

REFINITIV

## DELTA REPORT

### 10-Q

NEXPOINT REAL ESTATE FINA

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

**TOTAL DELTAS** 2876

█ CHANGES 308

█ DELETIONS 189

█ ADDITIONS 2379

**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** **June 30, 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 x No o

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 x No o

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

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. o

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

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[Table of Contents](#)

**NEXPOINT REAL ESTATE FINANCE, INC.**  
**Form 10-Q**  
**Quarter Ended **March 31, 2024** June 30, 2024**

**INDEX**

		<b>Page</b>
	<a href="#">Cautionary Statement Regarding Forward-Looking Statements</a>	ii
<b>PART I—FINANCIAL INFORMATION</b>		
Item 1.	<a href="#">Financial Statements</a>	1
	<a href="#">Consolidated Balance Sheets as of <b>March 31, 2024</b> June 30, 2024 (Unaudited) and December 31, 2023</a>	2
	<a href="#">Consolidated Unaudited Statements of Operations for the Three and Six Months Ended <b>March 31, 2024</b> June 30, 2024 and 2023</a>	4
	<a href="#">Consolidated Unaudited Statements of Stockholders' Equity for the Three and Six Months Ended <b>March 31, 2024</b> June 30, 2024 and 2023</a>	6
	<a href="#">Consolidated Unaudited Statements of Cash Flows for the <b>Three</b> Six Months Ended <b>March 31, 2024</b> June 30, 2024 and 2023</a>	78
	<a href="#">Notes to Consolidated Unaudited Financial Statements</a>	89
Item 2.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	41 44
Item 3.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	62 65
Item 4.	<a href="#">Controls and Procedures</a>	62 65

**PART II—OTHER INFORMATION**

Item 1.	<a href="#">Legal Proceedings</a>	63 66
Item 1A.	<a href="#">Risk Factors</a>	63 66
Item 2.	<a href="#">Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities</a>	63 66
Item 3.	<a href="#">Defaults Upon Senior Securities</a>	63 66
Item 4.	<a href="#">Mine Safety Disclosures</a>	63 66
Item 5.	<a href="#">Other Information</a>	63 66
Item 6.	<a href="#">Exhibits</a>	64 67
	<a href="#">Signatures</a>	65 68

---

[Table of Contents](#)

**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;

ii

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## [Table of Contents](#)

- 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.

iii

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## [Table of Contents](#)

## **PART I**

### **Item 1. Financial Statements**

#### [Table of Contents](#)

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

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
		(Unaudited)
<b>ASSETS</b>		
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		
Restricted cash		
Real estate investments, net		
Loans, held-for-investment, net (\$22,558 and \$22,989 with related parties, respectively)		
Common stock investments, at fair value (\$33,764 and \$33,129 with related parties, respectively)		
Loans, held-for-investment, net (\$23,935 and \$22,989 with related parties, respectively)		
Common stock investments, at fair value (\$32,676 and \$33,129 with related parties, respectively)		
Mortgage loans, held-for-investment, net		
Preferred stock investments, at fair value		
Accrued interest and dividends		
Mortgage loans held in variable interest entities, at fair value		
CMBS structured pass-through certificates, at fair value		
MSCR Notes, at fair value		
Mortgage backed securities, at fair value (\$44,396 and \$0 with related parties, respectively)		
Mortgage backed securities, at fair value (\$15,975 and \$0 with related parties, respectively)		
Stock warrant investments		
Accounts receivable and other assets		
Due from brokers for securities sold, not yet settled		
<b>TOTAL ASSETS</b>		
	<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
	<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
	<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
Liabilities:		
Liabilities:		
Liabilities:		
Secured financing agreements, net		
Secured financing agreements, net		
Secured financing agreements, net		
Secured financing agreements, net (\$9,869 and \$0 with related parties, respectively)		
Secured financing agreements, net (\$9,869 and \$0 with related parties, respectively)		
Secured financing agreements, net (\$9,869 and \$0 with related parties, respectively)		
Master repurchase agreements		
Unsecured notes, net		
Unsecured notes, net (\$12,400 and \$6,500 with related parties, respectively)		
Mortgages payable, net		
Accounts payable and other accrued liabilities		
Accrued interest payable		
Bonds payable held in variable interest entities, at fair value		
<b>Total Liabilities</b>		

