

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-32921

NexPoint Diversified Real Estate Trust

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other Jurisdiction of
Incorporation or Organization)

80-0139099
(I.R.S. Employer
Identification No.)

300 Crescent Court, Suite 700, Dallas, Texas
(Address of Principal Executive Offices)

75201
(Zip Code)

(214) 276-6300

(Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Shares, par value \$0.001 per share	NXDT	New York Stock Exchange
5.50% Series A Cumulative Preferred Shares, par value \$0.001 per share (\$25.00 liquidation preference per share)	NXDT-PA	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

As of May 10, 2024, the registrant had 39,650,817 common shares, par value \$0.001 per share, outstanding.

NEXPOINT DIVERSIFIED REAL ESTATE TRUST

Form 10-Q
Quarter Ended March 31, 2024

INDEX

	Page
Cautionary Statement Regarding Forward Looking Statements	ii
PART I — FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Balance Sheets as of March 31, 2024 (Unaudited) and December 31, 2023	1
Consolidated Unaudited Statements of Operations and Comprehensive Income (Loss) for the Three Months Ended March 31, 2024 and 2023	3
Consolidated Unaudited Statements of Stockholders' Equity for the Three Months Ended March 31, 2024 and 2023	4
Consolidated Unaudited Statements of Cash Flows for the Three Months Ended March 31, 2024 and 2023	6
Notes to Consolidated Unaudited Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	37
Item 3. Quantitative and Qualitative Disclosures About Market Risk	59
Item 4. Controls and Procedures	59
PART II — OTHER INFORMATION	
Item 1. Legal Proceedings	61
Item 1A. Risk Factors	61
Item 2. Unregistered Sale of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities	61
Item 3. Defaults Upon Senior Securities	61
Item 4. Mine Safety Disclosures	61
Item 5. Other Information	61
Item 6. Exhibits	61
Signatures	63

Cautionary Statement Regarding Forward-Looking Statements

This quarterly report (this "Quarterly Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. In particular, statements relating to our liquidity and capital resources, our performance and results of operations contain forward-looking statements. Furthermore, all of the statements regarding future financial performance (including market conditions and demographics) are forward-looking statements. We caution investors that any forward-looking statements presented in this Quarterly Report are based on management's current beliefs and assumptions made by, and information currently available to, management. When used, the words "anticipate," "believe," "expect," "intend," "may," "might," "plan," "potential," "estimate," "project," "target," "should," "will," "would," "result," "goal," "could," "future," "continue," "if," the negative version of these words and similar expressions that do not relate solely to historical matters are intended to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements are subject to risks, uncertainties and assumptions and may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. We caution you therefore against relying on any of these forward-looking statements.

Some of the risks and uncertainties that may cause our actual results, performance, liquidity or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

- Unfavorable changes in economic conditions and their effects on the real estate industry generally and our operations and financial condition, including inflation, rising or high interest rates, tightening monetary policy or recession, which may limit our ability to access funding and generate returns for shareholders;
- Our loans and investments expose us to risks similar to and associated with real estate investments generally;
- Commercial real estate-related investments that are secured, directly or indirectly, by real property are subject to delinquency, foreclosure and loss, which could result in losses to us;
- Risks associated with the ownership of real estate, including dependence on tenants and compliance with laws and regulations related to ownership of real property;
- Risks associated with our investment in diverse issuers, industries and investment forms and classes, both in real estate and in non-real estate sectors, including common equity, preferred equity, options or other derivatives, short sale contracts, secured loans of securities, reverse repurchase agreements, structured finance securities, below investment grade senior loans, bonds, convertible instruments, joint ventures, and emerging markets;
- Fluctuations in interest rate and credit spreads, could reduce our ability to generate income on our loans and other investments, which could lead to a significant decrease in our results of operations, cash flows and the market value of our investments;
- The use of leverage to finance our investments;
- Risks associated with our loans and investments in debt instruments including, senior loans, mezzanine loans, collateralized loan obligations ("CLOs"), and structured finance securities;
- Our loans and investments are concentrated in terms of type of interest, geography, asset types, industry and sponsors and may continue to be so in the future;
- We have a substantial amount of indebtedness which may limit our financial and operating activities and may adversely affect our ability to incur additional debt to fund future needs;

[Table of Contents](#)

- We have limited operating history as a standalone company and may not be able to operate our business successfully, find suitable investments, or generate sufficient revenue to make or sustain distributions to our shareholders;
- We may not replicate the historical results achieved by other entities managed or sponsored by affiliates of NexPoint Advisors, L.P. (“NexPoint” or our “Sponsor”), members of the NexPoint Real Estate Advisors X, L.P. (our “Adviser”) management team or their affiliates.
- We are dependent upon our Adviser and its affiliates to conduct our day-to-day operations; thus, adverse changes in their financial health or our relationship with them could cause our operations to suffer;
- Our Adviser and its affiliates face conflicts of interest, including significant conflicts created by our Adviser’s compensation arrangements with us, including compensation which may be required to be paid to our Adviser if our advisory agreement is terminated, which could result in decisions that are not in the best interests of our shareholders;
- We pay substantial fees and expenses to our Adviser and its affiliates, which payments increase the risk that you will not earn a profit on your investment;
- If we fail to qualify as a real estate investment trust (a “REIT”) for U.S. federal income tax purposes, cash available for distributions to be paid to our shareholders could decrease materially, which would limit our ability to make distributions to our shareholders; and
- Any other risks included under Part I, Item 1A, “Risk Factors,” of our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on March 14, 2024.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. They are based on estimates and assumptions only as of the date of this Quarterly Report. We undertake no obligation to update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes, except as required by law.

NEXPOINT DIVERSIFIED REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and par value amounts)

	<u>March 31, 2024</u> (Unaudited)	<u>December 31, 2023</u>
ASSETS		
Consolidated Real Estate Investments		
Land	\$ 47,708	\$ 47,708
Buildings and improvements	206,546	206,213
Intangible lease assets	10,979	10,979
Construction in progress	19,993	19,177
Furniture, fixtures, and equipment	362	362
Total Gross Consolidated Real Estate Investments	285,588	284,439
Accumulated depreciation and amortization	(23,172)	(20,525)
Total Net Consolidated Real Estate Investments	262,416	263,914
Investments, at fair value (\$519,108 and \$533,065 with related parties, respectively)	669,535	691,238
Equity method investments (\$7,002 and \$7,079 with related parties, respectively)	63,531	66,263
Cash and cash equivalents	20,173	20,608
Restricted cash	33,516	32,561
Accounts receivable, net	1,796	4,347
Prepaid and other assets	12,594	10,431
Accrued interest and dividends	8,084	6,078
Deferred tax asset, net	2,905	2,896
TOTAL ASSETS	<u>\$ 1,074,550</u>	<u>\$ 1,098,336</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Mortgages payable, net	\$ 141,379	\$ 142,186
Notes payable, net (\$20,000 and \$20,000 with related party, respectively)	52,291	52,919
Prime brokerage borrowing	1,441	1,782
Accounts payable and other accrued liabilities	7,090	8,633
Income tax payable	1,527	356
Accrued real estate taxes payable	1,018	231
Accrued interest payable	1,374	1,398
Security deposit liability	415	422
Prepaid rents	718	768
Intangible lease liabilities, net	4,274	4,567
Total Liabilities	<u>\$ 211,527</u>	<u>\$ 213,262</u>
Shareholders' Equity:		

	March 31, 2024 (Unaudited)	December 31, 2023
Preferred shares, \$0.001 par value: 4,800,000 shares authorized; 3,359,593 shares issued and outstanding	3	3
Common shares, \$0.001 par value: unlimited shares authorized; 39,301,419 and 38,389,600 shares issued and outstanding, respectively	39	38
Additional paid-in capital	1,018,136	1,011,613
Accumulated earnings (loss)	(155,155)	(126,580)
Total Shareholders' Equity	863,023	885,074
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,074,550	\$ 1,098,336

See Notes to Consolidated Financial Statements

NEXPOINT DIVERSIFIED REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share amounts)
(Unaudited)

	For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Revenues		
Rental income	\$ 4,047	\$ 4,720
Interest income (\$482 and \$625 with related parties, respectively)	1,682	2,018
Dividend income (\$6,905 and \$6,426 with related parties, respectively)	7,049	8,119
Other income	27	9
Total revenues	12,805	14,866
Expenses		
Property operating expenses	1,577	1,506
Property management fees	176	171
Real estate taxes and insurance	1,239	1,357
Advisory and administrative fees	3,246	3,578
Property general and administrative expenses	667	743
Corporate general and administrative expenses	2,835	1,496
Conversion expenses	—	163
Depreciation and amortization	2,796	3,524
Total expenses	12,536	12,538
Operating income (loss)	269	2,328
Interest expense	(4,531)	(3,462)
Equity in income (losses) of unconsolidated equity method ventures (\$214 and \$213 with related parties, respectively)	(1,154)	(76)
Change in unrealized gains (losses) (\$15,676 and \$(16,008) with related parties, respectively)	6,290	(18,640)
Realized gains (losses)	(21,872)	1,135
Net income (loss) before income taxes	(20,998)	(18,715)
Income tax expense	(550)	(806)
Net income (loss)	(21,548)	(19,521)
Net (income) loss attributable to preferred shareholders	(1,155)	(1,155)
Net income (loss) attributable to common shareholders	\$ (22,703)	\$ (20,676)
Weighted average common shares outstanding - basic	38,572	37,172
Weighted average common shares outstanding - diluted	38,572	37,172
Earnings (loss) per share - basic	\$ (0.59)	\$ (0.56)
Earnings (loss) per share - diluted	\$ (0.59)	\$ (0.56)

See Notes to Consolidated Financial Statements

NEXPOINT DIVERSIFIED REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands, except share and per share amounts)
(Unaudited)

Three Months Ended March 31, 2024	Preferred Shares		Common Shares		Additional Paid-in Capital	Accumulated Earnings (Loss)	Total
	Number of Shares	Amount	Number of Shares	Amount			
Balances, December 31, 2023	3,359,593	\$ 3	38,389,600	\$ 38	\$ 1,011,613	\$ (126,580)	\$ 885,074
Stock-based compensation expense	—	—	—	—	547	—	547
Shares issued to Adviser for admin and advisory fees	—	—	169,921	—	1,351	—	1,351
Net loss attributable to common shareholders	—	—	—	—	—	(22,703)	(22,703)
Net income attributable to preferred shareholders	—	—	—	—	—	1,155	1,155
Common share dividends declared (\$0.15 per share)	—	—	741,898	1	4,625	(5,872)	(1,246)
Preferred share dividends declared (\$0.34375 per share)	—	—	—	—	—	(1,155)	(1,155)
Balances, March 31, 2024	<u>3,359,593</u>	<u>\$ 3</u>	<u>39,301,419</u>	<u>\$ 39</u>	<u>\$ 1,018,136</u>	<u>\$ (155,155)</u>	<u>\$ 863,023</u>

NEXPOINT DIVERSIFIED REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share and per share amounts)
(Unaudited)

Three Months Ended March 31, 2023	Preferred Shares		Common Shares		Additional Paid-in Capital	Accumulated Earnings (Loss)	Total
	Number of Shares	Amount	Number of Shares	Amount			
Balances, December 31, 2022	3,359,593	\$ 3	37,171,807	\$ 37	\$ 999,845	\$ 17,947	\$ 1,017,832
Net loss attributable to common shareholders	—	—	—	—	—	(20,676)	(20,676)
Net income attributable to preferred shareholders	—	—	—	—	—	1,155	1,155
Common share dividends declared (\$0.15 per share)	—	—	—	—	—	(5,575)	(5,575)
Preferred share dividends declared (\$0.34375 per share)	—	—	—	—	—	(1,155)	(1,155)
Balances, March 31, 2023	<u>3,359,593</u>	<u>\$ 3</u>	<u>37,171,807</u>	<u>\$ 37</u>	<u>\$ 999,845</u>	<u>\$ (8,304)</u>	<u>\$ 991,581</u>

See Notes to Consolidated Financial Statements

NEXPOINT DIVERSIFIED REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Cash flows from operating activities		
Net loss	\$ (21,548)	\$ (19,521)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,796	3,524
Amortization of intangible lease assets and liabilities	(257)	(371)
Amortization of deferred financing costs	271	474
Paid-in-kind interest (\$1,296) and \$0 with related parties, respectively	(2,356)	(1,008)
Proceeds from paid-in-kind interest on paydowns or sales from investments	2,271	—
Realized (gain) loss	21,872	(1,135)
Net change in unrealized (gain) loss on investments held at fair value (\$15,676 and \$16,009 with related parties, respectively)	(6,290)	18,640
Equity in (income) losses of unconsolidated ventures (\$214) and \$213 with related parties, respectively	1,154	76
Distributions of earnings from unconsolidated ventures (\$292 and \$195 with related parties, respectively)	1,578	727
Stock-based compensation expense	547	—
Cash paid for life settlement premiums	—	(1,266)
Equity security dividends reinvested (\$2,082) and \$0 with related parties, respectively	(2,154)	—
Deferred tax benefit	(9)	(116)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Income tax payable	1,171	921
Real estate taxes payable	787	877
Operating assets	(1,920)	476
Operating liabilities	(468)	(1,793)
Net cash provided by (used in) operating activities	(2,555)	505
Cash flows from investing activities		
Proceeds from asset redemptions (\$1,700 and \$0 with related parties, respectively)	1,700	—
Distributions from CLO investments	1,267	—
Proceeds from sale of investments	2,437	14,549
Proceeds from paydowns of investments	3,252	—
Purchases of investments (\$42) and \$0 with related parties, respectively	(42)	(1,464)
Additions to consolidated real estate investments	(1,178)	(4,851)
Net cash provided by investing activities	7,436	8,234

Cash flows from financing activities		
Mortgage payments	(592)	(591)
Prime brokerage borrowing	88	6,397
Credit facilities payments	(750)	(2,999)
Prime brokerage payments	(429)	(8,285)
Deferred financing costs paid	(365)	(379)
Dividends paid to preferred shareholders	(1,155)	(1,155)
Dividends paid to common shareholders	(1,158)	(5,575)
Net cash used in financing activities	(4,361)	(12,587)
Net increase (decrease) in cash, cash equivalents and restricted cash	520	(3,848)
Cash, cash equivalents and restricted cash, beginning of period	53,169	48,649
Cash, cash equivalents and restricted cash, end of period	\$ 53,689	\$ 44,801
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 4,555	\$ 2,504
Income tax paid	\$ —	\$ 1,501
Supplemental Disclosure of Noncash Activities		
Change in capitalized construction costs included in accounts payable and other accrued liabilities	\$ (29)	\$ 322
Change in capitalized investment costs included in accounts payable and other accrued liabilities	\$ 121	\$ —
Non-cash dividend payment	\$ 4,626	\$ —
Non-cash advisory fee payment	\$ 1,351	\$ —
Increase in dividends payable upon vesting of restricted stock units	\$ 89	\$ —

See Notes to Consolidated Financial Statements

NEXPOINT DIVERSIFIED REAL ESTATE TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Description of Business

NexPoint Diversified Real Estate Trust (the "Company", "we", "us", or "our") was formed in Delaware and has elected to be taxed as a real estate investment trust (a "REIT"). Substantially all of the Company's business is conducted through NexPoint Diversified Real Estate Trust Operating Partnership, L.P. (the "OP"), the Company's operating partnership. The Company conducts its business (the "Portfolio") through the OP and its wholly owned taxable REIT subsidiaries ("TRSs"). The Company's wholly owned subsidiary, NexPoint Diversified Real Estate Trust OP GP, LLC (the "OP GP"), is the sole general partner of the OP. As of March 31, 2024, there were 2,000 partnership units of the OP (the "OP Units") outstanding, of which 100.0% were owned by the Company.

On July 1, 2022 (the "Deregistration Date"), the Securities and Exchange Commission (the "SEC") issued an order pursuant to Section 8(f) of the Investment Company Act of 1940 (the "Investment Company Act") declaring that the Company has ceased to be an investment company under the Investment Company Act (the "Deregistration Order"). The issuance of the Deregistration Order enabled the Company to proceed with full implementation of its new business mandate to operate as a diversified REIT that focuses primarily on investing in 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 "Business Change").

The Company is externally managed by NexPoint Real Estate Advisors X, L.P. (the "Adviser"), through an agreement dated July 1, 2022, amended on October 25, 2022 and April 11, 2023, (the "Advisory Agreement"), by and among the Company and the Adviser for an initial three-year term that will expire on July 1, 2025 and successive one-year terms thereafter unless earlier terminated. The Adviser manages the day-to-day operations of the Company and provides investment management services. The Company had no employees as of March 31, 2024. All of the Company's investment decisions are made by the Adviser, subject to general oversight by the Adviser's investment committee and our board of trustees (the "Board"). The Adviser is wholly owned by NexPoint Advisors, L.P. (the "Sponsor" or "NexPoint").

As a diversified REIT, the Company's primary investment objective is to provide both current income and capital appreciation. The Company seeks to achieve this objective through the Business Change. Target underlying property types primarily include, but are not limited to, single-family rentals, multifamily, self-storage, life science, office, industrial, hospitality, net lease and retail. The Company may, to a limited extent, hold, acquire or transact in certain non-real estate securities.

2. Summary of Significant Accounting Policies

Basis of Accounting

Readers of this Quarterly Report on Form 10-Q ("Quarterly Report") should refer to the audited financial statements and notes to consolidated financial statements of the Company for the year ended December 31, 2023, which are included in our [2023 Annual Report on Form 10-K \("2023 Annual Report"\)](#), filed with the SEC and also available on our website (nxdn.nexpoint.com), since we have omitted from this Quarterly Report certain footnote disclosures which would substantially duplicate those contained in such audited financial statements. You should also refer to Note 2, Summary of Significant Accounting Policies, in the notes to consolidated financial statements in our [2023 Annual Report](#) for further discussion of our significant accounting policies and estimates. Information contained on, or accessible through, our website is not incorporated by reference into and does not constitute a part of this Quarterly Report or any other report or documents we file or furnish with the SEC.

Income Taxes

The Company elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), and expects to continue to qualify as a REIT. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement to distribute annually at least 90% of its "REIT taxable income," as defined by the Code, to its shareholders. As a REIT, the Company will be subject to federal income tax on its undistributed REIT taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions it pays with respect to any calendar year are less than the sum of (1) 85% of its ordinary income, (2) 95% of its capital gain net income and (3) 100% of its undistributed income from prior years. The Company

intends to operate in such a manner so as to qualify as a REIT, but no assurance can be given that the Company will operate in a manner so as to qualify as a REIT. Taxable income from certain non-REIT activities is managed through a TRS and is subject to applicable federal, state, and local income and margin taxes.

If the Company fails to meet these requirements, it could be subject to federal income tax on all of the Company's taxable income at regular corporate rates for that year. The Company would not be able to deduct distributions paid to shareholders in any year in which it fails to qualify as a REIT. Additionally, the Company will also be disqualified from electing to be taxed as a REIT for the four taxable years following the year during which qualification was lost unless the Company is entitled to relief under specific statutory provisions. As of March 31, 2024, the Company believes it is in compliance with all applicable REIT requirements.

As a REIT for U.S. federal income tax purposes, the Company may deduct earnings distributed to shareholders against the income generated by our REIT operations. The Company continues to be subject to income taxes on the income of its taxable REIT subsidiaries. Our consolidated net loss before income taxes was \$21.0 million and \$18.7 million for the three months ended March 31, 2024 and 2023, respectively. The Company's consolidated balance sheet as of March 31, 2024 consists of a \$4.5 million net deferred tax asset at NHF TRS, LLC and a \$1.6 million net deferred tax liability at NREO TRS, Inc. for a consolidated net Deferred Tax asset of \$2.9 million. The Company's consolidated balance sheet as of December 31, 2023 consisted of a \$4.5 million net deferred tax asset at NHF TRS, LLC and a \$1.6 million net deferred tax liability at NREO TRS, Inc. for a consolidated net Deferred Tax asset of \$2.9 million.

The Company's tax provision for interim periods is determined using an estimate of its annual current and deferred effective tax rates, adjusted for discrete items. Our effective tax rates for the three months ended March 31, 2024 and 2023 were (2.62)% and (4.31)%, respectively. Our effective tax rate differs from the U.S. federal statutory corporate tax rate of 21.0% primarily due to our REIT operations generally not being subject to federal income taxes.

The Company recognizes its tax positions and evaluates them using a two-step process. First, the Company determines whether a tax position is more-likely-than-not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Second, the Company will determine the amount of benefit to recognize and record the amount that is more likely than not to be realized upon ultimate settlement.

The Company had no material unrecognized tax benefit or expense, accrued interest or penalties as of March 31, 2024 and 2023. The Company and its subsidiaries are subject to federal income tax as well as income tax of various state and local jurisdictions. The 2023, 2022, 2021 and 2020 tax years remain open to examination by tax jurisdictions to which the Company and its subsidiaries are subject. When applicable, the Company recognizes interest and/or penalties related to uncertain tax positions on its consolidated statement of operations and comprehensive income (loss). The Company has not recorded any uncertain tax positions for the three months ended March 31, 2024 and 2023.

A reconciliation of the statutory income tax provisions to the effective income tax provisions for the periods indicated is as follows (in thousands):

	For the Period Ended March 31,					
	2024			2023		
Expected tax at statutory rate	\$	(4,410)	21.0 %	\$	(3,930)	21.0 %
Non-taxable REIT income		4,969	-23.7 %		4,852	-25.9 %
Change in valuation allowance		(9)	— %		(116)	0.6 %
Total provision	\$	550	-2.6 %	\$	806	-4.3 %

3. Investments in Real Estate Subsidiaries

The Company conducts its operations through the OP, which owns several real estate properties through single asset limited liability companies that are special purpose entities ("SPEs"). The Company consolidates the SPEs that it controls as well as any variable interest entities ("VIEs") where it is the primary beneficiary. All of the properties the SPEs own are consolidated in the Company's consolidated financial statements. The assets of each entity can only be used to settle

obligations of that particular entity, and the creditors of each entity have no recourse to the assets of other entities or the Company.

As of March 31, 2024 and 2023, the Company, through the OP, owned four properties through SPEs. The following table represents the Company's ownership in each property by virtue of its 100% ownership of the SPEs that directly own the title to each property as of March 31, 2024 and 2023:

Property Name	Location	Year Acquired	Effective Ownership Percentage at	
			March 31, 2024	March 31, 2023
White Rock Center	Dallas, Texas	2013	100 %	100 %
5916 W Loop 289	Lubbock, Texas	2013	100 %	100 %
Cityplace Tower	Dallas, Texas	2018	100 %	100 %
NexPoint Dominion Land, LLC	(1) Plano, Texas	2022	100 %	100 %

(1) NexPoint Dominion Land, LLC owns 100% of 21.5 acres of undeveloped land in Plano, Texas.

4. Consolidated Real Estate Investments

As of March 31, 2024, the major components of the Company's investments in real estate held by SPEs the Company consolidates, which are included in "Consolidated Real Estate Investments" on the consolidated balance sheet, were as follows (in thousands):

Operating Properties	Land	Buildings and Improvements	Intangible Lease Assets	Intangible Lease Liabilities	Construction in Progress	Furniture, Fixtures, and Equipment	Totals
White Rock Center	\$ 1,315	\$ 10,408	\$ 1,921	\$ (101)	\$ —	\$ 5	\$ 13,548
5916 W Loop 289	1,081	2,938	—	—	—	—	4,019
Cityplace Tower	18,812	193,200	9,058	(6,669)	19,993	357	234,751
NexPoint Dominion Land, LLC	26,500	—	—	—	—	—	26,500
	47,708	206,546	10,979	(6,770)	19,993	362	278,818
Accumulated depreciation and amortization	—	(15,805)	(7,117)	2,496	—	(250)	(20,676)
Total Operating Properties	\$ 47,708	\$ 190,741	\$ 3,862	\$ (4,274)	\$ 19,993	\$ 112	\$ 258,142

As of December 31, 2023, the major components of the Company's investments in real estate held by SPEs the Company consolidates, which are included in "Consolidated Real Estate Investments" on the consolidated balance sheet, were as follows (in thousands):

Operating Properties	Land	Buildings and Improvements	Intangible Lease Assets	Intangible Lease Liabilities	Construction in Progress	Furniture, Fixtures, and Equipment	Totals
White Rock Center	\$ 1,315	\$ 10,345	\$ 1,921	\$ (101)	\$ —	\$ 5	\$ 13,485
5916 W Loop 289	1,081	2,938	—	—	—	—	4,019
Cityplace Tower	18,812	192,930	9,058	(6,669)	19,177	357	233,665
NexPoint Dominion Land, LLC	26,500	—	—	—	—	—	26,500
	47,708	206,213	10,979	(6,770)	19,177	362	277,669
Accumulated depreciation and amortization	—	(13,490)	(6,798)	2,203	—	(237)	(18,322)
Total Operating Properties	\$ 47,708	\$ 192,723	\$ 4,181	\$ (4,567)	\$ 19,177	\$ 125	\$ 259,347

Depreciation expense was \$2.3 million for the three months ended March 31, 2024 and \$2.1 million for the three months ended March 31, 2023. Amortization expense related to the Company's intangible lease assets was \$0.3 million for the three months ended March 31, 2024 and \$1.3 million for the three months ended March 31, 2023. Amortization expense related to the Company's intangible lease liabilities was \$0.3 million for the three months ended March 31, 2024 and \$0.4 million for the three months ended March 31, 2023. The net amount amortized as an increase to rental revenue for capitalized above and below-market lease intangibles was \$0.3 million for the three months ended March 31, 2024 and \$0.4 million for the three months ended March 31, 2023.

