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

FORM 10-Q

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

For the quarterly period ended June 30, 2018

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

Commission File Number 000-53912

HARTMAN SHORT TERM INCOME PROPERTIES XX, INC.

(Exact name of registrant as specified in its charter)

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

(713) 467-2222
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth 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 ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒ Emerging Growth Company ☒

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

As of August 1, 2018, there were 18,009,520 shares of the Registrant's common stock issued and outstanding, 19,000 of which were held by an affiliate of the Registrant.

Hartman Short Term Income Properties XX, Inc. and Subsidiaries
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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

HARTMAN SHORT TERM INCOME PROPERTIES XX, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	June 30, 2018	December 31, 2017
ASSETS	Unaudited	
Real estate assets, at cost	$ 263,754	$ 259,962
Accumulated depreciation and amortization	(80,598)	(73,140)
Real estate assets, net	183,156	186,822
Cash and cash equivalents	—	1,586
Restricted cash	573	2,371
Accrued rent and accounts receivable, net	8,653	7,271
Notes receivable - related party	9,002	9,715
Deferred leasing commission costs, net	7,313	6,077
Goodwill	250	250
Prepaid expenses and other assets	2,705	1,906
Due from related parties	12,625	5,736
Investment in affiliate	8,978	8,978
Total assets	$ 233,255	$ 230,712
LIABILITIES AND EQUITY		
Liabilities:		
Notes payable, net	$ 127,205	$ 117,237
Due to related parties	999	554
Accounts payable and accrued expenses	9,468	10,999
Tenants' security deposits	2,013	1,883
Total liabilities	139,685	130,673
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value, 200,000,000 convertible, non-voting shares authorized, 1,000 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	—	—
Common stock, $0.001 par value, 750,000,000 authorized, 18,009,520 shares and 18,003,520 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	18	18
Additional paid-in capital	167,947	167,871
Accumulated distributions and net loss	(87,473)	(81,188)
Total stockholders' equity	80,492	86,701
Noncontrolling interests in subsidiary	13,078	13,338
Total equity	93,570	100,039
Total liabilities and equity	$ 233,255	$ 230,712

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

(Unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Revenues				
Rental revenues	$ 9,584	$ 9,665	$ 19,536	$ 19,350
Tenant reimbursements and other revenues	2,071	1,082	3,606	2,619
Total revenues	11,655	10,747	23,142	21,969
Expenses (income)				
Property operating expenses	3,927	3,788	7,524	6,987
Asset management and acquisition fees	440	440	880	880
Real estate taxes and insurance	1,628	1,478	3,090	2,982
Depreciation and amortization	3,204	5,940	7,458	12,098
General and administrative	1,118	744	1,464	1,321
Interest and dividend income	(287)	(314)	(597)	(666)
Interest expense	1,732	1,481	3,294	2,864
Total expenses, net	11,762	13,557	23,113	26,466
(Loss) income from continuing operations	(107)	(2,810)	29	(4,497)
Loss from discontinued operations, net	—	—	—	(8)
Net (loss) income	(107)	(2,810)	29	(4,505)
Net (loss) income attributable to noncontrolling interests	40	(17)	12	47
Net (loss) income attributable to common stockholders	(147)	(2,793)	17	(4,552)
Net loss attributable to common stockholders per share	$ (0.01)	$ (0.15)	$ —	$ (0.25)
Weighted average number of common shares outstanding, basic and diluted	18,010	18,126	18,008	18,147

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

HARTMAN SHORT TERM INCOME PROPERTIES XX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EQUITY
(in thousands)

	Preferred Stock		Common Stock						
	Shares	**Amount**	**Shares**	**Amount**	**Additional Paid-In Capital**	**Accumulated Distributions and Net Loss**	**Total Stockholders' Equity**	**Noncontrolling Interests**	**Total Equity**
Balance, December 31, 2017	1	$ —	18,004	$ 18	$ 167,871	$ (81,188)	$ 86,701	$ 13,338	$ 100,039
Redemptions of common shares	—	—	—	—	—	—	—	—	—
Issuance of common shares	—	—	6	—	76	—	76	—	76
Dividends and distributions (cash)	—	—	—	—	—	(6,302)	(6,302)	(272)	(6,574)
Net (loss) income	—	—	—	—	—	17	17	12	29
Balance, June 30, 2018	1	$ —	18,010	$ 18	$ 167,947	$ (87,473)	$ 80,492	$ 13,078	$ 93,570

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

(Unaudited, in thousands)

	Six Months Ended June 30,	
	2018	**2017**
Cash flows from operating activities:		
Net income (loss)	$ 29	$ (4,505)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Stock based compensation	38	40
Depreciation and amortization	7,458	12,098
Deferred loan and lease commission costs amortization	1,013	830
Bad debt provision	477	189
Loss on real estate held for disposition	—	27
Changes in operating assets and liabilities:		
Accrued rent and accounts receivable	(1,858)	(1,445)
Deferred leasing commissions	(2,062)	(1,609)
Prepaid expenses and other assets	(799)	(891)
Accounts payable and accrued expenses	(1,797)	(2,358)
Due to/from related parties	(104)	(368)
Tenants' security deposits	130	34
Net cash provided by operating activities	2,525	2,042
Cash flows from investing activities:		
Acquisition deposits	—	20
Proceeds received - disposition of joint venture real estate held for disposition	—	2,214
Advance to affiliates	(6,339)	(1,000)
Repayment of note receivable - related party	713	—
Additions to real estate	(3,792)	(4,009)
Net cash used in investing activities	(9,418)	(2,775)
Cash flows from financing activities:		
Distributions to common stockholders and non-controlling interest	(6,574)	(6,587)
Borrowings under insurance premium finance note	604	561
Repayment under insurance premium finance note	(302)	(280)
Noncontrolling interests capital	—	5,450
Payments of deferred loan costs	—	(72)
Repayments under term loan notes	(744)	(624)
Borrowings under revolving credit facility	10,525	1,750
Repayments under revolving credit advances	—	(1,500)
Proceeds from issuance of common stock, net of redemptions	—	(508)
Net cash provided (used in) by financing activities	3,509	(1,810)
Net change in cash and cash equivalents	(3,384)	(2,543)
Cash and cash equivalents and restricted cash at the beginning of period	3,957	3,254
Cash and cash equivalents and restricted cash at the end of period	$ 573	$ 711
Supplemental cash flow information:		
Cash paid for interest	$ 3,096	$ 2,558
Supplemental disclosures of non-cash investing and financing activities:		
Increase in distribution payable	$ —	$ —
Distributions made to common stockholders through common stock issuances pursuant to the distribution reinvestment plan	$ —	$ —

Village Pointe assets/liabilities - disposed:		
Real estate	$ —	$ (7,050)
Note payable, net	$ —	$ 3,460
Net other assets and liabilities	$ —	$ (217)

The accompanying notes are an integral part of these 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 ending December 31, 2011.

Effective March 31, 2016, the Company terminated the offer and sale of its common stock 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 terminated 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 June 30, 2018, vREIT XXI owns 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 June 30, 2018 and 2017, respectively, the Company 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. 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.

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"). On July 21, 2017, as subsequently modified on May 8 2018, 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 HIREIT 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 0.863235 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 included in this report are unaudited; however, amounts presented in the consolidated balance sheet as of December 31, 2017 are derived from our audited consolidated financial statements as of that date. The unaudited consolidated financial statements as of June 30, 2018 have been prepared by the Company in accordance with accounting principles generally accepted in the United States ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission, including Form 10-Q and Regulation S-X, on a basis consistent with the annual audited consolidated financial statements. The consolidated financial statements presented herein reflect all adjustments (consisting of normal recurring accruals and adjustments), which are, in the opinion of management, necessary to fairly present the financial position of the Company as of June 30, 2018, and the results of consolidated operations for the three and six months ended June 30, 2018 and 2017, the consolidated statement of stockholders' equity for the six months ended June 30, 2018 and the consolidated statements of cash flows for the six months ended June 30, 2018 and 2017. The results of the six months ended June 30, 2018 are not necessarily indicative of the results to be expected for the year ending December 31, 2018.

