

FORM ADV PART 2A

**NEXPOINT REAL ESTATE ADVISORS
X, L.P.**

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This brochure provides information about the qualifications and business practices of NexPoint Real Estate Advisors X, L.P. If you have any questions about the contents of this brochure, please contact us at compliance@nexpoint.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about NexPoint Real Estate Advisors X, L.P. is also available at the Securities and Exchange Commission's website www.adviserinfo.sec.gov. Our registration as an investment adviser does not imply any level of skill or training.

ITEM 2. MATERIAL CHANGES

This brochure is being filed by a new registrant, and, therefore, there are no material changes to disclose. Clients are encouraged to thoroughly review this brochure and the conflicts disclosed.

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ITEM 4. ADVISORY BUSINESS

NexPoint Real Estate Advisors X, L.P. (“NexPoint,” “Advisor,” “we” or “us”) was formed in October 2021 and we plan to provide investment advice to one or more diversified real estate investment trusts (“REIT” or “REITs”).

OWNERSHIP

NexPoint Advisors, L.P., a registered investment adviser which is indirectly owned by James Dondero, is the principal owner of NexPoint Real Estate Advisors X, L.P.

TYPES OF ADVISORY SERVICES

We plan to advise one more diversified REIT clients (“Clients” or “Client Account”).

TAILORING SERVICES

We plan to tailor our investment advice to the needs of our clients and are subject to applicable investment restrictions set forth in the governing documents for the applicable client.

ITEM 5. FEES AND COMPENSATION

We expect to receive compensation from our clients in the form of fees which will be based on a percentage of assets under management.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

None.

ITEM 7. TYPES OF CLIENTS

We expect one or more diversified REITs to be our advisory clients.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

INVESTMENT STRATEGY

We expect our diversified REIT clients to be primarily focused on generating capital for stockholders over the long term, primarily through current income and secondarily through capital appreciation. We expect our diversified REIT clients to achieve this objective primarily by investing among various commercial real estate property types and across the capital structure, including but not limited to: equity, mortgage debt, mezzanine debt and preferred equity. The objective will be to increase the cash flow and value of the properties, acquire properties with cash flow growth potential and achieve capital appreciation for shareholders through a value-add program.. We expect our diversified REIT clients to primarily focus on real estate and real estate related assets; however, the REIT will, to a limited extent, continue to hold, acquire or transact in certain non-real estate securities.

Through active portfolio management, our diversified REIT clients will seek to take advantage of market opportunities to achieve a superior portfolio risk-mix, while delivering attractive total return.

METHOD OF ANALYSIS

Our investment approach combines our management team's experience with a structure that emphasizes thorough market research, local market knowledge, underwriting discipline, and risk management in evaluating potential investments. We expect to benefit from the tested method of capital allocation and on-going investment monitoring developed by NexPoint. The primary objectives of the investment process are for it to be repeatable, dependable, and produce attractive risk-adjusted returns.

MATERIAL RISKS OF SIGNIFICANT STRATEGIES AND METHODS OF ANALYSIS:

In this section we summarize some of the material risks of our investment strategy and methods of analysis. More complete information about specific risks associated with an investment in a diversified REIT will be provided in detail in the governing documents for the applicable client. All methods of investments involve risk of loss including risk that an investor will lose the entire value of their investment. No guarantee or representation is made that our investment program will be successful, and investment results may vary substantially over time.

Risks Related to Debt-Oriented Real Estate Investments.

We seek to invest primarily in investments in or relating to real estate-related businesses, assets or interests. Any deterioration of real estate fundamentals generally, and in the

United States in particular, could negatively impact our performance by making it more difficult for entities in which we have an investment, or “borrower entities,” to satisfy debt payment obligations, increasing the default risk applicable to borrower entities, and/or making it relatively more difficult for us to generate attractive risk-adjusted returns. Changes in general economic conditions will affect the creditworthiness of borrower entities and may include economic and/or market fluctuations, changes in environmental, zoning and other laws, casualty or condemnation losses, regulatory limitations on rents, decreases in property values, changes in the appeal of properties to tenants, changes in supply and demand, fluctuations in real estate fundamentals, energy supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations (such as rent control), changes in real property tax rates and operating expenses, changes in interest rates, changes in the availability of debt financing and/or mortgage funds which may render the sale or refinancing of properties difficult or impracticable, increased mortgage defaults, increases in borrowing rates, negative developments in the economy that depress travel activity, demand and/or real estate values generally and other factors that are beyond our control. The value of securities of companies that service the real estate business sector will also be affected by such risks.

We cannot predict the degree to which economic conditions generally, and the conditions for loans and investments in real estate, will continue to improve or whether they will deteriorate further. Declines in the performance of the U.S. and global economies or in the real estate debt markets could have a material adverse effect on our business, financial condition and results from operations. In addition, market conditions relating to real estate debt and preferred equity investments have evolved since the global financial crisis, which has resulted in a modification to certain structures and/or market terms. Any such changes in structures and/or market terms may make it relatively more difficult for us to monitor and evaluate our loans and investments.

Risks associated with real property.

Real estate investments are subject to various risks, including:

- acts of nature, including earthquakes, floods and other natural disasters, which may result in uninsured losses;
- acts of war or terrorism, including the consequences of such acts;
- adverse changes in national and local economic and market conditions;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations and ordinances;

- costs of remediation and liabilities associated with environmental conditions including, but not limited to, indoor mold; and
- the potential for uninsured or under-insured property losses.

If any of these or similar events occurs, it will reduce our return from an affected property or investment and reduce or eliminate our ability to pay dividends to stockholders.

Risks associated with investment in commercial real estate-related investments

Commercial real estate debt instruments (e.g., first mortgage loans, mezzanine loans, preferred equity and CMBS) that are secured by commercial property are subject to risks of delinquency and foreclosure and risks of loss that are greater than similar risks associated with loans made on the security of single-family residential property. The ability of a borrower to repay a loan secured by an income-producing property or properties typically is dependent primarily upon the successful operation of the property or properties rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan will be impaired. Net operating income of an income-producing property can be affected by, among other things:

- tenant mix and tenant bankruptcies;
- success of tenant businesses;
- property management decisions, including with respect to capital improvements, particularly in older building structures;
- property location and condition;
- competition from other properties offering the same or similar services;
- changes in laws that increase operating expenses or limit rents that may be charged;
- any need to address environmental contamination at the property;
- changes in national, regional or local economic conditions and/or specific industry segments;
- declines in regional or local real estate values;
- declines in regional or local rental or occupancy rates;
- changes in interest rates and in the state of the debt and equity capital markets, including diminished availability or lack of debt financing for commercial real estate;

- changes in real estate tax rates and other operating expenses;
- changes in governmental rules, regulations and fiscal policies, including environmental legislation;
- acts of God, terrorism, social unrest and civil disturbances, which may decrease the availability of or increase the cost of insurance or result in uninsured losses; and
- adverse changes in zoning laws.