Acquisitions

There were no acquisitions by the Company for the three months ended March 31, 2024 and 2023.

5. Debt

Cityplace Debt

The Company has debt on the Cityplace Tower pursuant to a Loan Agreement, originally dated August 15, 2018 and subsequently amended (the "Loan Agreement"). The debt is limited recourse to the Company and encumbers the property. The debt had an original maturity of September 8, 2022, and the Company deferred the maturity date with the lender to May 8, 2023, with the possibility to extend for an additional four months to September 8, 2023 provided certain metrics were met. On May 8, 2023, the lender agreed to defer the maturity of the Cityplace debt by four months to September 8, 2023. Also on May 8, 2023, the parties to the Loan Agreement agreed to convert the index upon which the interest rate is based to the one-month secured overnight financing rate ("SOFR") effective as of the first interest period beginning on or after May 8, 2023. On September 8, 2023, the lender agreed to defer the maturity of the Cityplace debt by six months to March 8, 2024. On March 8, 2024, the lender agreed to defer the maturity of the Cityplace debt by twelve months to March 7, 2025. The debt restructuring per the terms of the Thirteenth Omnibus Amendment Agreement was considered a debt modification. The purpose of the deferral was to allow for continued discussions around refinancing the debt. Management recognizes that finding an alternative source of funding is necessary to repay the debt by the maturity date. Management is evaluating multiple options to fund the repayment of the \$141.7 million principal balance outstanding as of March 31, 2024, including refinancing the debt, securing additional equity or debt financing, selling a portion of the portfolio, or any combination thereof. Management believes that there is sufficient time before the maturity date and that the Company has sufficient access to capital to ensure the Company is able to meet its obligations as they become due. Due to the short term nature of the debt, the fair value of the debt is approximately the outstanding balance. The below table contains summary information related to the mortgages payable (dollars in thousands):

	Outstanding principal as of March 31, 2024	Interest Rate	Maturity Date
Note A-1	\$ 100,695	7.68 %	3/7/2025
Note A-2	22,027	11.68 %	3/7/2025
Note B-1	12,676	7.68 %	3/7/2025
Note B-2	3,147	11.68 %	3/7/2025
Mezzanine Note 1	2,773	11.68 %	3/7/2025
Mezzanine Note 2	396	11.68 %	3/7/2025
Mortgages payable	141,714		
Deferred financing costs, net	(335)		
Mortgages payable, net	\$ 141,379		

The weighted average interest rate of the Company's debt related to its Cityplace investment was 8.48% as of March 31, 2024 and 8.53% as of December 31, 2023. The one-month SOFR was 5.33% as of March 31, 2024 and 5.35% as of December 31, 2023.

The Loan Agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan, defaults in payments under any other security instrument covering any part of the property, whether junior or senior to the loan, and bankruptcy or other insolvency events. As of March 31, 2024, the Company believes it is in compliance with all such covenants.

Notes Payable

On August 9, 2022, the Company borrowed approximately \$13.3 million from the seller, Gabriel Legacy, LLC to finance its acquisition of 21.5 acres of land in Plano, Texas held through NexPoint Dominion Land, LLC, a wholly owned subsidiary of the OP. Due to the short term nature of the note, the fair value of the note is approximately the outstanding balance. The note bears interest at an annual rate equal to the WSJ Prime Rate and matures on August 8, 2025.

Credit Facility

On January 8, 2021, the Company entered into a \$30.0 million credit facility (the "Credit Facility") with Raymond James Bank, N.A. and drew the full balance. On October 20, 2023, Raymond James Bank, N.A. agreed to amend the terms of the Credit Facility, which, among other things, extended the maturity date to October 6, 2025 and amended the credit limit to \$20.0 million. On October 23, 2023, the Company drew \$6.0 million of the available balance. On November 20, 2023, the Company drew the remaining \$13.0 million of the available balance. During the three months ended March 31, 2024, the Company paid down \$0.75 million on the Credit Facility. As of March 31, 2024, the Credit Facility had an outstanding balance of \$19.25 million and bore interest at the one-month SOFR plus 4.25%. Due to the short term nature of the debt, the fair value of the debt is approximately the outstanding balance.

Revolving Credit Facility

On May 22, 2023, the Company entered into a \$20.0 million revolving credit facility (the "NexBank Revolver") with NexBank, in the initial principal balance of \$20.0 million, with the option for the Company to receive additional disbursements thereunder up to a maximum of \$50.0 million. As of March 31, 2024, the NexBank Revolver bears interest at one-month SOFR plus 3.50% and matures on May 21, 2024, with the option to extend the maturity up to two times, each by six months. Due to the short term nature of the debt, the fair value of the debt is approximately the outstanding balance. As of March 31, 2024, the NexBank Revolver had an outstanding balance of \$20.0 million.

Deferred Financing Costs

The Company defers costs incurred in obtaining financing and amortizes the costs over the terms of the related loans using the straight-line method, which approximates the effective interest method. Deferred financing costs, net of amortization, are recorded as a reduction from the related debt on the Company's consolidated balance sheet. Upon

repayment of or in conjunction with a material change in the terms of the underlying debt agreement, any unamortized costs are charged to loss on extinguishment of debt and modification costs.

Prime Brokerage Borrowing

Effective July 2, 2022, the Company entered a prime brokerage account with Jefferies to hold securities owned by the Company (the "Prime Brokerage"). The Company from time to time borrows against the value of these securities. As of March 31, 2024, the Company had a margin balance of approximately \$1.4 million outstanding with Jefferies bearing interest at the Overnight Bank Funding Rate plus 0.50%. Securities with a fair value of approximately \$9.3 million are pledged as collateral against this margin balance. This arrangement has no stated maturity date. Due to the short term nature of the debt, the fair value of the debt is approximately the outstanding balance.

Schedule of Debt Maturities

The aggregate scheduled maturities, including amortizing principal payments, of total debt for the next five calendar years subsequent to March 31, 2024 are as follows (in thousands):

	Mortgages Payable	Credit Facilities	Notes Payable	Prime Brokerage Borrowing	Total
2024	\$ —	\$ 28,250	\$ —	\$ —	\$ 28,250
2025	141,714	11,000	13,250	—	165,964
2026	—	—	—	—	—
2027	—	—	—	—	—
2028	—	—	—	—	—
Thereafter	—	—	—	1,441	1,441
Total	\$ 141,714	\$ 39,250	\$ 13,250	\$ 1,441	\$ 195,655

Management believes that the Company has sufficient access to capital to ensure the Company is able to meet its obligations as they become due.

6. Variable Interest Entities

As of March 31, 2024 and 2023, the Company does not consolidate the investments below as it does not have a controlling financial interest in these investments:

Entities	Instrument	Asset Type	Percentage Ownership as of March 31, 2024	Percentage Ownership as of March 31, 2023	Relationship as of March 31, 2024	Relationship as of March 31, 2023
<i>Unconsolidated Entities:</i>						
NexPoint Storage Partners, Inc.	Common stock	Self-storage	52.8 %	53.0 %	VIE	VIE
NexPoint Storage Partners Operating Company, LLC	LLC interest	Self-storage	29.9 %	29.7 %	VIE	VIE
Perilune Aero Equity Holdings One, LLC	LLC interest	Aircraft	16.4 %	16.4 %	VIE	VIE
SFR WLIF III, LLC	LLC interest	Single-family rental	20.0 %	20.0 %	VIE	VIE
NexPoint Real Estate Finance Operating Partnership, L.P.	LP interest	Mortgage	15.6 %	16.1 %	VIE	VIE
VineBrook Homes Operating Partnership, L.P.	LP interest	Single-family rental	11.3 %	11.5 %	VIE	VIE
NexPoint SFR Operating Partnership, L.P.	LP interest	Single-family rental	31.2 %	30.8 %	VIE	VIE
IQHQ Holdings, LP	LP interest	Life science	1.3 %	1.1 %	VIE	VIE
NexAnnuity Holdings, Inc.	Preferred Shares	Annuities	100.0 % (1)	N/A	VIE	N/A

(1) The Company owns 100% of the preferred stock of NexAnnuity Holdings, Inc. ("NHI"), but it does not own any of the outstanding common stock of NHI.

Consolidated VIEs

The Company did not have any consolidated VIEs as of and for the three months ended March 31, 2024 and 2023.

7. Equity Method Investments

Below is a summary of the Company's equity method investments as of March 31, 2024 (dollars in thousands):

Investee Name	Instrument	Asset Type	NXDT Percentage Ownership		Investment Basis	Share of Investee's Net Assets (1)	Basis Difference (2)	Share of Earnings (Loss)
Sandstone Pasadena Apartments, LLC	LLC interest	Multifamily	50.0 %		\$ 11,034	\$ (9,590)	\$ 20,624	\$ (58)
AM Uptown Hotel, LLC	LLC interest	Hospitality	60.0 %	(3)	20,600	16,290	4,310	(1,203)
SFR WLIF III, LLC	LLC interest	Single-family rental	20.0 %		7,002	7,110	(108)	161
Las Vegas Land Owner, LLC	LLC interest	Land	77.0 %	(4)	12,312	12,312	—	—
Perilune Aero Equity Holdings One, LLC	LLC interest	Aircraft	16.4 %	(7)	12,583	10,488	2,095	353
Claymore Holdings, LLC	LLC interest	N/A	50.0 %	(5)	—	(6)	—	—
Allenby, LLC	LLC interest	N/A	50.0 %	(5)	—	(6)	—	—
Haygood, LLC	LLC interest	N/A	31.0 %	(8)	—	(6)	—	—
					\$ 63,531	\$ 36,610	\$ 26,921	\$ (747)

Below is a summary of the Company's investments as of March 31, 2024 that qualify for equity method accounting for which the Company has elected to account for using the fair value option. Amounts are included in "investments, at fair value" on the consolidated balance sheets.

Investee Name	Instrument	Asset Type	NXDT Percentage Ownership		Fair Value
NexPoint Real Estate Finance Operating Partnership, L.P.	LP interest	Mortgage	15.6 %	(7)	\$69,920 (6)
NexPoint Real Estate Finance, Inc.	Common stock	Mortgage	12.1 %	(7)	30,156 (6)
VineBrook Homes Operating Partnership, L.P.	LP interest	Single-family rental	11.3 %	(7)	145,433 (6)
NexPoint Storage Partners, Inc.	Common stock	Self-storage	52.8 %	(3)	69,494 (6)
NexPoint Storage Partners Operating Company, LLC	LLC interest	Self-storage	29.9 %		37,869 (6)
NexPoint SFR Operating Partnership, L.P.	LP interest	Single-family rental	31.2 %		47,676 (6)
NexPoint Hospitality Trust	Common stock	Hospitality	46.2 %		2,782 (6)
LLV Holdco, LLC	LLC interest	Land	26.8 %		2,593 (6)
					\$ 405,923

Below is a summary of the Company's equity method investments as of December 31, 2023 (dollars in thousands):

Investee Name	Instrument	Asset Type	NXDT Percentage Ownership		Investment Basis	Share of Investee's Net Assets (1)	Basis Difference (2)	Share of Earnings (Loss)
Sandstone Pasadena Apartments, LLC	LLC interest	Multifamily	50.0 %		\$ 11,458	\$ (9,590)	\$ 21,048	\$ —
AM Uptown Hotel, LLC	LLC interest	Hospitality	60.0 %	(3)	23,158	17,581	5,577	(426)
SFR WLIF III, LLC	LLC interest	Single-family rental	20.0 %		7,079	7,241	(162)	555
Las Vegas Land Owner, LLC	LLC interest	Land	77.0 %	(4)	12,312	12,312	—	—
Perilune Aero Equity Holdings One, LLC	LLC interest	Aircraft	16.4 %	(7)	12,256	10,488	1,768	1,441
Claymore Holdings, LLC	LLC interest	N/A	50.0 %	(5)	—	(6)	—	—
Allenby, LLC	LLC interest	N/A	50.0 %	(5)	—	(6)	—	—
Haygood, LLC	LLC interest	N/A	31.0 %	(8)	—	(6)	—	—
					\$ 66,263	\$ 38,032	\$ 28,231	\$ 1,570

Below is a summary of the Company's investments as of December 31, 2023 that qualify for equity method accounting for which the Company has elected to account for using the fair value option. Amounts are included in "investments, at fair value" on the consolidated balance sheets.

Investee Name	Instrument	Asset Type	NXDT Percentage Ownership		Fair Value
NexPoint Real Estate Finance Operating Partnership, L.P.	LP interest	Mortgage	15.6 %	(7)	\$76,688 (6)
NexPoint Real Estate Finance, Inc.	Common stock	Mortgage	12.0 %	(7)	33,075 (6)
VineBrook Homes Operating Partnership, L.P.	LP interest	Single-family rental	11.2 %	(7)	146,516 (6)
NexPoint Storage Partners, Inc.	Common stock	Self-storage	52.9 %	(3)	68,187 (6)
NexPoint Storage Partners Operating Company, LLC	LLC interest	Self-storage	30.0 %		37,157 (6)
NexPoint SFR Operating Partnership, L.P.	LP interest	Single-family rental	30.8 %		49,383 (6)
NexPoint Hospitality Trust	Common stock	Hospitality	46.2 %		4,886 (6)
LLV Holdco, LLC	LLC interest	Land	26.8 %		2,242 (6)
					\$ 418,134

- (1) Represents the Company's percentage share of net assets of the investee per the investee's books and records.
- (2) Represents the difference between the basis at which the investments in unconsolidated ventures are carried by the Company and the Company's proportionate share of the equity method investee's net assets. To the extent that the Company's cost basis is different from the basis reflected at the joint venture level, the basis difference is generally amortized over the lives of the related assets and liabilities, and such amortization is included in the Company's share of equity in earnings of the joint venture.
- (3) The Company owns greater than 50% of the outstanding common equity but is not deemed to be the primary beneficiary or have a controlling financial interest of the investee and as such, accounts for the investee using the equity method.
- (4) The Company owns 100% of Las Vegas Land Owner, LLC which owns 77% of a joint venture that owns an 8.5 acre tract of land (the "Tivoli North Property"). Through a tenants in common arrangement, the Company shares control and as such accounts for this investment using the equity method.
- (5) The Company has a 50% non-controlling interest in Claymore Holdings, LLC ("Claymore") and Allenby, LLC, ("Allenby"). The Company has determined it is not the primary beneficiary and does not consolidate these entities.
- (6) The Company has elected the fair value option with respect to these investments. The basis in these investments is their fair value.
- (7) The Company owns less than 20% of the investee but has significant influence due to members of the management team serving on the board of the investee or its parent and as such, accounts for the investee using the equity method.
- (8) The Company has a 31% non-controlling interest in Haygood, LLC, ("Haygood"). The Company has determined it is not the primary beneficiary and does not consolidate this entity.
- (9) The Company owns less than 20% of the investee but has significant influence due to the legal nature of a partnership that implies an inherent right to influence the operating and financial policies of the partnership.

Significant Equity Method Investments

The table below presents the unaudited summary balance sheets for the Company's significant equity method investments as of December 31, 2023 (dollars in thousands). The Company reports these unaudited summary balance sheets on a quarter lag. For purposes of equity method investments, significance is determined in accordance with Rule 3-09 of Regulation S-X. NexPoint Real Estate Finance, Inc. ("NREF") and VineBrook Homes Trust, Inc. ("VineBrook") do not prepare standalone financials for their operating companies as all operations and investments are owned through their operating companies and are consolidated by the corporate entities. As such, only the financial information for NREF and VineBrook are presented below.

	NREF	VineBrook
ASSETS		
Investments	\$ 6,873,666	\$ 2,500
Real estate assets	126,551	3,211,897
Cash and cash equivalents	13,824	27,917
Other assets	4,312	211,026
TOTAL ASSETS	\$ 7,018,353	\$ 3,453,340
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Debt	\$ 1,172,555	\$ 2,433,674
Other liabilities	5,400,291	144,707
Total Liabilities	6,572,846	2,578,381
Redeemable noncontrolling interests in the operating company	98,070	478,746
Noncontrolling interests in consolidated VIEs	—	11,742
Total Shareholders' Equity	347,437	384,471
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 7,018,353	\$ 3,453,340

The table below presents the unaudited summary statement of operations for the year ended December 31, 2023, for the Company's significant equity method investments (dollars in thousands).

	NREF	VineBrook
Revenues		
Rental income	\$ 4,962	\$ 345,778
Net interest income	16,798	—
Other income	182	5,330
Total revenues	21,942	351,108
Expenses		
Total expenses	23,350	502,850
Gain (loss) on sales and impairment of real estate	—	(72,539)
Other income (expense)	20,148	(55,866)
Unrealized gain (loss) on derivatives	—	(15,050)
Total comprehensive income (loss)	\$ 18,740	\$ (295,197)

The table below presents the unaudited summary balance sheets for the Company's significant equity method investments as of March 31, 2023 (dollars in thousands). In the prior year, the Company did not present these financials on a quarter lag. This comparison will not be on a quarter lag basis as we are utilizing the previously filed financial information for consistency purposes. NREF, NSP and VineBrook do not prepare standalone financials for their operating companies as all operations and investments are owned through their operating companies and are consolidated by the corporate entities. As such, only the financial information for NREF, NSP and VineBrook are presented below.

	NREF	VineBrook	NSP
ASSETS			
Investments	\$ 7,943,558	\$ 2,500	\$ —
Real estate assets	59,072	3,566,053	1,297,814
Cash and cash equivalents	38,830	82,128	9,751
Other assets	1,106	95,365	173,979
TOTAL ASSETS	8,042,566	3,746,046	1,481,544
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Debt	1,275,290	2,622,755	914,999
Other liabilities	6,294,300	126,974	397,768
Total Liabilities	7,569,590	2,749,729	1,312,767
Redeemable noncontrolling interests in the operating company	95,712	467,290	205,114
Noncontrolling interests in consolidated VIEs	—	8,685	4,035
Total Shareholders' Equity	377,264	520,342	(40,372)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 8,042,566	\$ 3,746,046	\$ 1,481,544

The table below presents the unaudited summary statement of operations for the three months ended March 31, 2023 for the Company's significant equity method investments (dollars in thousands).

	NREF	VineBrook	NSP
Revenues			
Rental income	\$ 1,018	\$ 84,497	\$ 26,877
Net interest income	3,949	—	809
Other income	—	1,608	1,472
Total revenues	4,967	86,105	29,158
Expenses			
Total expenses	5,520	120,987	31,833
Gain (loss) on sales of real estate	—	(15,853)	—
Other income (expense)	9,931	(41,662)	(34,885)
Unrealized gain (loss) on derivatives	—	(9,485)	—
Total comprehensive income (loss)	\$ 9,378	\$ (101,882)	\$ (37,560)

8. Fair Value of Financial Instruments

The table below summarizes the Company's assets within the valuation hierarchy carried at fair value on a recurring basis as of March 31, 2024 (in thousands):

	Cost Basis	Fair Value			Total
		Level 1	Level 2	Level 3	
Assets					
Bond	\$ 17	\$ —	\$ 41	\$ —	\$ 41
CLO	187	—	—	—	—
Common stock	312,062	39,875	—	174,386	214,261
Convertible notes	46,385	—	—	41,441	41,441
LLC interest	66,825	—	—	40,462	40,462
LP interest	328,636	—	69,920	193,109	263,029
Preferred Shares	65,864	—	—	65,864	65,864
Rights and warrants	1,784	—	1,788	—	1,788
Senior loan	42,292	—	50	42,599	42,649
	<u>\$ 864,052</u>	<u>\$ 39,875</u>	<u>\$ 71,799</u>	<u>\$ 557,861</u>	<u>\$ 669,535</u>

The table below summarizes the Company's assets within the valuation hierarchy carried at fair value on a recurring basis as of December 31, 2023 (in thousands):

Assets	Cost Basis	Fair Value			Total
		Level 1	Level 2	Level 3	
Bond	\$ 17	\$ —	\$ 30	\$ —	30
CLO	24,187	—	—	1,215	1,215
Common stock	311,576	42,832	—	176,256	219,088
Convertible notes	46,385	—	—	42,251	42,251
LLC interest	66,825	—	—	39,399	39,399
LP interest	326,555	—	76,688	195,898	272,586
Preferred Shares	66,268	—	—	66,268	66,268
Rights and warrants	3,937	—	3,993	—	3,993
Senior loan	46,174	—	55	46,353	46,408
	\$ 891,924	\$ 42,832	\$ 80,766	\$ 567,640	\$ 691,238

The table below sets forth a summary of changes in the Company's Level 3 assets (assets measured at fair value using significant unobservable inputs) for the three months ended March 31, 2024 (in thousands):

	December 31, 2023	Contributions/ Purchases	Paid in-kind dividends	Transfer Into Level 3	Redemptions/ conversions	Return of capital	Realized gain/(loss)	Unrealized gain/(loss)	March 31, 2024
CLO	\$ 1,215	\$ —	\$ —	\$ —	\$ —	\$ (1,266)	\$ (22,735)	\$ 22,786	\$ —
Common stock	176,256	120	—	—	—	—	—	(1,990)	174,386
Convertible notes	42,251	—	—	—	—	—	—	(810)	41,441
LLC interest	39,399	—	—	—	—	—	—	1,063	40,462
LP interest	195,898	2,082	—	—	—	—	—	(4,871)	193,109
Preferred Shares	66,268	—	1,296	—	(1,700)	—	—	—	65,864
Senior loan	46,353	—	1,066	—	(5,522)	—	574	128	42,599
Total	\$ 567,640	\$ 2,202	\$ 2,362	\$ —	\$ (7,222)	\$ (1,266)	\$ (22,161)	\$ 16,306	\$ 557,861

The table below sets forth a summary of changes in the Company's Level 3 assets (assets measured at fair value using significant unobservable inputs) for the three months ended March 31, 2023 (in thousands):

	December 31, 2022	Contributions/ Purchases	Paid in-kind dividends	Redemptions/ Conversions	Return of capital	Realized gain/(loss)	Unrealized gain/(loss)	March 31, 2023
CLO	\$ 6,412	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 488	\$ 6,900
Common stock	234,667	—	—	—	—	—	(5,800)	228,867
Convertible notes	50,828	—	—	—	—	—	474	51,302
Life settlement	67,711	1,266	—	—	—	—	(2,593)	66,384
LLC interest	60,836	—	—	—	—	—	(708)	60,128
LP interest	223,141	1,427	—	—	—	—	(9,439)	215,129
Senior loan	43,341	—	1,008	(4,971)	—	11	164	39,553
Total	\$ 686,936	\$ 2,693	\$ 1,008	\$ (4,971)	\$ —	\$ 11	\$ (17,414)	\$ 668,263

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the significant unobservable inputs used in the fair valuation of assets categorized within Level 3 of the fair value hierarchy as of March 31, 2024.

