Date, the Company has not consulted with Grant Thornton regarding either:

(1) the application of accounting principles to any specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report was provided to us nor oral advice was provided that Grant Thornton concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or

(2) any matter that was either the subject of a disagreement (as defined in paragraph (a)(1)(iv) of Item 304 of Regulation S-K and the related instructions thereto) or a reportable event (as described in paragraph (a)(1)(v) of Item 304 of Regulation S-K).

Item 9A. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 15a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are designed to provide reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act are recorded, processed, summarize and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including his Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls or procedures, no matter how well designed it operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2017. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2017, our disclosure controls and procedures were effective at a reasonable assurance level.

Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting. Internal control over Financial Reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, our principle executive and principal financial officers and effected by the board of directors, management another personnel, to provide reasonable assurance regarding the reliability of financial reporting in the preparation of financial statements for external purposes in accordance with generally excepted accounting principles in the United States of America (GAAP) and include those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and disposition of our assets;
- provide reasonable assurance the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally excepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of management and our directors; and
- provide reasonable assurance regarding prevention of timely detection of unauthorized acquisition, use or disposition of any of our assets in circumstances that could have a material adverse effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment we use the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*. Based on that assessment and criteria, management concluded that our internal control over financial reporting was effective as of December 31, 2017.

Grant Thornton LLP, an independent registered public accounting firm, audited our consolidated financial statements for the year ended December 31, 2017 included in this Annual Report on Form 10-K. Their report is included in “Item 15. Exhibits and Financial Statement Schedules” under the heading Report of Independent Registered Public Accounting Firm. This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm on our internal control over financial reporting due exemption established by rule of the SEC for smaller reporting companies.

Changes in Internal Control Over Financial Reporting

There have been no changes during the quarter ended December 31, 2017 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financing reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Our current directors and executive officers and their respective ages and positions are listed below:

Name		Age		Position
Allen R. Hartman		66		Chairman of the Board, Chief Executive Officer and President
Jack I. Tompkins		72		Independent Director
Richard R. Ruskey		62		Independent Director
Louis T. Fox, III		57		Chief Financial Officer, Secretary and Treasurer
Mark T. Torok		59		General Counsel

Allen R. Hartman, age 66, has served as our CEO and Chairman of our Board of Directors since February 2009 and has served as President of our advisor, Hartman Advisors, since March 2009**,** and as President of our property manager, HIR Management, since January 2008. In 1984, Mr. Hartman formed Hartman Management and began sponsoring private real estate investment programs. Mr. Hartman built Hartman Management into one of the leading commercial property management firms in the state of Texas and sponsored 18 privately offered programs and two publicly offered programs, including our current public offering, which invested in commercial real estate in Houston, San Antonio and Dallas, Texas. In 1998, Mr. Hartman merged the Hartman real estate programs and formed Hartman Commercial Properties REIT (HCP REIT), now known as Whitestone REIT. He served as CEO and Chairman of the Board of HCP REIT until October, 2006. In April, 2008, Mr. Hartman merged 4 of the 5 Hartman programs to form Hartman Income REIT (HIREIT) and contributed the assets and ongoing business operations of Hartman Management into Hartman Income REIT Management, Inc., a wholly owned subsidiary of HIREIT. Mr. Hartman has acquired 80 commercial real estate properties, raised over $300 million of investor equity and acquired more than $400 million in commercial real estate assets in various private and public real estate investment programs. Currently, Mr. Hartman oversees a staff of 60 employees who manage 38 commercial properties encompassing over five million square feet. In addition to his day-to-day management responsibilities, Mr. Hartman serves as the principal officer of each Hartman sponsored investment program. Mr. Hartman attended the University of Colorado and studied Business Administration.

Our board of directors, excluding Mr. Hartman, has determined that the leadership positions previously and currently held by Mr. Hartman, and the extensive experience Mr. Hartman has accumulated from acquiring and managing investments in commercial real estate and debt, have provided Mr. Hartman with the experiences, attributes and skills necessary to effectively carry out the duties and responsibilities of a director.

Jack I. Tompkins, age 72, has served as one of our independent directors since our inception in February, 2009. Mr. Tompkins has served since 1998 as Chairman and CEO of ARTA Equity Advisors, L.L.C., which was formed to engage in various entrepreneurial opportunities. Mr. Tompkins began his career with Arthur Young & Co., working as a certified public accountant there for three years before joining Arthur Andersen, L.L.P., where he was elected to the partnership in 1981 and served until 1988. While at Arthur Andersen he was in charge of the Merger and Acquisition Program for the Houston office as well as head of the Natural Gas Industry Group. From 1988 until October 1996, Mr. Tompkins served as Chief Financial Officer, Senior Vice President and Chief Information, Administrative and Accounting Officer of a large publicly traded energy company. Corporate functions reporting to Mr. Tompkins included financial planning, risk management, tax, accounting, information systems, administration and internal audit. Mr. Tompkins served as Chairman and CEO of Automotive Realty Trust Company of America from its inception in 1997 until its sale to a publicly traded REIT in January 1999. Automotive Realty was formed to engage in the business of consolidating real estate properties owned by automobile dealerships into a REIT. From March to September of 1999, Mr. Tompkins served as interim Executive Vice President and CFO of Crescent Real Estate Equities as the Company restructured. Mr. Tompkins served as an independent director of Hartman XIX from July 2009 until March 2010 and as an independent director of Hartman Income REIT from January 2008 until July 2009. Mr. Tompkins previously served on the board of directors of Bank of America Texas and Michael Petroleum Corp. He is a member of American Institute of Certified Public Accountants. Mr. Tompkins received a Bachelor of Business Administration and Master of Business Administration from Baylor University.

Our board of directors, excluding Mr. Tompkins, has determined that the experience as a certified public accountant and leadership positions previously and currently held by Mr. Tompkins, including experience Mr. Tompkins has accumulated from acquiring and managing investments in commercial real estate and debt, have provided Mr. Tompkins with the experiences, attributes and skills necessary to effectively carry out the duties and responsibilities of a director.

Richard R. Ruskey, age 62, has served as one of our independent directors since April 2011. Mr. Ruskey began his professional career in 1978 as a Certified Public Accountant with the accounting firm of Peat, Marwick, Mitchell, & Co. in St. Louis, Missouri where he obtained extensive experience in both the audit and tax departments. In 1983 he joined the firm of Deloitte, Haskins, & Sells as a manager in the tax department. In 1986 Mr. Ruskey transitioned into the security brokerage industry as the chief financial officer of Westport Financial Group. Within a one-year period he became a full-time broker and due diligence officer for the firm. In 1990 he continued his career in financial services by joining the broker dealer firm of R. T. Jones Capital Equities, Inc. where he served as due diligence officer. In June 2010 Mr. Ruskey joined the broker dealer firm of Moloney Securities Co. Inc. where he currently serves as an investment broker and as a senior due diligence analyst. He is a Certified Public Accountant and Certified Financial Planner and is a member of the American Institute of Certified Public Accountants and the Missouri Society of Certified Public Accountants. He has been an active investor in numerous real estate and business ventures throughout his 30 year career in financial services. Mr. Ruskey received dual B.S. degrees in Accounting and Finance from Southern Illinois University – Carbondale.

Our board of directors, excluding Mr. Ruskey, has determined that the experience as a certified public accountant and leadership positions previously and currently held by Mr. Ruskey, including experience Mr. Ruskey has accumulated from analyzing and advising with respect to investments in commercial real estate and debt, have provided Mr. Ruskey with the experiences, attributes and skills necessary to effectively carry out the duties and responsibilities of a director.

Louis T. Fox, III, age 57, is our Chief Financial Officer and Treasurer. Mr. Fox also serves as Chief Financial Officer for our advisor, Hartman Advisors, and our property manager, HIR Management. He has responsibility for financial reporting, accounting, treasury and investor relations. Prior to joining HIR Management in March, 2007, Mr. Fox served as Chief Financial Officer of Legacy Brands, a restaurant group from April, 2006 until January, 2007. Prior to that, Mr. Fox served as Chief Financial Officer of Unidynamics, Inc., a specialized EPC manufacturer of unique handling system solutions for the marine and energy industries from January, 2004 until April, 2006. He also served as Treasurer and CFO of Goodman Manufacturing, a major manufacturer of residential and commercial HVAC products for 9 years prior to that. In addition to his years of experience in the manufacturing industry, he has served in senior financial positions in the construction and debt collection service concerns. He started his career as a tax accountant with Arthur Andersen & Co. Mr. Fox is a former practicing certified public accountant. Mr. Fox received a Bachelor of Arts degree in accounting from the University of Texas at San Antonio.

Mark T. Torok, age 59, has served as our General Counsel and Secretary since April 2016. Mr. Torok also serves as General Counsel for both our advisor and our property manager. In this capacity, Mr. Torok manages our advisor's in-house legal department and is responsible for all legal matters affecting our company and its affiliates, including our advisor and our property manager. Prior to joining our property manager in June, 2015, Mr. Torok practiced law from 2006 to May 2015, as the founder of The Torok Law Firm P.C., where his practice focused on real estate, securities, and business law. In addition, he served as a fee attorney and provided escrow agent services for Providence Title Insurance Company. Prior to founding The Torok Law Firm in 2006, from 1989 to 1991, Mr. Torok served as a Hearings Officer for the Pennsylvania Insurance Department. From 1991 to 2000 he served as Assistant General Counsel and Assistant Secretary of the various companies of the Erie Insurance Group, a property and casualty insurance company. From 2000 to 2002 he served as Assistant General Counsel and Assistant Secretary for the United Services Automobile Association (USAA), a property and casualty insurance company. From 2002 to 2004 he served as Assistant General Counsel and Chief Compliance Officer for the companies of the Argonaut Group, a commercial property and casualty insurance company. He subsequently returned to USAA from 2004 to 2006 to serve as Director of Regulatory Compliance before founding his own law firm. Mr. Torok holds the insurance designations of Chartered Property Casualty Underwriter (CPCU) and Associate in Reinsurance (ARe). Mr. Torok holds an inactive real estate agent's license in Texas and an inactive escrow agent's license in Texas and is a member of the Texas Bar Association. Mr. Torok earned a Bachelor of Arts degree in Economics from Gettysburg College and a Juris Doctor degree from Willamette University College of Law.

Board Committees

Audit Committee

Our board of directors has established an Audit Committee. The Audit Committee meets on a regular basis at least four times a year. Our Audit Committee is comprised of our two independent directors, Jack Tompkins and Richard Ruskey, each of whom is "independent" as defined by our charter. Our Board of Directors has adopted an Audit Committee Charter, a copy of which is posted on our website, http://www.hartmanreits.com/sec-filings/. The audit committee's primary functions are to evaluate and approve the services and fees of our independent auditors; to periodically review the auditors' independence; and to assist our board of directors in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the stockholders and others, the system of internal controls that management has established, and the audit and financial reporting process. All members of the audit committee have significant financial experience. Our board of directors has determined that Mr. Tompkins satisfies the SEC's requirements for and serves as our "audit committee financial expert."

Compensation Committee

Our board of directors has established a Compensation Committee to assist the board of directors in discharging its responsibility in all matters of compensation practices, including any salary and other forms of compensation for our directors and for our employees in the event we ever have employees. Our Compensation Committee is comprised of our two independent directors, Jack Tompkins and Richard Ruskey. Our Board of Directors has adopted our Compensation Committee Charter, a copy of which is posted on our website, http://www.hartmanreits.com/sec-filings/. The primary duties of the Compensation Committee include reviewing all forms of compensation for our directors; approving all stock option grants, warrants, stock appreciation rights and other current or deferred compensation payable with respect to the current or future value of our shares; and advising on changes in compensation of members of our Board of Directors. We currently do not pay any compensation to our executive officers and have no paid employees.

Nominating and Governance Committee

Our board of directors has established a Nominating and Governance Committee, or the "Nominating Committee." Our Nominating Committee is comprised of our two independent directors, Jack Tompkins and Richard Ruskey. Our Board of Directors has adopted our Nominating Committee Charter, a copy of which is posted on our website, http://www.hartmanreits.com/sec-filings/. The Nominating Committee will recommend nominees to serve on our Board of Directors. The Nominating Committee will consider nominees recommended by stockholders if submitted to the committee in accordance with the procedures specified in our bylaws. Generally, this requires that the stockholder send certain information about the nominee to our corporate secretary between 120 and 150 days prior to the first anniversary of the mailing of notice for the annual meeting held in the prior year. The Nominating Committee is responsible for assessing the appropriate mix of skills and characteristics required of board members in the context of the perceived needs of the board at a given point in time and shall periodically review and recommend for approval by the board any updates to the criteria as deemed necessary. Diversity in personal background, race, gender, age and nationality for the board as a whole may be taken into account favorably in considering individual candidates. The nominating committee will evaluate the qualifications of each director candidate against these criteria in making its recommendation to our board concerning nominations for election or reelection as a director. The process for evaluating candidates recommended by our stockholders pursuant to our bylaws will be no different than the process for evaluating other candidates considered by the Nominating Committee.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics which contains general guidelines for conducting our business and is designed to help directors, employees and consultants resolve ethical issues in an increasingly complex business environment. The Code of Business Conduct and Ethics applies to all of our officers, including our principal executive officer, principal financial officer and principal accounting officer and persons performing similar functions and all members of our board of directors. A copy of our Code of Business Conduct and Ethics will be made available, free of charge, to anyone who requests a copy in writing.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires each director, officer and individual beneficially owning more than 10% of our common stock to file with the SEC, within specified time frames, initial statements of beneficial ownership (Form 3) of our common stock and statements of changes in beneficial ownership (Forms 4 and 5) of our common stock. These specified time frames require the reporting of changes in ownership within two business days of the transaction giving rise to the reporting obligation. Reporting persons are required to furnish us with copies of all Section 16(a) forms filed with the SEC. Based solely on a review of the copies of such forms furnished to us during and with respect to the fiscal year ended December 31, 2017, or written representations that no additional forms were required, we believe that all required Section 16(a) filings were timely and correctly made by reporting persons during 2017.

Item 11. Executive Compensation

Compensation of our Executive Officers

Our executive officers do not receive compensation directly from us for services rendered to us and we do not intend to pay any compensation to our executive officers. We do not reimburse our advisor directly or indirectly for the salary or other compensation paid to any of our executive officers. As a result, we do not nor has our Board of Directors considered, a compensation policy for our executive officers and we have not included a Compensation and Discussion Analysis in this Annual Report.

Each of our executive officers, including each executive officer who serves as a director, is an officer or employee of our advisor or its affiliates and receives compensation for his or her services, including services performed on our behalf, from such entities. See Item 13, "Certain Relationships and Related Transactions and Director Independence" below for a discussion of fees paid to our advisor and its affiliates.

Compensation of our Directors

The following table sets forth certain information regarding compensation earned by or paid to our directors during the year ended December 31, 2017. Directors who are also our executive officers do not receive compensation for services rendered as a director.

Name	Fees Earned or Paid In Cash (1)	All Other Compensation (2)	Total
Allen R. Hartman	$ -	$ -	$ -
Jack I. Tompkins	26,500	38,370	64,870
Richard R. Ruskey	26,500	38,370	64,870
	$ 53,000	$ 76,740	$ 129,740

(1) The amounts shown in this column include fees earned for attendance at board of director and committee meetings and annual retainers, as described below under "Cash Compensation."

(2) As described below under "Equity Plan Compensation," each of Messrs. Tompkins and Ruskey received shares of restricted common stock as non-cash compensation for their service as independent members of our Board of Directors. Amounts shown reflect the aggregate fair value of the shares of restricted stock as of the date of grant computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718.

Cash Compensation

We pay each of our independent directors an annual retainer of $10,000, plus $1,000 per board meeting attended and $500 per committee meeting attended; *provided, however*, we do not pay an additional fee to our directors for attending a committee meeting when the committee meeting is held on the same day as a board meeting. We also reimburse all directors for reasonable out-of-pocket expenses incurred in connection with attending board meetings.

Equity Plan Compensation

We have approved and adopted an omnibus stock incentive plan. Under our omnibus stock incentive plan, each of our current independent directors was entitled to receive 3,000 shares of restricted common stock in connection with the initial meeting of our full board of directors. Going forward, each new independent director that joins our board of directors receives 3,000 shares of restricted common stock upon election to our board of directors. In addition, on the date following an independent director's re-election to our board of directors, he or she receives an additional 3,000 shares of restricted common stock. The shares of restricted common stock granted to our independent directors fully vest upon the completion of the annual term for which the director was elected. As of December 31, 2017, 45,000 shares of restricted common stock have been granted to our current independent directors pursuant to the omnibus stock incentive plan.

