

Offer to Purchase Shares

Terms, Conditions, Risk Factors, and Disclosures
Highlands REIT, Inc.

Terms and Conditions

- The affiliates of MacKenzie Capital Management, LP listed on the enclosed Assignment Form (collectively the “Buyers”), are offering to purchase up to 40,000,000, or approximately 4.5%, of the outstanding common shares (the “Shares”) of Highlands REIT, Inc. (the “Corporation”), for \$0.05 per Share (the “Purchase Price”), net to the seller in cash which amount will be reduced by any cash distributions made to you by the Corporation after December 31, 2022 (the Buyers are unaware of the amount of any such distributions) and a onetime \$25 transfer fee that we are charging.
- The Shares will be purchased on a first-come, first-buy basis—we will buy the first 40,000,000 Shares tendered, based upon the date we receive a completed Assignment Form in good order.
- Tendering your Shares pursuant to this offer is irrevocable and can only be rescinded by the Buyers should the operations of the Corporation have a material adverse change during the course of the offering period, meaning the change would likely cause a reasonable shareholder to reconsider the decision to buy or sell Shares.
- Although the Buyers do not currently intend to extend the offer, they reserve the right to do so for a period not to exceed 60 days from the current expiration date, at their sole discretion. If the Buyers do extend the Offer, Shares tendered prior to the extension would still be validly tendered and may not be withdrawn.
- **This Offer will expire at 11:59 p.m. Pacific Time on February 14, 2023.**

Risks and Disclosures

- If you choose to sell your Shares, we will pay proceeds promptly upon confirmation of transfer by the transfer agent. This process can take up to several weeks depending on the Corporation and is not controlled by the Buyers, and can take longer. Once confirmation is received, we will pay you the proceeds within three business days. We process transfer paperwork as completed, so the sooner you submit paperwork in good order, the sooner you can get paid, even before the Expiration Date.
- The most recent trades reported in The Stanger Report were \$0.03-\$0.20 per Share. The most recent trades reported by CTT Auctions were \$0.16-\$0.19 per Share.¹ The Buyers or their affiliates purchased 30,148 Shares at \$0.03 per Share in in the past 60 days.
- If you tender your Shares pursuant to this offer, you will not have any rights to withdraw them after they are tendered.
- If you tender your Shares, you are giving up any rights to future distributions from the Corporation in exchange for an earlier payment of a known amount.
- You agree to arbitrate any disputes that may arise hereunder, pursuant to the terms in the attached Assignment Form.
- The Depositary, MacKenzie Capital Management, LP, is an affiliate of the Buyers. No independent party will hold Shares tendered until the offer closes and payment is made.
- Buyers may purchase, from time to time, additional Shares on the secondary market, or through additional tender offers, at prices which may vary from the price offered herein. The Buyers will be acquiring the Shares for investment purposes and currently do not intend to resell them. The Purchase Price does not necessarily correspond with recent trading prices for the Shares in the secondary market where such Shares may trade. No independent person was retained to evaluate or render any opinion with respect to the fairness of the Purchase Price.

¹ The Stanger Report, Robert A. Stanger & Co., Inc. Fall 2022; www.cttauctions.com, in the past 60 days

- The Buyers are acquiring the Shares pursuant to the Offer solely for investment purposes. The Buyers have no present intention to seek control of the Corporation or to change the management or operations of the Corporation. The Buyers do not have any present intention to take any action in connection with the liquidation of the Corporation. The Buyers nevertheless reserve the right, at an appropriate time, to exercise their rights as shareholders to vote on matters subject to a shareholder vote, including, but not limited to, any vote to affecting the sale of the Corporation's properties and the liquidation and dissolution of the Corporation. Except as expressly set forth herein, the Buyers have no present intention to seek control of the Corporation, to cause the Corporation to engage in any extraordinary transaction, to cause any purchase, sale or transfer of a material amount of the assets of any Corporation, to make any change in the distribution policies, indebtedness or capitalization of any Corporation or to change the structure, or management or operations of the Corporation.
- Each Shareholder tendering Shares should consult such Shareholder's own tax advisor as to the particular tax consequences to such Shareholder of accepting the offer, including the application of the alternative minimum tax and federal, foreign, state, local and other tax laws. Generally, a taxable Shareholder will recognize a gain or loss on the sale of such Shareholder's Shares in an amount equal to the difference between (i) the amount realized by such Shareholder on the sale and (ii) such Shareholder's adjusted tax basis in the Shares sold.