Category	Valuation Technique	Significant Unobservable Inputs	Input Value(s) (Arithmetic Mean)			Fair Value	
Common Stock	Market Approach	Unadjusted Price/MHz-PoP	\$0.10	—	\$0.90	\$(0.48)	\$ 174,386
	Discounted Cash Flow	Discount Rate	7.50%	—	14.10%	(9.32)%	
		Market Rent (per sqft)	\$12.00	—	\$41.50	\$(26.75)	
		RevPAR	\$73.00	—	\$145.00	\$(100.13)	
		Capitalization Rates	5.25%	—	9.50%	(7.60)%	
		NAV Approach	Discount Rate		10.00%		
	Multiples Analysis	Multiple of EBITDA	3.00x	—	4.00x	(3.50)x	
		Multiple of NAV	1.00x	—	1.20x	(1.10)x	
	Recent Transaction	Implied Enterprise Value from Transaction Price (\$mm)		\$841.00			
		N/A	\$25.31	—	\$28.00	\$(26.66)	
Discount to NAV		(25.00)%	—	(10.00)%	(17.50)%		
	Offer Price per Share		\$1.10				
Convertible Notes	Discounted Cash Flow	Discount Rate	6.08%	—	10.25%	(8.17)%	41,441
	Option Pricing Model	Volatility	55.00%	—	65.00%	(60.00)%	
LLC Interest	Discounted Cash Flow	Discount Rate	7.75%	—	30.50%	14.19%	40,462
		Market Rent (per sqft)	\$12.00	—	\$41.50	\$(26.75)	
		Capitalization Rate		5.25%			
LP Interest	Market Approach	Capitalization Rate	3.70%	—	6.60%	5.24%	193,109
		Discount to NAV		(10.05)%			
	Recent Transaction	Price per Share		\$21.46			
Preferred Shares	Recent Transaction	Price per Share		\$1,000		65,864	
Senior Loan	Discounted Cash Flow	Discount Rate	12.30%	—	20.00%	(16.15)%	42,599
Total						\$ 557,861	

The following is a summary of the significant unobservable inputs used in the fair valuation of assets categorized within Level 3 of the fair value hierarchy as of December 31, 2023.

Category	Valuation Technique	Significant Unobservable Inputs	Input Value(s) (Arithmetic Mean)			Fair Value	
CLO	Discounted Net Asset Value	Discount	N/A			\$ 1,215	
Common Stock	Market Approach	Unadjusted Price/MHz-PoP	\$0.10	—	\$0.90	\$(0.48)	176,256
	Discounted Cash Flow	Discount Rate	7.5%	—	13.90%	(9.18)%	
		Market Rent (per sqft)	\$11.50	—	\$41.00	\$(26.25)	
		RevPAR	\$75.00	—	\$145.00	\$(102.00)	
		Capitalization Rates	5.25%	—	9.5%	(7.58)%	
	NAV Approach	Discount Rate	10.00%				
	Multiples Analysis	Multiple of EBITDA	3.00x	—	4.00x	(3.50)x	
		Multiple of NAV	1.00x	—	1.25x	(1.13)x	
	Recent Transaction	Implied Enterprise Value from Transaction Price (\$mm)	\$841.00				
		N/A	\$25.31	—	\$28.00	\$(26.66)	
		Discount to NAV	(25.00)%	—	(10.00)%	(17.50)%	
		Offer Price per Share	\$1.10				
Convertible Notes	Discounted Cash Flow	Discount Rate	6.08%	—	10.25%	(8.17)%	42,251
	Option Pricing Model	Volatility	55.00%	—	65.00%	(60.00)%	
LLC Interest	Discounted Cash Flow	Discount Rate	7.50%	—	30.50%	14%	39,399
		Market Rent (per sqft)	\$11.5	—	\$41	\$(26.25)	
		Capitalization Rate	5.25%				
LP Interest	Direct Capitalization Approach	Capitalization Rate	4.00%	—	6.80%	5.51%	195,898
		Discount to NAV	(12.5)%	—	(2.5)%	(-7.5)%	
	Discounted Cash Flow	Discount Rate	18.00%	—	28.00%	(22.80)%	
	Market Approach	Capitalization Rate	5.00%	—	5.50%	(5.22)%	
	Recent Transaction	Price per Share	\$21.59				
Preferred Shares	Recent Transaction	Price per Share	\$1,000				66,268
Senior Loan	Discounted Cash Flow	Discount Rate	12.30%	—	20.00%	(16.15)%	46,353

Total				\$ 567,640
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9. Life Settlement Portfolio

Prior to September 1, 2023, the Company, through one of its TRSs, owned 100% of the outstanding equity and debt of Specialty Financial Products, Ltd. ("SFP"), an Ireland domiciled private company with limited liability and a Designated Activity Company. At the proposal of NexAnnuity Asset Management, L.P. ("NexAnnuity"), an affiliate of the Adviser, SFP was formed for the purpose of entering into acquisitions of U.S. life settlement policies approved by NexAnnuity and funded by the issuance of debt securities, or the Structured Note purchased by the Company. SFP utilizes proceeds from maturing life settlement contracts to repay the Structured Note and to further invest in life settlement contracts. Prior to September 1, 2023, as the Company owned the outstanding ordinary shares of and Structured Note issued by SFP, the Company consolidated SFP in its entirety. On September 1, 2023, the Company, through one of its TRSs, entered into a contribution agreement to transfer the Structured Note in SFP and all its rights, title and interests to NHI and its wholly owned subsidiaries, which are related parties. The Company also transferred all of its ordinary shares in SFP to a separate share trustee. In exchange, the Company was issued 68,500 shares of Class A Preferred Stock in NHI. As a result, the Company now holds none of the outstanding equity and debt of SFP, and SFP no longer meets the requirements for consolidation under ASC 810 – Consolidation. The Company will have no continuing involvement with SFP. As such, SFP has been deconsolidated herein as of September 1, 2023. The Class A Preferred Stock in NHI is accounted for as an investment in an equity security. However, management has elected to account for the investment using the fair value option and presented it within Investments, at fair value. The fair value of the Class A Preferred Stock is its original issue price of \$1,000 per share due to the recent nature of the transaction. Dividends on the Class A Preferred Stock are cumulative and are payable quarterly on March 31, June 30, September 30, and December 31 at an annual rate of 8.0% for years one through seven, 9.5% for years eight through ten, 11.0% for years eleven through thirteen, and 12.0% for years fourteen through sixteen and thereafter.

The transfer of the Structured Note of SFP qualified as a sale under ASC 860 – Transfers and Servicing as (1) the transfer legally isolated the transferred assets from the transferor, (2) the transferee has the right to pledge or exchange the transferred assets and no condition both constrains the transferee's right to pledge or exchange the assets and provides more than a trivial benefit to the transferor, and (3) the transferor does not maintain effective control over the transferred assets.

10. Shareholders' Equity

Common Shares

As of March 31, 2024, the Company had 39,301,419 common shares, par value \$0.001 per share, issued and outstanding. 911,819 shares of which were issued during the three months ended March 31, 2024.

During the three months ended March 31, 2024, the Company paid a distribution of \$0.15 per share on its common shares on March 28, 2024 to shareholders of record on February 16, 2024. The dividend paid on March 28, 2024 consisted of a combination of cash and shares, with the cash component of the dividend (other than cash paid in lieu of fractional shares) comprising 20% of the dividend, with the balance being paid in the Company's common shares.

As of March 31, 2023, the Company had 37,171,807 common shares, par value \$0.001 per share, issued and outstanding. No shares were issued during the three months ended March 31, 2023.

During the three months ended March 31, 2023, the Company paid a distribution of \$0.15 per share on its common shares on March 31, 2023 to shareholders of record on March 15, 2023.

Preferred Shares

On January 8, 2021, the Company issued 3,359,593 5.50% Series A Cumulative Preferred Shares, par value \$0.001 per share, liquidation preference \$25.00 per share ("Series A Preferred Shares") with an aggregate liquidation preference of approximately \$84.0 million. The Series A Preferred Shares were issued as part of the consideration for an exchange offer for a portion of the Company's common shares. The Series A Preferred Shares are callable beginning on December 15,

2023 at a price of \$25 per share. The Company may exercise its call option at the Company's discretion. As a result, these are included in permanent equity.

During the three months ended March 31, 2024, the Company declared one distribution on its Series A Preferred Shares, in the amount of \$0.34375 per share, which was paid to holders of Series A Preferred Shares on April 1, 2024, to shareholders of record on March 25, 2024. The Company sent funding to the transfer agent for the first quarter dividend prior to March 31, 2024, which was then paid to shareholders on April 1, 2024.

During the three months ended March 31, 2023, the Company declared distributions on its Series A Preferred Shares in the amount of \$0.34375 per share, which was paid to holders of Series A Preferred Shares on March 31, 2023 to shareholders of record on March 24, 2023.

Dividends on the Series A Preferred Shares are cumulative from their original issue date at the annual rate of 5.5% of the \$25 per share liquidation preference and are payable quarterly on March 31, June 30, September 30, and December 31 of each year, or in each case on the next succeeding business day.

Long Term Incentive Plan

On January 30, 2023, the Company's shareholders approved a long-term incentive plan (the "2023 LTIP") and the Company subsequently filed a registration statement on Form S-8 registering 2,545,000 common shares, which the Company may issue pursuant to the 2023 LTIP. The 2023 LTIP authorizes the compensation committee of the Board to provide equity-based compensation in the form of share options, appreciation rights, restricted shares, restricted share units, performance shares, performance units and certain other awards denominated or payable in, or otherwise based on, the Company's common shares or factors that may influence the value of the Company's common shares, plus cash incentive awards, for the purpose of providing the Company's trustees, officers and other key employees (and those of the Adviser and the Company's subsidiaries), and potentially certain nonemployees who perform employee-type functions, incentives and rewards for performance (the "participants").

Restricted Share Units. Under the 2023 LTIP, restricted share units may be granted to the participants and typically vest over a three to five-year period for officers, employees and certain key employees of the Adviser and annually for trustees. The most recent grant of restricted share units to officers, employees and certain key employees of the Adviser will vest over a four-year period. Beginning on the date of grant, restricted share units earn dividends that are payable in cash on the vesting date. Compensation expense is recognized on a straight-line basis over the total requisite service period for the entire award. Forfeitures are recognized as they occur. On March 13, 2024, pursuant to the 2023 LTIP, the Company granted 58,490 restricted share units to its trustees and 975,297 restricted share units to its officers and other

employees of the Adviser. The following table includes the number of restricted share units granted, vested, forfeited and outstanding as of and for the three months ended March 31, 2024:

	2024	
	Number of Units	Weighted Average Grant Date Fair Value
Outstanding January 1, 2024	589,906	\$ 10.45
Granted	1,033,787	6.10
Vested	—	—
Forfeited	(4,371)	6.10
Outstanding March 31, 2024	1,619,322	\$ 7.68

The following table contains information regarding the vesting of restricted share units under the 2023 LTIP for the next five calendar years subsequent to March 31, 2024:

	Shares Vesting			
	March	April	June	Total
2024	—	172,637	6,219	178,856
2025	301,221	140,404	—	441,625
2026	242,731	135,323	—	378,054
2027	242,732	135,323	—	378,055
2028	242,732	—	—	242,732
Total	1,029,416	583,687	6,219	1,619,322

For the three months ended March 31, 2024, the Company recognized approximately \$0.5 million of equity-based compensation expense related to grants of restricted share units. As of March 31, 2024, the Company had recognized a liability of approximately \$0.4 million related to dividends earned on restricted share units that are payable in cash upon vesting. As of March 31, 2024, total unrecognized compensation expense on restricted share units was approximately \$10.6 million, and the expense is expected to be recognized over a weighted average vesting period of 2.0 years. As of March 31, 2023, there was no compensation expense on restricted share units.

11. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to common shareholders by the weighted average number of the Company's common shares outstanding and excludes any unvested restricted share units issued pursuant to the 2023 LTIP.

Diluted earnings (loss) per share is computed by adjusting basic earnings per share for the dilutive effect of the assumed vesting of restricted share units. During periods of net loss, the assumed vesting of restricted share units is anti-dilutive and is not included in the calculation of earnings (loss) per share.

The following table sets forth the computation of basic and diluted earnings (loss) per share (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2024	2023
Numerator for loss per share:		
Net income (loss) attributable to common shareholders	\$ (22,703)	\$ (20,676)
Denominator for loss per share:		
Weighted average common shares outstanding	38,572	37,172
Denominator for basic and diluted loss per share	38,572	37,172
Weighted average unvested restricted share units	749	—
Denominator for diluted loss per share	(1) 38,572	37,172
Loss per weighted average common share:		
Basic	\$ (0.59)	\$ (0.56)
Diluted	\$ (0.59)	\$ (0.56)

(1) For the three months ended March 31, 2024 and 2023, this excludes approximately 748,950 and 0 shares, respectively, related to assumed vesting of restricted share units as the effect would be anti-dilutive.

12. Related Party Transactions

Advisory and Administrative Fees

Pursuant to the Advisory Agreement, subject to the overall supervision of our Board, the Adviser manages the day-to-day operations of the Company, and provides investment management services.

As of March 31, 2024 and 2023, as consideration for the Adviser's services under the Advisory Agreement, we pay our Adviser an annual fee (the "Advisory Fee") of 1.00% of Managed Assets (defined below) and an annual fee (the "Administrative Fee" and, together with the Advisory Fee, the "Fees") of 0.20% of the Company's Managed Assets.

On April 11, 2023, we entered into an amendment to the Advisory Agreement whereby the monthly installment of the Fees shall be paid in cash unless the Adviser elects, in its sole discretion, to receive all or a portion of the monthly installment of the Fees in common shares of the Company, subject to certain restrictions including that in no event shall the common shares issued to the Adviser under the Advisory Agreement exceed five percent of the number of common shares or five percent of the voting power of the Company outstanding prior to the first such issuance (the "Share Cap") and that in no event shall the common shares issued to the Adviser under the Advisory Agreement exceed 6,000,000 common shares; provided, however, that the Share Cap will not apply if the Company's shareholders have approved issuances in excess of the Share Cap. At the Company's 2023 annual meeting of shareholders, the Company's shareholders did not approve issuances in excess of the Share Cap. During the three months ended March 31, 2024, we issued 169,920.62 common shares to the Advisor in payment of the Fees in an amount of \$1.35 million.

Under the Advisory Agreement, "Managed Assets" means an amount equal to the total assets of the Company, including any form of leverage, minus all accrued expenses incurred in the normal course of operations, but not excluding any liabilities or obligations attributable to leverage obtained through (i) indebtedness of any type (including, without limitation, borrowing to purchase or develop real estate or other investments, borrowing through a credit facility, or the issuance of debt securities), (ii) the issuance of preferred shares or other preference securities, (iii) the reinvestment of collateral received for securities loaned in accordance with the Company's investment objectives and policies, and/or (iv) any other means. In the event the Company holds collateralized mortgage-backed securities ("CMBS") where the Company holds the controlling tranche of the securitization and is required to consolidate under U.S. generally accepted accounting principles ("GAAP") all assets and liabilities of a specific CMBS trust, the consolidated assets and liabilities of the consolidated trust will be netted to calculate the allowable amount to be included as Managed Assets. In addition, in the

event the Company consolidates another entity it does not wholly own as a result of owning a controlling interest in such entity or otherwise, Managed Assets will be calculated without giving effect to such consolidation and instead such entity's assets, leverage, expenses, liabilities and obligations will, on a pro rata basis consistent with the Company's percentage ownership, be considered those of the Company for purposes of calculation of Managed Assets. The Adviser computes Managed Assets as of the end of each fiscal quarter and then computes each installment of the Fees as promptly as possible after the end of the month with respect to which such installment is payable.

Reimbursement of Expenses; Expense Cap

We also generally reimburse our Adviser for operating or offering expenses it incurs on our behalf or in connection with the services it performs for us. Direct payment of operating expenses by us together with reimbursement of operating expenses to the Adviser, plus compensation expenses relating to equity awards granted under a long-term incentive plan and all other corporate general and administrative expenses of the Company, including the Fees payable under the Advisory Agreement, may not exceed the Expense Cap of 1.5% of Managed Assets, calculated as of the end of each quarter, for the twelve-month period following the Company's receipt of the Deregistration Order. This limitation ended on June 30, 2023 and did not apply to Offering Expenses, legal, accounting, financial, due diligence and other service fees incurred in connection with extraordinary litigation and mergers and acquisitions or other events outside the ordinary course of our business or any out-of-pocket acquisition or due diligence expenses incurred in connection with the acquisition or disposition of certain real estate-related investments; provided, in the event the Company consolidates another entity that it does not wholly own as a result of owning a controlling interest in such entity or otherwise, expenses will be calculated without giving effect to such consolidation and instead such entity's expenses will, on a pro rata basis consistent with the Company's percentage ownership, be considered those of the Company for purposes of calculation of expenses. The Adviser may, at its discretion and at any time, waive its right to reimbursement for eligible out-of-pocket expenses paid on the Company's behalf. Once waived, those expenses are considered permanently waived and became non-recoupable.

The Advisory Agreement has an initial term of three years that will expire on July 1, 2025, and successive additional one-year terms thereafter unless earlier terminated. We have the right to terminate the Advisory Agreement on 30 days' written notice upon the occurrence of a cause event (as defined in the Advisory Agreement). The Advisory Agreement can be terminated by us or the Adviser without cause upon the expiration of the then-current term with at least 180 days' written notice to the other party prior to the expiration of such term. The Adviser may also terminate the agreement with 30 days' written notice if we have materially breached the agreement and such breach has continued for 30 days before we are given such notice. In addition, the Advisory Agreement will automatically terminate in the event of an Advisers Act Assignment (as defined in the Advisory Agreement) unless we provide written consent. A termination fee will be payable to the Adviser by us upon termination of the Advisory Agreement for any reason, including non-renewal, other than a termination by us upon the occurrence of a cause event or due to an Advisers Act Assignment. The termination fee will be equal to three times the Fees earned by the Adviser during the twelve month period immediately preceding the most recently completed calendar quarter prior to the effective termination date; provided, however, if the Advisory Agreement is terminated prior to the one year anniversary of the date of the Advisory Agreement, the Fees earned during such period will be annualized for purposes of calculating the Fees.

For the three months ended March 31, 2024 and 2023, the Company incurred Administrative Fees and Advisory Fees of \$3.2 million and \$3.6 million, respectively.

Revolving Credit Facility

On May 22, 2023, the Company entered into the NexBank Revolver pursuant to which the Company in the initial principal amount of \$20.0 million, with the option for the Company to receive additional disbursements thereunder up to a maximum amount of \$50.0 million and bears interest at one-month SOFR plus 3.50% and matures on May 21, 2024. The Company drew the \$20.0 million on May 22, 2023. As of March 31, 2024, the NexBank Revolver had an outstanding balance of \$20.0 million.

Guaranties of NexPoint Storage Partners, Inc. Debt

On July 2, 2021, the Company, together with Highland Opportunities and Income Fund ("HFRO") and Highland Global Allocation Fund (collectively, the "Co-Guarantors") as limited guarantors, entered into a Guaranty of Recourse Obligations ("SAFStor Recourse Guaranty I") in favor of ACORE Capital Mortgage, LP ("ACORE") in its capacity as Administrative Agent for and on behalf of the Lenders under a Loan Agreement ("SAFStor Loan Agreement I"), in an

aggregate principal amount of \$235.86 million, for the benefit of entities indirectly owned by SAFStor NREA JV – I, LLC (“SAFStor – I”), SAFStor NREA JV – III, LLC (“SAFStor – III”), SAFStor NREA JV – IV, LLC (“SAFStor – IV”), SAFStor NREA JV – V, LLC (“SAFStor – V”), SAFStor NREA JV – VI, LLC (“SAFStor – VI”), SAFStor NREA JV – VII, LLC (“SAFStor – VII”), and SAFStor NREA JV – VIII, LLC (“SAFStor – VIII”) (collectively, “SAFStor”), pursuant to which the Company and the Co-Guarantors guaranteed certain obligations of SAFStor. On July 2, 2021, the Company also entered a substantively identical guaranty in favor of ACORE in its capacity as Administrative Agent for and on behalf of the Lenders under a Mezzanine Loan Agreement (“SAFStor Mezzanine Loan Agreement I”), in the amount of \$6.05 million, for the benefit of entities indirectly owned by SAFStor. On December 8, 2022, NSP completed a transaction that resulted in it acquiring 100% of the equity interest in SAFStor. On April 24, 2023, the Company joined certain separate guaranties previously made in favor of ACORE by the Co-Guarantors pursuant to an Omnibus Amendment to and Reaffirmation of Loan Documents (the “SAFStor Recourse Guaranty II”) in favor of ACORE in its capacity as (i) Administrative Agent for and on behalf of the Lenders under a Loan Agreement (“SAFStor Loan Agreement II”), in an aggregate principal amount of \$41.99 million, for the benefit of SAFStor, and (ii) Administrative Agent for and on behalf of the Lenders under a Mezzanine Loan Agreement (“SAFStor Mezzanine Loan Agreement II”), in the amount of \$1.08 million, for the benefit of entities indirectly owned by SAFStor. Pursuant to the SAFStor Recourse Guaranty I and SAFStor Recourse Guaranty II, the Company guarantees the loss recourse liability and obligation for any Recourse Liabilities (as defined in the respective SAFStor Loan Agreement) arising out of or in connection with certain bad acts, such as if the borrower takes actions that are fraudulent or improper or upon certain violations of the respective SAFStor Loan Agreement. The Company also guarantees the full payment of the debt upon the occurrence of any Springing Recourse Events (as defined in the respective SAFStor Loan Agreement), such as if the borrower voluntarily files a bankruptcy or similar liquidation or reorganization action or upon certain other violations of the respective SAFStor Loan Agreement. The guaranties by the Company are limited for loss recourse events, to the loss attributable to properties in which it indirectly owns an interest and for Springing Recourse Events (as defined in the respective SAFStor Loan Agreement) to the pro-rata share of the aggregate liability of all guarantors within the pool of the guarantor properties. As of March 31, 2024, the outstanding balance of the pools of guaranties is \$272.69 million.

On September 14, 2022, the Company entered into guaranties (the “BS Guaranties”) for the benefit of JPMorgan Chase Bank, National Association (“JPM”) and any additional or subsequent lenders from time to time (collectively, “BS Lender”) under a loan agreement (the “BS Loan Agreement”), pursuant to which the Company guaranteed certain obligations of the borrowers (“BS Borrower”) under the BS Loan Agreement. The Company, through its ownership in NSP, owns an indirect interest in BS Borrower and entered into the BS Guaranties as a condition of BS Lender lending to BS Borrower under the BS Loan Agreement. Pursuant to the BS Guaranties, the Company guaranteed certain carrying obligations, including interest payments, of BS Borrower and certain recourse obligations of BS Borrower pertaining to exculpation or indemnification of BS Lender. The BS Guaranties also provide that the Company may be required to repay principal amounts upon the occurrence of certain events, including certain action or inaction by BS Borrower, but does not provide for a full guarantee of repayment in all circumstances. The BS Loan Agreement provides for a single initial advance of the loan in the amount of \$221.8 million to BS Borrower on the closing date and provides BS Borrower the right to request additional advances in connection with subsequently acquired properties. Amounts outstanding under the BS Loan Agreement are due and payable on March 9, 2024 which date may, at the option of BS Borrower, be extended for an additional six months upon the satisfaction of certain terms and conditions. On March 8, 2024, the BS Lender agreed to extend the maturity date to March 22, 2024. On March 22, 2024, the BS Lender agreed to extend the maturity date on the two loans to September 9, 2024. Borrowings outstanding under the BS Loan Agreement are secured by mortgages on real property owned by one or more of the borrowers comprising BS Borrower and bear interest at the one-month SOFR, subject to a floor of 0.5%, plus an applicable spread of approximately 4.0% with respect to approximately \$133.3 million of principal as of March 31, 2024 and approximately 5.4% with respect to approximately \$46.9 million of principal as of March 31, 2024.

On December 8, 2022 and in connection with a restructuring of NSP, the Company, together with NREF, HFRO and NexPoint Real Estate Strategies Fund (collectively, the “NSP Co-Guarantors”), as guarantors, entered into a Sponsor Guaranty Agreement in favor of Extra Space Storage, LP (“Extra Space”) pursuant to which the Company and the NSP Co-Guarantors guaranteed obligations of NSP with respect to accrued dividends on NSP’s newly created Series D Preferred Stock and two promissory notes in an aggregate principal amount of approximately \$64.2 million issued to Extra Space. The guaranties by the Company and the NSP Co-Guarantors were capped at \$97.6 million, and each of the Company and the NSP Co-Guarantors generally guaranteed the foregoing obligations of NSP up to the cap amount on a pro rata basis with respect to its percentage ownership of NSP’s common stock. On February 15, 2023, NSP paid down approximately \$15.0 million of these promissory notes, resulting in an aggregate principal amount of approximately \$49.2 million. On December 8, 2023, NSP paid down the remaining principal balance of \$49.2 million. The Series D Preferred Stock remains outstanding as of March 31, 2024. As of March 31, 2024, the outstanding NSP Series D Preferred Stock accrued dividends

was \$7.3 million, and the Company and NREF OP IV REIT SUB, LLC are jointly and severally liable for 85.90% of the guaranteed amount.