Compensation Committee Interlocks and Insider Participation

We do not compensate our executive officers. There are no interlocks or insider participation as to compensation decisions required to be disclosed pursuant to SEC regulations.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Security Ownership of Beneficial Owners

The following table sets forth information as of March 15, 2017, regarding the beneficial ownership of our common stock by (1) each person known by us to be the beneficial owner of 5% or more of the outstanding shares of common stock, (2) each of our directors, (3) each of our executive officers, and (4) all of our directors and executive officers as a group. The percentage of beneficial ownership set forth in the table below is calculated based on 18,009,520 shares of our common stock outstanding as of March 19, 2018. The address of each beneficial owner listed below is c/o Hartman Short Term Income Properties XX, Inc., 2909 Hillcroft, Suite 420, Houston, Texas 77057.

Name of Beneficial Owner	Amount and Nature of Shares Beneficially Owned (1)	
	Number	Percentage
Allen R. Hartman (2)	22,420	0.12%
Jack I. Tompkins	21,750	0.12%
Richard R. Ruskey	17,250	0.10%
Louis T. Fox, III	-	-
Mark T. Torok	-	-
All Officers and Directors as a group	**61,420**	**0.34%**

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities and shares issuable pursuant to options warrants and similar rights held by the respective person or group which may be exercised within 60 days. Except as otherwise indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

(2) Includes 19,000 shares owned by Hartman XX Holdings, Inc., a Texas corporation, and 3,420 shares owned by Mr. Hartman's spouse, Mrs. Lisa Hartman. Mr. Hartman is the sole stockholder of Hartman XX Holdings, Inc. and controls the voting and disposition decisions of Hartman XX Holdings, Inc.

Item 13. Certain Relationships and Related Transactions and Director Independence

The following describes all transactions since January 1, 2016 involving us, our directors, our advisor, our sponsor and any affiliate thereof and all such proposed transactions. See also Note 10 (Related Party Arrangements) to the consolidated financial statements included in this Annual Report. Our independent directors are specifically charged with and have

examined the fairness of such transactions to our stockholders, and have determined that all such transactions are fair and reasonable to us.

Ownership Interests

We initially issued 100 shares of our common stock to Hartman XX Holdings, Inc., or "Holdings," for $1,000. Holdings is a Texas corporation wholly owned by Allen R. Hartman. Holdings was formed solely for the purpose of facilitating the organization and offering of the initial offering of our shares. Effective October 15, 2009 we issued an additional 18,900 shares of common stock to Holdings for $189,000. Holdings contributed a related party liability in the amount of $189,000 to us in exchange for the issuance of an additional 18,900 shares of our common stock. The transaction resulted in a total of 19,000 shares of our common stock issued for total consideration of $190,000.

We issued our advisor, Hartman Advisors LLC, 1,000 shares of our non-voting convertible preferred stock, or "convertible stock," for $10,000. Upon the terms described below, these shares may be converted into shares of our common stock, resulting in dilution of common stockholders' interest in our company.

The shares of our convertible stock held by our advisor will convert into shares of our common stock if (1) we have made total distributions on then then outstanding shares of our common stock equal to the issue price of those shares plus a 6% cumulative, non-compounded, annual return on the issue price of those outstanding shares, (2) we list our common stock for trading on a national securities exchange, provided that the sum of prior distributions on then outstanding shares of our common stock plus the aggregate market value of our common stock (based on the 30-day average closing price) meets the same 6% performance threshold, or (3) our advisory agreement with our advisor expires without renewal or is terminated (other than because of a material breach by our advisor), and at the time of such expiration or termination we are deemed to have met the foregoing 6% performance threshold based on our enterprise value and prior distributions and, at or subsequent to the expiration or termination, the stockholders actually realize such level of performance upon listing or through total distributions. In general, the convertible stock will convert into shares of common stock with a value equal to 15% of the excess of our enterprise value plus the aggregate value of distributions paid to date on then outstanding shares of common stock over the aggregate issue price of those outstanding shares plus a 6% cumulative, non-compounded, annual return on the issue price of those outstanding shares. With respect to conversion in connection with the termination of the advisory agreement, this calculation is made at the time of termination even though the actual conversion may occur later, or not at all.

Our Relationships with our Advisor and our Sponsor

Our advisors supervises and manages our day-to-day operations and selects our real property investments and real estate-related investments, subject to the oversight by our board of directors. Our advisor also provides marketing, sales and client services on our behalf. Our advisor was formed in March 2009 and is owned 70% by Allen R. Hartman, our Chief Executive Officer and Chairman of the Board of Directors, and 30% by the Property Manager. The Property Manager is a wholly owned subsidiary of Hartman Income REIT Management, LLC, which is wholly owned by Hartman Income REIT, Inc. All of our officers and directors, other than our independent directors, are officers of our advisor and serve, and may serve in the future, other affiliates of our advisor.

Fees and Expense Reimbursements Paid to our Advisor

Pursuant to the terms of our Advisory Agreement, we pay our advisor the fees described below.

- We pay our advisor an acquisition fee of 2.5% of (1) the total cost of investment, as defined in connection with the acquisition or origination of any type of real property or real estate-related asset or (2) our allocable cost of a real property or real estate-related asset acquired in a joint venture, in each case including purchase price, acquisition expenses and any debt attributable to such investments. For the years ended December 31, 2017 and December 31, 2016, we paid our advisor aggregate acquisition fees of $0 and $1,574,000, respectively. For the period from January 1, 2010 to December 31, 2017, we incurred acquisition fees of $6,013,000.

- We pay our advisor an annual asset management fee that is payable monthly in an amount equal to one-twelfth of 0.75% of the higher of the cost or value of each asset, where the cost equals the amount actually paid or budgeted (excluding acquisition fees and expenses), including the amount of any debt attributable to the asset (including debt encumbering the asset after its acquisition) and where the value of an asset is the value established by the most recent independent valuation report, if available. For the years ended December 31, 2017 and December 31, 2016 we paid asset management fees to our advisor of $1,760,000 and $1,433,000, respectively.
- We pay our advisor a debt financing fee equal to 1.0% of the amount available under any loan or line of credit we obtain and use to acquire properties or other permitted investments, which will be in addition to the acquisition fee paid to our advisor. For the fiscal years ended December 31, 2017 and December 31, 2016, we did not pay our advisor any debt financing fees.
- If our property manager provides a substantial amount of services, as determined by our independent directors, in connection with the sale of one or more assets, it will receive a disposition fee equal to (1) in the case of the sale of real property, the lesser of: (A) one-half of the aggregate brokerage commission paid (including the disposition fee) or, if none is paid, the amount that customarily would be paid, or (B) 3% of the sales price of each property sold, and (2) in the case of the sale of any asset other than real property, 3% of the sales price of such asset. With respect to a property held in a joint venture, the foregoing disposition fee will be reduced to a percentage of such amounts reflecting our economic interest in the joint venture. For the years ended December 31, 2017 and December 31, 2016, we did not pay our advisor any disposition fees.

In addition to the fees we pay to our advisor pursuant to the Advisory Agreement, we also reimburse our advisor and its affiliates for the costs and expenses:

- Pursuant to our Advisory Agreement, we are obligated to reimburse our advisor and its affiliates, as applicable, for organization and offering costs (other than selling commissions and the dealer manager fee) incurred on our behalf associated with each of our public offerings, but only to the extent that such reimbursements do not exceed actual expenses incurred by our advisor and would not cause our total organization and offering expenses related to our primary offering (other than selling commissions and the dealer manager fee) to exceed 1.5% of gross offering proceeds from the primary offering. Our advisor and its affiliates will be responsible for the payment of organization and offering expenses (other than selling commissions and the dealer manager fee) to the extent they exceed 1.5% of gross offering proceeds from the primary offering. As of December 31, 2017, total offering costs for our follow-on offering were $12,796,000. We directly incurred $12,796,000 of offering costs for our follow-on offering and $0 in offering costs reimbursable to our advisor for our follow-on offering. As of December 31, 2017, offering costs related to our follow-on offering exceeded 1.5% of the gross offering proceeds from the sale of shares of our common stock in our primary follow-on offering, however none of such excess costs were reimbursable to our advisor because we incurred all such costs directly. Pursuant to our charter, in no event may organization and offering costs (including selling commissions and the dealer manager fees) incurred by us in connection with a completed public offering exceed 15.0% of the gross offering proceeds from the sale of our shares of common stock in the completed public offering. As of December 31, 2017, the organization and offering costs incurred in connection with our follow-on offering did not exceed 15.0% of the gross offering proceeds from the sale of our shares of common stock in the follow-on offering.

- Pursuant to our Advisory Agreement and our charter, we will reimburse our advisor for all operating expenses paid or incurred by our advisor in connection with the services provided to us. However, we will not reimburse our advisor or its affiliates at the end of any fiscal quarter for total operating expenses (as defined in our Advisory Agreement)) that for the four consecutive fiscal quarters then ended, or the "expense year," exceeded the greater of (1) 2% of our average invested assets or (2) 25% of our net income, which we refer to as the "2%/25% Guidelines," and our advisor must reimburse us quarterly for any amounts by which our total operating expenses exceed the 2%/25% Guidelines in the expense year, unless our independent directors have determined that such excess expenses were justified based on unusual and non-recurring factors. For the four fiscal quarters ended December 31, 2017, our total operating expenses were $53,394,000. Total operating expenses incurred during the four fiscal quarters ended December 31, 2017, did not exceed the 2%/25% Limitation. We reimbursed our advisor $0 in operating expenses during the four fiscal quarters ended December 31, 2017.

Our Advisory Agreement has a one-year term expiring February 9, 2019, subject to an unlimited number of successive one-year renewals upon mutual consent of the parties. We may terminate the Advisory Agreement without cause or penalty upon 60 days' written notice and immediately for cause or upon the bankruptcy of our advisor. If we terminate the Advisory Agreement, we will pay our advisor all unpaid reimbursements of expenses and all earned but unpaid fees.

Property Management Fees Paid to Our Property Manager

We have entered into property management agreements with our property manager, Hartman Income REIT Management, Inc., an affiliate of our sponsor, with respect to the management of properties. Pursuant to the management agreements, we pay the property manager a monthly management fee in an amount equal to between 3% and 5% of each property's gross revenues (as defined in the respective management agreements) for each month. Each management agreement has an initial one-year term and will continue thereafter on a month-to-month basis unless either party gives prior notice of its desire to terminate the management agreement, provided that we may terminate the management agreement at any time without cause or upon an uncured breach of the agreement upon thirty (30) days prior written notice to the property manager. For the fiscal years ended December 31, 2017 and December 31, 2016, we have paid property management fees and reimbursements of $4,038,000 and $3,611,000, respectively, to our property manager.

Transactions with Related Persons

Loan to Retail II Holdings

On May 17, 2016, Hartman TRS, Inc. ("TRS"), our wholly owned taxable REIT subsidiary, loaned $7,231,000 to Hartman Retail II Holdings Company, Inc. ("Retail II Holdings"), an affiliate of our advisor and our property manager, in connection with the acquisition of a retail shopping center by Hartman Retail II DST, a Delaware statutory trust sponsored by our property manager. The loan was made pursuant to a promissory note in the face amount of up to $8,820,000. Pursuant to the terms of the promissory note, TRS received a two percent (2%) origination fee of amounts advanced under the promissory note, and interest at ten percent (10%) per annum on the outstanding principal balance. The outstanding principal balance of the promissory note will be repaid as investor funds are raised by Hartman Retail II DST. The maturity date of the promissory note is May 17, 2019. For the years ended December 31, 2017 and 2016, respectively, interest and dividend income in the accompanying consolidated statements of operations, includes $908,000 and $456,000 of interest income. As of December 31, 2017 and 2016, respectively, the balance due from TRS by Retail II Holdings is $760,000 and $144,000, respectively.

Village Pointe Property

As described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations-2016 Property Acquisitions," on November 14, 2016, we acquired an interest in a retail shopping center comprising approximately 54,246 square feet located in San Antonio, Texas, commonly known as Village Pointe, or the Village Pointe property. We acquired an interest in the Village Pointe property through Hartman Village Pointe, LLC, or Hartman Village Pointe, a joint venture between our operating partnership and Hartman vREIT XXI, Inc., a public, non-listed REIT sponsored our affiliate. Subsequent to our initial investment in Hartman Village Pointe, Hartman vREIT XXI has incrementally acquired all of our operating partnership's membership interests in Hartman Village Pointe and as a result Hartman vREIT XXI has become the sole owner of the Village Pointe property.

Other than as described above, there is no currently proposed material transactions with related persons other than those covered by the terms of the agreements described above.

Policies and Procedures for Transactions with Related Persons

In order to reduce or eliminate certain potential conflicts of interest, our charter and our Advisory Agreement contain restrictions and conflict resolution procedures relating to transactions we enter into with our advisor, our directors or their respective affiliates. Each of the restrictions and procedures that apply to transactions with our advisor and its affiliates will also apply to any transaction with any entity or real estate program controlled by our advisor and its affiliates. As a general rule, any related party transaction must be approved by a majority of the directors (including a majority of independent directors) not otherwise interested in the transaction. In determining whether to approve or authorize a particular related party transaction, these persons will consider whether the transaction between us and the related party is fair and reasonable to us and has terms and conditions no less favorable to us than those available from unaffiliated third parties.

Director Independence

As required by our charter, a majority of the members of our Board of Directors must qualify as "independent directors," as such term is defined by our charter. Our charter defines independent director in accordance with the North American Securities Administrators Association, Inc.'s Statement of Policy Regarding Real Estate Investment Trusts, as revised and adopted on May 7, 2007. As defined in our charter, an independent director is a person who is not, on the date of determination, and within the last two years from the date of determination been, directly or indirectly, associated with our sponsor or our advisor by virtue of (1) ownership of an interest in our sponsor, our advisor, or any of their affiliates; (2) employment by our sponsor, our advisor, or any of their affiliates; (3) service as an officer or director of our sponsor, our advisor, or any of their affiliates (other than as one of our directors); (4) performance of services, other than as a director, for us; (5) service as a director or trustee of more than three real estate investment trusts organized by our sponsor or advised by our advisor; or (6) maintenance of a material business or professional relationship with our sponsor, our advisor, or any of their affiliates. A business or professional relationship is considered "material" if the aggregate gross revenue derived by the director from the sponsor, the advisor, and their affiliates exceeds 5.0% of either the director's annual gross revenue during either of the last two years or the director's net worth on a fair market value basis. An indirect association with the sponsor or the advisor shall include circumstances in which a director's spouse, parent, child, sibling, mother- or father-in-law, son- or daughter-in-law, or brother- or sister-in-law is or has been associated with the sponsor, the advisor, any of their affiliates, or with us.

We have a three-member board of directors. One of our directors, Allen R. Hartman, is affiliated with our sponsor and its affiliates, and we do not consider Mr. Hartman to be an independent director. After review of all relevant transactions or relationships between each director, or any of his family members, and our company, our senior management and our independent registered public accounting firm, our board has determined that Messrs. Tompkins and Ruskey, who comprise the majority of our board, qualify as independent directors as defined in our charter.

Item 14. Principal Accounting Fees and Services

Independent Registered Public Accounting Firm

The audit committee has engaged Grant Thornton LLP ("GT") as our independent registered public accounting firm to audit our consolidated financial statements for the year ended December 31, 2017, which represents a change in the engagement of our certifying accountant. The audit committee engaged Weaver and Tidwell, L.L.P. ("Weaver") as our independent registered public accounting firm to audit our consolidated financial statements for the year ended December 31, 2016. The change in certifying accountant was reported in our Current Report on Form 8-K filed with the SEC on February 9, 2018.

The audit committee reserves the right to select new auditors at any time in the future in its discretion if it deems such decision to be in the best interests of our company and our stockholders.

Pre-Approval Policies

The audit committee charter imposes a duty on the audit committee to pre-approve all auditing services performed for us by our independent auditors as well as all permitted non-audit services in order to ensure that the provision of such services does not impair the auditors' independence. In determining whether or not to pre-approve services, the audit committee will consider whether the service is a permissible service under the rules and regulations promulgated by the SEC. The audit committee, may, in its discretion, delegate to one or more of its members the authority to pre-approve any audit or non-audit services to be performed by the independent auditors, provided any such approval is presented to and approved by the full audit committee at its next scheduled meeting.

All services rendered to us by Weaver for the years ended December 31, 2016 and 2015 were pre-approved in accordance with the policies and procedures described above.

Independent Registered Public Accounting Firm Fees

The audit committee reviewed the audit and non-audit services performed by GT and Weaver, as well as the fees charged by GT and Weaver for such services. In its review of the non-audit service fees, the audit committee considered whether the provision of such services is compatible with maintaining the independence of Weaver. The aggregate fees billed to us by GT and Weaver for professional accounting services for the years ended December 31, 2017 and 2016 are set forth in the tables below.