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

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

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

Redeemable Series B Preferred stock, \$0.01 par value: 16,000,000 shares authorized; 3,163,477 and 427,218 shares issued and outstanding, respectively

Redeemable Series B Preferred stock, \$0.01 par value: 16,000,000 shares authorized; 3,163,477 and 427,218 shares issued and outstanding, respectively

Redeemable Series B Preferred stock, \$0.01 par value: 16,000,000 shares authorized; 3,163,477 and 427,218 shares issued and outstanding, respectively

Redeemable noncontrolling interests in the OP

Stockholders' Equity:

Stockholders' Equity:

Stockholders' Equity:

Noncontrolling interest in CMBS variable interest entities

Noncontrolling interest in CMBS variable interest entities

Noncontrolling interest in CMBS variable interest entities

Noncontrolling interest in subsidiary

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

Series A Preferred stock, \$0.01 par value: 100,000,000 shares authorized; 1,645,000 and 2,000,000 shares issued and 1,645,000 and 1,645,000 shares outstanding, respectively

## [Table of Contents](#)

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

Common stock, \$0.01 par value: 500,000,000 shares authorized; 17,461,129 and 17,518,900 shares issued and 17,461,129 and 17,231,913 shares outstanding, respectively

Additional paid-in capital

Retained earnings (accumulated deficit)

Series A Preferred stock held in treasury at cost; 355,000 shares and 355,000, respectively

Common stock held in treasury at cost; 286,987 shares and 286,987 shares, respectively

Series A Preferred stock held in treasury at cost; 0 shares and 355,000, respectively

Common stock held in treasury at cost; 0 shares and 286,987 shares, respectively

**Total Stockholders' Equity**

**TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY**

See Notes to Consolidated Financial Statements

## [Table of Contents](#)

### **NEXPOINT REAL ESTATE FINANCE, INC. AND SUBSIDIARIES**

### **CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)

(Unaudited)