Separately, on September 14, 2022, the Company entered into a Guaranty Agreement (Recourse Obligations), dated September 14, 2022 (the "CMBS Guaranty") for the benefit of JPM and any additional or subsequent lenders from time to time (collectively, the "CMBS Lender") under a loan agreement (the "CMBS Loan Agreement"), by and among the borrowers thereunder (collectively, "CMBS Borrower") and the CMBS Lender. The Company, through its ownership in NSP, owns an indirect interest in CMBS Borrower and entered into the CMBS Guaranty as a condition of CMBS Lender lending to CMBS Borrower under the CMBS Loan Agreement. Pursuant to the CMBS Guaranty, the Company guaranteed certain recourse obligations of CMBS Borrower pertaining to exculpation or indemnification of CMBS Lender. The CMBS Guaranty also provides that the Company may be required to repay principal amounts upon the occurrence of certain events, including certain action or inaction by CMBS Borrower, but does not provide for a full guarantee of repayment in all circumstances. The CMBS Loan Agreement provides for a loan of \$356.5 million to CMBS Borrower. Amounts outstanding under the CMBS Loan Agreement are due and payable on September 9, 2024 which date may, at the option of CMBS Borrower, be extended for three successive one-year terms upon the satisfaction of certain terms and conditions. Borrowings outstanding under the CMBS Loan Agreement are secured by mortgages on real property owned by one or more of the borrowers comprising CMBS Borrower and bear interest at one-month SOFR plus a spread of approximately 3.6%, which will increase by 0.1% upon a second extension of the loan maturity and by an additional approximately 0.15% upon a third extension of the loan maturity.

Subsidiary Investment Management Agreement

SFP is a party to a management agreement (the "SFP IMA") with NexAnnuity pursuant to which NexAnnuity provides investment management services to SFP. Mr. Dondero serves as President of NexAnnuity, which is indirectly owned by a trust of which Mr. Dondero is the primary beneficiary. As discussed in Note 9, the Company disposed of its interest in SFP on September 1, 2023. Prior to its disposition, the Company paid \$0.1 million in management fees to NexAnnuity.

In exchange for its services, the SFP IMA provided that NexAnnuity would receive a management fee (the "SFP Management Fee") paid monthly in an amount equal to 1.0% of the average weekly value of an amount equal to the total assets of SFP, including any form of leverage, minus all accrued expenses incurred in the normal course of operations, but not excluding any liabilities or obligations attributable to investment leverage obtained through (i) indebtedness of any type (including, without limitation, borrowing through a credit facility or the issuance of debt securities), (ii) the issuance of preferred stock or other preference securities, (iii) the reinvestment of collateral received for securities loaned in accordance with the investment objective, investment guidelines and policies under the SFP IMA, and/or (iv) any other means, plus any value added tax or any other applicable tax, if any, thereon. NexAnnuity could waive all or a portion of the SFP Management Fee.

Other Related Party Transactions

The Company has in the past, and may in the future, utilize the services of affiliated parties. The Company holds multiple operating accounts at NexBank. The Company's operating properties, other than undeveloped land, are managed by NexVest Realty Advisors, LLC ("NexVest"), an affiliate of the Adviser. For three months ended March 31, 2024 and 2023, the Company through its subsidiaries has paid approximately \$0.2 million and \$0.1 million, respectively, in property management fees to NexVest. The property management agreement with NexVest for the retail property in Lubbock, Texas is dated January 1, 2014 and had a fixed fee of \$750 per month. Effective January 1, 2023, the property management agreement was amended and the property management fee was increased to \$1,200 per month. The property management agreement with NexVest for Cityplace Tower is dated August 15, 2018, and the management fee is calculated on 3% of gross revenues, with a minimum fee of \$20,000 per month. The property management agreement with NexVest for the White Rock Center is dated June 1, 2013, and the management fee is calculated on 4% of gross receipts, payable monthly. The property management agreement with NexVest for Cityplace Tower also allows for the manager, as the agent of CP Tower Owner, LLC ("Owner"), to draw on the operating account when required in connection with the operation or maintenance of the property, the payment of certain expenses defined in the agreement, or as expressly approved in writing by Owner. For the three months ended March 31, 2024 and 2023, Cityplace Tower reimbursed \$0.5 million and \$0.4 million, respectively, to NexVest for these expenses.

A director and officer of the Company, who controls the Adviser, which externally manages the Company, also (i) is the beneficiary of a trust that indirectly owns 100% of the limited partnership interests in the parent of the Adviser and

directly owns 100% of the general partnership interests in the parent of the Adviser and (ii) is a director of NexBank Capital, the holding company of NexBank, directly owns a minority of the common stock of NexBank, and is the beneficiary of a trust that directly owns a substantial portion of the common stock of NexBank.

The Company is a limited guarantor and an indemnitor on one of NexPoint Hospitality Trust's ("NHTs") loans with an aggregate principal amount of \$77.4 million as of March 31, 2024. NHT is a publicly traded hospitality REIT that is managed by an affiliate of the Adviser. The obligations include a customary environmental indemnity and a so-called "bad boy" guarantee, which is generally only applicable if and when the borrower directly, or indirectly through an agreement with an affiliate, joint venture partner or other third party, voluntarily files a bankruptcy or similar liquidation or reorganization action or takes other actions that are fraudulent or improper. The Company has not recorded a contingent liability as NHT is current on all debt payments and in compliance with all debt compliance provisions.

On December 8, 2022, the Company, through NexPoint Real Estate Opportunities, LLC ("NREO"), entered into a Contribution Agreement pursuant to which NREO contributed all of its interests in the joint ventures (the "SAFStor Ventures") with SAFStor NREA GP – I, LLC, SAFStor NREA GP – II, LLC and NREA GP – III, LLC to NexPoint Storage Partners Operating Company, LLC (the "NSP OC") in exchange for approximately 47,064 newly created Class B common operating company units of the NSP OC ("Class B Units"), representing 14.8% of the outstanding combined classes of common units of the NSP OC (the "NSP OC Common Units") immediately after NREO's acquisition of Class B Units. The NSP OC is the operating company of NSP, of which the Company owns approximately 86,369 shares, or 52.8%, of the outstanding common stock as of March 31, 2024. In connection with the foregoing, the NSP OC acquired all of the other interests in the SAFStor Ventures from affiliates of the Adviser following which they were wholly owned by a subsidiary of the NSP OC. The SAFStor Ventures are invested, through subsidiaries, in various self-storage real estate development projects primarily located on the East Coast of the United States. As of March 31, 2024, the Company owns approximately 47,064 Class B Units, or 29.9%, of the outstanding NSP OC Common Units.

On December 23, 2022, the Company, through NREO, redeemed 2,100,000 common units of limited partnership (the "NREF OP Units") of NexPoint Real Estate Finance Operating Partnership, L.P. (the "NREF OP") for 2,100,000 shares of common stock of NREF. The NREF OP is the operating partnership of NREF, a publicly traded mortgage REIT managed by an affiliate of the Adviser.

On September 1, 2023, the Company, through one of its wholly owned TRSs, entered into a contribution agreement to transfer the Structured Note in SFP and all its rights, title and interests to related party NHI and its wholly owned subsidiaries. The Company also transferred all of its ordinary shares in SFP to a separate share trustee. In exchange, the Company was issued 68,500 shares of Class A Preferred Stock in NHI. On September 28, 2023, the Company, through one of its wholly owned TRSs, redeemed 2,000 shares of Class A Preferred Stock in NHI. On October 24, 2023, the Company, through one of its wholly owned TRSs, redeemed 1,000 shares of Class A Preferred Stock in NHI. On November 10, 2023, the Company, through one of its wholly owned TRSs, redeemed 1,000 shares of Class A Preferred Stock in NHI. On January 12, 2024, the Company, through one of its wholly owned TRSs, redeemed 1,700 shares of Class A Preferred Stock in NHI.

Related Party Investments

The Company, from time to time, may invest in entities managed by affiliates of the Adviser. For the three months ended and as of March 31, 2024, the Company had the following investments in entities managed or advised by, or directly or indirectly owned by entities managed or advised by, affiliates of the Adviser (in thousands).

Related Party	Investment	Fair Value/Carrying Value	Change in Unrealized Gain/(Loss)	Realized Gain/(Loss)	Equity in income (loss)	Interest and Dividends	Total Income
NexPoint Hospitality Trust	Common Stock	\$ 2,782	\$ (2,104)	\$ —	\$ —	\$ —	\$ (2,104)
NexPoint Real Estate Finance, Inc.	Common Stock	30,156	(2,919)	—	—	1,050	(1,869)
NexPoint Storage Partners, Inc.	Common Stock	69,494	1,308	—	—	—	1,308

Related Party	Investment	Fair Value/Carrying Value	Change in Unrealized Gain/(Loss)	Realized Gain/(Loss)	Equity in income (loss)	Interest and Dividends	Total Income
NexPoint Residential Trust, Inc.	Common Stock	2,987	(209)	—	—	43	(166)
NexPoint SFR Operating Partnership, L.P.	Convertible Notes	20,814	—	—	—	407	407
NexPoint Hospitality Trust	Convertible Notes	20,627	(810)	—	—	(4)	(814)
NexPoint Storage Partners Operating Company, LLC	LLC Units	37,869	712	—	—	—	712
SFR WLIF III, LLC	LLC Units	7,002	—	—	214	—	214
Claymore Holdings, LLC	LLC Units	—	—	—	—	—	—
Allenby, LLC	LLC Units	—	(1)	—	—	—	(1)
Haygood, LLC.	LLC Units	—	—	—	—	—	—
VineBrook Homes Operating Partnership, L.P.	Partnership Units	145,433	(2,547)	—	—	1,465	(1,082)
NexPoint Real Estate Finance Operating Partnership, L.P.	Partnership Units	69,920	(6,768)	—	—	2,435	(4,333)
NexPoint SFR Operating Partnership, L.P.	Partnership Units	47,676	(2,324)	—	—	617	(1,707)
NexAnnuity Holdings, Inc.	Preferred Shares	65,864	—	—	—	1,296	1,296
NexPoint Storage Partners Operating Company, LLC	Promissory Note	4,986	(14)	—	—	67	53
NexPoint SFR Operating Partnership, L.P.	Promissory Note	500	—	—	—	11	11
Total		\$ 526,110	\$ (15,676)	\$ —	\$ 214	\$ 7,387	\$ (8,075)

For the three months ended and as of March 31, 2023, the Company had the following investments in entities managed or advised by, or directly or indirectly owned by entities managed or advised by, affiliates of the Adviser (in thousands).

Related Party	Investment	Fair Value	Change in Unrealized Gain/(Loss)	Realized Gain/(Loss)	Interest and Dividends	Total Income
SFR WLIF III, LLC	LLC Units	\$ 7,289	\$ 213	\$ —	\$ —	\$ 213
NexPoint Residential Trust, Inc.	Common Stock	3,875	13	—	37	50
NexPoint Hospitality Trust	Common Stock	22,935	(4,750)	—	—	(4,750)
NexPoint Hospitality Trust	Convertible Notes	21,677	198	—	62	260
NexPoint Storage Partners, Inc.	Common Stock	103,194	(501)	—	—	(501)
NexPoint Storage Partners Operating Company, LLC	LLC Units	56,232	(273)	—	—	(273)
NexPoint SFR Operating Partnership, L.P.	Partnership Units	48,666	(4,813)	—	602	(4,211)
NexPoint SFR Operating Partnership, L.P.	Convertible Notes	29,625	275	—	563	838
Claymore Holdings, LLC	LLC Units	—	—	—	—	—
Allenby, LLC	LLC Units	—	—	—	—	—
NexPoint Real Estate Finance Operating Partnership, L.P.	Partnership Units	76,299	(1,071)	—	2,921	1,850
NexPoint Real Estate Finance, Inc.	Common Stock	32,907	(462)	—	1,439	977
VineBrook Homes Operating Partnership, L.P.	Partnership Units	166,463	(4,625)	—	1,427	(3,198)
Total		\$ 569,162	\$ (15,796)	\$ —	\$ 7,051	\$ (8,745)

13. Commitments and Contingencies

Commitments

On December 8, 2022 and in connection with a restructuring of NSP, the Company, together with the NSP Co-Guarantors, as guarantors, entered into a Sponsor Guaranty Agreement in favor of Extra Space pursuant to which the Company and the NSP Co-Guarantors guaranteed obligations of NSP with respect to accrued dividends on NSP's newly created Series D Preferred Stock and two promissory notes in an aggregate principal amount of approximately \$64.2 million issued to Extra Space. The guaranties by the Company and the NSP Co-Guarantors were capped at \$97.6 million, and each of the Company and the NSP Co-Guarantors generally guaranteed the foregoing obligations of NSP up to the cap amount on a pro rata basis with respect to its percentage ownership of NSP's common stock. On February 15, 2023, NSP paid down approximately \$15.0 million of these promissory notes, resulting in an aggregate principal amount of approximately \$49.2 million. On December 8, 2023, NSP paid down the remaining principal balance of \$49.2 million. The NSP Series D Preferred Stock remains outstanding as of March 31, 2024. As of March 31, 2024, the outstanding NSP Series D Preferred Stock accrued dividends was \$7.3 million, and the Company and NREF OP IV REIT SUB, LLC are jointly and severally liable for 85.90% of the guaranteed amount.

On July 2, 2021, the Company, together the Co-Guarantors as limited guarantors, entered into a SAFStor Recourse Guaranty I in favor of ACORE in its capacity as Administrative Agent for and on behalf of the Lenders under the SAFStor Loan Agreement I, in an aggregate principal amount of \$235.86 million, for the benefit of entities indirectly owned by SAFStor, pursuant to which the Company and the Co-Guarantors guaranteed certain obligations of SAFStor. On July 2, 2021, the Company also entered a substantively identical guaranty in favor of ACORE in its capacity as Administrative Agent for and on behalf of the Lenders under the SAFStor Mezzanine Loan Agreement I, in the amount of \$6.05 million, for the benefit of entities indirectly owned by SAFStor. On April 24, 2023, the Company joined certain separate guaranties previously made in favor of ACORE by the Co-Guarantors pursuant to the SAFStor Recourse Guaranty II in favor of ACORE in its capacity as (i) Administrative Agent for and on behalf of the Lenders under the SAFStor Loan Agreement II, for the benefit of SAFStor, and (ii) Administrative Agent for and on behalf of the Lenders under the SAFStor Mezzanine Loan Agreement II, for the benefit of entities indirectly owned by SAFStor. See Note 12 for additional information.

The Company is a limited guarantor and an indemnitor on one of NHT's loans with an aggregate principal amount of \$77.4 million outstanding, as of March 31, 2024. The obligations include a customary environmental indemnity and a so-called "bad boy" guarantee, which is generally only applicable if and when the borrower directly, or indirectly through an agreement with an affiliate, joint venture partner or other third party, voluntarily files a bankruptcy or similar liquidation or reorganization action or takes other actions that are fraudulent or improper. The Company has not recorded a contingent liability as NHT is current on all debt payments and in compliance with all debt compliance provisions.

The Company is a guarantor and an indemnitor on one of Cityplace's loans with an aggregate principal amount of \$141.7 million as of March 31, 2024. The obligations include a completion guarantee, which is generally only applicable if and when the borrower, which is a subsidiary of the Company, directly, or indirectly through an agreement with an affiliate, joint venture partner or other third party, voluntarily terminates construction services prior to the completion of the project, files a bankruptcy or similar liquidation or reorganization action or takes other actions that are fraudulent or improper. As of March 31, 2024, management does not anticipate any material deviations from schedule or budget related to construction projects current in process, and Cityplace is current on all debt payments and in compliance with all debt compliance provisions.

Contingencies

In the normal course of business, the Company is subject to claims, lawsuits, and legal proceedings. While it is not possible to ascertain the ultimate outcome of all such matters, management believes that the aggregate amount of such liabilities, if any, in excess of amounts provided or covered by insurance, will not have a material adverse effect on the consolidated balance sheets or consolidated statements of operations and comprehensive income (loss) of the Company. The Company is not involved in any material litigation nor, to management's knowledge, is any material litigation currently threatened against the Company or its properties or subsidiaries.

Environmental liabilities could have a material adverse effect on the Company's business, assets, cash flows or results of operations. As of March 31, 2024, the Company was not aware of any environmental liabilities. There can be no assurance that material environmental liabilities do not exist.

Claymore, Allenby and Haygood are engaged in ongoing litigation that could result in a possible gain contingency to the Company. The probability, timing, and potential amount of recovery, if any, are unknown.

14. Operating Leases

Lessor Accounting

The following table summarizes the future minimum lease payments to the Company as the lessor under the operating lease obligations at March 31, 2024 (in thousands). These amounts do not reflect future rental revenues from renewal or replacement of existing leases. Reimbursements of operating expenses and variable rent increases are excluded from the table below.

Year:	Operating Leases
2024	\$7,605
2025	9,924
2026	8,600
2027	7,712
2028	4,826
Thereafter	50,407
Total	\$89,074

The following table lists the tenants where the rental revenue from the tenants represented 10% or more of total rental income in the Company's consolidated statements of operations (in thousands) for the three months ended March 31, 2024:

Tenant	For the Three Months Ended March 31, 2024 Rental Income
Neiman Marcus Group, LLC	\$587
Saputo Dairy Foods	\$497

The following table lists the tenants where the rental revenue from the tenants represented 10% or more of total rental income in the Company's consolidated statements of operations (in thousands) for the three months ended March 31, 2023:

Tenant	Three Months Ended March 31, 2023 Rental Income
Hudson Advisors, LLC	\$712

15. Subsequent Events

Dividends Declared

On April 29, 2024, the Board approved a quarterly dividend of \$0.15 per common share, payable on June 28, 2024 to shareholders of record on May 15, 2024. The dividend on the Company's common shares consists of a combination of cash and shares, with the cash component of the dividend (other than cash paid in lieu of fractional shares) not to exceed 20% in the aggregate, with the balance being paid in the Company's common shares. Also on April 29, 2024, the Board approved a quarterly dividend of \$0.34375 per Series A Preferred Share, payable on July 1, 2024 to shareholders of record on June 24, 2024.

Issuance of Common Shares to Adviser

On April 29, 2024, the Company issued 208,117.75 common shares to the Adviser as payment of a portion of the monthly Advisory Fees pursuant to the Advisory Agreement.

NREF Promissory Note

On April 19, 2024, the OP loaned \$6.5 million to NREF OP IV, L.P. (“NREF OP IV”), a subsidiary of NREF, an entity that is managed by an affiliate of the Adviser in exchange for a promissory note (the “NREF Note”). The NREF Note bears interest at 7.535%, which is payable in kind, is interest only during the term of the NREF Note and matures on April 19, 2029.

NHT / NREO Transaction

On April 19, 2024, NREO purchased 2,176,257 of NHT common shares, valued at \$0.8 million.

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

The following is a discussion and analysis of our financial condition and our historical results of operations. The following should be read in conjunction with our financial statements and accompanying notes included herein and with our 2023 Annual Report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those projected, forecasted, or expected in these forward-looking statements as a result of various factors, including, but not limited to, those discussed below and elsewhere in this Quarterly Report. See "Cautionary Statement Regarding Forward-Looking Statements" in this report and "Risk Factors" in Part I, Item 1A, "Risk Factors" of our 2023 Annual Report.

Overview

As of March 31, 2024, our Portfolio consisted primarily of debt and equity investments in the single-family rental, self-storage, office, hospitality, life science and multifamily sectors. Substantially all of our business is conducted through the OP. The OP GP is the sole general partner of the OP and is owned 100% by the Company. As of March 31, 2024, there were 2,000 OP Units outstanding, of which 100% were owned by us.

On July 1, 2022, or the Deregistration Date, the SEC issued an order pursuant to Section 8(f) of the Investment Company Act declaring that the Company has ceased to be an investment company under the Investment Company Act (the "Deregistration Order"). The issuance of the Deregistration Order enabled the Company to proceed with full implementation of its new business mandate to operate as a diversified REIT that focuses primarily on investing in 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 "Business Change").

As a diversified REIT, the Company's primary investment objective is to provide both current income and capital appreciation. The Company seeks to achieve this objective through the Business Change. Target underlying property types primarily include, but are not limited to, single-family rentals, multifamily, self-storage, life science, office, industrial, hospitality, net lease and retail. The Company may, to a limited extent, hold, acquire or transact in certain non-real estate securities. We are externally managed by the Adviser through the Advisory Agreement, by and among the Company and the Adviser. The Advisory Agreement was dated July 1, 2022, and amended on October 25, 2022 and April 11, 2023, for an initial three-year term that will expire on July 1, 2025 and successive one-year terms thereafter unless earlier terminated. The Adviser is wholly owned by our Sponsor.

We have elected to be taxed as a REIT under Sections 856 through 860 of the Code. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute at least 90% of our REIT taxable income to our shareholders. As a REIT, we will be subject to federal income tax on our undistributed REIT taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (1) 85% of our ordinary income, (2) 95% of our capital gain net income and (3) 100% of our undistributed income from prior years. We believe we qualify for taxation as a REIT under the Code, and we intend to continue to operate in such a manner, but no assurance can be given that we will operate in a manner so as to qualify as a REIT. Taxable income from certain non-REIT activities is managed through one or more TRS entities and is subject to applicable federal, state, and local income and margin taxes.

The high rate environment and ongoing economic uncertainty, has limited credit availability to commercial real estate. Less available and more expensive debt capital has had pronounced effects on the capital markets, making property acquisitions and other investments harder to finance. Similar factors also impact the timing of and proceeds generated from asset sales and our ability to obtain debt capital.

On October 15, 2021, Marc S. Kirschner, as litigation trustee of a litigation subtrust formed in connection with the bankruptcy proceedings of Highland, a former affiliate of our Sponsor, filed a lawsuit (the "Bankruptcy Trust Lawsuit") against various persons and entities, including our Sponsor and James Dondero. In addition, on February 8, 2023, UBS Securities and its affiliate (collectively "UBS") filed a lawsuit in the Supreme Court of the State of New York, County of New York against Mr. Dondero and a number of entities currently or previously affiliated with Mr. Dondero, seeking to collect on \$1.3 billion in judgments UBS obtained against entities that were managed indirectly by Highland (the "UBS Lawsuit"). Neither the Bankruptcy Trust Lawsuit nor the UBS Lawsuit include claims related to our business or our assets. Our Sponsor and Mr. Dondero have informed us they believe the Bankruptcy Trust Lawsuit has no merit and Mr. Dondero has informed us he believes the UBS Lawsuit has no merit; we have been advised that the defendants named in each of the

lawsuits intend to vigorously defend against the claims. We do not expect the Bankruptcy Trust Lawsuit or the UBS Lawsuit will have a material effect on our business, results of operations or financial condition.

Macroeconomic trends, including increases in or high inflation and rising or high interest rates, may adversely impact our business, financial condition and results of operations. Rising inflation could have an adverse impact on our operating expenses, as these costs could increase at a rate higher than our rental and other revenue. There is no guarantee we will be able to mitigate the impact of rising or high inflation. In response to high inflation, the Federal Reserve raised interest rates to combat inflation and restore price stability. In addition, to the extent our exposure to increases in or high interest rates on any of our debt is not eliminated through interest rate swaps and interest rate protection agreements, such increases or elevated rates will result in higher debt service costs which will adversely affect our cash flows. We cannot make assurances that our access to capital and other sources of funding will not become constrained, which could adversely affect the availability and terms of future borrowings, renewals or refinancings. Such future constraints could increase our borrowing costs, which would make it more difficult or expensive to obtain additional financing or refinance existing obligations and commitments, which could slow or deter future growth.

Components of Our Revenues and Expenses

Revenues

Rental income. Our rental income is primarily attributable to the rental revenue from our investment in Cityplace Tower, a 42-story, 1.36 million-square-foot, trophy office building acquired in 2018 as well as rental income from two retail properties. Our rental income also includes utility reimbursements, late fees, common area maintenance reimbursements, and other rental fees charged to tenants.

Interest income. Interest income includes interest earned from our debt investments.

Dividend income. Dividend income includes dividends from our equity investments.

Other income. Other income includes ancillary income earned from tenants such as non-refundable fees, parking fees, and other miscellaneous fees charged to tenants and income items.

Expenses

Property operating expenses. Property operating expenses include property maintenance costs, salary and employee benefit costs, utilities, casualty-related expenses and recoveries and other property operating costs of property owned directly or indirectly by us.

Property management fees. Property management fees include fees paid to NexVest, our property manager, for managing each property directly or indirectly owned by us (see Note 12 to our unaudited consolidated financial statements).

Real estate taxes and insurance. Real estate taxes include the property taxes assessed by local and state authorities depending on the location of each property owned directly or indirectly by us. Insurance includes the cost of commercial, general liability, and other needed insurance for each property owned directly or indirectly by us.