In addition, we are exposed to the risk of judicial proceedings with borrowers and entities we invest in, including bankruptcy or other litigation, as a strategy to avoid foreclosure or enforcement of other rights by us as a lender or investor. In the event that any of the properties or entities underlying or collateralizing our loans or investments experiences any of the foregoing events or occurrences, the value of, and return on, such investments, and could adversely affect our results of operations and financial condition.

Risks related to Interest rate fluctuations and credit spreads

Our primary interest rate exposures relate to the yield on our loans and other investments and the financing cost of our debt, as well as our interest rate swaps that we may utilize for hedging purposes. Changes in interest rates and credit spreads will affect our net income from loans and other investments, which is the difference between the interest and related income we earn on our interest-earning investments and the interest and related expense we incur in financing these investments. Interest rate and credit spread fluctuations resulting in our interest and related expense exceeding interest and related income would result in operating losses for us. Changes in the level of interest rates and credit spreads also will affect our ability to make loans or investments, the value of our loans and investments and our ability to realize gains from the disposition of assets. Increases in interest rates and credit spreads will also negatively affect demand for loans and could result in higher borrower default rates.

Risks involved with investing in subordinate and other junior investments

We will invest in debt instruments (including CMBS B-Pieces) and preferred equity that are subordinated or otherwise junior in an issuer's capital structure and that involve privately negotiated structures. Our investments in subordinated debt and mezzanine tranches of a borrower's capital structure and our remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, are subject to the rights of any senior creditors and, to the extent applicable, contractual intercreditor and/or participation agreement provisions. Significant losses related to such loans or investments could adversely affect our results of operations and financial condition.

Investments in subordinated debt involve greater credit risk of default than the senior classes of the issue or series. As a result, with respect to our investments in CMBS B-Pieces, mezzanine loans and other subordinated debt, we would potentially receive payments or interest distributions after, and must bear the effects of losses or defaults on the senior debt (including underlying senior loans, senior mezzanine loans, B-Notes, preferred equity or senior CMBS bonds, as applicable) before the holders of other more senior tranches of debt instruments with respect to such issuer. As the terms of such loans and investments are subject to contractual relationships among lenders, co-lending agents and others, they can vary significantly in their structural characteristics and other risks. For example, the rights of holders of B-Notes to control the process following a borrower default would vary from transaction to transaction.

Prepayment Risk

The value of our assets will be affected by prepayment rates on loans. If we originate or acquire mortgage-related securities or a pool of mortgage securities, we anticipate that the underlying mortgages will prepay at a projected rate generating an expected yield. If we purchase assets at a premium to par value, when borrowers prepay their loans faster than expected, the corresponding prepayments on the mortgage-related securities will reduce the expected yield on such securities because we will have to amortize the related premium on an accelerated basis. Conversely, if we purchase assets at a discount to par value, when borrowers prepay their loans slower than expected, the decrease in corresponding prepayments on the mortgage-related securities will reduce the expected yield on such securities because we will not be able to accrete the related discount as quickly as originally anticipated. Prepayment rates on loans may be affected by a number of factors including, but not limited to, the availability of mortgage credit, the relative economic vitality of the area in which the related properties are located, the servicing of the loans, possible changes in tax laws, other opportunities for investment, and other economic, social, geographic, demographic and legal factors and other factors beyond our control.

Consequently, such prepayment rates cannot be predicted with certainty and no strategy can completely insulate us from prepayment or other such risks. In periods of declining interest rates, prepayment rates on loans generally increase. If general interest rates decline at the same time, the proceeds of such prepayments received during such periods are likely to be reinvested by us in assets yielding less than the yields on the assets that were prepaid. In addition, as a result of the risk of prepayment, the market value of the prepaid assets will benefit less than other fixed income securities from declining interest rates.

Risks associated with distressed investments

Our loans and investments may include making distressed investments from time to time (e.g., investments in defaulted, out-of-favor or distressed bank loans and debt securities) or may involve investments that become “non-performing” following our acquisition thereof.

Certain of our investments may include properties that typically are highly leveraged, with significant burdens on cash flow and, therefore, involve a high degree of financial risk. During an economic downturn or recession, loans or securities of financially or operationally troubled borrowers or issuers are more likely to go into default than loans or securities of other borrowers or issuers. Loans or securities of financially or operationally troubled issuers are less liquid and more volatile than loans or securities of borrowers or issuers not experiencing such difficulties. The market prices of such securities are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected. Investment in the loans or securities of financially or operationally troubled borrowers or issuers involves a high degree of credit and market risk.

Risks inherent in not having control over certain of our loans and investments

Our ability to manage our portfolio of loans and investments will be limited by the form in which they are made. In certain situations, we may:

- acquire investments subject to rights of senior classes and servicers under intercreditor or servicing agreements;
- acquire only a minority and/or a non-controlling participation in an underlying investment;
- co-invest with others through partnerships, joint ventures or other entities, thereby acquiring non-controlling interests; or
- rely on independent third party management or servicing with respect to the management of an asset.

Therefore, we may not be able to exercise control over all aspects of our loans or investments. Such financial assets may involve risks not present in investments where senior creditors, junior creditors, servicers or third parties controlling investors are not involved. Our rights to control the process following a borrower default may be subject to the rights of senior or junior creditors or servicers whose interests may not be aligned with ours. A partner or co-venturer may have financial difficulties resulting in a negative impact on such asset, may have economic or business interests or goals that are inconsistent with ours, or may be in a position to take action contrary to our investment objectives. In addition, we may, in certain circumstances, be liable for the actions of our partners or co-venturers.

We may make preferred equity investments in entities over which we will not have voting control. We intend to ensure that the terms of our investments require that the partnerships and limited liability companies take all actions necessary to preserve our REIT status and avoid taxation at the REIT level. However, because we will not control such entities, they may cause us to fail one or more of the REIT tests. In that event, we intend to take advantage of all available provisions in the REIT statutes and regulations to cure any such failure,

which provisions require payments of penalties. We believe that we will be successful in maintaining our REIT status, but no assurances can be given.

Competition Risks

A number of entities compete with us to make the types of loans and investments that we seek to make. Our profitability depends, in large part, on our ability to originate or acquire our target assets on attractive terms. In originating or acquiring our target assets, we compete with a variety of institutional lenders and investors, including other REITs, specialty finance companies, public and private funds (including other funds managed by affiliates of our Advisor), commercial and investment banks, commercial finance and insurance companies and other financial institutions. Several other REITs have raised, or are expected to raise, significant amounts of capital, and will have investment objectives that overlap with ours, which will create additional competition for lending and investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. Many of our competitors are not subject to the operating constraints associated with REIT compliance or maintenance of an exclusion from regulation under the Investment Company Act. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, offer more attractive pricing or other terms and establish more relationships than us. Furthermore, competition for originations of and investments in our target assets may lead to the yields of such assets decreasing, which may further limit our ability to generate satisfactory returns. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, desirable loans and investments in our target assets may be limited in the future, and we may not be able to take advantage of attractive lending and investment opportunities from time to time, as we can provide no assurance that we will be able to identify and originate loans or make investments that are consistent with our investment objectives.