The Corporation

- The Buyers have attempted to establish a value for the Corporation's real estate assets in order to make this offer. The Buyers are not real estate appraisers and the value of the assets may not accurately represent the current or future value of the Shares. The Buyers are making this offer in view of making a profit, so the price offered is below the estimate of value as established by the Buyers, but there can be no assurance as to the actual value of a Share until the Corporation liquidates.
- If you wish to obtain more information on the Corporation's assets, value, or liquidity, you may contact the Corporation, consult the financial statements mailed to investors by the Corporation each quarter, or retrieve the information from www.sec.gov.
- Any issuer who is aware that an offer is made to its investors is responsible for mailing a response to the offer within 10 business days of notification.
- The Corporation has estimated the value of the Shares at \$0.29 per Share, but there can be no assurance as to the timing or amount of any future distributions, and there cannot be any assurance that the estimate accurately reflects an approximate value of the Shares or that the actual amounts which may be realized by holders for the Shares may not vary substantially from this estimate.

The Buyers

- The Buyers have in excess of \$213 million of available capital with which to consummate this transaction; i.e., there are no financing contingencies to this Offer, and we can pay for all tendered Shares promptly after transfer.
- We specialize in acquiring illiquid securities for our own accounts and have provided a timely, cost-efficient liquidity option to thousands of investors.
- The Buyers are not affiliated in any way with the Corporation or its management; one or more of the Buyers may be a Shareholder in the Corporation. If you would like more information about the Buyers, their Manager/General Partner MacKenzie Capital Management, LP ("MCM"), and their control persons, you may refer to our website at www.mackenziecapital.com, refer to other recent tender offers filed with the SEC by MCM and its affiliates available on the EDGAR database at www.sec.gov, or contact us at the phone number on the enclosed letter.

January 3, 2023

MACKENZIE
Capital Management

RE: Cashing out of Highlands REIT, Inc.

Dear Investor,

Good news! You can finally get your cash out of Highlands REIT, Inc. and regain control of your money. For a limited time, MacKenzie Capital Management, LP will **pay you \$0.05 per Share**. Now you can do what you want with your money—move it to a more liquid investment, pay off your bills, or buy something you really need—and quit waiting for Highlands REIT, Inc. to decide if or when you get your money back. But you must act quickly, because our **offer expires on February 14, 2023**.

Why take advantage of this opportunity?

- **Guarantee your cash now**. Highlands REIT, Inc. is an infinite life entity, and has never said if or when the company will liquidate. Sell today and ensure you get your money out from this security.
- **No distributions and lower NAV**. Since Highlands REIT was spun-off from InventTrust in 2016, it has never paid a distribution. Highlands REIT's NAV has decreased over 19% from its initial estimated value per Share of \$0.36.
- **Regain control over your investments**. It's your money, but you can't access it. Now you can move your money into a more liquid investment or simply cash out and pay your bills.
- **Sell without broker fees or commissions**. Most secondary market sales for illiquid securities such as this one incur fees and commissions of up to 7% of the sale price and are subject to a \$150 - \$200 minimum fee per trade. With us, these fees and commissions are eliminated. With us, you only pay our transfer fee of \$25.
- **Eliminate the long and uncertain waiting period**. Private and non-traded securities like Highlands REIT, Inc. can be very difficult to sell. It can take months to find an interested buyer—if you find one at all. But now you can sell your Shares and get your money soon.
- **Avoid retirement account fees**. Many IRAs charge additional fees for holding this type of asset. But we can send your money directly to your

- Over please -

89 Davis Road, Suite 100
Orinda, CA 94563
www.mackenziecapital.com

800-854-8357 main
925-631-9100 local
925-631-9119 fax

MACKENZIE CAPITAL MANAGEMENT, LP
MCM ADVISERS, LP
MCM-GP, INC

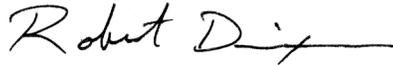
retirement account so you can keep the money
invested, but avoid these fees in the future.

If you act today, you can get your cash now and reduce your uncertainty, fees, expenses, and other headaches. And you'll get your money quickly—we mail your check within three business days after Highlands REIT, Inc. confirms the transfer.

MacKenzie has been in the business of buying private real estate investments for over 25 years and has successfully cashed-out tens of thousands of investors like you. We are a registered investment adviser with the SEC and have over \$130 million under management. There are no financing contingencies with this offer.

Please carefully read the enclosed Offer to Purchase and Assignment Form. If you choose to sell your Shares to us, please fill out the enclosed form and return it to us today so we can send you your money. If you have any questions, please call us at (925) 631-9100, fax us at (925) 235-1080, or email us at offers@mackenziecapital.com.