Advisory and administrative fees. Advisory and administrative fees include the fees paid to our Adviser pursuant to the Advisory Agreement (see Note 12 to our unaudited consolidated financial statements).

Property general and administrative expenses. Property general and administrative expenses include the costs of marketing, professional fees, general office supplies, and other administrative related costs of each property owned directly or indirectly by us.

Corporate general and administrative expenses. Corporate general and administrative expenses include, but are not limited to, audit fees, legal fees, listing fees, board of trustee fees, investor relations costs and payments of reimbursements to our Adviser for operating expenses. Corporate general and administrative expenses and the Advisory Fees and Administrative Fees paid to our Adviser were limited to the Expense Cap for the 12 months ended June 30, 2023. This limitation ended June 30, 2023, and did not limit the reimbursement by us of expenses related to securities offerings paid by our Adviser. The Expense Cap also did not apply to legal, accounting, financial, due diligence, and other service fees

incurred in connection with mergers and acquisitions, extraordinary litigation, or other events outside our ordinary course of business or any out-of-pocket acquisition or due diligence expenses incurred in connection with the acquisition or disposition of real estate assets. Additionally, in the sole discretion of the Adviser, the Adviser may elect to waive reimbursement for eligible out-of-pocket expenses paid on the Company's behalf. Once waived, such expenses are considered permanently waived and become non-recoupable in the future.

Conversion expense - Conversion expenses include the costs of the Business Change in conjunction with the Deregistration Order, which primarily include legal fees and other fees incurred in preparation for or as a direct result of the conversion. These conversion expenses are included in the consolidated statement of operations and comprehensive income (loss) as conversion expenses.

Depreciation and amortization. Depreciation and amortization costs primarily include depreciation of our real properties and amortization of acquired in-place leases on property owned directly or indirectly by us.

Other Income and Expense

Interest Expense. Interest expense primarily includes the cost of interest expense on debt, the amortization of deferred financing costs, if any, and the related impact of interest rate derivatives, if any, used to manage our interest rate risk.

Equity in Earnings (Losses) of Unconsolidated Ventures. Equity in earnings (losses) of unconsolidated ventures represents the change in our basis in equity method investments resulting from our share of the investments' income and expenses. Profit and loss from equity method investments for which we've elected the fair value option are classified in divided income, change in unrealized gains and realized gains as applicable.

Income Tax Expense. Income tax expense is primarily derived from taxable gains from asset sales and other income earned from investments held in our TRSs.

Unrealized Gain (Loss) on Investments. Unrealized gains and losses represent changes in fair value for equity method investments, CLO equity investments, bonds, common stock, convertible notes, LLC interests, LP interests, rights and warrants, and senior loans for which the fair value option has been elected.

Realized Gain (Loss) on Investments. The Company recognizes the excess, or deficiency, of net proceeds received, less the carrying value of such investments, as realized gains or losses, respectively. The Company reverses cumulative, unrealized gains or losses previously reported in its Consolidated Statements of Operations on both the Successor and Predecessor basis with respect to the investment sold at the time of the sale.

Real Estate Investments Statistics

As of March 31, 2024, the Company was invested in two retail properties and one office and hospitality property (excluding investments in undeveloped land), as listed below:

Property Name	Rentable Square Footage (in thousands)	Property Type	Date Acquired	Average Effective Monthly Occupied Rent Per Square Foot	
				(1) as of	% Occupied (2) as of
				March 31, 2024	March 31, 2024
White Rock Center	82,793	Retail	6/13/2013	\$ 1.55	70.2 %
5916 W Loop 289	30,140	Retail	7/23/2013	\$ —	— % (4)
Cityplace Tower	1,365,711	Office & Hospitality (3)	8/15/2018	\$ 2.15	51.2 %
	<u>1,478,644</u>				

- (1) Average effective monthly occupied rent per square foot is equal to the average of the contractual rent for commenced leases as of March 31, 2024, minus any tenant concessions over the term of the lease, divided by the occupied square footage of commenced leases as of March 31, 2024.
- (2) Percent occupied is calculated as the rentable square footage occupied as of March 31, 2024, divided by the total rentable square footage, expressed as a percentage.
- (3) Cityplace is currently under development and the Company is converting part of the property into a hotel, which was still under construction as of March 31, 2024.
- (4) The property's tenant vacated in the fourth quarter of 2023. The Company is currently looking into leasing out the property.

Results of Operations for the Three Months Ended March 31, 2024, 2023 and December 31, 2023

The Company previously presented comparisons of its results of operations to the immediately preceding quarter, because the Company believes that comparisons to periods in which the Company operated as a registered investment company are not useful to our shareholders. On a go forward basis, the Company will now be providing comparisons to the corresponding quarter of the prior year because management believes this presentation aligns with industry standards. In the first filing after the change in the basis of comparison, we are required to disclose a comparison of the results for the current quarter to both the immediately preceding sequential quarter and the corresponding quarter of the preceding fiscal

year. Accordingly, we have compared the results for the three months ended March 31, 2024 with the results for the three months ended March 31, 2023, and December 31, 2023, where applicable.

The following tables set forth a summary of our operating results for the three months ended March 31, 2024, 2023 and December 31, 2023 (in thousands):

	For the Three Months Ended March 31		\$ Change
	2024	2023	
Total revenues	\$12,805	\$14,866	\$(2,061)
Total expenses	(12,536)	(12,538)	2
Operating income	269	2,328	(2,059)
Interest expense	(4,531)	(3,462)	(1,069)
Equity in income (losses) of unconsolidated ventures	(1,154)	(76)	(1,078)
Income tax expense	(550)	(806)	256
Change in unrealized gains (losses)	6,290	(18,640)	24,930
Realized gains (losses)	(21,872)	1,135	(23,007)
Net income (loss)	(21,548)	(19,521)	(2,027)
Net (income) loss attributable to preferred shareholders	(1,155)	(1,155)	—
Net income (loss) attributable to common shareholders	\$ (22,703)	\$ (20,676)	\$ (2,027)

	For the Three Months Ended March 31	For the Three Months Ended December 31,	\$ Change
	2024	2023	
Total revenues	\$12,805	\$22,174	\$(9,369)
Total expenses	(12,536)	(12,427)	(109)
Operating income	269	9,747	(9,478)
Interest expense	(4,531)	(4,505)	(26)
Equity in income (losses) of unconsolidated ventures	(1,154)	(283)	(871)
Income tax expense	(550)	(1,287)	737
Change in unrealized gains (losses)	6,290	(18,651)	24,941
Realized gains (losses)	(21,872)	(916)	(20,956)
Net income (loss)	(21,548)	(15,895)	(5,653)
Net (income) loss attributable to preferred shareholders	(1,155)	(2,309)	1,154
Net income (loss) attributable to common shareholders	\$ (22,703)	\$ (18,204)	\$ (4,499)

The net loss for the three months ended March 31, 2024, 2023 and December 31, 2023, primarily relates to mark-to-market losses on our investments accounted for at fair value partially offset by interest and dividends.

Revenues

Rental income. Rental income was \$4.0 million for the three months ended March 31, 2024, compared to \$4.7 million for the three months ended March 31, 2023, which was a decrease of approximately \$0.7 million and compared to \$4.8 million for the three months ended December 31, 2023, which was a decrease of approximately \$0.8 million. Rental income decreased between the periods due to a decrease in occupancy at Cityplace Tower.

Interest and dividends. Interest and dividends totaled \$8.7 million for the three months ended March 31, 2024, compared to \$10.1 million for the three months ended March 31, 2023, which was a decrease of approximately \$1.4 million and compared to \$17.2 million for the three months ended December 31, 2023, which was a decrease of approximately \$8.5 million. The decrease between the three months ended March 31, 2024 and the three months ended March 31, 2023, was attributed to a decrease in dividends from CLO equity investments. The decrease between the three months ended March 31, 2024 and the three months ended December 31, 2023, was attributed to a decrease in dividends from CLO equity investments.

Other income. Other income was approximately \$27.0 thousand for the three months ended March 31, 2024, compared to \$9.0 thousand for the three months ended March 31, 2023, which was an increase of approximately \$18.0 thousand and compared to \$180.0 thousand for the three months ended December 31, 2023, which was a decrease of approximately \$153.0 thousand. The increase between the three months ended March 31, 2024 and the three months ended March 31, 2023, was primarily due to an increase in parking revenue. The decrease between the three months ended March 31, 2024 and the three months ended December 31, 2023, was attributed to a decrease in asset management fees, and other miscellaneous income.

Expenses

Property operating expenses. Property operating expenses were \$1.6 million for the three months ended March 31, 2024, compared to \$1.5 million for the three months ended March 31, 2023, which was an increase of approximately \$0.1 million and compared to \$1.9 million for the three months ended December 31, 2023, which was a decrease of approximately \$0.3 million. The increase between the three months ended March 31, 2024 and the three months ended March 31, 2023, was primarily due to an increase in repair and maintenance expenses. The decrease between the three months ended March 31, 2024 and the three months ended December 31, 2023, was primarily due to a decrease in tenant bill backs and cleaning expenses.

Property management fees. Property management fees were \$0.2 million for the three months ended March 31, 2024, compared to \$0.2 million for the three months ended March 31, 2023, and compared to \$0.2 million for the three months ended December 31, 2023.

Real estate taxes and insurance. Real estate taxes and insurance costs were \$1.2 million for the three months ended March 31, 2024, compared to \$1.4 million for the three months ended March 31, 2023, which was a decrease of approximately \$0.2 million and compared to \$0.3 million for the three months ended December 31, 2023, which was an increase of approximately \$0.9 million. Real estate taxes and insurance expenses consist primarily of expenses from our investment in Cityplace Tower. The decrease between the three months ended March 31, 2024 and the three months ended March 31, 2023 was primarily due to a decrease in property tax budgets. The increase between the three months ended March 31, 2024 and the three months ended December 31, 2023 was primarily due to a 2023 tax appeal received in December of 2023, that reduced the tax expense for the three months ended December 31, 2023.

Advisory and administrative fees. For the three months ended March 31, 2024, the Company incurred Administrative Fees and Advisory Fees of \$3.2 million. For the three months ended March 31, 2023, the Company incurred Administrative Fees and Advisory Fees of \$3.6 million, inclusive of \$0.4 million in expenses that were waived and cannot be recouped by the Adviser. For the three months ended December 31, 2023, the Company incurred Administrative Fees and Advisory Fees of \$3.0 million. The Expense Cap expired on June 30, 2023. The decrease between the three months ended March 31, 2024 and the three months ended March 31, 2023, is primarily attributed to a decrease in total assets used to calculate the Administrative and Advisory Fees. The increase between the three months ended March 31, 2024 and the three months ended December 31, 2023, is primarily attributed to an increase in total assets used to calculate the Administrative and Advisory Fees.

Property general and administrative expenses. Property general and administrative expenses were \$0.7 million for the three months ended March 31, 2024, compared to \$0.7 million for the three months ended March 31, 2023 and compared to \$1.6 million for the three months ended December 31, 2023, which was a decrease of approximately \$0.9 million. The decrease between the three months ended March 31, 2024 and the three months ended December 31, 2023 is primarily attributed to a decrease in professional fees. Property general and administrative expenses consist primarily of expenses from our investment in Cityplace Tower.

Corporate general and administrative expenses. Corporate general and administrative expenses were \$2.8 million for the three months ended March 31, 2024, compared to \$1.5 million for the three months ended March 31, 2023, which was

an increase of approximately \$1.3 million and compared to \$2.5 million for the three months ended December 31, 2023, which was an increase of approximately \$0.3 million. The increase between periods was primarily due to an increase in accounting and audit fees.

Conversion expenses. Conversion expenses were \$0.0 million for the three months ended March 31, 2024, compared to \$0.2 million for the three months ended March 31, 2023, which was a decrease of approximately \$0.2 million and compared to \$(0.2) million for the three months ended December 31, 2023. The decrease between the three months ended March 31, 2024 and the three months ended March 31, 2023, was primarily due to a decrease in expenses related to the REIT conversion. The change between the three months ended March 31, 2024 and the three months ended December 31, 2023, was due to a write off of conversion expenses.

Depreciation and amortization. Depreciation and amortization costs were \$2.8 million for the three months ended March 31, 2024, compared to \$3.5 million for the three months ended March 31, 2023, which was a decrease of approximately \$0.7 million and compared to \$3.0 million for the three months ended December 31, 2023, which was a decrease of approximately \$0.2 million. Due to the Business Change, the fair value of our real estate properties as of July 1, 2022 became the new cost basis for the Company. This change reset the depreciable basis of our properties as well as caused the recognition of new intangible lease assets. The decrease between the periods was primarily due to the amortization of in place leases of \$0.2 million for the three months ended March 31, 2024, and amortization of in place leases of \$0.6 million for the three months ended December 31, 2023, compared to \$1.2 million for the three months ended March 31, 2023.

Other Income and Expense

Interest expense. Interest expense was \$4.5 million for the three months ended March 31, 2024, compared to \$3.5 million for the three months ended March 31, 2023, which was an increase of approximately \$1.0 million and compared to \$4.5 million for the three months ended December 31, 2023. The increase between the three months ended March 31, 2024 and the three months ended March 31, 2023, was primarily due to an increase in debt of approximately \$29.2 million.

Equity in income (losses) of unconsolidated ventures. Equity in losses of unconsolidated ventures was \$(1.2) million for the three months ended March 31, 2024, compared to \$(0.1) million for the three months ended March 31, 2023, which was a decrease of approximately \$1.1 million and compared to \$(0.3) million for the three months ended December 31, 2023, which was a decrease of approximately \$0.9 million. The decrease between periods was primarily due to a decrease in net income at Marriot Uptown.

Income tax expense. The Company has recorded income tax expense (benefit) of \$0.6 million associated with the TRSs for the three months ended March 31, 2024, \$0.9 million associated with the TRSs for the three months ended March 31, 2023 and \$1.3 million associated with the TRSs for the three months ended December 31, 2023. The tax expense for the three months ended March 31, 2024 is partially offset by the annual change in valuation allowance on a deferred tax asset of \$0.0 million for a net expense of \$0.6 million for the three months ended March 31, 2024, that is recorded on the Consolidated Statement of Operations. The tax expense for the three months ended March 31, 2023, is partially offset by removing the valuation allowance on a deferred tax asset of \$0.1 for a net expense of \$0.9 million for the three months ended March 31, 2023, that is recorded on the Consolidated Statement of Operations. The tax expense for the three months ended December 31, 2023, is partially offset by removing the valuation allowance on a deferred tax asset of \$0.6 million for a net expense of \$1.3 million for the three months ended December 31, 2023.

Change in unrealized gains (losses). Unrealized gains (losses) from our investments accounted for at fair value was \$6.3 million for the three months ended March 31, 2024, compared to \$(18.6) million for the three months ended March 31, 2023, which was an increase of approximately \$24.9 million and compared to \$(18.7) million for the three months ended December 31, 2023, which was an increase of approximately \$25.0 million. The gains for the three months ended March 31, 2024 were largely driven by redemptions of the legacy CLO positions, which generated realized losses and a positive change in unrealized, mark-to-market gains on NexPoint Storage Partners, Inc. ("NSP") common equity of \$1.3 million, offset by NREF OP Units of \$6.8 million, and NREF common stock of \$2.9 million. The losses for the three months ended March 31, 2023 were primarily driven by mark-to-market losses on common units of SFR OP of \$4.8 million, mark-to-market losses on NHT common stock of \$4.7 million and losses on VB OP common units of \$4.6 million. The losses for the three months ended December 31, 2023, were primarily driven by losses on the legacy CLOs of \$6.6 million, mark-to-market losses on NHT common stock of \$4.6 million, and losses on NREF OP units of \$3.0 million.

Realized gains (losses). Realized gains (losses) were \$(21.9) million for the three months ended March 31, 2024, compared to \$1.1 million for the three months ended March 31, 2023, which was a decrease of approximately \$23.0 million and compared to \$(0.9) million for the three months ended December 31, 2023, which was a decrease of approximately \$(21.0) million. The losses for the three months ended March 31, 2024 were primarily driven by realized losses on the legacy CLOs of \$22.8 million. The gains for the three months ended March 31, 2023 were primarily driven by a realized gains on the sale of equities of \$1.1 million. The losses for the three months ended December 31, 2023, were primarily driven by realized losses on a legacy CLO of \$1.5 million.

Non-GAAP Measurements

Net Operating Income and Same Store Net Operating Income

Net Operating Income ("NOI") is a non-GAAP financial measure of performance. NOI is used by investors and our management to evaluate and compare the performance of our properties to other comparable properties, to determine trends in earnings and to compute the fair value of our properties as NOI is calculated by adjusting net income (loss) to add back (1) interest expense, (2) Advisory Fees and Administrative Fees, (3) the impact of depreciation and amortization, (4) corporate general and administrative expenses, (5) income tax expenses, (6) conversion expenses, (7) non-operating property investment revenue, (8) realized and change in unrealized gains (losses) generated from non-real estate investments, and (9) equity in income (losses) of unconsolidated equity method ventures.

The cost of funds is eliminated from net income (loss) because it is specific to our particular financing capabilities and constraints. The cost of funds is also eliminated because it is dependent on historical interest rates and other costs of capital as well as past decisions made by us regarding the appropriate mix of capital, which may have changed or may change in the future. Corporate general and administrative expenses, advisory fees and administrative fees, conversion expenses, and income tax expenses are eliminated because they do not reflect continuing operating costs of the property. Depreciation and amortization expenses are eliminated because they may not accurately represent the actual change in value in our properties that result from use of the properties or changes in market conditions. While certain aspects of real property do decline in value over time in a manner that is reasonably captured by depreciation and amortization, the value of the properties as a whole have historically increased or decreased as a result of changes in overall economic conditions instead of from actual use of the property or the passage of time. Equity in income (losses) of unconsolidated equity method ventures are eliminated because they do not reflect continuing operating costs of the properties. Non-operating property investment revenue and realized and change in unrealized gains (losses) from non-real estate investments are eliminated as they do not reflect continuing operating costs of the properties. We believe that eliminating these items from net income (loss) is useful because the resulting measure captures the actual ongoing revenue generated and actual expenses incurred in operating our properties as well as trends in occupancy rates, rental rates and operating costs.

However, the usefulness of NOI is limited because it excludes corporate general and administrative expenses, interest expense, Advisory Fees and Administrative Fees, conversion expenses, income tax expenses, depreciation and amortization expense, non-operating property investment revenue and realized and change in unrealized gains and losses generated from non-real estate investments, and equity in income or losses of unconsolidated equity method ventures, all of which may be material values. NOI may fail to capture significant trends in these components of net income, which further limits its usefulness.

NOI is a measure of the operating performance of our properties but does not measure our performance as a whole. NOI is therefore not a substitute for net income (loss) as computed in accordance with GAAP. This measure should be analyzed in conjunction with net income (loss) computed in accordance with GAAP and discussions elsewhere in "—Results of Operations" regarding the components of net income (loss) that are eliminated in the calculation of NOI.

Other companies may use different methods for calculating NOI or similarly entitled measures and, accordingly, our NOI may not be comparable to similarly entitled measures reported by other companies that do not define the measure exactly as we do.

We define "Same Store NOI" as NOI for our properties that are comparable between periods and that are stabilized. Please see below for a discussion of properties included as Same Store (defined below). We view Same Store NOI as an important measure of the operating performance of our properties because it allows us to compare operating results of properties owned for the entirety of the current and comparable periods and therefore eliminates variations caused by acquisitions or dispositions from the beginning of the compared period to the end of the current period.

NOI and Same Store NOI for the Three Months Ended March 31, 2024, 2023 and Three Months Ended December 31, 2023

The following table reconciles our NOI for the three months ended March 31, 2024 and 2023 and for the three months ended December 31, 2023 to net income (loss), the most directly comparable GAAP financial measure (in thousands):

	For the Three Months Ended March 31	For the Three Months Ended March 31	For the Three Months Ended December 31
	2024	2023	2023
Net loss	\$ (21,548)	\$ (19,521)	\$ (15,895)
Adjustments to reconcile net loss to NOI:			
Advisory and administrative fees	3,246	3,578	3,033
Corporate general and administrative expenses	2,835	1,496	2,548
Conversion expenses	—	163	(241)
Income tax expense	550	806	1,287
Depreciation and amortization	2,796	3,524	3,009
Interest expense	4,531	3,462	4,505
Non-operating property investment revenue ¹	(8,731)	(10,137)	(17,226)
Realized gains (losses) from non-real estate investments	21,872	(1,135)	916
Change in unrealized (gains) losses from non-real estate investments	(6,290)	18,640	18,651
Equity in (income) losses of unconsolidated equity method ventures	1,154	76	283
NOI	<u>\$ 415</u>	<u>\$ 952</u>	<u>\$ 870</u>
Less Non-Same Store			
Revenues	\$ (3,752)	\$ (4,382)	\$ (4,604)
Operating expenses	3,507	3,644	3,962
Same Store NOI	<u>\$ 170</u>	<u>\$ 214</u>	<u>\$ 228</u>

(1) Non-operating property investment revenue is defined as revenue included in the consolidated financial statements, that are from non-operating properties such as dividend income and interest income.

Net Operating Income for Our Same Store and Non-Same Store Properties for the Three Months Ended March 31, 2024 and 2023 and December 31, 2023

There are two properties, White Rock Center and 5916 W Loop 289, in our same store pool for the three months ended March 31, 2024, and 2023 and December 31, 2023 (our "Same Store" properties). Our Same Store properties exclude Cityplace Tower as of March 31, 2024 and 2023 and December 31, 2023, because it was not yet stabilized, meaning construction or renovation was not completed. Non-Same Store properties include properties not yet stabilized.

The following table reflects the revenues, property operating expenses and NOI for the three months ended March 31, 2024 and 2023 and December 31, 2023 for our Same Store and Non-Same Store properties (dollars in thousands):

	For the Three Months Ended March 31		\$ Change	% Change
	2024	2023		
Revenues				
Same Store				
Rental income	\$ 322	\$ 347	\$ (25)	-7.3 %
Same Store revenues	322	347	(25)	-7.3 %
Non-Same Store				
Rental income	3,725	4,373	(648)	-14.8 %
Other income	27	9	18	N/M
Non-Same Store revenues	3,752	4,382	(630)	-14.4 %
Total revenues	4,074	4,729	(655)	-13.9 %
Operating expenses				
Same Store				
Property operating expenses	49	24	25	101.2 %
Real estate taxes and insurance	80	82	(2)	-2.7 %
Property management fees	17	17	—	-1.6 %
Property general and administrative expenses	6	10	(4)	-36.1 %
Same Store operating expenses	152	133	19	14.3 %
Non-Same Store				
Property operating expenses	1,528	1,482	45	3.0 %
Real estate taxes and insurance	1,159	1,275	(116)	-9.1 %
Property management fees	159	153	6	3.9 %
Property general and administrative expenses	661	733	(72)	-9.8 %
Non-Same Store operating expenses	3,507	3,644	(137)	-3.8 %
Total operating expenses	3,659	3,777	(118)	-3.1 %
NOI				
Same Store	170	214	(44)	-20.8 %
Non-Same Store	245	738	(493)	N/M
Total NOI	\$ 415	\$ 952	\$ (537)	N/M

	For the Three Months Ended March 31	For the Three Months Ended December 31	\$ Change	% Change
	2024	2023		
Revenues				
Same Store				
Rental income	\$ 322	\$ 344	\$ (23)	-6.4 %
Same Store revenues	322	344	(23)	-6.4 %
Non-Same Store				
Rental income	3,725	4,424	(699)	-15.8 %
Other income	27	180	(153)	N/M
Non-Same Store revenues	3,752	4,604	(852)	-18.5 %
Total revenues	4,074	4,948	(874)	-17.7 %
Operating expenses				
Same Store				
Property operating expenses	49	42	7	16.7 %
Real estate taxes and insurance	80	41	39	95.1 %
Property management fees	17	18	(1)	-5.6 %
Property general and administrative expenses	6	15	(9)	-60.0 %
Same Store operating expenses	152	116	36	31.0 %
Non-Same Store				
Property operating expenses	1,528	1,894	(366)	-19.3 %
Real estate taxes and insurance	1,159	279	880	315.4 %
Property management fees	159	155	4	2.6 %
Property general and administrative expenses	661	1,634	(973)	-59.5 %
Non-Same Store operating expenses	3,507	3,962	(455)	-11.5 %
Total operating expenses	3,659	4,078	(419)	-10.3 %
NOI				
Same Store	170	228	(58)	-25.4 %
Non-Same Store	245	642	(397)	N/M
Total NOI	\$ 415	\$ 870	\$ (455)	N/M

See reconciliation of net income (loss) to NOI above under "NOI and Same Store NOI for the Three Months Ended March 31, 2024 and 2023 and December 31, 2023."