Diversification Risks

We are not required to observe specific diversification criteria, except as set forth in the investment guidelines adopted by our board of directors. Therefore, our investments in our target assets will be and could in the future be, secured by properties concentrated in a limited number of geographic locations or concentrated in certain property types that are subject to higher risk of default or foreclosure.

Asset concentration may cause even modest changes in the value of the underlying real estate assets to significantly impact the value of our investments. As a result of any high levels of concentration, any adverse economic, political or other conditions that disproportionately affects those geographic areas or asset classes could have a magnified adverse effect on our

results of operations and financial condition, and the value of investments could vary more widely than if we invested in a more diverse portfolio of loans.

Risks associated with Freddie Mac and Fannie Mae

During 2008, there were increased market concerns about Fannie Mae's and Freddie Mac's ability to withstand future credit losses associated with securities held in their investment portfolios, and on which they provide guarantees, without the direct support of the U.S. Government. In September 2008 Fannie Mae and Freddie Mac were placed into the conservatorship of the U.S. Federal Housing Finance Agency, or FHFA, their federal regulator, pursuant to its powers under The Federal Housing Finance Regulatory Reform Act of 2008, a part of the Housing and Economic Recovery Act of 2008. Under this conservatorship, Fannie Mae and Freddie Mac are required to reduce the amount of mortgage loans they own or for which they provide guarantees.

Shortly after Fannie Mae and Freddie Mac were placed in federal conservatorship, the Secretary of the U.S. Treasury noted that changes in the structures of the entities were necessary to reduce risk to the financial system. The future roles of Fannie Mae and Freddie Mac could be significantly reduced or eliminated or these entities could be privatized. The U.S. Treasury could also stop providing financial support for Fannie Mae and Freddie Mac in the future. These reforms could materially adversely affect our business, financial condition and results of operations.

Risks associated with insurance on loans and real estate securities collateral

There are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, which may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also might result in insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. Under these circumstances, the insurance proceeds received with respect to a property relating to one of our investments might not be adequate to restore our economic position with respect to our investment. Any uninsured loss could result in the corresponding nonperformance of or loss on our investment related to such property.

We intend to continue to hold a portion of assets in securities, including equities, structured products, including but not limited to, mortgage-backed and other asset-backed securities and collateralized debt obligations; other investment companies and REITs.

The market prices of equity securities owned will go up or down, sometimes rapidly or unpredictably. The value of a security may decline for a number of reasons that may directly relate to the issuer, such as management performance, fundamental changes to the business, financial leverage, non-compliance with regulatory requirements and reduced demand for the issuer's goods or services. The values of equity securities also may decline

due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. Certain equity securities may decline in value even during periods when the prices of equity securities in general are rising, or may not perform as well as the market in general. In addition to these risks, preferred stock and convertible securities are also subject to the risk that issuers will not make payments on securities held and which could result in losses. The credit quality of preferred stock and convertible securities held may be lowered if an issuer's financial condition changes, leading to greater volatility in the price of the security. In addition, a company's preferred stock generally pays dividends only after the company makes required payments to holders of its bonds and other debt. For this reason, the value of preferred stock will usually react more strongly than bonds and other debt to actual or perceived changes in the company's financial condition or prospects. The market value of convertible securities also tends to fall when prevailing interest rates rise.

We will also invest in collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other collateralized debt obligations ("CDOs"), which are debt instruments backed solely by a pool of other debt securities. The risks of an investment in a CBO, CLO or other CDO depend largely on the type of the collateral securities (which would have the risks described elsewhere in this document for that type of security) and the class of the CBO, CLO or other CDO invested in. Some CBOs, CLOs and other CDOs have credit ratings, but are typically issued in various classes with various priorities. Normally, CBOs, CLOs and other CDOs are privately offered and sold (that is, not registered under the securities laws) and may be characterized by the Fund as illiquid securities, but an active dealer market may exist for CBOs, CLOs and other CDOs that qualify for Rule 144A transactions. In addition to the normal interest rate, default and other risks of fixed income securities discussed elsewhere in this document, CBOs, CLOs and other CDOs carry additional risks, including the possibility that distributions from collateral securities will not be adequate to make interest or other payments, the quality of the collateral may decline in value or default, we may invest in CBOs, CLOs or other CDOs that are subordinate to other classes, volatility in values, and the complex structure of the security may not be fully understood at the time of investment and produce disputes with the issuer or unexpected investment results.

Risks associated with investing in derivative instruments

Subject to maintaining our qualification as a REIT, we may invest in derivative instruments. Derivative instruments, especially when purchased in large amounts, may not be liquid in all circumstances, so that in volatile markets we may not be able to close out a position without incurring a loss. The prices of derivative instruments, including swaps, futures, forwards and options, are highly volatile, and such instruments may subject us to significant losses. The value of such derivatives also depends upon the price of the underlying instrument or commodity. Such derivatives and other customized instruments also are subject to the risk of non-performance by the relevant counterparty. In addition, actual or implied daily limits on price fluctuations and speculative position limits on the exchanges or OTC markets in which we conduct our transactions in derivative instruments may prevent prompt liquidation of positions, subjecting us to the potential of greater losses. Derivative

instruments that may be purchased or sold by us may include instruments not traded on an exchange. The risk of nonperformance by the obligor on such an instrument may be greater, and the ease with which we can dispose of or enter into closing transactions with respect to such an instrument will be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between “bid” and “asked” prices for derivative instruments that are traded OTC and not on an exchange. Such OTC derivatives are also typically not subject to the same type of investor protections or governmental regulation as exchange-traded instruments.

In addition, we may invest in derivative instruments that are neither presently contemplated nor currently available, but which will be developed in the future, to the extent such opportunities are both consistent with our investment objectives and legally permissible. Any such investments may expose us to unique and presently indeterminate risks, the impact of which will not be capable of determination until such instruments are developed and/or we determine to make such an investment.

Risks associated with illiquidity

The illiquidity of certain of our target assets may make it difficult for us to sell such investments if the need or desire arises. Certain target assets such as first mortgage loans, CMBS B-Pieces, mezzanine and other loans (including participations) and preferred equity, in particular, are relatively illiquid investments. In addition, certain of our investments may become less liquid after our investment as a result of periods of delinquencies or defaults or turbulent market conditions, which may make it more difficult for us to dispose of such assets at advantageous prices or in a timely manner. Moreover, many of the loans and securities we invest in will not be registered under the relevant securities laws, resulting in prohibitions against their transfer, sale, pledge or their disposition except in transactions that are exempt from registration requirements or are otherwise in accordance with such laws. As a result, we expect many of our investments will be illiquid, and if we are required to liquidate all or a portion of our portfolio quickly, for example as a result of margin calls, we may realize significantly less than the value at which we have previously recorded our investments. Further, we may face other restrictions on our ability to liquidate an investment to the extent that we or our Advisor and/or its affiliates has or could be attributed as having material, non-public information regarding such business entity. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which could adversely affect our results of operations and financial condition.