The consolidated financial statements herein are condensed and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

These unaudited 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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and 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.

Correction of Immaterial Error

The Company has corrected certain prior period amounts in the accompanying consolidated financial statements in order to be consistent with the current period presentation. The Company has corrected the consolidated statement of cash flows for the six months ended June 30, 2017 for $1,000,000 which was originally included as change in Due to/from related parties in cash flow from operating activities to its correct presentation of Advances to affiliates in cash flows from investing activities.

The effect of the correction is an increase in cash provided by operating activities for the six months ended June 30, 2017 from $1,042,000 to $2,042,000 and an increase in cash used in investing activities from $1,775,000 to $2,775,000. These corrections had no effect on the previously reported working capital or results of operations.

For the quarterly period ended March 31, 2018 and September 30, 2017, included in the Company's previously filed Form 10Qs, the Company included $4,799,000 and $2,585,000, respectively as cash advanced to affiliates as cash used in operating activities. Consistent with the correction discussed above, the effect of correction of amounts reported as cash used in operating activities and cash used in investing activities for the three months ended March 31, 2018 is decrease in cash used in operating activities from $6,173,000 to $1,374,000 and an increase in cash used in investing activities from $1,123,000 to $5,922,000 and the effect of correction of amounts reported as cash used in operating activities and cash used in investing activities for the nine months ended September 30, 2017 is an increase in cash provided by operating activities from $2,385,000 to $4,970,000 and an increase in cash used in investing activities from $2,138,000 to $4,723,000. These corrections had no effect on the previously reported working capital or results of operations.

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 June 30, 2018 and December 31, 2017 consisted of demand deposits at commercial banks.

Restricted Cash - As of June 30, 2018 and December 31, 2017, the Company had a restricted cash balance of $573,000 and $2,371,000, respectively, 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 Company's right to draw upon the remaining restricted funds expired June 30, 2018. The restricted funds balance of $573,000 was applied as a pre-payment, without penalty, to the Richardson Heights Property loan principal balance on July 12, 2018.

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 due to/due from 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 $127,302,000 and $116,777,000 as compared to book value of $128,230,000 and $118,449,000 as of June 30, 2018 and December 31, 2017, 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 June 30, 2018 and December 31, 2017.

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. The Company's accrued rents are included in accrued rent and accounts receivable, net. 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 Additionally, Cost recoveries from tenants are included in the Tenant Reimbursement and Other Revenues line item in the income statement in the period the related costs are incurred.

As of January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers*, ("ASU 2014-09") which amends the guidance for revenue recognition to eliminate the industry-specific revenue recognition guidance and replace it with a principle based approach for determining revenue recognition. The Company adopted ASU 2014-09 effective January 1, 2018 using the modified retrospective approach and the adoption of this guidance did not have a material impact on the consolidated financial statements. The Company's revenue is primarily derived from leasing activities, which is specifically excluded from ASU 2014-09. The Company's 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 also excluded from of ASU 2014-09. Additionally, the Company's property dispositions have historically been cash sales with no contingencies and no future involvement in the property, as a result, the new guidance is not expected to have an effect on the Company's real estate transactions, however, the Company will account future sales of real estate properties in accordance with requirements of ASU 2014-09.

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 income 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' remaining calculated on 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 is no impairment indicated in the carrying value of our real estate assets as of June 30, 2018 and December 31, 2017.

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).

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

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 our claim with respect to any tenants in bankruptcy), historical bad debt levels, and current economic trends.

Deferred Leasing Commission Costs

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

Goodwill

GAAP requires 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. No goodwill impairment has been 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.

Stock-Based Compensation

The Company follows ASC 718, "Compensation-Stock Compensation" (ASC 718) 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 fair value of the equity or liability instruments issued. Stock-based compensation expense 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 $47,000 and $38,000 for the three months ended June 30, 2018 and 2017, respectively. Advertising costs totaled $78,000 and $93,000 for the six months ended June 30, 2018 and 2017, respectively.

Income Taxes

The Company has elected to be treated as a REIT under the Internal Revenue Code of 1986, 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 three months ended June 30, 2018 and 2017, the Company incurred a net (loss) of $(107,000) and $(2,810,000), respectively. For the six months ended June 30, 2018 and 2017, the Company incurred a net income (loss) of $29,000 and $(4,505,000), respectively. The Company has formed a 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. Accordingly, no deferred tax benefit or deferred tax asset has been recorded in the accompanying 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 three and six months ended June 30, 2018 or 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 June 30, 2018 and 2017, 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 three months ended June 30, 2018 and 2017 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 June 30, 2018, there were no accounts with balances 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 or available to be issued. The TCB Credit Facility, the EWB Credit Facility, the EWB II Credit Facility and the Westway One term loan agreement, 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 facilities and term loan 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.

The Company's continuation as a going concern is dependent on its ability to generate sufficient cash flows from operations to meet its obligations and obtain alternative financing to refinance current debt obligations.

Management has a plan to refinance the TCB Credit Facility, the EWB Credit Facility and the EWB II Credit Facility, as a comprehensive plan to refinance the credit facilities of the Company and its Hartman affiliates prior to the completion of the proposed mergers of the Company and the Hartman affiliates.

Only July 11, 2018, the Company executed a term sheet together with Hartman Income REIT, Inc. and Hartman Short Term Income Properties XIX, Inc., to become a party to a Stand Alone Single Borrower (SASB) CMBS credit agreement with Goldman Sachs Mortgage Company.

The borrowers will contribute a total of 39 properties, subject to existing indebtedness, to a special purpose entity (SPE) in exchange for membership interests. The SPE will enter into a $267 million loan agreement secured by the 39 properties.

All aspects of the SASB financing transaction are in progress and the transaction is expected to close on or about October 1, 2018.

The Company is contributing 13 properties subject to debt of approximately $84.7 million (estimated as of September 30, 2018). The allocated loan amount, subject to revision for appraised value, of the properties being contributed by the Company is approximately $105.4 million.

Inasmuch as management's plan has not been fully implemented, the guidance provided by ASU 2014-15 requires that management 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. Although management believes that management's plan to close the SASB loan transaction on or before October 1, 2018 is likely based upon its history of successfully financing and refinancing the Company's debt and will mitigate the maturity dates issue within one year of the issuance date of these consolidated financial statements, substantial doubt still remains.

Recent Accounting Pronouncements

On January 1, 2018, the Company adopted the new accounting standard codified in Accounting Standards Codification (“ASC”) 606 - *“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. ASC 606 replaces most existing revenue recognition guidance under GAAP. The standard permits the use of either the retrospective or cumulative effect transition method. Certain contracts with customers, principally lease contracts, are not within the scope of the new guidance. The Company has elected to use the modified retrospective method. The adoption of ASC 606 has no impact on the Company’s consolidated financial statements on adoption” at January 1, 2018.

On January 1, 2018, the Company adopted Accounting Standards Update (“ASU”) No. 2016-01, “Recognition and Measurement of Financial Assets and Liabilities,” issued by the Financial Accounting Standards Board (“FASB”), 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. The adoption of ASU No. 2016-01 has no material effect on our consolidated financial position or our consolidated results of operations.