Weaver

	2017	2016
Audit fees	$ 80,150	$ 152,978
Audit related fees	26,012	38,134
Tax fees	3,250	18,700
Total	$ 109,412	$ 209,812

GT

	2017	2016
Audit fees	$ 144,100	$ -
Audit related fees	-	-
Tax fees	-	-
Total	$ 144,100	$ -

For purposes of the preceding tables, GT's and Weaver's professional fees are classified as follows:

- *Audit fees*—These are fees for professional services performed for the audit of our annual financial statements, the required review of quarterly financial statements, registration statements and other procedures performed by Weaver in order for them to be able to form an opinion on our consolidated financial statements. These fees also cover services that are normally provided by independent auditors in connection with statutory and regulatory filings or engagements.

- *Audit-related fees*—These are fees for assurance and related services that traditionally are performed by independent auditors that are reasonably related to the performance of the audit or review of the financial statements, such as audits and due diligence related to acquisitions and dispositions, attestation services that are not required by statute or regulation, internal control reviews, and consultation concerning financial accounting and reporting standards.

- *Tax fees*—These are fees for all professional services performed by professional staff in our independent auditor's tax division, except those services related to the audit of our financial statements. These include fees for tax compliance, tax planning, and tax advice, including federal, state, and local issues. Services may also include

assistance with tax audits and appeals before the IRS and similar state and local agencies, as well as federal, state, and local tax issues related to due diligence.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this Annual Report:

(a) Exhibits

Exhibits. The index of exhibits below is incorporated herein by reference.

(b) Financial Statement Schedules

See the Index to Consolidated Financial Statements and Schedule at page F-1 of this report.

The following financial statement schedule is included herein at pages F-24 through F-27 of this report:

Schedule III – Real Estate Assets and Accumulated Depreciation

Item 16. Form 10-K Summary

The Company has elected not to provide summary information.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Houston, State of Texas, on April 2, 2018.

HARTMAN SHORT TERM INCOME PROPERTIES XX, INC.

By: /s/ Allen R. Hartman

Allen R. Hartman,
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the date indicated.

By:	/s/ Allen R. Hartman **Allen R. Hartman, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)**	Date: April 2, 2018
By:	/s/ Louis T. Fox, III **Louis T. Fox, III, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)**	Date: April 2, 2018
By:	/s/ Jack I. Tompkins **Jack I. Tompkins, Director**	Date: April 2, 2018
By:	/s/ Richard R. Ruskey **Richard R. Ruskey, Director**	Date: April 2, 2018

EXHIBIT INDEX

* Filed herewith

Exhibit Number		Description of Documents
1.1		Dealer Manager Agreement (Incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed February 1, 2012)
3.1.1		First Articles of Amendment to Third Amended and Restated Articles of Incorporation of the Registrant. (Incorporated by reference to Exhibit 3.1to the Company's Form 10-K filed April 12, 2012)
3.1.2		Third Amended and Restated Articles of Incorporation of the Registrant. (Incorporated by reference to Exhibit 1 to the registrant's registration statement on Form 8-A12G (SEC File No. 000-53912) March 22, 2010)
3.2		Bylaws of the Registrant (Incorporated by reference to Exhibit 2 to the registrant's registration statement on Form 8-A12G (SEC File No. 000-53912) March 22, 2010)
10.1		Form of Advisory Agreement between the Registrant and Hartman Advisors, LLC. (Incorporated by reference to Exhibit 10.1 to the registrant's registration statement on Form S-11 Amendment No. 9 (SEC File No. 333-154750) November 24, 2009)
10.2		Form of Property Management Agreement between the Registrant and Hartman Income REIT Management, Inc. (Incorporated by reference to Exhibit 10.2 to registrant's registration statement on Form S-11 Amendment No. 9 (SEC File No. 333-154750) November 24, 2009)
10.3		Form of Employee and Director Incentive Share Plan (Incorporated by reference to Exhibit 10.3 to registrant's registration statement on Form S-11 Amendment No. 5 (SEC File No. 333-154750) July 14, 2009)
10.4		Operating Agreement of Hartman Richardson Heights Properties, LLC (Incorporated by reference to Exhibit 10.4 to the Company's Form 10-K filed March 31, 2011)
10.5		Economic Development and Incentive Agreement by and between the City of Richardson, Texas and Hartman Richardson Heights Properties, LLC (Incorporated by reference to Exhibit 10.12 to the Company's Form 10-Q filed August 14, 2012)
10.6		Loan Agreement, dated May 11, 2012, by and among Texas Capital Bank, NA and Hartman Richardson Heights Properties, LLC, Hartman Short Term Income Properties XX, Inc., and Hartman Cooper Street Plaza, LLC. (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed May 18, 2012)
10.7		Promissory Note, dated May 11, 2012, by Hartman Richardson Heights Properties, LLC, Hartman Short Term Income Properties XX, Inc., and Hartman Cooper Street Plaza, LLC in favor of Texas Capital Bank, NA (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed May 18, 2012)
10.8		Assignment and Subordination of Management Agreement, dated as of May 11, 2012, by and between Hartman Richardson Heights Properties, LLC, Hartman Income REIT Management, Inc. and Texas Capital Bank, NA (Incorporated by reference to Exhibit 10.5 to the Company's Form 8-K filed May 18, 2012)
10.9		Assignment and Subordination of Management Agreement, dated as of May 11, 2012, by and between Hartman Cooper Street Plaza, LLC, Hartman Income REIT Management, Inc. and Texas Capital Bank, NA (Incorporated by reference to Exhibit 10.6 to the Company's Form 8-K filed May 18, 2012)
10.10		Assignment of Rents, dated as of May 11, 2012, by and between Hartman Richardson Heights Properties, LLC and Texas Capital Bank, NA (Incorporated by reference to Exhibit 10.7 to the Company's Form 8-K filed May 18, 2012)
10.11		Assignment of Rents, dated as of May 11, 2012, by and between Hartman Cooper Street Plaza, LLC and Texas Capital Bank, NA (Incorporated by reference to Exhibit 10.8 to the Company's Form 8-K filed May 18, 2012)
10.12		Assignment of Licenses, Permits and Contracts, dated as of May 11, 2012, by and between Hartman Richardson Heights Properties, LLC, Hartman Short Term Income Properties XX, Inc., Hartman Cooper Street Plaza, LLC, and Texas Capital Bank, NA (Incorporated by reference to Exhibit 10.9 to the Company's Form 8-K filed May 18, 2012)
10.13		Guaranty Agreement (Validity), dated as of May 11, 2012, by Allen R. Hartman as guarantor in favor of Texas Capital Bank, NA (Incorporated by reference to Exhibit 10.10 to the Company's Form 8-K filed May 18, 2012)

10.14		Real Property and Company Management Agreement, dated as of March 26, 2012, by and among Hartman Cooper Street Plaza, LLC and Hartman Income REIT Management, Inc. (Incorporated by reference to Exhibit 10.11 to the Company's Form 8-K filed May 18, 2012)
10.15		Loan Modification Agreement, dated October 16, 2012, by and among Texas Capital Bank, NA and Hartman Bent Tree Green, LLC; Hartman Richardson Heights Properties, LLC, Hartman Short Term Income Properties XX, Inc., and Hartman Cooper Street Plaza, LLC (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed October 19, 2012)
10.16		Promissory Note, dated October 16, 2012, by Hartman Bent Tree Green, LLC; Hartman Richardson Heights Properties, LLC, Hartman Short Term Income Properties XX, Inc., and Hartman Cooper Street Plaza, LLC in favor of Texas Capital Bank, NA (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed October 19, 2012)
10.17		Real Property Management Agreement, dated as of October 16, 2012, by and among Hartman Bent Tree Green, LLC and Hartman Income REIT Management, Inc. (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed October 19, 2012)
10.18		Loan Modification Agreement dated as of March 15, 2013 by and among Hartman Parkway LLC, Hartman Bent Tree Green, LLC; Hartman Richardson Heights Properties, LLC, Hartman Short Term Income Properties XX, Inc., and Hartman Cooper Street Plaza, LLC in favor of Texas Capital Bank, NA (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed March 21, 2013)
10.19		Amended and Restated Promissory Note dated as of March 15, 2013 by and among Hartman Parkway LLC, Hartman Bent Tree Green, LLC; Hartman Richardson Heights Properties, LLC, Hartman Short Term Income Properties XX, Inc., and Hartman Cooper Street Plaza, LLC in favor of Texas Capital Bank, NA (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed March 21, 2013)
10.20		Real Property Management Agreement, dated as of March 15, 2013, by and among Hartman Parkway, LLC and Hartman Income REIT Management, Inc. (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed March 21, 2013)
10.21		Purchase and Sale Agreement and Escrow Instructions, dated as of February 7, 2014, by and between Hartman Gulf Plaza Acquisitions L.P. and Hartman Short Term Income Properties XX, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed February 7, 2014)
10.22		Agreement of Sales and Purchase, dated as of March 12, 2014, by and between AFS NW Business Park, L.P. and Hartman Short Term Income Properties XX, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed March 14, 2014)
10.23		First Amendment to Agreement of Sale and Purchase, dated as of April 10, 2014, by and between AFS NW Business Park, L.P. and Hartman Short Term Income Properties XX, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed April 17, 2014)
10.24		Loan Modification Agreement, dated June 13, 2014, by and among Texas Capital Bank, NA and Hartman Richardson Heights Properties, LLC, Hartman Cooper Street Plaza, LLC, Hartman Bent Tree Green LLC, Hartman Parkway LLC and Hartman Short Term Income Properties XX, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 19, 2014)
10.25		Loan Agreement by and between Hartman Mitchelldale Business Park, LLC and Security Life of Denver Insurance Company, dated as of June 13, 2014 (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed June 19, 2014)
10.26		Promissory Note, dated as of June 13, 2014, by Hartman Mitchelldale Business Park, LLC, in favor of Security Life of Denver Insurance Company (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed June 19, 2014)
10.27		Real Property Management Agreement, dated as of June 13, 2014, by and among Hartman Mitchelldale Business Park, LLC and Hartman Income REIT Management, Inc. (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed June 19, 2014)
10.28		Assignment, Consent and Subordination Regarding Management Agreement dated June 30, 2014 in favor of Security Life of Denver Insurance Company – Mitchelldale (Incorporated by reference to Exhibit 10.5 to the Company's Form 8-K filed June 19, 2014)
10.29		Assignment of Rents and Leases, dated as of June 13, 2014 in favor of Security Life of Denver Insurance Company – Mitchelldale (Incorporated by reference to Exhibit 10.6 to the Company's Form 8-K filed June 19, 2014)
10.30		Limited Guaranty, dated as of June 13, 2013 in favor of Security Life of Denver Insurance Company – Mitchelldale (Incorporated by reference to Exhibit 10.8 to the Company's Form 8-K filed June 19, 2014)

10.31		Affiliate Guaranty, dated as of June 13, 2014 in favor of Security Life of Denver Insurance Company – Mitchelldale (Incorporated by reference to Exhibit 10.9 to the Company's Form 8-K filed June 19, 2014)
10.32		Loan Agreement by and between Hartman Richardson Heights Properties, LLC and Security Life of Denver Insurance Company, dated as of June 13, 2014 (Incorporated by reference to Exhibit 10.10 to the Company's Form 8-K filed June 19, 2014)
10.33		Promissory Note, dated as of June 13, 2014, by Hartman Richardson Heights Properties, LLC, in favor of Security Life of Denver Insurance Company (Incorporated by reference to Exhibit 10.11 to the Company's Form 8-K filed June 19, 2014)
10.34		Assignment of Rents and Leases, dated as of June 13, 2014 in favor of Security Life of Denver Insurance Company – Richardson Heights (Incorporated by reference to Exhibit 10.12 to the Company's Form 8-K filed June 19, 2014)
10.35		Assignment of Rents and Leases (2nd Assignment), dated as of June 13, 2014 in favor of Security Life of Denver Insurance Company – Richardson Heights (Incorporated by reference to Exhibit 10.13 to the Company's Form 8-K filed June 19, 2014)
10.36		Assignment, Consent and Subordination Regarding Management Agreement, dated as of June 13, 2014 in favor of Security Life of Denver Insurance Company – Richardson Heights (Incorporated by reference to Exhibit 10.14 to the Company's Form 8-K filed June 19, 2014)
10.37		Limited Guaranty, dated as of June 13, 2013 in favor of Security Life of Denver Insurance Company – Richardson Heights (Incorporated by reference to Exhibit 10.15 to the Company's Form 8-K filed June 19, 2014)
10.38		Affiliate Guaranty, dated as of June 13, 2014 in favor of Security Life of Denver Insurance Company – Richardson Heights (Incorporated by reference to Exhibit 10.16 to the Company's Form 8-K filed June 19, 2014)
10.39		Loan Agreement by and between Hartman Cooper Street Plaza, LLC and Security Life of Denver Insurance Company, dated as of June 13, 2014 (Incorporated by reference to Exhibit 10.17 to the Company's Form 8-K filed June 19, 2014)
10.40		Promissory Note, dated as of June 13, 2014, by Hartman Cooper Street Plaza, LLC, in favor of Security Life of Denver Insurance Company (Incorporated by reference to Exhibit 10.18 to the Company's Form 8-K filed June 19, 2014)
10.41		Assignment of Rents and Leases, dated as of June 13, 2014 in favor of Security Life of Denver Insurance Company – Cooper Street (Incorporated by reference to Exhibit 10.19 to the Company's Form 8-K filed June 19, 2014)
10.42		Assignment of Rents and Leases (2nd Assignment), dated as of June 13, 2014 in favor of Security Life of Denver Insurance Company – Cooper Street (Incorporated by reference to Exhibit 10.20 to the Company's Form 8-K filed June 19, 2014)
10.43		Assignment, Consent and Subordination Regarding Management Agreement, dated as of June 13, 2014 in favor of Security Life of Denver Insurance Company – Cooper Street (Incorporated by reference to Exhibit 10.21 to the Company's Form 8-K filed June 19, 2014)
10.44		Limited Guaranty, dated as of June 13, 2013 in favor of Security Life of Denver Insurance Company – Cooper Street (Incorporated by reference to Exhibit 10.22 to the Company's Form 8-K filed June 19, 2014)
10.45		Affiliate Guaranty, dated as of June 13, 2014 in favor of Security Life of Denver Insurance Company – Cooper Street (Incorporated by reference to Exhibit 10.23 to the Company's Form 8-K filed June 19, 2014)
10.46		Loan Agreement by and between Hartman Bent Tree Green, LLC and Security Life of Denver Insurance Company, dated as of June 13, 2014 (Incorporated by reference to Exhibit 10.24 to the Company's Form 8-K filed June 19, 2014)
10.47		Promissory Note, dated as of June 13, 2014, by Hartman Bent Tree Green, LLC, in favor of Security Life of Denver Insurance Company (Incorporated by reference to Exhibit 10.25 to the Company's Form 8-K filed June 19, 2014)
10.48		Assignment of Rents and Leases, dated as of June 13, 2014 in favor of Security Life of Denver Insurance Company – Bent Tree Green (Incorporated by reference to Exhibit 10.26 to the Company's Form 8-K filed June 19, 2014)
10.49		Assignment of Rents and Leases (2nd Assignment), dated as of June 13, 2014 in favor of Security Life of Denver Insurance Company – Bent Tree Green (Incorporated by reference to Exhibit 10.27 to the Company's Form 8-K filed June 19, 2014)

