

**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 001-39210

NexPoint Real Estate Finance, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

84-2178264

(State or other Jurisdiction of
Incorporation or Organization)

(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 Stock, par value \$0.01 per share	NREF	New York Stock Exchange
8.50% Series A Cumulative Redeemable Preferred Stock, par value 0.01 per share	NREF-PRA	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 type="checkbox"/>
Non-Accelerated Filer	<input checked="" 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 17,718,817 shares of its common stock, par value \$0.01 per share, outstanding.

NEXPPOINT REAL ESTATE FINANCE, INC.
Form 10-Q
Quarter Ended March 31, 2024

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Cautionary Statement Regarding Forward-Looking Statements

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 then-current beliefs and assumptions made by, and information currently available to, management. When used, the words "anticipate," "believe," "could," "expect," "intend," "may," "might," "plan," "estimate," "project," "should," "will," "would," "result," 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:

- Our loans and investments expose us to risks similar to and associated with debt-oriented 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;
- 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;
- Risks associated with the ownership of real estate;
- Our loans and investments are concentrated in terms of type of interest, geography, asset types 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;
- 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 stockholders;
- We may not replicate the historical results achieved by other entities managed or sponsored by affiliates of NexPoint Advisors, L.P. (our "Sponsor"), members of the management team of NexPoint Real Estate Advisors VII, L.P. (our "Manager") or their affiliates;
- We are dependent upon our Manager 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 Manager and its affiliates face conflicts of interest, including significant conflicts created by our Manager's compensation arrangements with us, including compensation which may be required to be paid to our Manager if our management agreement is terminated, which could result in decisions that are not in the best interests of our stockholders;
- We pay substantial fees and expenses to our Manager 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 ("CAD") to be paid to our stockholders could decrease materially, which would limit our ability to make distributions to our stockholders;

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- Risks associated with pandemics, including unpredictable variants and the future outbreak of other highly infectious or contagious diseases;
- Risks associated with the Highland Capital Management, L.P. bankruptcy, including related litigation and potential conflicts of interest; and
- Any other risks included under Part I, Item1A, "Risk Factors," of our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 22, 2024 (our "Annual Report").

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.

PART I

Item 1. Financial Statements

NEXPOINT REAL ESTATE FINANCE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	March 31, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Cash and cash equivalents	\$ 13,483	\$ 13,824
Restricted cash	5,804	2,825
Real estate investments, net	124,486	126,551
Loans, held-for-investment, net (\$22,558 and \$22,989 with related parties, respectively)	391,591	328,460
Common stock investments, at fair value (\$ 33,764 and \$33,129 with related parties, respectively)	60,658	61,529
Mortgage loans, held-for-investment, net	140,565	676,420
Preferred stock investments, at fair value	18,346	14,776
Accrued interest and dividends	25,271	22,033
Mortgage loans held in variable interest entities, at fair value	6,182,075	5,677,763
CMBS structured pass-through certificates, at fair value	39,334	41,212
MSCR Notes, at fair value	10,363	10,378
Mortgage backed securities, at fair value (\$ 44,396 and \$0 with related parties, respectively)	68,026	38,270
Accounts receivable and other assets	4,097	4,312
Due from brokers for securities sold, not yet settled	908	—
TOTAL ASSETS	\$ 7,085,007	\$ 7,018,353
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Secured financing agreements, net	\$ 182,598	\$ 649,558
Master repurchase agreements	341,740	303,514
Unsecured notes, net	219,849	219,483
Mortgages payable, net	95,608	95,657
Accounts payable and other accrued liabilities	10,270	6,428
Accrued interest payable	12,695	8,209
Bonds payable held in variable interest entities, at fair value	5,774,017	5,289,997
Total Liabilities	6,636,777	6,572,846
Redeemable Series B Preferred stock, \$ 0.01 par value: 16,000,000 shares authorized; 1,657,700 and 427,218 shares issued and 1,657,700 and 427,218 shares outstanding, respectively	36,090	8,599
Redeemable noncontrolling interests in the OP	85,058	89,471
Stockholders' Equity:		
Noncontrolling interest in CMBS variable interest entities	1,713	—
Noncontrolling interest in subsidiary	95	95
Series A Preferred stock, \$ 0.01 par value: 100,000,000 shares authorized; 2,000,000 and 2,000,000 shares issued and 1,645,000 and 1,645,000 shares outstanding, respectively	16	16

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Common stock, \$0.01 par value: 500,000,000 shares authorized; 17,593,244 and 17,518,900 shares issued and 17,306,257 and 17,231,913 shares outstanding, respectively	173	172
Additional paid-in capital	397,165	395,737
Retained earnings (accumulated deficit)	(59,318)	(35,821)
Series A Preferred stock held in treasury at cost; 355,000 shares and 355,000, respectively	(8,567)	(8,567)
Common stock held in treasury at cost; 286,987 shares and 286,987 shares, respectively	(4,195)	(4,195)
Total Stockholders' Equity	327,082	347,437
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 7,085,007	\$ 7,018,353

See Notes to Consolidated Financial Statements

NEXPPOINT REAL ESTATE FINANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	For the Three Months Ended March 31,	
	2024	2023
Net interest income (expense)		
Interest income (expense) (1)	\$ (1,574)	\$ 16,161
Interest expense	(11,240)	(12,212)
Total net interest income (expense)	<u>(12,814)</u>	<u>3,949</u>
Other income (loss)		
Change in net assets related to consolidated CMBS variable interest entities	8,416	11,003
Change in unrealized gain (loss) on CMBS structured pass-through certificates	(40)	(752)
Change in unrealized gain (loss) on common stock investments	(871)	(1,267)
Change in unrealized gain (loss) on preferred stock investments	64	—
Change in unrealized gain (loss) on MSCR Notes	(15)	(298)
Change in unrealized gain (loss) on mortgage backed securities	440	(606)
Reversal of (provision for) credit losses	420	34
Dividend income	500	—
Other income	74	317
Gain on deconsolidation of variable interest entity	—	1,490
Equity in income (losses) of equity method investments	(2,000)	—
Revenues from consolidated real estate owned	<u>2,211</u>	<u>1,028</u>
Total other income	<u>9,199</u>	<u>10,949</u>
Operating expenses		
General and administrative expenses	4,187	2,152
Loan servicing fees	567	1,043
Management fees	835	828
Expenses from consolidated real estate owned	<u>5,437</u>	<u>1,497</u>
Total operating expenses	<u>11,026</u>	<u>5,520</u>
Net income (loss)		
Net (income) loss attributable to Series A preferred stockholders	(874)	(874)
Net (income) loss attributable to Series B preferred stockholders	(665)	—
Net (income) loss attributable to redeemable noncontrolling interests	1,894	(1,937)
Net income (loss) attributable to common stockholders	\$ (14,286)	\$ 6,567
 Weighted-average common shares outstanding - basic		
 Weighted-average common shares outstanding - diluted	<u>17,264</u>	<u>17,118</u>
 Earnings (loss) per share outstanding - basic		
 Earnings (loss) per share outstanding - diluted (2)	<u>\$ (0.83)</u>	<u>\$ 0.38</u>
 Dividends declared per common share		
	<u>\$ 0.5000</u>	<u>\$ 0.6850</u>

(1) Includes \$25.0 million related to accelerated amortization of the premium associated with the prepayment on a senior loan in the first quarter of 2024.

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(2) Diluted earnings per share ("EPS") calculations were higher than basic EPS and thus anti-dilutive for the quarter ended March 31, 2024. As such, the Company is presenting diluted EPS as equal to basic EPS.

See Notes to Consolidated Financial Statements

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NEXPOINT REAL ESTATE FINANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(dollars in thousands)
(Unaudited)

Three Months Ended March 31, 2024	Series A Preferred Stock		Common Stock		Additional Capital	Earnings Less Dividends	Retained Common Stock Held in Treasury at Cost	Common Stock Held in Treasury at Cost	Preferred Noncontrolling interest in CMBS VIEs	Preferred Noncontrolling interest in Subsidiary	Total
	Number of Shares	Par Value	Number of Shares	Par Value			Cost	Cost	CMBS VIEs	Subsidiary	
Balances, December 31, 2023	1,645,000	\$ 16	17,231,913	\$ 172	\$ 395,737	\$ (35,821)	\$ (4,195)	\$ (8,567)	\$ —	\$ 95	\$ 347,437
Vesting of stock-based compensation	—	—	74,344	1	1,428	—	—	—	—	—	1,429
Noncontrolling interest in CMBS variable interest entities	—	—	—	—	—	—	—	—	1,713	—	1,713
Net income attributable to Series A preferred stockholders	—	—	—	—	—	874	—	—	—	—	874
Net loss attributable to common stockholders	—	—	—	—	—	(14,286)	—	—	—	—	(14,286)
Series A preferred stock dividends declared (\$0.5313 per share)	—	—	—	—	—	(874)	—	—	—	—	(874)
Common stock dividends declared (\$0.5000 per share)	—	—	—	—	—	(9,211)	—	—	—	—	(9,211)
Balances, March 31, 2024	1,645,000	\$ 16	17,306,257	\$ 173	\$ 397,165	\$ (59,318)	\$ (4,195)	\$ (8,567)	\$ 1,713	\$ 95	\$ 327,082

Three Months Ended March 31, 2023	Series A Preferred Stock		Common Stock		Additional Capital	Earnings (accumulated deficit)	Retained Common Stock	Common Stock Held in Treasury at Cost	Preferred Stock	Noncontrolling interest in Subsidiary	Total
	Number of Shares	Par Value	Number of Shares	Par Value			Dividends	Less Dividends	Treasury at Cost	Treasury at Cost	
Balances, December 31, 2022	1,645,000	\$ 16	17,079,943	\$ 171	\$ 392,124	\$ 4,435	\$ (4,195)	\$ (8,567)	\$ 64,529	\$ 448,513	
Vesting of stock-based compensation	—	—	104,288	1	316	—	—	—	—	—	317
Adjustment to noncontrolling interest in subsidiary on deconsolidation of real estate	—	—	—	—	—	—	—	—	—	(64,434)	(64,434)
Cumulative effect of adoption of ASU 2016-13 (See Note 2)	—	—	—	—	—	(1,624)	—	—	—	—	(1,624)
Net income attributable to Series A preferred stockholders	—	—	—	—	—	874	—	—	—	—	874
Net income attributable to common stockholders	—	—	—	—	—	—	6,567	—	—	—	6,567
Series A preferred stock dividends declared (\$0.5313 per share)	—	—	—	—	—	(874)	—	—	—	—	(874)
Common stock dividends declared (\$0.6850 per share)	—	—	—	—	—	(12,075)	—	—	—	—	(12,075)
Balances, March 31, 2023	1,645,000	\$ 16	17,184,231	\$ 172	\$ 392,440	\$ (2,697)	\$ (4,195)	\$ (8,567)	\$ 95	\$ 377,264	

See Notes to Consolidated Financial Statements

NEXPOINT REAL ESTATE FINANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	For the Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities		
Net income	\$ (14,641)	\$ 9,378
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of premiums	27,874	3,531
Accretion of discounts	(3,880)	(3,500)
Depreciation and amortization of real estate investment	2,318	476
Amortization of deferred financing costs	12	11
Provision for (reversal of) credit losses	(420)	(34)
Net change in unrealized (gain) loss on investments held at fair value	1,351	2,564
Equity in (income) losses of unconsolidated equity method ventures	2,000	—
Gain on deconsolidation of variable interest entity	—	(1,490)
Stock-based compensation expense	1,798	847
Payment in kind income	(3,448)	(209)
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	(3,238)	247
Accounts receivable and other assets	215	292
Accrued interest payable	4,486	3,290
Accounts payable, accrued expenses and other liabilities	3,284	(453)
Net cash provided by operating activities	<u>17,711</u>	<u>14,950</u>
Cash flows from investing activities		
Proceeds from payments received on mortgage loans held in variable interest entities	157,014	70,071
Proceeds from payments received on mortgage loans held for investment	511,169	36,743
Proceeds from payments received on mortgage backed securities	—	517
Originations of loans, held-for-investment, net	(60,247)	(28,816)
Purchases of preferred stock	(3,507)	—
Purchases of equity method investments	(2,000)	(1,000)
Purchases of CMBS securitizations held in variable interest entities, at fair value	(26,438)	—
Purchases of mortgage backed securities, at fair value	(44,396)	(5,733)
Sale of mortgage backed securities, at fair value	14,069	—
Decrease in cash in connection with VIE deconsolidation	—	(4,992)
Additions to real estate investments	(253)	(58)
Net cash provided by investing activities	<u>545,411</u>	<u>66,732</u>
Cash flows from financing activities		
Principal repayments on borrowings under secured financing agreements	(466,960)	(405)
Distributions to bondholders of variable interest entities	(146,100)	(64,480)
Borrowings under master repurchase agreements	57,425	26,801
Principal repayments on borrowings under master repurchase agreements	(19,199)	(7,422)
Proceeds from the issuance of Series B preferred stock through public offering, net of offering costs	27,491	—
Principal repayments on mortgages payable	(61)	—
Payments for taxes related to net share settlement of stock-based compensation	(369)	(530)
Dividends paid to common stockholders	(8,653)	(11,771)
Dividends paid to Series A preferred stockholders	(874)	(874)
Dividends paid to Series B preferred stockholders	(665)	—
Distributions to redeemable noncontrolling interests in the OP	(2,519)	(3,023)
Net cash used in financing activities	<u>(560,484)</u>	<u>(61,704)</u>

Net increase (decrease) in cash, cash equivalents, and restricted cash	2,638	19,978
Cash, cash equivalents and restricted cash, beginning of period	16,649	20,347
Cash, cash equivalents and restricted cash, end of period	<u>\$ 19,287</u>	<u>\$ 40,325</u>

Supplemental Disclosure of Cash Flow Information

Interest paid	6,755	9,793
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Supplemental Disclosure of Noncash Investing and Financing Activities

Adjustment to loans, held for investment, net on deconsolidation of real estate	—	36,022
Adjustment to real estate investments, net on deconsolidation of real estate	—	(185,732)
Adjustment to accrued interest and dividends on deconsolidation of real estate	—	2,049
Adjustment to accounts receivable and other assets on deconsolidation of real estate	—	(799)
Adjustment to mortgages payable, net on deconsolidation of real estate	—	89,012
Adjustment to accounts payable and accrued liabilities on deconsolidation of real estate	—	705
Adjustment to accrued interest payable on deconsolidation of real estate	—	1,087
Adjustment to noncontrolling interest in subsidiary on deconsolidation of real estate	—	64,434
Adjustment to retained earnings on deconsolidation of real estate	—	1,490
Adjustment to redeemable noncontrolling interest in the OP on deconsolidation of real estate	—	(297)
Increase in dividends payable upon vesting of restricted stock units	558	304
Consolidation of mortgage loans and bonds payable held in variable interest entities	638,451	—
Consolidation of noncontrolling interest in CMBS variable interest entities	1,713	—
Due from brokers for securities sold, not yet settled	908	—

See Notes to Consolidated Financial Statements

NEXPOINT REAL ESTATE FINANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Description of Business

NexPoint Real Estate Finance, Inc. (the "Company", "we", "our") is a commercial mortgage real estate investment trust (a "REIT") incorporated in Maryland on June 7, 2019. The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its taxable year ended December 31, 2020 and the Company believes the current organization and method of operation will enable it to maintain its status as a REIT. The Company is focused on originating, structuring and investing in first-lien mortgage loans, mezzanine loans, preferred equity, convertible notes, multifamily properties and common equity investments, as well as multifamily and single family rental ("SFR") commercial mortgage backed securities securitizations ("CMBS securitizations"), multifamily structured credit risk notes ("MSCR Notes") and mortgage backed securities, or our target assets. We primarily focus on investments in real estate sectors where our senior management team has operating expertise, including in the multifamily, SFR, self-storage, life science and hospitality sectors predominantly in the top 50 metropolitan statistical areas ("MSAs"). Substantially all of the Company's business is conducted through NexPoint Real Estate Finance Operating Partnership, L.P. (the "OP"), the Company's operating partnership. As of March 31, 2024, the Company holds approximately 83.82% of the common limited partnership units in the OP ("OP Units") which represents 100% of the Class A OP Units, and the OP owned all of the common limited partnership units ("SubOP Units") of its subsidiary partnerships (collectively, the "Subsidiary OPs") (see Note 13).

The OP also directly owns all of the membership interests of a limited liability company (the "Mezz LLC") through which it owns a portfolio of mezzanine loans, as further discussed below. NexPoint Real Estate Finance OP GP, LLC (the "OP GP") is the sole general partner of the OP.

The Company commenced operations on February 11, 2020 upon the closing of its initial public offering of shares of its common stock (the "IPO"). Prior to the closing of the IPO, the Company engaged in a series of transactions through which it acquired an initial portfolio consisting of senior pooled mortgage loans backed by SFR properties (the "SFR Loans"), the junior most bonds of multifamily CMBS securitizations (the "CMBS B-Pieces"), mezzanine loan and preferred equity investments in real estate companies and properties in other structured real estate investments within the multifamily, SFR and self-storage asset classes (the "Initial Portfolio"). The Initial Portfolio was acquired from affiliates (the "Contribution Group") of NexPoint Advisors, L.P. (our "Sponsor"), pursuant to a contribution agreement with the Contribution Group through which the Contribution Group contributed their interest in the Initial Portfolio to special purpose entities ("SPEs") owned by the Subsidiary OPs, in exchange for SubOP Units (the "Formation Transaction"). Subsequent to the Formation Transaction, the Company has continued to invest in asset types and real estate sectors within the Initial Portfolio and expanded to include additional asset types and real estate sectors.

The Company is externally managed by NexPoint Real Estate Advisors VII, L.P. (the "Manager") through a management agreement dated February 6, 2020 and amended as of July 17, 2020 and November 3, 2021, that renewed on February 6, 2024 for a one-year term and is automatically renewed for successive one-year terms thereafter unless earlier terminated (as amended, the "Management Agreement"), by and between the Company and the Manager. The Manager conducts substantially all of the Company's operations and provides asset management services for its real estate investments. The Company expects it will only have accounting employees while the Management Agreement is in effect. All of the Company's investment decisions are made by the Manager, subject to general oversight by the Manager's investment committee and the Company's board of directors (the "Board"). The Manager is wholly owned by our Sponsor.

The Company's primary investment objective is to generate attractive, risk-adjusted returns for stockholders over the long term. The Company intends to achieve this objective primarily by originating, structuring and investing in our target assets. The Company concentrates on investments in real estate sectors where our senior management team has operating expertise, including in the multifamily, SFR, self-storage, life science and hospitality sectors predominantly in the top 50 MSAs. In addition, the Company targets lending or investing in properties that are stabilized or have a "light transitional" business plan, meaning a property that requires limited deferred funding to support leasing or ramp-up of operations and for which most capital expenditures are for value-add improvements. Through active portfolio management the Company seeks to take advantage of market opportunities to achieve a superior portfolio risk-mix that delivers attractive total returns.

2. Summary of Significant Accounting Policies

Readers of this Quarterly Report on Form 10-Q (the "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

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included in our Annual Report on Form 10-K ("Annual Report"), filed with the United States Securities and Exchange Commission (the "SEC") and also available on our website (nref.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 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.

General

In accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as issued by the SEC, these Condensed Consolidated Financial Statements do not include all of the information and disclosures required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. Readers of this Quarterly Report should refer to the Company's audited Consolidated Financial Statements, which are included in the Company's Annual Report. In the opinion of management, all normal recurring adjustments necessary for a fair presentation of the financial position, results of operations, comprehensive income, cash flows, and equity for the interim periods have been included. The results for the three months ended March 31, 2024, are not necessarily indicative of the results that may be expected for the year ending December 31, 2024, and future fiscal years.

Basis of Accounting

The accompanying unaudited consolidated financial statements are presented in accordance with GAAP. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the unaudited consolidated financial statements and the amounts of revenues and expenses during the reporting periods. Actual amounts realized or paid could differ from those estimates. All significant intercompany accounts and transactions have been eliminated in consolidation. There have been no significant changes to the Company's significant accounting policies during the three months ended March 31, 2024.

The accompanying unaudited consolidated financial statements have been prepared according to the rules and regulations of the SEC. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted according to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading.

Use of Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. It is at least reasonably possible that these estimates could change in the near term. Estimates are inherently subjective in nature and actual results could differ from our estimates and the differences could be material.

Principles of Consolidation

The Company accounts for subsidiary partnerships in which it holds an ownership interest in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, *Consolidation*. The Company first evaluates whether each entity is a variable interest entity ("VIE"). Under the VIE model, the Company consolidates an entity when it has power to direct the activities of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Under the voting model, the Company consolidates an entity when it controls the entity through ownership of a majority voting interest. As of March 31, 2024, the Company has determined it must consolidate the OP and the Subsidiary OPs under the VIE model as it was determined the Company both controls the direct activities of the OP and Subsidiary OPs and possesses the right to receive benefits that could potentially be significant to the OP and Subsidiary OPs. The consolidated financial statements include the accounts of the Company and its subsidiaries, including the OP and its subsidiaries. The Company's sole significant asset is its investment in the OP, and consequently, substantially all of the Company's assets and liabilities represent those assets and liabilities of the OP.

Variable Interest Entities

The Company evaluates all of its interests in VIEs for consolidation. When the Company's interests are determined to be variable interests, the Company assesses whether it is deemed to be the primary beneficiary of the VIE. The primary

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beneficiary of a VIE is required to consolidate the VIE. FASB ASC Topic 810, *Consolidation*, defines the primary beneficiary as the party that has both (i) the power to direct the activities of the VIE that most significantly impact its economic performance, and (ii) the obligation to absorb losses and the right to receive benefits from the VIE which could be potentially significant. The Company considers its variable interests, as well as any variable interests of its related parties in making this determination. Where both of these factors are present, the Company is deemed to be the primary beneficiary, and it consolidates the VIE. Where either one of these factors is not present, the Company is not the primary beneficiary, and it does not consolidate the VIE (see Note 6).

CMBS Trusts

The Company consolidates the trusts that issue beneficial ownership interests in mortgage loans secured by commercial real estate (commonly known as CMBS) when the Company holds a variable interest in, and management considers the Company to be the primary beneficiary of, those trusts. Management believes the performance of the assets that underlie CMBS issuances most significantly impact the economic performance of the trust, and the primary beneficiary is generally the entity that conducts activities that most significantly impact the performance of the underlying assets. In particular, the most subordinate tranches of CMBS expose the holder to greater variability of economic performance when compared to more senior tranches since the subordinate tranches absorb a disproportionately higher amount of the credit risk related to the underlying assets. Generally, a trust designates the most junior subordinate tranche outstanding as the controlling class, which entitles the holder of the controlling class to unilaterally appoint, remove and replace the special servicer for the trust. For the ten CMBS that the Company consolidates, the Company owns 100% of the most subordinate tranche of nine of the securities and 94% of the most subordinate tranche of one of the securities issued by the trusts. The subordinate tranche includes the controlling class, and has the ability to remove and replace the special servicer. The portion of the controlling class not owned by the Company is classified as noncontrolling interest in CMBS variable interest entities.