Same Store Results of Operations for the Three Months Ended March 31, 2024 and 2023 and December 31, 2023

As of March 31, 2024, our Same Store properties were approximately 51.5% leased with a weighted average monthly effective occupied rent per square foot of \$1.14, compared to 75.4% leased with a weighted average monthly effective rent per square foot of \$1.21 as of March 31, 2023 and compared to 49.6% leased with a weighted average monthly effective

occupied rent per square foot of \$1.11 as of December 31, 2023. For our Same Store properties, we recorded the following operating results for the three months ended March 31, 2024 and 2023 and December 31, 2023.

Revenues

Rental Income. Rental income was \$0.3 million for the three months ended March 31, 2024, compared to \$0.3 million for the three months ended March 31, 2023 and compared to \$0.3 million for the three months ended December 31, 2023.

Expenses

Property operating expenses. Property operating expenses were \$48.9 thousand for the three months ended March 31, 2024, compared to \$24.3 thousand for the three months ended March 31, 2023, which was an increase of approximately \$24.7 thousand or 101.2% and compared to \$41.6 thousand for the three months ended December 31, 2023, which was an increase of approximately \$7.3 thousand or 16.7%. The majority of the increase between the three months ended March 31, 2024 and the three months ended March 31, 2023, is related to an increase in repair and maintenance costs. The majority of the increase between the three months ended March 31, 2024 and the three months ended December 31, 2023, is related to an increase in repair and maintenance costs.

Real estate taxes and insurance. Real estate taxes and insurance costs were \$79.8 thousand for the three months ended March 31, 2024, compared to \$82.0 thousand for the three months ended March 31, 2023, which was a decrease of approximately \$2.2 thousand or (2.7)% and compared to \$41.1 thousand for the three months ended December 31, 2023, which was an increase of approximately \$39.0 thousand, or 95.1%. The majority of the decrease between the three months ended March 31, 2024 and the three months ended March 31, 2023, is related to a decrease in the property tax budget. The majority of the increase between the three months ended March 31, 2024 and the three months ended December 31, 2023, is related to a 2023 tax appeal that was finalized in December of 2023.

Property management fees. Property management fees were \$17.0 thousand for the three months ended March 31, 2024, compared to \$17.3 thousand for the three months ended March 31, 2023, which was a decrease of approximately \$0.3 thousand, or (1.6)% and compared to \$18.4 thousand for the three months ended December 31, 2023, which was a decrease of \$1.0 thousand, or approximately (5.6)%. The decrease between the three months ended March 31, 2024 and the three months ended March 31, 2023 is related to a decrease in rental revenue, which the management fee is calculated off of. The decrease between the three months ended March 31, 2024 and December 31, 2023 is related to a decrease in rental revenue, which the management fee is calculated off of.

Property general and administrative expenses. Property general and administrative expenses were \$6.2 thousand for the three months ended March 31, 2024, compared to \$9.7 thousand for the three months ended March 31, 2023, which was a decrease of approximately \$3.5 thousand, or (36.1)% and compared to \$15.2 thousand for the three months ended December 31, 2023, which was a decrease of approximately \$9.0 thousand or (60.0)%. The majority of the decrease between the three months ended March 31, 2024 and the three months ended March 31, 2023 is related to a decrease in office supply equipment expenses. The majority of the decrease between the three months ended March 31, 2024 and the three months ended December 31, 2023 is related to a decrease in office supply equipment expenses.

FFO and AFFO

We believe that net income (loss), as defined by GAAP, is the most appropriate earnings measure. We also believe that funds from operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts ("NAREIT") and adjusted funds from operations ("AFFO") are important non-GAAP supplemental measures of operating performance for a REIT.

Since the historical cost accounting convention used for real estate assets requires depreciation except on land, such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a REIT that use historical cost accounting for depreciation could be less informative. Thus, NAREIT created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation and amortization, among other items, from net income (loss), as defined by GAAP. We compute FFO attributable to common shareholders as net income (loss), excluding gains or losses from real estate dispositions, plus real estate depreciation and amortization and realized gains (losses). Our calculation of FFO differs slightly from NAREIT's definition of FFO because we exclude

realized gains (losses). We believe the exclusion of realized gains (losses) is appropriate because these realized gains (losses) are not related to our real estate properties.

AFFO makes certain adjustments to FFO in order to arrive at a more refined measure of the operating performance of our Portfolio. There is no industry standard definition of AFFO and practice is divergent across the industry. AFFO adjusts FFO to remove items such as equity based compensation expense and the amortization of deferred financing costs incurred in connection with obtaining long-term debt financing, and change in unrealized gains (losses). We believe AFFO is useful to investors as a supplemental gauge of our operating performance and is useful in comparing our operating performance with other REITs that are not as involved in the aforementioned activities.

We believe that the use of FFO and AFFO, combined with the required GAAP presentations, improves the understanding of operating results of REITs among investors and makes comparisons of operating results among such companies more meaningful. While FFO and AFFO are relevant and widely used measures of operating performance of REITs, they do not represent cash flows from operations or net income (loss) as defined by GAAP and should not be considered as an alternative or substitute to those measures in evaluating our liquidity or operating performance. FFO and AFFO do not purport to be indicative of cash available to fund our future cash requirements. Further, our computation of FFO and AFFO may not be comparable to FFO and AFFO reported by other REITs that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define AFFO differently than we do.

The following table reconciles our calculations of FFO and AFFO to net income (loss), the most directly comparable GAAP financial measure, for the three months ended March 31, 2024 and 2023 and December 31, 2023 (in thousands, except per share amounts):

	For the Three Months Ended March 31,	For the Three Months Ended March 31,	% Change
	2024	2023	
Net income (loss)	\$(21,548)	\$(19,521)	10.4 %
Depreciation and amortization	2,796	3,524	-20.7 %
Realized (gains) losses	21,872	(1,135)	N/M
FFO	3,120	(17,132)	-118.2 %
Distributions to preferred shareholders	(1,155)	(1,155)	0.0 %
FFO attributable to common shareholders	1,965	(18,287)	-110.7 %
FFO per share - basic	\$ 0.05	\$ (0.49)	-110.2 %
FFO per share - diluted	\$ 0.05	\$ (0.49)	-110.2 %
Equity-based compensation expense	547	—	— %
Amortization of deferred financing costs - long term debt	(271)	(474)	-42.8 %
Change in unrealized (gains) losses	(6,290)	18,640	N/M
AFFO attributable to common shareholders	(4,049)	(121)	3,246.3 %
AFFO per share - basic	\$ (0.10)	\$ 0.00	3,124.9 %
AFFO per share - diluted	\$ (0.10)	\$ 0.00	3,063.4 %
Weighted average common shares outstanding - basic	38,572	37,172	3.8 %
Weighted average common shares outstanding - diluted	(1) 39,321	37,172	5.8 %
Dividends declared per common share	\$ 0.15	\$ 0.15	— %
Net income (loss) coverage	(2) -3.72x	-3.5x	5.36 %
FFO Coverage - diluted	(2) 0.33x	-3.28x	-110.16 %
AFFO Coverage - diluted	(2) -0.69x	-0.02x	3,063.43 %

	For the Three Months Ended		% Change
	March 31,	December 31,	
	2024	2023	
Net income (loss)	\$(21,548)	\$(15,895)	35.6 %
Depreciation and amortization	2,796	3,009	-7.1 %
Realized (gains) losses	21,872	916	N/M
FFO	3,120	(11,970)	-126.1 %
Distributions to preferred shareholders	(1,155)	(1,154)	0.1 %
FFO attributable to common shareholders	1,965	(13,124)	-115.0 %
FFO per share - basic	\$ 0.05	\$ (0.34)	-115.0 %
FFO per share - diluted	\$ 0.05	\$ (0.37)	-113.6 %
Equity-based compensation expense	547	431	26.9 %
Amortization of deferred financing costs - long term debt	(271)	(335)	-19.1 %
Change in unrealized (gains) losses	(6,290)	18,651	N/M
AFFO attributable to common shareholders	(4,049)	5,623	-172.0 %
AFFO per share - basic	\$ (0.10)	\$ 0.15	-170.6 %
AFFO per share - diluted	\$ (0.10)	\$ 0.15	-170.3 %
Weighted average common shares outstanding - basic	38,572	37,798	2.0 %
Weighted average common shares outstanding - diluted	(1) 39,321	38,388	2.4 %
Dividends declared per common share	\$ 0.15	\$ 0.15	— %
Net income (loss) coverage	(2) -3.72x	-2.76x	34.09 %
FFO Coverage - diluted	(2) 0.33x	-2.45x	-113.60 %
AFFO Coverage - diluted	(2) -0.69x	0.98x	-170.30 %

(1) The Company uses actual diluted weighted average common shares outstanding when in a dilutive position for FFO and AFFO.

(2) Indicates coverage ratio of net income (loss)/FFO/AFFO per common share (diluted) over dividends declared per common share during the period.

The three months ended March 31, 2024 as compared to the three months ended March 31, 2023 and the three months ended December 31, 2023

FFO was \$3.1 million for the three months ended March 31, 2024, compared to \$(17.1) million for the three months ended March 31, 2023, which was an increase of approximately \$20.3 million and compared to \$(12.0) million for the three months ended December 31, 2023, which was an increase of approximately \$15.1 million. The change in our FFO between the three months ended March 31, 2024 and the three months ended March 31, 2023, primarily relates to the redemptions of the collateralized loan obligation positions, which reclassified the change in unrealized to realized gains (losses) of approximately \$22.8 million. The change in our FFO between the three months ended March 31, 2024 and the three months ended December 31, 2023 primarily relates to the redemptions of the collateralized loan obligation positions, which reclassified the change in unrealized to realized gains (losses) of approximately \$22.8 million.

AFFO was \$(4.0) million for the three months ended March 31, 2024, compared to \$(0.1) million for the three months ended March 31, 2023, which was a decrease of approximately \$(3.9) million and compared to \$5.6 million for the three months ended December 31, 2023, which was a decrease of approximately \$(9.7) million. The change in our AFFO between the three months ended March 31, 2024 and the three months ended March 31, 2023 primarily relates to the redemptions of the collateralized loan obligation positions, which reclassified the change in unrealized to realized gains of approximately \$22.8 million. The change in our AFFO between the three months ended March 31, 2024 and the three months ended December 31, 2023 primarily relates to the redemptions of the collateralized loan obligation positions, which reclassified the change in unrealized to realized gains of approximately \$22.8 million.

Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of funds necessary to pay for debt maturities, operating expenses and other expenditures including:

- capital expenditures to continue the ongoing development of Cityplace Tower;
- interest expense and scheduled principal payments on outstanding indebtedness (see “—Obligations and Commitments” below);
- recurring maintenance necessary to maintain our properties;
- distributions necessary to qualify for taxation as a REIT;
- income taxes for taxable income generated by TRS entities;
- acquisition of additional properties or investments;
- advisory and administrative fees payable to our Adviser;
- general and administrative expenses;
- reimbursements to our Adviser; and
- property management fees.

We expect to meet our short-term liquidity requirements generally through our investment income, existing cash balance and, if necessary, future debt or equity issuances. As of March 31, 2024, we had \$20.2 million of cash available to meet our short-term liquidity requirements. As of March 31, 2024, we also had \$33.1 million of restricted cash held in reserve by the lender on the Cityplace debt. These reserves include escrows for property taxes and insurance, reserves for tenant improvements as well as required excess collateral. As of March 31, 2024, we also had \$0.4 million of restricted cash held in reserve by the lender on the NexBank Revolver. These reserves are to be used for future interest payments on the debt facility.

Our long-term liquidity requirements consist primarily of funds necessary to pay for the costs of acquiring additional properties, make additional accretive investments pursuant to our investment strategy, renovations and other capital expenditures to improve our properties and scheduled debt payments and distributions. We expect to meet our long-term

liquidity requirements through various sources of capital, which may include a revolving credit facility and future debt or equity issuances, existing working capital, net cash provided by operations, long-term mortgage indebtedness and other secured and unsecured borrowings, and property and non-real estate asset dispositions. However, there are a number of factors that may have a material adverse effect on our ability to access these capital sources, including the state of overall equity and credit markets, our degree of leverage, our unencumbered asset base and borrowing restrictions imposed by lenders (including as a result of any failure to comply with financial covenants in our existing and future indebtedness), general market conditions for REITs, our operating performance and liquidity, market perceptions about us and restrictions on sales of properties under the Code. The success of our business strategy will depend, in part, on our ability to access these various capital sources.

In addition to our ongoing renovation of Cityplace, our other properties will require periodic capital expenditures and renovation to remain competitive. We estimate an additional \$190 million to \$210 million of capital expenditures to complete the Cityplace renovation. Also, acquisitions, redevelopments, or expansions of our properties will require significant capital outlays. Long-term, we may not be able to fund such capital improvements solely from net cash provided by operations because we must distribute annually at least 90% of our REIT taxable income, determined without regard to the deductions for dividends paid and excluding net capital gains, to qualify and maintain our qualification as a REIT, and we are subject to tax on any retained income and gains. As a result, our ability to fund capital expenditures, acquisitions, or redevelopment through retained earnings long-term is limited. Consequently, we expect to rely heavily upon the availability of debt or equity capital for these purposes. If we are unable to obtain the necessary capital on favorable terms, or at all, our financial condition, liquidity, results of operations, and prospects could be materially and adversely affected.

We believe that our available cash, expected operating cash flows, and potential debt or equity financings will provide sufficient funds for our operations, anticipated scheduled debt service payments and dividend requirements for the twelve-month period following March 31, 2024.

Cash Flows

The following table presents selected data from our consolidated statements of cash flows for the three months ended March 31, 2024 and 2023 (in thousands):

	For the Three Months Ended March 31,	
	2024	2023
Net cash provided by (used in) operating activities	\$(2,555)	\$505
Net cash provided by investing activities	7,436	8,234
Net cash used in financing activities	(4,361)	(12,587)
Net decrease in cash, cash equivalents and restricted cash	520	(3,848)
Cash, cash equivalents and restricted cash, beginning of period	53,169	48,649
Cash, cash equivalents and restricted cash, end of period	\$53,689	\$44,801

Cash flows from operating activities. During the three months ended March 31, 2024, net cash provided by (used in) operating activities was \$(2.6) million, compared to net cash provided by operating activities of \$0.5 million for the three months ended March 31, 2023. The change in cash flows from operating activities was mainly attributable to a decrease in revenue of approximately \$2.0 million and an increase in interest expense of \$1.1 million.

Cash flows from investing activities. During the three months ended March 31, 2024, net cash provided by investing activities was \$7.4 million, compared to net cash provided by investing activities of \$8.2 million for the three months ended March 31, 2023.

Cash flows from financing activities. During the three months ended March 31, 2024, net cash used in financing activities was \$(4.4) million, compared to net cash used in financing activities of \$(12.6) million for the three months ended March 31, 2023. The change in cash flows from financing activities was mainly attributable to a decrease in prime brokerage repayments of \$7.9 million, and credit facility repayments of \$2.3 million.

Debt

Mortgage Debt

As of March 31, 2024, our consolidated subsidiaries had aggregate mortgage debt outstanding to third parties of approximately \$141.7 million at a weighted average interest rate of 8.48%. See Note 5 to our unaudited consolidated financial statements for additional information.

We intend to invest in additional real estate investments as suitable opportunities arise and adequate sources of equity and debt financing are available. We expect that future investments in properties, including any improvements or renovations of current or newly acquired properties, will depend on and will be financed by, in whole or in part, our existing cash, future borrowings and the proceeds from additional issuances of common shares or other securities or investment and property dispositions.

Although we expect to be subject to restrictions on our ability to incur indebtedness, we expect that we will be able to refinance existing indebtedness or incur additional indebtedness for acquisitions or other purposes, if needed. However, there can be no assurance that we will be able to refinance our indebtedness, incur additional indebtedness or access additional sources of capital, such as by issuing common shares or other debt or equity securities, on terms that are acceptable to us or at all.

Furthermore, following the completion of our renovation and development programs and depending on the interest rate environment at the applicable time, we may seek to refinance our floating rate debt into longer-term fixed rate debt at lower leverage levels.

Credit Facility

On January 8, 2021, the Company entered into a \$30.0 million credit facility ("Credit Facility") with Raymond James Bank, N.A. and drew the full balance. On October 20, 2023, Raymond James Bank, N.A. agreed to amend the terms of the Credit Facility, which, among other things, extended the maturity date to October 6, 2025 and increased the credit limit to \$20 million. On October 23, 2023, the Company drew \$6.0 million of the available balance. On November 20, 2023, the Company drew the remaining \$13.0 million of the available balance. As of March 31, 2024, the Credit Facility bore interest at the one-month SOFR plus 4.25%. During the three months ended March 31, 2024, the Company paid down \$0.75 million on the Credit Facility. As of March 31, 2024, the Credit Facility had an outstanding balance of \$19.25 million. For additional information regarding our Credit Facility, see Note 5.

Revolving Credit Facility

On May 22, 2023, the Company entered into the revolving credit facility with NexBank (the "NexBank Revolver"), with the option for the Company to receive additional disbursements thereunder up to a maximum amount of \$50.0 million. As of March 31, 2024, the NexBank Revolver bears interest at one-month SOFR plus 3.50% and matures on May 21, 2024, with the option to extend the maturity up to two times, each by six months. In order to extend the debt, the Company must give at the latest, a 60 day notice to the lender, as well as fund the interest reserve account up to a six-month reserve. As of March 31, 2024, the NexBank Revolver had an outstanding balance of \$20.0 million. As of March 31, 2024, the Company held \$0.9 million in restricted cash in the interest reserve account.

Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of March 31, 2024 for the next five calendar years subsequent to March 31, 2024.

	Payments Due by Period (in thousands)						
	Total	2024	2025	2026	2027	2028	Thereafter
Property Level Debt							
Principal payments	\$ 154,964	\$ —	\$ 154,964	\$ —	\$ —	\$ —	\$ —
Interest expense	12,761	9,908	2,853	—	—	—	—
Total	\$ 167,725	\$ 9,908	\$ 157,817	\$ —	\$ —	\$ —	\$ —
Prime Brokerage Borrowing							
Principal payments	\$ 1,441	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,441 (1)
Interest expense	420	84	84	84	84	84	— (1)
Total	\$ 1,861	\$ 84	\$ 84	\$ 84	\$ 84	\$ 84	\$ 1,441
Preferred Shares							
Dividend payments	N/A (2)	\$ 3,465	\$ 4,620	\$ 4,620	\$ 4,620	\$ 4,620	N/A (2)
Credit Facility							
Principal payments	\$ 39,250	\$ 28,250	\$ 11,000	\$ —	\$ —	\$ —	\$ —
Interest expense	2,708	2,269	439	—	—	—	—
Total	\$ 41,958	\$ 30,519	\$ 11,439	\$ —	\$ —	\$ —	\$ —
Total contractual obligations and commitments	\$ 211,544	\$ 43,976	\$ 173,960	\$ 4,704	\$ 4,704	\$ 4,704	\$ 1,441

(1) Assumes no additional borrowings or repayments. The Prime Brokerage (as defined below) balance has no stated maturity date.

(2) The Series A Preferred Shares are perpetual.

Credit Facility

The Credit Facility will mature on October 6, 2025 and is subject to monthly amortization payments through the maturity date. We believe we will have adequate liquidity to pay these obligations when they come due.

Revolving Credit Facility

The NexBank Revolver will mature on May 21, 2024, with the option to extend the maturity up to two times, each by six months, and is subject to monthly interest payments through the maturity date, with the remaining principal being due on the maturity date. We believe we will have adequate liquidity to pay these obligations when they come due.

Cityplace Debt

On May 8, 2023, we received lender consent to defer the maturity of the Cityplace debt to September 8, 2023. Also on May 8, 2023, the parties to the loan agreement agreed to convert the index upon which the interest rate is based to one-

month SOFR effective as of the first interest period beginning on or after May 8, 2023. On September 8, 2023, the lender agreed to defer the maturity of the Cityplace debt by six months to March 8, 2024. On March 8, 2024, the lender agreed to defer the maturity of the Cityplace debt by twelve months to March 8, 2025. The purpose of the deferral was to allow for continued discussions around refinancing the debt. Management recognizes that finding an alternative source of funding is necessary to repay the debt by the maturity date. Management believes that there is sufficient time before the maturity date and that the Company has sufficient access to capital to ensure the Company is able to meet its obligations as they become due.

Advisory Agreement

As consideration for the Adviser's services under the Advisory Agreement, we pay our Adviser the Fees, which includes the Advisory Fee equal to 1.00% of Managed Assets and the Administrative Fee equal to 0.20% of the Company's Managed Assets. The Advisory Agreement provides that the Fees shall be paid in cash, unless the Adviser, in its sole discretion, elects to have all or a portion of the monthly installment of the Fees paid in common shares of the Company, subject to certain restrictions. For additional information, see Note 12 to our consolidated financial statements.

We also generally reimburse our Adviser for operating or offering expenses it incurs on our behalf or in connection with the services it performs for us. Direct payment of operating expenses by us together with reimbursement of operating expenses to the Adviser, plus compensation expenses relating to equity awards granted under a long-term incentive plan and all other corporate general and administrative expenses of the Company, including the Fees payable under the Advisory Agreement, may not exceed the Expense Cap of 1.5% of Managed Assets, calculated as of the end of each quarter, for the twelve-month period following the Company's receipt of the Deregistration Order. This limitation ended on June 30, 2023 and did not apply to Offering Expenses, legal, accounting, financial, due diligence and other service fees incurred in connection with extraordinary litigation and mergers and acquisitions or other events outside the ordinary course of our business or any out-of-pocket acquisition or due diligence expenses incurred in connection with the acquisition or disposition of certain real estate-related investments; provided, in the event the Company consolidates another entity that it does not wholly own as a result of owning a controlling interest in such entity or otherwise, expenses will be calculated without giving effect to such consolidation and instead such entity's expenses will, on a pro rata basis consistent with the Company's percentage ownership, be considered those of the Company for purposes of calculation of expenses. The Adviser may, at its discretion and at any time, waive its right to reimbursement for eligible out-of-pocket expenses paid on the Company's behalf. Once waived, those expenses are considered permanently waived and become non-recoupable.

As of March 31, 2024, a total of \$3.1 million in Fees to the Adviser have been waived to comply with the Expense Cap. For the three months ended March 31, 2024, the Company expensed \$3.2 million related to the Fees. Of this \$3.2 million, \$1.4 million is related to shares that were, or are expected to be issued in lieu of cash, and \$1.8 million that was, or is expected to be paid in cash.

Income Taxes

We anticipate that we will continue to qualify to be taxed as a REIT for U.S. federal income tax purposes, and we intend to continue to be organized and to operate in a manner that will permit us to qualify as a REIT. However, we can give no assurance that we will maintain REIT qualification. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our annual "REIT taxable income", as defined by the Code, to stockholders. As a REIT, we will be subject to federal income tax on our undistributed REIT taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (1) 85% of our ordinary income, (2) 95% of our capital gain net income and (3) 100% of our undistributed income from prior years. Taxable income from certain non-REIT activities is managed through a TRS and is subject to applicable federal, state, and local income and margin taxes. The Company has recorded a current income tax expense of \$0.6 million associated with the TRSs for the three months ended March 31, 2024, which is largely driven by income from the Company's legacy CLO investments and investments in debt instruments not secured by mortgages on real property. The tax expense is decreased by the annual change in valuation allowance on a deferred tax asset of \$0.0 million and partially offset by a return-to-provision adjustment of \$1.5 million for a net expense of \$0.6 million for the three months ended March 31, 2024, that is recorded on the Consolidated Statement of Operations.

If we fail to qualify as a REIT in any taxable year, we could be subject to U.S. federal income tax on our taxable income at regular corporate income tax rates, and dividends paid to our shareholders would not be deductible by us in computing taxable income. Any resulting corporate liability could be substantial and could materially and adversely affect

our net income (loss) and net cash available for distribution to stockholders. Unless we were entitled to relief under certain Code provisions, we also would be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year in which we failed to qualify to be taxed as a REIT. As of March 31, 2024, we believe we are in compliance with all applicable REIT requirements.

We evaluate the accounting and disclosure of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are “more-likely-than-not” (greater than 50% probability) of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Our management is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which include federal and certain states. As of March 31, 2024 and to our knowledge, we have no examinations in progress and none are expected at this time.