On January 1, 2018, the Company adopted ASU No. 2016-17, “Interest Held Through Related Parties That Are Under Common Control,” issued by the FASB, 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.

Beginning with the quarterly period ending December 31, 2017, the Company adopted ASU No. 2016-18, “Classification of Restricted Cash,” issued by the FASB, which addresses the Statement of Cash Flow classification and presentation of restricted cash transactions. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has elected to use the retrospective method. 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 any 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.

Recent Accounting Pronouncements Not Yet Adopted

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 our fiscal year commencing on January 1, 2019, but early adoption is permitted. Based on preliminary assessments, we do not expect the adoption of ASU No. 2016-02 to have a material effect on our consolidated financial position or our consolidated results of operations.

Note 3 — Real Estate

The Company’s real estate assets consisted of the following, in thousands:

	June 30, 2018	December 31, 2017
Land	$ 62,320	$ 62,320
Buildings and improvements	137,861	134,069
In-place lease value intangible	63,573	63,573
	263,754	259,962
Less accumulated depreciation and amortization	(80,598)	(73,140)
Total real estate assets	$ 183,156	$ 186,822

Depreciation expense for the three months ended June 30, 2018 and 2017 was $1,628,000 and $2,067,000, respectively. Depreciation expense for the six months ended June 30, 2018 and 2017 was $3,381,000 and $3,878,000, respectively. Amortization expense of in-place lease value intangible was $1,576,000 and $3,873,000 for the three months ended June 30, 2018 and 2017, respectively. Amortization expense of in-place lease value intangible was $4,077,000 and $8,220,000 for the six months ended June 30, 2018 and 2017, respectively.

Acquisition fees paid to Advisor were $0 for the three and six months ended June 30, 2018 and 2017, respectively. Asset management fees incurred and paid to Advisor were $440,000 for the three months ended June 30, 2018 and 2017, respectively. Asset management fees incurred and paid to Advisor were $880,000 for the six months ended June 30, 2018 and 2017, respectively. Asset management and acquisition fees are captioned as such in the accompanying consolidated statements of operations.

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, we consider 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:

	June 30, 2018	December 31, 2017
In-place lease value intangible	$ 63,573	$ 63,573
In-place leases – accumulated amortization	(54,267)	(50,190)
Acquired lease intangible assets, net	$ 9,306	$ 13,383

Note 4 - Accrued Rent and Accounts Receivable, net

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

	June 30, 2018	December 31, 2017
Tenant receivables	$ 4,723	$ 3,609
Accrued rent	6,121	5,376
Allowance for uncollectible accounts	(2,191)	(1,714)
Accrued rents and accounts receivable, net	$ 8,653	$ 7,271

As of June 30, 2018 and December 31, 2017, the Company had an allowance for uncollectible accounts of $2,191,000 and $1,714,000, respectively. For the three months ended June 30, 2018 and 2017, the Company recorded bad debt expense in the amount of $481,000 and $38,000, respectively, related to tenant receivables that we have specifically identified as potentially uncollectible based on our assessment of each tenant's credit-worthiness. For the six months ended June 30, 2018 and 2017, the Company recorded bad debt expense in the amount of $477,000 and $189,000, respectively. For the three and six months ended June 30, 2018 and 2017, the Company recorded write-offs of $0, respectively. Bad debt expense 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:

	June 30, 2018	December 31, 2017
Deferred leasing commissions costs	$ 10,696	$ 8,634
Less: accumulated amortization	(3,383)	(2,557)
Deferred leasing commission costs, net	$ 7,313	$ 6,077

Note 6 — 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, Parkway Plaza I&II, Timbercreek, Copperfield and One Technology Center properties. The borrowing base of 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 6.00% and 5.25% per annum as of June 30, 2018 and December 31, 2017. As of April 1, 2017, the Company will pay 0.25% per annum on the unused balance of the TCB Credit Facility. Texas Capital Bank has delivered a letter of modification for the TCB Credit Facility extending the current maturity date to October 9, 2018.

The outstanding balance under the TCB Credit Facility was $18,800,000 as of June 30, 2018 and $11,800,000 as of December 31, 2017, respectively. As of June 30, 2018, the amount available to be borrowed is $2,125,000. As of June 30, 2018, the Company was in compliance with all loan covenants under the TCB Credit Facility.

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 5.00% and 4.75% per annum as of June 30, 2018 and as of December 31, 2017, respectively. The EWB Credit Facility mature on November 22, 2018.

The Company is a party to a $9.9 million revolving credit agreement (the "EWB II Credit Facility") with East West Bank. The borrowing base of the EWB II Credit Facility may be adjusted from time to time subject to the lender's underwriting with respect to the real property collateral. The EWB II 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 5.00% and 4.75% per annum as of June 30, 2018 and as of December 31, 2017, respectively. The EWB II Credit Facility will mature on November 22, 2018.

The aggregate outstanding balance under the EWB Credit Facility and EWB II Credit Facility was $25,425,000 and $21,900,000 as of June 30, 2018 and December 31, 2017, respectively. As of June 30, 2018, the aggregate amount available to be borrowed under the EWB Credit Facility and EWB II Credit Facility is $0. As of June 30, 2018, the Company was in compliance with all loan covenants under the EWB Credit Facility and EWB II Credit Facility.

The following is a summary of the Company's notes payable as of June 30, 2018, in thousands:

Property/Facility	Payment (1)	Maturity Date	Rate	June 30, 2018	December 31, 2017
Richardson Heights (2)	P&I	July 1, 2041	4.61%	$ 18,543	$ 18,804
Cooper Street (2)	P&I	July 1, 2041	4.61%	7,711	7,819
Bent Tree Green (2)	P&I	July 1, 2041	4.61%	7,711	7,819
Mitchelldale (2)	P&I	July 1, 2041	4.61%	11,681	11,846
Energy Plaza I & II	P&I	June 10, 2021	5.30%	9,712	9,814
Westway One	IO	June 1, 2019	4.50%	10,819	10,819
Three Forest Plaza	IO	December 31, 2019	4.80%	17,828	17,828
TCB Credit Facility (3)	IO	October 9, 2018	6.00%	18,800	11,800
EWB Credit Facility	IO	November 22, 2018	5.00%	15,525	12,000
EWB II Credit Facility	IO	November 22, 2018	5.00%	9,900	9,900
				$ 128,230	$ 118,449
Less unamortized deferred loan costs				(1,025)	(1,212)
				$ 127,205	$ 117,237

(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.

Loan costs are amortized using the straight-line method over the terms of the loans, which approximates the interest method. Costs which have been deferred consist of the following, in thousands:

	June 30, 2018	December 31, 2017
Deferred loan costs	$ 2,348	$ 2,348
Less: deferred loan cost accumulated amortization	(1,323)	(1,136)
Total cost, net of accumulated amortization	$ 1,025	$ 1,212

Interest expense incurred for the three months ended June 30, 2018 and 2017 was $1,732,000 and $1,481,000, respectively, which includes amortization expense of deferred loan costs. Interest expense incurred for the six months ended June 30, 2018 and 2017 was $3,294,000 and $2,864,000, respectively. Interest expense of $293,000 and $283,000 was payable as of June 30, 2018

and December 31, 2017, respectively, and is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

Note 7 — Income (Loss) Per Share

Basic loss per share is computed using net loss attributable to common stockholders and the weighted average number of common shares outstanding. Diluted earnings per share 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 per share are included in the diluted earnings per share.