On the Consolidated Balance Sheets as of March 31, 2024, the Company consolidated each of the Freddie Mac K-Series securitization entities (the "CMBS Entities") that were determined to be VIEs and for which the Company is the primary beneficiary. The CMBS Entities are independent of the Company, and the assets and liabilities of the CMBS Entities are not owned by and are not legal obligations of ours. Our exposure to the CMBS Entities is through the subordinated tranches. For financial reporting purposes, the underlying mortgage loans held by the trusts are recorded as a separate line item on the balance sheet under "Mortgage loans held in variable interest entities, at fair value." The liabilities of the trusts consist solely of obligations to the CMBS holders of the consolidated trusts, excluding the CMBS B-Piece investments held by the Company. The liabilities are presented as "Bonds payable held in variable interest entities, at fair value" on the Consolidated Balance Sheets. The CMBS B-Pieces held by the Company, and the interest earned thereon are eliminated in consolidation. Management has elected the measurement alternative in ASC 810 to report the fair value of the assets and liabilities of the consolidated CMBS Entities in order to provide users of the financial statements with better information regarding the effects of credit risk and other market factors on the CMBS B-Pieces owned by the Company. Management has elected to show interest income and interest expense related to the CMBS Entities in aggregate with the change in fair value as "Change in net assets related to consolidated CMBS variable interest entities." The residual difference between the fair value of the CMBS Entities' assets and liabilities represents the Company's investments in the CMBS B-Pieces at fair value.

Mortgage and Other Loans Held-For-Investment

Loans that are held-for-investment are carried at their aggregate outstanding face amount, net of applicable (i) unamortized origination or acquisition premium and discounts, (ii) unamortized deferred fees and other direct loan origination costs, (iii) valuation allowance for credit losses and (iv) write-downs of impaired loans. The effective interest method is used to amortize origination or acquisition premiums and discounts and deferred fees or other direct loan origination costs. In general, an increase in prepayment rates accelerates the amortization of purchase premiums, thereby reducing the interest income earned on the assets. Conversely, discounts on such assets are accreted into interest income. In general, an increase in prepayment rates accelerates the accretion of purchase discounts, thereby increasing the interest income earned on the assets.

Allowance for Credit Losses

We adopted ASU 2016-13 as of January 1, 2023. The implementation process included the utilization of loan loss forecasting models, updates to our loan credit loss policy documentation, changes to internal reporting processes and related internal controls, and overall operational readiness for our adoption of the new standard. We have implemented loan loss forecasting models for estimating expected life-time credit losses, at the individual loan level, for our loan portfolio.

These models are also utilized for estimating expected life-time credit losses for unfunded loan commitments for which the Company has a present contractual obligation to extend the credit and the obligation is not unconditionally cancellable. The CECL forecasting methods used by the Company include (i) a probability of default and loss given default method using underlying third-party CMBS/Commercial Real Estate loan database with historical loan losses from 1998 to 2022, and (ii) probability weighted expected cash flow method, depending on the type of loan and the availability of relevant historical market loan loss data. We might use other acceptable alternative approaches in the future depending on, among other factors, the type of loan, underlying collateral, and availability of relevant historical market loan loss data. Significant inputs to our forecasting methods include (i) key loan-specific inputs such as loan-to-value, vintage year, loan-term, underlying property type, occupancy, geographic location, performance against the underwritten business plan, and our internal loan risk rating, and (ii) a macro-economic environment forecast. The reasonable and supportable forecast period is determined based on the Company's assessment of the most likely scenario of assumptions and plausible outcomes for the U.S. economy, current portfolio composition, level of historical loss forecast estimates, material changes in growth and credit strategy and other factors that may affect its loss experience. The Company regularly evaluates the reasonable and supportable forecast period to determine if a change is needed. The Company has determined that economic forecasts used in our CECL model can be reasonable and supportable over four quarters as it provides enough time to account for the expected changes of the economic conditions and the performance of the underlying assets. Beyond the Company's reasonable and supportable forecast period, the Company immediately reverts to historical loss information. The Company considers an immediate reversion period appropriate in the CECL model because it provides a suitable balance between the stability of historical data and the flexibility to account for changing market conditions. The cumulative effect of adoption of ASU 2016-13 was a \$1.6 million reduction in retained earnings. The beginning allowance for credit loss as of January 1, 2024 was \$2.1 million. The reversal of credit losses of \$0.4 million for the three months ended March 31, 2024 is included in reversal of (provision for) credit losses on the accompanying Consolidated Statements of Operations, resulting in an ending allowance for credit loss of \$1.7 million as of March 31, 2024.

Significant judgment is required in determining impairment and in estimating the resulting loss allowance, and actual losses, if any, could materially differ from those estimates.

The Company performs a quarterly review of the portfolio. In conjunction with this review, the Company assesses the risk factors of each loan, including, without limitation, loan-to-value ratio, debt yield, property type, geographic and local market dynamics, physical condition, collateral, cash-flow volatility, leasing and tenant profile, loan structure, exit plan and project sponsorship. Based on a 5-point scale, our loans are rated "1" through "5," from least risk to greatest risk, respectively, which ratings are defined as follows:

- 1 – Outperform – Materially exceeds performance metrics (for example, technical milestones, occupancy, rents and net operating income) included in original or current credit underwriting and business plan;
- 2 – Exceeds Expectations – Collateral performance exceeds substantially all performance metrics included in original or current credit underwriting and business plan;
- 3 – Satisfactory – Collateral performance meets, or is on track to meet, underwriting; business plan is met or can reasonably be achieved;
- 4 – Underperformance – Collateral performance falls short of underwriting, material differences exist from business plan, or both; technical milestones have been missed; defaults may exist or may soon occur absent material improvement; and
- 5 – Risk of Impairment/Default – Collateral performance is significantly worse than underwriting; major variance from business plan; loan covenants or technical milestones have been breached; timely exit from loan via sale or refinancing is questionable.

The Company regularly evaluates the extent and impact of any credit deterioration associated with the performance and/or value of the underlying collateral, as well as the financial and operating capability of the borrower. Specifically, the collateral's operating results and any cash reserves are analyzed and used to assess (i) whether cash from operations is sufficient to cover the debt service requirements currently and into the future, (ii) the ability of the borrower to refinance the loan and/or (iii) the collateral's liquidation value. The Company also evaluates the financial condition of any loan guarantors, as well as any changes in the borrower's competency in managing and operating the collateral. In addition, the Company considers the overall economic environment, real estate or industry sector and geographic sub-market in which the borrower operates. Such impairment analyses are completed and reviewed by asset management and finance personnel who utilize various data sources, including (i) periodic financial data such as property operating statements, occupancy,

tenant profile, rental rates, operating expenses, the borrower's exit plan and capitalization and discount rates, (ii) site inspections and (iii) current credit spreads and discussions with market participants.

The Company considers loans to be past-due when a monthly payment is due and unpaid for 60 days or more. Loans will be placed on nonaccrual status and considered non-performing when full payment of principal and interest is in doubt, which generally occurs when they become 120 days or more past-due unless the loan is both well secured and in the process of collection. Accrual of interest on individual loans is discontinued when management believes that, after considering economic and business conditions and collection efforts, the borrower's financial condition is such that collection of interest is doubtful. Our policy is to cease accruing interest when a loan's delinquency exceeds 120 days. All interest accrued but not collected for loans that are placed on nonaccrual status or subsequently charged-off are reversed against interest income. Income is subsequently recognized on the cash basis until, in management's judgment, the borrower's ability to make periodic principal and interest payments returns and future payments are reasonably assured, in which case the loan is returned to accrual status.

A loan is written off when it is no longer realizable and/or it is legally discharged.

The Company also recognizes a liability for expected credit losses for off-balance sheet exposures if the Company has a present contractual obligation to extend the credit and the obligation is not unconditionally cancelable by the entity.

Recent Accounting Pronouncements

Section 107 of the Jumpstart Our Business Startups Act ("JOBS Act") provides that an emerging growth company can take advantage of the extended transition period provided in Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for complying with new or revised accounting standards applicable to public companies. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company has elected to take advantage of this extended transition period. As a result of this election, our consolidated financial statements may not be comparable to companies that comply with public company effective dates for such new or revised standards. The Company may elect to comply with public company effective dates at any time, and such election would be irrevocable pursuant to Section 107(b) of the JOBS Act.

In August 2020, the FASB issued ASU 2020-06, *Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"), which simplifies an issuer's accounting for convertible instruments and its application of the derivatives scope exception for contracts in its own equity. The amendment also requires entities to use the if-converted method for all convertible instruments in the diluted EPS calculation and include the effect of potential share settlement (if the effect is more dilutive) for instruments that may be settled in cash or shares, except for certain liability-classified share-based payment awards. In addition, the amendment requires enhanced disclosures about the terms of convertible instruments and contracts in an entity's own equity. We adopted ASU 2020-06 as of January 1, 2024 using a modified retrospective method. ASU 2020-06 had no material impact upon adoption.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting — Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which requires a public entity to disclose significant segment expenses and other segment items in interim and annual periods and expands the ASC 280 disclosure requirements for interim periods. The ASU also explicitly requires public entities with a single reportable segment to provide all segment disclosures under ASC 280, including the new disclosures under ASU 2023-07. The amendments are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. Management is currently evaluating this ASU to determine its impact on the Company's disclosures.

3. Loans Held for Investment, Net

The Company's investments in mortgage loans, mezzanine loans, preferred equity and promissory notes are accounted for as loans held for investment. The mortgage loans are presented as "Mortgage loans, held-for-investment, net" and the mezzanine loans, preferred equity and promissory notes are presented as "Loans, held-for-investment, net" on

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the Consolidated Balance Sheets. The following tables summarize our loans held-for-investment as of March 31, 2024 and December 31, 2023, respectively (dollars in thousands):

Loan Type	Outstanding Face Amount	Carrying Value (1)	Loan Count	Weighted Average		
				Fixed Rate (2)	Coupon (3)	Life (years) (4)
March 31, 2024						
Mortgage loans, held-for-investment	\$ 135,232	\$ 140,565	10	100.00 %	5.31 %	3.55
Mezzanine loans, held-for-investment	177,781	177,838	23	58.68 %	10.79 %	4.54
Preferred equity, held-for-investment	214,307	213,253	15	38.67 %	12.11 %	1.84
Promissory note, held-for-investment	500	500	1	12.50 %	12.50 %	0.99
	<u>\$ 527,820</u>	<u>\$ 532,156</u>	<u>49</u>	<u>61.10 %</u>	<u>9.92 %</u>	<u>3.19</u>

Loan Type	Outstanding Face Amount	Carrying Value (1)	Loan Count	Weighted Average		
				Fixed Rate (2)	Coupon (3)	Life (years) (4)
December 31, 2023						
Mortgage loans, held-for-investment	\$ 645,277	\$ 676,420	11	100.00 %	4.79 %	4.49
Mezzanine loans, held-for-investment	133,207	135,069	22	78.31 %	9.61 %	5.36
Preferred equity, held-for-investment	195,392	193,391	15	39.12 %	12.20 %	2.22
	<u>\$ 973,876</u>	<u>\$ 1,004,880</u>	<u>48</u>	<u>84.82 %</u>	<u>6.94 %</u>	<u>4.15</u>

(1) Carrying value includes the outstanding face amount plus unamortized purchase premiums/discounts and any allowance for loan losses.

(2) The weighted-average of loans paying a fixed rate is weighted on current principal balance.

(3) The weighted-average coupon is weighted on outstanding face amount.

(4) The weighted-average life is weighted on outstanding face amount and assumes no prepayments. The maturity date for preferred equity investments represents the maturity date of the senior mortgage, as the preferred equity investments require repayment upon the sale or refinancing of the asset.

For the three months ended March 31, 2024 and 2023, the loan and preferred equity portfolio activity was as follows (in thousands):

	For the Three Months Ended March 31,	
	2024	2023
Balance at December 31,	\$ 1,004,880	\$ 982,678
Recognition of retained preferred equity investment upon deconsolidation of real estate (Note 14)	—	36,022
Cumulative effect of adoption of ASU 2016-13 (See Note 2)	—	(1,624)
Originations	60,247	28,816
Proceeds from principal repayments	(511,169)	(36,743)
PIK distribution reinvested in Preferred Units	3,448	209
Amortization of loan premium, net (1)	(25,670)	(1,501)
(Provision for) reversal of credit losses	420	34
Balance at March 31,	\$ 532,156	\$ 1,007,891

(1) Includes net amortization of loan purchase premiums.

As of March 31, 2024 and December 31, 2023, there were \$ 7.3 million and \$33.1 million of unamortized premiums on loans, held-for-investment, net, respectively, on the Consolidated Balance Sheets.

As discussed in Note 2, the Company evaluates loans classified as held-for-investment on a loan-by-loan basis every quarter. In conjunction with the review of the portfolio, the Company assesses the risk factors of each loan and assign a risk rating based on a variety of factors. Loans are rated "1" through "5," from least risk to greatest risk, respectively. See Note 2 for a more detailed discussion of the risk factors and ratings. The following tables allocate the principal balance and net book value of the loan portfolio based on our internal risk ratings (dollars in thousands):

Risk Rating	March 31, 2024		
	Number of Loans	Carrying Value	% of Loan Portfolio
1	—	\$ —	—
2	—	—	—
3	48	519,680	97.66 %
4	1	12,476	2.34 %
5	—	—	—
	49	\$ 532,156	100.00 %

Risk Rating	December 31, 2023		
	Number of Loans	Carrying Value	% of Loan Portfolio
1	—	\$ —	—
2	—	—	—
3	46	992,751	98.79 %
4	2	12,129	1.21 %
5	—	—	—
	48	\$ 1,004,880	100.00 %

Our loan portfolio had a weighted-average risk rating of 3.0 as of March 31, 2024, and 3.0 as of December 31, 2023.

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The following tables present the carrying value of the loan portfolio by the Company's internal risk rating and year of origination as of March 31, 2024 and December 31, 2023 (dollars in thousands):

March 31, 2024

Risk Rating	Number of Loans	Outstanding Face Amount	Carrying Value by Year of Origination (1)							Total Carrying Value
			2024	2023	2022	2021	2020	Prior		
1	—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2	—	—	—	—	—	—	—	—	—	—
3	48	515,700	43,303	96,388	84,354	44,387	19,846	231,402		519,680
4	1	12,120	—	—	12,476	—	—	—		12,476
5	—	—	—	—	—	—	—	—		—
	49	\$ 527,820	\$ 43,303	\$ 96,388	\$ 96,830	\$ 44,387	\$ 19,846	\$ 231,402	\$ 532,156	
<hr/>										

December 31, 2023

Risk Rating	Number of Loans	Outstanding Face Amount	Carrying Value by Year of Origination (1)							Total Carrying Value
			2023	2022	2021	2020	2019	Prior		
1	—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2	—	—	—	—	—	—	—	—	—	—
3	46	961,756	82,879	69,958	40,981	19,158	759,828	19,947		992,751
4	2	12,120	—	12,129	—	—	—	—		12,129
5	—	—	—	—	—	—	—	—		—
	48	\$ 973,876	\$ 82,879	\$ 82,087	\$ 40,981	\$ 19,158	\$ 759,828	\$ 19,947	\$ 1,004,880	
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(1) Represents the date a loan was originated or acquired.

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The following tables present the geographies and property types of collateral underlying the Company's loans held-for-investment as a percentage of the loans' face amounts.

Geography	March 31, 2024	December 31, 2023
Texas	22.64 %	13.87 %
Georgia	10.30 %	30.50 %
Maryland	10.10 %	5.47 %
California	9.71 %	4.92 %
Massachusetts	8.45 %	*
Florida	6.21 %	18.40 %
Virginia	5.96 %	2.65 %
Minnesota	3.78 %	7.31 %
North Carolina	2.68 %	2.78 %
Arkansas	2.52 %	1.37 %
Nevada	2.49 %	1.46 %
Oklahoma	1.76 %	*
Arizona	1.65 %	*
Michigan	1.63 %	*
Washington	1.52 %	*
Pennsylvania	1.15 %	*
Tennessee	1.13 %	*
Iowa	1.09 %	*
Nebraska	1.07 %	*
Delaware	1.05 %	*
Alabama	*	3.51 %
Other (8 and 18 states each at <1%)	3.11 %	7.76 %
	<u>100.00 %</u>	<u>100.00 %</u>

* Included in "Other."

Collateral Property Type	March 31, 2024	December 31, 2023
Single Family Rental	33.54 %	69.94 %
Multifamily	41.60 %	21.99 %
Life Science	21.64 %	6.33 %
Self-Storage	3.22 %	1.75 %
	<u>100.00 %</u>	<u>100.00 %</u>

4. CMBS Trusts

As of March 31, 2024, the Company consolidated all of the CMBS Entities that it determined are VIEs and for which the Company is the primary beneficiary. The Company elected the fair-value measurement alternative in accordance with ASU 2014-13 for each of the trusts and carries the fair values of the trust's assets and liabilities at fair value in its Consolidated Balance Sheets, recognizes changes in the trust's net assets, including changes in fair-value adjustments and net interest earned, in its Consolidated Statements of Operations and records cash interest received from the trusts and cash interest paid to bondholders of the CMBS not beneficially owned by the Company as investing and financing cash flows, respectively.

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The following table presents the Company's recognized Trust's Assets and Liabilities (in thousands):

Trust's Assets	December 31,	
	March 31, 2024	2023
Mortgage loans held in variable interest entities, at fair value	\$ 6,182,075	\$ 5,677,763
Accrued interest receivable	4,344	3,902
Trust's Liabilities		
Bonds payable held in variable interest entities, at fair value	(5,774,017)	(5,289,997)
Accrued interest payable	(3,655)	(3,220)

The following table presents "Change in net assets related to consolidated CMBS variable interest entities" (in thousands):

	For the Three Months Ended March 31,	
	2024	2023
Net interest earned	\$ 9,236	\$ 10,643
Unrealized gain (loss)	(820)	360
Change in net assets related to consolidated CMBS variable interest entities	\$ 8,416	\$ 11,003

The following tables present the geographies and property types of collateral underlying the CMBS trusts consolidated by the Company as a percentage of the collateral unpaid principal balance:

Geography	March 31, 2024	December 31, 2023
Texas	15.92 %	15.85 %
Florida	14.16 %	14.07 %
Arizona	4.07 %	4.05 %
California	8.59 %	8.69 %
Georgia	3.87 %	4.00 %
Washington	7.78 %	7.75 %
New Jersey	4.04 %	4.02 %
Nevada	2.50 %	2.49 %
Pennsylvania	1.28 %	1.27 %
Colorado	7.77 %	7.74 %
Connecticut	1.97 %	2.04 %
North Carolina	4.19 %	4.17 %
New York	3.39 %	3.37 %
Ohio	2.46 %	2.48 %
Virginia	2.05 %	2.03 %
Indiana	2.14 %	2.13 %
Illinois	1.65 %	1.65 %
Michigan	1.39 %	1.38 %
Maryland	1.19 %	1.18 %
Missouri	1.57 %	1.56 %
Other (21 states each at <1%)	8.02 %	8.08 %
	100.00 %	100.00 %

* Included in "Other."

Collateral Property Type	March 31, 2024	December 31, 2023
Multifamily	97.44 %	97.45 %
Manufactured Housing	2.56 %	2.55 %
	<u>100.00 %</u>	<u>100.00 %</u>

5. Common and Preferred Stock Investments

Common Stock Investments

The Company owns approximately 25.8% of the total outstanding shares of common stock of NexPoint Storage Partners, Inc. ("NSP") and thus can exercise significant influence over NSP. NSP is a VIE and the Company has determined that it is not the primary beneficiary of NSP. The investment qualifies to be accounted for using the equity method. However, the Company elected the fair-value option in accordance with ASC 825-10-10 for NSP.

The investment in NSP is a Level 3 asset in the fair value hierarchy and was initially measured using the entry price of the asset. The Company's valuation policy for common stock is to use readily available market prices on the relevant valuation date to the extent they are available. On a quarterly basis, the Company determines the value using widely accepted valuation techniques. A bottoms up approach was used by valuing the wholly-owned self-storage assets in aggregate and development loans individually. In this bottoms-up approach, the discounted cash flow methodology is applied to the self-storage assets owned by NSP. Additionally, the income approach is used to determine the fair value of the development loans owned by NSP whereby contractual cash flows are discounted at observable market discount rates. In addition, as a secondary check for reasonableness, a top down approach was applied whereby observable market terminal capitalization rates and discount rates are applied to the consolidated NSP cash flows. The valuation relies primarily on the bottoms-up approach, but uses the top down approach to corroborate the bottoms-up conclusion with a reasonable precision.

The Company owns approximately 6.36% of the total outstanding shares of common stock of a private ground lease REIT (the "Private REIT") as of March 31, 2024. The Company elected the fair-value option in accordance with ASC 825-10-10 for the Private REIT.

The investment in the Private REIT is a Level 3 asset in the fair value hierarchy and was initially measured using the convertible notes conversion share price of \$17.50. On April 14, 2022, the two convertible notes converted into 1,394,213 shares or \$25.0 million of common stock in the Private REIT, the parent company of the borrower under the convertible notes. As of March 31, 2024, the Company valued this investment based on the Private REIT's market approach price of \$20.00 per share.

The Company owns approximately 98.0% of the total outstanding common equity of each of Resmark Forney Gateway Holdings, LLC ("RFGH") and Resmark The Brook Holdings, LLC ("RTB"). The investments in RFGH and RTB are equity method investments. These investments are held in entities that are considered VIEs as the power to direct activities is not proportional to ownership interests. The Company is not the primary beneficiary, but is deemed to have significant influence. As such, the Company accounts for them using the equity method.

The following table presents the common stock investments as of March 31, 2024 and December 31, 2023, respectively (in thousands, except share amounts):

Investment	Investment Date	Property Type	Shares		Fair Value	
			March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Common Stock						
NexPoint Storage Partners	11/6/2020	Self-storage	41,963	41,963	\$ 33,764	\$ 33,129
Private REIT	4/14/2022	Ground lease	1,394,213	1,394,213	26,894	28,400

The following table presents "Change in unrealized (loss) on common stock investments" (in thousands):

	For the Three Months Ended March 31,	
	2024	2023
Change in unrealized gain on NexPoint Storage Partners	\$ 635	\$ (235)
Change in unrealized gain (loss) on Private REIT	(1,506)	(1,032)
Change in unrealized gain on common stock investments	\$ (871)	\$ (1,267)

Preferred Stock Investments

On November 9, 2023, the Company invested in the Series D-1 preferred stock ("Series D-1") of IQHQ, Inc. ("IQHQ"), a privately held life sciences real estate investment trust. The preferred stock dividend accumulates quarterly at a 10.5% dividend rate per annum. The Series D-1 are not deemed to be in-substance common stock and are accounted for as investments in equity securities measured at fair value. The securities do not have a readily determinable fair value, and the Company does not elect the measurement alternative. The Company owns approximately 9.5% of the total outstanding shares of preferred stock of the Series D-1 as of March 31, 2024.

The investment in the Series D-1 is a Level 3 asset in the fair value hierarchy and was initially measured using the entry price of the asset. As of March 31, 2024, the Company valued this investment using the discounted cash flow method based on the present value of the expected future cash flows of the underlying investment. The weighted average discount rate of 11.5% considered the implied yield of both the payment in kind and cash interest margins.

6. Unconsolidated Variable Interest Entities

Unconsolidated VIEs

The Company continually reassesses whether it remains the primary beneficiary for VIEs consolidated under the VIE model.

As of March 31, 2024, the Company has accounted for the following investments as unconsolidated VIEs:

Entities	Instrument	Asset Type	Accounting Treatment	Percentage Ownership as of March 31, 2024	Relationship as of March 31, 2024
Unconsolidated Entities:					
NexPoint Storage Partners, Inc.	Common Stock	Self-storage	Fair Value	25.7 %	VIE
Resmark Forney Gateway Holdings, LLC	Common Equity	Multifamily	Equity Method	98.0 %	VIE
Resmark The Brook Holdings, LLC	Common Equity	Multifamily	Equity Method	98.0 %	VIE
Private REIT	Common Equity	Ground lease	Fair Value	6.4 %	VIE

The Company's maximum exposure to loss of value for the NSP investment is the fair value of the Company's \$ 33.8 million NSP common stock investment. The Company's maximum exposure to loss of value for the RFGH and RTB common equity investments is the \$1.0 million carrying value for each investment and may include an additional \$2.8 million in unfunded commitments for each investment to the extent those commitments are funded. The Company's maximum exposure to loss of value for the Private REIT investment is the fair value of the Company's \$26.9 million Private REIT common equity investment.