We recognize our tax positions and evaluate them using a two-step process. First, we determine whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Second, we will determine the amount of benefit to recognize and record the amount that is more likely than not to be realized upon ultimate settlement.

We had no material unrecognized tax benefit or expense, accrued interest or penalties as of March 31, 2024. We and our subsidiaries are subject to federal income tax as well as income tax of various state and local jurisdictions. The 2023, 2022 and 2021 tax years remain open to examination by tax jurisdictions to which our subsidiaries and we are subject. When applicable, we recognize interest and/or penalties related to uncertain tax positions on our consolidated statements of operations and comprehensive income (loss).

Dividends

We intend to make regular quarterly dividend payments to holders of our common shares. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains. As a REIT, we will be subject to federal income tax on our undistributed REIT taxable income and net capital gain and to a 4% nondeductible excise tax on any amount by which distributions we pay with respect to any calendar year are less than the sum of (1) 85% of our ordinary income, (2) 95% of our capital gain net income and (3) 100% of our undistributed income from prior years. We intend to make regular quarterly dividend payments of all or substantially all of our taxable income to holders of our common shares out of assets legally available for this purpose, if and to the extent authorized by our Board. Before we make any dividend payments, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our debt payable. If our cash available for distribution is less than our taxable income, we could be required to sell assets, borrow funds or raise additional capital to make cash dividends or we may make a portion of the required dividend in the form of a taxable distribution of stock or debt securities.

We will make dividend payments based on our estimate of taxable earnings per common share, but not earnings calculated pursuant to GAAP. Our dividends and taxable income and GAAP earnings will typically differ due to items such as depreciation and amortization, fair value adjustments, differences in premium amortization and discount accretion, investments held through our TRSs, book/tax differences on income derived from partnerships, and non-deductible general and administrative expenses. Our quarterly dividends per share may be substantially different than our quarterly taxable earnings and GAAP earnings per share. Our Board declared a dividend on our common shares of \$0.15 per share which was paid on March 28, 2024 to shareholders of record on February 16, 2024. Our Board declared a dividend on our Series A Preferred Shares of \$0.34375 per share which was sent to the transfer agent prior to March 31, 2024, and paid on April 1, 2024, to shareholders of record on March 25, 2024. We expect that dividends on our common shares, when, if and as declared by our Board, will be declared on a quarterly basis.

The purpose of paying the elective stock dividend partially in shares and partially in cash is to conserve cash for additional investments at the Company. The Company may revert to paying the dividend solely in cash at some point in the future when cash flow from operations supports such a cash dividend. However, there can be no assurance that cash flow from operations will be able to support a cash dividend in the future.

Off-Balance Sheet Arrangements

As of March 31, 2024, we had the following off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Commitments

The Company is the guarantor on three secured loans to, and dividend payments with respect to Series D Preferred Stock of NSP, an affiliate of the Adviser, with the secured loans having an aggregate principal amount of approximately \$536.7 million outstanding as of March 31, 2024. NSP is current on all debt and dividend payments and in compliance with all debt compliance provisions. See Note 12 for additional information.

The Company is also the guarantor on two pools of loans of SAFStor, Inc. ("SAFStor"), an entity that NSP acquired 100% of the equity interest of on December 8, 2022. The Company guarantees the loss recourse liability and obligation for any Recourse Liabilities (as defined below) arising out or in connection with certain bad acts. The Company also guarantees the full payment of the debt, upon the occurrence of any Springing Recourse Events (as defined below). As of March 31, 2024 the outstanding balance of the pools of guaranties is \$272.7 million. NSP is current on all debt and dividend payments and in compliance with all debt compliance provisions. See Note 12 to our unaudited consolidated financial statements for additional information.

The Company is a limited guarantor and an indemnitor on one of NHT's loans with an aggregate principal amount of \$77.4 million as of March 31, 2024. The obligations include a customary environmental indemnity and a so-called "bad boy" guarantee, which is generally only applicable if and when the borrower directly, or indirectly through an agreement with an affiliate, joint venture partner or other third party, voluntarily files a bankruptcy or similar liquidation or reorganization action or takes other actions that are fraudulent or improper. NHT is current on all debt payments and in compliance with all debt compliance provisions.

The Company is a guarantor and an indemnitor on one of Cityplace's loans with an aggregate principal amount of \$141.7 million as of March 31, 2024. The obligations include a completion guarantee, which is generally only applicable if and when the borrower, which is a subsidiary of the Company, directly, or indirectly through an agreement with an affiliate, joint venture partner or other third party, voluntarily terminates construction services prior to the completion of the project, files a bankruptcy or similar liquidation or reorganization action or takes other actions that are fraudulent or improper. As of March 31, 2024, management does not anticipate any material deviations from schedule or budget related to construction projects current in process, and Cityplace is current on all debt payments and in compliance with all debt compliance provisions.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our unaudited consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires our management to make judgments, assumptions and estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate these judgments, assumptions and estimates for changes that would affect the reported amounts. These estimates are based on management's historical industry experience and on various other judgments and assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these judgments, assumptions and estimates. Below is a discussion of the accounting policies that we consider critical to understanding our financial condition or results of operations where there is uncertainty or where significant judgment is required.

See Note 2, "Summary of Significant Accounting Policies", for further discussion of our accounting estimates and policies.

Valuation of Level 3 Fair Valued Investments

As of March 31, 2024, approximately 51.9% of the total assets owned by the Company are comprised of fair valued level 3 investments. The Company elected the fair-value option in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 825-10-10. On an annual basis, the Company hires independent third-party valuation firms to provide updated fair values for subsequent measurement absent a readily

available market price. The valuation is determined using widely accepted valuation techniques. See Note 8, “Fair Value of Derivatives and Financial Instruments”, for further discussion of our valuation techniques of level 3 investments. The necessary inputs for these valuations includes a variety of valuation techniques and unobservable inputs. These inputs are subject to assumptions and estimates. As a result, the determination of fair value is uncertain because it involves subjective judgments and estimates that are unobservable. For the three months ended March 31, 2024, the unrealized loss related to the change in fair value of level 3 investments is \$16.3 million. See Note 8 for additional disclosures regarding the valuation of level 3 fair valued investments.

Purchase Price Allocation

Upon acquisition of a property considered to be an asset acquisition, the purchase price and related acquisition costs (“total consideration”) are allocated to land, buildings, improvements, furniture, fixtures, and equipment, and intangible lease assets based on relative fair value in accordance with FASB ASC 805, *Business Combinations*. Acquisition costs related to asset acquisitions are capitalized in accordance with FASB ASC 805.

The allocation of total consideration, which is determined using inputs that are classified within Level 3 of the fair value hierarchy established by FASB ASC 820 (see Note 8 to our unaudited consolidated financial statements), is based on management’s estimate of the property’s “as-if” vacant fair value and is calculated by using all available information such as the replacement cost of such asset, appraisals, property condition reports, market data and other related information. If any debt is assumed in an acquisition, the difference between the fair value, which is estimated using inputs that are classified within Level 2 of the fair value hierarchy, and the face value of debt is recorded as a premium or discount and amortized as interest expense over the life of the debt assumed.

Impairment

Real estate assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The key inputs into our impairment analysis include, but are not limited to, the holding period, net operating income, and capitalization rates. In such cases, we will evaluate the recoverability of such real estate assets based on estimated future cash flows and the estimated liquidation value of such real estate assets, and provide for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the real estate asset. If impaired, the real estate asset will be written down to its estimated fair value. The Company’s impairment analysis identifies and evaluates events or changes in circumstances that indicate the carrying amount of a real estate investment may not be recoverable, including determining the period the Company will hold the rental property, net operating income, and the estimated capitalization rate for each respective real estate investment.

Inflation

The real estate market has not been directly affected by inflation in the past several years due to increases in rents nationwide. Our lease terms are generally for a period of one year or more and rental rates reset to market if renewed. The majority of our leases also contain protection provisions applicable to reimbursement billings for utilities.

Inflation may also affect the overall cost of debt, as the implied cost of capital increases. The Federal Reserve has raised interest rates to combat inflation and restore price stability. We intend to mitigate these risks through long-term fixed interest rate loans and interest rate hedges.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Pursuant to the Instructions to paragraph (c) of Item 305 of Regulation S-K, information is not required to be disclosed under Item 305(c) of Regulation S-K for interim periods until after the first fiscal year end in which Item 305 is applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) and Rule 15d-15(b) under the Exchange Act, our management, including our President and Chief Financial Officer, evaluated, as of March 31, 2024, the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e) and Rule 15d-15(e). Based on that evaluation, our President and

Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2024, to provide reasonable assurance that information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Exchange Act and is accumulated and communicated to management, including the President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

We believe, however, that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or error, if any, within a company have been detected.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are party to legal proceedings that arise in the ordinary course of our business. Management is not aware of any legal proceedings of which the outcome is reasonably likely to have a material adverse effect on our results of operations or financial condition, nor are we aware of any such legal proceedings contemplated by government agencies.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed under Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K filed with the SEC on March 14, 2024.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

On January 12, 2023, the Company issued a total of 169,920.62 common shares of the Company to the Adviser as payment of a portion of the monthly Advisory Fees pursuant to the Advisory Agreement. These shares were issued in a private placement and the proceeds were used to support the ongoing operations of the Company. The Company issued the common shares to the Adviser in reliance upon the exemptions from registration under the Securities Act provided by Rule 506(b) under Regulation D promulgated under the Securities Act and Section 4(a)(2) of the Securities Act.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On May 10, 2024, the Company, through the OP, NREF OP IV, L.P (“NREF OP IV”), a subsidiary of NREF, an entity that is managed by an affiliate of the Adviser, and The Ohio State Life Insurance Company (“OSL”), an entity that may be deemed an affiliate of the Adviser through common beneficial ownership, entered into an Assignment and Assumption and Co-Lender Agreement, pursuant to which NREF OP IV assigned the right to fund up to 9% of a loan (the “Alewife Loan”) to be made to IQHQ-Alewife Holdings, LLC (“Alewife Holdings”) to the OP and allocated the right to fund up to 9% of the Alewife Loan to OSL. Upon receipt of a draw request, the OP would have the right to elect to fund an amount equal or greater than zero and up to (i) 9% of the total amount of all advances previously made under the loan plus the amount of the then current borrowing, (ii) less the total amount of advances previously made by the OP. NREF OP IV would be required to fund any amounts not funded by OSL and the OP. At any time that the OP has funded less than 9% of all advances made under the Alewife Loan, the OP shall have the option upon notice to NREF OP IV to pay to NREF OP IV any amount of such unfunded amount. Upon such payment, the OP would become entitled to all interest and fees accrued on the amount paid to NREF OP IV on and after the date of such payment.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description
10.1*	Limited Consent and Thirteenth Omnibus Amendment Agreement, dated March 8, 2024, by and among CP Tower Owner, LLC, CP Land Owner, LLC, CP Equity Owner, LLC and CP Equity Land Owner, LLC, as borrowers, the Company and NexPoint Real Estate Partners, LLC, as guarantors, Delphi CRE Funding LLC, ACORE Credit IV CLO Issuer 2018-1, LLC and ACORE Capital Mortgage, LP, as lenders, and Acore Capital Mortgage, LP, as administrative agent.

[Table of Contents](#)

31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1+	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document (The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document)
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

+ Furnished herewith.

SIGNATURES

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

NEXPOINT DIVERSIFIED REAL ESTATE TRUST

Signature	Title	Date
<u>/s/ Jim Dondero</u> Jim Dondero	President and Trustee (Principal Executive Officer)	May 10, 2024
<u>/s/ Brian Mitts</u> Brian Mitts	Chief Financial Officer, Executive VP-Finance, Treasurer, Assistant Secretary and Trustee (Principal Financial Officer and Principal Accounting Officer)	May 10, 2024

LIMITED CONSENT AND THIRTEENTH OMNIBUS AMENDMENT AGREEMENT

This Limited Consent and Thirteenth Omnibus Amendment Agreement (this “**Agreement**”), dated as of March 8, 2024 (the “**Effective Date**”), is made and entered into by and among (i) **CP TOWER OWNER, LLC**, a Delaware limited liability company (“**CP Tower Mortgage Borrower**”), and **CP LAND OWNER, LLC**, a Delaware limited liability company (“**CP Land Mortgage Borrower**,” and together with CP Tower Mortgage Borrower, collectively, “**Mortgage Borrower**”), (ii) **CP EQUITY OWNER, LLC**, a Delaware limited liability company, and **CP EQUITY LAND OWNER, LLC**, a Delaware limited liability company (collectively, “**Mezzanine Borrower**,” and together with the Mortgage Borrower, collectively, the “**Borrower**”), (iii) **NEXPOINT DIVERSIFIED REAL ESTATE TRUST f/k/a NEXPOINT STRATEGIC OPPORTUNITIES FUND**, a Delaware statutory trust, and **NEXPOINT REAL ESTATE PARTNERS, LLC**, a Delaware limited liability company (formerly known as **HCRE PARTNERS, LLC**, a Delaware limited liability company) (collectively, “**Guarantor**,” and together with Borrower, the “**Obligors**”), (iv) **DELPHI CRE FUNDING LLC**, a Delaware limited liability company (“**Delphi Initial Lender**”), and (v) **ACORE CREDIT IV CLO ISSUER 2018-1, LLC**, a Delaware limited liability company (“**ACORE CLO Onshore**,” and together with Delphi Initial Lender, and the other Lenders from time to time party to the Loan Agreement (defined below), and their respective successors and assigns and participants, “**Lender**”), and (vii) **ACORE CAPITAL MORTGAGE, LP**, a Delaware limited partnership, as administrative agent for and on behalf of Lender (in such capacity, together with its successors and assigns, the “**Administrative Agent**”). All capitalized terms that are used without being defined herein shall have the meanings given to such terms in the Loan Agreement (as defined herein).

BACKGROUND

A. Mortgage Borrower, Administrative Agent, Delphi Initial Lender, and **AC IV CA MORTGAGE LLC**, a Delaware limited liability company (“**AC IV Initial Lender**,” and together with Delphi Initial Lender, collectively, the “**Initial Lenders**”) entered into that certain Loan Agreement dated as of August 15, 2018 (the “**Original Mortgage Loan Agreement**”), pursuant to which the Lender made a loan (the “**Mortgage Loan**”) to Mortgage Borrower in the original principal amount of \$153,683,400.00, which Mortgage Loan is evidenced by the Mortgage Loan Agreement and the other Loan Documents (as defined in the Mortgage Loan Agreement), which Original Mortgage Loan Agreement was thereafter amended by that certain Limited Consent and Omnibus Amendment Agreement dated as of November 10, 2020, but effective as of September 8, 2020, by and between Mortgage Borrower, Administrative Agent, and the Initial Lenders (the “**First Limited Consent**”), which Original Mortgage Loan Agreement was thereafter further amended by that certain Limited Consent and Second Omnibus Amendment Agreement dated as of February 1, 2021, but effective as of December 30, 2020, by and between Mortgage Borrower, Administrative Agent, and the Initial Lenders (the “**Second Limited Consent**”), which Original Mortgage Loan Agreement was thereafter further amended by that certain Limited Consent and Third Omnibus Amendment Agreement dated as of March 19, 2021, by and between Mortgage Borrower, Guarantor, Administrative Agent, and the Initial Lenders (the “**Third Limited Consent**”), which Original Mortgage Loan Agreement was thereafter further amended by that certain Fourth Amendment to Loan Agreement dated as of September 8, 2021, by and between Mortgage Borrower, Guarantor, Administrative Agent, and

the Initial Lenders (the “**Fourth Mortgage Loan Amendment**”), which Original Mortgage Loan Agreement was thereafter further amended by that certain Limited Consent and Fifth Omnibus Amendment Agreement dated as of March 8, 2021, by and between Borrower, Guarantor, Administrative Agent, and the Initial Lenders (the “**Fifth Limited Consent**”), which Original Mortgage Loan Agreement was thereafter further amended by that certain Limited Consent and Sixth Omnibus Amendment Agreement dated as of June 8, 2022, by and between Borrower, Guarantor, Administrative Agent, and the Initial Lenders (the “**Sixth Limited Consent**”), which Original Mortgage Loan Agreement was thereafter further amended by that certain Limited Consent and Seventh Omnibus Amendment Agreement dated as of August 8, 2022, by and between Borrower, Guarantor, Administrative Agent, and the Initial Lenders (the “**Seventh Limited Consent**”), which Original Mortgage Loan Agreement was thereafter further amended by that certain Eighth Omnibus Amendment Agreement dated as of September 22, 2022, by and between Borrower, Guarantor, Administrative Agent, and the Initial Lenders (the “**Eighth Omnibus Amendment**”), which Original Mortgage Loan Agreement was thereafter further amended by that certain Limited Consent and Ninth Omnibus Amendment Agreement dated as of November 8, 2022, by and between Borrower, Guarantor, Administrative Agent, and the Initial Lenders (the “**Ninth Omnibus Amendment**”), which Original Mortgage Loan Agreement was thereafter further amended by that certain Limited Consent and Tenth Omnibus Amendment Agreement dated as of February 8, 2023, by and between Borrower, Guarantor, Administrative Agent, and the Initial Lenders (the “**Tenth Omnibus Amendment**”), which Original Mortgage Loan Agreement was thereafter further amended by that certain Limited Consent and Eleventh Omnibus Amendment Agreement dated as of May 8, 2023, by and between Borrower, Guarantor Administrative Agent, Delphi Initial Lender, **ACORE CREDIT IV REIT II SPV, LLC**, a Delaware limited liability company, as lender, and **ACORE CREDIT IV (OFFSHORE) SPV II, LLC**, a Delaware limited liability company, as lender (the “**Eleventh Omnibus Amendment**”), and which Original Mortgage Loan Agreement was thereafter further amended by that certain Limited Consent and Twelfth Omnibus Amendment Agreement dated as of September 8, 2023, by and between Borrower, Guarantor Administrative Agent, **ACORE CLO Onshore**, and Delphi Initial Lender (the “**Twelfth Omnibus Amendment**,” and together with the Original Mortgage Loan Agreement, the First Limited Consent, the Second Limited Consent, the Third Limited Consent, the Fourth Mortgage Loan Amendment, the Fifth Limited Consent, the Sixth Limited Consent, the Seventh Limited Consent, the Eighth Omnibus Amendment, the Ninth Omnibus Amendment, the Tenth Omnibus Amendment, and the Eleventh Omnibus Amendment, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time, collectively, the “**Mortgage Loan Agreement**”).

B. The Mortgage Loan is evidenced by that certain Promissory Note A-1 dated as of August 15, 2018, made by Borrower to the order of Delphi Initial Lender in the amount of \$95,027,762.00 (“**Note A-1**”), that certain Promissory Note A-1F dated as of August 15, 2018, made by Borrower to the order of Delphi Initial Lender in the amount of \$16,972,238.00 (“**Note A-1F**”), that certain Promissory Note A-2 dated as of August 15, 2018, made by Borrower to the order of AC IV Initial Lender in the amount of \$11,962,638.00 (“**Note A-2**”), that certain Promissory Note A-2F dated as of August 15, 2018, made by Borrower to the order of AC IV Initial Lender in the amount of \$2,136,562.00 (“**Note A-2F**”), that certain Promissory Note B-1 dated as of August 15, 2018, made by Borrower to the order of Delphi Initial Lender in the amount of \$20,256,941.00 (“**Note B-1**”), that certain that certain Promissory Note B-1F dated as of August 15, 2018, made by Borrower to the order of Delphi Initial Lender in the amount of

\$4,243,059.00 (“**Note B-1F**”), that certain Promissory Note B-2 dated as of August 15, 2018, made by Borrower to the order of AC IV Initial Lender in the amount of \$2,550,059.00 (“**Note B-2**”), and that certain Promissory Note B-2F dated as of August 15, 2018, made by Borrower to the order of AC IV Initial Lender in the amount of \$534,141.00 (“**Note B-2F**”).

C. Mezzanine Borrower, Administrative Agent, and the Initial Lenders are parties to that certain Mezzanine Loan Agreement dated as of August 15, 2018 (the “**Original Mezzanine Loan Agreement**”), pursuant to which the Lender made a loan (the “**Mezzanine Loan**”, and collectively, with the Mortgage Loan, the “**Loan**”) to Mezzanine Borrower in the original principal amount of \$3,940,600.00, which Mezzanine Loan is evidenced by the Mezzanine Loan Agreement and the other Loan Documents (as defined in the Mezzanine Loan Agreement), which Original Mezzanine Loan Agreement was thereafter amended by the First Limited Consent, the Second Limited Consent, the Third Limited Consent, that certain Fourth Amendment to Mezzanine Loan Agreement dated as of September 8, 2021, by and between Mezzanine Borrower, Guarantor, Administrative Agent, and the Initial Lenders (the “**Fourth Mezzanine Loan Amendment**”), the Fifth Limited Consent, the Sixth Limited Consent, the Seventh Limited Consent, the Eighth Omnibus Amendment, the Ninth Omnibus Amendment, the Tenth Omnibus Amendment, and the Eleventh Omnibus Amendment (such First Limited Consent, Second Limited Consent, Third Limited Consent, Fourth Mezzanine Loan Amendment, Fifth Limited Consent, Sixth Limited Consent, Seventh Limited Consent, Eighth Omnibus Amendment, Ninth Omnibus Amendment, Tenth Omnibus Amendment, Eleventh Omnibus Consent, and Twelfth Omnibus Amendment, together with the Original Mezzanine Loan Agreement, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time, collectively, the “**Mezzanine Loan Agreement**,” and together with the Mortgage Loan Agreement, as and where applicable, the “**Loan Agreement**”).

D. The Mezzanine Loan is evidenced by that certain Mezzanine Promissory Note 1 dated as of August 15, 2018, made by Borrower to the order of Delphi Initial Lender in the amount of \$3,500,000.00 (“**Mezz Note 1**,” and together with Note A-1, Note A-1F, Note B-1, and Note B-1F, collectively, the “**Series 1 Notes**”) and that certain Mezzanine Promissory Note 2 dated as of August 15, 2018, made by Borrower to the order of AC IV Initial Lender in the amount of \$440,600.00 (“**Mezz Note 2**,” and together with Note A-2, Note A-2F, Note B-2, and Note B-2F, collectively, the “**Series 2 Notes**”).

E. ACORE CLO Onshore is the holder of the Series 2 Notes.

F. Delphi Initial Lender remains the holder and sole owner of the Series 1 Notes.

G. Guarantor executed (a) in connection with the Mortgage Loan, each of that certain Guaranty of Recourse Obligations, Completion Guaranty, Guaranty of Required Equity, Required Pay Down and Master Lease, each dated as of August 15, 2018 (collectively, the “**Mortgage Loan Guaranties**”), and (b) in connection with the Mezzanine Loan, each of that certain Mezzanine Guaranty of Recourse Obligations, Mezzanine Completion Guaranty, Mezzanine Guaranty of Required Equity, Required Pay Down and Master Lease, each dated as of August 15, 2018 (collectively, the “**Mezzanine Loan Guaranties**,” and together with the Mortgage Loan Guaranties, collectively, the “**Guaranty**”).



H. Borrower has requested a deferral of the Maturity Date occurring on the Payment Date in March 8, 2024, under and pursuant to (and as defined in) each of the Mortgage Loan Agreement and the Mezzanine Loan Agreement.

I. Administrative Agent is willing to provide its limited consent to defer the Maturity Date under and pursuant to (and as defined in) each of the Mortgage Loan Agreement and the Mezzanine Loan Agreement, subject to the terms and conditions of this Agreement, including the amendments of the Loan Documents as set forth herein (provided that, for purposes of this Agreement, the use of “Maturity Date” shall mean each of or either of the “Maturity Date” under and as defined in the Mortgage Loan Agreement and the “Maturity Date” under and as defined in the Mezzanine Loan Agreement).

I. Administrative Agent and Obligors have executed a Reservation of Rights and Pre-Negotiation Letter (“PNL”) dated September 18, 2020, but effective as of November 10, 2020, in connection with the Loan.