10.50		Assignment, Consent and Subordination Regarding Management Agreement, dated as of June 13, 2014 in favor of Security Life of Denver Insurance Company – Bent Tree Green (Incorporated by reference to Exhibit 10.28 to the Company's Form 8-K filed June 19, 2014)
10.51		Limited Guaranty, dated as of June 13, 2013 in favor of Security Life of Denver Insurance Company – Bent Tree Green (Incorporated by reference to Exhibit 10.29 to the Company's Form 8-K filed June 19, 2014)
10.52		Affiliate Guaranty, dated as of June 13, 2014 in favor of Security Life of Denver Insurance Company – Bent Tree Green (Incorporated by reference to Exhibit 10.30 to the Company's Form 8-K filed June 19, 2014)
10.53		Purchase Agreement, dated as of July 1, 2014, by and between BRI 1841 Energy Plaza, LLC and Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed July 7, 2014)
10.54		Loan Modification Agreement dated July 2, 2014 (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed July 7, 2014)
10.55		Note Amended and Restated dated July 2, 2014 (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed July 7, 2014)
10.56		Assignment of Rents – Gulf Plaza (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed July 7, 2014)
10.57		Assignment of Management Agreement – Gulf Plaza (Incorporated by reference to Exhibit 10.5 to the Company's Form 8-K filed July 7, 2014)
10.58		Agreement of Purchase and Sale, dated as of November 14, 2014, between U.S. Bank National Association, as Trustee, as successor-in-interest to Bank of America, National Association, as successor-by-merger to LaSalle Bank National Association, as Trustee for the Registered Holders of Bear Stearns Commercial Mortgage Securities Inc., Commercial Mortgage Pass-Through Certificates, Series 2007-PWR17 and Hartman XX Limited Partnership, a Texas limited partnership, its successors or assigns. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed November 14, 2014)
10.59		Real Property and Company Management Agreement by and between Hartman Highway 6 LLC and Hartman Income REIT Management, Inc., dated as of December 30, 2014 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed January 1, 2015)
10.60		First Amendment to Agreement of Purchase and Sale, dated as of December 5, 2014 (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed January 1, 2015)
10.61		Purchase and Sales and Escrow Agreement, dated as of March 12, 2015, by and between 12830 Hillcrest Road Investors LP and Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed March 16, 2015)
10.62		Purchase and Sales Agreement, dated as of March 24, 2015, by and between PKY 400 North Belt, LLC and Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed March 26, 2015)
10.63		Real Property Management Agreement, dated as of April 21, 2015 by and between Hartman Hillcrest, LLC and Hartman Income REIT Management, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed May 8, 2015)
10.64		Promissory Note, dated May 1, 2015, by Hartman Hillcrest, LLC in favor of Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed May 8, 2015)
10.65		Deed of Trust, dated May 1, 2015, by Hartman Hillcrest LLC in favor of Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed May 8, 2015)
10.66		Real Property Management Agreement, dated as of April 21, 2015 by and between Hartman North Belt, LLC and Hartman Income REIT Management, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed May 15, 2015)
10.67		Promissory Note, dated May 8, 2015, by Hartman 400 North Belt, LLC in favor of Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed May 15, 2015)
10.68		Deed of Trust, dated May 8, 2015, by Hartman 400 North Belt LLC in favor of Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed May 15, 2015)
10.69		Negative Pledge, dated May 8, 2015, by Hartman 400 North Belt LLC and Hartman XX Operating Partnership in favor of Texas Capital Bank, NA (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed May 15, 2015)
10.70		Purchase and Sales Agreement, dated as of May 27, 2015 by and between AF Corporate Park Place, Ltd. and Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 2, 2015)

10.71		Purchase and Sales Agreement, dated as of June 9, 2015 by and between CSFB Skymark Tower 2007-C2 LLC and Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 11, 2015)
10.72		Purchase and Sales Agreement, dated as of June 12, 2015 by and between KWI Ashford Westchase Buildings, L.P. and Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 19, 2015)
10.73		Real Property Management Agreement, dated as of July 7, 2015 by and between Hartman Ashford Crossing LLC and Hartman Income REIT Management, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed August 4, 2015)
10.74		Negative Pledge, dated July 31, 2015, by Hartman Ashford Crossing LLC and Hartman XX Operating Partnership in favor of Texas Capital Bank, NA (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed August 4, 2015)
10.75		Real Property Management Agreement, dated as of July 16, 2015 by and between Hartman Corporate Park Place, LLC and Hartman Income REIT Management, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed August 31, 2015)
10.76		Deed of Trust, Assignment of Rents and Security Agreement, dated as of August 24, 2015 by and between Hartman 400 North Belt LLC, Hartman Corporate Park Place LLC, Hartman Hillcrest LLC and Hartman Short Term Income Properties XX, Inc. and East West Bank (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed August 31, 2015)
10.77		Revolving Promissory Note, dated as of August 24, 2015 by and between Hartman 400 North Belt LLC, Hartman Corporate Park Place LLC, Hartman Hillcrest LLC and Hartman Short Term Income Properties XX, Inc. and East West Bank (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed August 31, 2015)
10.78		Assignment of Leases and Rents, dated as of August 21, 2015 by and between Hartman 400 North Belt LLC, Hartman Corporate Park Place LLC, Hartman Hillcrest LLC and Hartman Short Term Income Properties XX, Inc. and East West Bank (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed August 31, 2015)
10.79		Real Property Management Agreement, dated as of July 16, 2015 by and between Hartman Skymark Tower, LLC and Hartman Income REIT Management, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed September 8, 2015)
10.80		First Amendment to Purchase and Sale Agreement dated as of June 29, 2015 by and between CSFB Skymark Tower 2007-C2 LLC and Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed September 8, 2015)
10.81		Second Amendment to Purchase and Sale Agreement dated as of July 6, 2015 by and between CSFB Skymark Tower 2007-C2 LLC and Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed September 8, 2015)
10.82		Third Amendment to Purchase and Sale Agreement dated as of July 21, 2015 by and between CSFB Skymark Tower 2007-C2 LLC and Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed September 8, 2015)
10.83		Purchase and Sales Agreement, dated as of September 15, 2015 by and between KW Funds One-Technology, LLC and Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed September 15, 2015)
10.84		First Amendment to Purchase and Sales Agreement, dated as of October 8, 2015 by and between KW Funds One-Technology, LLC and Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed October 14, 2015)
10.85		Real Property Management Agreement dated October 12, 2015 by and between Hartman One Technology LLC and Hartman Income REIT Management, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed November 16, 2015)
10.86		Loan Modification Agreement dated November 10, 2015 by and among Hartman Parkway LLC, Hartman Short Term Income Properties XX, Inc., Hartman Gulf Plaza LLC, Hartman Highway 6 LLC, Hartman XX Limited Partnership, Hartman XX REIT GP LLC and Hartman One Technology LLC and Texas Capital Bank, National Association (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed November 16, 2015)

10.87		Amended and Restated Promissory Note dated November 10, 2015 by and among Hartman Parkway LLC, Hartman Short Term Income Properties XX, Inc., Hartman Gulf Plaza LLC, Hartman Highway 6 LLC, Hartman XX Limited Partnership, Hartman XX REIT GP LLC and Hartman One Technology LLC and Texas Capital Bank, National Association (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed November 16, 2015)
10.88		Assignment of Rents dated November 10, 2015 by Hartman One Technology LLC in favor of Texas Capital Bank, National Association (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed November 16, 2015)
10.89		Assignment and Subordination of Management Agreement dated November 10, 2015 by Hartman One Technology LLC in favor of Texas Capital Bank, National Association and Hartman Income REIT Management, Inc. (Incorporated by reference to Exhibit 10.5 to the Company's Form 8-K filed November 16, 2015)
10.90		Purchase and Sales Agreement, dated as of February 2, 2016 by and between EQYInvest Mission Bend, LLC and Hartman Short Term Income Properties XX, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed February 3, 2016)
10.91		Purchase and Sales Agreement, dated as of April 4, 2016 by and between Market Place Boulevard, Irving, LLC and Hartman Short Term Income Properties XX, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed April 6, 2016)
10.92		Guaranty Agreement, dated as of May 17, 2016 by and between JPMorgan Chase Bank, National Association and Hartman Short Term Income Properties XX, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed May 20, 2016)
10.93		Loan Agreement dated as of June 1, 2016 by and between Southside Bank and Hartman Westway One, LLC (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed June 7, 2016)
10.94		Promissory Note dated June 1, 2016 by Hartman Westway One, LLC in favor of Southside Bank (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed June 7, 2016)
10.95		Deed of Trust, Security Agreement and Assignment of Rents dated June 1, 2016 by Hartman Westway One, LLC in favor of Southside Bank (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed June 7, 2016)
10.96		First Amendment to Real Estate Purchase and Sale Agreement dated April 26, 2016 by and between Market Place Boulevard, Irving, LLC and Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed June 7, 2016)
10.97		Contract of Sale, dated as of October 14, 2016 by and between Village Pointe Investors, L.P. and Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed October 20, 2016)
10.98		Agreement of Purchase and Sale and Joint Escrow Instructions Agreement, dated November 21, 2016 by and between Massachusetts Mutual Life Insurance Company and Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed November 28, 2016)
10.99		First Amendment to Agreement of Purchase and Sale and Joint Escrow Instructions dated December 2, 2016 by and between Massachusetts Mutual Life Insurance Company and Hartman XX Limited Partnership (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed December 29, 2016)
10.100		Loan Agreement dated as of December 22, 2016 by and between Southside Bank and Hartman Three Forest Plaza, LLC (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed December 29, 2016)
10.101		Promissory Note dated December 22, 2016 by Hartman Three Forest Plaza, LLC in favor of Southside Bank (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed December 29, 2016)
10.102		Deed of Trust, Security Agreement and Assignment of Rents dated December 22, 2016 by Hartman Westway One, LLC in favor of Southside Bank (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed December 29, 2016)
10.103		Guaranty Agreement dated December 22, 2016 by Hartman Three Forest Plaza, LLC in favor of Southside Bank (Incorporated by reference to Exhibit 10.5 to the Company's Form 8-K filed December 29, 2016)
10.104		Agreement and Plan of Merger among Hartman Short Term Income Properties XX, Inc., Hartman XX Limited Partnership, Hartman Income REIT, Inc. and Hartman Income REIT Operating Partnership, L.P. dated July 21, 2017 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 24, 2017)

10.105		Agreement and Plan of Merger among Hartman Short Term Income Properties XX, Inc., and Hartman Short Term Income Properties XIX, Inc. dated July 21, 2017 (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed on July 24, 2017)
21.1		List of subsidiaries of Hartman Short Term Income Properties XX, Inc.*
24.1		Power of Attorney (included on the signature page)
31.1		Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
31.2		Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
32.1		Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *
32.2		Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted 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 EXTENSION CALCUATION LINKBASE DOCUMENT
101.DEF		XBRL EXTENSION DEFINITION LINKBASE DOCUMENT
101.LAB		XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT
101.PRE		XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Hartman Short Term Income Properties XX, Inc. and Subsidiaries

Opinion on the financial statements

We have audited the accompanying consolidated balance sheet of Hartman Short Term Income Properties XX, Inc. (a Maryland corporation) and subsidiaries (the "Company") as of December 31, 2017, the related consolidated statement of operations, equity, and cash flows for the year ended December 31, 2017, and the related notes and schedule (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 7 to the financial statements, the Company's TCB Credit Facility, EWB Credit Facility, and EWB II Credit Facility have maturity dates, each of which is less than twelve months from the date these consolidated financial statements are issued. These conditions, along with other matters as set forth in Note 2, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2018.

Dallas, Texas
April 2, 2018

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Hartman Short Term Income Properties XX, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of Hartman Short Term Income Properties XX, Inc. (a Maryland corporation) and Subsidiaries (the Company) as of December 31, 2016 and the related consolidated statements of operations, equity, and cash flows for the year ended December 31, 2016. Our audit also included the financial statement schedule listed in the Index to Consolidated Financial Statements at Item 15, Schedule III – Real Estate Assets and Accumulated Depreciation and Amortization as it relates to information as of December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hartman Short Term Income Properties XX, Inc. and Subsidiaries as of December 31, 2016 and the results of its operations and its cash flows for the year ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements, presents fairly in all material respects, the information set forth therein as of December 31, 2016.

/s/ Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
April 10, 2017

HARTMAN SHORT TERM INCOME PROPERTIES XX, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31, 2017	December 31, 2016
ASSETS		
Real estate assets, at cost	$ 259,962	$ 253,099
Accumulated depreciation and amortization	(73,140)	(49,872)
Real estate assets, net	186,822	203,227
Cash and cash equivalents	1,586	3,254
Restricted cash	2,371	2,371
Notes receivable-related party	9,715	11,431
Accrued rent and accounts receivable, net	7,271	5,266
Deferred leasing commission costs, net	6,077	4,775
Goodwill	250	250
Due from related parties	5,736	-
Prepaid expenses and other assets	1,906	1,662
Real estate held for disposition	-	7,050
Investment in affiliate	8,978	8,978
Total assets	$ 230,712	$ 248,264
LIABILITIES AND EQUITY		
Liabilities:		
Notes payable, net	$ 117,237	$ 114,151
Note payable – real estate held for disposition, net	554	3,458
Accounts payable and accrued expenses	10,999	12,057
Due to related parties	-	343
Tenants' security deposits	1,883	1,824
Total liabilities	130,673	131,833
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, $0.001 par value, 200,000,000 convertible, non-voting shares authorized, 1,000 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	-	-
Common stock, $0.001 par value, 750,000,000 authorized, 18,003,520 shares and 18,164,878 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	18	18
Additional paid-in capital	167,871	169,406
Accumulated distributions and net loss	(81,188)	(59,674)
Total stockholders' equity	86,701	109,750
Non-controlling interests	13,338	6,681
Total equity	100,039	116,431
Total liabilities and equity	$ 230,712	$ 248,264

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

HARTMAN SHORT TERM INCOME PROPERTIES XX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Year Ended December 31,	
	2017	**2016**
Revenues		
Rental revenues	$ 38,831	$ 33,002
Tenant reimbursements and other revenues	5,478	5,568
Total revenues	44,309	38,570
Expenses (income)		
Property operating expenses	14,679	14,530
Asset management and acquisition fees	1,760	3,007
Organization and offering costs	–	(44)
Real estate taxes and insurance	6,529	4,510
Depreciation and amortization	23,268	22,488
General and administrative	2,726	2,382
Interest expense	5,764	3,737
Interest and dividend (income)	(1,332)	(1,147)
Total expenses, net	53,394	49,463
Loss from continuing operations	(9,085)	(10,893)
Income (loss) from discontinued operations, net	50	(31)
Net loss	(9,035)	(10,924)
Net (loss) income attributable to non-controlling interest	(143)	122
Net loss attributable to common stockholders	$ (8,892)	$ (11,046)
Net loss attributable to common stockholders per share	$ (0.49)	$ (0.64)
Weighted average number of common shares outstanding, basic and diluted	18,110	17,362

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

HARTMAN SHORT TERM INCOME PROPERTIES XX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(in thousands)

	Preferred Stock		Common Stock						
	Shares	**Amount**	**Shares**	**Amount**	**Additional Paid-In Capital**	**Accumulated Distributions and Net Loss**	**Total Stockholders' Equity**	**Non-controlling Interest**	**Total Equity**
Balance, January 1, 2016	1	$-	13,769	$14	$128,336	($36,443)	$91,907	-	$91,907
Issuance of common shares (cash investment), net of redemptions	-	-	4,096	4	40,089	-	40,093	-	40,093
Issuance of common shares (non-cash)	-	-	300	-	3,084	-	3,084	-	3,084
Investment of noncontrolling interest	-	-	-	-	-	-	-	6,850	6,850
Selling commissions	-	-	-	-	(2,103)	-	(2,103)	-	(2,103)
Distributions (stock)	-	-	-	-	-	(2,581)	(2,581)	-	(2,581)
Distributions (cash)	-	-	-	-	-	(9,604)	(9,604)	(291)	(9,895)
Net (loss) income	-	-	-	-	-	(11,046)	(11,046)	122	(10,924)
Balance, December 31, 2016	1	$-	18,165	$18	$169,406	($59,674)	$109,750	$ 6,681	$116,431
Redemption of common shares	-	-	(167)	-	(1,614)	-	(1,614)	-	(1,614)
Issuance of common shares (non-cash)	-	-	6	-	79	-	79	-	79
Noncontrolling capital	-	-	-	-	-	-	-	8,700	8,700
Deconsolidation of Village Pointe	-	-	-	-	-	-	-	(1,350)	(1,350)
Dividends and Distributions (cash)	-	-	-	-	-	(12,622)	(12,622)	(550)	(13,172)
Net (loss) income	-	-	-	-	-	(8,892)	(8,892)	(143)	(9,035)
Balance, December 31, 2017	1	$-	18,004	$18	$167,871	($81,188)	$86,701	$ 13,338	$100,039

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

HARTMAN SHORT TERM INCOME PROPERTIES XX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,	
	2017	**2016**
Cash flows from operating activities:		
Net loss	$ (9,035)	$ (10,924)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation	74	104
Depreciation and amortization	23,268	22,488
Deferred loan and leasing commission costs amortization	1,662	1,128
Bad debt provision	508	713
Changes in operating assets and liabilities:		
Accrued rent and accounts receivable	(2,513)	(3,229)
Deferred leasing commissions	(2,518)	(3,110)
Prepaid expenses and other assets	(313)	(415)
Accounts payable and accrued expenses	(1,041)	2,320
Due (from) to related parties	(863)	542
Tenants' security deposits	59	498
Net cash provided by operating activities	9,288	10,115
Cash flows from investing activities:		
Acquisition deposits	20	(20)
Advance to affiliates	(4,662)	(4,200)
Investment in note receivable from affiliate	1,716	(7,231)
Investment in affiliate	-	(8,978)
Investment in real estate held for disposition	7,050	(7,050)
Additions to real estate	(6,863)	(63,392)
Net cash used in investing activities	(2,739)	(90,871)
Cash flows from financing activities:		
Distributions to common stockholders	(12,650)	(8,918)
Distributions to non-controlling interests	(543)	(208)
Payment of selling commissions	-	(2,103)
Noncontrolling interests' capital	7,350	6,850
Payment of deferred loan costs	(124)	(501)
Borrowings under term loan notes	-	28,646
Repayments under term loan notes	(1,169)	(1,200)
Borrowings under term loan notes – real estate held for disposition	-	3,525
Repayments under term loan notes – real estate held for disposition	(3,525)	-
Borrowings under revolving credit facility	5,500	56,225
Repayments under revolving credit facility	(1,500)	(44,471)
Proceeds from issuance of common stock, net of redemptions	(1,556)	40,256
Net cash (used in) provided by financing activities	(8,217)	78,101
Net change in cash, cash equivalents and restricted cash	(1,668)	(2,655)
Cash, cash equivalents and restricted cash at the beginning of period	5,625	8,280
Cash, cash equivalents and restricted cash at the end of period	$ 3,957	$ 5,625
Supplemental cash flow information:		
Cash paid for interest	$ 5,259	$ 3,407
Supplemental disclosures of non-cash investing and financing activities:		
(Decrease) increase in distribution payable	(28)	(407)
Distributions made to common stockholders through common stock issuances pursuant to the distribution reinvestment plan	-	2,988

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

HARTMAN SHORT TERM INCOME PROPERTIES XX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Organization and Business

Hartman Short Term Income Properties XX, Inc. (the "Company"), is a Maryland corporation formed on February 5, 2009. The Company elected to be treated as a real estate investment trust ("REIT") beginning with the taxable year ended December 31, 2011.