For the Three Months Ended

March 31,

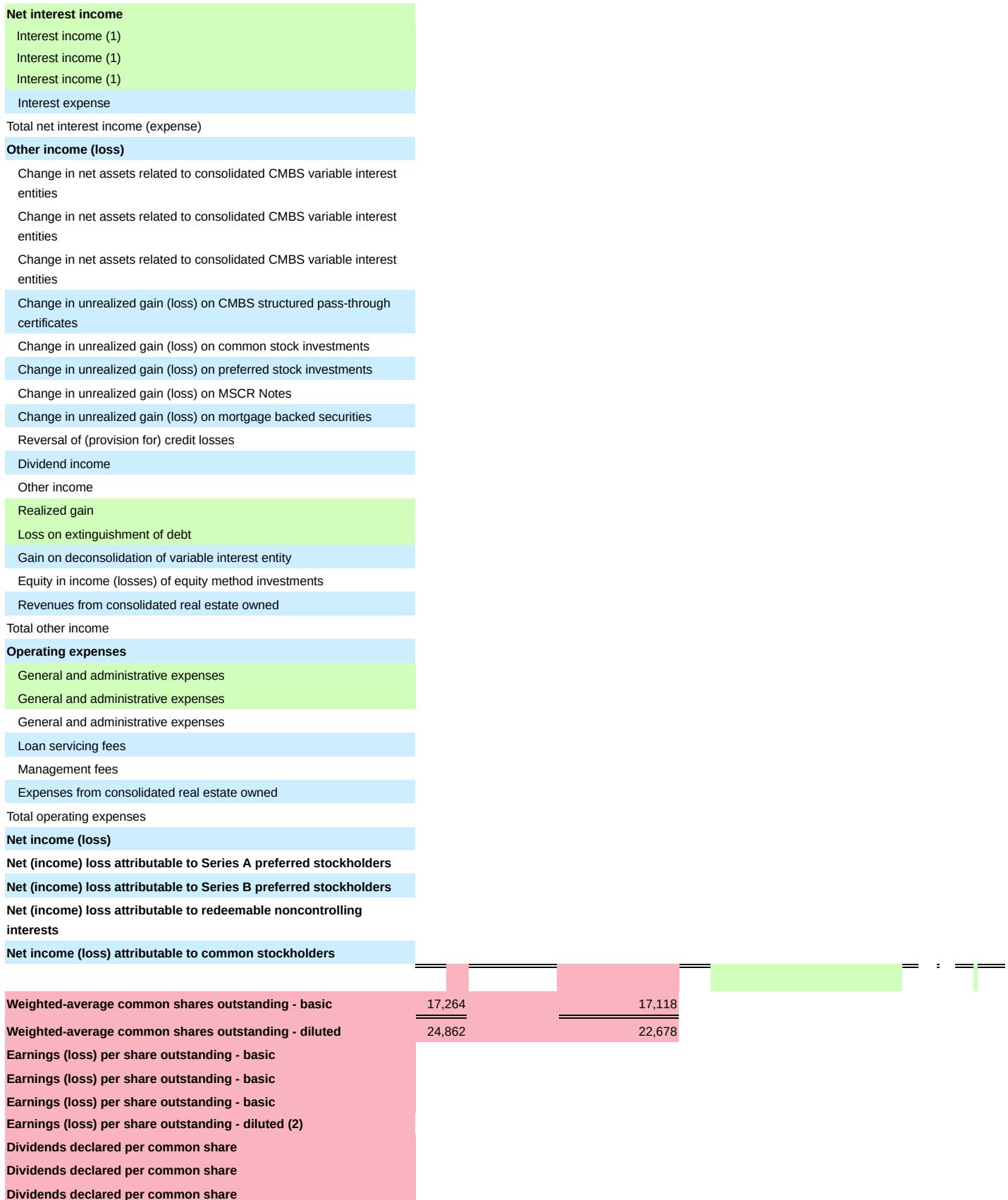
For the Three Months Ended June

30,

For the Six Months Ended June

30,

	2024	2024	2023	2024	2024	2023
<b>Net interest income (expense)</b>						
Interest income (expense) (1)						
Interest income (expense) (1)						
Interest income (expense) (1)						



[Table of Contents](#)

<b>Weighted-average common shares outstanding - basic</b>	<b>17,422</b>	<b>17,213</b>	<b>17,343</b>	<b>17,166</b>
<b>Weighted-average common shares outstanding - diluted</b>	<b>27,788</b>	<b>23,080</b>	<b>26,399</b>	<b>22,880</b>
<b>Earnings (loss) per share outstanding - basic</b>	<b>\$ 0.43</b>	<b>\$ 0.33</b>	<b>\$ (0.39)</b>	<b>\$ 0.72</b>
<b>Earnings (loss) per share outstanding - diluted</b>	<b>\$ 0.40</b>	<b>\$ 0.33</b>	<b>\$ (0.39)</b>	<b>\$ 0.70</b>
<b>Dividends declared per common share</b>	<b>\$ 0.5000</b>	<b>\$ 0.6850</b>	<b>\$ 1.0000</b>	<b>\$ 1.3700</b>

(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.