	Three Months Ended June 30,		Three Months Ended June 30,	
	2018	2017	2018	2017
Numerator:				
Net income (loss) attributable to common stockholders	$ (147,000)	$ (2,793,000)	$ 17,000	$ (4,552,000)
Denominator:				
Basic and diluted weighted average shares outstanding	18,010,000	18,126,000	18,008,000	18,147,000
Basic and diluted loss per common share:				
Net loss per share attributable to common stockholders	$ (0.01)	$ (0.15)	$ —	(0.25)

Note 8 — 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.

For the three months ended June 30, 2018 and 2017, the Company incurred a net income (loss) of $(107,000) and $(2,810,000), respectively. For the six months ended June 30, 2018 and 2017, the Company incurred a net income (loss) of $29,000 and $(4,505,000), respectively. 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 (loss) differs from net income (loss) for financial reporting purposes principally due to differences in the timing of recognition of interest, real estate taxes, depreciation and amortization and rental revenue.

Note 9 — Related Party Transactions

The Advisor is a Texas limited liability company owned 70% by Allen R. Hartman individually and 30% by the Property Manager. The Advisor is a variable interest entity which consolidates for financial reporting purposes with Hartman Income REIT,

Inc. and subsidiaries, of which Allen R. Hartman, our Chief Executive Officer and Chairman of the Board of Directors, owns approximately 16% of the voting common stock.

For the three and six months ended June 30, 2018 and 2017 the Company incurred $440,000 and $880,000, respectively, for asset management fees payable to the Advisor. No acquisition fees were incurred to Advisor for the three and six months ended June 30, 2018 and 2017, respectively.

Property operating expenses include property management fees and reimbursements due to the Property Manager of $966,000 and $977,000 for the three months ended June 30, 2018 and 2017, respectively. For the three months ended June 30, 2018 and 2017, respectively, the Company incurred $1,570,000 and $787,000 for leasing commissions and $97,000 and $78,000 for construction management fees due to the Property Manager. Leasing commissions and construction management fees are included in deferred leasing commission costs and real estate assets, respectively, in the consolidated balance sheets.

Property operating expenses include property management fees and reimbursements due to the Property Manager of $1,940,000 and $1,969,000 for the six months ended June 30, 2018 and 2017, respectively. For the six months ended June 30, 2018 and 2017, respectively, the Company incurred $2,062,000 and $1,608,000 for leasing commissions and $127,000 and $165,000 for construction management fees due to the Property Manager. Leasing commissions and construction management fees are included in deferred leasing commission costs and real estate assets, respectively, in the consolidated balance sheets.

As of June 30, 2018, and December 31, 2017, respectively, the Company had a net balance due/from the Property Manager of $8,111,000 and $3,721,000. The Company advanced $4,734,000 to the Property management for corporate purposes during the six months ended June 30, 2018.

The Company had a balance due from an affiliate, Hartman Short Term Income Properties XIX, Inc. ("Hartman XIX"), of $8,551,000 and $6,229,000 as of June 30, 2018 and December 31, 2017, respectively. The Company advanced $2,122,000 to Hartman XIX for general corporate purposes during the six months ended June 30, 2018. The balance due from Hartman XIX includes a loan from the Company to Hartman XIX in the original amount of $4,400,000, 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 $4,151,000 and $2,029,000 balance due from Hartman XIX as of June 30, 2018 and December 31, 2017, respectively, is included in Due from related parties, and the principal balance of the affiliate loan of $4,200,000 as of June 30, 2018 and December 31, 2017, respectively, 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 $68,000 and $68,000 for the three months ended June 30, 2018 and 2017, respectively, which is included in interest and dividend income in the accompanying consolidated statements of operations.

The Company owed the Advisor $520,000 and $554,000 for asset management fees as of June 30, 2018 and December 31, 2017, 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.

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 the contemplated acquisition of HIREIT shares. The Company acquired 1,561,523 shares of the common stock of HIREIT for $8,978,000. The shares were acquired by the Company in connection with a tender offer for shares of the common stock of HIREIT by Hartman XIX. The Company's investment in the affiliate is accounted for under the cost method, ownership interest at 11% 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 $106,000 and $106,000 for the three months ended June 30, 2018 and 2017, respectively, and $213,000 and $177,000 for the six months ended June 30, 2018 and 2017, 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 $4,802,000 and $5,515,000 as of June 30, 2018 and December 31, 2017, respectively, which is included in Notes receivable - related party in the accompanying consolidated balance sheets. For the three months ended June 30, 2018 and 2017, respectively, interest and dividend income in the accompanying consolidated statements of operations includes $163,000 and $178,000 of interest income. As of June 30, 2018 and December 31, 2017, respectively, the balance due from TRS by Retail II Holdings is $165,000 and $264,000, 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 June 30, 2018 and December 31, 2017, respectively, the Company had a net balance due to Hartman vREIT XXI of $479,000 and $277,000 related to the acquisition of joint venture interests from the Company.

Note 10 - Real Estate Held for Disposition

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 its interest in the joint venture for $3,675,000. The Company's share of operations for the six months ended June 30, 2017 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:

	Six months ended June 30,	
	2018	**2017**
Total revenues	$ —	$ 44
Property operating expenses	—	6
Real estate taxes and insurance	—	8
Asset management fees	—	3
General and administrative	—	1
Interest expense	—	7
Total expenses	—	25
Loss on disposition	—	(27)
Net loss from discontinued operations	$ —	$ (8)

Property operating expenses include $2,000 in property management fees and reimbursements earned by the Property Manager. Asset management fees were earned by Advisor.

Note 11 - 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 Company's articles of incorporation, the Company has authority to issue 750,000,000 shares of common stock, $0.001 par value per share, and 200,000,000 shares of preferred stock, $0.001 par value per share.

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 has 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 June 30, 2018, and December 31, 2017, respectively, the Company has issued 1,000 shares of convertible preferred stock to the Advisor at a price of $10.00 per share.

Common Stock Issuable Upon Conversion of Convertible Preferred Stock

The convertible preferred stock issued to the Advisor will convert to shares of the Company's 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 meets the same 6% performance threshold, or (3) the Company's advisory agreement with the Advisor 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 shares of restricted common stock 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 six months ended June 30, 2018 and 2017, respectively, the Company granted 1,500 and 1,500 shares of restricted common stock to independent directors as compensation for services and recognized $38,000 and $40,000 as stock-based compensation expense, respectively. Share based compensation expense is based upon the estimated fair value per share. Stock-based compensation expense is included in general and administrative expenses in the accompanying consolidated statements of operations.

Distributions

The following table reflects the total distributions the Company has paid, including the total amount paid, thousands, and amount paid per common share, in each indicated quarter:

Quarter Paid	Distributions per Common Share	Total Distributions
2018		
2nd Quarter	$ 0.175	$ 3,151
1st Quarter	0.175	3,151
Total 2018 year to date	$ 0.350	$ 6,302
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 2017	$ 0.700	$ 12,650

Note 12 - Incentive Award 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.

Incentive Plan compensation expense is included in general and administrative expenses in the accompanying consolidated statements of operations.

Note 13 - 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.

Note 14 - Subsequent Event

On July 11, 2018, the Company executed a term sheet together with Hartman Income REIT, Inc. and Hartman Short Term Income Properties XIX, Inc., to become a party to a Stand Alone Single Borrower (SASB) CMBS credit agreement with Goldman Sachs Mortgage Company.

The borrowers will contribute a total of 39 properties, subject to existing indebtedness, to a special purpose entity (SPE) in exchange for membership interests. The SPE will enter into a $267 million loan agreement secured by the 39 properties.

All aspects of the SASB financing transaction are in progress and the transaction is expected to close on or about October 1, 2018.

The Company is contributing 13 properties subject to debt of approximately $84.7 million (estimated as of September 30, 2018). The allocated loan amount, subject to revision for appraised value, of the properties being contributed by the Company is approximately $105.4 million.