Effective March 31, 2016, the Company terminated the offer and sale of its common shares to the public in its follow-on offering. The sale of shares of the Company's common stock to its stockholders pursuant to the Company's distribution reinvestment plan continued until July 16, 2016.

The Company was originally a majority owned subsidiary of Hartman XX Holdings, Inc. ("XX Holdings"), a Texas corporation wholly owned by Allen R. Hartman. The Company sold 19,000 shares of common stock to XX Holdings at a price of $10.00 per share. As of December 31, 2017, the ownership of XX Holdings is approximately 0.1% of the issued and outstanding shares of the Company. The Company issued 1,000 shares of the Company's convertible preferred stock to the Company's advisor, Hartman Advisors LLC ("Advisor"), at a price of $10.00 per share. The Advisor is owned 70% by Allen R. Hartman and 30% by Hartman Income REIT Management, Inc. (the "Property Manager"). The Property Manager is a wholly owned subsidiary of Hartman Income REIT, Inc. Allen R. Hartman, the Company's Chief Executive Officer and Chairman of the Board of Directors, beneficially owns approximately 20% of Hartman Income REIT, Inc.

Substantially all of the Company's business is conducted through the Company's wholly owned subsidiary, Hartman XX Limited Partnership, a Texas limited partnership (the "Operating Partnership"). The Company's wholly-owned subsidiary, Hartman XX REIT GP LLC, a Texas limited liability company, is the sole general partner of the Operating Partnership. The Company is the sole limited partner of the Operating Partnership. The Company's single member interests in the Company's limited liability company subsidiaries are owned by the Operating Partnership or its wholly owned subsidiaries.

On April 11, 2017, the Operating Partnership entered into a membership interest purchase agreement with Hartman vREIT XXI, Inc. ("vREIT XXI"), an affiliate of the Company. Pursuant to the terms of a membership interest purchase agreement between vREIT XXI and the Company, vREIT XXI may acquire up to $10,000,000 of the equity membership interest of Operating Partnership in Hartman Three Forest Plaza, LLC ("Three Forest Plaza LLC"). As of December 31, 2017, vREIT XXI has acquired an approximately 48.8% equity interest in Three Forest Plaza LLC for $8,700,000.

Subject to certain restrictions and limitations, the Advisor is responsible for managing the Company's affairs on a day-to-day basis and for identifying and making acquisitions and investments on behalf of the Company pursuant to an advisory agreement (the "Advisory Agreement") by and among the Company and Advisor. Management of the Company's properties is through the Property Manager.

As of December 31, 2017, the Company owned or held a majority interest in 17 commercial properties comprising approximately 2,928,000 square feet plus three pad sites, all located in Texas. As of December 31, 2017, the Company owned nine properties located in Richardson, Arlington, and Dallas, Texas, six properties located in Houston, Texas and two properties located in San Antonio, Texas. As of December 31, 2016, the Company owned or held a majority interest in 18 commercial properties comprising approximately 2,983,000 square feet plus three pad sites, all located in Texas. As of December 31, 2016, the Company owned nine properties located in Richardson, Arlington, and Dallas, Texas, six properties located in Houston, Texas and three properties located in San Antonio, Texas.

On July 21, 2017, the Company and Hartman Short Term Income Properties XIX, Inc. ("Hartman XIX"), entered into an agreement and plan of merger (the "XIX Merger Agreement") and (ii) the Company, the Operating Partnership, Hartman Income REIT, Inc. ("HIREIT") and Hartman Income REIT Operating Partnership LP, the operating partnership of HIREIT, ("HIROP"), entered into an agreement and plan of merger (the "HIREIT Merger Agreement," and together with the XIX Merger Agreement, the "Merger Agreements").

Subject to the terms and conditions of the XIX Merger Agreement, including the satisfaction of all closing conditions set forth in the Merger Agreements, Hartman XIX will merge with and into the Company, with the Company surviving the merger (the "Hartman XIX Merger"). Subject to the terms and conditions of the HIREIT Merger Agreement, (i) HIREIT will merge with and into the Company, with the Company surviving the merger (the "HIREIT Merger," and together with

the Hartman XIX Merger, the "REIT Mergers"), and (ii) HIROP will merge and with and into the Operating Partnership, with the Operating Partnership surviving the merger (the "Partnership Merger," and together with the REIT Mergers, the "Mergers"). The REIT Mergers are intended to qualify as a "reorganization" under, and within the meaning of, Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the Partnership Merger is intended to be treated as a tax-deferred exchange under Section 721 of the Code.

Subject to the terms and conditions of the XIX Merger Agreement, (i) each share of common stock of Hartman XIX (the "XIX Common Stock") issued and outstanding immediately prior to the Effective Time (as defined in the XIX Merger Agreement) will be automatically cancelled and retired and converted into the right to receive 9,171.98 shares of common stock, $0.01 par value per share, of the Company ("Company Common Stock"), (ii) each share of 8% cumulative preferred stock of Hartman XIX issued and outstanding immediately prior to the Effective Time will be automatically cancelled and retired and converted into the right to receive 1.238477 shares of Company Common Stock, and (iii) each share of 9% cumulative preferred stock of Hartman XIX issued and outstanding immediately prior to the Effective Time will be automatically cancelled and retired and converted into the right to receive 1.238477 shares of Company Common Stock.

Subject to the terms and conditions of the HIREIT Merger Agreement, (a) in connection with the HIREIT Merger, (i) each share of common stock of HIREIT (the "HIREIT Common Stock") issued and outstanding immediately prior to the REIT Merger Effective Time (as defined in the HIREIT Merger Agreement) will be automatically cancelled and retired and converted into the right to receive 0.752222 shares of Company Common Stock, and (ii) each share of subordinate common stock of HIREIT will be automatically cancelled and retired and converted into the right to receive 0.752222 shares of Company Common Stock, and (b) in connection with the Partnership Merger, each unit of limited partnership interest in HIREIT Operating Partnership ("HIREIT OP Units") issued and outstanding immediately prior to the Partnership Merger Effective Time (as defined in the HIREIT Merger Agreement) (other than any HIREIT OP Units held by HIREIT) will be automatically cancelled and retired and converted into the right to receive 0.752222 validly issued, fully paid and non-assessable units of limited partnership interests in XX Operating Partnership.

Each Merger Agreement contains customary covenants, including covenants prohibiting HIREIT and Hartman XIX and their respective subsidiaries and representatives from soliciting, providing information or entering into discussions concerning proposals relating to alternative business combination transactions, subject to certain limited exceptions.

The Merger Agreements may be terminated under certain circumstances, including but not limited to (i) by the mutual written consent of all the parties to a Merger Agreement, (ii) by either the Company or HIREIT or Hartman XIX, as applicable, if a final and non-appealable order is entered prohibiting or disapproving the applicable Mergers, (iii) by either the Company or HIREIT or Hartman XIX, as applicable, if the required approval of the applicable Mergers by the stockholders of the Company or HIREIT or Hartman XIX, as applicable (the "Stockholder Approvals"), have not been obtained, (iv) by either the Company or HIREIT or Hartman XIX, as applicable, upon a material uncured breach by the other party that would cause the closing conditions in the applicable Merger Agreement not to be satisfied, or (v) by either the Company or HIREIT or Hartman XIX, as applicable, if the applicable Mergers have not been completed on or before September 30, 2018. No termination fees or penalties are payable by any party to any Merger Agreement in the event of the termination of any Merger Agreement.

The Merger Agreements contain certain representations and warranties made by the parties thereto. The representations and warranties of the parties were made solely for purposes of the contract among the parties, and are subject to certain important qualifications and limitations set forth in confidential disclosure letters delivered by the parties to the Mergers to the other parties to the Mergers. Moreover, certain of the representations and warranties are subject to a contractual standard of materiality that may be different from what may be viewed as material to stockholders, and the representations and warranties are primarily intended to establish circumstances in which either of the parties may not be obligated to consummate the Mergers, rather than establishing matters as facts.

Each Merger Agreement sets forth certain conditions of the parties thereto to consummate the Mergers contemplated by such Merger Agreement, including (i) receipt of the applicable Stockholder Approvals, (ii) receipt of all regulatory approvals, (iii) the absence of any judgments, orders or laws prohibiting or restraining the consummation of the applicable Mergers, (iv) the effectiveness with the Securities and Exchange Commission (the "SEC") of the registration statement on Form S-4 to be filed by the Company to register the shares of Company Common Stock to be issued as consideration in the REIT Mergers, (v) the delivery of certain documents, consents and legal opinions, and (vi) the truth and correctness of the representations and warranties of the respective parties, subject to the materiality standards contained in the Merger

Agreements. In addition, the consummation of the HIREIT Merger and the Partnership Merger is a condition to the consummation of the Hartman XIX Merger, and vice versa. There can be no guarantee that the conditions to the closing of the Mergers set forth in the Merger Agreements will be satisfied.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements as of December 31, 2017 and 2016 and for the years then ended have been prepared by the Company in accordance with accounting principles generally accepted in the United States and pursuant to the rules and regulations of the Securities and Exchange Commission, including Form 10-K and Regulation S-K. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments), which are, in the opinion of management, necessary to fairly present the operating results for the respective periods.

These consolidated financial statements include the accounts of the Company, the Operating Partnership and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents. Cash and cash equivalents as of December 31, 2017 and 2016 consisted of demand deposits at commercial banks.

Restricted Cash - As of December 31, 2017 and 2016, the Company had a restricted cash balance of $2,371,000, which represents amounts set aside as impounds to be disbursed to the Company upon achieving incremental occupancy and gross income thresholds at the Richardson Heights Property and the Bent Tree Green Property.

The lender has the right to draw any of the remaining funds and apply the same to the outstanding loans at the lender's sole discretion. The Company's right to draw upon the restricted funds expires June 30, 2018. Restricted funds not drawn as of that date will be applied as prepayments of loan principal.

Financial Instruments

The accompanying consolidated balance sheets include the following financial instruments: cash and cash equivalents, accrued rent and accounts receivable, accounts payable and accrued expenses and balances with related parties. The Company considers the carrying value of these financial instruments to approximate their respective fair values due to their short-term nature. The fair value of the Company's fixed rate notes payable, variable rate notes payable and secured revolving credit facilities aggregates to $116,777,000 and $113,972,000 as compared to book value of $118,358,000 and $115,618,000 as of December 31, 2017 and 2016, respectively. The fair value of our debt instruments is estimated on a Level 2 basis, as provided by ASC 820, using a discounted cash flow analysis based on the borrowing rates currently available to the Company for loans with similar terms and maturities, discounting the future contractual interest and principal payments. Disclosure about the fair value of financial instruments is based on relevant information available as of December 31, 2017 and 2016.

Revenue Recognition

The Company's leases are accounted for as operating leases. Certain leases provide for tenant occupancy during periods for which no rent is due and/or for increases or decreases in the minimum lease payments over the terms of the

leases. Revenue is recognized on a straight-line basis over the terms of the individual leases. Revenue recognition under a lease begins when the tenant takes possession of or controls the physical use of the leased space. When the Company acquires a property, the term of existing leases is considered to commence as of the acquisition date for the purposes of this calculation. Accrued rents are included in accrued rent and accounts receivable, net. In accordance with Accounting Standards Codification ("ASC") 605-10-S99, Revenue Recognition, the Company will defer the recognition of contingent rental income, such as percentage rents, until the specific target that triggers the contingent rental income is achieved. Cost recoveries from tenants are included in tenant reimbursements and other revenue in the period the related costs are incurred.

Real Estate

Allocation of Purchase Price of Acquired Assets

Upon the acquisition of real properties, it is the Company's policy to allocate the purchase price of properties to acquired tangible assets, consisting of land and buildings, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases and leasehold improvements and value of tenant relationships, based in each case on their fair values. The Company utilizes internal valuation methods to determine the fair values of the tangible assets of an acquired property (which includes land and buildings).

The fair values of above-market and below-market in-place lease values, including below-market renewal options for which renewal has been determined to be reasonably assured, are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (a) the contractual amounts to be paid pursuant to the in-place leases and (b) an estimate of fair market lease rates for the corresponding in-place leases and below-market renewal options, which is generally obtained from independent appraisals, measured over a period equal to the remaining non-cancelable term of the lease. The above-market and below-market lease and renewal option values are capitalized as intangible lease assets or liabilities and amortized as an adjustment of rental revenue over the remaining expected terms of the respective leases.

The fair values of in-place leases include direct costs associated with obtaining a new tenant, opportunity costs associated with lost rentals which are avoided by acquiring an in-place lease, and tenant relationships. Direct costs associated with obtaining a new tenant include commissions, tenant improvements, and other direct costs and are estimated based on independent appraisals and management's consideration of current market costs to execute a similar lease. These direct costs are included in intangible lease assets and are amortized to expense over the remaining terms of the respective leases. The value of opportunity costs is calculated using the contractual amounts to be paid pursuant to the in-place leases over a market absorption period for a similar lease. Customer relationships are valued based on expected renewal of a lease or the likelihood of obtaining a particular tenant for other locations. These intangibles are included in real estate assets in the consolidated balance sheets and are being amortized to expense over the remaining term of the respective leases.

The determination of the fair values of the assets and liabilities acquired requires the use of significant assumptions with regard to the current market rental rates, rental growth rates, discount rates and other variables. The use of inappropriate estimates would result in an incorrect assessment of the purchase price allocations, which could impact the amount of the Company's reported net loss.

Depreciation and amortization

Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 39 years for buildings and improvements. Tenant improvements are depreciated using the straight-line method over the lesser of the life of the improvement or the remaining term of the lease. In-place leases are amortized using the straight-line method over the weighted average years calculated in terms of all of the leases in-place when acquired.

Impairment

The Company reviews its real estate assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of the assets, including accrued rental income, may not be recoverable through operations. The Company determines whether an impairment in value has occurred by comparing the estimated future cash flows (undiscounted and without interest charges), including the estimated residual value of the property, with

the carrying cost of the property. If impairment is indicated, a loss will be recorded for the amount by which the carrying value of the property exceeds its fair value. Management has determined that there has been no impairment in the carrying value of the Company's real estate assets as of December 31, 2017 and 2016.

Projections of expected future cash flows require management to estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, discount rates, the number of months it takes to release the property and the number of years the property is held for investment. The use of inappropriate assumptions in the future cash flow analysis would result in an incorrect assessment of the property's future cash flow and fair value and could result in the overstatement of the carrying value of the Company's real estate and related intangible assets and net income.

Fair Value Measurement

Fair value measures are classified into a three-tiered fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets.
Level 2: Directly or indirectly observable inputs, other than quoted prices in active markets.
Level 3: Unobservable inputs in which there is little or no market data, which require a reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of the following valuation techniques:

Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
Cost approach: Amount required to replace the service capacity of an asset (replacement cost).
Income approach: Techniques used to convert future amounts to a single amount based on market expectations (including present-value, option-pricing, and excess-earnings models).

The Company's estimates of fair value were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts. The Company classifies assets and liabilities in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement.

Accrued Rent and Accounts Receivable, net

Included in accrued rent and accounts receivable are base rents, tenant reimbursements and receivables attributable to recording rents on a straight-line basis. An allowance for the uncollectible portion of accrued rent and accounts receivable is determined based upon customer credit-worthiness (including expected recovery of the Company's claim with respect to any tenants in bankruptcy), historical bad debt levels, and current economic trends.

Deferred Leasing Commissions Costs, net

Leasing commissions are capitalized and amortized using the straight-line method over the term of the related lease agreements.