(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

[Table of Contents](#)

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

Three Months Ended March 31, 2024	Series A Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings Less Dividends	Common Stock Held in Treasury at Cost	Preferred Stock Held in Treasury at Cost	Noncontrolling interest in CMBS VIEs	Noncontrolling interest in Subsidiary	Total
Six Months Ended June 30, 2024	Series A Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings Less Dividends	Common Stock Held in Treasury at Cost	Preferred Stock Held in Treasury at Cost	Noncontrolling interest in CMBS VIEs	Noncontrolling interest in Subsidiary	Total
Balances, December 31, 2023									
Balances, December 31, 2023									
Balances, December 31, 2023									
Vesting of stock-based compensation									
Noncontrolling interest in CMBS variable interest entities									
Cancellation of common and preferred stock held in treasury									
Net income attributable to Series A preferred stockholders									
Net loss attributable to common stockholders									
Series A preferred stock dividends declared (\$0.5313 per share)									
Common stock dividends declared (\$0.5000 per share)									
Balances, March 31, 2024									
Series A preferred stock dividends declared (\$1.0626 per share)									
Common stock dividends declared (\$1.0000 per share)									
Balances, June 30, 2024									
Three Months Ended March 31, 2023	Series A Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (accumulated deficit)	Common Stock Held in Treasury at Cost	Preferred Stock Held in Treasury at Cost	Noncontrolling interest in Subsidiary	Total	
				Less Dividends					

	Number of Shares		Number of Shares											
	Shares	Par Value	Shares	Par Value										
<b>Balances, December 31, 2022</b>	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)			
<b>Balances, March 31, 2023</b>	<b>1,645,000</b>	<b>\$ 16</b>	<b>17,184,231</b>	<b>\$ 172</b>	<b>\$ 392,440</b>	<b>\$ (2,697)</b>	<b>\$ (4,195)</b>	<b>\$ (8,567)</b>	<b>\$ 95</b>	<b>\$ 377,264</b>				

Three Months Ended June 30, 2024	Series A Preferred Stock			Common Stock										
	Number of Shares	Par Value		Number of Shares		Par Value		Additional Paid-in Capital	Retained Earnings Less Dividends	Common Stock Held in Treasury at Cost	Preferred Stock Held in Treasury at Cost	Noncontrolling interest in CMBS VIEs	Noncontrolling interest in Subsidiary	Total
				Shares	Par Value	Shares	Par Value							
<b>Balances, March 31, 2024</b>	<b>1,645,000</b>	<b>\$ 16</b>	<b>17,306,257</b>	<b>\$ 173</b>	<b>\$ 397,165</b>	<b>\$ (59,318)</b>	<b>\$ (4,195)</b>	<b>\$ (8,567)</b>	<b>\$ 1,713</b>	<b>\$ 95</b>	<b>\$ 327,082</b>			
Vesting of stock-based compensation	—	—	154,872	1	668	—	—	—	—	—	—	—	—	669
Noncontrolling interest in CMBS variable interest entities	—	—	—	—	—	—	—	—	—	—	1,464	—	—	1,464
Cancellation of common and preferred stock held in treasury	—	—	—	—	(12,762)	—	4,195	8,567	—	—	—	—	—	—
Net income attributable to Series A preferred stockholders	—	—	—	—	—	874	—	—	—	—	—	—	—	874
Net income attributable to common stockholders	—	—	—	—	—	7,488	—	—	—	—	—	—	—	7,488
Series A preferred stock dividends declared (\$0.5313 per share)	—	—	—	—	—	(874)	—	—	—	—	—	—	—	(874)
Common stock dividends declared (\$0.5000 per share)	—	—	—	—	—	(9,229)	—	—	—	—	—	—	—	(9,229)
<b>Balances, June 30, 2024</b>	<b>1,645,000</b>	<b>\$ 16</b>	<b>17,461,129</b>	<b>\$ 174</b>	<b>\$ 385,071</b>	<b>\$ (61,059)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,177</b>	<b>\$ 95</b>	<b>\$ 327,474</b>			