7. CMBS Structured Pass-Through Certificates, MSCR Notes and Mortgage Backed Securities

As of March 31, 2024, the Company held twelve CMBS interest only strips ("CMBS I/O Strips"), three MSCR Notes and seven mortgage backed securities at fair value. The CMBS I/O Strips consist of interest only tranches of Freddie Mac structured pass-through certificates with underlying portfolios of fixed-rate mortgage loans secured primarily by stabilized multifamily properties. The MSCR Notes are unguaranteed securities designed to transfer to investors a portion

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of the credit risk associated with eligible multifamily mortgages linked to a reference pool. Mortgage backed securities receive principal and interest on floating-rate loans secured by SFR, multifamily and self-storage properties.

The following table presents the CMBS I/O Strips, MSCR Notes and mortgage backed securities as of March 31, 2024 (in thousands):

Investment	Investment Date	Carrying Value	Property Type	Interest Rate	Current Yield (1)	Maturity Date
CMBS I/O Strips						
CMBS I/O Strip	5/18/2020	\$ 1,601	Multifamily	2.02 %	14.67 %	9/25/2046
CMBS I/O Strip	8/6/2020	15,623	Multifamily	2.98 %	18.60 %	6/25/2030
CMBS I/O Strip	4/28/2021	(2) 4,777	Multifamily	1.59 %	18.20 %	1/25/2030
CMBS I/O Strip	5/27/2021	3,338	Multifamily	3.39 %	18.42 %	5/25/2030
CMBS I/O Strip	6/7/2021	378	Multifamily	2.31 %	23.40 %	11/25/2028
CMBS I/O Strip	6/11/2021	(3) 2,427	Multifamily	1.48 %	18.03 %	5/25/2029
CMBS I/O Strip	6/21/2021	809	Multifamily	1.17 %	18.61 %	5/25/2030
CMBS I/O Strip	8/10/2021	2,183	Multifamily	1.89 %	18.63 %	4/25/2030
CMBS I/O Strip	8/11/2021	1,213	Multifamily	3.10 %	15.69 %	7/25/2031
CMBS I/O Strip	8/24/2021	220	Multifamily	2.61 %	16.66 %	1/25/2031
CMBS I/O Strip	9/1/2021	3,293	Multifamily	1.92 %	17.63 %	6/25/2030
CMBS I/O Strip	9/11/2021	3,472	Multifamily	2.95 %	15.57 %	9/25/2031
Total		\$ 39,334		2.52 %	17.94 %	
MSCR Notes						
MSCR Notes	5/25/2022	\$ 4,020	Multifamily	14.82 %	14.82 %	5/25/2052
MSCR Notes	5/25/2022	5,000	Multifamily	11.82 %	11.82 %	5/25/2052
MSCR Notes	9/23/2022	1,343	Multifamily	12.17 %	13.37 %	11/25/2051
Total		\$ 10,363		13.03 %	13.19 %	
Mortgage Backed Securities						
Mortgage Backed Securities	6/1/2022	\$ 9,898	Single-Family	8.63 %	8.87 %	4/17/2026
Mortgage Backed Securities	9/29/2022	7,964	Self Storage	11.10 %	11.12 %	9/15/2027
Mortgage Backed Securities	3/10/2023	5,768	Multifamily	13.95 %	13.97 %	2/25/2025
Mortgage Backed Securities	2/29/2024	28,421	Single-Family	4.50 %	4.75 %	3/19/2029
Mortgage Backed Securities	2/29/2024	9,429	Single-Family	4.50 %	5.24 %	3/19/2029
Mortgage Backed Securities	2/29/2024	6,546	Single-Family	4.50 %	5.63 %	3/19/2029
Total		\$ 68,026		6.67 %	7.03 %	

(1) Current yield is the annualized income earned divided by the cost basis of the investment.

(2) The Company, through the Subsidiary OPs, purchased approximately \$ 50.0 million and \$15.0 million aggregate notional amount of the X1 interest-only tranche of the FHMS K-107 CMBS I/O Strip on April 28, 2021 and May 4, 2021, respectively.

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(3) The Company, through the Subsidiary OPs, purchased approximately \$ 80.0 million, \$35.0 million, \$40.0 million and \$50.0 million aggregate notional amount of the X1 interest-only tranche of the FRESB 2019-SB64 CMBS I/O Strip on June 11, 2021, September 29, 2021, February 3, 2022 and March 18, 2022, respectively.

The following table presents the CMBS I/O Strips, MSCR Notes and mortgage backed securities as of December 31, 2023 (in thousands):

Investment	Investment Date	Carrying Value	Property Type	Interest Rate	Current Yield		Maturity Date
					(1)		
CMBS I/O Strips							
CMBS I/O Strip	5/18/2020	\$ 1,622	Multifamily	2.02 %	14.64 %		9/25/2046
CMBS I/O Strip	8/6/2020	16,601	Multifamily	2.98 %	17.98 %		6/25/2030
CMBS I/O Strip	4/28/2021	(2) 5,022	Multifamily	1.59 %	17.68 %		1/25/2030
CMBS I/O Strip	5/27/2021	3,436	Multifamily	3.39 %	17.79 %		5/25/2030
CMBS I/O Strip	6/7/2021	395	Multifamily	2.31 %	22.31 %		11/25/2028
CMBS I/O Strip	6/11/2021	(3) 2,643	Multifamily	1.18 %	14.57 %		5/25/2029
CMBS I/O Strip	6/21/2021	833	Multifamily	1.17 %	18.07 %		5/25/2030
CMBS I/O Strip	8/10/2021	2,255	Multifamily	1.89 %	17.98 %		4/25/2030
CMBS I/O Strip	8/11/2021	1,241	Multifamily	3.10 %	15.24 %		7/25/2031
CMBS I/O Strip	8/24/2021	229	Multifamily	2.61 %	16.15 %		1/25/2031
CMBS I/O Strip	9/1/2021	3,390	Multifamily	1.92 %	17.01 %		6/25/2030
CMBS I/O Strip	9/11/2021	3,545	Multifamily	2.95 %	15.14 %		9/25/2031
Total		\$ 41,212		2.50 %	17.21 %		
MSCR Notes							
MSCR Notes	5/25/2022	\$ 4,020	Multifamily	14.83 %	14.83 %		5/25/2052
MSCR Notes	5/25/2022	5,000	Multifamily	11.83 %	11.83 %		5/25/2052
MSCR Notes	9/23/2022	1,358	Multifamily	12.18 %	13.38 %		11/25/2051
Total		\$ 10,378		13.04 %	13.20 %		
Mortgage Backed Securities							
Mortgage Backed Securities	6/1/2022	\$ 9,924	Single-Family	8.64 %	8.91 %		4/17/2026
Mortgage Backed Securities	6/1/2022	9,369	Single-Family	4.87 %	5.01 %		11/19/2025
Mortgage Backed Securities	7/28/2022	538	Single-Family	6.23 %	6.31 %		10/17/2027
Mortgage Backed Securities	7/28/2022	856	Single-Family	3.60 %	4.12 %		6/20/2028
Mortgage Backed Securities	9/12/2022	3,881	Multifamily	11.57 %	11.55 %		1/25/2031
Mortgage Backed Securities	9/29/2022	7,960	Self Storage	11.10 %	11.12 %		9/15/2027
Mortgage Backed Securities	3/10/2023	5,742	Multifamily	13.93 %	13.95 %		2/25/2025
Total		\$ 38,270		9.17 %	9.30 %		

(1) Current yield is the annualized income earned divided by the cost basis of the investment

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(2) The Company, through the Subsidiary OPs, purchased approximately \$ 50.0 million and \$15.0 million aggregate notional amount of the X1 interest-only tranche of the FHMS K-107 CMBS I/O Strip on April 28, 2021 and May 4, 2021, respectively.

(3) The Company, through the Subsidiary OPs, purchased approximately \$ 80.0 million, \$35.0 million, \$40.0 million and \$50.0 million aggregate notional amount of the X1 interest-only tranche of the FRESB 2019-SB64 CMBS I/O Strip on June 11, 2021, September 29, 2021, February 3, 2022 and March 18, 2022, respectively.

The following table presents activity related to the Company's CMBS I/O Strips, MSCR Notes and mortgage backed securities (in thousands):

	For the Three Months Ended March 31,	
	2024	2023
	\$	\$
Net interest earned	\$ 664	\$ 717
Change in unrealized gain (loss) on CMBS structured pass-through certificates	(40)	(752)
Change in unrealized gain (loss) on MSCR Notes	(15)	(298)
Change in unrealized (loss) on mortgage backed securities	440	(606)
Total	\$ 1,049	\$ (939)

8. Real Estate Investments, net

On December 31, 2021, the Company acquired a 204-unit multifamily property in Charlotte, North Carolina (Hudson Montford).

On February 1, 2022, the Company acquired a 368-unit multifamily property in Las Vegas, Nevada (Elysian at Hughes Center). The Company no longer maintains a common equity interest in this property and through a restructuring effective January 1, 2023, the investment was deconsolidated and presented solely as a preferred equity investment in 2024 and 2023.

On October 10, 2023, the Company exercised its right to terminate and replace the existing manager of SPG Alexander JV LLC, which owns a 280-unit multifamily property in Atlanta, Georgia. The Company, through its subsidiaries, holds both preferred and common equity investment in SPG Alexander JV LLC and also solely owns the replacement manager. As such, the Company is the primary beneficiary of SPG Alexander JV LLC and consolidates the property within our consolidated financial statements. The investment was considered an asset acquisition, and the fair value of the components of the investment as of October 10, 2023 totaled \$68.8 million. The total value consisted of \$ 7.9 million of land, \$59.0 million of buildings and improvements, \$0.6 million of furniture, fixtures, and equipment, and \$1.3 million of intangible assets.

As of March 31, 2024, the components of the Company's investments in multifamily properties was as follows (in thousands):

Real Estate Investments, Net	Land	Buildings and Improvements	Intangible Lease Assets	Construction in Progress	Furniture, Fixtures and Equipment	Totals
Hudson Montford	\$ 10,996	\$ 49,934	\$ —	\$ 197	\$ 923	\$ 62,050
Alexander at the District	7,806	59,170	—	4	909	67,889
Accumulated depreciation and amortization	—	(4,875)	—	—	(578)	(5,453)
Total Real Estate Investments, Net	\$ 18,802	\$ 104,229	\$ —	\$ 201	\$ 1,254	\$ 124,486

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As of December 31, 2023, the components of the Company's investments in multifamily properties were as follows (in thousands):

Real Estate Investments, Net	Land	Buildings and Improvements	Intangible Assets	Lease Assets	Construction in Progress	Furniture, Fixtures and Equipment	Totals
Hudson Montford	\$ 10,996	\$ 49,912	\$ —	\$ 401	\$ 691	\$ 62,000	
Alexander at the District	7,806	59,162	1,271	—	716	68,955	
Accumulated depreciation and amortization	—	(3,948)	—	—	(456)	(4,404)	
Total Real Estate Investments, Net	\$ 18,802	\$ 105,126	\$ 1,271	\$ 401	\$ 951	\$ 126,551	

The following table reflects the revenue and expenses for the three months ended March 31, 2024 and 2023 for our multifamily properties (in thousands):

	For the Three Months Ended March 31,	
	2024	2023
Revenues		
Rental income	\$ 2,087	\$ 1,018
Other income	124	10
Total revenues	2,211	1,028
Expenses		
Interest expense	2,088	581
Real estate taxes and insurance	452	172
Property operating expenses	176	185
Property general and administrative expenses	173	35
Property management fees	62	29
Depreciation and amortization	2,318	476
Rate cap (income) expense	169	194
Casualty (gain) loss	(1)	(175)
Total expenses	5,437	1,497
Net income (loss) from consolidated real estate owned	\$ (3,226)	\$ (469)

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9. Debt

The following table summarizes the Company's financing arrangements in place as of March 31, 2024 (dollars in thousands):

March 31, 2024																						
	Facility					Collateral					Weighted average life (years) (2)											
	Date issued	Outstanding face amount	Carrying value	Final stated maturity	Weighted average interest rate (1)	Weighted average life (years)	Outstanding face amount	Amortized cost basis	Carrying value (3)													
						(2)																
Master Repurchase Agreements																						
CMBS																						
Mizuho(4)	4/15/2020	\$ 341,740	\$ 341,740	N/A (5)	7.15 %	0.0	\$ 984,591	\$ 519,743	\$ 513,307		6.1											
Asset Specific Financing																						
Single Family Rental loans																						
Freddie Mac	7/12/2019	123,346	123,346	7/12/2029	2.69 %	3.6	135,232	140,565	140,565		3.6											
Mezzanine loans																						
Freddie Mac	10/20/2020	59,252	59,252	8/1/2031	0.30 %	6.0	96,817	98,248	98,248		6.0											
Multifamily properties																						
CBRE	12/31/2021	32,480	32,108	6/1/2028 (6)	8.03 %	4.2	N/A	65,166	65,166		4.2											
Various	10/10/2023	63,500	63,500	11/6/2024 (7)	8.84 %	0.6	N/A	59,320	59,320		0.6											
Unsecured Financing																						
Various	10/15/2020	36,500	35,936	10/25/2025	7.50 %	1.6	N/A	N/A	N/A		N/A											
Various	4/20/2021	180,000	177,413	5/1/2026	5.75 %	2.1	N/A	N/A	N/A		N/A											
Various	10/18/2022	6,500	6,500	10/18/2027	7.50 %	3.6	N/A	N/A	N/A		N/A											
Total/weighted average		\$ 843,318	\$ 839,795		5.90 %	1.7	\$ 1,216,640	\$ 883,042	\$ 876,606		5.8											

(1) Weighted-average interest rate using unpaid principal balances.

(2) Weighted-average life is determined using the maximum maturity date of the corresponding loans, assuming all extension options are exercised by the borrower.

(3) CMBS are shown at fair value on an unconsolidated basis. SFR Loans and mezzanine loans are shown at amortized cost.

(4) On April 15, 2020, three of our subsidiaries entered into a master repurchase agreement with Mizuho Securities ("Mizuho"). Borrowings under these repurchase agreements are collateralized by portions of the CMBS B-Pieces, CMBS I/O Strips, MSCR Notes and mortgage backed securities.

(5) The master repurchase agreement with Mizuho does not have a stated maturity date. The transactions in place have a one-month to two-month tenor and are expected to roll accordingly.

(6) Debt was assumed upon acquisition of this property and recorded at the outstanding principal amount, net of debt issuance costs. The loan can be prepaid at a 1.0% prepayment premium on any unpaid principal. The loan is open to pre-payment in the last three months of the term.

(7) Debt was assumed upon consolidation of this property and recorded at the outstanding principal amount.

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The following table summarizes the Company's financing arrangements in place as of December 31, 2023 (dollars in thousands):

December 31, 2023											
	Facility					Collateral					
					Weighted						
	Date issued	Outstanding face amount	Carrying value	Final stated maturity	Weighted average interest rate (1)	Weighted average life (years) (2)	Outstanding face amount	Amortized cost basis	Carrying value (3)	Weighted average life (years) (2)	
Master Repurchase Agreements											
CMBS											
Mizuho(4)	4/15/2020	\$ 303,514	\$ 303,514	N/A (5)	7.26 %	0.0	\$ 931,296	\$ 470,761	\$ 464,888	6.4	
Asset Specific Financing											
Single Family Rental loans											
Freddie Mac	7/12/2019	590,306	590,306	7/12/2029	2.34 %	4.5	645,277	676,420	676,420	4.5	
Mezzanine loans											
Freddie Mac	10/20/2020	59,252	59,252	8/1/2031	0.30 %	6.3	96,817	98,839	98,839	6.3	
Multifamily properties											
CBRE	12/31/2021	32,366	32,157	6/1/2028 (6)	8.05 %	4.4	N/A	64,697	64,697	4.4	
Various	10/10/2023	63,500	63,500	11/6/2024 (7)	8.84 %	0.9	N/A	61,854	61,854	0.9	
Unsecured Financing											
Various	10/15/2020	36,500	35,852	10/25/2025	7.50 %	1.8	N/A	N/A	N/A	N/A	
Various	4/20/2021	180,000	177,131	5/1/2026	5.75 %	2.3	N/A	N/A	N/A	N/A	
Various	10/18/2022	6,500	6,500	10/18/2027	7.50 %	3.8	N/A	N/A	N/A	N/A	
Total/weighted average		\$ 1,271,938	\$ 1,268,212		4.55 %	2.9	\$ 676,420	\$ 1,372,571	\$ 1,366,698	5.6	

(1) Weighted-average interest rate using unpaid principal balances.

(2) Weighted-average life is determined using the maximum maturity date of the corresponding loans, assuming all extension options are exercised by the borrower.

(3) CMBS are shown at fair value on an unconsolidated basis. SFR Loans and mezzanine loans are shown at amortized cost.

(4) On April 15, 2020, three of our subsidiaries entered into a master repurchase agreement with Mizuho. Borrowings under these repurchase agreements are collateralized by portions of the CMBS B-Pieces, CMBS I/O Strips, MSCR Notes and mortgage backed securities.

(5) The master repurchase agreement with Mizuho does not have a stated maturity date. The transactions in place have a one-month to two-month tenor and are expected to roll accordingly.

(6) Debt was assumed upon acquisition of this property and recorded at the outstanding principal amount, net of debt issuance costs. The loan can be prepaid at a 1.0% prepayment premium on any unpaid principal. The loan is open to pre-payment in the last three months of the term.

(7) Debt was assumed upon consolidation of this property and recorded at the outstanding principal amount.

Prior to the Formation Transaction, two of our subsidiaries entered into a loan and security agreement dated July 12, 2019 with Freddie Mac (the "Credit Facility"). Under the Credit Facility, these entities borrowed approximately \$788.8 million in connection with their acquisition of senior pooled mortgage loans backed by SFR properties (the "Underlying Loans"). No additional borrowings can be made under the Credit Facility, and our obligations will be secured by the Underlying Loans. The Credit Facility is guaranteed by certain members of the Contribution Group and the OP. The guarantors are subject to minimum net worth and liquidity covenants. The Credit Facility continues to be guaranteed by members of the Contribution Group and the OP as of March 31, 2024. The Credit Facility was assumed by the Company as part of the Formation Transaction at carrying value which approximated fair value. As such, the remaining outstanding balance of \$788.8 million was contributed to the Company on February 11, 2020. Our borrowings under the Credit Facility will mature on July 12, 2029. However, if an Underlying Loan matures or is paid off prior to July 12, 2029, the Company will be required to repay the portion of the Credit Facility that is allocated to that loan. As of March 31, 2024, the outstanding balance on the Credit Facility was \$123.3 million.

We, through the Subsidiary OPs, have borrowed approximately \$ 341.7 million under our repurchase agreements and posted \$ 984.6 million par value of our CMBS B-Piece, CMBS I/O Strip, MSCR Notes and mortgage backed security investments as collateral as of March 31, 2024. The CMBS B-Pieces, CMBS I/O Strips, MSCR Notes and mortgage backed securities held as collateral are illiquid and irreplaceable in nature. These assets are restricted solely to satisfy the interest and principal balances owed to the lender.

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On November 15, 2023, the Company issued an additional \$ 15.0 million aggregate principal amount of its 5.75% Senior Unsecured Notes (" 5.75% Notes") at a price equal to 92.0% par value, including accrued interest, for proceeds of approximately \$ 13.6 million after original issue discount and underwriting fees.

As of March 31, 2024, the outstanding principal balances related to the levered SFR Loans and mezzanine loans consisted of the following (dollars in thousands):

Investment	Investment Date	Outstanding Principal Balance (1)	Location	Property Type	Interest Type	Interest Rate	Maturity Date
SFR Loans							
Senior loan	2/11/2020	\$ 31,416	Various	Single-family	Fixed	2.14 %	10/1/2025
Senior loan	2/11/2020	33,565	Various	Single-family	Fixed	2.70 %	11/1/2028
Senior loan	2/11/2020	9,156	Various	Single-family	Fixed	2.79 %	9/1/2028
Senior loan	2/11/2020	9,284	Various	Single-family	Fixed	2.45 %	3/1/2026
Senior loan	2/11/2020	7,408	Various	Single-family	Fixed	3.51 %	2/1/2028
Senior loan	2/11/2020	8,720	Various	Single-family	Fixed	3.30 %	10/1/2028
Senior loan	2/11/2020	7,848	Various	Single-family	Fixed	3.14 %	1/1/2029
Senior loan	2/11/2020	5,823	Various	Single-family	Fixed	2.99 %	3/1/2029
Senior loan	2/11/2020	5,223	Various	Single-family	Fixed	3.14 %	12/1/2028
Senior loan	2/11/2020	4,903	Various	Single-family	Fixed	2.64 %	10/1/2028
Total		\$ 123,346				2.69 %	
Mezzanine Loans							
Senior loan	10/20/2020	\$ 8,723	Wilmington, DE	Multifamily	Fixed	0.30 %	6/1/2029
Senior loan	10/20/2020	7,344	White Marsh, MD	Multifamily	Fixed	0.30 %	4/1/2031
Senior loan	10/20/2020	6,353	Philadelphia, PA	Multifamily	Fixed	0.30 %	7/1/2031
Senior loan	10/20/2020	5,881	Daytona Beach, FL	Multifamily	Fixed	0.30 %	7/1/2031
Senior loan	10/20/2020	4,523	Laurel, MD	Multifamily	Fixed	0.30 %	7/1/2031
Senior loan	10/20/2020	4,179	Temple Hills, MD	Multifamily	Fixed	0.30 %	1/1/2029
Senior loan	10/20/2020	3,390	Temple Hills, MD	Multifamily	Fixed	0.30 %	5/1/2029
Senior loan	10/20/2020	3,348	Lakewood, NJ	Multifamily	Fixed	0.30 %	5/1/2029
Senior loan	10/20/2020	2,454	North Aurora, IL	Multifamily	Fixed	0.30 %	11/1/2028
Senior loan	10/20/2020	2,264	Rosedale, MD	Multifamily	Fixed	0.30 %	10/1/2028
Senior loan	10/20/2020	2,215	Cockeysville, MD	Multifamily	Fixed	0.30 %	7/1/2031
Senior loan	10/20/2020	2,026	Laurel, MD	Multifamily	Fixed	0.30 %	7/1/2029
Senior loan	10/20/2020	1,836	Vancouver, WA	Multifamily	Fixed	0.30 %	8/1/2031
Senior loan	10/20/2020	1,763	Tyler, TX	Multifamily	Fixed	0.30 %	11/1/2028
Senior loan	10/20/2020	1,307	Las Vegas, NV	Multifamily	Fixed	0.30 %	10/1/2028
Senior loan	10/20/2020	918	Atlanta, GA	Multifamily	Fixed	0.30 %	8/1/2031
Senior loan	10/20/2020	728	Des Moines, IA	Multifamily	Fixed	0.30 %	3/1/2029
Total		\$ 59,252				0.30 %	

(1) Outstanding principal balance represents the total repurchase agreement balance outstanding as of March 31, 2024.