Goodwill

Generally accepted accounting principles in the United States require the Company to test goodwill for impairment at least annually or more frequently whenever events or circumstances occur indicating goodwill might be impaired. The Company has the option to perform a qualitative assessment to determine if it is more likely than not that the fair value is less than the carrying amount. If the qualitative assessment determines that it is more likely than not that the fair value is less than the carrying amount, or if the Company elects to bypass the qualitative assessment, the Company performs a two-step impairment test. In the first step, management compares its net book value of the Company to the carrying amount of goodwill at the balance sheet date. In the event net book value of the Company is less than the carrying amount of

goodwill, the Company proceeds to step two and assesses the need to record an impairment charge. For the years ended December 31, 2017 and 2016, no goodwill impairment was recognized in the accompanying consolidated financial statements.

Real Estate Held for Disposition and Discontinued Operations

The Company considers a commercial property to be held for sale when it meets all of the criteria established under ASC 205, "Presentation of Financial Statements." For commercial properties classified as held for sale, assets and liabilities are presented separately for all periods presented.

In accordance with ASC 205, a discontinued operation may include a component of an entity or a group of components of an entity. A disposal of a component of an entity or a group of components of an entity is reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the component of an entity or group of components of an entity is classified as held for sale, disposed of by sale or disposed of other than by sale, respectively. In addition, ASC 205 requires us to provide additional disclosures about both discontinued operations and the disposal of an individually significant component of an entity that does not meet the criteria for a discontinued operation.

Noncontrolling Interests

Noncontrolling interests is the portion of equity in a subsidiary not attributable to a parent. The ownership interests not held by the parent are considered noncontrolling interests. Accordingly, the Company has reported noncontrolling interests in equity on the consolidated balance sheets but separate from the Company's equity. On the consolidated statements of operations, subsidiaries are reported at the consolidated amount, including both the amount attributable to the Company and noncontrolling interests. The consolidated statement of stockholders' equity is included for financial statements, including beginning balances, activity for the period and ending balances for stockholders' equity, noncontrolling interests and total equity.

Organization and Offering Costs

The Company has incurred certain expenses in connection with organizing the company. These costs principally relate to professional and filing fees. For the years ended December 31, 2017 and 2016, such costs totaled $0 and $20,000, respectively, which have been expensed as incurred.

Organization and offering expenses of the Company are paid directly by the Company or incurred by Advisor on behalf of the Company and reimbursed by the Company to the Advisor (subject to certain limitations). Pursuant to the Advisory Agreement, organization and offering expenses will be reimbursed by the Advisor to the Company following the completion of a public offering of the Company to the extent that total organization and offering expenses incurred by the Company in connection with such public offerings (excluding selling commissions and dealer manager fees) exceed 1.5% of gross offering proceeds from the completed public offerings. As of December 31, 2017 and 2016, respectively, the amount of offering and organizational expenses incurred in excess of 1.5% of gross offering proceeds was cumulatively $858,000 for the Company's initial and follow-on public offerings, respectively. The Company terminated the offer and sale of its common stock to the public in its follow-on offering on March 31, 2016. The Company recorded a receivable from the Advisor and recorded a contra expense of $858,000 resulting in a net credit for organization and offering expenses of ($44,000) for the year ended December 31, 2016.

Stock-Based Compensation

The Company follows ASC 718- Compensation- Stock Compensation with regard to issuance of stock in payment of services. ASC 718 requires that compensation cost relating to share-based payment transactions be recognized in the consolidated financial statements. The compensation cost is measured based on the estimated grant date fair value, as of the grant date of the Company's common stock, of the equity or liability instruments issued. Stock-based compensation expense are recorded over the vesting period and is included in general and administrative expense in the accompanying consolidated statements of operations.

Advertising

The Company expenses advertising costs as incurred and such costs are included in general and administrative expenses in the accompanying consolidated statements of operations. Advertising costs totaled $74,000 and $183,000 for the years ended December 31, 2017 and 2016, respectively.

Income Taxes

The Company has elected to be treated as a REIT under the Internal Revenue Code, as amended, beginning with its taxable year ended December 31, 2011. To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of the Company's annual REIT taxable income to stockholders (which is computed without regard to the dividends-paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, the Company generally will not be subject to federal income tax on income that it distributes as dividends to its stockholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income tax on its taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost, unless the Internal Revenue Service grants the Company relief under certain statutory provisions. Such an event could materially and adversely affect the Company's net income and net cash available for distribution to stockholders. However, the Company believes that it is organized and will operate in such a manner as to qualify for treatment as a REIT.

For the years ended December 31, 2017 and 2016, the Company incurred a net loss of $9,035,000 and $10,924. The Company formed one taxable REIT subsidiary which may generate future taxable income which may be offset by the net loss carry forward. The Company considers that any deferred tax benefit and corresponding deferred tax asset which may be recorded in light of the net loss carry forward would be properly offset by an equal valuation allowance in that no material current or future taxable income is expected. Accordingly, no deferred tax benefit or deferred tax asset has been recorded in the consolidated financial statements.

The Company is required to recognize in its consolidated financial statements the financial effects of a tax position only if it is determined that it is more likely than not that the tax position will not be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Management has reviewed the Company's tax positions and is of the opinion that material positions taken by the Company would more likely than not be sustained upon examination. Accordingly, the Company has not recognized a liability related to uncertain tax positions.

On December 22, 2017, H.R. 1, known as the Tax Cuts and Jobs Act (the "TCJA") was signed into law and included wide-scale changes to individual, pass-through and corporation tax laws, including those that impact the real estate industry, the ownership of real estate and real estate investments, and REITs. The Company has reviewed the provisions of the law that pertain to the Company and have determined them to have no material income tax effect for financial statement purposes for the year ended December 31, 2017.

Loss Per Share

The computations of basic and diluted loss per common share are based upon the weighted average number of common shares outstanding and potentially dilutive securities. The Company's potentially dilutive securities include preferred shares that are convertible into the Company's common stock. As of December 31, 2017 and 2016, there were no shares issuable in connection with these potentially dilutive securities. These potentially dilutive securities were excluded from the computations of diluted net loss per share for the years ended December 31, 2017 and 2016 because no shares are issuable and inclusion of such potentially dilutive securities would have been anti-dilutive.

Concentration of Risk

The Company maintains cash accounts in two U.S. financial institutions. The terms of these deposits are on demand to minimize risk. The balances of these accounts may exceed the federally insured limits. As of December 31, 2017, the

Company had two depository accounts with a total of $654,000 in excess of the federally insured limits. No losses have been incurred in connection with these deposits.

The geographic concentration of the Company's real estate assets makes it susceptible to adverse economic developments in the State of Texas. Any adverse economic or real estate developments in these markets, such as business layoffs or downsizing, relocations of businesses, increased competition or any other changes, could adversely affect the Company's operating results and its ability to make distributions to stockholders

Going Concern Evaluation

Pursuant to ASU 2014-15, "Presentation of Financial Statements – Going Concern," management is required to evaluate the Company's ability to continue as a going concern within one-year after the date that these consolidated financial statements are issued. The TCB Credit Facility, the EWB Credit Facility and the EWB II Credit Facility have maturity dates, each of which is less than twelve months from the date these consolidated financial statements were issued. Management has considered whether the conditions of the credit facility maturity dates raise substantial doubt that the Company's ability to continue as a going concern and meet these debt obligations when they become due.

Management has a plan to refinance the TCB Credit Facility, the EWB Credit Facility and the EWB II Credit Facility, either as a comprehensive plan to refinance the credit facilities of the Company in connection with or following the proposed merger of the Company and its Hartman affiliates or on a standalone basis without regard to the approval and completion of the proposed mergers. Inasmuch as management's plan has not been fully implemented, the guidance provided by ASU 2014-15 requires that management must conclude that the fact of the loan maturity dates within one-year of the issuance date of these consolidated financial statements raises the issue of substantial doubt. Management believes that management's plan to renew, extend or refinance the credit facilities is likely based upon its history of successfully financing and refinancing the Company's debt and will mitigate the maturity date issue within one year of the issuance date of these consolidated financial statements

Recent Accounting Pronouncements

On January 1, 2017, the Company adopted ASU ("Accounting Standards Update") No. 2017-01, "Clarifying the Definition of a Business," which provides guidance for determining whether an integrated set of assets and activities meets the definition of a business. Acquisitions of integrated assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. The Company believes most of its future acquisitions of operating properties will qualify as asset acquisitions. Third party transaction costs, including acquisition fees paid to Advisor, associated with asset acquisitions will be capitalized while internal acquisition costs will continue to be expenses as incurred. There is no effect of the adoption of this ASU in the accompanying consolidated financial statements as there were no 2017 acquisitions. This accounting standard will be applicable to future property acquisitions.

In October 2016, the Financial Accounting Standards Board, or FASB, issued ASU No. 2016-17, "Interest Held Through Related Parties That Are Under Common Control," which amends the accounting guidance when determining the treatment of certain VIE's to include the interest of related parties under common control in a VIE when considering whether or not the reporting entity is the primary beneficiary of the VIE when considering consolidation. The Company has adopted this guidance for all periods presented.

In November 2016, the FASB issued ASU No. 2016-18, "Classification of Restricted Cash," which addresses the Statement of Cash Flow classification and presentation of restricted cash transactions. The effect of this amendment is to be applied retrospectively and early adoption is permitted. The Company has adopted this guidance in the fourth quarter of fiscal year 2017 and applied this presentation retroactively to all periods presented in these consolidated financial statements. The effect of adopting this guidance is that changes in restricted cash previously reported as a change in investing activities are no longer presented as such and the balance of restricted cash is included with cash and cash equivalents in the Consolidated Statements of Cash Flows.

Recently Accounting Pronouncements Not Yet Adopted

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. ASU No. 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method. In July 2015, the FASB issued ASU No. 2015-14 which deferred the effective date of ASU No. 2014-09 by one year to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period.

The Company expects to adopt ASU No. 2014-09 using the modified retrospective approach. The Company has evaluated the impact of the new guidance and does not expect the adoption of the guidance to be material to its financial results of operations. Additional information about the Company's revenue streams and other considerations are summarized below.

Rental revenues – are derived from commercial lease agreements with tenants. Rental income from real property is specifically excluded from ASU No. 2014-09.

Tenant reimbursements and other revenue – is comprised of tenant reimbursements for real estate taxes, insurance, common area maintenance and operating expenses. Reimbursements from real estate taxes and certain other expenses are not included within the scope of ASU No. 2014-09. Other income includes percentage rent under certain tenant leases. Percentage rent is recognized as revenue when billed to the tenant and is treated as rental revenue. Other income also includes termination fee income (fees attributable to the early termination of a tenant lease), parking fee income and income received pursuant to an economic development grant (attributable to the Richardson Heights property). Termination fees, parking fees and income received in respect of the economic development fee grant are recognized as income when received.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Liabilities," which enhances the reporting requirements surrounding the measurement of financial instruments and requires equity securities to be measured at fair value with changes in the fair value recognized through net income for the period. ASU No. 2016-01 is effective for the Company's fiscal year commencing on January 1, 2018. The Company does not anticipate that the adoption of ASU No. 2016-01 will have a material effect on its consolidated financial position or consolidated results of operations.

In February 2016, the FASB issued ASU No. 2016-02, "Leases," which changes lessee accounting to reflect the financial liability and right-of-use asset that are inherent to leasing an asset on the balance sheet. ASU No. 2016-02 is effective for the Company's fiscal year commencing on January 1, 2019, but early adoption is permitted. The Company does not anticipate that the adoption of ASU No. 2016-02 will have a material effect on its consolidated financial position or consolidated results of operations.

Note 3 — Real Estate

Real estate assets consisted of the following, in thousands:

	December 31,	
	2017	2016
Land	$ 62,320	$ 62,320
Buildings and improvements	134,069	127,206
In-place lease value intangible	63,573	63,573
	259,962	253,099
Less accumulated depreciation and amortization	(73,140)	(49,872)
Total real estate assets	$ 186,822	$ 203,227

Depreciation expense for the years ended December 31, 2017 and 2016 was $7,713,000 and $6,581,000, respectively.

The Company identifies and records the value of acquired lease intangibles at the property acquisition date. Such intangibles include the value of acquired in-place leases and above and below-market leases. Acquired lease intangibles are

amortized over the leases' remaining terms. With respect to all properties owned by the Company, the Company considers all of the in-place leases to be market rate leases.

The amount of total in-place lease intangible asset and the respective accumulated amortization are as follows, in thousands:

	December 31,	
	2017	2016
In-place lease value intangible	$ 63,573	$ 63,573
Less: In-place leases – accumulated amortization	(50,190)	(34,635)
Acquired lease intangible assets, net	$ 13,383	$ 28,938

The estimated aggregate future amortization amounts from acquired lease intangibles are as follows, in thousands:

Year ending December 31,	In-place lease amortization
2018	5,937
2019	3,452
2020	3,016
2021	967
2022	11
Total	$ 13,383

Amortization expense for the year ended December 31, 2017 and 2016 was $15,555,000 and $15,907,000, respectively.

As of December 31, 2017 the Company owned or held a majority interest in 17 commercial properties comprising approximately 2,928,000 square feet plus three pad sites, all located in Texas. As of December 31, 2017, the Company owned nine properties located in Richardson, Arlington, and Dallas, Texas, six properties located in Houston, Texas and two properties located in San Antonio, Texas. As of December 31, 2016 the Company owned 18 commercial properties comprising approximately 2,983,000 square feet plus three pad sites, all located in Texas. As of December 31, 2016, the Company owned nine properties located in Richardson, Arlington, and Dallas, Texas, six properties located in Houston, Texas and three properties located in San Antonio, Texas.

Acquisition fees earned by the Advisor were $0 and $1,574,000 for the years ended December 31, 2017 and 2016, respectively. Asset management fees earned by the Advisor were $1,760,000 and $1,433,000 for the years ended December 31, 2017 and 2016, respectively. Asset management and acquisition fees are captioned as such in the accompanying consolidated statements of operations for the years ended December 31, 2017 and 2016, respectively.

On June 1, 2016, Hartman Westway One, LLC, a wholly owned subsidiary of the Operating Partnership, acquired a three-story office building containing approximately 165,982 square feet of office space located in Irving, Texas, commonly known as Westway One. The Westway One property was acquired for $21,638,000, exclusive of closing costs and liabilities assumed, from an unaffiliated third-party seller. The Westway One property was 100% occupied at the acquisition date. An acquisition fee of $541,000 was earned by the Advisor in connection with the purchase of the Westway One property.

On June 17, 2016, Hartman Westway One, LLC admitted an unrelated independent investor as a member for $5,500,000 in exchange for a 45.67% noncontrolling member interest.

On November 14, 2016, the Operating Partnership contributed $3,675,000 cash to Hartman Village Pointe, LLC, in exchange for a 97.35% membership in a joint venture investment among the Operating Partnership and Hartman vREIT XXI, Inc. Hartman vREIT XXI contributed $100,000 to Hartman Village Pointe, LLC in exchange for a 2.65% membership interest in the joint venture. On November 14, 2016, Hartman Village Pointe, LLC acquired a retail shopping

center comprising approximately 54,246 square feet located in San Antonio, Texas, commonly known as Village Pointe, for $7,050,000, exclusive of closing costs and liabilities assumed. The acquisition price for the Village Pointe property was funded by members' capital and a $3,525,000 mortgage loan provided by the Operating Partnership. On December 1, 2016, Hartman vREIT XXI acquired an additional 33.11% membership interest in the joint venture from the Operating Partnership for $1,250,000. An acquisition fee of $142,500 was earned by the Advisor in connection with the purchase of the of the Operating Partnership's interest as of December 31, 2016 in the Village Pointe property.

As of February 8, 2017, Hartman vREIT XXI, Inc. has acquired all of the Operating Partnership's interests in the joint venture for $3,775,000. See Note 11- Real Estate Held for Disposition.

On December 22, 2016, the Company, through Hartman Three Forest Plaza, LLC, a majority owned subsidiary of Hartman XX Limited Partnership, our operating partnership, acquired a fee simple interest in a 19-story suburban office building comprising approximately 366,549 square feet and located in Dallas, Texas. The property is commonly referred to as Three Forest Plaza with a purchase price of $35,655,000, exclusive of closing costs and liabilities assumed. The Three Forest property was 74% occupied at the acquisition date. An acquisition fee of $891,000 was earned by the Advisor in connection with the purchase of the Three Forest property.

On April 11, 2017, the Operating Partnership entered into a membership interest purchase agreement with Hartman vREIT XXI, Inc. ("vREIT XXI"), an affiliate of the Company. Pursuant to the terms of a membership interest purchase agreement between vREIT XXI and the Company, vREIT XXI may acquire up to $10,000,000 of the equity membership interest of Operating Partnership in Hartman Three Forest Plaza, LLC ("Three Forest Plaza LLC"). As of December 31, 2017, vREIT XXI has acquired an approximately 48.8% equity interest in Three Forest Plaza LLC for $8,700,000.