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

Unless the context otherwise requires, all references in this report to the "Company," "we," "us" or "our" are to Hartman Short Term Income Properties XX, Inc.

Forward-Looking Statements

Certain statements included in this quarterly report on Form 10-Q (this "Quarterly 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 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;
- the failure to satisfy the conditions to completion of the pending Mergers;
- risks related to disruption of management's attention from the ongoing business operations due to the pending Mergers;
- the effect of the announcement of the pending Mergers on our operating results and business generally;
- the outcome of any legal proceedings relating to the pending Mergers;
- the fact that the report of our independent registered public accounting firm on our financial statements for the year ended December 31, 2017 contains an explanatory paragraph raising substantial doubt regarding our ability to continue as a going concern;
- 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.

The forward-looking statements should be read in light of these factors and the factors identified in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2017 as filed with the SEC on April 2, 2018.

The following discussion and analysis should be read in conjunction with the accompanying interim consolidated financial information.

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 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.

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. 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 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 March 31, 2018, we had accepted subscriptions for, and issued 18,580,461 shares of our common stock in our follow-on offering, including 1,147,387 shares of our common stock issued pursuant to our distribution reinvestment plan, resulting in aggregate gross proceeds of $181,415,380.

As of June 30, 2018 we owned or held a majority ownership interest in 17 commercial real properties comprising approximately 2,928,000 square feet.

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, and raising the capital to purchase 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 as our "property manager," which is responsible for operating, leasing and maintaining our properties. Our property manager is the wholly owned subsidiary of Hartman Income REIT, Inc. which we refer to as "HIREIT," a real estate investment trust that has investment objectives that are similar to those that we employ.

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 canceled 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 canceled 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 canceled 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) as provided in the HIREIT Merger Agreement, as amended May 8, 2018, each share of subordinate common stock of HIREIT will be automatically cancelled and retired and converted into the right to receive 0.863235 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 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 Company expects that the Board of Directors of the Company, HIREIT, and Hartman XIX, respectively, will extend the termination date currently applicable to the Merger agreements.

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.

On July 11, 2018, the Company executed a term sheet together with Hartman Income REIT, Inc. and Hartman Short Term Income Properties XIX, Inc., to become a party to a Stand Alone Single Borrower (SASB) CMBS credit agreement with Goldman Sachs Mortgage Company.

The borrowers will contribute a total of 39 properties, subject to existing indebtedness, to a special purpose entity (SPE) in exchange for membership interests. The SPE will enter into a $267 million loan agreement secured by the 39 properties.

All aspects of the SASB financing transaction are in progress and the transaction is expected to close on or about October 1, 2018.

The Company is contributing 13 properties subject to debt of approximately $84.7 million (estimated as of September 30, 2018). The allocated loan amount, subject to revision for appraised value, of the properties being contributed by the Company is approximately $105.4 million.

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 numerous 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, 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.

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 termination of our initial public offering, which terminated on April 25, 2013, 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.

We believe that, subject to the successful implementations of managements' plan to replace or refinance indebtedness due within twelve months of the issuance of these consolidated financial statements, we 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(c) 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 June 30, 2018, we owned or held a majority ownership interest in the 17 commercial real estate properties listed below. Except as noted in the table below (and the footnotes thereto), we own a 100% ownership interest in each of our properties. Figures below in thousands.

Property Name	Location	Gross Leasable Area SF	Percent Occupied	Annualized Base Rental Revenue (in thousand)	Average Base Rental Revenue per Occupied SF	Average Net Effective Annual Base Rent per Occupied SF
Retail:						
Richardson Heights	Dallas	201,433	76%	$ 2,912	$ 19.06	$ 19.53
Cooper Street	Dallas	127,696	100%	1,609	12.6	12.51
Total - Retail		329,129	85%	$ 4,521	$ 16.12	$ 16.34
Office:						
Bent Tree Green	Dallas	139,609	84%	$ 2,218	$ 18.95	$ 21.04
Parkway Plaza I&II	Dallas	136,506	76%	1,665	16.15	16.05
Hillcrest	Dallas	203,688	79%	2,332	14.48	14.90
Skymark	Dallas	115,700	68%	1,377	17.62	18.08
Corporate Park Place	Dallas	113,429	74%	1,130	13.5	14.57
Westway One	Dallas	165,982	94%	2,939	18.89	20.68
Three Forest Plaza	Dallas	366,549	74%	5,375	19.92	22.52
Gulf Plaza	Houston	120,651	83%	14	0.14	0.07
Timbercreek Atrium	Houston	51,035	69%	606	17.29	17.59
Copperfield	Houston	42,621	85%	647	17.79	17.75
400 N. Belt	Houston	230,872	64%	1,553	10.45	11.44
Ashford Crossing	Houston	158,451	55%	1,414	16.36	17.22
Energy Plaza	Houston	180,119	83%	3,081	20.66	20.32
One Technology Ctr	Houston	196,348	95%	4,421	23.76	24.62
Total - office		2,221,560	77%	$ 28,772	$ 16.82	$ 17.84
Flex/Industrial						
Mitchelldale	Houston	377,752	96%	$ 2,273	$ 6.28	$ 6.31
Total - Flex/Industrial		377,752	96%	$ 2,273	$ 6.28	$ 6.31
Grand Total		2,928,441	80%	$ 35,566	$ 15.12	$ 15.89

(1) The Westway One property is owned by Hartman Westway One, LLC. On June 17, 2016, we sold a 45.67% minority interest in Hartman Westway One, LLC to an unrelated investor for $5,500,000. As of June 30, 2018, we own a 54.33% membership interest in Hartman Westway One, LLC.

(2) On April 11, 2017, our Operating Partnership entered into a membership interest purchase agreement with Hartman vREIT XXI, Inc. ("vREIT XXI"), a related party, pursuant to which vREIT XXI may acquire up to $10,000,000 of our Operating Partnership's ownership interest in Hartman Three Forest Plaza LLC. As of June 30, 2018, the vREIT XXI had acquired an approximately 48.8% equity interest in 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. A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC on April 2, 2018, in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations." There have been no significant changes to these policies during the Six months ended June 30, 2018. See also Note 2 to our consolidated financial statements in this Quarterly Report on Form 10-Q for a discussion of our significant accounting policies.

RESULTS OF CONTINUING OPERATIONS

Comparison of the three months ended June 30, 2018 versus June 30, 2017.

As of June 30, 2018 and 2017, respectively, 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 June 30, 2018, 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.

We define same store ("Same Store") properties as those properties which we owned for the entirety of the three months ended June 30, 2018 and June 30, 2017. For purposes of the following discussion, all properties are considered Same Store properties.

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. Set forth below is a reconciliation of NOI to net loss.

(in thousands)	**Three months ended June 30,**		
	2018	**2017**	**Change**
Revenue	$ 11,655	$ 10,747	$ 908
Property operating expenses	3,927	3,788	139
Real estate taxes and insurance	1,628	1,478	150
Asset management fees	440	440	—
General and administrative	1,118	744	374
Same Store NOI	$ 4,542	$ 4,297	$ 245
Property NOI	$ 4,542	$ 4,297	$ 245
Reconciliation of Net loss to Property NOI			
Net loss	$ (107)	$ (2,810)	$ 2,703
Depreciation and amortization	3,204	5,940	(2,736)
Interest expense	1,732	1,481	251
Interest and divdend income	(287)	(314)	27
Property NOI	$ 4,542	$ 4,297	$ 245

Revenues - The primary source of our revenue is rental revenues and tenant reimbursements. For the three months ended June 30, 2018 and 2017 we had total rental revenues and tenant reimbursements of $11,655,000 and $10,747,000, respectively. The $908,000 increase in total rental revenues and tenant reimbursements was primarily due to an increase of $817,000 for year end expense reimbursements reconciliation from tenants. Year end operating expense reconciliations of $762,000 were billed in April 2018 versus $404,000 billed in March of 2017. Year end expense reconciliations billed in 2018 included $345,000 attributable to the Westway One and Three Forest Plaza properties. Expense reconciliations billed in 2017 did not include billings for these properties which we acquired in 2016.