For the three months ended March 31, 2024 and 2023, the activity related to the carrying value of the master repurchase agreements, secured financing agreements and unsecured financing were as follows (in thousands):

	For the Three Months Ended March 31,	
	2024	2023
Balances as of December 31,	\$ 1,268,212	\$ 1,345,101
Adjustment to mortgages payable, net on deconsolidation of real estate	—	(89,012)
Principal borrowings	57,425	26,801
Principal repayments	(486,159)	(7,827)
Principal repayments on mortgages payable	(61)	—
Accretion of discounts	366	216
Amortization of deferred financing costs	12	11
Balances as of March 31,	<u><u>\$ 839,795</u></u>	<u><u>\$ 1,275,290</u></u>

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):

Year	Recourse	Non-recourse	Total
2024(1)	\$ 63,500	\$ 341,740	\$ 405,240
2025	36,500	31,416	67,916
2026	180,000	9,284	189,284
2027	6,500	—	6,500
2028	32,480	76,763	109,243
Thereafter	—	65,135	65,135
	<u><u>\$ 318,980</u></u>	<u><u>\$ 524,338</u></u>	<u><u>\$ 843,318</u></u>

(1) The transactions in place in the master repurchase agreement with Mizuho have a one-month to two-month tenor and are expected to roll accordingly.

10. Fair Value of Financial Instruments

Fair-value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering market-participant assumptions in fair-value measurements, ASC 820 establishes a fair-value hierarchy that distinguishes between market-participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market-participant assumptions (unobservable inputs classified within Level 3 of the hierarchy):

- Level 1 inputs are adjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar instruments in active markets and inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves, that are observable at commonly quoted intervals.
- Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, related market activity for the asset or liability.

The Company's assessment of the significance of a particular input to the fair-value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Derivative Financial Instruments and Hedging Activities

In the normal course of business, our operations are exposed to market risks, including the effect of changes in interest rates. We may enter into derivative financial instruments to offset this underlying market risk. There have been no

significant changes in our policy and strategy from what was disclosed in the financial statements included in our Annual Report.

Financial Instruments Carried at Fair Value

See Note 2 and Notes 4 through 7 for additional information.

Financial Instruments Not Carried at Fair Value

The fair values of cash and cash equivalents, accrued interest and dividends, accounts payable and other accrued liabilities and accrued interest payable approximated their carrying values because of the short-term nature of these instruments. The estimated fair values of other financial instruments were determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company would realize on the disposition of the financial instruments. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

In calculating the fair value of its long-term indebtedness, the Company used interest rate and spread assumptions that reflect current creditworthiness and market conditions available for the issuance of long-term debt with similar terms and remaining maturities. These financial instruments utilize Level 2 inputs.

Amounts borrowed under master repurchase agreements are based on their contractual amounts that reasonably approximate their fair value given the short to moderate term and floating rate nature.

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The carrying values and fair values of the Company's financial assets and liabilities recorded at fair value on a recurring basis, as well as other financial instruments not carried at fair value as of March 31, 2024 (in thousands):

	Carrying Value	Fair Value				
		Level 1	Level 2	Level 3	Total	
Assets						
Cash and cash equivalents	\$ 13,483	\$ 13,483	\$ —	\$ —	\$ —	\$ 13,483
Restricted cash	5,804	5,804	—	—	—	5,804
Loans, held-for-investment, net	391,591	—	—	402,806	402,806	402,806
Preferred stock investments, at fair value	18,346	—	—	18,346	18,346	18,346
Common stock investments, at fair value	60,658	—	—	60,658	60,658	60,658
Mortgage loans, held-for-investment, net	140,565	—	—	135,628	135,628	135,628
Accrued interest	25,271	25,271	—	—	—	25,271
Mortgage loans held in variable interest entities, at fair value	6,182,075	—	6,182,075	—	—	6,182,075
CMBS structured pass-through certificates, at fair value	39,334	—	39,334	—	—	39,334
MSCR Notes, at fair value	10,363	—	10,363	—	—	10,363
Mortgage backed securities, at fair value	68,026	—	68,026	—	—	68,026
Accounts receivable and other assets	4,097	1,742	2,355	—	—	4,097
Due from brokers for securities sold, not yet settled	908	—	908	—	—	908
Total Assets	\$ 6,960,521	0 \$	46,300	0 \$	6,303,061	0 \$
						617,438
					0 \$	6,966,799
Liabilities						
Secured financing agreements, net	\$ 182,598	\$ —	\$ —	\$ 188,107	\$ —	\$ 188,107
Master repurchase agreements	341,740	—	—	341,740	—	341,740
Unsecured notes, net	219,849	—	200,654	—	—	200,654
Mortgages payable, net	95,608	—	—	91,071	—	91,071
Accounts payable and other accrued liabilities	10,270	10,270	—	—	—	10,270
Accrued interest payable	12,695	12,695	—	—	—	12,695
Bonds payable held in variable interest entities, at fair value	5,774,017	—	5,774,017	—	—	5,774,017
Total Liabilities	\$ 6,636,777	\$ 22,965	\$ 5,974,671	\$ 620,918	\$ —	\$ 6,618,554

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The carrying values and fair values of the Company's financial assets and liabilities recorded at fair value on a recurring basis, as well as other financial instruments not carried at fair value as of December 31, 2023 (in thousands):

	Carrying Value	Fair Value				
		Level 1	Level 2	Level 3	Total	
Assets						
Cash and cash equivalents	\$ 13,824	\$ 13,824	\$ —	\$ —	\$ —	\$ 13,824
Restricted cash	2,825	2,825	—	—	—	2,825
Loans, held-for-investment, net	328,460	—	—	337,110	—	337,110
Preferred stock investments, at fair value	14,776	—	—	14,776	—	14,776
Common stock investments, at fair value	61,529	—	—	61,529	—	61,529
Mortgage loans, held-for-investment, net	676,420	—	—	663,866	—	663,866
Accrued interest	22,033	22,033	—	—	—	22,033
Mortgage loans held in variable interest entities, at fair value	5,677,763	—	5,677,763	—	—	5,677,763
CMBS structured pass-through certificates, at fair value	41,212	—	41,212	—	—	41,212
MSCR Notes, at fair value	10,378	—	10,378	—	—	10,378
Mortgage backed securities, at fair value	38,270	—	38,270	—	—	38,270
Accounts receivable and other assets	4,312	1,560	2,752	—	—	4,312
Total Assets	\$ 6,891,802	\$ 40,242	\$ 5,770,375	\$ 1,077,281	\$ 6,887,898	
Liabilities						
Secured financing agreements, net	\$ 649,558	\$ —	\$ —	\$ 666,423	\$ —	\$ 666,423
Master repurchase agreements	303,514	—	—	303,514	—	303,514
Unsecured notes, net	219,483	—	199,859	—	—	199,859
Mortgages payable, net	95,657	—	—	95,470	—	95,470
Accounts payable and other accrued liabilities	6,428	6,428	—	—	—	6,428
Accrued interest payable	8,209	8,209	—	—	—	8,209
Bonds payable held in variable interest entities, at fair value	5,289,997	—	5,289,997	—	—	5,289,997
Total Liabilities	\$ 6,572,846	\$ 14,637	\$ 5,489,856	\$ 1,065,407	\$ 6,569,900	

The significant unobservable inputs used in the fair value measurement of the Company's investment in NSP are the discount rate and terminal capitalization rate. Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement. The following is a summary of significant unobservable

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inputs used in the fair valuation of the Company's Level 3 assets carried at fair value on the Consolidated Balance Sheets as of March 31, 2024 (dollars in thousands):

	Carrying Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average (1)
NexPoint Storage Partners	\$ 33,764	Discounted cash flow	Terminal cap rate	5.00% - 5.50%	5.25 %
			Discount rate	7.75% - 9.75%	8.75 %
IQHQ, Inc.	\$ 18,346	Discounted cash flow	Discount rate	11.00% - 12.00%	11.50 %
			Discount rate	11.00% - 12.00%	11.50 %
Private REIT	\$ 26,894	Market approach	NAV per share multiple	1.00 - 1.10x	1.050x

(1) Averages are weighted based on the fair value of the related instrument

The table below reflects a summary of changes for the Company's Level 3 common and preferred stock assets carried at fair value on the Consolidated Balance Sheets for the three months ended March 31, 2024:

	Balance as of 12/31/23	Additions	Change in Unrealized Gains/(Losses)	Balance as of 3/31/24
NexPoint Storage Partners	\$ 33,129	\$ —	\$ 635	\$ 33,764
Private REIT	\$ 28,400	\$ —	\$ (1,506)	\$ 26,894
IQHQ, Inc.	\$ 14,776	\$ 3,506	\$ 64	\$ 18,346

Other Financial Instruments Carried at Fair Value

Redeemable noncontrolling interests in the OP have a redemption feature and are marked to their redemption value if such value exceeds the carrying value of the redeemable noncontrolling interests in the OP (see Note 13). The redemption value is based on the fair value of the Company's common stock at the redemption date, and therefore, is calculated based on the fair value of the Company's common stock at the balance sheet date. Since the valuation is based on observable inputs such as quoted prices for similar instruments in active markets, redeemable noncontrolling interests in the OP are classified as Level 2 if they are adjusted to their redemption value. At March 31, 2024, the redeemable noncontrolling interests in the OP are valued at their carrying value on the Consolidated Balance Sheets (see Note 13).

11. Stockholders' Equity

Common Stock

During the three months March 31, 2024, the Company issued 74,344 shares of common stock, par value of \$ 0.01 per share (the "common stock") pursuant to the Amended and Restated NexPoint Real Estate Finance, Inc. 2020 Long Term Incentive Plan (the "Amended and Restated LTIP").

As of March 31, 2024, the Company had 17,593,244 shares of common stock issued and 17,306,257 shares of common stock outstanding.

Preferred Stock

On July 24, 2020, the Company issued 2,000,000 shares of its 8.50% Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock") at a price to the public of \$24.00 per share, for gross proceeds of \$48.0 million before deducting underwriting discounts and commissions of approximately \$1.2 million and other offering expenses of approximately \$ 0.8 million. The Series A Preferred Stock has a \$ 25.00 per share liquidation preference.

On November 2, 2023, the Company announced the launch of a continuous public offering (the "Series B Preferred Offering") of up to 16,000,000 shares of its 9.00% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock") at a price to the public of \$ 25.00 per share. As of March 31, 2024, the Company has issued 1,657,700 shares of Series B Preferred Stock for gross proceeds of \$ 40.9 million before deducting selling commissions and dealer manager fees of approximately \$3.6 million. The Series B Preferred Stock has a \$ 25.00 per share liquidation preference.

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The Company expects that the Series B Preferred Offering will terminate on the earlier of the date the Company sells all 16,000,000 shares of the Series B Preferred Stock in the Series B Preferred Offering or March 14, 2025 (which is the third anniversary of the effective date of the Company's registration statement), which may be extended by the Board in its sole discretion. The Board may elect to terminate the Series B Preferred Offering at any time.

Share Repurchase Program

On March 9, 2020, the Board authorized a share repurchase program (the "Prior Share Repurchase Program") through which the Company could repurchase an indeterminate number of shares of our common stock at an aggregate market value of up to \$10.0 million in shares of its common stock during a two-year period that expired on March 9, 2022. On September 28, 2020, the Board authorized the expansion of the Prior Share Repurchase Program to include the Company's Series A Preferred Stock with the same period and repurchase limit. The Company was able to utilize various methods to affect the repurchases, and the timing and extent of the repurchases will depend upon several factors, including market and business conditions, regulatory requirements and other corporate considerations, including whether the Company's common stock is trading at a significant discount to net asset value ("NAV") per share. From inception through expiration, the Company repurchased 327,422 shares of its common stock, par value \$0.01 per share, at a total cost of approximately \$ 4.8 million, or \$14.61 per share. These repurchased shares of common stock are classified as treasury stock and reduce the number of shares of the Company's common stock outstanding and, accordingly, are considered in the weighted-average number of shares outstanding during the period. On March 3, 2021, the Company cancelled 40,435 shares of common stock, reducing the total classified as treasury stock to 286,987.

On February 22, 2023, the Board authorized a share repurchase program (the "Share Repurchase Program") through which the Company may repurchase an indeterminate number of shares of our common stock and Series A Preferred Stock at an aggregate market value of up to \$20.0 million in shares of its common stock, during a two-year period set to expire on February 22, 2025. The Company may utilize various methods to affect the repurchases, and the timing and extent of the repurchases will depend upon several factors, including market and business conditions, regulatory requirements and other corporate considerations, including whether the Company's common stock is trading at a significant discount to NAV per share. Repurchases under this program may be discontinued at any time. The Company has not made any purchases under the Share Repurchase Program as of March 31, 2024.

Long Term Incentive Plan

On January 31, 2020, the NexPoint Real Estate Finance, Inc. 2020 Long Term Incentive Plan (the "Original LTIP" as amended and restated by the Amended and Restated LTIP, the "LTIP") was approved and on May 7, 2020, the Company filed a registration statement on Form S-8 registering 1,319,734 shares of common stock, which the Company may issue pursuant to the Original LTIP.

On January 26, 2024, the Amended and Restated LTIP was approved and on January 30, 2024, the Company filed a registration statement on Form S-8 registering an additional 2,308,000 shares of common stock, which the Company may issue pursuant to the Amended and Restated LTIP. The LTIP authorizes the compensation committee of the Board to provide equity-based compensation in the form of stock options, appreciation rights, restricted shares, restricted stock units, performance shares, performance units and certain other awards denominated or payable in, or otherwise based on, the Company's common stock or factors that may influence the value of the Company's common stock, plus cash incentive awards, for the purpose of providing the Company's directors, officers and other key employees (and those of the Manager and the Company's subsidiaries), the Company's non-employee directors, and potentially certain non-employees who perform employee-type functions, incentives and rewards for performance.

Restricted Stock Units.

Under the LTIP, restricted stock units may be granted to the Company's directors, officers and other key employees (and those of the Manager and the Company's subsidiaries) and typically vest over a three to five-year period for officers, employees and certain key employees of the Manager and annually for directors. The most recent grant of restricted stock units to officers, employees and certain key employees of the Manager will vest over a four-year period. Beginning on the date of grant, restricted stock units earn dividends that are payable in cash on the vesting date. On May 8, 2020, pursuant to the LTIP, the Company granted 14,739 restricted stock units to its directors, on June 24, 2020, the Company granted 274,274 restricted stock units to its officers and other employees of the Manager, on November 2, 2020, the Company granted 1,838 restricted stock units to the sole member of the general partner of one of the Company's subsidiaries, on February 22, 2021, the Company granted 220,352 restricted stock units to its officers and other employees of the Manager and 11,832 restricted stock units to its directors, on November 8, 2021, the Company granted 1,201 restricted stock units to the sole member of the general partner of one of the Company's subsidiaries, on February 21, 2022, the Company granted

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264,476 restricted stock units to its officers and other employees of the Manager and 12,464 restricted stock units to its directors, on April 4, 2023, the Company granted 418,685 restricted stock units to its officers and other employees of the Manager and 21,370 restricted stock units to its directors, and on March 13, 2024 the Company granted 442,666 restricted stock units to its officers and other employees of the Manager and 22,650 restricted stock units to its directors. 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.

The following table includes the number of restricted stock units granted, vested, forfeited and outstanding as of March 31, 2024:

	2024	
	Number of Units	Weighted Average Grant Date Fair Value
Outstanding December 31, 2023	771,671	\$ 16.70
Granted	465,316	14.66
Vested	(120,640) (1)	19.89
Forfeited	—	—
Outstanding March 31, 2024	1,116,347	\$ 15.51

(1) Certain key employees of the Manager elected to net the taxes owed upon vesting against the shares issued resulting in 74,344 shares being issued as shown on the consolidated statements of stockholders' equity.

The vesting schedule for the restricted stock units as of March 31, 2024 is as follows:

	Shares Vesting				
	February	March	April	May	Total
2024	—	—	126,042	68,564	194,606
2025	116,998	133,321	102,201	—	352,520
2026	54,893	110,667	91,166	—	256,726
2027	—	110,665	91,167	—	201,832
2028	—	110,663	—	—	110,663
Total	171,891	465,316	410,576	68,564	1,116,347

As of March 31, 2024, total unrecognized compensation expense on restricted stock unit awards was approximately \$ 9.8 million, and the expense is expected to be recognized over a weighted average vesting period of 1.3 years.

At-The-Market-Offering

On March 15, 2022, the Company, the OP and the Manager entered into separate equity distribution agreements (the "2022 Equity Distribution Agreements") with each of Raymond James, Keefe, Bruyette & Woods, Inc., Robert W. Baird & Co. Incorporated and Virtu Americas LLC (collectively, the "2022 Sales Agents"), pursuant to which the Company could issue and sell from time to time shares of the Company's common stock and Series A Preferred Stock having an aggregate sales price of up to \$100.0 million (the "2022 ATM Program"). The 2022 Equity Distribution Agreements provided for the issuance and sale of common stock or Series A Preferred Stock by the Company through a sales agent acting as a sales agent or directly to the sales agent acting as principal for its own account at a price agreed upon at the time of sale.

Sales of shares of common stock or Series A Preferred Stock under the 2022 ATM Program, if any, may be made in transactions that are deemed to be "at the market" offerings, as defined in Rule 415 under the Securities Act of 1933 (the "Securities Act") including, without limitation, sales made by means of ordinary brokers' transactions on the New York Stock Exchange ("NYSE"), to or through a market maker at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices based on prevailing market prices.

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The following table contains summary information of the 2022 ATM Program for sales from inception through March 31, 2024:

Gross Proceeds	\$ 12,575,493
Shares of Common Stock Issued	531,728
Gross Average Sale Price per Share of Common Stock	\$ 23.65
Sales Commissions	\$ 188,655
Offering Costs	888,249
Net Proceeds	\$ 11,498,589
Average Price Per Share, net	\$ 21.62

Noncontrolling Interest in Subsidiary

On April 1, 2021, a subsidiary of one of the Subsidiary OPs (such subsidiary, the "REIT Sub") closed its issuance of 125 preferred membership units of the REIT Sub (the "Preferred Membership Units") at a price of \$1,000 per unit, for gross proceeds of approximately \$ 0.1 million, net of offering costs and initial administrative expenses. Holders of Preferred Membership Units are entitled to receive distributions semiannually from the REIT Sub at a per annum rate equal to 12.0% of the total of the purchase price of \$ 1,000 per unit plus accumulated and unpaid distributions. The Preferred Membership Units are generally redeemable by the REIT Sub at any time for \$1,000 per unit plus accumulated and unpaid distributions and an additional redemption premium if the Preferred Membership Units are redeemed on or before December 31, 2023. The issuance of the 125 Preferred Membership Units is presented as "Noncontrolling interest in subsidiary" on the Consolidated Balance Sheets and Consolidated Statements of Stockholders' Equity.

OP Unit Redemption

At the 2021 annual meeting of the Company, the Company's stockholders approved the potential issuance of 13,758,906 shares of the Company's common stock to related parties in connection with the redemption of their OP Units or SubOP Units that may be redeemed for OP Units. As of March 31, 2024, the Company had issued 8,748,735 shares of the Company's common stock to redeeming unitholders.

12. Earnings Per Share

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

Diluted earnings per share is computed by adjusting basic earnings per share for the dilutive effect of the assumed vesting of restricted stock units. Additionally, the Company includes the dilutive effect of the potential redemption of OP Units for common shares in accordance with the second amended and restated limited partnership agreement of the OP (as amended, the "OP LPA"). The Company also includes the assumed conversion of the Series B Preferred Stock using the if-converted method. During periods of net loss, the assumed vesting of restricted stock units is anti-dilutive and is not included in the calculation of earnings (loss) per share.

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

	For the Three Months Ended March 31,	
	2024	2023
Net income (loss) attributable to common stockholders	\$ (14,286)	\$ 6,567
Earnings for basic computations		
Net income (loss) attributable to redeemable noncontrolling interests	(1,894)	1,937
Net income for diluted computations	<u>\$ (16,180)</u>	<u>\$ 8,504</u>
Weighted-average common shares outstanding		
Average number of common shares outstanding - basic	17,264	17,118
Average number of common shares from assumed vesting of unvested restricted stock units	740	522
Average number of common shares from assumed conversion of OP Units	5,038	5,038
Average number of common shares from assumed conversion of Series B Preferred Stock	1,820	—
Average number of common shares outstanding - diluted	<u>24,862</u>	<u>22,678</u>
Earnings per weighted average common share:		
Basic	\$ (0.83)	\$ 0.38
Diluted (1)	\$ (0.83)	\$ 0.37

(1) Diluted EPS calculations were higher than basic EPS and thus anti-dilutive for the three months ended March 31, 2024. As such, the Company is presenting diluted EPS as equal to basic EPS.

13. Noncontrolling Interests

Redeemable Noncontrolling Interests in the OP

The following table sets forth the redeemable noncontrolling interests in the OP (reflecting the OP's consolidation of the Subsidiary OPs) for the three months ended March 31, 2024 and March 31, 2023 (in thousands):

	For the Three Months Ended March 31,	
	2024	2023
Redeemable noncontrolling interests in the OP, January 1,	\$ 89,471	\$ 96,501
Adjustment to redeemable noncontrolling interest in the OP on deconsolidation of real estate	—	297
Net loss attributable to redeemable noncontrolling interests in the OP	(1,894)	1,937
Redemption of redeemable noncontrolling interests in the OP	—	—
Distributions to redeemable noncontrolling interests in the OP	(2,519)	(3,023)
Redeemable noncontrolling interests in the OP, March 31,	<u>\$ 85,058</u>	<u>\$ 95,712</u>

The table below presents the common shares and OP Units outstanding held by the noncontrolling interests ("NCI"), as the OP Units and SubOP Units held by the Company are eliminated in consolidation:

Period End	Common Shares Outstanding	OP Units Held by NCI	Combined Outstanding
March 31, 2024	17,306,257	5,038,382	22,344,639

14. Related Party Transactions

Management Fee

In accordance with the Management Agreement, the Company pays the Manager an annual management fee equal to 1.5% of Equity (as defined below), paid monthly, in cash or shares of Company common stock at the election of our Manager (the "Annual Fee"). The duties performed by the Company's Manager under the terms of the Management Agreement include, but are not limited to: providing daily management for the Company, selecting and working with third-party service providers, formulating an investment strategy for the Company and selecting suitable investments, managing the Company's outstanding debt and its interest rate exposure and determining when to sell assets.

"Equity" means (a) the sum of (1) total stockholders' equity immediately prior to the closing of the IPO, plus (2) the net proceeds received by the Company from all issuances of the Company's equity securities in and after the IPO, plus (3) the Company's cumulative Earnings Available for Distribution ("EAD") (as defined below) from and after the IPO to the end of the most recently completed calendar quarter, (b) less (1) any distributions to the holders of the Company's common stock from and after the IPO to the end of the most recently completed calendar quarter and (2) all amounts that the Company or any of its subsidiaries has paid to repurchase for cash the shares of the Company's equity securities from and after the IPO to the end of the most recently completed calendar quarter. In the Company's calculation of Equity, the Company will adjust its calculation of EAD to remove the compensation expense relating to awards granted under one or more of its long-term incentive plans that is added back in the calculation of EAD. Additionally, for the avoidance of doubt, Equity does not include the assets contributed to the Company in the Formation Transaction.

"EAD" means the net income (loss) attributable to the common stockholders of the Company, computed in accordance with GAAP, including realized gains and losses not otherwise included in net income (loss), excluding any unrealized gains or losses or other similar non-cash items that are included in net income (loss) for the applicable reporting period, regardless of whether such items are included in other comprehensive income (loss), or in net income (loss) and adding back amortization of stock-based compensation. For the purpose of calculating EAD for the Annual Fee, net income (loss) attributable to common stockholders may also be adjusted for the effects of certain GAAP adjustments and transactions that may not be indicative of the Company's current operations, in each case after discussions between the Manager and the independent directors of the Board and approved by a majority of the independent directors of the Board.