Sincerely,

A handwritten signature in cursive script that reads "Robert Dixon".

Robert Dixon
Managing Director

P.S. Remember, this offer expires February 14, 2023. So don't delay. Fill out the enclosed Assignment Form, get a Medallion Stamp from your bank, and mail

Assignment Form



Please complete this form and send it back to us in the pre-addressed envelope.

- YOU NEED TO OBTAIN a Medallion Signature Guarantee at your local bank or broker.
- If you have any questions, call us at (925) 631-9100. Please return to 89 Davis Road, Suite 100, Orinda, CA 94563.

1. Enter or Correct Name and Address Information if Necessary

Highlands REIT, Inc. Offer

Name: _____
 Address: _____
 Address 2: _____
 City, State, ZIP: _____

Highlands REIT, Inc.
 Quantity Owned: _____
 Price: \$0.05/Share
 Offer Expires: February 14, 2023

1. List the number of Shares you are selling: All or _____ (Quantity) (if you do not check a box here, you agree to sell all the shares you own)
2. Fill out where applicable, signing to indicate your agreement to the terms of the Offer and the terms on this side and the reverse side of this form (collectively, the "Agreement"). Please also include a copy of your REIT statement to assist in the completion of the transaction.

Owner & Custodian Information	Medallion Signature Guarantee
<p>Owner</p> <p>Name: _____</p> <p>Signature: _____</p> <p>Social Security #: _____ Date _____</p> <p>Email Address: _____</p> <p>Phone Number: _____</p> <p>Computershare Acct #C _____</p>	<p>(You agree to obtain a Medallion Signature Guarantee Stamp here from your bank or broker):</p>
<p>Co-Owner(s) (if applicable)</p> <p>Name(s): _____</p> <p>Signature(s): _____</p> <p>Email Address: _____ Date _____</p> <p>Phone Number: _____</p>	<p>(Place co-owner's Medallion Signature Guarantee Stamp here, if applicable):</p>
<p>Custodian (if applicable)</p> <p>Custodian: _____</p> <p>Name: _____</p> <p>Title: _____ Date _____</p> <p>Signature: _____</p> <p>IRA or Tax ID #: _____</p> <p>Phone Number: _____</p>	<p>(Custodian Medallion Signature Guarantee stamp here if this is an IRA or other custodial account):</p>

3. If there are any name changes, powers of attorney, estate or probate documents, or corporate documents, please provide with your assignment form to speed the transfer process.
4. If you have any other REITs or Limited Partnerships you want to sell, please call us or email offers@mackenziecapital.com for a bid.

Assignment Form for Sale of Highlands REIT, Inc.

The undersigned ("Seller") hereby sells, assigns, transfers, conveys, and delivers and irrevocably directs any custodian or trustee to sell, assign, transfer, convey, and deliver to MacKenzie Northstar Fund 3, LP, MacKenzie Realty Capital, Inc., MPF Blue Ridge Fund I, LLC, MacKenzie Badger Acquisition Co. 4, LLC, MacKenzie Capital Management, LP, or assigns (the "Purchaser"), all of Seller's right, title, and interest in number of shares of common stock listed on the reverse, or all of Seller's shares if no number is entered (the "Shares") in Highlands REIT, Inc. ("the Corporation"), for \$0.05 per Share, reduced by any dividends made to Seller by the Corporation after December 31, 2022 and a transfer fee of \$25 charged by the Purchaser. This offer shall remain open until 11:59 p.m. Pacific Time February 14, 2023.

Such transfer shall include, without limitation, all rights in, and claims to, the Corporation's profits and losses, cash dividends, voting rights, stock splits or reclassifications or distributions, and other benefits of any nature whatsoever distributable or allocable to the Shares, and all proceeds that are paid on or after the Expiration Date from or as a result of any claim, litigation, class, or derivative action brought by or for the benefit of the shareholders with respect to the transferred Shares, regardless of when the claims brought pursuant to such action accrued. Seller hereby irrevocably constitutes and appoints Purchaser as the true and lawful agent and attorney-in-fact of Seller with respect to the Shares, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to vote, inspect Corporation's books and records or act in such manner as any such attorney-in-fact shall, in its sole discretion, deem proper with respect to the Shares, to deliver the Shares and transfer ownership of the Shares on the Corporation's books, together with all accompanying evidences of transfer and authenticity to Purchaser, to direct any custodian or trustee holding record title to the Shares to do any of the foregoing, including the execution and delivery of a copy of this Assignment Form, and to receive all benefits and cash distributions, change the address therefore on the Corporation's records, endorse Corporation checks payable to Seller, and otherwise exercise all rights of beneficial ownership of the Shares. Purchaser shall not be required to post bond of any nature in connection with this power of attorney.