The following table summarizes the fair value of the assets acquired and the liabilities assumed based upon the Company's purchase price allocations of the Company's 2016 property acquisitions as of the respective acquisition dates, in thousands:

	Westway One	Three Forest Plaza	Total
Assets acquired:			
Real estate assets	$ 21,638	$ 35,655	$ 57,293
Liabilities assumed:			
Accounts payable and accrued expenses	232	1,303	1,535
Security deposits	38	283	321
Total liabilities assumed	270	1,586	1,856
Fair value of net assets acquired	$ 21,368	$ 34,069	$ 55,437

The Company's indirect wholly owned subsidiary, Hartman Richardson Heights Properties, LLC ("HRHP LLC"), and the City of Richardson, Texas are parties to an economic development incentive agreement. Under the terms of the agreement, the City of Richardson will pay annual grants to HRHP LLC in equal installments over a five-year period of up to $1.5 million and sales tax grants to be paid annually over the first 10 years of the Alamo Draft House lease. The first economic development installment was received in September 2013. The Company received installments of $300,000 in each of the years ended December 31, 2017 and 2016, respectively, which are included in tenant reimbursements and other revenues on the consolidated statements of operations. The company has made application to receive a sales tax grant of $82,000 for the 2017 fiscal year of the economic development agreement. For the years ended December 31, 2017 and 2016, respectively, the Company received sales tax grants of $0 and $73,000 pursuant to the economic development incentive agreement, which is included in tenant reimbursements and other revenues on the consolidated statements of operations.

Payments received by the Company in the form of annual grants and annual sales tax grants are subject to refund or adjustment during the term of the economic development incentive agreement. In general, the incentive agreement

provides that the Company must continue to be in good standing with respect to the terms and conditions of the agreement and that the Alamo Draft House lessee must continue as a tenant of the Richardson Heights Property during the term of its lease agreement. As of December 31, 2017, no uncured breach or default exists under the terms of the incentive agreement and the Company has no liability or other obligation to repay any grants received under the agreement.

Note 4 — Accrued Rent and Accounts Receivable, net

Accrued rent and accounts receivable, net, consisted of the following, in thousands:

	Years ended December 31,	
	2017	2016
Tenant receivables	$ 3,609	$ 2,889
Accrued rent	5,376	3,583
Allowance for doubtful accounts	(1,714)	(1,206)
Accrued rents and accounts receivable, net	$ 7,271	$ 5,266

As of December 31, 2017 and 2016, the Company had an allowance for uncollectible accounts of $1,715,000 and $1,206,000, respectively. For the years ended December 31, 2017 and 2016, the Company recorded bad debt expense of $508,000 and $713,000, respectively, related to tenant receivables that the Company have specifically identified as potentially uncollectible based on the Company's assessment of each tenant's credit-worthiness. Bad debt expenses and any related recoveries are included in property operating expenses in the accompanying consolidated statements of operations.

Note 5 — Deferred Leasing Commission Costs, net

Costs which have been deferred consist of the following, in thousands:

	Years ended December 31,	
	2017	2016
Deferred leasing commissions	$ 8,634	$ 6,116
Less: accumulated amortization	(2,557)	(1,341)
Deferred leasing commission costs, net	$ 6,077	$ 4,775

Note 6 — Future Minimum Rents

The Company leases the majority of its properties under noncancelable operating leases which provide for minimum base rentals. A summary of minimum future rentals to be received (exclusive of renewals, tenant reimbursements, and contingent rentals) under noncancelable operating leases in existence at December 31, 2017 is as follows, in thousands:

Year ending December 31,	Minimum Future Rents
2018	$ 34,634
2019	27,534
2020	23,255
2021	19,961
2022	14,617
Thereafter	28,064
Total	$ 148,065

Note 7 — Notes Payable

The Company is a party to a $30.0 million revolving credit agreement (the "TCB Credit Facility") with Texas Capital Bank. The TCB Credit Facility is secured by the Gulf Plaza, Timbercreek, Copperfield and One Technology Center properties. The borrowing base based on the collateral properties is $20.925 million. The TCB Credit Facility note, bears interest at the greater of 4.25% per annum or the bank's prime rate plus 1% per annum. The interest rate was 5.25% and 4.75% per annum as of December 31, 2017 and 2016, respectively. All borrowings under the TCB Credit Facility mature on May 9, 2018.

The outstanding balance under the TCB Credit Facility was $11,800,000 and $7,800,000 as of December 31, 2017 and December 31, 2016, respectively. As of December 31, 2017, the amount available to be borrowed is $9,125,000. As of December 31, 2017, the Company was in compliance with all loan covenants.

The Company is a party to a $15.525 million revolving credit agreement (the "EWB Credit Facility") with East West Bank. The borrowing base of the EWB Credit Facility may be adjusted from time to time subject to the lender's underwriting with respect to real property collateral. The EWB Credit Facility is secured by the Commerce Plaza Hillcrest, Corporate Park Place and 400 North Belt properties. The EWB Credit Facility note bears interest at the greater of 3.75% per annum or the bank's prime rate plus 0.50%. The interest rate was 4.75% and 4.25% per annum as of December 31, 2017 and 2016, respectively. The loan matures on November 22, 2018.

On October 8, 2015 the Company entered into a second revolving credit agreement with East West Bank (the "EWB II Credit Facility"). The borrowing base of the EWB II Credit Facility is $9.9 million and may be adjusted from time to time subject to the lender's underwriting with respect to the real property collateral. The EWB Credit Facility is secured by the Ashford Crossing and Skymark Tower properties. The EWB II Credit Facility note bears interest at the greater of 3.75% per annum or the bank's prime rate plus 0.50%. The interest rate was 4.75% and 4.25% per annum as of December 31, 2017 and 2016, respectively. The loan matures on November 22, 2018.

The outstanding balance under the EWB Credit Facility and EWB II Credit Facility was $21,900,000 as of December 31, 2017 and 2016, respectively. As of December 31, 2017, the amount available to be borrowed was $3,525,000, respectively. As of December 31, 2017, the Company was in compliance with all loan covenants.

On June 13, 2014, the Company, through the Operating Partnership, entered into four term loan agreements with an insurance company, each loan being secured by a collateral property. Each of the loans secured by the Richardson Heights Property, the Cooper Street Property, the Bent Tree Green Property and the Mitchelldale Property require monthly payments of principal and interest due and payable on the first day of each month. Monthly payments are based on a 27-year loan amortization. Each of the loan agreements are subject to customary covenants, representations and warranties which must be maintained during the term of the loan agreements. Each of the loan agreements provides for a fixed interest rate of 4.61%. As of December 31, 2017, we were in compliance with all loan covenants. Each of the loan agreements are secured by a deed of trust, assignment of licenses, permits and contracts, assignment and subordination of the management agreements and assignment of rents. The terms of the security instruments provide for the cross collateralization/cross default of the each of the loans. The outstanding balance of the four loans was $46,288,000 and $47,264,000 as of December 31, 2017 and 2016, respectively.

On December 30, 2014, Hartman Energy LLC and the Company entered into a loan assumption agreement by and among U.S. Bank National Association, as Trustee for Morgan Stanley Capital I Inc., Commercial Mortgage Pass-Through Certificates, Series 2011-C-3, as lender; BRI 1841 Energy Plaza, LLC, as borrower; Ariel Bentata, as guarantor; Hartman Energy LLC, as buyer; and the Company, as the new guarantor. The loan in the original amount of $10,900,000 and dated May 20, 2011, is evidenced by a promissory note, a deed of trust, assignment of leases and rents and security agreement. The loan agreement provides for a fixed interest rate of 5.30% per annum. The outstanding balance of the loan assumed was $10,363,000. The loan maturity date is June 10, 2021. Monthly payments of principal and interest are due and payable on the tenth day of each month beginning January 11, 2015 until June 10, 2021 based on a 30-year loan amortization. The loan agreement is subject to customary covenants, representations and warranties which must be maintained during the term of the loan agreement. As of December 31, 2017, we were in compliance with all loan

covenants. The loan agreement is secured by a deed of trust; assignment of licenses, permits and contracts; assignment and subordination of the management agreements; and assignment of rents. The outstanding balance was $9,814,000 and $10,007,000 as of December 31, 2017 and 2016, respectively.

On June 1, 2016, Hartman Westway One, LLC, entered into a three-year loan agreement with Southside Bank for the principal sum of $10,819,000, having a maturity date of June 1, 2019. The interest rate is the lesser of one-month LIBOR plus 2.50% or 2.50%. The interest rate was 3.73% and 3.12% per annum as of December 31, 2017 and 2016, respectively. The outstanding balance was $10,819,000 as of December 31, 2017 and 2016, respectively.

On December 22, 2016, Hartman Three Forest Plaza, LLC, entered into a three-year loan agreement with Southside Bank for the principal sum of $19,828,000, having a maturity date of December 31, 2019 with an extension of one year possible. The interest rate is the lesser of one-month LIBOR plus 2.80% or 2.80%. The interest rate was 4.17% and 3.56% per annum as of December 31, 2017 and 2016, respectively. The loan agreement requires monthly deposits of $30,500 to a capital reserve account, subject to a maximum capital reserve account balance of $366,600. Mortgage proceeds funded at closing were $17,828,000. The outstanding balance was $17,828,000 as of December 31, 2017 and 2016, respectively. The remaining $2,000,000 of loan proceeds are available, subject to the terms of loan agreement, to fund tenant improvements and leasing commissions.

The following is a summary of the mortgage notes payable as of December 31, 2017, in thousands:

				December 31,	
Property/Facility	**Payment (1)**	**Maturity Date**	**Rate**	**2017**	**2016**
Richardson Heights (2)	P&I	July 1, 2041	4.61%	$ 18,804	$ 19,200
Cooper Street (2)	P&I	July 1, 2041	4.61%	7,819	7,984
Bent Tree Green (2)	P&I	July 1, 2041	4.61%	7,819	7,984
Mitchelldale (2)	P&I	July 1, 2041	4.61%	11,846	12,096
Energy Plaza I & II	P&I	June 10, 2021	5.30%	9,814	10,007
Westway One	IO	June 1, 2019	3.73%	10,819	10,819
Three Forest Plaza	IO	December 31, 2019	4.17%	17,828	17,828
TCB Credit Facility	IO	May 9, 2018	5.25%	11,800	7,800
EWB Credit Facility	IO	November 22, 2018	4.75%	12,000	12,000
EWB II Credit Facility	IO	November 22 2018	4.75%	9,900	9,900
				$ 118,449	$ 115,618
Less unamortized deferred loan costs				(1,212)	(1,467)
				$ 117,237	$ 114,151

(1) Principal and interest (P&I) or interest only (IO).

(2) Each promissory note contains a call option wherein the holder of the promissory note may declare the outstanding balance due and payable on either July 1, 2024, July 1, 2029, July 1, 2034, or July 1, 2039.

Annual maturities of notes payable as of December 31, 2017 are as follows, in thousands:

Year ending December 31,	Amount Due
2018	$ 35,111
2019	30,030
2020	1,450
2021	10,451
2022	1,342
Thereafter	40,065
Total	**$ 118,449**

The Company's loan costs are amortized using the straight-line method over the term of the loans, which approximates the interest method. Costs which have been deferred consist of the following, in thousands:

	Years ended December 31,	
	2017	2016
Deferred loan costs	$ 2,348	$ 2,160
Less: deferred loan cost accumulated amortization	(1,136)	(693)
Total cost, net of accumulated amortization	$ 1,212	$ 1,467

Interest expense incurred for the year ending December 31, 2017 and 2016 was $5,764,000 and $3,737,000, respectively. Interest expense of $283,000 and $224,000 was payable as of December 31, 2017 and 2016, respectively, and is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

Note 8 — Loss Per Share

Basic earnings (loss) per share is computed using net income (loss) attributable to common stockholders and the weighted average number of common shares outstanding. Diluted weighted average shares outstanding reflect common shares issuable from the assumed conversion of convertible preferred stock into common shares. Only those items that have a dilutive impact on basic earnings (loss) per share are included in the diluted earnings (loss) per share.

	Years ended December 31,	
	2017	2016
Numerator:		
Net loss attributable to common stockholders	($8,982,000)	($11,046,000)
Denominator:		
Basic and diluted weighted average shares outstanding	18,109,553	17,361,594
Basic and diluted loss per common share:		
Net loss attributable to common stockholders	($0.49)	($0.64)

Note 9 — Income Taxes

Federal income taxes are not provided for because we qualify as a REIT under the provisions of the Internal Revenue Code and because we have distributed and intend to continue to distribute all of our taxable income to our stockholders. Our stockholders include their proportionate taxable income in their individual tax returns. As a REIT, we must distribute at least 90% of our real estate investment trust taxable income to our stockholders and meet certain income sources and investment restriction requirements. In addition, REITs are subject to a number of organizational and operational requirements. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax (including any

applicable alternative minimum tax) on our taxable income at regular corporate tax rates. The Company's federal income tax returns for the years ended December 31, 2014, 2015 and 2016 have not been examined by the Internal Revenue Service. The Company's federal income tax return for the year ended December 31, 2014 may be examined on or before September 15, 2018.

The Company formed one taxable REIT subsidiary which may generate future taxable income which may be offset by the net loss carry forward. The Company considers that any deferred tax benefit and corresponding deferred tax asset which may be recorded considering the net loss carry forward would be properly offset by an equal valuation allowance in that no material current or future taxable income is expected. Accordingly, no deferred tax benefit or deferred tax asset has been recorded in the consolidated financial statements.

The Company is required to recognize in its consolidated financial statements the financial effects of a tax position only if it is determined that it is more likely than not that the tax position will not be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Management has reviewed the Company's tax positions and is of the opinion that material positions taken by the Company would more likely than not be sustained upon examination. Accordingly, the Company has not recognized a liability related to uncertain tax positions.

Taxable income differs from net income for financial reporting purposes principally due to differences in the timing of recognition of interest, real estate taxes, depreciation and amortization and rental revenue.

For Federal income tax purposes, the cash distributed to stockholders was characterized as follows for the years ended December 31:

	2017		2016
Ordinary income *(unaudited)*	29.4%		34.8%
Return of capital *(unaudited)*	70.6%		65.2%
Capital gains distribution *(unaudited)*	-		-
Total	**100.0%**		**100.0%**

A provision for Texas Franchise tax under the Texas Margin Tax Bill in the amount of $244,000 and $197,000 was recorded in the consolidated financial statements for the years ended December 31, 2017 and 2016, respectively, with a corresponding charge to real estate taxes and insurance.

Note 10 — Related Party Transactions

Hartman Advisors LLC, is a Texas limited liability company owned 70% by Allen R. Hartman individually and 30% by the Property Manager. The Property Manager is a wholly owned subsidiary of Hartman Income REIT Management, LLC, which is wholly owned by Hartman Income REIT, Inc. and Subsidiaries of which approximately 20% is owned by Allen R. Hartman who is the Chief Executive Officer and Chairman of the Board of Directors.

The Company pays acquisition fees and asset management fees to the Advisor in connection with the acquisition of properties and management of the Company. The Company pays property management and leasing commissions to the Property Manager in connection with the management and leasing of the Company's properties. For the years ended December 31, 2017 and 2016 the Company incurred property management fees and reimbursements of $4,038,000 and $3,611,000, respectively, and $2,518,000 and $3,110,000, respectively for leasing commissions owed to our Property Manager. We incurred asset management fees of $1,760,000 and $1,433,000, respectively owed to Advisor. Acquisition fees incurred to the Advisor were $0 and $1,574,000 for the years ended December 31, 2017 and 2016, respectively. Property management fees and reimbursements are included in property operating expense in the accompanying consolidated statements of operations. Asset management fees and acquisition fees are captioned as such in the accompanying consolidated statements of operations.

HARTMAN SHORT TERM INCOME PROPERTIES XX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company had a balance due (from) to the Property Manager of ($3,207,000) and $518,000 as of December 31, 2017 and December 31, 2016, respectively.

The Company had a balance due from an affiliate, Hartman Short Term Income Properties XIX, Inc. ("Hartman XIX"), of $6,229,000 and $4,474,000 as of December 31, 2017 and 2016, respectively. The balance due from Hartman XIX includes a loan from the Company to Hartman XIX in the original amount of $4,500,000, which is not evidenced by a promissory note. Interest has been accrued on the loan amount at an annual rate of 6%. The amount was advanced to Hartman XIX in connection with the affiliate stock purchase described below in this note. The $2,029,000 balance due from Hartman XIX is included in Due to related parties, and the principal balance of the affiliate loan of $4,200,000 and is included in Notes receivable – related party, in the accompanying consolidated balance sheets. The Company recognized interest income on the affiliate note in the amount of $252,000 for each of the years ended December 31, 2017 and 2016, respectively, which is included in interest income in the accompanying consolidated statements of operations.

The Company owed the Advisor $554,000 and $243,000 for asset management fees as of December 31, 2017 and December 31, 2016, respectively. These fees are monthly fees equal to one-twelfth of 0.75% of the sum of the higher of the cost or value of each asset. The asset management fee will be based only on the portion of the cost or value attributable to the Company's investment in an asset, if the Company do not own all or a majority of an asset.