Pursuant to the terms of the Management Agreement, the Company is required to pay directly or reimburse the Manager for all documented Operating Expenses and Offering Expenses it incurs on behalf of the Company. "Operating Expenses" include legal, accounting, financial and due diligence services performed by the Manager that outside professionals or outside consultants would otherwise perform, the Company's pro rata share of rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of the Manager required for the Company's operations and compensation expenses under the LTIP. "Offering Expenses" include all expenses (other than underwriters' discounts) in connection with an offering of securities, including, without limitation, legal, accounting, printing, mailing and filing fees and other documented offering expenses. For the three months ended March 31, 2024, there were no Offering Expenses that were paid on the Company's behalf for which the Company reimbursed the Manager.

Connections at Buffalo Pointe Contribution

On May 29, 2020, the OP entered into a contribution agreement (the "Buffalo Pointe Contribution Agreement") with entities affiliated with executive officers of the Company and the Manager (the "BP Contributors") whereby the BP Contributors contributed their respective preferred membership interests in NexPoint Buffalo Pointe Holdings, LLC ("Buffalo Pointe"), to the OP for total consideration of \$10.0 million paid in OP Units. A total of 564,334 OP Units were issued to the BP Contributors, which was calculated by dividing the total consideration of \$10.0 million by the combined book value of the Company's common stock and the SubOP Units, on a per share or unit basis, as of March 31, 2023, or \$17.72 per OP Unit. The Company additionally contributed an aggregate of approximately \$2.4 million on January 9, 2023, March 6, 2023, March 28, 2023, May 25, 2023, August 16, 2023, and March 1, 2024. Buffalo Pointe owns a stabilized multifamily property located in Houston, Texas with 92.0% occupancy as of March 31, 2024. The preferred equity investment pays current interest at a rate of 6.5%, deferred interest at a rate of 4.5%, has a loan-to-value ratio of 82.9% and a maturity date of May 1, 2030.

Pursuant to the OP LPA and the Buffalo Pointe Contribution Agreement, the BP Contributors have the right to cause our OP to redeem their OP Units for cash or, at our election, shares of our common stock on a one-for-one basis, subject to adjustment, as provided and subject to the limitations in our OP LPA, provided the OP Units have been outstanding for at least one year and our stockholders have approved the issuance of shares of common stock to the BP Contributors. On May

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11, 2021, our stockholders approved the issuance of such shares upon the exercise of the BP Contributors' redemption rights.

RSU Issuance

On May 8, 2020, in accordance with the LTIP, the Company granted 14,739 restricted stock units to its directors, on June 24, 2020, the Company granted 274,274 restricted stock units to its officers and other employees of the Manager, on November 2, 2020, the Company granted 1,838 restricted stock units to the sole member of the general partner of one of the Company's subsidiaries, on February 22, 2021, the Company granted 233,385 restricted stock units to its directors, officers employees and certain key employees of the Manager and its affiliates, the Company granted 1,201 restricted stock units to the sole member of the general partner of one of the Company's subsidiaries, on February 21, 2022, the Company granted 264,476 restricted stock units to its officers and other employees of the Manager and 12,464 restricted stock units to its directors, on April 4, 2023, the Company granted 418,685 restricted stock units to its officers and other employees of the Manager and 21,370 restricted stock units to its directors, and on March 13, 2024, the Company granted 442,666 restricted stock units to its officers and other employees of the Manager and 22,650 restricted stock units to its directors.

OP Unit Redemptions

At the 2021 annual meeting of the Company, the Company's stockholders approved the potential issuance of 13,758,906 shares of the Company's common stock to related parties in connection with the redemption of their OP Units or SubOP Units that may be redeemed for OP Units. As of March 31, 2024, the Company had issued 8,748,735 shares of the Company's common stock to redeeming unitholders.

Expense Cap

Pursuant to the terms of the Management Agreement, direct payment of operating expenses by the Company, which includes compensation expense relating to equity awards granted under the LTIP, together with reimbursement of operating expenses to the Manager, plus the Annual Fee, may not exceed 2.5% of equity book value (the "Expense Cap") for any calendar year or portion thereof, provided, however, that this limitation will not apply to Offering Expenses, legal, accounting, financial, due diligence and other service fees incurred in connection with extraordinary litigation and mergers and acquisitions and other events outside the ordinary course of 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. For the three months ended March 31, 2024 and March 31, 2023, operating expenses did not exceed the Expense Cap.

For the three months ended March 31, 2024 and March 31, 2023, the Company incurred management fees of \$ 0.8 million and \$0.8 million, respectively.

NSP Guaranty

On December 8, 2022 and in connection with a restructuring of NSP, the Company, through REIT Sub, together with NexPoint Diversified Real Estate Trust, Highland Income Fund and NexPoint Real Estate Strategies Fund (collectively, the "Co-Guarantors"), as guarantors, entered into a sponsor guaranty agreement in favor of Extra Space Storage, LP ("Extra Space") pursuant to which REIT Sub and the 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 guarantees by REIT Sub and the Co-Guarantors are capped at \$ 97.6 million, and each of REIT Sub and the 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 NexPoint Diversified Real Estate Trust are jointly and severally liable for 85.90% of the guaranteed amount.

Convertible Promissory Note

On October 18, 2022, the Company, through a subsidiary, borrowed \$6.5 million from NFRO REIT Sub, LLC (the "Holder") and issued \$ 6.5 million aggregate amount of a 7.50% note to the Holder maturing on October 18, 2027. Beginning on January 1, 2023 through June 30, 2027, the Holder may elect to convert all or any part of the outstanding principal and accrued but unpaid interest due, and all other amounts due and payable to the Holder thereunder or in connection therewith, into equity interests of an affiliate of the borrower.

Elysian at Hughes Center

On February 1, 2022, the Company, through a subsidiary (the "Trust"), purchased the Elysian at Hughes Center, a 368-unit multifamily property in Las Vegas, Nevada, for a total of \$184.1 million. The Trust is managed by an affiliate of the Manager (the "Asset Manager"). Effective January 1, 2023, the Company restructured this investment such that it does not meet the requirements for consolidation under ASC 810 – Consolidation and has been deconsolidated herein as of January 1, 2023 and presented as a preferred equity investment. As of December 31, 2022, the Company owned a preferred equity investment and indirect common equity interests in Elysian at Hughes Center, which resulted in the consolidation at year end. However, the common equity interests have been transferred to the Asset Manager in exchange for \$54,000 and a guarantee of payments due to the Company in respect of its preferred equity investment if the investment is not redeemed prior to the close of the ongoing private offering of Class I Beneficial Interests in the Trust, which will continue until the maximum offering amount of \$115.3 million has been reached. The Company's preferred investments were initially made from December 28, 2021 through July 26, 2022 and totaled \$65.3 million. Following the transfer of the common equity interests, the Company no longer is the primary beneficiary of the Trust and as such does not consolidate it. The Company recognized a gain on deconsolidation of \$1.5 million related to the residual effect of removing the consolidated assets and liabilities from the Consolidated Balance Sheets. The fair value of the preferred equity investment still approximates its par value so no portion of the gain on deconsolidation is related to a remeasurement of the fair value of the preferred equity investment. Management determined the fair value of the preferred equity investment using a market approach and performing a benchmarking analysis to comparable transactions. As of March 31, 2024, \$54.0 million of the Company's preferred investment in Elysian at Hughes Center had been redeemed, resulting in a remaining principal balance of \$10.3 million.

Series B Preferred Stock Offering

On November 2, 2023, the Company announced the launch of the Series B Preferred Offering. NexPoint Securities, Inc., an affiliate of the Manager, serves as the Company's dealer manager (the "Dealer Manager") in connection with the Series B Preferred Offering. The Dealer Manager uses its reasonable best efforts to sell the shares of Series B Preferred Stock offered in the Series B Preferred Offering, and the Company pays the Dealer Manager, subject to the discounts and other special circumstances described or referenced therein, (i) selling commissions of 7.0% of the aggregate gross proceeds from sales of Series B Preferred Stock in the Series B Preferred Offering ("Selling Commissions") and (ii) a dealer manager fee of 3.0% of the gross proceeds from sales of Series B Preferred Stock in the Series B Preferred Offering (the "Dealer Manager Fee"). The Dealer Manager, subject to federal and state securities laws, will reallocate all or any portion of the Selling Commissions and may reallocate a portion of the Dealer Manager Fee to other securities dealers that the Dealer Manager may retain who sold the shares of Series B Preferred Stock as is described more fully in the agreements between such dealers and the Dealer Manager. The Company expects that the offering will terminate on the earlier of the date the Company sells all 16,000,000 shares of the Series B Preferred Stock in the offering or March 14, 2025 (which is the third anniversary of the effective date of the Company's registration statement), which may be extended by the Company's Board in its sole discretion. The Board may elect to terminate this offering at any time. As of March 31, 2024, the Company has issued 1,657,700 shares of Series B Preferred Stock for gross proceeds of \$40.9 million and paid the Dealer Manager \$2.6 million Selling Commissions and \$1.0 million Dealer Manager Fees.

Promissory Note

On March 28, 2024, the Company loaned \$500,000 to NexPoint SFR Operating Partnership, L.P. (the "SFR OP"), the operating partnership of NexPoint Homes Trust, Inc., an entity that is advised by an affiliate of the Manager. In connection with the loan, SFR OP issued a \$500,000 12.50% note (the "SFR OP Note") to the Company on March 31, 2024. The SFR OP Note bears interest at 12.50%, which is payable in kind, is interest only during the term of the SFR OP Note and matures on March 31, 2025.

VineBrook Homes Mortgage Backed Securities

On February 29, 2024, the Company, through one of the Subsidiary OPs, purchased approximately \$ 49.2 million aggregate principal amount of the Class A, E1, and E2 tranches of the VINEB 2024 SFR1 CMBS at a blended price equal to 90.2% of par value. The investment has a blended unlevered yield of 6.9%. On March 1, 2024, the Company, through one of the Subsidiary OPs, borrowed approximately \$ 35.8 million through the existing repurchase agreement. The loans bear interest at a rate of 1.0%, 1.6%, and 1.6% over SOFR, respectively.

15. Commitments and Contingencies

Except as otherwise disclosed below, the Company is not aware of any contractual obligations, legal proceedings, or any other contingent obligations incurred in the normal course of business that would have a material adverse effect on our consolidated financial statements.

On September 29, 2021, the Company, through one of the Subsidiary OPs, entered into an agreement to purchase up to \$ 50.0 million in a new preferred equity investment (the "Preferred Units") upon notice from the issuer. Subject to certain conditions, the Company may be required to purchase an additional \$25.0 million of Preferred Units at the option of the issuer. The funds are expected to be used to capitalize special purpose limited liability companies ("PropCos") to engage in sale-and-leaseback transactions and development transactions on life science real property. On September, 22, 2023, the issuer exercised its right to extend the final obligation date to purchase any additional Preferred Units to September 29, 2024. As of March 31, 2024, the Company may have the obligation to fund an additional \$3.6 million by September 29, 2024, which the issuer may extend for up to one year at its option for an extension fee. The Preferred Units accrue distributions at a rate of 10.0% annually, compounded monthly. Distributions on the Preferred Units will be paid in cash with respect to stabilized PropCos and paid in kind with respect to unstabilized PropCos. The obligations of the issuer will be supported by a pledge of all equity units of the PropCos. All or a portion of the Preferred Units may be redeemed at any time for a redemption price equal to the purchase price of the Preferred Units to be redeemed plus any accrued and unpaid distributions thereon and a cash redemption fee. Upon the redemption of any Preferred Units and if the parties agree, the remaining amount to be funded by the Company may be increased by the aggregate purchase price of the redeemed Preferred Units. In addition, if the issuer experiences a change of control, the redemption price will also include a payment equal to the amount needed to achieve a multiple on invested capital ("MOIC") equal to 1.25x for unstabilized PropCos and 1.10x for stabilized PropCos. As of March 31, 2024, the Company has not recorded any contingencies on its Consolidated Balance Sheets as the obligation to fund additional Preferred Units other than under the existing commitment is considered remote.

On March 14, 2023, the Company, through one of the Subsidiary OPs, committed to fund \$ 24.0 million of preferred equity with respect to a ground up construction horizontal single-family property located in Phoenix, Arizona, of which \$16.9 million was unfunded as of March 31, 2024. The preferred equity investment provides a floating annual return that is the greater of prime rate plus 5.0% or 11.25%, compounded monthly with a MOIC of 1.30x and 1.0% placement fee. The Company was also issued a common interest at the time of its first funding of preferred equity on May 16, 2023. The common interest allows the Company to receive a 10% profit share once aggregate distributions exceed the 20% IRR hurdle as shown below. There was no value ascribed to the common interest as of March 31, 2024. Further, once the Company's preferred equity and accrued interest has been repaid, any additional cash flow and net sale proceeds shall be distributed as follows:

- 0% to the Company and 100% to issuer up to a 20.0% internal rate of return ("IRR")
- 10% to the Company and 90% to issuer thereafter

On February 10, 2023, the Company, through one of the Subsidiary OPs, through a unit purchase agreement, committed to purchase \$ 30.3 million of the preferred units with respect to a multifamily property development located in Forney, Texas, which was fully funded as of March 31, 2024. Further, the Company committed to purchase \$4.3 million of common equity with respect to the same property, of which \$ 1.3 million was unfunded as of March 31, 2024.

On February 10, 2023, the Company, through one of the Subsidiary OPs, through a unit purchase agreement, committed to purchase \$ 30.3 million of the preferred units with respect to a multifamily property development located in Richmond, Virginia, of which \$6.1 million was unfunded as of March 31, 2024. Further, the Company committed to purchase \$4.3 million of common equity with respect to the same property, of which \$ 3.3 million was unfunded as of March 31, 2024.

On January 26, 2024, the Company, through one of its subsidiaries, along with related party The Ohio State Life Insurance Company ("OSL") entered into a Mezzanine Loan and Security Agreement (the "Alewife Loan") whereby it made a loan in the maximum principal amount of up to \$218 million to IQHQ-Alewife Holdings, LLC ("Alewife Holdings"), which is solely owned by IQHQ, LP. The Company has an ownership interest in the Series D-1 preferred stock in IQHQ, who is the limited partner in IQHQ, LP; however, the Company has no controlling financial interest nor significant influence in IQHQ, LP. The loan is secured by a first mortgage with a first lien position and other security.

interests. The Company's portion of the total commitment is \$ 208 million, of which \$164.7 million was unfunded as of March 31, 2024. See Note 16.

The table below shows the Company's unfunded commitments by investment type as of March 31, 2024 and December 31, 2023 (in thousands):

Investment Type	March 31, 2024		December 31, 2023	
	Unfunded Commitments		Unfunded Commitments	
Mezzanine Loan	\$	164,717	\$	—
Preferred Equity		21,519		34,966
Common Equity		4,600		6,600
	\$	190,836	\$	41,566

16. Subsequent Events

Promissory Note

On April 19, 2024, NREF OP IV, L.P. ("OP IV"), a subsidiary of the Company, borrowed \$ 6.5 million from NexPoint Diversified Real Estate Trust Operating Partnership, L.P. ("NXDT OP"), the operating partnership of NexPoint Diversified Real Estate Trust ("NXDT"), an entity that is advised by an affiliate of the Manager. In connection with the loan, OP IV issued a \$6.5 million note (the "NREF Note") to NXDT OP on April 19, 2024. 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.

Loan Commitments

On May 10, 2024, the Company, through OP IV; NXDT OP, the operating partnership of NXDT; and 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 (the "Alewife Agreement"), pursuant to which OP IV assigned the right to fund up to 9% of the Alewife Loan to be made to Alewife Holdings to NXDT OP and allocated the right to fund up to 9% of the Alewife Loan to OSL. Upon receipt of a draw request, NXDT OP and OSL 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 NXDT OP and OSL, respectively. OP IV would be required to fund any amounts not funded by OSL and NXDT OP. At any time that NXDT OP and OSL have funded less than their respective 9% of all advances made under the Alewife Loan, NXDT OP and OSL shall have the option upon notice to OP IV to pay to OP IV any amount of such unfunded amount. Upon such payment, NXDT OP or OSL would become entitled to all interest and fees accrued on the amount paid to OP IV on and after the date of such payment. The Company's expected maximum commitment under the Alewife Loan is \$179 million as of the date hereof.

CMBS Acquisition

On April 30, 2024, the Company, through three Subsidiary OPs, purchased approximately \$ 31.9 million aggregate principal amount of the Class C tranche of the FREMF 2024-K520 CMBS at a price equal to 85.3% of par value, representing 95% of the Class C tranche. The investment pays a fixed coupon of 5.59% with an all-in unlevered yield of

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9.50%. On May 1, 2024, the Company through one of the Subsidiary OPs, entered into a repurchase agreement and borrowed approximately \$17.7 million. The loan bears interest at a rate of 2.00% over SOFR.

CMBS Disposition

On May 8, 2024, the Company, through one of the Subsidiary OPs, sold its \$ 30.0 million aggregate principal amount of the Class A tranche of the VINEB 2024 SFR1 CMBS at a price equal to 93.16% of par value.

Mortgage Backed Security Dispositions

On April 19, 2024, the Company, through one of the Subsidiary OPs, sold approximately \$ 10.4 million aggregate principal amount of the Class G tranche of the STAR 2021-SFR1 G at a price equal to 97% of par value.

Alewife Holdings

On April 12, 2024, April 24, 2024, May 9, 2024, May 10, 2024, and May 13, 2024, the Company funded an additional \$9.0 million, \$10.3 million, \$6.0 million, \$3.0 million, and \$1.5 million respectively, to Alewife Holdings.

Raymond James Term Loan

On April 30, 2024, the Company, through the OP, borrowed \$ 20.0 million from Raymond James Bank which was used to effectuate the acquisition FREMF 2024-K520 CMBS. The term loan was fully repaid on May 1, 2024.

NexBank Loan

On April 29, 2024, the Company, through the OP, entered into a loan agreement with NexBank, as lender, providing for a loan in the aggregate principal amount of \$10.0 million (the "NexBank Loan").

The NexBank Loan bears interest at the rate which is the higher of (i) One Month Term Secured Overnight Financing Rate plus 4.2% per annum or (ii) 8.25% per annum, which is interest only during the term of the NexBank Loan and matures on April 28, 2025, with the OP having two 364-day extension options, which may be exercised at the OP's sole discretion.

The NexBank Loan is secured by certain equity interests held by the OP and is guaranteed by the Company. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained therein, defaults in payments under any other security instrument, and bankruptcy or other insolvency events.

Dividends

On April 18, 2024, our Board declared a Series B Preferred Stock dividend to Series B Preferred stockholders of \$ 0.1875, which will be paid on June 5, 2024, to Series B Preferred stockholders of record as of May 24, 2024.

On April 29, 2024, our Board declared the second regular quarterly dividend of 2024 to common stockholders of \$ 0.50, to be paid on June 28, 2024, to common stockholders of record as of June 14, 2024.

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 results of operations. The following should be read in conjunction with our financial statements and accompanying notes included herein and with our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 22, 2024. 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" and "Risk Factors" in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2023. Our management believes the assumptions underlying the Company's financial statements and accompanying notes are reasonable. However, the Company's financial statements and accompanying notes may not be an indication of our financial condition and results of operations in the future.

Overview

We are a commercial mortgage REIT incorporated in Maryland on June 7, 2019. Our strategy is to originate, structure and invest in first-lien mortgage loans, mezzanine loans, preferred equity, convertible notes, multifamily properties and common stock investments, as well as multifamily and SFR CMBS securitizations, MSCR Notes and mortgage backed securities, or our target assets. We primarily focus on investments in real estate sectors where our senior management team has operating expertise, including in the multifamily, SFR, self-storage, life science and hospitality sectors predominantly in the top 50 MSAs. In addition, we target lending or investing in properties that are stabilized or have a light-transitional business plan.

Our investment objective is to generate attractive, risk-adjusted returns for stockholders over the long term. We seek to employ a flexible and relative-value focused investment strategy and expect to re-allocate capital periodically among our target investment classes. We believe this flexibility will enable us to efficiently manage risk and deliver attractive risk-adjusted returns under a variety of market conditions and economic cycles.

We are externally managed by our Manager, a subsidiary of our Sponsor, an SEC-registered investment advisor, which has extensive real estate experience, having completed as of March 31, 2024 approximately \$18.4 billion of gross real estate transactions since the beginning of 2012. In addition, our Sponsor, together with its affiliates and NexBank, is one of the most experienced global alternative credit managers managing approximately \$19.8 billion of loans and debt or credit related investments as of March 31, 2024 and has managed credit investments for over 25 years. We believe our relationship with our Sponsor benefits us by providing access to resources including research capabilities, an extensive relationship network, other proprietary information, scalability, and a vast wealth of knowledge of information on real estate in our target assets and sectors.

We elected to be treated as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2020. We also intend to operate our business in a manner that will permit us to maintain one or more exclusions or exemptions from registration under the Investment Company Act.

On October 15, 2021, a lawsuit (the "Bankruptcy Trust Lawsuit") was filed by a litigation subtrust formed in connection with Highland's bankruptcy against various persons and entities, including our Sponsor and James Dondero. In addition, on February 8, 2023, a lawsuit (the "UBS Lawsuit") was filed by UBS Securities LLC and its affiliate against Mr. Dondero and a number of other persons and entities. Neither the Bankruptcy Trust Lawsuit nor the UBS Lawsuit include claims related to our business or our assets or operations. 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.

Purchases and Dispositions in the Quarter

Acquisitions and Originations

The Company acquired or originated the following investments through the Subsidiary OPs in the three months ended March 31, 2024. The amounts in the table below are as of the purchase or investment date:

Investment	Property Type	Investment Date	Outstanding			Current Yield (1)	Maturity Date	Interest Rate Type
			Principal Amount	Cost (% of Par Value)	Coupon (1)			
Common Equity	Multifamily	9/8/2023	\$ 1,606,814 (2)	66.7 %	N/A	N/A	N/A	N/A
Mezzanine	Life Sciences	1/26/2024	43,283,523 (3)	100.0 %	14.32 %	14.32 %	2/9/2027	Floating Rate
Preferred Equity	Multifamily	5/29/2020	687,127	100.0 %	11.00 %	11.00 %	5/1/2030	Fixed Rate
Common Equity	Multifamily	2/10/2023	2,010,101	99.5 %	N/A	N/A	N/A	N/A
Preferred Equity	Life Science	1/14/2022	1,608,040	99.5 %	10.00 %	10.05 %	9/29/2024	Fixed Rate
Preferred Equity	Single-family	5/16/2023	1,530,000	99.0 %	13.50 %	13.64 %	4/28/2027	Floating Rate
Preferred Equity	Life Science	9/29/2021	4,321,608	99.5 %	10.00 %	10.05 %	9/29/2024	Fixed Rate
Preferred Equity	Multifamily	2/24/2023	5,000,000 (4)	99.0 %	11.00 %	11.11 %	2/10/2025	Floating Rate
Preferred Equity	Multifamily	2/10/2023	3,400,000 (4)	99.0 %	11.00 %	11.11 %	2/10/2025	Floating Rate
Preferred Stock	Life Science	11/9/2023	3,506,633	100.0 %	11.00 %	11.00 %	N/A	Fixed Rate
CMBS B-Piece	Multifamily	2/22/2024	30,869,000	85.6 %	5.90 %	6.89 %	1/25/2029	Fixed Rate
Mortgage Backed Security	Single-family	2/29/2024	5,000,000	94.7 %	4.50 %	4.75 %	3/19/2029	Fixed Rate
Mortgage Backed Security	Single-family	2/29/2024	11,000,000	85.7 %	4.50 %	5.25 %	3/19/2029	Fixed Rate
Mortgage Backed Security	Single-family	2/29/2024	8,213,000	79.7 %	4.50 %	5.65 %	3/19/2029	Fixed Rate
Promissory Note	Single-family	3/28/2024	500,000	100.0 %	12.50 %	12.50 %	3/28/2025	Fixed Rate
			<u>\$ 122,535,847</u>					

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- (1) Current yield and coupon as of March 31, 2024.
- (2) Includes investments made on January 26, 2024, and March 1, 2024.
- (3) Includes investments made on January 26, 2024, and February 9, 2024.
- (4) Includes investments made on January 8, 2024, and February 2, 2024.