Valuation Risks

The valuation of real estate and therefore the valuation of any underlying security relating to loans and/or investments made by us is inherently subjective due to, among other factors, the individual nature of each property, its location, the expected future rental revenues from that particular property and the valuation methodology adopted. As a result, the valuations

of the real estate assets against which we will make loans and/ or investments are subject to a large degree of uncertainty and are made on the basis of assumptions and methodologies that may not prove to be accurate, particularly in periods of volatility, low transaction flow or restricted debt availability in the commercial or residential real estate markets.

Some or all of our portfolio investments will be in the form of positions or securities that are not publicly traded. The fair value of investments that are not publicly traded may not be readily determinable. Our Advisor will value these investments at fair value which may include unobservable inputs. Because such valuations are subjective, the fair value of certain of our assets may fluctuate over short periods of time and our Advisor's determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our results of operations and financial condition could be adversely affected if our Advisor's determinations regarding the fair value of these investments were materially higher than the values that we ultimately realize upon their disposal.

Our loans and investments will be subject to fluctuations in interest rates that may not be adequately protected, or protected at all, by our hedging strategies.

Our assets include loans with either floating interest rates or fixed interest rates. Floating rate loans earn interest at rates that adjust from time to time (typically monthly) based upon an index (typically one-month LIBOR). These floating rate loans are insulated from changes in value specifically due to changes in interest rates; however, the coupons they earn fluctuate based upon interest rates (again, typically one-month LIBOR) and, in a declining and/or low interest rate environment, these loans will earn lower rates of interest and this will impact our operating performance. For more information about our risks related to changes to, or the elimination of, LIBOR, see "Changes to, or the elimination of, LIBOR may adversely affect interest expense related to our loans and investments" below. Fixed interest rate loans, however, do not have adjusting interest rates and the relative value of the fixed cash flows from these loans will decrease as prevailing interest rates rise or increase as prevailing interest rates fall, causing potentially significant changes in value. We may employ various hedging strategies to limit the effects of changes in interest rates (and in some cases credit spreads), including engaging in interest rate swaps, caps, floors and other interest rate derivative products. We believe that no strategy can completely insulate us from the risks associated with interest rate changes and there is a risk that such strategies may provide no protection at all and potentially compound the impact of changes in interest rates. Hedging transactions involve certain additional risks such as counterparty risk, leverage risk, the legal enforceability of hedging contracts, the early repayment of hedged transactions and the risk that unanticipated and significant changes in interest rates may cause a significant loss of basis in the contract and a change in current period expense. We cannot make assurances that we will be able to enter into hedging transactions or that such hedging transactions will adequately protect us against the foregoing risks.

Accounting for derivatives under GAAP may be complicated. Any failure by us to meet the requirements for applying hedge accounting in accordance with GAAP could adversely affect our earnings. In particular, derivatives are required to be highly effective in offsetting changes in the value or cash flows of the hedged items (and appropriately designated and/or documented as such). If it is determined that a derivative is not highly effective at hedging the designated exposure, hedge accounting is discontinued and the changes in fair value of the instrument are included in our reported net income.

Changes to, or the elimination of, LIBOR may adversely affect interest expense related to our loans and investments.

Regulators and law-enforcement agencies from a number of governments, including entities in the United States, Japan, Canada and the United Kingdom, have been conducting civil and criminal investigations into whether the banks that contributed to the British Bankers' Association, or the BBA, in connection with the calculation of daily LIBOR may have underreported or otherwise manipulated or attempted to manipulate LIBOR. Several financial institutions have reached settlements with the CFTC, the U.S. Department of Justice Fraud Section and the U.K. Financial Services Authority in connection with investigations by such authorities into submissions made by such financial institutions to the bodies that set LIBOR and other interbank offered rates. In such settlements, such financial institutions admitted to submitting rates to the BBA that were lower than the actual rates at which such financial institutions could borrow funds from other banks. Additional investigations remain ongoing with respect to other major banks, and no assurance can be made that there will not be further admissions or findings of rate setting manipulation or that improper manipulation of LIBOR or other similar inter-bank lending rates will not occur in the future.

Based on a review conducted by the Financial Conduct Authority of the U.K., or the FCA, and a consultation conducted by the European Commission, proposals have been made for governance and institutional reform, regulation, technical changes and contingency planning. In particular: (a) new legislation has been enacted in the United Kingdom pursuant to which LIBOR submissions and administration are now "regulated activities" and manipulation of LIBOR has been brought within the scope of the market abuse regime; (b) legislation has been proposed which if implemented would, among other things, alter the manner in which LIBOR is determined, compel more banks to provide LIBOR submissions, and require these submissions to be based on actual transaction data; and (c) LIBOR rates for certain currencies and maturities are no longer published daily. In addition, pursuant to authorization from the FCA, ICE Benchmark Administration Limited (formerly NYSE Euronext Rate Administration Limited), or the IBA, took over the administration of LIBOR from the BBA on February 1, 2014. Any new administrator of LIBOR may make methodological changes to the way in which LIBOR is calculated or may alter, discontinue or suspend calculation or dissemination of LIBOR.

In a speech on July 27, 2017, Andrew Bailey, the Chief Executive of the FCA, announced the FCA's intention to cease sustaining LIBOR after 2021. The FCA has statutory powers to require panel banks to contribute to LIBOR where necessary. The FCA has decided not to ask, or to require, that panel banks continue to submit contributions to LIBOR beyond the end of 2021. The FCA has indicated that it expects that the current panel banks will voluntarily sustain LIBOR until the end of 2021. The FCA's intention is that after 2021, it will no longer be necessary for the FCA to ask, or to require, banks to submit contributions to LIBOR. The FCA does not intend to sustain LIBOR through using its influence or legal powers beyond that date. It is possible that the IBA and the panel banks could continue to produce LIBOR on the current basis after 2021, if they are willing and able to do so, but we cannot make assurances that LIBOR will survive in its current form, or at all. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S.-dollar LIBOR with the Secured Overnight Financing Rate, or SOFR, a new index calculated by short-term repurchase agreements, backed by Treasury securities. Although there have been a few issuances utilizing SOFR or the Sterling Over Night Index Average, an alternative reference rate that is based on transactions, it is unknown whether these alternative reference rates will attain market acceptance as replacements for LIBOR.

If LIBOR is no longer available, loan documents generally allow us to choose a new index based upon comparable information. However, if LIBOR is no longer available, we may need to renegotiate some of our agreements to determine a replacement index or rate of interest. There is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. As such, the potential effect of any such event on our cost of capital and net investment income cannot yet be determined and any changes to benchmark interest rates could increase our financing costs, which could impact our results of operations, cash flows and the market value of our investments. In addition, the elimination of LIBOR and/or changes to another index could result in mismatches with the interest rate of investments that we are financing.

Our investments in CMBS will pose additional risks, including the risk that we will not be able to recover some or all of our investment and the risk that we will not be able to hedge or transfer our CMBS B-Piece investments for a significant period of time.

