

NexPoint Residential Trust, Inc.
Form 8-K/A
March 14, 2017

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

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): December 29, 2016

NEXPOINT RESIDENTIAL TRUST, INC.

(Exact Name Of Registrant As Specified In Charter)

Maryland
(State or Other Jurisdiction

of Incorporation)

001-36663
(Commission

File Number)
300 Crescent Court, Suite 700

47-1881359
(IRS Employer

Identification No.)

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Dallas, Texas 75201

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (972) 628-4100

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Explanatory Note

In its Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 4, 2017 (the Initial Report), NexPoint Residential Trust, Inc. (the Company), reported that it, through its operating partnership, NexPoint Residential Trust Operating Partnership, L.P., acquired a two-property portfolio in Houston, Texas (the Houston Portfolio) for approximately \$108 million. This Current Report on Form 8-K/A amends and supplements the Initial Report to provide the historical financial statements and unaudited pro forma information required by Item 9.01(a) and (b) of Form 8-K. This Form 8-K/A should be read in conjunction with the Initial Filing.

Item 9.01. Financial Statements and Exhibits.

(a) *Financial Statements.*

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(b) *Pro Forma Financial Information.*

| | |
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(c) Exhibits.

| Exhibit Number | Exhibit Description |
|----------------|---|
| 23.1 | Consent of Aprio, LLP, dated March 14, 2017 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
NexPoint Residential Trust, Inc.

We have audited the accompanying Combined Historical Statement of Revenues and Certain Direct Operating Expenses of The Houston Portfolio (the Portfolio) for the year ended December 31, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this combined financial statement in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of this combined financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the combined financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the combined financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Combined Historical Statement of Revenues and Certain Direct Operating Expenses referred to above presents fairly, in all material respects, the revenue and certain direct operating expenses described in Note 2 of the combined financial statement for the year ended December 31, 2015, in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

The accompanying combined financial statement was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission as described in Note 2 and is not intended to be a complete presentation of the Portfolio's revenues and expenses. Our opinion is not modified with respect to that matter.

Atlanta, Georgia

March 2, 2017

HOUSTON PORTFOLIO

COMBINED HISTORICAL STATEMENTS OF REVENUES

AND CERTAIN DIRECT OPERATING EXPENSES

(in thousands)

| | For the Year Ended For the Nine Months Ended December 31, September 30, 2016 2015 (Unaudited) | |
|--|---|-----------------|
| Revenues | | |
| Rental income | \$ 9,236 | \$ 12,120 |
| Other rental income | 764 | 939 |
| Total revenues | 10,000 | 13,059 |
| Certain direct operating expenses | | |
| Property operating expenses | 2,916 | 3,427 |
| Property taxes and insurance | 2,725 | 3,406 |
| Management Fees | 204 | 275 |
| Total certain direct operating expenses | 5,845 | 7,108 |
| Revenues in excess of certain direct operating expenses | \$ 4,155 | \$ 5,951 |

See accompanying notes to historical financial statements

HOUSTON PORTFOLIO

NOTES TO COMBINED HISTORICAL STATEMENTS OF REVENUES

AND CERTAIN DIRECT OPERATING EXPENSES

Note 1. Business

The accompanying combined historical statements of revenues and certain direct operating expenses (Historical Summary) include the revenues and certain expenses of Old Farm, with 734 units and Stone Creek at Old Farm, with 190 units, both located in Houston, Texas (the Portfolio). NexPoint Residential Trust, Inc. (the Company) acquired both properties in the Portfolio on December 29, 2016.

Note 2. Basis of Presentation

The accompanying Historical Summary has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and are not intended to be a complete presentation of the Portfolio 's revenues and expenses. The Portfolio is considered a group of related properties as the individual properties were under common control and management by the Seller, and the acquisition of a single property in the Portfolio was conditional on the acquisition of the other properties. Therefore, a single combined Historical Summary is being presented.

A Historical Summary is being presented for the most recent year available instead of the 3 most recent years based on the following facts: (1) the Property was acquired from an unaffiliated party; and (2) based on the due diligence of the Portfolio conducted by the Company, except as disclosed in these Notes to Historical Summary, management is not aware of any material factors related to the Portfolio that would cause this financial information not to be indicative of future operations.

Note 3. Unaudited Interim Information

The unaudited Historical Summary for the nine months ended September 30, 2016 has been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. In the opinion of the Portfolio 's management, all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation (in accordance with Basis of Presentation as described in Note 2) have been made to the accompanying unaudited amounts for the nine months ended September 30, 2016.