Seller hereby represents and warrants to Purchaser that Seller owns the Shares and has full power and authority to validly sell, assign, transfer, convey and deliver the Shares to Purchaser, and that Purchaser will acquire good, marketable, and unencumbered title thereto, free and clear of all options, liens, restrictions, charges, encumbrances, conditional sales agreements, or other obligations relating to the sale or transfer thereof, and the Shares will not be subject to any adverse claim. If the undersigned is signing on behalf of an entity, the undersigned declares that he or she has authority to sign this document on behalf of the entity. Seller further represents and warrants that Seller is a "United States person," as defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended ("IRC"), or if Seller is not a United States person, that Seller does not own beneficially or of record more than 5% of the outstanding Shares of the Corporation.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity or liquidation of Seller and any obligations of Seller are binding upon the heirs, personal representatives, successors, and assigns of Seller. This agreement is irrevocable and may not be rescinded except by Purchaser if there is a material adverse change in the operations of the Corporation. By signing this Assignment Form Seller is hereby giving authority to Purchaser to change the address for all future distribution checks to 89 Davis Road, Suite 100, Orinda, CA 94563. Upon request, Seller will execute and deliver, and irrevocably directs any custodian to execute and deliver, any additional documents deemed by Purchaser to be necessary or desirable to complete the assignment, transfer, and purchase of the Shares, including obtaining a Medallion Signature Guarantee if necessary (which may be required for transfer; the lack thereof does not affect the validity of the Agreement).

Seller hereby certifies, under penalty of perjury, that (i) the number shown on the reverse of this form as Seller's Taxpayer Identification Number is correct, and (ii) Seller is not subject to back-up withholding either because Seller has not been notified by the Internal Revenue Service (the "IRS") that Seller is subject to back-up withholding as a result of a failure to report all interest or dividends, or the IRS has notified Seller that Seller is no longer subject to back-up withholding. Seller hereby also certifies, under penalties of perjury, that Seller, if an individual, is not a non-resident alien for purposes of U.S. income taxation, and if not an individual, is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the IRC and Regulations). Seller understands that this certification may be disclosed to the IRS by Purchaser and that any false statements contained herein could be punished by fine, imprisonment, or both.

Arbitration Agreement: Purchaser and Seller agree that any dispute or claim arising out of or related to the Agreement or the Shares shall be resolved by binding arbitration in San Francisco, California before a retired judge. The arbitration shall be administered by JAMS pursuant to its Arbitration Rules and Procedures ("Rules"). If one party fails to respond within twenty days after the other party sends a written list of arbitrators by either agreeing to one of the proposed arbitrators or suggesting three or more alternate arbitrators, the proposing party may select the arbitrator from among its initial list and JAMS shall then appoint that arbitrator to preside over the arbitration. If the parties are unable to agree on an arbitrator, the parties shall select an arbitrator pursuant to the Rules. Where reasonable, the arbitrator shall schedule the arbitration hearing within four months after being appointed. The arbitrator must render a decision in writing, explaining the legal and factual basis for decision as to each of the principal controverted issues. The arbitrator's decision will be final and binding upon the parties. A judgment upon any award may be entered in a court of competent jurisdiction. Each party shall be responsible for advancing one-half of the costs of arbitration, including all JAMS fees. The parties are not waiving, and expressly reserve, any rights they may have under federal securities laws, rules, and regulations. The Agreement will be interpreted, construed, and governed according to federal securities laws and the laws of the State of California; provided that all matters relating to arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. Sections 1 et seq.). If both parties waive their right to arbitrate, then any dispute or claim arising out of or related to the Agreement will be subject to the exclusive jurisdiction of Contra Costa County Superior Court for the State of California. In any such action, Purchaser and Seller expressly submit and consent to the exclusive jurisdiction of the Contra Costa County Superior Court and waive all defenses to jurisdiction and venue. The prevailing party shall be entitled to attorney fees and costs (including arbitrator fees, expert witness fees and costs, JAMS fees and costs, and any fees and costs incurred in compelling arbitration, or in any court proceedings if arbitration is waived) in any action or proceeding arising out of or related to the Agreement or the Shares and/or in any action or proceeding to enforce, confirm, or collect on a judgment or award based on a claim arising out of or related to the Agreement or the Shares.