## Table of Contents

Six Months Ended June 30, 2023	Series A Preferred Stock			Common Stock			Common Stock			Preferred Stock					
	Number of Shares	Par Value		Number of Shares	Par Value	Capital	Additional Paid-in Capital	Earnings	Less Dividends	Stock Held in Treasury	Stock Held in Treasury	Treasury Stock Held in Treasury	Noncontrolling interest in CMBS VIEs	Noncontrolling interest in Subsidiary	Total
<b>Balances, December 31, 2022</b>	<b>1,645,000</b>	<b>\$ 16</b>	<b>17,079,943</b>	<b>\$ 171</b>	<b>\$ 392,124</b>	<b>\$ 4,435</b>	<b>\$ (4,195)</b>	<b>\$ (8,567)</b>	<b>\$ 64,529</b>	<b>\$ 448,513</b>					
Vesting of stock-based compensation	—	—	151,970	1	1,311	—	—	—	—	—	—	—	—	—	1,312
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	—	—	—	—	—	1,748	—	—	—	—	—	—	—	1,748	
Net income attributable to common stockholders	—	—	—	—	—	12,314	—	—	—	—	—	—	—	12,314	
Series A preferred stock dividends declared (\$1.0626 per share)	—	—	—	—	—	(1,748)	—	—	—	—	—	(1,748)			

Common stock dividends declared (\$1.3700 per share)	—	—	—	—	—	(24,438)	—	—	—	—	—	(24,438)
<b>Balances, June 30, 2023</b>	<b>1,645,000</b>	<b>\$ 16</b>	<b>17,231,913</b>	<b>\$ 172</b>	<b>\$ 393,435</b>	<b>\$ (9,313)</b>	<b>\$ (4,195)</b>	<b>\$ (8,567)</b>	<b>\$ —</b>	<b>\$ 95</b>	<b>\$ 371,643</b>	
<b>Retained Earnings</b>												
	<b>Series A Preferred Stock</b>		<b>Common Stock</b>			<b>(accumulated additional deficit)</b>	<b>Common Stock</b>	<b>Preferred Stock</b>	<b>Noncontrolling interest</b>	<b>Noncontrolling interest</b>		<b>Total</b>
<b>Three Months Ended June 30, 2023</b>	<b>Number of Shares</b>	<b>Par Value</b>	<b>Number of Shares</b>	<b>Par Value</b>	<b>Paid-in Capital</b>	<b>Less Dividends</b>	<b>at Cost</b>	<b>at Cost</b>	<b>in CMBS VIEs</b>	<b>in Subsidiary</b>		
<b>Balances, March 31, 2023</b>	<b>1,645,000</b>	<b>\$ 16</b>	<b>17,184,231</b>	<b>\$ 172</b>	<b>\$ 392,440</b>	<b>\$ (2,697)</b>	<b>\$ (4,195)</b>	<b>\$ (8,567)</b>	<b>\$ —</b>	<b>\$ 95</b>	<b>\$ 377,264</b>	
Vesting of stock-based compensation	—	—	47,682	—	995	—	—	—	—	—	—	995
Net income attributable to Series A preferred stockholders	—	—	—	—	—	874	—	—	—	—	—	874
Net income attributable to common stockholders	—	—	—	—	—	5,747	—	—	—	—	—	5,747
Series A preferred stock dividends declared (\$0.5313 per share)	—	—	—	—	—	(874)	—	—	—	—	—	(874)
Common stock dividends declared (\$0.6850 per share)	—	—	—	—	—	(12,363)	—	—	—	—	—	(12,363)
<b>Balances, June 30, 2023</b>	<b>1,645,000</b>	<b>\$ 16</b>	<b>17,231,913</b>	<b>\$ 172</b>	<b>\$ 393,435</b>	<b>\$ (9,313)</b>	<b>\$ (4,195)</b>	<b>\$ (8,567)</b>	<b>\$ —</b>	<b>\$ 95</b>	<b>\$ 371,643</b>	

See Notes to Consolidated Financial Statements

[Table of Contents](#)