Redemptions and Sales

The following investments were redeemed or sold during the three months ended March 31, 2024:

Investment	Property Type	Investment Date	Disposition Date	Amortized Cost Basis	Redemption/Sales Proceeds	Prepayment Penalties	Net Gain (Loss) on Repayment
Senior loan	Single-family	2/11/2020	1/25/2024	\$ 533,717,586	\$ 508,700,000	\$ 8,936,484	\$ (16,081,102)
Mortgage Backed Security	Single-family	6/1/2022	2/1/2024	9,789,293	9,608,078	—	(181,215)
Preferred Equity	Multifamily	12/28/2021	2/7/2024	1,123,818	1,123,818	—	—
Mortgage Backed Security	Multifamily	9/12/2022	3/25/2024	3,934,375	3,903,460	—	(30,915)
Mortgage Backed Security	Single-family	7/28/2022	3/28/2024	923,951	907,699	—	(16,252)
Mortgage Backed Security	Single-family	7/28/2022	3/28/2024	567,300	557,750	—	(9,550)
				<u>\$ 550,056,322</u>	<u>\$ 524,800,805</u>	<u>\$ 8,936,484</u>	<u>\$ (16,319,034)</u>

Components of Our Revenues and Expenses

Net Interest Income

Interest income. Our earnings are primarily attributable to the interest income from mortgage loans, mezzanine loan and preferred equity investments. Loan premium/discount amortization and prepayment penalties are also included as components of interest income.

Interest expense. Interest expense represents interest accrued on our various financing obligations used to fund our investments and is shown as a deduction to arrive at net interest income.

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The following table presents the components of net interest income for the three months ended March 31, 2024 and 2023 (dollars in thousands):

	For the Three Months Ended March 31,							
	2024			2023			\$ Change	% Change
	Interest income/ (expense)	Average Balance (1)	Yield (2)	Interest income/ (expense)	Average Balance (1)	Yield (2)		
Interest income								
SFR Loans, held-for-investment	\$ (13,369)	\$ 725,833	(1.84)%	\$ 6,619	\$ 746,111	0.89 %	\$ (19,988)	(301.98)%
Mezzanine loans, held-for-investment	3,801	155,299	2.45 %	4,140	157,789	2.62 %	(339)	(8.2)%
Preferred equity, held-for-investment	6,199	138,728	4.47 %	3,778	102,471	3.69 %	2,421	64.1 %
CMBS structured pass-through certificates, at fair value	543	46,020	1.18 %	539	66,442	0.81 %	4	0.7 %
MSCR Notes	342	10,214	3.35 %	311	4,385	7.09 %	31	10.0 %
Mortgage backed securities	910	33,888	2.69 %	774	11,025	7.02 %	136	17.6 %
Total interest income	\$ (1,574)	\$ 1,109,981	(0.14)%	\$ 16,161	\$ 1,088,223	1.49 %	\$ (17,735)	(109.74)%
Interest expense								
Master repurchase agreements, net	\$ (5,724)	\$ (331,400)	1.73 %	\$ (5,083)	\$ (147,850)	3.44 %	\$ (641)	12.6 %
Long-term seller financing, net	(1,756)	(687,629)	0.26 %	(3,735)	(822,820)	0.45 %	1,979	(53.0)%
Unsecured notes, net	(3,760)	(205,068)	1.83 %	(3,394)	(201,697)	1.68 %	(366)	10.8 %
Total interest expense	\$ (11,240)	\$ (1,224,097)	0.92 %	\$ (12,212)	\$ (1,172,367)	1.04 %	\$ 972	(8.0)%
Net interest income (3)	<u><u>\$ (12,814)</u></u>			<u><u>\$ 3,949</u></u>			<u><u>\$ (16,763)</u></u>	<u><u>(424.5)%</u></u>

(1) Average balances for the SFR Loans, the mezzanine loan and preferred equity are calculated based upon carrying values.

(2) Yield calculated on an annualized basis.

(3) Net interest income is calculated as the difference between total interest income and total interest expense.

Other Income (Loss)

Change in net assets related to consolidated CMBS variable interest entities. Includes unrealized gain (loss) based on changes in the fair value of the assets and liabilities of the CMBS trusts and net interest earned on the consolidated CMBS trusts. See Note 4 to our consolidated financial statements for additional information.

Change in unrealized gain (loss) on CMBS structured pass-through certificates. Includes unrealized gain (loss) based on changes in the fair value of the CMBS I/O Strips. See Note 7 to our consolidated financial statements for additional information.

Change in unrealized gain on common stock investments. Includes unrealized gain (loss) based on changes in the fair value of our common stock investments in NSP and the Private REIT. See Note 5 to our consolidated financial statements for additional information.

Change in unrealized gain (loss) on MSCR Notes. Includes unrealized gain (loss) based on changes in the fair value of our MSCR Notes. See Note 7 to our consolidated financial statements for additional information.

Change in unrealized gain on mortgage backed securities. Includes unrealized gain (loss) based on changes in the fair value of our mortgage backed securities. See Note 7 to our consolidated financial statements for additional information.

Provision for (reversal of) credit losses, net. Provision for (reversal of) credit losses, net represents the change in our allowance for loan losses. See Note 2 to our consolidated financial statements for additional information.

Realized losses. Realized losses include the excess, or deficiency, of net proceeds received, less the carrying value of such investments, as realized losses. The Company reverses cumulative unrealized gains or losses previously reported in its Consolidated Statements of Operations with respect to the investment sold at the time of the sale.

Revenues from consolidated real estate owned (Note 8). Reflects the total revenues for our multifamily properties. Revenues include rental income and other income of the multifamily properties.

Equity in Income (Losses) of Equity Method Investments. 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.

Other income. Includes placement fees, exit fees and other miscellaneous income items.

Operating Expenses

G&A expenses. G&A expenses include, but are not limited to, audit fees, legal fees, listing fees, Board fees, equity-based and other compensation expenses, investor-relations costs and payments of reimbursements to our Manager. The Manager will be reimbursed for expenses it incurs on behalf of the Company. However, our Manager is responsible, and we will not reimburse our Manager or its affiliates, for the salaries or benefits to be paid to personnel of our Manager or its affiliates who serve as our officers, except that 50% of the salary of our VP of Finance is allocated to us and we may grant equity awards to our officers under the LTIP. Direct payment of operating expenses by us, which includes compensation expense relating to equity awards granted under the LTIP, together with reimbursement of operating expenses to our Manager, plus the Annual Fee, may not exceed 2.5% of equity book value determined in accordance with GAAP, for any calendar year or portion thereof, provided, however, that this limitation will not apply to Offering Expenses, legal, accounting, financial, due diligence and other service fees incurred in connection with extraordinary litigation and mergers and acquisitions and 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. To the extent total corporate G&A expenses would otherwise exceed 2.5% of equity book value, our Manager will waive all or a portion of its Annual Fee to keep our total corporate G&A expenses at or below 2.5% of equity book value.

Loan servicing fees. We pay various service providers fees for loan servicing of our SFR Loans, mezzanine loans and consolidated CMBS trusts. We classify the expenses related to the administration of the SFR Loans and mezzanine loans as servicing fees while the fees associated with the CMBS trusts are included as a component of the change in net assets related to consolidated CMBS variable interest entities ("VIEs").

Management fees. Management fees include fees paid to our Manager pursuant to the Management Agreement.

Expenses from consolidated real estate owned (Note 8). Reflects the total expenses for our multifamily properties. Expenses include interest, real estate taxes and insurance, operating, general and administrative, management fees, depreciation and amortization, rate cap (income) expense, and debt service bridge expenses of the multifamily properties.

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

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

	For the Three Months Ended March 31,			\$ Change	% Change
	2024	2023			
Net interest income (expense)	\$ (12,814)	\$ 3,949	\$ (16,763)		(424.5)%
Other income	9,199	10,949	(1,750)		(16.0)%
Operating expenses	(11,026)	(5,520)	(5,506)		99.7 %
Net income (loss)	(14,641)	9,378	(24,019)		(256.1)%
Net (income) loss attributable to Series A preferred stockholders	(874)	(874)	—		NA
Net (income) loss attributable to Series B preferred stockholders	(665)	—	(665)		NA
Net (income) loss attributable to redeemable noncontrolling interests	1,894	(1,937)	3,831		(197.8)%
Net income (loss) attributable to common stockholders	\$ (14,286)	\$ 6,567	\$ (20,853)		(317.5)%

The change in our net income (loss) for the three months March 31, 2024 as compared to the net income (loss) for the three months ended March 31, 2023 primarily relates to accelerated amortization of the premium associated with the prepayment on a senior loan. Our net loss attributable to common stockholders for the three months ended March 31, 2024 was approximately \$14.3 million. We had approximately \$12.8 million in net interest losses, generated income of \$9.2 million in other income, incurred operating expenses of \$11.0 million, allocated \$0.9 million of losses to Series A Preferred stockholders, allocated \$0.7 million of losses to Series B Preferred stockholders, and allocated \$1.9 million of losses to redeemable noncontrolling interests for the three months ended March 31, 2024.

Revenues

Net interest income (loss). Net interest loss was \$12.8 million for the three months ended March 31, 2024 compared to net interest income of \$3.9 million for the three months ended March 31, 2023 which was a decrease of approximately \$16.7 million. The decrease between the periods is primarily due to accelerated amortization of the premium associated with the prepayment on a senior loan during the three months ended March 31, 2024. As of March 31, 2024 we own 88 discrete investments compared to 87 as of March 31, 2023.

Other income. Other income was \$9.2 million for the three months ended March 31, 2024 compared to \$10.9 million for the three months ended March 31, 2023 which was a decrease of approximately \$1.8 million. This was primarily due to an increase in unrealized losses related to consolidated CMBS VIEs and a decrease in fair value marks between the periods.

Expenses

G&A expenses. G&A expenses were \$4.2 million for the three months ended March 31, 2024 compared to \$2.2 million for the three months ended March 31, 2023 which was an increase of approximately \$2.0 million. The increase between the periods was primarily due to a \$1.0 million increase in stock compensation expense and a \$0.7 million increase in legal fees compared to the prior period.

Loan servicing fees. Loan servicing fees were \$0.6 million for the three months ended March 31, 2024 compared to \$1.0 million for the three months ended March 31, 2023 which was a decrease of approximately \$0.4 million. The decrease between the periods was primarily due to a decrease in SFR Loans and mezzanine loans in the portfolio compared to the prior period.

Management fees. Management fees were \$0.8 million for the three months ended March 31, 2024 compared to \$0.8 million for the three months ended March 31, 2023.

Expenses from consolidated real estate owned. Expenses from consolidated real estate owned were \$5.4 million for the three months ended March 31, 2024, compared to \$1.5 million for the three months ended March 31, 2023. The increase is due to the consolidation of Alexander at the District.

Key Financial Measures and Indicators

As a real estate finance company, we believe the key financial measures and indicators for our business are earnings per share, dividends declared, EAD, CAD and book value per share.

Earnings Per Share and Dividends Declared

The following table sets forth the calculation of basic and diluted net income per share and dividends declared per share (in thousands, except per share data):

	For the Three Months Ended March 31,		% Change
	2024	2023	
Net income (loss) attributable to redeemable noncontrolling interests	\$ 4,969	\$ 1,937	156.5 %
Net income (loss) attributable to common stockholders	(14,286)	6,567	(317.5)%
Weighted-average number of shares of common stock outstanding			
Basic	17,264	17,118	0.9 %
Diluted	24,862	22,678	9.6 %
Net income per share, basic	\$ (0.83)	\$ 0.38	(318.4)%
Net income per share, diluted	\$ (0.83)	\$ 0.37	(324.3)%
Dividends declared per share	\$ 0.5000	\$ 0.6850	(27.0)%

Earnings Available for Distribution and Cash Available for Distribution

EAD is a non-GAAP financial measure. We believe EAD serves as a useful indicator for investors in evaluating our performance and our long-term ability to pay distributions. EAD is defined as the net income (loss) attributable to our common stockholders computed in accordance with GAAP, including realized gains and losses not otherwise included in net income (loss), excluding any unrealized gains or losses or other similar non-cash items that are included in net income (loss) for the applicable reporting period, regardless of whether such items are included in other comprehensive income (loss), or in net income (loss) and adding back amortization of stock-based compensation. Net income (loss) attributable to common stockholders may also be adjusted for the effects of certain GAAP adjustments and transactions that may not be indicative of our current operations.

We use EAD to evaluate our performance which excludes the effects of certain GAAP adjustments and transactions that we believe are not indicative of our current operations and to assess our long-term ability to pay distributions. We believe providing EAD as a supplement to GAAP net income (loss) to our investors is helpful to their assessment of our performance and our long term ability to pay distributions. EAD does not represent net income or cash flows from operating activities and should not be considered as an alternative to GAAP net income, an indication of our GAAP cash flows from operating activities, a measure of our liquidity or an indication of funds available for our cash needs. Our computation of EAD may not be comparable to EAD reported by other REITs.

We also use EAD as a component of the management fee paid to our Manager. As consideration for the Manager's services, we will pay our Manager an annual management fee of 1.5% of Equity, paid monthly, in cash or shares of our common stock at the election of our Manager. "Equity" means (a) the sum of (1) total stockholders' equity immediately prior to the closing of our IPO, plus (2) the net proceeds received by us from all issuances of our equity securities in and after the IPO, plus (3) our cumulative EAD from and after the IPO to the end of the most recently completed calendar quarter, (b) less (1) any distributions to our holders of common stock from and after the IPO to the end of the most recently completed calendar quarter and (2) all amounts that we have paid to repurchase for cash the shares of our equity securities from and after the IPO to the end of the most recently completed calendar quarter. In our calculation of Equity, we will adjust our calculation of EAD to remove the compensation expense relating to awards granted under one or more of our long-term incentive plans that is added back in our calculation of EAD. Additionally, for the avoidance of doubt, Equity does not include the assets contributed to us in the Formation Transaction. For the purpose of calculating EAD for the management fee, net income (loss) attributable to common stockholders may be adjusted for the effects of certain GAAP adjustments and transactions that may not be indicative of our current operations, in each case after discussions between

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the Manager and the independent directors of our Board and approved by a majority of the independent directors of our Board.

CAD is a non-GAAP financial measure. We calculate CAD by adjusting EAD by adding back amortization of premiums, depreciation and amortization of real estate investment, amortization of deferred financing costs and by removing accretion of discounts and non-cash items, such as stock dividends. We use CAD to evaluate our performance and our current ability to pay distributions. We also believe that providing CAD as a supplement to GAAP net income (loss) to our investors is helpful to their assessment of our performance and our current ability to pay distributions. CAD does not represent net income or cash flows from operating activities and should not be considered as an alternative to GAAP net income, an indication of our GAAP cash flows from operating activities, a measure of our liquidity or an indication of funds available for our cash needs. Our computation of CAD may not be comparable to CAD reported by other REITs.

The following table provides a reconciliation of EAD and CAD to GAAP net income attributable to common stockholders for the three months ended March 31, 2024 and 2023 (in thousands, except per share amounts):

	For the Three Months Ended March 31,			% Change
	2024	2023		
Net income attributable to common stockholders	\$ (14,286)	\$ 6,567		(317.5)%
Adjustments				
Amortization of stock-based compensation	1,798	847		112.3 %
Provision for (reversal of) credit losses	(352)	(28)		N/A
Equity in (income) losses of equity method investments (1)	1,676	—		N/A
Unrealized (gains) or losses (2)	1,132	2,139		(47.1)%
EAD attributable to common stockholders	<u>\$ (10,031)</u>	<u>\$ 9,525</u>		<u>(205.3)%</u>
EAD per Diluted Weighted-Average Share	<u>\$ (0.55)</u>	<u>\$ 0.54</u>		<u>(201.9)%</u>
EAD per Diluted Weighted-Average Share				
Adjustments				
Amortization of premiums	23,363	2,945		693.3 %
Accretion of discounts	(3,252)	(2,919)		11.4 %
Depreciation and amortization of real estate investments	1,943	397		389.4 %
Amortization of deferred financing costs	10	9		11.8 %
CAD attributable to common stockholders	<u>\$ 12,033</u>	<u>\$ 9,957</u>		<u>20.8 %</u>
CAD per Diluted Weighted-Average Share	<u>\$ 0.67</u>	<u>\$ 0.56</u>		<u>19.6 %</u>
Weighted-average common shares outstanding - basic	<u>17,264</u>	<u>17,118</u>		<u>0.9 %</u>
Weighted-average common shares outstanding - diluted (3)	<u>18,082</u>	<u>17,640</u>		<u>2.5 %</u>

(1) Starting in the third quarter of 2023, the Company has adjusted EAD to remove the (income) / loss from equity method investments as it does not represent distributable earnings. We will include income from equity method investments to the extent that we receive cash distributions and upon realizing gains and/or losses.

(2) Unrealized gains are the net change in unrealized loss on investments held at fair value applicable to common stockholders.

(3) Weighted-average diluted shares outstanding does not include dilutive effect of redeemable non-controlling interests.

The following table provides a reconciliation of EAD and CAD to GAAP net income including the dilutive effect of noncontrolling interests for the three months ended March 31, 2024 and 2023 (in thousands, except per share amounts):

	For the Three Months Ended March 31,		% Change
	2024	2023	
Net income (loss) attributable to common stockholders	\$ (14,286)	\$ 6,567	(317.5) %
Net income (loss) attributable to redeemable noncontrolling interests	(1,894)	1,937	(197.8) %
Adjustments			
Amortization of stock-based compensation	1,798	847	112.3 %
Provision for (reversal of) credit losses	(420)	(34)	N/A
Equity in (income) losses of equity method investments			
(1)	2,000	—	N/A
Unrealized (gains) or losses (2)	1,351	2,564	47.3 %
EAD	<u>\$ (11,451)</u>	<u>\$ 11,881</u>	<u>(196.4)</u> %
EAD per Diluted Weighted-Average Share	<u>\$ (0.46)</u>	<u>\$ 0.52</u>	<u>(188.5)</u> %
Adjustments			
Amortization of premiums	\$ 27,874	\$ 3,531	689.4 %
Accretion of discounts	(3,880)	(3,500)	(10.9) %
Depreciation and amortization of real estate investments	2,318	476	(387.0) %
Amortization of deferred financing costs	12	11	(9.1) %
CAD	<u>\$ 14,873</u>	<u>\$ 12,399</u>	<u>20.0</u> %
CAD per Diluted Weighted-Average Share	<u>\$ 0.60</u>	<u>\$ 0.55</u>	<u>9.1</u> %
Weighted-average common shares outstanding - basic	<u>17,264</u>	<u>17,118</u>	<u>0.9</u> %
Weighted-average common shares outstanding - diluted	<u>24,862</u>	<u>22,678</u>	<u>9.6</u> %

(1) Starting in the third quarter of 2023, the Company has adjusted EAD to remove the (income) / loss from equity method investments as it does not represent distributable earnings. We will include income from equity method investments to the extent that we receive cash distributions and upon realizing gains and/or losses.

(2) Unrealized gains are the net change in unrealized loss on investments held at fair value applicable to common stockholders.

Book Value per Share / Unit

The following table calculates our book value per share (in thousands, except per share data):

	December 31,	
	March 31, 2024	2023
Common stockholders' equity	\$ 287,764	\$ 309,832
Shares of common stock outstanding at period end	17,306	17,232
Book value per share of common stock	<u>\$ 16.63</u>	<u>\$ 17.98</u>

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Due to the large noncontrolling interest in the OP (see Note 13 to our consolidated financial statements for more information), we believe it is useful to also look at book value on a combined basis as shown in the table below (in thousands, except per share data):

	December 31,	
	March 31, 2024	2023
Common stockholders' equity	\$ 287,764	\$ 309,832
Redeemable noncontrolling interests in the OP	85,058	89,471
Total equity	\$ 372,822	\$ 399,303
Redeemable OP Units at period end	5,038	5,038
Shares of common stock outstanding at period end	17,306	17,232
Combined shares of common stock and redeemable OP Units	<u>22,345</u>	<u>22,270</u>
Combined book value per share / unit	<u>\$ 16.69</u>	<u>\$ 17.93</u>

Our Portfolio

Our portfolio consists of SFR Loans, CMBS B-Pieces, CMBS I/O Strips, mezzanine loans, preferred equity investments, common stock investments, multifamily properties, MSCR Notes and mortgage backed securities with a combined unpaid principal balance of \$1.5 billion as of March 31, 2024 and assumes the CMBS Entities' assets and liabilities are not consolidated. The following table sets forth additional information relating to our portfolio as of March 31, 2024 (dollars in thousands):

Investment (1)	Investment Date	Current				Property Type	Coupon	Remaining Term	
		Principal Amount	Net Equity (2)	Location	Current Yield (3)			(4)	(years)
SFR Loans									
1 Senior loan	2/11/2020	\$ 8,508	\$ 1,246	Various	Single-family	5.35 %	5.26 %	3.84	
2 Senior loan	2/11/2020	9,982	1,288	Various	Single-family	5.30 %	5.07 %	4.42	
3 Senior loan	2/11/2020	5,336	704	Various	Single-family	5.24 %	4.99 %	4.51	
4 Senior loan	2/11/2020	34,967	4,228	Various	Single-family	4.74 %	4.65 %	1.50	
5 Senior loan	2/11/2020	9,401	1,219	Various	Single-family	6.10 %	5.77 %	4.51	
6 Senior loan	2/11/2020	35,840	4,592	Various	Single-family	5.55 %	5.21 %	4.59	
7 Senior loan	2/11/2020	5,627	733	Various	Single-family	5.99 %	5.66 %	4.67	
8 Senior loan	2/11/2020	8,605	1,175	Various	Single-family	5.88 %	5.61 %	4.76	
9 Senior loan	2/11/2020	6,444	895	Various	Single-family	5.46 %	5.24 %	4.92	
10 Senior loan	2/11/2020	10,522	1,409	Various	Single-family	4.72 %	4.64 %	1.92	
Total		135,232	17,489			5.31 %	5.09 %	3.55	
CMBS B-Pieces									
1 CMBS B-Piece	2/11/2020	20,338 (5)	6,388	Various	Multifamily	9.61 %	9.61 %	1.91	
2 CMBS B-Piece	2/11/2020	28,581 (5)	9,560	Various	Multifamily	10.60 %	10.59 %	2.65	
3 CMBS B-Piece	4/23/2020	81,999 (5)	26,019	Various	Multifamily	3.51 %	5.06 %	5.91	
4 CMBS B-Piece	7/30/2020	16,310 (5)	5,709	Various	Multifamily	14.45 %	14.45 %	3.24	
5 CMBS B-Piece	8/6/2020	108,643 (5)	22,960	Various	Multifamily	— %	9.03 %	6.24	
6 CMBS B-Piece	4/20/2021	16,906 (5)	3,145	Various	Multifamily	11.58 %	11.58 %	6.91	
7 CMBS B-Piece	6/30/2021	108,305 (5)	29,124	Various	Multifamily	— %	10.50 %	2.75	
8 CMBS B-Piece	5/2/2022	31,192 (5)	10,238	Various	Multifamily	4.43 %	4.75 %	14.66	
9 CMBS B-Piece	7/28/2022	63,395 (5)	21,877	Various	Multifamily	10.58 %	10.58 %	5.32	
10 CMBS B-Piece	2/22/2024	30,869 (5)	9,265	Various	Multifamily	5.90 %	6.87 %	4.82	
Total		506,538	144,285			4.36 %	8.87 %	5.31	
CMBS I/O Strips									
1 CMBS I/O Strip	5/18/2020	17,590 (6)	512	Various	Multifamily	2.02 %	14.67 %	22.50	
2 CMBS I/O Strip	8/6/2020	108,643 (6)	4,272	Various	Multifamily	2.98 %	18.60 %	6.24	
3 CMBS I/O Strip	4/28/2021 (7)	63,953 (6)	1,141	Various	Multifamily	1.59 %	18.20 %	5.82	