We intend to invest in pools or tranches of CMBS. The collateral underlying CMBS generally consists of commercial mortgages or real property that have a multifamily or commercial use, such as retail space, office buildings, warehouse property and hotels. CMBS have been issued in a variety of issuances, with varying structures including senior and subordinated classes. Our investments in CMBS will be subject to losses. In general, losses on a mortgaged property securing a senior loan included in a securitization will be borne first by the equity holder of the property, then by a cash reserve fund or letter of credit, if any, then by the holder of a mezzanine loan or B-Note, if any, then by the "first loss" subordinated security holder (generally, the B-Piece buyer) and then by the holder of a higher-rated security. In the event

of default and the exhaustion of any equity support, reserve fund, letter of credit, mezzanine loans or B-Notes, and any classes of securities junior to those in which we invest, we will not be able to recover some or all of our investment in the securities we purchase. There can be no assurance that our CMBS underwriting practices will yield their desired results and there can be no assurance that we will be able to effectively achieve our investment objective or that projected returns will be achieved.

If we invest in a CMBS B-Piece because a sponsor of a CMBS utilizes us as an eligible third party purchaser to satisfy the risk retention rules under the Dodd-Frank Act, we will be required to meet certain conditions, including holding the related CMBS B-Piece, without transferring or hedging the CMBS B-Piece, for a significant period of time (at least five years), which could prevent us from mitigating losses on the CMBS B-Piece. Even if we seek to transfer the CMBS B-Piece after five years, any subsequent purchaser of the CMBS B-Piece will be required to satisfy the same conditions that we were required to satisfy when we acquired the interest from the CMBS sponsor. Accordingly, no assurance can be given that any secondary market liquidity will exist for such CMBS B-Pieces.

Loans on properties in transition will involve a greater risk of loss than conventional mortgage loans.

We may in the future invest in properties that have a light-transitional business plan. The typical borrower in a transitional loan has usually identified an undervalued asset that has been under-managed and/or is located in a recovering market. If the market in which the asset is located fails to improve according to the borrower's projections, or if the borrower fails to improve the quality of the asset's management and/or the value of the asset, the borrower will not receive a sufficient return on the asset to satisfy the transitional loan, and we bear the risk that we will not recover all or a portion of our investment.

The due diligence process that our Advisor undertakes in regard to investment opportunities may not reveal all facts that would be relevant in connection with an investment and if our Advisor incorrectly evaluates the risks of our loans and investments, we may experience losses.

Before making investments for us, our Advisor will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances relevant to each potential investment. When conducting due diligence, our Advisor may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of potential investment. Relying on the resources available to it, our Advisor will evaluate our potential investments based on criteria it deems appropriate for the relevant investment. Our Advisor's loss estimates may not prove accurate; as actual results may vary from estimates. If our Advisor

underestimates the asset-level losses relative to the price we pay for a particular investment, we may experience losses with respect to such investment.

We may be subject to lender liability claims, and if we are held liable under such claims, we could be subject to losses.

In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or stockholders. We cannot assure prospective investors that such claims will not arise or that we will not be subject to significant liability if a claim of this type did arise.

If we fail to develop, enhance and implement strategies to adapt to changing conditions in the real estate industry and capital markets, our financial condition and results of operations may be materially and adversely affected.

The manner in which we compete and the types of assets in which we seek to invest will be affected by changing conditions resulting from sudden changes in our industry, regulatory environment, the role and structures of GSEs, the role of credit rating agencies or their rating criteria or process, or the U.S. and global economies generally. If we do not effectively respond to these changes, or if our strategies to respond to these changes are not successful, our financial condition and results of operations may be adversely affected. In addition, we may not be successful in executing our business strategies and, even if we successfully implement our business strategies, we may not ever generate revenues or profits.

ITEM 9. DISCIPLINARY INFORMATION

Not applicable.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

BROKER-DEALER AND BANKING

James Dondero owns a majority interest in NexBank Capital, Inc., whose wholly owned subsidiaries include NexBank Securities, Inc. (also doing business as Barrier Advisors) (“NexBank Securities”) and NexBank. NexPoint and NexBank Capital, Inc. are under common control and James Dondero, serves on the Board of Directors of NexBank. Additional entities operating under NexBank Capital, Inc. also perform consulting, title insurance and property management services.

NexBank Securities, Inc.

NexBank Securities, Inc., also doing business as NexBank Wealth Advisors, is an SEC Registered Investment Advisor.

NexBank

NexBank, a Texas state-chartered bank, is an affiliate of NexPoint and will, from time to time, provide banking and agency services to portfolio companies in which Client Accounts will be invested. Client Accounts and portfolio companies may invest in assets originated by, or enter into loans, borrowings and/or financings with NexBank, including in primary or secondary transactions. These services generally will result in compensation to NexBank in various forms, including administrative agent fees, structuring fees, origination and syndication fees, and assignment fees. As a result, we have an incentive to select, or attempt to influence the selection of, NexBank for such services. Fees are charged at rates competitive with those offered by third parties. NexPoint may also refer Client Accounts or controlled investments to NexBank for banking services. NexBank will charge its customary fees for the provision of such banking services.

To the extent permitted by applicable law, NexBank may sell or offer participations to NexPoint Accounts in a variety of commercial loans for which NexBank will receive compensation.

NexPoint Securities, Inc.

NexPoint Securities, Inc., a SEC-registered broker dealer and a Member of FINRA/SIPC, is under common control through James Dondero’s indirect ownership of NexPoint Securities. It may provide distribution assistance in connection with the sale or placement of funds managed by Nexpoint and its affiliates.

INVESTMENT ADVISER AFFILIATES

Highland Capital Management Fund Advisors, L.P.

Highland Capital Management Fund Advisors, L.P. a SEC-registered investment adviser, is under common control with NexPoint because James Dondero controls the Highland Capital Management Fund Advisors general partner.

Additionally, Highland Capital Management Fund Advisors serves as advisor to investment companies registered under the Investment Company Act of 1940, as amended.

NexPoint Advisors, L.P.

NexPoint Advisors, L.P., a SEC-registered investment adviser, is under common control with NexPoint because James Dondero controls the NexPoint Advisors, L.P. general partner.

NexAnnuity Asset Management, L.P.

NexAnnuity Asset Management, L.P., a SEC-registered investment adviser, is under common control with NexPoint because James Dondero controls the NexAnnuity Asset Management, L.P. general partner.

NexStructured Capital Management, L.P.

NexStructured Capital Management, L.P., a SEC-registered investment adviser, is under common control with NexPoint because James Dondero controls the NexStructured Capital Management, L.P. general partner.

Stephanie Vitiello also serves as the Chief Compliance Officer of Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P., and NexPoint Real Estate Advisors VII, L.P. Eric Holt is the Chief Compliance Officer of NexStructured Capital Management, L.P., NexBank Securities, Inc., also doing business as NexBank Wealth Advisors, NexPoint Securities, Inc., and NexAnnuity Asset Management, L.P.

We expect to achieve efficiencies through a shared services arrangement with NexPoint Advisors, L.P., its affiliates, and/or third parties to provide certain functional areas to assist in the on-going operation of NexPoint including tax, human resources, IT, legal and compliance.