Operating expenses **-** Operating expenses consist of property operating expenses (contract services, repairs and maintenance, utilities and management fees); real estate taxes and insurance; asset management fees and some general and administrative expenses. For the three months ended June 30, 2018 and June 30, 2017 we had operating expenses of $3,927,000 and $3,788,000, respectively. Operating expenses increased by $139,000 for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. The $139,000 increase in operating expenses was primarily due to a $442,000 increase in the bad debt expense bad debt provision recorded in the three months ended June 30, 2018.

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 incurred to our advisor were $440,000 and $440,000 for the three months ended June 30, 2018 and June 30, 2017, respectively. Acquisition costs related to the acquisition of our properties were $0 and $0 for the three months ended June 30, 2018 and June 30, 2017, respectively. We pay property management and leasing commissions to our Property Manager in connection with the management and leasing of our properties. For three months ended June 30, 2018 and June 30, 2017 we were charged by our Property Manager $2,633,000 and $1,842,000, respectively, for property management fees and expense reimbursements including $1,570,000 and $787,000, respectively, for leasing commissions and $97,000 and $78,000, respectively, for construction management fees due to the Property Manager.

Real estate taxes and insurance - Real estate taxes and insurance were $1,628,000 and $1,478,000 for the three months ended June 30, 2018 and 2017, respectively. The increase in real estate taxes and insurance for the three months ended June 30, 2018 versus the three months ended June 30, 2017 was principally due to Ad valorem tax credit from prior year reducing net tax costs.

Depreciation and amortization - Depreciation and amortization were $3,204,000 and $5,940,000 for the three months ended June 30, 2018 and 2017, respectively. Depreciation and amortization decreased $2,736,000 from the three months ended June 30, 2017 to the three months ended June 30, 2018 primarily due to the $2,297,000 decrease in in-place lease value intangible amortization. The amortization period for in-place lease intangible assets is generally 3 to 5 years.

General and administrative expenses - General and administrative expenses were $1,118,000 and $744,000 for the three months ended June 30, 2018 and 2017, respectively. General and administrative expenses consist primarily of audit fees, transfer agent fees, other professional fees, and independent director compensation. The increase in general and administrative expenses is due to increased leasing commission amortization.

Net loss - We incurred net loss of $107,000 and $2,810,000 for the three months ended June 30, 2018 and 2017 respectively. The difference on net loss for the three months ended June 30, 2018 is primarily attributable to depreciation and amortization expense attributable to real estate assets.

Comparison of the six months ended June 30, 2018 versus June 30, 2017.

As of June 30, 2018 and 2017, respectively, 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 June 30, 2018, 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.

We define same store ("Same Store") properties as those properties which we owned for the entirety of the six months ended June 30, 2018 and June 30, 2017. For purposes of the following discussion, all properties are considered Same Store properties.

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. Set forth below is a reconciliation of NOI to net loss.

(in thousands)	Six months ended June 30, 2018	2017	Change
Revenue	$ 23,142	$ 21,969	$ 1,173
Property operating expenses	7,524	6,987	537
Real estate taxes and insurance	3,090	2,982	108
Asset management fees	880	880	—
General and administrative	1,464	1,321	143
Same Store NOI	$ 10,184	$ 9,799	$ 385
Property NOI	$ 10,184	$ 9,799	$ 385

Reconciliation of Net loss to Property NOI

	2018	2017	Change
Net income (loss)	$ 29	$ (4,505)	$ 4,534
Depreciation and amortization	7,458	12,098	(4,640)
Interest expense	3,294	2,864	430
Interest and divdend income	(597)	(666)	69
Loss from discontinued operations	—	8	(8)
Property NOI	$ 10,184	$ 9,799	$ 385

Revenues - The primary source of our revenue is rental revenues and tenant reimbursements. For the six months ended June 30, 2018 and 2017 we had total rental revenues and tenant reimbursements of $23,142,000 and $21,969,000, respectively. The $1,173,000 increase in total rental revenues and tenant reimbursements was primarily due to year end expense reimbursements reconciliation from tenants. Rental revenue increased $187,000, year end reconciliation income increased $383,000, percentage rental income increased $125,000, tenant reimbursements increased $364,000 and other income increased $114,000. The increase in year end reconciliation income includes $345,000 attributable to the Westway One and Three Forest Plaza properties which had no similar reconciliation billing in 2017.

Operating expenses **-** Operating expenses consist of property operating expenses (contract services, repairs and maintenance, utilities and management fees); real estate taxes and insurance; asset management fees and some general and administrative expenses. For the six months ended June 30, 2018 and June 30, 2017 we had operating expenses of $7,524,000 and $6,987,000, respectively. Operating expenses increased by $537,000 for the six months ended June 30, 2018 due primarily to an increase in bad debt expense of $287,000, a decrease in recovery of hurricane and flood damage repair expense of $651,000, offset by a reduction in other property operating expenses of $401,000.

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 incurred to our advisor were $880,000 and $880,000 for the six months ended June 30, 2018 and June 30, 2017, respectively. Acquisition costs related to the acquisition of our properties were $0 and $0 for the six months ended June 30, 2018 and June 30, 2017, respectively. We pay property management and leasing commissions to our Property Manager in connection with the management and leasing of our properties. For six months ended June 30, 2018 and June 30, 2017 we were charged by our Property Manager $4,129,000 and $3,742,000, respectively, for property management fees and expense reimbursements including $2,062,000 and $1,068,000, respectively, for leasing commissions and $127,000 and $165,000, respectively, for construction management fees due to the Property Manager.

Real estate taxes and insurance - Real estate taxes and insurance were 3,090,000 and $2,982,000 for the six months ended June 30, 2018 and 2017, respectively. The increase in real estate taxes and insurance for the six months ended June 30, 2018 versus the six months ended June 30, 2017 was principally due to Ad valorem tax credit from prior year reducing net tax costs.

Depreciation and amortization - Depreciation and amortization were $7,458,000 and $12,098,000 for the six months ended June 30, 2018 and 2017, respectively. Depreciation and amortization decreased $4,640,000 from the six months ended June 30, 2017 to the six months ended June 30, 2018 primarily due to the $4,143,000 decrease in in-place lease value intangible amortization.

General and administrative expenses - General and administrative expenses were $1,464,000 and $1,321,000 for the six months ended June 30, 2018 and 2017, respectively. General and administrative expenses consist primarily of audit fees, transfer

agent fees, other professional fees, and independent director compensation. The decrease in general and administrative expenses is due to decreased leasing commission amortization, legal fee, certain recoverable and non-recoverable property operating expenses.

Net income (loss) - We incurred net income (loss) of $29,000 and $(4,505,000) for the six months ended June 30, 2018 and 2017 respectively. The change from net loss to net income for the six months ended June 30, 2018 is primarily attributable to the $4,640,000 reduction in depreciation and amortization expense attributable to real estate assets which includes $4,143,000 reduction in amortization of in-place lease intangibles.