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





Net cash used in financing activities
Net increase (decrease) in cash, cash equivalents, and restricted cash
Net increase (decrease) in cash, cash equivalents, and restricted cash
Net increase (decrease) in cash, cash equivalents, and restricted cash
Cash, cash equivalents and restricted cash, beginning of period
Cash, cash equivalents and restricted cash, end of period
<b>Supplemental Disclosure of Cash Flow Information</b>
<b>Supplemental Disclosure of Cash Flow Information</b>
<b>Supplemental Disclosure of Cash Flow Information</b>
Interest paid
Interest paid
Interest paid
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>
Adjustment to loans, held for investment, net on deconsolidation of real estate
Adjustment to loans, held for investment, net on deconsolidation of real estate
Adjustment to loans, held for investment, net on deconsolidation of real estate
Adjustment to real estate investments, net on deconsolidation of real estate
Adjustment to accrued interest and dividends on deconsolidation of real estate
Adjustment to accounts receivable and other assets on deconsolidation of real estate
Adjustment to mortgages payable, net on deconsolidation of real estate
Adjustment to accounts payable and accrued liabilities on deconsolidation of real estate
Adjustment to accrued interest payable on deconsolidation of real estate
Adjustment to noncontrolling interest in subsidiary on deconsolidation of real estate
Adjustment to retained earnings on deconsolidation of real estate
Adjustment to redeemable noncontrolling interest in the OP on deconsolidation of real estate
Increase in dividends payable upon vesting of restricted stock units
Consolidation of mortgage loans and bonds payable held in variable interest entities
Consolidation of noncontrolling interest in CMBS variable interest entities
Due from brokers for securities sold, not yet settled
Deconsolidation of mortgage loans and bonds payable held in variable interest entities

See Notes to Consolidated Financial Statements

[Table of Contents](#)

**NEXPPOINT 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 promissory notes ("MSCR Notes") and mortgage backed securities, or all of which are considered 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**~~June 30, 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~~ owns 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

### Table of Contents

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](http://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 and six months ended March 31, 2024 June 30, 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 six months ended March 31, 2024 June 30, 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 June 30, 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

#### [Table of Contents](#)

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~~ eight of the securities, 93.9% and ~~94%~~ 95.0%, respectively, of the most subordinate tranche of ~~one~~ two 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~~ June 30, 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.

#### [Table of Contents](#)

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 six months ended March 31, 2024** **June 30, 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** **June 30, 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,

## [Table of Contents](#)

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 **cancellable** by the **entity** **Company**.

## [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

#### [Table of Contents](#)

the Consolidated Balance Sheets. The following tables summarize our loans held-for-investment as of **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively (dollars in thousands):

Loan Type	Loan Type	Outstanding Face Amount	Carrying Value (1)	Loan Count	Fixed Rate (2)	Coupon (3)	Life (years) (4)	Loan Type
<b>March 31, 2024</b>								
<b>June 30, 2024</b>								
Mortgage loans, held-for-investment								
Mortgage loans, held-for-investment								
Mortgage loans, held-for-investment		\$ 135,232	\$ 140,565	10	100.00 %	5.31 %	3.55	Mezzanine loans, held-for-investment
Mezzanine loans, held-for-investment	Mezzanine loans, held-for-investment	177,781	177,838	23	58.68 %	10.79 %	4.54	Preferred equity, held-for-investment
Preferred equity, held-for-investment	Preferred equity, held-for-investment	214,307	213,253	15	38.67 %	12.11 %	1.84	Promissory note, held-for-investment
Promissory note, held-for-investment	Promissory note, held-for-investment	500	500	1	12.50 %	12.50 %	0.99	
		<b>\$ 527,820</b>	<b>\$ 532,156</b>	<b>49</b>	<b>61.10 %</b>	<b>9.92 %</b>	<b>3.19</b>	
<b>Weighted Average</b>								
Loan Type		Outstanding Face Amount	Carrying Value (1)	Loan Count	Fixed Rate (2)	Coupon (3)	Life (years) (4)	
<b>December 31, 2023</b>								
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	
		<b>\$ 973,876</b>	<b>\$ 1,004,880</b>	<b>48</b>	<b>84.82 %</b>	<b>6.94 %</b>	<b>4.15</b>	