INSURANCE COMPANY AFFILIATES

Highland Capital Management Services, Inc. is an affiliate of NexPoint and parent company of Governance Re Ltd., a captive insurance agency issuing directors & officers' liability insurance and employment practice liability insurance to affiliates of NexPoint, its affiliates, and their respective portfolio companies. NexVantage Title Services is a title insurance

company affiliated with NexBank and NexPoint, which may provide title insurance with respect to real property investments owned by client accounts or their portfolio companies for arm's length fees. A conflict of interest exists due to the fact that Governance Re Ltd. receives premiums from portfolio companies of client accounts. As a result, NexPoint is incentivized to choose Governance Re and NexVantage Title Services to provide these services over a third party even though such party's services may be better suited for the company. Other NexPoint affiliates may provide insurance related products or services from time to time to clients and/or portfolio companies and receive arm's length fees for such services.

Additional information regarding potential conflicts of interest is provided in the section titled Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

We maintain a policy of strict compliance with the highest standards of ethical business conduct and the provisions of applicable federal securities laws, including rules and regulations promulgated by the SEC, and have adopted policies and procedures described in our Code of Ethics. The Code of Ethics applies to each of our “access persons” as defined under the Advisers Act. It is designed to ensure compliance with legal requirements of our standard of business conduct.

A complete copy of our Code of Ethics is available to any client or prospective client upon request.

STANDARDS OF CONDUCT

We and our access persons are expected to comply with all applicable federal and state laws and regulations. Access persons are expected to adhere to the highest standards of ethical conduct and maintain confidentiality of all information obtained with respect to client matters and bring any risk issues, violations, or potential violations to the attention of our Chief Compliance Officer. Access persons are expected to deal with clients fairly and disclose any activity that would create an actual or potential conflict of interest between them and us or any client.

ETHICAL BUSINESS PRACTICES

Falsification or alteration of records or reports, also known as a prohibited financial practice, or knowingly approving such conduct is prohibited. Payments to government officials or employees are prohibited except for political contributions approved by our Chief Compliance Officer. We seek to outperform our competition fairly and honestly and seek competitive advantages through superior performance not illegal or unethical dealings. Access persons are strictly prohibited from (i) participating in online blogging and communication with the media, and (ii) spreading of false rumors pertaining to any publicly traded company.

CONFIDENTIALITY

Access persons must maintain the confidentiality of our proprietary and confidential information and that of our clients, and must not disclose that information unless the necessary approval is obtained. We have a particular duty and responsibility, as investment adviser, to safeguard client information. Information concerning the identity and transactions of investors is confidential, and such information will only be disclosed to those access persons and outside parties who need to know it in order to fulfill their responsibilities.

GIFT AND ENTERTAINMENT POLICY

Access persons are permitted, on occasion, to accept gifts and invitations to attend entertainment events. When doing so, however, employees should always act in our best interests and that of our clients and should avoid any activity that might create an actual or perceived conflict of interest or impropriety in the course of our business relationships. Under no circumstances may (i) gifts of cash or cash equivalents be accepted or (ii) any gifts be received in consideration or recognition of any services provided to or transactions entered into by, client accounts.

PERSONAL TRADING

Personal Trading Policy

Access persons are allowed to trade reportable securities. Access persons are not permitted to trade any security of which we or the diversified REITs own any portion of the capital structure or that is on our restricted list without permission. Access persons who violate the personal trading policy are reprimanded in accordance with the sanctions provisions outlined in the Code of Ethics. Personal securities transactions are reviewed by the Chief Compliance Officer or his/her designee for compliance with the personal trading policy and applicable SEC rules and regulations.

Prohibition against Insider Trading

We forbid any access person from trading, either personally or on behalf of others, including the Fund, on material non-public information or communicating material non-public information to others in violation of the law or duty owed to another party. This conduct is frequently referred to as “insider trading”. The concepts of material non-public information and penalties for insider trading are addressed in detail in the Compliance Manual and Code of Ethics.

Reporting Requirements

In compliance with SEC rules, access persons are required to disclose all of their reportable securities holdings within 10 days becoming an access person, within 10 days of opening a new account, and annually thereafter. Additionally, at the end of each month after quarter-end, all access persons must report all transactions in reportable securities over which the access person had any direct or indirect beneficial ownership. Access persons are also required annually to affirm all reportable transactions from the prior year.

The following briefly summarizes certain potential and actual conflicts of interest which may arise from our overall investment activity, including that of our clients and our affiliates, but is not intended to be an exhaustive list of all such conflicts. The

scope of the activities of our affiliates and the funds and clients advised by our affiliates may give rise to conflicts of interest or other restrictions and/or limitations imposed on the diversified REIT in the future that cannot be foreseen or mitigated at this time.

Other Accounts and Relationships

As part of our regular business, we, our affiliates and their respective officers, directors, trustees, stockholders, members, partners and employees and their respective funds and investment accounts (collectively, the “Related Parties”) hold, purchase, sell, trade or take other related actions both for their respective accounts and for the accounts of their respective Clients, on a principal or agency basis, subject to applicable law including Section 206(3) of the Investment Advisers Act of 1940 (the “Advisers Act”), with respect to loans, securities and other investments and financial instruments of all types. The Related Parties also provide investment advisory services, among other services, and engage in private equity, real estate and capital markets-oriented investment activities. The Related Parties will not be restricted in their performance of any such services or in the types of debt, equity, real estate or other investments which they will make. The Related Parties may have economic interests in or other relationships with respect to investments made by Clients. In particular, the Related Parties may make and/or hold an investment, including investments in securities, that may compete with, be *pari passu*, senior or junior in ranking to an, investment, including investments in securities, made and/or held by Clients or in which partners, security holders, members, officers, directors, agents or employees of such Related Parties serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in restrictions on transactions by Clients and otherwise create conflicts of interest for Clients. In such instances, the Related Parties will in their discretion make investment recommendations and decisions that may be the same as or different from those made with respect to Client investments. In connection with any such activities described above, the Related Parties may hold, purchase, sell, trade or take other related actions in securities or investments of a type that may be suitable for Clients. The Related Parties will not be required to offer such securities or investments to Clients or provide notice of such activities to Clients. In addition, in managing Client portfolios, we will take into account our relationship or the relationships of our affiliates with obligors and their respective affiliates, which may create conflicts of interest. Furthermore, in connection with actions taken in the ordinary course of our business in accordance with our fiduciary duties to our other clients, we may take, or be required to take, actions which adversely affect the interests of Clients.

The Related Parties have invested and may continue to invest in investments that would also be appropriate for Clients. Such investments may be different from those made on behalf of Clients. Neither we nor any Related Party has any duty, in making or maintaining such

investments, to act in a way that is favorable to Clients or to offer any such opportunity to Clients, subject to our allocation policy set forth below. The investment policies, fee arrangements and other circumstances applicable to such other parties may vary from those applicable to Clients. We and/or any Related Party will also provide advisory or other services for a customary fee with respect to investments made or held by Clients, and neither Client stockholders nor Clients shall have any right to such fees. In connection with the foregoing activities we and/or any Related Party may from time to time come into possession of material nonpublic information that limits our ability to effect a transaction for the diversified REIT or other REITs, and those investments may be constrained as a consequence of our inability to use such information for advisory purposes or otherwise to effect transactions that otherwise may have been initiated on behalf of our clients, including the diversified REIT or other REITs. In addition, officers or affiliates of ours and/or Related Parties may possess information relating to Client joint ventures that is not known to the individuals responsible for monitoring the diversified REIT or other REITs' joint ventures and performing the other obligations under the Management Agreement.