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 indications 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 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 three and six months ended June 30, 2018 and 2017 including a reconciliation of such non-GAAP financial performance measures to our net loss, in thousands.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2018	**2017**	**2018**	**2017**
Net income (loss)	$ (107)	$ (2,810)	$ 29	$ (4,505)
Depreciation and amortization of real estate assets	3,204	5,940	7,458	12,098
Funds from operations (FFO)	3,097	3,130	7,487	7,593
Modified funds from operations (MFFO)	$ 3,097	$ 3,130	$ 7,487	$ 7,593

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 June 30, 2018, 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
First Quarter 2018	3,151	—	3,151
Second Quarter 2018	3,152	—	3,152
Total	36,652	11,769	48,421

(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.
(4) Distributions to non-controlling interests were $135,000 for the three months ended June 30, 2018 and $273,000 for the six months ended June 30, 2017. Distributions to non-controlling interests were $208,000 for the year ended December 31, 2017.

For six months ended June 30, 2018, we paid aggregate distributions of $6,303,000 in cash to common stockholders. During the same period, cash provided by operating activities was $2,525,000 and our FFO was $7,487,000. For six months ended June 30, 2018, 40% of distributions were paid from cash provided by operating activities and 60% by other proceeds. For the six months ended June 30, 2017, we paid aggregate distributions of $6,315,000 including distributions paid in shares of common stock pursuant to our distribution reinvestment plan. During the same period, cash provided by operating activities was $2,042,000 and our FFO was $7,593,000. For the six months ended June 30, 2017, 32% of distributions were paid from cash provided by operating activities and 68% of distributions were paid from cash provided by debt proceeds.

For the period from inception (January 20, 2011 was the date we first paid distributions) to June 30, 2018, we paid aggregate distributions of $48,421,000. During the period from our inception to June 30, 2018, our cash provided by operating activities was $34,487,000 our net loss was $37,922,000 and our FFO was $46,861,000. Of the $48,421,000 in aggregate distributions paid

to our stockholders from inception to June 30, 2018, approximately 71% was paid from net cash provided by operating activities and approximately 29% was funded from offering proceeds. For a discussion of how we calculate FFO, see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Funds From Operations and Modified Funds From Operations."

Liquidity and Capital Resources

Our principal demands for funds are and will continue to be 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.

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 June 30, 2018, our outstanding secured debt is $127,205,000. 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. In addition, 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.

Our advisor may, but is not required to, establish capital reserves from remaining 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 additional private or public offerings of our securities, 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.

Going Concern Evaluation

Pursuant to ASU 2014-15, "Presentation of Financial Statements - Going Concern," management is required to evaluate our company's ability to continue as a going concern within one-year after the date that these consolidated financial statements are issued or available to be issued. The TCB Credit Facility, the EWB Credit Facility, the EWB II Credit Facility and the Westway One term loan agreement, 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 facilities and term loan 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.

Our company's continuation as a going concern is dependent on its ability to generate sufficient cash flows from operations to meet its obligations and obtain alternative financing to refinance current debt obligations.

Management has a plan to refinance the TCB Credit Facility, the EWB Credit Facility and the EWB II Credit Facility, as a comprehensive plan to refinance the credit facilities of the Company and its Hartman affiliates prior to the completion of the proposed mergers of our company and the our affiliates.

Only July 11, 2018, our company executed a term sheet together with Hartman Income REIT, Inc. and Hartman Short Term Income Properties XIX, Inc., to become a party to a Stand Alone Single Borrower (SASB) CMBS credit agreement with Goldman Sachs Mortgage Company.

The borrowers will contribute a total of 39 properties, subject to existing indebtedness, to a special purpose entity (SPE) in exchange for membership interests. The SPE will enter into a $267 million loan agreement secured by the 39 properties.

All aspects of the SASB financing transaction are in progress and the transaction is expected to close on or about October 1, 2018.

Our company is contributing 13 properties subject to debt of approximately $84.7 million (estimated as of September 30, 2018). The allocated loan amount, subject to revision for appraised value, of the properties being contributed by the Company is approximately $105.4 million.

Inasmuch as management's plan has not been fully implemented, the guidance provided by ASU 2014-15 requires that management 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. Although management believes that management's plan to close the SASB loan transaction on or before October 1, 2018 is likely based upon its history of successfully financing and refinancing our company's debt and will mitigate the maturity dates issue within one year of the issuance date of these consolidated financial statements, substantial doubt still remains.

Cash Flows from Operating Activities

As of June 30, 2018, we had continuing operations from 17 commercial real estate properties. For six months ended June 30, 2018, net cash provided by operating activities was $2,525,000 versus $2,042,000 net cash provided by operating activities for six months ended June 30, 2017. The decrease in cash flow from operating activities is primarily attributable to reduction in accounts payable and accrued expenses and leasing commission . We expect cash flows from operating activities to increase in future periods as a result of increased occupancy.

Cash Flows from Investing Activities

For six months ended June 30, 2018, net cash used in investing activities was ($9,418,000) versus ($2,775,000) for six months ended June 30, 2017. Cash flows used in investing activities includes advances to affiliates of ($6,339,000) and ($1,000,000) for the six months ended June 30, 2018 and 2017, respectively.

Cash Flows from Financing Activities

Net cash provided by (used in) financing activities for six months ended June 30, 2018 and 2017, respectively, was $3,509,000 and ($1,810,000) and consisted of the following:

- $10,083,000 and ($3,898,000), respectively of cash provided by (used in) borrowing under term loan and revolving credit agreements, net of repayments; and

- $6,574,000 and $6,587,000, respectively of net cash distributions, including distributions to non-controlling interests.

Discontinued Operations

On November 14, 2016, we acquired an interest in the Village Pointe property through an investment in Hartman Village Pointe, a joint venture between our operating partnership and our affiliate, Hartman vREIT XXI, Inc. The Village Pointe property was approximately 92% occupied at the acquisition date. 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. On December 14, 2016, Hartman Village Pointe refinanced the Village Pointe property with a bank mortgage. The affiliate mortgage loan was paid in full on that date.

As of February 8, 2017, Hartman vREIT XXI, Inc. acquired all our ownership 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 June 30, 2018, 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 June 30, 2018, we had notes payable totaling an aggregate principal amount of $128,230,000. For more information on our outstanding indebtedness, see Note 6 (Notes payable) to the consolidated financial statements included in this report.

The following is a summary of our contractual obligations as of June 30, 2018, in thousands:

Contractual Obligations	**Total**	**2018**	**2019-2020**	**2021-2022**	**Thereafter**
Long-term debt obligations (1)	$128,230	$44,225	$28,647	$9,712	$45,646
Interest payments (2)	32,211	1,523	6,079	5,052	19,557
Total	$160,441	$45,748	$34,726	$14,764	$65,203

(1) Amounts include principal payments only.
(2) Projected interest payments are based on the outstanding principal amounts and weighted-average interest rates at June 30, 2018.

Off-Balance Sheet Arrangements

As of June 30, 2018 and December 31, 2017, 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 accompanying consolidated financial statements included in this quarterly 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” in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on April 2, 2018, and Note 9 (Related Party Transactions) to the consolidated financial statements included in this Quarterly Report for a discussion of the various related-party transactions, agreements and fees.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We will be exposed to interest rate changes primarily as a result of 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 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this Form 10-Q, as of June 30, 2018, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). In performing this evaluation, management reviewed the selection, application and monitoring of our historical accounting policies. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2018, these disclosure controls and procedures were effective and designed to ensure that the information required to be disclosed in our reports filed with the SEC under the Exchange Act is recorded, processed, summarized and reported as and when required.