On January 26, 2016, the Company's board of directors approved the acquisition by the Company of up to $13.0 million in shares of common stock of Hartman Income REIT, Inc. ("HIREIT"), an affiliate of the Company, in connection with a tender offer by Hartman XIX to acquire for its account up to $2.0 million in shares of HIREIT common stock. On February 5, 2016, the Company advanced $4,500,000 to Hartman XIX in connection with Hartman XIX's contemplated acquisition of HIREIT shares. The Company has $4,200,000 of the principal balance remaining on this note receivable as of December 31, 2017 and 2016, respectively, as noted hereinabove and is included in Notes receivable – related party in the accompanying consolidated balance sheets. As of December 31, 2016, the Company acquired 1,561,523 shares of the common stock of HIREIT for $8,978,000. The Company's investment in HIREIT is accounted for under the cost method. The Company's approximately 11% ownership interest in HIREIT is less than a controlling stake, and is reflected as "Investment in Affiliate" on the accompanying consolidated balance sheets. The Company received dividend distributions from HIREIT of $425,000 and $283,000 for the years ended December 31, 2017 and 2016, respectively, which is included in interest and dividend income in the accompanying consolidated statements of operations.

On May 17, 2016, the Company, through its taxable REIT subsidiary, Hartman TRS, Inc. ("TRS"), loaned $7,231,000 pursuant to a promissory note in the face amount of up to $8,820,000 to Hartman Retail II Holdings Company, Inc. ("Retail II Holdings"), an affiliate of the Advisor and the Property Manager, in connection with the acquisition of a retail shopping center by Hartman Retail II DST, a Delaware statutory trust sponsored by the Property Manager. Pursuant to the terms of the promissory note, TRS will receive a two percent (2%) origination fee of amounts advanced under the promissory note, and interest at ten percent (10%) per annum on the outstanding principal balance. The outstanding principal balance of the promissory note will be repaid as investor funds are raised by Hartman Retail II DST. The maturity date of the promissory note is May 17, 2019. This note receivable had an outstanding balance of $5,515,000 and $8,231,000 as of December 31, 2017 and 2016, respectively, which is included in Notes receivable – related party in the accompanying consolidated balance sheets. For the years ended December 31, 2017 and 2016, respectively, interest and dividend income in the accompanying consolidated statements of operations, includes $655,000 and $456,000 of interest income. As of December 31, 2017 and 2016, respectively, the balance due from TRS by Retail II Holdings is $264,000 and $144,000, respectively.

Variable interest entities ("VIEs") are defined as entities with a level of invested equity that is not sufficient to fund future operations on a stand-alone basis, or whose equity holders lack certain characteristics of a controlling financial interest. For identified VIEs, an assessment must be made to determine which party to the VIE, if any, has both the power to direct the activities of the VIE that most significantly impacts the performance of the VIE and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company is not deemed to be the primary beneficiary of Retail II Holdings, which qualifies as a VIE. Accordingly, the assets and liabilities and revenues and expenses of Retail II Holdings have not been included in the accompanying consolidated financial statements.

As of December 31, 2017 and 2016, respectively, the Company had a net balance due to Hartman vREIT XXI of $236,000 and $0, related to the acquisition of joint venture interests from the Company.

Note 11 – Real Estate Held for Disposition

On November 14, 2016, the Operating Partnership contributed $3,675,000 cash to Hartman Village Pointe, LLC, in exchange for a 97.35% membership in a joint venture investment among the Operating Partnership and Hartman vREIT XXI, Inc. Hartman vREIT XXI contributed $100,000 to Hartman Village Pointe, LLC in exchange for a 2.65% membership interest in the joint venture. On November 14, 2016, Hartman Village Pointe, LLC acquired a retail shopping center comprising approximately 54,246 square feet located in San Antonio, Texas, commonly known as Village Pointe, for $7,050,000, exclusive of closing costs and liabilities assumed. The Village Pointe property was approximately 93% occupied at the acquisition date. The Operating Partnership made a mortgage loan of $3,525,000, secured by the Village Pointe Property, to Hartman Village Pointe LLC in connection with the property acquisition. On December 14, 2016, the acquisition financing provided by the Operating Partnership was refinanced with a $3,525,000 mortgage loan from a bank. The Company and the Operating Partnership are guarantors of the bank loan.

An acquisition fee of $142,500 was earned by the Advisor in connection with the purchase of the of the Operating Partnership's interest as of December 31, 2016 in the Village Pointe property.

Pursuant to the terms of a membership unit purchase agreement between the Operating Partnership and Hartman vREIT XXI, Hartman vREIT XXI had the option to acquire from time to time up to all of the membership interest of the Operating Partnership in Hartman Village Pointe at a price equal to the Operating Partnership's investment cost.

As of February 8, 2017, the Operating Partnership sold all of its interest in the joint venture for $3,675,000. The Company's investment in the Village Pointe property joint venture is presented as real estate held for disposition in the accompanying consolidated balance sheets. The Company's share of operations for the year ended December 31, 2017 and 2016, respectively, is presented as loss from discontinued operations in the accompanying consolidated statements of operations.

Loss from discontinued operations with respect to the Village Pointe Property is as follows, in thousands:

	Years ended December 31,	
	2017	2016
Total revenues	$ 44	$ 118
Property operating expenses	6	12
Real estate taxes and insurance	8	18
Asset management fees	3	7
General and administrative	1	7
Interest expense	7	105
Total expenses	25	149
Gain on disposition	31	-
Net income (loss) from discontinued operations	$ 50	$ (31)

Property operating expenses include $2,000 and $8,000 in property management fees and reimbursements earned by the Property Manager for the years ended December 31, 2017 and 2016, respectively. Asset management fees were earned by Advisor. Interest expense for the year ended December 31, 2016 includes $70,500 to the Operating Partnership for the bridge loan to Hartman Village Pointe, LLC and $34,000 of mortgage loan interest expense for the bridge loan for the period from November 14, 2016 to December 14, 2016.

Note 12 – Stockholders' Equity

Common Stock

Shares of common stock entitle the holders to one vote per share on all matters which stockholders are entitled to vote, to receive dividends and other distributions as authorized by the Company's board of directors in accordance with the Maryland General Corporation Law and to all rights of a stockholder pursuant to the Maryland General Corporation Law. The common stock has no preferences or preemptive, conversion or exchange rights.

Under the articles of incorporation, the Company has authority to issue 750,000,000 common shares of beneficial interest, $0.001 par value per share, and 200,000,000 preferred shares of beneficial interest, $0.001 par value per share.

The Company was originally a majority owned subsidiary of Hartman XX Holdings, Inc. Hartman XX Holdings, Inc. is a Texas corporation wholly owned by Allen R. Hartman. The Company sold 19,000 shares of common stock to Hartman XX Holdings, Inc. at a price of $10.00 per share. The Company has also issued 1,000 shares of the Company's convertible preferred stock to the Company's advisor, Hartman Advisors LLC ("Advisor"), at a price of $10.00 per share. The Advisor is owned 70% by Allen R. Hartman and 30% by Hartman Income REIT Management, Inc. (the "Property Manager"). The Property Manager is a wholly owned subsidiary of Hartman Income REIT, Inc. Allen R. Hartman, the Company's Chief Executive Officer and Chairman of the Board of Directors, beneficially owns approximately 20% of Hartman Income REIT, Inc.

Preferred Stock

Under the Company's articles of incorporation the Company's board of directors has the authority to issue one or more classes or series of preferred stock, and prior to the issuance of such stock, the board of directors shall have the power to classify or reclassify, in one or more series, any unissued shares and designate the preferences, rights and privileges of such shares. As of December 31, 2017 and 2016 the Company has issued 1,000 shares of convertible preferred shares to Hartman Advisors LLC at a price of $10.00 per share.

Common Stock Issuable Upon Conversion of Convertible Preferred Stock

The convertible preferred stock will convert to shares of common stock if (1) the Company has made total distributions on then outstanding shares of the Company's common stock equal to the issue price of those shares plus a 6% cumulative, non-compounded, annual return on the issue price of those outstanding shares, (2) the Company lists its common stock for trading on a national securities exchange if the sum of prior distributions on then outstanding shares of the Company's common stock plus the aggregate market value of the Company's common stock (based on the 30-day average closing price) meets the same 6% performance threshold, or (3) the Company's advisory agreement with Hartman Advisors, LLC expires without renewal or is terminated (other than because of a material breach by the Advisor), and at the time of such expiration or termination the Company is deemed to have met the foregoing 6% performance threshold based on the Company's enterprise value and prior distributions and, at or subsequent to the expiration or termination, the stockholders actually realize such level of performance upon listing or through total distributions. In general, the convertible stock will convert into shares of common stock with a value equal to 15% of the excess of the Company's enterprise value plus the aggregate value of distributions paid to date on then outstanding shares of common stock over the aggregate issue price of those outstanding shares plus a 6% cumulative, non-compounded, annual return on the issue price of those outstanding shares. With respect to conversion in connection with the termination of the advisory agreement, this calculation is made at the time of termination even though the actual conversion may occur later, or not at all.

Stock-Based Compensation

The Company awards vested restricted common shares to non-employee directors as compensation in part for their service as members of the board of directors of the Company. These shares are fully vested when granted. These shares may not be sold while an independent director is serving on the board of directors. For the years ended December 31, 2017 and 2016, respectively, the Company granted 6,000 and 6,000 shares of restricted common stock to independent directors as compensation for services. The Company recognized $79,000 and $79,000 as stock-based compensation expense for the years ended December 31, 2017 and 2016, respectively, based upon the estimated fair value per share. Stock-based compensation also includes incentive plan awards discussed at Note 13. These amounts are included in general and administrative expenses for the years ended December 31, 2017 and 2016, respectively in the accompanying consolidated statements of operations.

Distributions

The following table reflects the total distributions the Company has paid in cash and through the distribution reinvestment plan, including the total amount paid and amount paid per common share, in each indicated quarter:

Quarter Paid	Distributions per Common Share		Total Distributions Paid
2017			
4th Quarter	$ 0.175		$ 3,166
3rd Quarter	0.175		3,169
2nd Quarter	0.175		3,180
1st Quarter	0.175		3,135
Total	$ 0.700		$ 12,650
2016			
4th Quarter	$ 0.175		$ 3,173
3rd Quarter	0.175		3,213
2nd Quarter	0.175		3,042
1st Quarter	0.175		2,478
Total	$ 0.700		$ 11,906

Note 13 – Incentive Awards Plan

The Company has adopted an incentive plan (the "Omnibus Stock Incentive Plan" or the "Incentive Plan") that provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, deferred stock awards, restricted stock awards, dividend equivalent rights and other stock-based awards within the meaning of Internal Revenue Code Section 422, or any combination of the foregoing. The Company has initially reserved 5,000,000 shares of the Company's common stock for the issuance of awards under the Company's stock incentive plan, but in no event more than ten (10%) percent of the Company's issued and outstanding shares. The number of shares reserved under the Company's stock incentive plan is also subject to adjustment in the event of a stock split, stock dividend or other change in the Company's capitalization. Generally, shares that are forfeited or canceled from awards under the Company's stock incentive plan also will be available for future awards. The Compensation Committee of the Board of Directors approved awards of 1,000 shares of restricted common stock that were effective January 1, 2016 each of two executives of Hartman Income REIT Management, the Property Manager for the Company. The Company recognized stock-based compensation expense of $25,000 with respect to these awards based on the estimated net asset value per share of $12.40 for the year ended December 31, 2016. No similar award or expenses is recognized in 2017.

Note 14– Commitments and Contingencies

Economic Dependency

The Company is dependent on the Property Manager and the Advisor for certain services that are essential to the Company, including the identification, evaluation, negotiation, purchase and disposition of properties, management of the daily operations of the Company's real estate portfolio, and other general and administrative responsibilities. In the event that these companies are unable to provide the respective services, the Company will be required to obtain such services from other providers.

Litigation

The Company is subject to various claims and legal actions that arise in the ordinary course of business. Management of the Company believes that the final disposition of such matters will not have a material adverse effect on the financial position of the Company.

SCHEDULE III - REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION AND AMORTIZATION
DECEMBER 31, 2017

(Dollars in thousands)

			Initial Cost to the Company				
Property	**Date Acquired**	**Date of Construction**	**Land**	**Building and Improvements**	**In-place lease value intangible**	**Total**	**Post – acquisition Improvements**
Richardson Heights	12/28/2010	1958	$ 4,788	$ 10,890	$ 3,472	$ 19,150	$ 6,929
Cooper Street	5/11/2012	1992	2,653	5,768	2,192	10,613	470
Bent Tree Green	10/16/2012	1983	3,003	6,272	2,740	12,015	2,941
Parkway I&II	3/15/2013	1980	2,373	4,765	2,352	9,490	2,425
Gulf Plaza	3/11/2014	1983	3,488	6,005	4,457	13,950	223
Mitchelldale	6/13/2014	1977	4,794	9,816	4,565	19,175	2,110
Energy Plaza I&II	12/30/2014	1980/1982	4,403	6,840	6,367	17,610	935
Timbercreek	12/30/2014	1984	724	962	1,211	2,897	295
Copperfield	12/30/2014	1986	605	760	1,054	2,419	260
Commerce Hillcrest	5/1/2015	1973	6,500	1,031	3,869	11,400	1,829
400 North Belt	5/8/2015	1982	2,538	3,800	3,812	10,150	1,909
Ashford Crossing	7/31/2015	1983	2,650	4,240	3,710	10,600	1,272
Corporate Park Place	8/24/2015	1980	2,375	5,215	1,910	9,500	581
Skymark Tower	9/2/2015	1985	2,212	4,404	2,230	8,846	752
One Technology Center	11/10/2015	1984	4,894	8,558	6,123	19,575	1,431
Westway One	6/01/2016	2001	5,410	11,277	4,951	21,638	77
Three Forest Plaza	12/22/2016	1983	8,910	18,187	8,558	35,655	841
Total			$ 62,320	$ 108,790	$ 63,573	$ 234,683	$ 25,280

SCHEDULE III - REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION AND AMORTIZATION
DECEMBER 31, 2017

(Dollars in thousands)

	Gross Carrying Amount at December 31, 2017						
Property	Land	Building and Improvements	In-place lease value intangible	Total	Accumulated Depreciation & Amortization	Net Book Carrying Value	Encumbrances (1)
Richardson Heights	$ 4,788	$ 17,819	$ 3,472	$ 26,079	$ 7,762	$ 18,317	$ 19,200
Cooper Street	2,653	6,238	2,192	11,083	3,853	7,230	7,984
Bent Tree Green	3,003	9,213	2,740	14,956	4,894	10,062	7,984
Parkway I&II	2,373	7,190	2,352	11,915	4,113	7,802	(2)
Gulf Plaza	3,488	6,228	4,457	14,173	5,403	8,771	(2)
Mitchelldale	4,794	11,926	4,565	21,285	6,992	14,363	12,096
Energy Plaza I&II	4,403	7,775	6,367	18,545	6,946	11,5990	10,007
Timbercreek	724	1,257	1,211	3,192	1,003	2,189	(2)
Copperfield	605	1,020	1,054	2,679	658	2,021	(2)
Commerce Hillcrest	6,500	2,860	3,869	13,229	4,880	8,349	(3)
400 North Belt	2,538	5,709	3,812	12,059	4,968	7,091	(3)
Ashford Crossing	2,650	5,512	3,710	11,872	3,957	7,915	(3)
Corporate Park Place	2,375	5,796	1,910	10,081	2,761	7,320	(3)
Skymark Tower	2,212	5,156	2,230	9,598	2,676	6,922	(3)
One Technology Center	4,894	9,989	6,123	21,006	7,255	13,751	(2)
Westway One	5,410	11,354	4,951	21,715	2,061	19,654	10,819
Three Forest Plaza	8,910	19,027	8,558	36,495	3,028	33,467	17,828
Total	$ 62,320	$ 134,069	$ 63,573	$ 259,962	$ 73,140	$ 186,822	$ 85,918

(1) Specific encumbrances represent mortgage loans secured by the property indicated.

(2) Property pledged as mortgage collateral for revolving credit facility with Texas Capital Bank. As of December 31, 2017, the borrowing base value of the collateral properties is $20,925,000.

(3) Property pledged as mortgage collateral for revolving credit facilities with East West Bank. As of December 31, 2017, the borrowing base value of the collateral properties is $25,425,000.

(4) The aggregate cost of real estate for federal income tax purposes was $259,963,000 as of December 31, 2017.

SCHEDULE III - REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION AND AMORTIZATION
DECEMBER 31, 2017

Summary of activity for real estate assets for the years ended December 31, 2017 and 2016, in thousands:

	Years ended December 31,	
	2017	2016
Balance at beginning of period	$ 253,099	$ 189,707
Additions during the period:		
Acquisitions	-	57,293
Improvements	6,863	6,099
	6,863	63,392
Reductions – cost of real estate assets sold	-	-
Balance at end of period	$ 259,962	$ 253,099