Although our professional staff will devote as much time to Clients as we deem appropriate to perform our duties in accordance with the Management Agreement and in accordance with reasonable commercial standards, the staff may have conflicts in allocating its time and services among Clients and our or any Related Parties' other accounts. The Management Agreement places restrictions on our ability to buy and sell investments for the diversified REIT or other REITs. Accordingly, during certain periods or in certain circumstances, we will be unable as a result of such restrictions to buy or sell investments or to take other actions that it might consider to be in the best interests of Clients and their stockholders.

The directors, officers, employees and agents of the Related Parties, and we may, subject to applicable law, serve as directors (whether supervisory or managing), officers, employees, partners, agents, nominees or signatories, and receive arm's length fees in connection with such service, for Clients or any Related Party, or for any of Client joint ventures or any affiliate thereof, and neither Clients nor their stockholders shall have the right to any such fees.

The Related Parties serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as Clients, or of other investment funds managed by us or our affiliates. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interests of Clients or their stockholders. Clients may compete with other entities managed by us and our affiliates for capital and investment opportunities.

There is no limitation or restriction on our or any of our Related Parties with regard to acting as investment manager (or in a similar role) to other parties or persons. This and other future activities of ours and/or our Related Parties may give rise to additional conflicts of

interest. Such conflicts may be related to obligations that our or our affiliates have to other clients.

Certain Related Parties, including NexBank or Governance Re among others, will provide banking, agency, insurance and other services to the diversified REIT and its operating affiliates for customary fees, and neither the diversified REIT, nor its subsidiaries will have a right to any such fees.

Allocation of Investment Opportunities

In addition, the Related Parties may, from time to time, be presented with investment opportunities that fall within the investment objectives of Clients, funds or other investment accounts managed by the Related Parties, and in such circumstances, the Related Parties expect to allocate such opportunities among Clients, funds or other investment accounts on a basis that the Related Parties determine in good faith is appropriate taking into consideration such factors as the fiduciary duties owed to Clients, funds or other investment accounts, the primary mandates of Clients, funds or other investment accounts, the capital available to Clients, funds or other investment accounts, any restrictions on investment, the sourcing of the transaction, the size of the transaction, the amount of potential follow-on investing that may be required for such investment and the other investments of Clients, funds or other investment accounts, the relation of such opportunity to the investment strategy of Clients, funds or other investment accounts, reasons of portfolio balance and any other consideration deemed relevant by the Related Parties in good faith. We will allocate investment opportunities across the entities for which such opportunities are appropriate, consistent with (1) our internal conflict of interest and allocation policies and (2) the requirements of the Advisers Act. We will seek to allocate investment opportunities among such entities in a manner that is fair and equitable over time and consistent with our allocation policy. However, there is no assurance that such investment opportunities will be allocated to Clients fairly or equitably in the short-term or over time and there can be no assurance that Clients will be able to participate in all such investment opportunities that are suitable for them.

Cross Transactions and Principal Transactions

As further described below, we may effect client cross-transactions where we cause a transaction to be effected between Clients advised by us or any of our affiliates. We may engage in a client cross-transaction involving Clients any time that we believe such transaction to be fair to each Client involved.

As further described below, we may effect principal transactions where Clients may make and/or hold an investment, including an investment in securities, in which we and/or our affiliates have a debt, equity or participation interest, in each case in accordance with applicable law, which may include us obtaining the consent and approval of each Client

involved prior to engaging in any such principal transaction between Clients and us or our affiliates.

We may direct Clients to acquire or dispose of investments in cross trades between Clients of ours or our affiliates in accordance with applicable legal and regulatory requirements. In addition, Clients may make and/or hold an investment, including an investment in securities, in which we and/or our affiliates have a debt, equity or participation interest, and the holding and sale of such investments by Clients may enhance the profitability of our own investments in such companies. Moreover, Clients and their operating affiliates may invest in assets originated by, or enter into loans, borrowings and/or financings with us or our affiliates, including but not limited to the diversified REIT, including in primary and secondary transactions with respect to which we or a Related Party may receive customary fees and no Client nor its subsidiaries shall have the right to any such fees. In each such case, we and such affiliates may have a potentially conflicting division of loyalties and responsibilities regarding Clients and the other parties to such investment. Under certain circumstances, we and our affiliates may determine that it is appropriate to avoid such conflicts by selling an investment at a fair value that has been calculated pursuant to our valuation procedures to another fund managed or advised by us or such affiliates. In addition, we may enter into agency cross-transactions where we or any of our affiliates act as broker for Clients and for the other party to the transaction, to the extent permitted under applicable law. We may obtain a Client's written consent as provided herein if any such transaction requires the consent of a Client under Section 206(3) of the Advisers Act.

Participation in Creditor Committees, Underwriting and Other Activities

We and/or our Related Parties may participate in creditors or other committees with respect to the bankruptcy, restructuring or workout of our joint ventures. In such circumstances, we may take positions on behalf of ourselves or Related Parties that are adverse to the interests of Client.

We and/or our Related Parties may act as an underwriter, arranger or placement agent, or otherwise participate in the origination, structuring, negotiation, syndication or offering of investments purchased by Client. Such transactions are on an arm's-length basis and may be subject to arm's-length fees. There is no expectation for preferential access to transactions involving investments that are underwritten, originated, arranged or placed by us and/or our Related Parties and neither Client nor its stockholders shall have the right to any such fees.

Company Errors

For our Clients, our responsibility for its trade errors is set forth in the governing documents for the relevant Client. No soft-dollars will be used to satisfy any trade errors. In addition, we will not use the securities in one Client's account to settle the trade error in another Client's account.

Material Non-Public Information

There are generally no ethical screens or information barriers among us and certain of our affiliates of the type that many firms implement to separate persons who make investment decisions from others who might possess material, non-public information that could influence such decisions. If we, any of our personnel or our affiliates were to receive material non-public information about an investment or issuer, or have an interest in causing Clients to acquire a particular investment, we may be prevented from causing Clients to purchase or sell such asset due to internal restrictions imposed on us. Notwithstanding the maintenance of certain internal controls relating to the management of material non-public information, it is possible that such controls could fail and result in our, or one of our investment professionals, buying or selling an asset while, at least constructively, in possession of material non-public information. Inadvertent trading on material non-public information could have adverse effects on our reputation, result in the imposition of regulatory or financial sanctions, and as a consequence, negatively impact our ability to perform our investment management services to Clients. In addition, while our and certain of our affiliates currently operate without information barriers on an integrated basis, such entities could be required by certain regulations, or decide that it is advisable, to establish information barriers. In such event, our ability to operate as an integrated platform could also be impaired, which would limit our access to personnel of its affiliates and potentially impair its ability to manage Client investments.