Changes in Internal Control over Financial Reporting

There have been no changes during the quarter ended June 30, 2018 in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financing reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

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 September 30, 2018. 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. In connection with the Mergers, we will issue up to approximately 19,192,000 shares of our common stock to the holders of shares of Hartman XIX and HIREIT capital stock, based on the exchange ratios set forth in the Merger Agreements and the shares of Hartman XIX and HIREIT capital stock issued and outstanding as of March 31, 2018. Our current stockholders (excluding stockholders affiliated with our advisor or sponsor) are expected to hold in the aggregate approximately 49% of the issued and outstanding shares of our common stock following the Mergers, based on the assumptions in the foregoing sentence and the 18,117,000 shares of our common stock issued and outstanding as of March 31, 2018. In addition, approximately 979,000 units of limited partnership interest in our operating partnership are issuable in connection with the Partnership Merger. Consequently, our stockholders (excluding stockholders affiliated with our advisor or sponsor), as a general matter, will have less influence over the management and policies of us after the Mergers than they exercised over the management and policies of us immediately prior to the Mergers.

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.

Our independent auditors have expressed substantial doubt about our ability to continue as a going concern, and absent additional financing we may be unable to remain a going concern.

The report of our independent registered public accounting firm on our financial statements for the year ended December 31, 2017 contains an explanatory paragraph indicating that there is substantial doubt regarding our ability to continue as a going concern. Our financial statements do not include any adjustments that may be necessary in the event we are unable to continue as a going concern. The substantial doubt raised by our independent registered public accounting firm in its report is based primarily upon the fact that each of the TCB Credit Facility, the EWB Credit Facility and the EWB II Credit Facility currently has a maturity date within twelve months of the date the consolidated financial statements included in this quarterly report were issued (each in October 2018). Based upon the same factors, our management has also concluded that there is substantial doubt regarding our ability to continue as a going concern.

We intend to refinance the TCB Credit Facility, the EWB Credit Facility and the EWB II Credit Facility as part of a comprehensive plan to refinance our debt obligations prior to the proposed Mergers with certain of our affiliates. However, there is no guarantee that any such refinancing plans will be completed successfully. If we are unable to refinance the TCB Credit Facility, the EWB Credit Facility and the EWB II Credit Facility or to raise sufficient additional capital from other sources, we may not be able to meet such debt obligations when they become due and we may be unable to remain a going concern.

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

During the three months ended June 30, 2018, we did not sell any equity securities that were not registered under the Securities Act of 1933, as amended.

The table below sets forth information regarding the shares of our common stock redeemed pursuant to our share redemption program during the three months ended June 30, 2018.

	Total Number of Shares Requested to be Redeemed (1)	Total Number of Shares Redeemed	Average Price Paid per Share (2)	Approximate Dollar Value of Shares Available That May Yet Be Redeemed Under the Program (3)
April 2018	30,145	—	$ —	
May 2018	99,132	—	$ —	
June 2018	9,402	—	$ —	
Total	138,679	—	$ —	

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

(2) Pursuant to the share redemption program, we currently redeem shares at prices determined as follows:

a. For shares that have been held at least one year, the lesser of 90.0% of the price paid to acquire the shares or 90.0% of the offering price of shares in our most recent offering;

b. For shares that have been held at least two years, the lesser of 92.5% of the price paid to acquire the shares or 92.5% of the offering price of shares in our most recent offering;
c. For shares that have been held at least three years, the lesser of 95.0% of the price paid to acquire the shares or 95.0% of the offering price of shares in our most recent offering;
d. For shares that have been held at least four years, the lesser of 97.5% of the price paid to acquire the shares or 97.5% of the offering price of shares in our most recent offering;
e. Thereafter, the lesser of 100.0% of the price paid to acquire the shares or 90.0% of the net asset value per share, as determined by the board of directors.

Notwithstanding the foregoing, the redemption price for redemptions sought upon a stockholder's death or disability or upon confinement to a long-term care facility, is available only for stockholders who purchased their shares directly from us or the persons specifically set forth in the share redemption program.

(3) 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 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.

On February 9, 2010, our Registration Statement on Form S-11 (File No. 333-154750), registering a public offering of up to $250,000,000 in shares of our common stock to the public in our primary offering at a price of $10.00 per share and up to $23,750,000 in shares of common stock to our stockholders pursuant to our distribution reinvestment plan at $9.50 per share, was declared effective by the SEC and we commenced our initial public offering. We terminated our initial public offering on April 25, 2013. As of the termination 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 offering proceeds of $43,943,731. On July 16, 2013, our Registration Statement on Form S-11 (File No. 333-185336) registering our follow-on public offering of up to $200,000,000 in shares of our common stock to the public at $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 $9.50 per share, was declared effective by the SEC and we commenced our follow-on offering.

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 terminated effective as of July 16, 2016. We accepted subscriptions for, and issued, 18,574,461 shares of our common stock in our initial public offering and our follow-on offering, including 1,216,240 shares of our common stock issued pursuant to our distribution reinvestment plan, resulting in aggregate gross offering proceeds of $181,336,480.

We incurred selling commissions, dealer manager fees and organization and other offering costs in our initial public offering and our follow-on offering in the amounts set forth in the tables below (all figures in thousands). D.H. Hill Securities, LLLP, the dealer manager for our public offerings, reallowed all of the selling commissions and a portion of the dealer manager fees to participating broker-dealers.

Initial Public Offering:

Type of Expense	**Amount**	**Estimated/Actual**
Selling commissions and dealer manager fees	$ 2,942	Actual
Finders' fees	—	Actual
Expenses paid to or for underwriters	—	Actual
Other organization and offering costs	472	Actual
Total expenses	$ 3,414	

Follow-On Offering:

Type of Expense	**Amount**	**Estimated/Actual**
Selling commissions and dealer manager fees	$ 10,248	Actual
Finders' fees	—	Actual
Expenses paid to or for underwriters	—	Actual
Other organization and offering costs	2,548	Actual
Total expenses	$ 12,796	

The net offering proceeds to us from our initial public offering and our follow-on offering, after deducting the total expenses incurred as described above, were $153,572,000 excluding $11,554,000 in offering proceeds from shares of our common stock issued pursuant to our distribution reinvestment plan.

As of June 30, 2018, we had used $128,264,000 of the net proceeds from our public offerings, plus debt financing, to purchase our investments in commercial properties. As of June 30, 2018, we had paid $6,013,000 of acquisition fees to our advisor.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit	**Description**
3.1	First Articles of Amendment to Third Amended and Restated Articles of Incorporation of Hartman Short Term Income Properties XX, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Form 10-K filed on April 12, 2012)
3.2	Third Amended and Restated Articles of Incorporation of Hartman Short Term Income Properties XX, Inc. (incorporated by reference to Exhibit 1 to the Company's registration statement on Form 8-A (SEC File No. 000-53912) filed on March 22, 2010)
3.3	Certificate of Correction - Hartman Short Term Income Properties XX, Inc. (incorporated by reference to Exhibit 3.3 to the Company's form 10-Q filed on May 11, 2018
3.4	Bylaws of Hartman Short Term Income Properties XX, Inc. (incorporated by reference to Exhibit 2 to the Company's registration statement on Form 8-A (SEC File No. 000-53912) filed on March 22, 2010)
10.1	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 and revised May 8, 2018 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on May 11, 2018)
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (FILED HERE WITH)
31.2	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (FILED HERE WITH)
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (FILED HEREWITH)
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (FILED HEREWITH)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HARTMAN SHORT TERM INCOME PROPERTIES XX, INC.

Date: August 14, 2018
By: /s/ Allen R. Hartman
Allen R. Hartman,
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Date: August 14, 2018
By: /s/ Louis T. Fox, III
Louis T. Fox, III,
Chief Financial Officer,
(Principal Financial and Principal Accounting Officer)