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4	CMBS I/O Strip	5/27/2021	20,000 (6)	1,123	Various	Multifamily	3.39 %	18.42 %	6.15
5	CMBS I/O Strip	6/7/2021	4,266 (6)	102	Various	Multifamily	2.31 %	23.40 %	4.66
6	CMBS I/O Strip	6/11/2021 (8)	97,876 (6)	1,124	Various	Multifamily	1.48 %	18.03 %	5.15
7	CMBS I/O Strip	6/24/2021	25,283 (6)	221	Various	Multifamily	1.17 %	18.61 %	6.15
8	CMBS I/O Strip	8/10/2021	25,000 (6)	563	Various	Multifamily	1.89 %	18.63 %	6.07
9	CMBS I/O Strip	8/11/2021	6,942 (6)	372	Various	Multifamily	3.10 %	15.69 %	7.32
10	CMBS I/O Strip	8/24/2021	1,625 (6)	66	Various	Multifamily	2.61 %	16.66 %	6.82
11	CMBS I/O Strip	9/1/2021	34,625 (6)	989	Various	Multifamily	1.92 %	17.63 %	6.24
12	CMBS I/O Strip	9/11/2021	20,902 (6)	1,107	Various	Multifamily	2.95 %	15.57 %	7.49
Total			426,705	11,592			2.14 %	18.01 %	6.64
Mezzanine Loans									
1	Mezzanine	6/12/2020	7,500	7,500	Houston, TX	Multifamily	11.00 %	11.00 %	1.25
2	Mezzanine	10/20/2020	5,470	2,244	Wilmington, DE	Multifamily	7.50 %	7.34 %	5.09
3	Mezzanine	10/20/2020	10,380	4,288	White Marsh, MD	Multifamily	7.42 %	7.24 %	7.25
4	Mezzanine	10/20/2020	14,253	5,866	Philadelphia, PA	Multifamily	7.59 %	7.42 %	5.17
5	Mezzanine	10/20/2020	3,700	1,514	Daytona Beach, FL	Multifamily	7.83 %	7.67 %	4.51
6	Mezzanine	10/20/2020	12,000	4,955	Laurel, MD	Multifamily	7.71 %	7.52 %	7.01
7	Mezzanine	10/20/2020	3,000	1,239	Temple Hills, MD	Multifamily	7.32 %	7.14 %	7.34
8	Mezzanine	10/20/2020	1,500	620	Temple Hills, MD	Multifamily	7.22 %	7.04 %	7.34
9	Mezzanine	10/20/2020	5,540	2,272	Lakewood, NJ	Multifamily	7.33 %	7.17 %	5.09
10	Mezzanine	10/20/2020	6,829	2,797	Rosedale, MD	Multifamily	7.53 %	7.37 %	4.76
11	Mezzanine	10/20/2020	3,620	1,495	North Aurora, IL	Multifamily	7.42 %	7.24 %	7.25
12	Mezzanine	10/20/2020	9,610	3,970	Cockeysville, MD	Multifamily	7.42 %	7.24 %	7.25
13	Mezzanine	10/20/2020	7,390	3,053	Laurel, MD	Multifamily	7.42 %	7.24 %	7.25
14	Mezzanine	10/20/2020	2,135	874	Tyler, TX	Multifamily	7.74 %	7.58 %	4.51
15	Mezzanine	10/20/2020	1,190	488	Las Vegas, NV	Multifamily	7.71 %	7.54 %	4.92
16	Mezzanine	10/20/2020	3,310	1,358	Atlanta, GA	Multifamily	6.91 %	6.76 %	5.25
17	Mezzanine	10/20/2020	2,880	1,179	Des Moines, IA	Multifamily	7.89 %	7.72 %	4.59
18	Mezzanine	10/20/2020	4,010	1,642	Urbandale, IA	Multifamily	7.89 %	7.72 %	4.59
19	Mezzanine	11/18/2021	12,600	12,510	Irving, TX	Multifamily	16.29 %	16.41 %	4.67
20	Mezzanine	12/29/2021	7,760	7,749	Rogers, AR	Multifamily	16.29 %	16.31 %	0.78
21	Mezzanine	6/9/2022	4,500	4,481	Rogers, AR	Multifamily	16.02 %	16.09 %	1.19
22	Mezzanine	10/5/2022 (9)	4,030	4,000	Kirkland, WA	Multifamily	16.02 %	16.14 %	3.76
23	Mezzanine	1/26/2024	44,574	43,350	Cambridge, MA	Life Sciences	14.32 %	14.72 %	2.86
Total			177,781	119,444			10.79 %	10.81 %	4.54
Preferred Equity									
1	Preferred Equity	5/29/2020 (10)	12,385	12,385	Houston, TX	Multifamily	11.00 %	11.00 %	6.09
2	Preferred Equity	9/29/2021	14,121	14,093	Holly Springs, NC	Life Science	10.00 %	10.02 %	0.50
3	Preferred Equity	12/28/2021 (11)	10,253	10,253	Las Vegas, NV	Multifamily	10.50 %	10.50 %	7.92
4	Preferred Equity	1/14/2022	26,207	26,199	Vacaville, CA	Life Science	10.00 %	10.00 %	0.50
5	Preferred Equity	4/7/2022 (12)	4,000	3,968	Beaumont, TX	Self-Storage	15.29 %	15.41 %	6.42
6	Preferred Equity	6/8/2022	4,000	3,968	Temple, TX	Self-Storage	14.57 %	14.69 %	6.42
7	Preferred Equity	7/1/2022 (13)	9,000	8,939	Medley, FL	Self-Storage	11.00 %	11.08 %	3.25
8	Preferred Equity	8/10/2022	8,500	8,457	Plano, TX	Multifamily	16.12 %	16.20 %	1.44
9	Preferred Equity	9/30/2022	9,000	8,950	Fort Worth, TX	Multifamily	15.02 %	15.10 %	1.50
10	Preferred Equity	10/19/2022	19,908	19,945	Woodbury, MN	Life Science	10.00 %	9.98 %	0.50
11	Preferred Equity	2/10/2023	32,955	32,853	Forney, TX	Multifamily	11.00 %	11.03 %	0.87
12	Preferred Equity	2/24/2023	26,104	26,003	Richmond, VA	Multifamily	11.00 %	11.04 %	0.87
13	Preferred Equity	4/6/2023	25,002	25,039	Temecula, CA	Life Science	17.50 %	17.47 %	0.50
14	Preferred Equity	5/16/2023 (14)	8,680	8,603	Phoenix, AZ	Single-family	13.50 %	13.62 %	3.08
15	Preferred Equity	5/17/2023 (15)	4,192	4,151	Houston, TX	Life Science	13.00 %	13.13 %	2.73
Total			214,307	213,806			12.11 %	12.14 %	1.84

Common Equity

1 Common Stock	11/6/2020	N/A	33,764	N/A	Self-Storage	N/A	N/A	N/A
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2	Common Stock	4/14/2022	N/A	26,894	N/A	Ground Lease	N/A	N/A	N/A
3	Common Equity	2/10/2023	N/A	—	Forney, TX	Multifamily	N/A	N/A	N/A
4	Common Equity	2/24/2023	N/A	—	Richmond, VA	Multifamily	N/A	N/A	N/A
5	Common Equity	9/8/2023	N/A	—	Atlanta, GA	Multifamily	N/A	N/A	N/A
60,658									
Preferred Stock									
1	Preferred Stock	11/9/2023	N/A	18,346	Various	Life Science	10.50 %	N/A	N/A
Real Estate									
1	Real Estate	12/31/2021	(16)	N/A	25,603	Charlotte, NC	Multifamily	N/A	N/A
2	Real Estate	10/10/2023	(17)	N/A	3,275	Atlanta, GA	Multifamily	N/A	N/A
Total									
28,878									
Promissory Note									
1	Promissory Note	3/28/2024	500	500	Various	Single-family	12.50 %	0.99	
MSCR Notes									
1	MSCR Note	5/25/2022	4,000	2,010	Various	Multifamily	14.82 %	14.82 %	28.17
2	MSCR Note	5/25/2022	5,000	2,236	Various	Multifamily	11.82 %	11.82 %	28.17
3	MSCR Note	9/23/2022	1,500	659	Various	Multifamily	12.17 %	13.37 %	27.67
Total									
10,500									
4,905									
13.01 %									
13.18 %									
28.10									
Mortgage Backed Securities									
1	Mortgage Backed Security	6/1/2022	10,419	3,473	Various	Single-family	8.63 %	8.87 %	2.05
2	Mortgage Backed Security	9/29/2022	8,000	7,964	Various	Self-Storage	11.10 %	11.12 %	3.46
3	Mortgage Backed Security	3/10/2023	5,747	2,034	Various	Multifamily	13.95 %	13.97 %	0.91
4	Mortgage Backed Security	2/29/2024	30,000	4,264	Various	Single-family	4.50 %	4.75 %	4.97
5	Mortgage Backed Security	2/29/2024	11,000	2,357	Various	Single-family	4.50 %	5.24 %	4.97
6	Mortgage Backed Security	2/29/2024	8,213	1,964	Various	Single-family	4.50 %	5.63 %	4.97
Total									
73,379									
22,056									
6.55 %									
6.92 %									
4.07									

- (1) Our total portfolio represents the current principal amount of the consolidated SFR Loans, CMBS I/O Strips, mezzanine loans, preferred equity, multifamily properties, MSCR Notes and mortgage backed securities as well as the net equity of our CMBS B-Piece investments.
- (2) Net equity represents the carrying value less borrowings collateralized by the investment.
- (3) Current yield is the annualized income earned divided by the cost basis of the investment.
- (4) The weighted-average life is weighted on current principal balance and assumes no prepayments. The maturity date for preferred equity investments represents the maturity date of the senior mortgage, as the preferred equity investments require repayment upon the sale or refinancing of the asset.
- (5) The CMBS B-Pieces are shown on an unconsolidated basis reflecting the value of our investments.
- (6) The number shown represents the notional value on which interest is calculated for the CMBS I/O Strips. CMBS I/O Strips receive no principal payments and the notional value decreases as the underlying loans are paid off.
- (7) The Company, through the Subsidiary OPs, purchased approximately \$50.0 million and \$15.0 million aggregate notional amount of the X1 interest-only tranche of the FHMS K-107 CMBS I/O Strip on April 28, 2021 and May 4, 2021, respectively.
- (8) The Company, through the Subsidiary OPs, purchased approximately \$80.0 million, \$35.0 million, \$40.0 million and \$50.0 million aggregate notional amount of the X1 interest-only tranche of the FRESB 2019-SB64 CMBS I/O Strip on June 11, 2021 and September 29, 2021, February 3, 2022 and March 18, 2022, respectively.
- (9) The Company reclassified this investment from preferred equity to a mezzanine loan effective January 1, 2023.
- (10) The Company, through the Subsidiary OPs, invested \$10.0 million on May 29, 2020, an aggregate of \$1.2 million on January 9, 2023, March 6, 2023 and March 28, 2023, \$0.2 million on May 25, 2023, \$0.3 million on August 16, 2023 and \$0.7 million on March 1, 2024 in this preferred equity investment.
- (11) The Company, through the Subsidiary OPs, invested \$5.0 million, \$1.8 million, \$40.1 million and \$18.5 million in this real estate investment on December 28, 2021, January, 27, 2022, February 1, 2022 and July 26, 2022, respectively.
- (12) The Company, through the Subsidiary OPs, invested \$2.7 million and \$1.3 million in this preferred equity investment on April 7, 2022 and May 3, 2022, respectively.
- (13) The Company reclassified this investment from a mezzanine loan to preferred equity effective January 1, 2023.

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(14) The Company, through the Subsidiary OPs, invested \$0.5 million and \$0.7 million in this preferred equity investment on May 16, 2023 and June 12, 2023, respectively.

(15) The Company, through the Subsidiary OPs, invested \$3.7 million and \$0.3 million in this preferred equity investment on May 17, 2023 and June 24, 2023, respectively.

(16) Real Estate is a 204-unit multifamily property. As of March 31, 2024, the property was 98.0% occupied, with effective rent per occupied unit of \$1,693 per month.

(17) Real Estate is a 280-unit multifamily property. As of March 31, 2024, the property was 68.6% occupied with effective rent per occupied unit of \$1,633 per month.

The following table details overall statistics for our portfolio as of March 31, 2024 (dollars in thousands):

	Total Portfolio	Floating Rate Investments		Fixed Rate Investments		Common Equity Investments		Preferred Stock Investment		Real Estate Investments
Number of investments	89	26		55		5		1		2
Principal balance (1)	\$ 1,168,775	\$ 385,093	\$ 783,681			N/A		N/A		N/A
Carrying value	\$ 1,261,394	\$ 381,232	\$ 880,162	\$ 60,658	\$ 18,346	\$ 124,486				
Weighted-average cash coupon	6.28 %	9.45 %	4.73 %			N/A		N/A		N/A
Weighted-average all-in yield	6.94 %	12.73 %	4.43 %			N/A		N/A		N/A

(1) Cost is used in lieu of principal balance for CMBS I/O Strips.

Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of funds necessary to pay for our ongoing commitments to repay borrowings, maintain our investments, make distributions to our stockholders and other general business needs. Our investments generate liquidity on an ongoing basis through principal and interest payments, prepayments and dividends. 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, potential obligations to fulfill unfunded commitments and dividend requirements for the twelve-month period following March 31, 2024.

Our long-term liquidity requirements consist primarily of acquiring additional investments, scheduled debt payments and distributions. We expect to meet our long-term liquidity requirements through various sources of capital, which may include future debt or equity issuances, net cash provided by operations and other secured and unsecured borrowings. Our leverage is matched in term and structure to provide stable contractual spreads which will protect us from fluctuations in market interest rates over the long-term. 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, borrowing restrictions imposed by lenders, general market conditions for REITs and our operating performance and liquidity. We believe that our various sources of capital, which may include future debt or equity issuances, net cash provided by operations and other secured and unsecured borrowings, will provide sufficient funds for our operations, anticipated debt service payments, potential obligations to purchase investments under the Company's commitments noted in Note 15 to our consolidated financial statements and dividend requirements for the long-term.

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Investment	Asset Metrics			Debt Metrics			Net Spread
	Fixed/Floating Rate	Interest Rate	Maturity Date	Fixed/Floating Rate	Interest Rate	Maturity Date	
SFR Loans							
Senior loan	Fixed	5.35%	2/1/2028	Fixed	3.51%	2/1/2028	1.84%
Senior loan	Fixed	5.30%	9/1/2028	Fixed	2.79%	9/1/2028	2.51%
Senior loan	Fixed	5.24%	10/1/2028	Fixed	2.64%	10/1/2028	2.60%
Senior loan	Fixed	4.74%	10/1/2025	Fixed	2.14%	10/1/2025	2.60%
Senior loan	Fixed	6.10%	10/1/2028	Fixed	3.30%	10/1/2028	2.80%
Senior loan	Fixed	5.55%	11/1/2028	Fixed	2.70%	11/1/2028	2.85%
Senior loan	Fixed	5.99%	12/1/2028	Fixed	3.14%	12/1/2028	2.85%
Senior loan	Fixed	5.88%	1/1/2029	Fixed	3.14%	1/1/2029	2.74%
Senior loan	Fixed	5.46%	3/1/2029	Fixed	2.99%	3/1/2029	2.47%
Senior loan	Fixed	4.72%	3/1/2026	Fixed	2.45%	3/1/2026	2.27%
Mezzanine Loans							
Mezzanine	Fixed	7.50%	5/1/2029	Fixed	0.30%	5/1/2029	7.20%
Mezzanine	Fixed	7.42%	7/1/2031	Fixed	0.30%	7/1/2031	7.12%
Mezzanine	Fixed	7.59%	6/1/2029	Fixed	0.30%	6/1/2029	7.29%
Mezzanine	Fixed	7.83%	10/1/2028	Fixed	0.30%	10/1/2028	7.53%
Mezzanine	Fixed	7.71%	4/1/2031	Fixed	0.30%	4/1/2031	7.41%
Mezzanine	Fixed	7.32%	8/1/2031	Fixed	0.30%	8/1/2031	7.02%
Mezzanine	Fixed	7.22%	8/1/2031	Fixed	0.30%	8/1/2031	6.92%
Mezzanine	Fixed	7.33%	5/1/2029	Fixed	0.30%	5/1/2029	7.03%
Mezzanine	Fixed	7.53%	7/1/2031	Fixed	0.30%	7/1/2031	7.23%
Mezzanine	Fixed	7.42%	1/1/2029	Fixed	0.30%	1/1/2029	7.12%
Mezzanine	Fixed	7.42%	7/1/2031	Fixed	0.30%	7/1/2031	7.12%
Mezzanine	Fixed	7.42%	4/1/2031	Fixed	0.30%	4/1/2031	7.12%
Mezzanine	Fixed	7.74%	10/1/2028	Fixed	0.30%	10/1/2028	7.44%
Mezzanine	Fixed	7.71%	3/1/2029	Fixed	0.30%	3/1/2029	7.41%
Mezzanine	Fixed	6.91%	7/1/2029	Fixed	0.30%	7/1/2029	6.61%
Mezzanine	Fixed	7.89%	11/1/2028	Fixed	0.30%	11/1/2028	7.59%
Mezzanine	Fixed	7.89%	11/1/2028	Fixed	0.30%	11/1/2028	7.59%

Our primary sources of liquidity and capital resources to date consist of cash generated from our operating results and the following:

Freddie Mac Credit Facilities

Prior to the Formation Transaction, two of our subsidiaries entered into a loan and security agreement, dated July 12, 2019, with Freddie Mac (the "Credit Facility"). Under the Credit Facility, these entities borrowed approximately \$788.8 million in connection with their acquisition of senior pooled mortgage loans backed by SFR properties (the "Underlying Loans"). No additional borrowings can be made under the Credit Facility, and our obligations will be secured by the Underlying Loans. The Credit Facility was assumed by the Company as part of the Formation Transaction. As such, the remaining outstanding balance of \$788.8 million was contributed to the Company on February 11, 2020. Our borrowings under the Credit Facility will mature on July 12, 2029; however, if an Underlying Loan matures prior to July 12, 2029, we will be required to repay the portion of the Credit Facility that is allocated to that loan. As of March 31, 2024, the outstanding balance on the Credit Facility was \$123.3 million.

Repurchase Agreements

From time to time, we may enter into repurchase agreements to finance the acquisition of our target assets. Repurchase agreements will effectively allow us to borrow against loans and securities that we own in an amount equal to (1) the market value of such loans and/or securities multiplied by (2) the applicable advance rate. Under these agreements, we will sell our loans and securities to a counterparty and agree to repurchase the same loans and securities from the counterparty at a price equal to the original sales price plus an interest factor. During the term of a repurchase agreement,

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we will receive the principal and interest on the related loans and securities and pay interest to the lender under the repurchase agreement. At any point in time, the amounts and the cost of our repurchase borrowings will be based on the assets being financed. For example, higher risk assets will result in lower advance rates (i.e., levels of leverage) at higher borrowing costs. In addition, these facilities may include various financial covenants and limited recourse guarantees.

As discussed in Note 9 to our consolidated financial statements, we, through the OP and the Subsidiary OPs, have borrowed approximately \$341.7 million under our repurchase agreements and posted approximately \$984.6 million par value of our CMBS B-Piece, CMBS I/O Strip, MSCR Notes and mortgage backed security investments as collateral. The CMBS B-Pieces, CMBS I/O Strips, MSCR Notes and mortgage backed securities held as collateral are illiquid and irreplaceable in nature. These assets are restricted solely to satisfy the interest and principal balances owed to the lender as described in our Annual Report.

The table below provides additional details regarding recent borrowings under the master repurchase agreements (dollars in thousands):

March 31, 2024																	
	Facility					Collateral											
	Date issued	Outstanding face amount	Carrying value	Final stated maturity	Weighted average interest rate (1)	Weighted average life (years) (2)	Outstanding face amount			Weighted average life (years) (2)							
							Outstanding face amount	Amortized cost basis	Carrying value (3)								
Master Repurchase Agreements																	
CMBS																	
Mizuho ⁽⁴⁾	4/15/2020	341,740	341,740	N/A (5)	7.15 %	0.00	984,591	519,743	513,307	6.06							

(1) Weighted-average interest rate using unpaid principal balances.

(2) Weighted-average life is determined using the maximum maturity date of the corresponding loans, assuming all extension options are exercised by the borrower.

(3) CMBS are shown at fair value on an unconsolidated basis.

(4) On April 15, 2020, three of our subsidiaries entered into a master repurchase agreement with Mizuho. Borrowings under these repurchase agreements are collateralized by portions of the CMBS B-Pieces, CMBS I/O Strips, MSCR Notes and mortgage backed securities.

(5) The master repurchase agreement with Mizuho does not have a stated maturity date. The transactions in place have a one-month to two-month tenor and are expected to roll accordingly.

At-The-Market Offering

On March 15, 2022, the Company, the OP and the Manager separately entered into the 2022 Equity Distribution Agreements with the 2022 Sales Agents, pursuant to which the Company may issue and sell from time to time shares of the Company's common stock and Series A Preferred Stock having an aggregate sales price of up to \$100.0 million in the 2022 ATM Program. The 2022 Equity Distribution Agreements provide for the issuance and sale of common stock or Series A Preferred Stock by the Company through a sales agent acting as a sales agent or directly to the sales agent acting as principal for its own account at a price agreed upon at the time of sale. As of March 31, 2024, pursuant to the 2022 Equity Distribution Agreements, the Company had sold 531,728 shares of its common stock and zero shares of Series A Preferred Stock for total gross sales of \$12.6 million. For additional information about the 2022 ATM Program, see Note 11 to our consolidated financial statements.

Series B Preferred Stock Offering

On November 2, 2023, the Company announced the launch of a continuous public offering of up to 16,000,000 shares of its Series B Preferred Stock at a price to the public of \$25.00 per share, for gross proceeds of \$400 million. Beginning on the first day of the calendar month following the date of original issuance, the Series B Preferred Stock are redeemable at the option of the holder at a redemption price per share equal to the liquidation preference of \$25.00 per share, plus all accrued but unpaid cash dividends and less certain redemption fees. After the first day of the calendar month following the second anniversary of the original issue date, the Company also has the option to redeem, in whole or in part, subject to certain restrictions in the Company's charter and the articles supplementary setting forth the terms of the Series B Preferred Stock, at a redemption price per share equal to the liquidation preference of \$25.00 per share, plus any accrued but unpaid cash dividends. In all optional redemptions, the Company has the right, in its sole discretion, to pay the redemption in cash or in equal value of shares of the Company's common stock for so long as the common stock is listed

or admitted to trading on the NYSE or another national securities exchange or automated quotation system. The Dealer Manager serves as the Company's dealer manager in connection with the offering. The Dealer Manager uses its reasonable best efforts to sell the shares of Series B Preferred Stock offered in the offering, and the Company pays the Dealer Manager, subject to the discounts and other special circumstances described or referenced therein, (i) Selling Commissions of 7.0% of the aggregate gross proceeds from sales of Series B Preferred Stock in the offering and (ii) a Dealer Manager Fee of 3.0% of the gross proceeds from sales of Series B Preferred Stock in the offering. The Dealer Manager, subject to federal and state securities laws, will reallocate all or any portion of the Selling Commissions and may reallocate a portion of the Dealer Manager Fee to other securities dealers that the Dealer Manager may retain who sold the shares of Series B Preferred Stock as is described more fully in the agreements between such dealers and the Dealer Manager. The Company expects that the offering will terminate on the earlier of the date the Company sells all 16,000,000 shares of the Series B Preferred Stock in the offering or March 14, 2025 (which is the third anniversary of the effective date of the Company's registration statement), which may be extended by the Board in its sole discretion. The Board may elect to terminate this offering at any time. As of March 31, 2024, the Company has sold 1,657,700 shares of Series B Preferred Stock for total gross proceeds of \$40.9 million.