Note 4. Significant Accounting Policies

Revenues

The Portfolio contains apartment units occupied under various lease agreements with residents, typically with terms of 12 months or less. All leases are accounted for as operating leases. Rental income is recognized as earned over the life of the lease agreements on a straight-line basis. Some of the leases include provisions under which the Portfolio is reimbursed for certain operating costs. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to residents pursuant to the lease agreements. Other rental income consists of charges billed to residents for utilities reimbursements, administrative, application, and other fees and is recognized when earned.

Certain Direct Operating Expenses

Certain direct operating expenses include only those costs expected to be comparable to the proposed future operations of the Portfolio. Property operating costs includes property staff salaries, marketing, utilities, landscaping, repairs and maintenance, and other general costs associated with operating the property. Costs such as depreciation, amortization, interest, and professional fees are excluded from the Historical Summary.

Use of Estimates

The preparation of the combined financial statements, as described in Note 2 and in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Note 5. Commitments and Contingencies

Litigation

The Portfolio may become party to legal proceedings that arise in the ordinary course of its business. Management is not aware of any legal proceedings of which the outcome is probable or reasonably possible to have a material adverse effect on its results of operations or financial condition.

Other Matters

The Company is not aware of any material environmental liabilities relating to the Portfolio that could have a material adverse effect on its financial condition or results of operations. However, changes in applicable environment laws and regulations or other environmental conditions with respect to the Portfolio could result in future environmental liabilities.

Note 6. Subsequent Events

In preparation of the accompanying Historical Summary, subsequent events were evaluated for recognition or disclosure through March 2, 2017, which is the date the Historical Summary was issued.

NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma information should be read in conjunction with the Company's historical combined consolidated financial statements and the notes thereto as filed in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the SEC on March 21, 2016, and the Company's Quarterly Report on Form 10-Q for the nine months ended September 30, 2016, which was filed with the SEC on November 10, 2016. In addition, this unaudited pro forma information should be read in conjunction with the combined historical statements of revenues and certain direct operating expenses and the notes thereto of the Portfolio, which are included herein.

The following unaudited pro forma consolidated balance sheet as of September 30, 2016 has been prepared to give effect to the acquisition of the Portfolio, which occurred on December 29, 2016, as if the acquisition occurred on September 30, 2016.

The following unaudited pro forma combined consolidated statements of operations for the nine months ended September 30, 2016 and for the year ended December 31, 2015 have been prepared to give effect to the acquisition of the Portfolio as if the acquisition occurred on January 1, 2015.

These unaudited pro forma combined consolidated financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisition of the Portfolio been consummated as of January 1, 2015.

In the opinion of the Company's management, all adjustments necessary to reflect the effect of the transaction described above have been included in the pro forma combined consolidated financial statements.

NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

As of September 30, 2016

(in thousands, except share and per share amounts)

| | NXRT, Inc. Historical (a) | Purchase of Houston Portfolio (b) | Pro Forma Total |
|--|------------------------------|--------------------------------------|-------------------|
| ASSETS | | | |
| Operating Real Estate Investments | | | |
| Land | \$ 155,992 | \$ 14,571 | \$ 170,563 |
| Buildings and improvements | 652,342 | 88,682 | 741,024 |
| Intangible lease assets | 491 | 3,926 | 4,417 |
| Construction in progress | 2,690 | | 2,690 |
| Furniture, fixtures, and equipment | 33,612 | 1,328 | 34,940 |
| Total Gross Operating Real Estate Investments | 845,127 | 108,507 | 953,634 |
| Accumulated depreciation and amortization | (55,455) | | (55,455) |
| Total Net Operating Real Estate Investments | 789,672 | 108,507 | 898,179 |
| Real estate held for sale (net of accumulated depreciation of \$1,577) | 22,411 | | 22,411 |
| Total Net Real Estate Investments | 812,083 | 108,507 | 920,590 |
| Cash and cash equivalents | 34,086 | 259 | 34,345 |
| Restricted cash | 34,110 | 2,473 | 36,583 |
| Accounts receivable | 1,750 | 514 | 2,264 |
| Prepaid and other assets | 4,189 | 67 | 4,256 |
| TOTAL ASSETS | \$ 886,218 | \$ 111,820 | \$ 998,038 |
| LIABILITIES AND EQUITY | | | |
| Mortgages payable, net | \$ 404,915 | \$ | \$ 404,915 |
| Mortgages payable held for sale, net | 18,424 | | 18,424 |
| Credit facility, net | 196,480 | 81,744 | 278,224 |
| Bridge facility, net | | 29,874 | 29,874 |
| Accounts payable and other accrued liabilities | 5,122 | 39 | 5,161 |
| Accrued real estate taxes payable | 8,315 | | 8,315 |
| Accrued interest payable | 971 | | 971 |
| Security deposit liability | 1,195 | 141 | 1,336 |
| Prepaid rents | 1,211 | 22 | 1,233 |
| Total Liabilities | 636,633 | 111,820 | 748,453 |
| NexPoint Residential Trust, Inc. stockholders' equity: | | | |