ITEM 12. BROKERAGE PRACTICES

BROKER-DEALER SELECTION

NexPoint has an obligation to obtain “best execution” for client transactions considering the execution price and overall commission costs paid and certain other factors. Our trading desk routes orders to various broker-dealers for execution at their discretion. Where possible, we deal directly with the dealers who make a market in the securities involved, except in those circumstances where it believes better prices and execution are available elsewhere.

Factors involved in selecting brokerage firms include:

Broker Specific

- ❖ Size of broker
- ❖ Reputation
- ❖ Quality of service
- ❖ Experience
- ❖ Financial stability and creditworthiness
- ❖ Financial statements
- ❖ Regulatory filings
- ❖ Standing in financial community
- ❖ Ability to handle block trades
- ❖ Acceptable record of delivery and payment on past transactions
- ❖ Quality of research and investment information provided

Transaction Specific

- ❖ Best available execution
- ❖ Market knowledge regarding specific industries and securities
- ❖ Access to sources of supply or markets
- ❖ Nature of the market for the security

SOFT DOLLARS

In those circumstances where more than one broker-dealer is able to satisfy our obligation to obtain best execution, NexPoint may place a trade order on behalf of client accounts with a broker-dealer that charges more than the lowest available commission cost or price. NexPoint may do this in exchange for certain brokerage and research services provided either directly from the broker-dealer or through a third party (“Soft Dollar Arrangements”), provided that each of the following is met:

- ❖ NexPoint determines:
 1. The research or brokerage product or service constitutes an eligible brokerage or research service;
 2. The product or service provides lawful and appropriate assistance in the performance of NexPoint’s investment decision making responsibilities; and
 3. In good faith the amount of client commissions paid is reasonable in light of the value of the products or services provided.
- ❖ The brokerage or research is “provided by” a broker-dealer who participates in effecting the trade that generates the commission. NexPoint may not incur a direct obligation for research with a third party vendor and then arrange to have a broker-dealer pay for that research in exchange for brokerage commissions.
- ❖ NexPoint may only generate soft dollars with commissions in agency transactions. NexPoint may not use dealer markups in principal transactions to generate soft dollars. In addition, a trade for a fixed income security or over-the-counter (“OTC”) security may be done on an agency basis only if the trader determines that it would not result in a broker-dealer unnecessarily being inserted between NexPoint and the market for that security.
- ❖ No soft dollars are generated on accounts for which:
 1. Investment discretion resides with the client (i.e. non-discretionary accounts);
 2. Client mandates restrict or prohibit the generation of soft dollar commissions;
 3. The client has a directed brokerage arrangement.
- ❖ The brokerage trade placed is for “securities” transactions (and not, for example, futures transactions).

Research services furnished by brokers through whom NexPoint effects securities transactions may be used in servicing all of NexPoint’s accounts, and not all such services may be used in connection with the accounts which paid commissions to the broker providing such services.

If client account is under the custody of one brokerage firm and another brokerage firm is a selling group member for an underwriting syndicate, such client account will not be able to participate in the purchase of securities in the underwriting because the custodial brokerage firm was not a selling group member. In addition, to the extent that a client directs brokerage trades to be placed with a particular broker, the allocation of securities transactions may be impacted.

When NexPoint uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, NexPoint receives a benefit because the firm does not have to produce or pay for research, products, or services. Consequently, NexPoint may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than the client's interest in receiving most favorable execution.

PRODUCTS AND SERVICES ACQUIRED WITH SOFT DOLLARS

All products and services acquired with soft dollars qualify under the Safe Harbor of 28(e) of the Securities Exchange Act of 1934. Examples of eligible services and products include independent stock research, economic research, research in specific industry sectors, real time feeds, newswires, strategic analysis, and back office systems.

BROKERAGE FOR CLIENT REFERRALS

In selecting or recommending broker-dealers, we do not consider whether we or a related person receives client referrals from a broker-dealer or third party.

DIRECTED BROKERAGE

NexPoint does not require clients to direct brokerage, but in those situations where a client directs NexPoint to place trades with a particular broker-dealer, NexPoint will not be free to seek the best price, volume discounts or best execution by placing transactions with other broker-dealers. Additionally, as a result of directing NexPoint to place trades with a particular broker-dealer, a disparity in commission charges may exist between the commissions charged to clients who direct us to use a particular broker-dealer and those clients who do not direct us to use a particular broker-dealer as well as a disparity among the brokers to which different clients have directed trades.

TRADE AGGREGATION

Orders of clients may be combined (or "bunched") when possible to obtain volume discounts resulting in a lower per share commission. Please see the section entitled Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading for additional information regarding NexPoint's trade aggregation procedures.

ITEM 13. REVIEW OF ACCOUNTS

ACCOUNT REVIEW

All of our existing and potential investments will be reviewed no less frequently than monthly, by senior management.

REPORTING

Our clients will receive the periodic and or other reporting required under the Securities Act of 1934, each as amended.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

As stated in Item 12, we may allocate portfolio transactions to brokers or dealers who provide research and/or related services. For a more detailed discussion of such practices, please refer to Item 12.

ITEM 15. CUSTODY

We do not act as custodian for client assets.

ITEM 16. INVESTMENT DISCRETION

We intend to manage one or more REITs on a discretionary basis. For a description of limitations imposed on our discretionary authority to manage securities, please see the section titled Advisory Business.

ITEM 17. VOTING CLIENT SECURITIES

SECURITIES HELD IN CLIENT ACCOUNTS

NexPoint's proxy voting policy ensures proxies are voted on behalf of each Client Account's securities and in the best economic interests of such Client Account, without regard to the interests of NexPoint or any other Client of NexPoint. Portfolio Manager(s) of the applicable Client Account(s) evaluate the subject matter of each proxy and vote on behalf of the Client Account in accordance to the guidelines set forth in our proxy voting policy. In any case where a Client has instructed the Company to vote in a particular manner on the Client's behalf, those instructions will govern in lieu of parameters set forth in the proxy voting policy.

If the Portfolio Manager(s) determines that NexPoint has a potential material conflict of interest, whether actual or perceived, in voting a proxy, the Portfolio Manager(s) will contact NexPoint's Compliance Department prior to the voting deadline. In the event of a conflict, the Company may choose to address such conflict by: (i) voting in accordance with the Proxy Advisor's recommendation; (ii) the CCO determining how to vote the proxy (if the CCO approves deviation from the proxy advisor's recommendation, then the CCO shall document the rationale for the vote); (iii) "echo voting" or "mirror voting" the proxy in the same proportion as the votes of other proxy holders that are not Clients; or (iv) with respect to Clients other than Retail Funds, notifying the affected Client of the material conflict of interest and seeking a waiver of the conflict or obtaining such Client's voting instructions.

OBTAINING A COPY OF THE POLICY

Clients and prospective clients can obtain a copy of the proxy voting policy or information on how we voted proxies by contacting our Chief Compliance Officer at compliance@nexpoint.com.

ITEM 18. FINANCIAL INFORMATION

Not applicable.

ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not applicable.