Company Notes Offering

In 2022 and 2023, the Company issued a total of \$35 million and \$15 million in aggregate principal amount, respectively, of its 5.75% Notes for proceeds of approximately \$34.6 million and \$13.6 million, respectively, after original issue discount and underwriting fees.

In 2022, the Company purchased a total of \$5 million aggregate principal amount of its 5.75% Notes for approximately \$4.9 million. The purchased 5.75% Notes were cancelled upon settlement.

Other Potential Sources of Financing

We may seek additional sources of liquidity from further repurchase facilities, other borrowings and future offerings of common and preferred equity and debt securities and contributions from existing holders of the OP or Subsidiary OPs. In addition, we may apply our existing cash and cash equivalents and cash flows from operations to any liquidity needs. As of March 31, 2024, our cash and cash equivalents were \$19.3 million.

Cash Flows

The following table presents selected data from our Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and March 31, 2023 (in thousands):

	For the Three Months Ended March 31, 2024	
	2024	2023
Net cash provided by operating activities	\$ 17,711	\$ 14,950
Net cash provided by investing activities	545,411	66,732
Net cash (used in) financing activities	(560,484)	(61,704)
Net increase (decrease) in cash, cash equivalents, and restricted cash	2,638	19,978
Cash, cash equivalents and restricted cash, beginning of period	16,649	20,347
Cash, cash equivalents and restricted cash, end of period	\$ 19,287	\$ 40,325

Cash flows from operating activities. During the three months ended March 31, 2024, net cash provided by operating activities was \$17.7 million compared to net cash provided by operating activities of \$15.0 million for the three months ended March 31, 2023. This increase primarily relates to accelerated amortization of the premium associated with the prepayment on a senior loan.

Cash flows from investing activities. During the three months ended March 31, 2024, net cash provided by investing activities was \$545.4 million compared to net cash provided by investing activities of \$66.7 million for the three months ended March 31, 2023. This increase was primarily due to the principal prepayment on a senior loan.

Cash flows from financing activities. During the three months ended March 31, 2024, net cash used in financing activities was \$560.5 million compared to net cash used in financing activities of \$61.7 million for the three months ended

March 31, 2023. The increase primarily relates to principal repayments on borrowings under secured financing agreements associated with the prepayment on a senior loan.

Emerging Growth Company and Smaller Reporting Company Status

Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 13(a) of the Exchange Act, for complying with new or revised accounting standards applicable to public companies. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of this extended transition period. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates for such new or revised standards. We may elect to comply with public company effective dates at any time, and such election would be irrevocable pursuant to Section 107(b) of the JOBS Act.

We are also a "smaller reporting company" as defined in Regulation S-K under the Securities Act, and may elect to take advantage of certain of the scaled disclosures available to smaller reporting companies. We may be a smaller reporting company even after we are no longer an "emerging growth company."

Dividends

We intend to make regular quarterly dividend payments to holders of our common stock. We also intend to make the accrued dividend payments on the Series A Preferred Stock, which are payable quarterly in arrears as provided in the articles supplementary setting forth the terms of the Series A Preferred Stock and the Series B Preferred Stock, which are payable monthly as provided in the articles supplementary setting forth the terms of the Series B Preferred Stock. 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, which is not used to pay a dividend on the Series A Preferred Stock and Series B Preferred Stock, to holders of our common stock 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 to holders of our common stock based on our estimate of taxable earnings per share of common stock, 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 and non-deductible G&A expenses. Our quarterly dividends per share of our common stock may be substantially different than our quarterly taxable earnings and GAAP earnings per share. Our Board declared the first regular quarterly dividend to common stockholders of \$0.50 per share on February 26, 2024, which was paid on March 28, 2024, to stockholders of record as of March 15, 2024. Our Board declared a Series A Preferred Stock dividend to Series A Preferred stockholders of \$0.53125 per share, which was paid on April 25, 2024, to Series A Preferred stockholders of record as of April 15, 2024. On January 2, 2024, our Board declared a Series B Preferred Stock dividend to Series B Preferred stockholders of \$0.1875 which was paid on February 5, 2024 to Series B Preferred Stockholders of record as of January 25, 2024. On January 18, 2024, our Board declared a Series B Preferred Stock dividend to Series B Preferred stockholders of \$0.1875, which was paid March 5, 2024, to Series B Preferred Stockholders of record as of February 23, 2024. On February 21, 2024, our Board declared a Series B Preferred Stock dividend to Series B Preferred stockholders of \$0.1875, which was paid on April 5, 2024, to stockholders of record as of March 25, 2024. On March 22, 2024, our Board declared a Series B Preferred Stock dividend to Series B Preferred stockholders of \$0.1875, which will be paid on May 6, 2024, to stockholders of record as of April 25, 2024.

Off-Balance Sheet Arrangements

As of March 31, 2024, we had one off balance sheet arrangement that has or is 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.

On December 8, 2022 and in connection with a restructuring of NSP, the Company, through REIT Sub, together with NexPoint Diversified Real Estate Trust, Highland Income Fund and NexPoint Real Estate Strategies Fund (collectively, the "Co-Guarantors"), as guarantors, entered into a sponsor guaranty agreement (the "NSP Sponsor Guaranty Agreement") in favor of Extra Space Storage, LP ("Extra Space") pursuant to which REIT Sub and the 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 REIT Sub and the Co-Guarantors are capped at \$97.6 million, and each of REIT Sub and the 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 NexPoint Diversified Real Estate Trust are jointly and severally liable for 85.90% of the guaranteed amount.

Commitments and Contingencies

Except as otherwise disclosed below, the Company is not aware of any contractual obligations, legal proceedings or any other contingent obligations incurred in the normal course of business that would have a material adverse effect on our consolidated financial statements.

On September 29, 2021, the Company, through one of the Subsidiary OPs, entered into an agreement to purchase up to \$50.0 million in a new preferred equity investment (the "Preferred Units") upon notice from the issuer. Subject to certain conditions, the Company may be required to purchase an additional \$25.0 million of Preferred Units at the option of the issuer. The funds are expected to be used to capitalize special purpose limited liability companies ("PropCos") to engage in sale-and-leaseback transactions and development transactions on life science real property. On September 22, 2023, the issuer exercised its right to extend the final obligation date to purchase any additional Preferred Units to September 29, 2024. As of March 31, 2024, the Company may have the obligation to fund an additional \$3.6 million by September 29, 2024, which the issuer may extend for up to one year at its option for an extension fee. The Preferred Units accrue distributions at a rate of 10.0% annually, compounded monthly. Distributions on the Preferred Units will be paid in cash with respect to stabilized PropCos and paid in kind with respect to unstabilized PropCos. The obligations of the issuer will be supported by a pledge of all equity units of the PropCos. All or a portion of the Preferred Units may be redeemed at any time for a redemption price equal to the purchase price of the Preferred Units to be redeemed plus any accrued and unpaid distributions thereon and a cash redemption fee. Upon the redemption of any Preferred Units and if the parties agree, the remaining amount to be funded by the Company may be increased by the aggregate purchase price of the redeemed Preferred Units. In addition, if the issuer experiences a change of control, the redemption price will also include a payment equal to the amount needed to achieve a multiple on invested capital ("MOIC") equal to 1.25x for unstabilized PropCos and 1.10x for stabilized PropCos. As of March 31, 2024, the Company has not recorded any contingencies on its Consolidated Balance Sheets as the obligation to fund additional Preferred Units other than under the existing commitment is considered remote for the three months ended March 31, 2024.

The Company provides certain guarantees in connection with the NSP Sponsor Guaranty Agreement. See Off-Balance Sheet Arrangements above for further details.

On March 14, 2023, the Company, through one of the Subsidiary OPs, committed to fund \$24.0 million of preferred equity with respect to a ground up construction horizontal single-family property located in Phoenix, Arizona, of which \$16.9 million was unfunded as of March 31, 2024. The preferred equity investment provides a floating annual return that is the greater of prime rate plus 5.0% or 11.25%, compounded monthly with a MOIC of 1.30x and 1.0% placement fee. The Company was also issued a common interest at the time of its first funding of preferred equity on May 16, 2023. The common interest allows the Company to receive a 10% profit share once aggregate distributions exceed the 20% internal rate of return ("IRR") hurdle as shown below. There was no value ascribed to the common interest as of March 31, 2024. Further, once the Company's preferred equity and accrued interest has been repaid, any additional cash flow and net sale proceeds shall be distributed as follows:

- 0% to the Company and 100% to issuer up to a 20.0% IRR
- 10% to the Company and 90% to issuer thereafter

On February 10, 2023, the Company, through one of the Subsidiary OPs, through a unit purchase agreement, committed to purchase \$30.3 million of the preferred units with respect to a multifamily property development located in

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Forney, Texas, which was fully funded as of March 31, 2024. Further, the Company committed to purchase \$4.3 million of common equity with respect to the same property, of which \$1.3 million was unfunded as of March 31, 2024.

On February 10, 2023, the Company, through one of the Subsidiary OPs, through a unit purchase agreement, committed to purchase \$30.3 million of the preferred units with respect to a multifamily property development located in Richmond, Virginia, of which \$6.1 million was unfunded as of March 31, 2024. Further, the Company committed to purchase \$4.3 million of common equity with respect to the same property, of which \$3.3 million was unfunded as of March 31, 2024.

On January 26, 2024, the Company, along with related party OSL, entered into the Alewife Loan whereby it made a loan in the maximum principal amount of up to \$218 million to Alewife Holdings, which is solely owned by IQHQ, LP. The Company has an ownership interest in the Series D-1 preferred stock in IQHQ, Inc., who is the limited partner in IQHQ, LP; however, the Company has no controlling financial interest nor significant influence in IQHQ, LP. The loan is secured by a first mortgage with a first lien position and other security interests. The Company's portion of the total commitment is \$208 million, of which \$164.7 million was unfunded as of March 31, 2024. Subsequent to March 31, 2024, the Company entered into the Alewife Agreement and the Company's expected maximum commitment is \$179 million as of the date hereof. See Note 16.

The table below shows the Company's unfunded commitments by investment type as of March 31, 2024 and December 31, 2023 (in thousands):

Investment Type	March 31, 2024		December 31, 2023	
	Unfunded Commitments		Unfunded Commitments	
Mezzanine Loan	\$	164,717	\$	—
Preferred Equity		21,519		34,966
Common Equity		4,600		6,600
	\$	190,836	\$	41,566

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our 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 and estimates that involve significant estimation uncertainty that have or are reasonably likely to have a material impact on our financial condition or results of operations. A discussion of recent accounting pronouncements and our significant accounting policies, including further discussion of the accounting policies described below, can be found in Note 2 to our consolidated financial statements.

Allowance for Credit Losses

We adopted ASU 2016-13 as of January 1, 2023. The implementation process included the utilization of loan loss forecasting models, updates to our loan credit loss policy documentation, changes to internal reporting processes and related internal controls, and overall operational readiness for our adoption of the new standard. We have implemented loan loss forecasting models for estimating expected life-time credit losses, at the individual loan level, for our loan portfolio. These models are also utilized for estimating expected life-time credit losses for unfunded loan commitments for which the Company has a present contractual obligation to extend the credit and the obligation is not unconditionally cancellable. The CECL forecasting methods used by the Company include (i) a probability of default and loss given default method using underlying third-party CMBS/Commercial Real Estate loan database with historical loan losses from 1998 to 2022, and (ii) probability weighted expected cash flow method, depending on the type of loan and the availability of relevant historical market loan loss data. We might use other acceptable alternative approaches in the future depending on, among other factors, the type of loan, underlying collateral, and availability of relevant historical market loan loss data. Significant inputs to our forecasting methods include (i) key loan-specific inputs such as loan-to-value, vintage year, loan-term, underlying property type, occupancy, geographic location, performance against the underwritten business plan, and our internal loan risk rating, and (ii) a macro-economic environment forecast. The cumulative effect of adoption of ASU

2016-13 is a \$1.6 million reduction in retained earnings. The beginning allowance for credit loss as of January 1, 2024 was \$2.1 million. The reversal of credit losses of \$0.4 million for the three months ended March 31, 2024 is included in other income on the accompanying Consolidated Statements of Operations, resulting in a March 31, 2024 ending allowance for credit loss of \$1.7 million.

Significant judgment is required in determining impairment and in estimating the resulting loss allowance, and actual losses, if any, could materially differ from those estimates.

Valuation of Common Equity and Preferred Stock

As of March 31, 2024, the Company owns approximately 25.7% of the total outstanding shares of NSP and thus can exercise significant influence over NSP. The Company elected the fair-value option in accordance with ASC 825-10-10. On a quarterly basis, the Company, with the assistance of an independent third-party valuation firm, determines the fair value for subsequent measurement absent a readily available market price. The valuation is determined using widely accepted valuation techniques consistent with the principles of ASC 820. Specifically, these techniques include the discounted cash flow methodology whereby observable market terminal capitalization rates and discount rates are applied to projected cash flows generated by self-storage assets owned by NSP. The necessary inputs for the valuation include projected cash flows of NSP, terminal capitalization rates and discount rates. These inputs are reflective of public company comparables, but are assumptions and estimates. As a result, the determination of fair value involves significant estimation uncertainty because it involves subjective judgments and estimates that are based on unobservable inputs. For the three months ended March 31, 2024, the unrealized gain related to the change in fair value estimate is \$0.6 million. See Notes 5 and 10 to our consolidated financial statements for additional disclosures regarding the valuation of NSP.

As of March 31, 2024, the Company owns approximately 6.36% of the total outstanding common equity of the Private REIT. The Company records the Private REIT at fair value in accordance with ASC 321. The valuation is determined using a market approach. The necessary input for the valuation includes the yield of the Private REIT. 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 estimate is \$1.5 million. See Notes 5 and 10 to our consolidated financial statements for additional disclosures regarding the valuation of the Private REIT.

As of March 31, 2024, the Company owns approximately 98.0% of the total outstanding common equity of each of RFGH and RTB. The Company holds RFGH and RTB based on the Company's proportionate share of income (losses) for the three months ended March 31, 2024. See Notes 5 and 6 to our consolidated financial statements for additional disclosures regarding the equity method investments RFGH and RTB.

As of March 31, 2024, the Company owns 9.5% of the total outstanding shares of the Series D-1 preferred stock in IQHQ, Inc. See Notes 5 and 10 to our consolidated financial statements for additional disclosures regarding the equity security investment in IQHQ, Inc.

Considerations Related to Tightening Monetary Policy

The macroeconomic environment remains challenging as central banks have held interest rates high to combat inflation. The high rate environment, coupled with large bank failures in early 2023 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 investments harder to finance. Similar factors also impact the timing of and proceeds generated from asset sales and our ability to obtain debt capital.

REIT Tax Election

We elected to be treated 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," as defined by the Code, to our stockholders. 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. We had no significant taxes associated with our TRS for the three months ended March 31, 2024 and March 31, 2023. We believe that our organization and current and proposed method of operation will allow us to qualify for taxation as a REIT, but no assurance can be given that we will operate in a manner so as to qualify as a REIT.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

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 22, 2024.

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

None.

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 OP IV; NexPoint Diversified Real Estate Trust Operating Partnership, L.P. ("NXDT OP"), the operating partnership of NXDT, an entity that is advised by an affiliate of the Manager; and 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 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 NXDT OP and allocated the right to fund up to 9% of the Alewife Loan to OSL. Upon receipt of a draw request, NXDT OP and OSL 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 NXDT OP and OSL, respectively. OP IV would be required to fund any amounts not funded by OSL and NXDT OP. At any time that NXDT OP and OSL have funded less than their respective 9% of all advances made under the Alewife Loan, NXDT OP and OSL shall have the option upon notice to OP IV to pay to OP IV any amount of such unfunded amount. Upon such payment, NXDT OP or OSL would become entitled to all interest and fees accrued on the amount paid to OP IV on and after the date of such payment.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description
3.1	Second Amended and Restated Bylaws of NexPoint Real Estate Finance, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, filed by the Company on January 3, 2024).
10.1	Amended and Restated NexPoint Real Estate Finance, Inc. 2-2020 Long Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed by the Company on January 29, 2024).
10.2*	Promissory Note, dated as of March 28, 2024, by and between NexPoint SFR Operating Partnership, L.P. and NexPoint Real Estate Finance, Inc.
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 Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
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 REAL ESTATE FINANCE, INC.

Signature	Title	Date
/s/ Jim Dondero Jim Dondero	Chairman of the Board and President (Principal Executive Officer)	May 13, 2024
/s/ Brian Mitts Brian Mitts	Director, Chief Financial Officer, Executive VP-Finance, Secretary and Treasurer (Principal Financial Officer and Principal Accounting Officer)	May 13, 2024

THIS PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND LAWS.

PROMISSORY NOTE

U.S. \$500,000.00 March 31, 2024

FOR VALUE RECEIVED, NexPoint SFR Operating Partnership, L.P., having an address at 300 Crescent Court, Suite 700, Dallas, Texas 75201 (the "Maker"), hereby promises to pay to the order of NexPoint Real Estate Finance, Inc. ("Holder"), at its address at 300 Crescent Court, Suite 700, Dallas, Texas 75201 or such other address as it may designate, the principal sum of FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00), and interest from the Effective Date on the balance of principal from time to time outstanding as such amount will be increased pursuant to Section 1 hereof, in United States currency, at the rates and at the times hereinafter described.

1. **Interest.** The principal amount hereof outstanding from time to time shall bear interest until paid in full at the Note Rate. Interest at the Note Rate shall be (i) paid on the last day of each fiscal quarter until such principal amount outstanding is paid in full, (ii) calculated for the actual number of days elapsed on the basis of a 360-day year, including the first date of the applicable period to the last day of such fiscal quarter and (iii) payable in kind, with such interest amount added to, and made part of, the principal amount hereof outstanding.

2. **Maximum Lawful Rate.** It is the intent of Maker and Holder to conform to and contract in strict compliance with applicable usury law from time to time in effect. In no way, nor in any event or contingency (including but not limited to prepayment, default, demand for payment, or acceleration of the maturity of any obligation), shall the rate of interest taken, reserved, contracted for, charged or received under this Note exceed the highest lawful interest rate permitted under applicable law. If Holder shall ever receive anything of value which is characterized as interest under applicable law and which would apart from this provision be in excess of the highest lawful interest rate permitted under applicable law, an amount equal to the amount which would have been excessive interest shall, without penalty, be applied to the reduction of the principal amount owing on the Note in the inverse order of its maturity and not to the payment of interest, or refunded to the Maker or the other payor thereof if and to the extent such amount which would have been excessive exceeds such unpaid principal. All interest paid or agreed to be paid to the Holder hereof shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full stated term (including any renewal or extension) of the Note so that the amount of interest on account of such obligation does not exceed the maximum permitted by applicable law. As used in this Section, the term "applicable law" shall mean the laws of the State of Texas or the federal laws of the United States, whichever laws allow the greater interest, as such laws now exist or may be changed or amended or come into effect in the future.

3. **Definitions.**

(a) "Effective Date" means March 28, 2024.

(b) "Note" means this Promissory Note dated March 31, 2024.

(c) "Note Rate" means a rate per annum equal to 12.50%.

4. **Payments.** Maker shall make a payment in full of principal and accrued and unpaid interest on the Maturity Date.

5. **Maturity Date.** The indebtedness evidenced hereby shall mature on March 31, 2025 (the "Maturity Date"). On the Maturity Date, the entire outstanding principal balance hereof, together with accrued and unpaid interest and all other sums evidenced by this Note, shall, if not sooner paid, become due and payable.

6. **General Provisions.**

(a) Maker agrees that the obligation evidenced by this Note is an exempt transaction under the Truth-in-Lending Act, 15 U.S.C. § 1601, et seq.

(b) This Note and all provisions hereof shall be binding upon Maker and all persons claiming under or through Maker, and shall inure to the benefit of Holder, together with its successors and assigns, including each owner and holder from time to time of this Note.

(c) Time is of the essence as to all dates set forth herein.

(d) To the fullest extent permitted by applicable law, Maker agrees that its liability shall not be in any manner affected by any indulgence, extension of time, renewal, waiver, or modification granted or consented to by Holder; and Maker consents to any indulgences and all extensions of time, renewals, waivers, or modifications that may be granted by Holder with respect to the payment or other provisions of this Note, and agrees to the addition or release of any makers, endorsers, guarantors, or sureties, all whether primarily or secondarily liable, without notice to Maker and without affecting its liability hereunder.

(e) To the fullest extent permitted by applicable law, Maker hereby waives and renounces for itself, its successors and assigns, all rights to the benefits of any statute of limitations and any moratorium, reinstatement, marshalling, forbearance, valuation, stay, extension, redemption, appraisement, or exemption and homestead laws now provided, or which may hereafter be provided, by the laws of the United States and of any state thereof against the enforcement and collection of the obligations evidenced by this Note.

(f) If this Note is placed in the hands of attorneys for collection or is collected through any legal proceedings, Maker promises and agrees to pay, in addition to the principal, interest and other sums due and payable hereon, all costs of collecting or attempting to collect this Note, including all reasonable attorneys' fees and disbursements.

(g) To the fullest extent permitted by applicable law, all parties now or hereafter liable with respect to this Note, whether Maker, principal, surety, guarantor, endorsee or otherwise hereby severally waive presentment for payment, demand, notice of nonpayment or dishonor, protest and notice of protest. No failure to accelerate the indebtedness evidenced hereby, acceptance of past due amounts following the expiration of any cure period provided by this Note, any documents now or in the future executed by Maker or

its subsidiaries in connection with any loan provided by any lender which is secured by a mortgage or deed of trust on any property or applicable law, or indulgences granted from time to time shall be construed (i) as a novation of this Note or as a reinstatement of the indebtedness evidenced hereby or as a waiver of such right of acceleration or of the right of Holder thereafter to insist upon strict compliance with the terms of this Note, or (ii) to prevent the exercise of such right of acceleration or any other right granted hereunder or under applicable law. Maker hereby expressly waives the benefit of any statute or rule of law or equity now provided, or which may hereafter be provided, which would produce a result contrary to or in conflict with the foregoing.

(h) Irrespective of the place of execution and/or delivery, this Note shall be governed by, and shall be construed in accordance with, the laws of the State of Texas.

[Signature page follows.]

Maker has delivered this Note as of the day and year first set forth above.

MAKER:

NEXPOINT SFR OPERATING PARTNERSHIP, L.P.

By: /s/ Brian Mitts

Name: Brian Mitts

Title: Chief Financial Officer, Treasurer and Assistant Secretary

[Promissory Note]

**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 Real Estate Finance, Inc.;
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 13, 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 Real Estate Finance, Inc.;
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 13, 2024

/s/ Brian Mitts

Brian Mitts
Chief Financial Officer
(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 Real Estate Finance, Inc. (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 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 13, 2024

/s/ Jim Dondero

Jim Dondero
President
(Principal Executive Officer)

Dated: May 13, 2024

/s/ Brian Mitts

Brian Mitts
Chief Financial Officer
(Principal Financial Officer)