NOW, THEREFORE, in consideration of the promises and mutual agreements herein contained and incorporating the above Background by reference herein, Obligors, Administrative Agent, and Lender, intending to be legally bound hereby, agree as follows:

ARTICLE I

LIMITED CONSENT

1.1 **Limited Consent**. Upon satisfaction of the conditions set forth in this Agreement, Administrative Agent hereby consents to the deferral of the Maturity Date as set forth herein. The consent contained in this Section 1.1 is a one-time limited consent and (a) shall only be relied upon and used solely for the specific purposes set forth herein, (b) shall not constitute nor be deemed to constitute a waiver of (1) any Default or Event of Default, or (2) any other term or condition of the Loan Agreement and the other Loan Documents, (c) shall not constitute nor be deemed to constitute a consent by Administrative Agent to, or a waiver by Administrative Agent of, anything other than as expressly set forth herein, and (d) shall not constitute a custom or course of dealing among the parties hereto. Upon the failure by any Obligor whatsoever to perform any obligation or condition in this Agreement (beyond any applicable notice and cure period, if any), Obligors shall immediately and automatically (without any notice or demand from Administrative Agent) cease to be entitled to any privileges set forth in this Agreement and Administrative Agent shall have the right to pursue all rights and remedies hereunder, and under the Loan Documents and/or applicable law and equity, as if no such privileges were ever provided (such that an Event of Default shall be deemed to exist as of the date upon which Obligors were first provided with such privileges hereunder (i.e., as of September 8, 2020) (the “**Deferral Commencement Date**”), and such rights and remedies shall include, without limitation, charging interest at the Default Rate retroactively from and after the Deferral Commencement Date).

1.2 **Deferral of Maturity Date**. Borrower acknowledges and agrees that it has not satisfied the Extension Conditions (under and as defined in each of the Mortgage Loan Agreement and the Mezzanine Loan Agreement). Notwithstanding anything to the contrary in

the Loan Agreement, and subject to the terms and conditions of this Agreement, and without waiving any of the Borrower's obligations in the Loan Documents except as expressly set forth herein, Administrative Agent hereby agrees to defer of the Maturity Date occurring on the Payment Date in March, 2024 (the "**March 2024 Maturity Date**"), until no later than the Payment Date in March, 2025 (the "**Deferred Maturity Date**"). Notwithstanding anything to the contrary in the Loan Agreement, Borrower shall not otherwise be required as of the March 2024 Maturity Date to either (i) extend or maintain an Interest Rate Cap Agreement or (ii) achieve a Debt Yield of at least ten percent (10.0%), in each case, as a condition to Administrative Agent's agreement to defer the March 2024 Maturity Date.

1.3 **Amendments to Loan Documents.**

(a) Obligors acknowledge and agree that Section 5.1 of each Loan Agreement (Affirmative Covenants) is hereby amended to insert all of the covenants set forth in Schedule 1 to this Agreement as additional affirmative covenants under such section.

(b) Obligors acknowledge and agree that the Loan Documents are further amended as set forth in Schedule 2 to this Agreement.

1.4 **Prohibition on Construction and Alterations.** Notwithstanding anything to the contrary in the Loan Agreement or other Loan Documents, unless or until otherwise agreed in writing by Administrative Agent in its sole and absolute discretion, Obligors shall not cause or permit any alterations to any of the Improvements, or any work related to the Project or any other construction work on the Property; provided that, the forgoing limitations shall not apply to (a) tenant improvement work performed pursuant to any Lease approved in accordance with the Loan Agreement, (b) a Restoration required under the Loan Agreement, or (c) any such alterations or construction work approved in writing by Administrative Agent in its sole and absolute discretion.

1.5 **Modification Endorsements to Title Insurance Policies.** Not later than ten (10) Business Days after the Effective Date, Borrower shall deliver to Administrative Agent at no cost to Administrative Agent an endorsement to each Title Insurance Policy in form and substance acceptable to Administrative Agent insuring the continued priority of the lien of each applicable Security Instrument.

ARTICLE II - CONDITIONS PRECEDENT

The effectiveness of this Agreement and Administrative Agent's obligations hereunder are conditioned upon the fulfillment by Obligors of all of the following conditions precedent, in addition to Obligors' compliance with all other obligations set forth in this Agreement:

2.1 **Documents to be Delivered to Administrative Agent.** Obligors shall deliver, or cause to be delivered to Administrative Agent, all of the following:

(a) this Agreement in form and substance satisfactory to Administrative Agent, duly executed by all of Obligors; and

(b) such other Obligor-related or Property-related information and/or documentation as may be required by Administrative Agent in its sole discretion.

2.2 **Liability for Payment of Fees and Expenses; Indemnification for Losses.** Borrower must pay Administrative Agent on the Effective Date all out-of-pocket costs and expenses, including, without limitation, all costs and expenses of outside legal counsel, incurred by Administrative Agent in conjunction with the preparation, negotiation, and closing of this Agreement. Additionally, Borrower shall pay all fees, costs, expenses and penalties, if any, to the extent charged by any third parties.

2.3 **Administrative Agent Processing Fee.** Obligors shall pay to Administrative Agent by the Effective Date a processing fee in the amount of \$2,500.00 in connection with the negotiation and execution of this Agreement.

2.4 **Extension Fee.** Obligors shall pay to Administrative Agent by the Effective Date an extension fee in the amount of \$354,776.34 in connection with the extension of the Maturity Date in accordance with this Agreement.

ARTICLE III - REPRESENTATIONS AND WARRANTIES

To induce Administrative Agent, for and on behalf of Lender, to enter into this Agreement and as consideration for the terms and conditions contained herein, Obligors make the following representations and warranties, each and all of which shall survive the execution and delivery of this Agreement and all of the other documents executed in connection herewith:

3.1 **Approvals and Authority from Third Parties.** Obligors have obtained the necessary approvals and authorizations from all applicable third-parties to execute this Agreement, including, without limitation, any and all franchisors, management companies, governmental authorities, ground lessors, and labor unions, as and to the extent applicable to Obligors and the Property.

3.2 **Exclusive and First Priority Perfected Lien.** Administrative Agent has, as of the Effective Date, and shall continue to have, until all of the Obligations are paid and satisfied in full, first priority, valid perfected liens upon and security interests in all of the collateral under the Loan Documents to secure the payment and performance of all of the Obligations.

3.3 **No Untrue or Misleading Statements.** Neither this Agreement nor any other document executed in connection herewith contains any untrue statement of a material fact or omits any material fact necessary in order to make the statement made, in light of the circumstances under which it was made, accurate in all material respects.

ARTICLE IV - RELEASE BY OBLIGORS

EACH OBLIGOR, FOR AND ON BEHALF OF SUCH OBLIGOR AND ALL PERSONS AND/OR ENTITIES CLAIMING BY, THROUGH AND/OR UNDER SUCH OBLIGOR INCLUDING, BUT NOT LIMITED TO, ALL OF SUCH OBLIGOR'S PAST AND PRESENT PARTNERS, DIRECTORS, SHAREHOLDERS, OFFICERS, EMPLOYEES, ATTORNEYS, ACCOUNTANTS, ADMINISTRATORS, AGENTS,



SUBSIDIARIES, AFFILIATES, REPRESENTATIVES, PREDECESSORS, SUCCESSORS AND ASSIGNS (COLLECTIVELY REFERRED TO HEREIN, JOINTLY AND SEVERALLY, AS THE “OBLIGOR GROUP RELEASORS”) HEREBY UNCONDITIONALLY REMISES, RELEASES, ACQUITS AND FOREVER DISCHARGES THE ADMINISTRATIVE AGENT AND LENDER AND ALL OF THEIR RESPECTIVE PAST AND PRESENT PARTNERS, DIRECTORS, SHAREHOLDERS, MEMBERS, MANAGERS, OFFICERS, EMPLOYEES, ATTORNEYS, ACCOUNTANTS, ADMINISTRATORS, AGENTS, PARENT CORPORATIONS, SUBSIDIARIES, AFFILIATES, REPRESENTATIVES, PREDECESSORS, SUCCESSORS, AND ASSIGNS (COLLECTIVELY REFERRED TO HEREIN AS THE “LENDER GROUP RELEASEES”) OF, FROM AND WITH RESPECT TO ANY AND ALL GRIEVANCES, DISPUTES, MANNER OF ACTIONS, CAUSES OF ACTION, SUITS, OBLIGATIONS, LIABILITIES, LOSSES, DEBTS, DAMAGES, DUES, SUMS OF MONEY, ACCOUNTS, RECKONINGS, CONTROVERSIES, AGREEMENTS, CLAIMS, DEMANDS, COUNTERCLAIMS AND CROSSCLAIMS, INCLUDING, BUT NOT LIMITED TO ALL CLAIMS AND CAUSES OF ACTION ARISING OUT OF OR RELATED TO THIS AGREEMENT AND THE LOAN DOCUMENTS AND/OR ALL TRANSACTIONS RELATED THERETO, WHETHER KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, DIRECT, INDIRECT OR CONTINGENT, ARISING IN LAW OR EQUITY, WHICH OBLIGOR GROUP RELEASORS (OR ANY OF THEM) EVER HAD, NOW HAVE, OR MAY EVER HAVE AGAINST ANY ONE OR MORE OF LENDER GROUP RELEASEES, FROM THE BEGINNING OF TIME THROUGH THE EFFECTIVE DATE.

ARTICLE V - MISCELLANEOUS

5.1 **Integration.** This Agreement supersedes all oral negotiations and prior and other writings with respect to the subject matter hereof, and is intended by the parties as the final expression of the agreement with respect to the terms and conditions set forth in this Agreement, except that the Loan Agreement and the other Loan Documents remain valid and enforceable. Except as expressly modified pursuant hereto, no other changes or modifications to the Loan Agreement or any other Loan Document are intended or implied by this Agreement, and in all other respects the Loan Agreement and the other Loan Documents hereby are ratified, reaffirmed and confirmed by all parties hereto as of the Effective Date. To the extent of any conflict between the terms of this Agreement, the Loan Agreement, and other Loan Documents, the terms of this Agreement shall govern and control. This Agreement shall constitute a Loan Document for purposes of the Loan Agreement. NOTWITHSTANDING ADMINISTRATIVE AGENT AND LENDER CONSENTING TO ANY PRIOR AMENDMENT TO THE LOAN AGREEMENT, NEITHER ADMINISTRATIVE AGENT NOR ANY LENDER IS MAKING ANY COMMITMENT, EXPRESS OR IMPLIED, AND HAS NO OBLIGATION TO ENTER INTO ANY FURTHER AGREEMENT, TO FURTHER DEFER THE MATURITY DATE OR TO PROVIDE ANY OTHER CONSENT, WAIVER OR ACCOMMODATION IN FAVOR OF OBLIGORS.

5.2 **Cooperation; Other Documents.** At all times following the execution of this Agreement, Obligors shall execute and deliver to the Administrative Agent, or shall cause to be executed and delivered to Administrative Agent and shall do or cause to be done all such other

acts and things as the Administrative Agent deems to be necessary or desirable to assure the Administrative Agent of the benefit of this Agreement and the documents comprising or relating to this Agreement.

5.3 **Written Agreement Contemplated by PNL.** This Agreement is a written agreement as contemplated by the PNL.

5.4 **Amendment and Waiver.** No amendment of this Agreement, and no waiver, discharge or termination of any one or more of the provisions thereof, shall be effective unless set forth in writing and signed by all of the parties hereto.

5.5 **Severability.** If any provision of this Agreement shall be held invalid under any applicable law, such invalidity shall not affect any other provision of this Agreement that can be given effect without such invalid provision.

5.6 **Successors and Assigns.** This Agreement (a) shall be binding upon the parties hereto, thereto and upon their respective successors or assigns, and (b) shall inure to the benefit of the parties hereto, thereto and their respective successors or assigns; provided, however, that Obligors may not assign or delegate any rights hereunder or thereunder or any interest herein or therein without obtaining the prior written consent of the Administrative Agent, as applicable, and any such assignment or attempted assignment shall be void and of no effect.

5.7 **Counterparts; Effectiveness.** This Agreement may be executed by electronic signatures and in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement. This Agreement shall be deemed to have been executed and delivered when the Administrative Agent has received electronic counterparts hereof executed by all parties listed on the signature pages hereto.

5.8 **Notices.** Any notices or other communications sent or transmitted pursuant to this Agreement by any of Obligors to Administrative Agent shall be by electronic email sent to notices@acorecapital.com and to Kimberly May at kmay@acorecapital.com.

5.9 **Singular/Plural.** Unless otherwise specified, all meanings attributed to defined terms herein shall be equally applicable to both the singular and plural forms of the terms so defined.

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JR.

RECEIVED BY THE OFFICE OF THE ATTORNEY GENERAL
STATE OF TEXAS

[Handwritten Signature]
Attorney General
The State Capitol Building, Austin, Texas

RECEIVED BY THE OFFICE OF THE ATTORNEY GENERAL
STATE OF TEXAS

[Handwritten Signature]
Attorney General
The State Capitol Building, Austin, Texas

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SCHEDULE 1

ADDITIONAL AFFIRMATIVE COVENANTS

Notwithstanding the anything set forth in this Agreement to the contrary, Borrower shall perform all of the below covenants, each of which is a “**Deferred Maturity Date Covenant**”:

1. Continue to comply with all covenants under the Loan Agreement, except as specifically modified pursuant to this Agreement. For avoidance of doubt, except as expressly set forth in this Agreement, this Agreement does not modify or suspend any requirement under any Loan Document to pay any carrying costs associated with the Property, including, without limitation, any (a) real estate taxes, (b) insurance premiums for the Required Policies, and (c) any amounts due under the Master Lease.

SCHEDULE 2

ADDITIONAL LOAN DOCUMENT MODIFICATIONS

1. The term “Event of Default” as used in each Loan Agreement shall be expanded to include Borrower’s breach of any of its covenants under this Agreement, including, without limitation, any Deferred Maturity Date Covenant. For the avoidance of doubt, Administrative Agent shall not be required to provide Obligor(s) with notice of any such Event(s) of Default stemming from any breach of any Deferred Maturity Date Covenant or other obligation of Obligor(s) set forth in this Agreement.

2. Modifications to the Mortgage Loan Agreement:

a. Section 5.1.15(a) of the Mortgage Loan Agreement is hereby amended and restated in its entirety as follows:

(a) Borrower covenants and agrees to pay or, if Borrower fails to pay, to reimburse, Administrative Agent upon receipt of written notice from Administrative Agent for all out-of-pocket costs and expenses, irrespective of whether any Event of Default has occurred or has been declared by Administrative Agent (including reasonable attorneys’ fees and disbursements) incurred by Administrative Agent or Lender in connection with (i) the preparation, negotiation, execution and delivery of this Agreement and the other Loan Documents and the consummation of the transactions contemplated hereby and thereby and all the costs of furnishing all opinions by counsel for Borrower (including without limitation any opinions requested by Administrative Agent as to any legal matters arising under this Agreement or the other Loan Documents with respect to the Property); (ii) Borrower’s ongoing performance of and compliance with Borrower’s respective agreements and covenants contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Closing Date, including confirming compliance with environmental and insurance requirements and obtaining updated or new appraisals of the Property (provided, however, so long as no Event of Default exists, Borrower shall not be required to pay for more than one appraisal in any twelve (12) month period); (iii) Administrative Agent’s and Lender’s ongoing performance and compliance with all agreements and conditions contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Closing Date; (iv) all advances made by Administrative Agent, in its reasonable discretion, for the purpose of protecting and preserving the Property, and/or the position and priority of the Security Instrument, including but not limited to payment of: (A) utility and telecommunication costs; (B) building services and maintenance; (C) Property Taxes and assessments; (D) casualty and liability insurance premiums and costs; (E) repairs following any casualty or condemnation; (F) obligations of Borrower in its capacity as landlord under any Lease; (G) any scheduled improvements undertaken by Borrower, including costs of labor and materials payable to third party contractors; (H) any amounts reasonably expended to defend, dispute, discharge, satisfy or otherwise dispose of any liens or fees, fines or impositions that may ripen into liens; and (I) the reasonable costs of all third parties engaged by Administrative Agent for the purpose of carrying out the foregoing, including but not limited to attorneys, accountants, engineers, contractors,

receivers, and consultants; (v) the negotiation, preparation, execution, delivery and administration of any consents, amendments, waivers or other modifications to this Agreement and the other Loan Documents and any other documents or matters requested by Borrower; (vi) securing Borrower's compliance with any requests made pursuant to the provisions of this Agreement and the other Loan Documents; (vii) the filing and recording fees and expenses, title insurance and reasonable fees and expenses of counsel for providing to Administrative Agent all required legal opinions, and other similar expenses incurred in creating and perfecting the liens in favor of Administrative Agent pursuant to this Agreement and the other Loan Documents; (viii) enforcing or preserving any rights, either in response to third party claims or in prosecuting or defending any action or proceeding or other litigation, in each case against, under or affecting Borrower, Guarantor, this Agreement, the other Loan Documents, the Property, or any other security given for the Loan; and (ix) enforcing any Obligations of or collecting any payments due from Borrower under this Agreement, the other Loan Documents or with respect to the Property or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "work-out" or of any insolvency or bankruptcy proceedings; provided, however, that Borrower shall not be liable for the payment of any such costs and expenses to the extent the same arise by reason of the gross negligence or illegal acts or willful misconduct of Administrative Agent. Upon Borrower's failure to pay or reimburse any of the foregoing amounts within ten (10) days of Administrative Agent's delivery of written demand therefor, Administrative Agent may impose interest on such amounts at the Default Rate commencing as of the date of Administrative Agent's expenditure of such amounts, irrespective of whether any Event of Default has occurred or been declared by Administrative Agent.

b. Section 6.2(h) of the Mortgage Loan Agreement is hereby amended and restated in its entirety as follows:

(h) During the existence of an Event of Default, Administrative Agent may, but without any obligation to do so and without notice to or demand on Borrower and without releasing Borrower from any obligation hereunder or under the other Loan Documents or being deemed to have cured any Event of Default, make, do or perform any obligation of Borrower hereunder or under the other Loan Documents in such manner and to such extent as Administrative Agent may deem necessary (which, for the avoidance of doubt shall include curing any default under or breach of the Management Agreement). Administrative Agent is authorized to enter upon the Property for such purposes, or appear in, defend, or bring any action or proceeding to protect its interest in the Property for such purposes. All out-of-pocket costs and expenses incurred by Administrative Agent or Lender in (1) remedying or attempting to remedy such Event of Default or such other breach or default by Borrower, or (2) in appearing in, defending, or bringing any action or proceeding, or (3) for any amounts due from Borrower to Administrative Agent or Lender (or any third parties reasonably engaged by Administrative Agent) in accordance with or pursuant to Section 5.1.15(a) hereof, shall bear interest at the Default Rate from the date such costs and expenses were incurred by Administrative Agent or Lender to the date reimbursement payment is received by Administrative Agent. All such costs and expenses incurred by Administrative Agent and Lender, together with interest thereon calculated at the Default Rate, shall be deemed to constitute a portion of the Obligations, shall be secured by the liens and security

interests provided to Administrative Agent under the Loan Documents and shall be immediately due and payable upon demand by Administrative Agent therefor.

3. Modifications to the Mezzanine Loan Agreement:

a. Section 5.1.15(a) of the Mezzanine Loan Agreement is hereby amended and restated in its entirety as follows:

(a) Borrower covenants and agrees to pay or, if Borrower fails to pay, to reimburse, Administrative Agent upon receipt of written notice from Administrative Agent for all out-of-pocket costs and expenses, irrespective of whether any Event of Default has occurred or has been declared by Administrative Agent (including reasonable attorneys' fees and disbursements) incurred by Administrative Agent or Lender in connection with (i) the preparation, negotiation, execution and delivery of this Agreement and the other Loan Documents and the consummation of the transactions contemplated hereby and thereby and all the costs of furnishing all opinions by counsel for Borrower (including without limitation any opinions requested by Administrative Agent as to any legal matters arising under this Agreement or the other Loan Documents with respect to the Property or the Collateral); (ii) Borrower's ongoing performance of and compliance with Borrower's respective agreements and covenants contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Closing Date, including confirming compliance with environmental and insurance requirements and obtaining updated or new appraisals of the Property (provided, however, so long as no Event of Default exists, Borrower shall not be required to pay for more than one appraisal in any twelve (12) month period); (iii) Administrative Agent's and Lender's ongoing performance and compliance with all agreements and conditions contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Closing Date; (iv) all advances made by Administrative Agent, in its reasonable discretion, for the purpose of protecting and preserving the Property or the Collateral, and/or the position and priority of the Security Instrument or the Mortgage, including but not limited to payment of: (A) utility and telecommunication costs; (B) building services and maintenance; (C) Property Taxes and assessments; (D) casualty and liability insurance premiums and costs; (E) repairs following any casualty or condemnation; (F) obligations of Mortgage Borrower in its capacity as landlord under any Lease; (G) any scheduled improvements undertaken by Borrower or Mortgage Borrower, including costs of labor and materials payable to third party contractors; (H) any amounts reasonably expended to defend, dispute, discharge, satisfy or otherwise dispose of any liens or fees, fines or impositions that may ripen into liens; and (I) the reasonable costs of all third parties engaged by Administrative Agent for the purpose of carrying out the foregoing, including but not limited to attorneys, accountants, engineers, contractors, receivers, and consultants; (v) the negotiation, preparation, execution, delivery and administration of any consents, amendments, waivers or other modifications to this Agreement and the other Loan Documents and any other documents or matters requested by Borrower; (vi) securing Borrower's compliance with any requests made pursuant to the provisions of this Agreement and the other Loan Documents; (vii) the filing and recording fees and expenses, title insurance and reasonable fees and expenses of counsel for providing to Administrative Agent all required legal opinions, and other similar expenses incurred in creating and perfecting the liens in favor of Administrative

Agent pursuant to this Agreement and the other Loan Documents; (viii) enforcing or preserving any rights, either in response to third party claims or in prosecuting or defending any action or proceeding or other litigation, in each case against, under or affecting Borrower, Guarantor, this Agreement, the other Loan Documents, the Property, the Collateral, or any other security given for the Loan; and (ix) enforcing any Obligations of or collecting any payments due from Borrower under this Agreement, the other Loan Documents or with respect to the Property or the Collateral or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "work-out" or of any insolvency or bankruptcy proceedings; provided, however, that Borrower shall not be liable for the payment of any such costs and expenses to the extent the same arise by reason of the gross negligence or illegal acts or willful misconduct of Administrative Agent. Upon Borrower's failure to pay or reimburse any of the foregoing amounts within ten (10) days of Administrative Agent's delivery of written demand therefor, Administrative Agent may impose interest on such amounts at the Default Rate commencing as of the date of Administrative Agent's expenditure of such amounts, irrespective of whether any Event of Default has occurred or been declared by Administrative Agent.

b. Section 6.2(h) of the Mezzanine Loan Agreement is hereby amended and restated in its entirety as follows:

(h) During the existence of an Event of Default, Administrative Agent may, but without any obligation to do so and without notice to or demand on Borrower and without releasing Borrower from any obligation hereunder or under the other Loan Documents or being deemed to have cured any Event of Default, make, do or perform any obligation of Borrower hereunder or under the other Loan Documents in such manner and to such extent as Administrative Agent may deem necessary (which, for the avoidance of doubt shall include curing any default under or breach of the Management Agreement). Administrative Agent is authorized to enter upon the Property for such purposes, or appear in, defend, or bring any action or proceeding to protect its interest in the Collateral for such purposes. All out-of-pocket costs and expenses incurred by Administrative Agent or Lender in (1) remedying or attempting to remedy such Event of Default or such other breach or default by Borrower, or (2) in appearing in, defending, or bringing any action or proceeding, or (3) for any amounts due from Borrower to Administrative Agent or Lender (or any third parties reasonably engaged by Administrative Agent) in accordance with or pursuant to Section 5.1.15(a) hereof, shall bear interest at the Default Rate from the date such costs and expenses were incurred by Administrative Agent or Lender to the date reimbursement payment is received by Administrative Agent. All such costs and expenses incurred by Administrative Agent and Lender, together with interest thereon calculated at the Default Rate, shall be deemed to constitute a portion of the Obligations, shall be secured by the liens and security interests provided to Administrative Agent under the Loan Documents and shall be immediately due and payable upon demand by Administrative Agent therefor.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jim Dondero, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NexPoint Diversified Real Estate Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2024

/s/ Jim Dondero

Jim Dondero
President
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Brian Mitts, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NexPoint Diversified Real Estate Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2024

/s/ Brian Mitts

Brian Mitts
Chief Financial Officer, Executive VP-
Finance, Treasurer and Assistant Secretary
(Principal Financial Officer)

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of NexPoint Diversified Real Estate Trust (the "Company") for the period ending March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Jim Dondero, President of the Company, and Brian Mitts, Chief Financial Officer, Executive VP-Finance, Treasurer and Assistant Secretary of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2024

/s/ Jim Dondero

Jim Dondero
President
(Principal Executive Officer)

Dated: May 10, 2024

/s/ Brian Mitts

Brian Mitts
Chief Financial Officer, Executive VP-
Finance, Treasurer and Assistant Secretary
(Principal Financial Officer)