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Preferred stock, \$0.01 par value: 100,000,000 shares authorized; 0 shares issued

| | | |
|---|-------------------|-------------------|
| Common stock, \$0.01 par value: 500,000,000 shares authorized; 21,293,825 shares issued | 213 | 213 |
| Additional paid-in capital | 240,921 | 240,921 |
| Accumulated deficit | (10,022) | (10,022) |
| Accumulated other comprehensive loss | (1,822) | (1,822) |
| Common stock held in treasury at cost; 81,214 shares | (1,524) | (1,524) |
| Noncontrolling interests | 21,819 | 21,819 |
| Total Equity | 249,585 | 249,585 |
| TOTAL LIABILITIES AND EQUITY | \$ 886,218 | \$ 111,820 |
| | | \$ 998,038 |

See accompanying notes to the unaudited pro forma combined consolidated financial statements

NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS**For the Nine Months Ended September 30, 2016****(in thousands, except per share amounts)**

| | NXRT, Inc. Historical (a) | Purchase of Houston Portfolio (c) | Pro Forma Total |
|--|--|--|------------------------|
| Revenues | | | |
| Rental income | \$ 87,406 | \$ 9,236 | \$ 96,642 |
| Other income | 12,841 | 764 | 13,605 |
| Total revenues | 100,247 | 10,000 | 110,247 |
| Expenses | | | |
| Property operating expenses | 28,947 | 2,742 | 31,689 |
| Acquisition costs | 386 | | 386 |
| Real estate taxes and insurance | 12,326 | 2,725 | 15,051 |
| Property management fees (related party) | 3,007 | 204 | 3,211 |
| Advisory and administrative fees (related party) | 4,944 | (d) | 4,944 |
| Corporate general and administrative expenses | 2,649 | | 2,649 |
| Property general and administrative expenses | 4,473 | 174 | 4,647 |
| Depreciation and amortization | 26,363 | 2,588(e) | 28,951 |
| Total expenses | 83,095 | 8,433 | 91,528 |
| Operating income | 17,152 | 1,567 | 18,719 |
| Interest expense | (17,372) | (3,525)(f) | (20,897) |
| Gain on sales of real estate | 25,932 | | 25,932 |
| Net income (loss) | 25,712 | (1,958) | 23,754 |
| Net income attributable to noncontrolling interests | 4,047 | | 4,047 |
| Net income (loss) attributable to common stockholders | \$ 21,665 | \$ (1,958) | \$ 19,707 |
| Other comprehensive loss | | | |
| Net losses related to interest rate derivatives valuations | (1,128) | | (1,128) |
| Total comprehensive income (loss) | 24,584 | (1,958) | 22,626 |
| Comprehensive income attributable to noncontrolling interests | 3,935 | | 3,935 |

| | | | |
|--|-----------|------------|-----------|
| Comprehensive income (loss) attributable to common stockholders | \$ 20,649 | \$ (1,958) | \$ 18,691 |
| Weighted average common shares outstanding - basic | 21,282 | 21,282 | 21,282 |
| Weighted average common shares outstanding - diluted | 21,322 | 21,322 | 21,322 |
| Basic earnings (loss) per share | \$ 1.02 | \$ (0.09) | \$ 0.93 |
| Diluted earnings (loss) per share | \$ 1.02 | \$ (0.09) | \$ 0.93 |

See accompanying notes to the unaudited pro forma combined consolidated financial statements

NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2015

(in thousands, except per share amounts)

| | NXRT, Inc. Historical (b) | Purchase of Houston Portfolio (c) | Pro Forma Total |
|--|------------------------------|--------------------------------------|--------------------|
| Revenues | | | |
| Rental income | \$ 103,804 | \$ 12,120 | \$ 115,924 |
| Other income | 13,854 | 939 | 14,793 |
| Total revenues | 117,658 | 13,059 | 130,717 |
| Expenses | | | |
| Property operating expenses | 34,252 | 3,188 | 37,440 |
| Acquisition costs | 2,975 | | 2,975 |
| Real estate taxes and insurance | 15,231 | 3,406 | 18,637 |
| Property management fees (related party) | 3,501 | 275 | 3,776 |
| Advisory and administrative fees (related party) | 5,565 | (d) | 5,565 |
| Corporate general and administrative expenses | 2,455 | | 2,455 |
| Property general and administrative expenses | 5,401 | 239 | 5,640 |
| Depreciation and amortization | 40,801 | 7,376(e) | 48,177 |
| Total expenses | 110,181 | 14,484 | 124,665 |
| Operating income (loss) | 7,477 | (1,425) | 6,052 |
| Interest expense | (18,469) | (4,775)(f) | (23,244) |
| Net loss | (10,992) | (6,200) | (17,192) |
| Net loss attributable to noncontrolling interests | (160) | | (160) |
| Net loss attributable to common stockholders | \$ (10,832) | \$ (6,200) | \$ (17,032) |
| Other comprehensive loss | | | |
| Net losses related to interest rate derivatives valuations | (391) | | (391) |
| Total comprehensive loss | (11,383) | (6,200) | (17,583) |
| Comprehensive loss attributable to noncontrolling interests | (93) | | (93) |
| Comprehensive loss attributable to common stockholders | \$ (11,290) | \$ (6,200) | \$ (17,490) |

| | | | |
|---|-----------|-----------|-----------|
| Weighted average common shares outstanding - basic | 21,294 | 21,294 | 21,294 |
| Weighted average common shares outstanding - diluted | 21,294 | 21,294 | 21,294 |
| Basic loss per share | \$ (0.51) | \$ (0.29) | \$ (0.80) |
| Diluted loss per share | \$ (0.51) | \$ (0.29) | \$ (0.80) |

See accompanying notes to the unaudited pro forma combined consolidated financial statements

NEXPOINT RESIDENTIAL TRUST, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL STATEMENTS

Balance sheet adjustments

- (a) Represents the unaudited historical consolidated balance sheet of NexPoint Residential Trust, Inc. and subsidiaries (the Company) as of September 30, 2016. See the historical combined consolidated financial statements and notes thereto included in the Company's Quarterly Report on Form 10-Q for the nine months ended September 30, 2016.
- (b) Reflects the acquisition of the Portfolio as if it occurred on September 30, 2016.

Income statement adjustments

- (a) Represents the unaudited historical combined consolidated operations of the Company for the nine months ended September 30, 2016. See the historical combined consolidated financial statements and notes thereto included in the Company's Quarterly Report on Form 10-Q for the nine months ended September 30, 2016.
- (b) Represents the audited historical combined consolidated operations of the Company for the year ended December 31, 2015. See the historical combined consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.
- (c) Represents the historical operations of the Portfolio acquired by the Company. See the combined historical statements of revenues and certain direct operating expenses and the notes thereto of the Portfolio, which are included herein.
- (d) Does not include advisory and administrative fees that may have been payable to the Company's advisor in connection with the acquisition had the Portfolio been acquired on January 1, 2015.
- (e) Represents depreciation and amortization expense (not reflected in the historical combined consolidated statements of operations of the Company) as if the Portfolio was acquired on January 1, 2015. Real estate-related depreciation and amortization are computed on a straight-line basis over the respective estimated useful lives of the assets.
- (f) Represents interest expense (not reflected in the historical combined consolidated statement of operations of the Company) as if the borrowings attributable to the Portfolio were borrowed on January 1, 2015. In connection with the acquisition of the Portfolio, the Company:

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drew \$67.75 million on its \$300 Million Credit Facility, which has a current annual interest rate of one-month LIBOR plus 2.40%;

drew \$30.0 million on its 2016 Bridge Facility, which has a current annual interest rate of one-month LIBOR plus 4.00%; and

drew \$15.0 million on its \$30 Million Credit Facility, which has a current annual interest rate of one-month LIBOR plus 4.00%.

Additionally, the adjustment reflects the amortization of deferred financing costs incurred in connection with the aforementioned loans.

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 hereunto duly authorized.

NEXPOINT RESIDENTIAL TRUST, INC.

By: /s/ Brian Mitts

Name: Brian Mitts

Title: Chief Financial Officer, Executive
VP-Finance and Treasurer

Date: March 14, 2017

EXHIBIT INDEX

| Exhibit Number | Exhibit Description |
|-------------------|---|
| 23.1 | Consent of Aprio, LLP, dated March 14, 2017 |