(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~~ six months ended **March 31, 2024** **June 30, 2024** and 2023, the loan and preferred equity portfolio activity was as follows (in thousands):

	<b>For the Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Balance at December 31,</b>	\$ 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
<b>Balance at March 31,</b>	<b>\$ 532,156</b>	<b>\$ 1,007,891</b>

[Table of Contents](#)

	<b>For the Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Balances, December 31,</b>	\$ 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	187,368	55,684
Proceeds from principal repayments	(512,274)	(53,856)
PIK distribution reinvested in Preferred Units	7,296	1,794
Amortization of loan premium, net (1)	(24,845)	(3,341)
(Provision for) reversal of credit losses	422	40
<b>Balance at June 30,</b>	<b>\$ 662,847</b>	<b>\$ 1,017,397</b>

(1) Includes net amortization of loan purchase premiums.

As of **March 31, 2024** **June 30, 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):

<b>March 31, 2024</b>						<b>June 30, 2024</b>					
<b>Risk Rating</b>	<b>Risk Rating</b>	<b>Number of Loans</b>	<b>Carrying Value</b>	<b>% of Loan Portfolio</b>	<b>Risk Rating</b>	<b>Number of Loans</b>	<b>Carrying Value</b>	<b>% of Loan Portfolio</b>			
1											
2											
3	3	48	519,680	97.66	97.66	3	650,357	98.12	98.12 %		
4	4	1	12,476	2.34	2.34	4	12,490	1.88	1.88 %		
5											
		49	\$532,156		100.00 %						
		51	\$662,847		100.00 %						
<b>December 31, 2023</b>											
<b>Risk Rating</b>						<b>Number of Loans</b>	<b>Carrying Value</b>	<b>% of Loan Portfolio</b>			
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** **June 30, 2024**, and 3.0 as of December 31, 2023.

#### [Table of Contents](#)

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** **June 30, 2024** and December 31, 2023 (dollars in thousands):

Risk Rating	Risk Rating	Number of Loans	Outstanding Face Amount	March 31, 2024					June 30, 2024					Carrying Value by Year of Origination (1)					
				2024	2023	2022	2021	2020	Prior	Total Carrying Value	Risk Rating	Number of Loans	Outstanding Face Amount	2024	2023	2022	2021	2020	Prior
1																			
2																			
3																			
4																			
5																			
				49															
					51														

(1) Represents the date a loan was originated or acquired.

Risk Rating	December 31, 2023										Carrying Value by Year of Origination (1)							
	Number of Loans	Outstanding Face Amount			2023			2022			2021			2020			Prior	Total Carrying Value
		Amount	2023	2022	2021	2020	2019	Prior	Total Carrying Value									
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	

(1) Represents the date a loan was originated or acquired.

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 %
	<b>100.00 %</b>	<b>100.00 %</b>

Geography	June 30, 2024	December 31, 2023
Texas	19.93 %	13.87 %
Georgia	8.95 %	30.50 %
Maryland	8.82 %	5.47 %
California	9.47 %	4.92 %
Massachusetts	15.69 %	*
Florida	5.42 %	18.40 %
Virginia	6.22 %	*
Minnesota	*	7.31 %
Other (21 and 23 states each at <4%)	25.50 %	19.53 %
	<b>100.00 %</b>	<b>100.00 %</b>

\* 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 %
	<b>100.00 %</b>	<b>100.00 %</b>

#### [Table of Contents](#)

Collateral Property Type	June 30, 2024	December 31, 2023
Single Family Rental	29.78 %	69.94 %
Multifamily	37.38 %	21.99 %
Life Science	28.85 %	6.33 %
Self-Storage	2.82 %	1.75 %
Marina	1.18 %	— %
	<b>100.00 %</b>	<b>100.00 %</b>

#### 4. CMBS Trusts

As of **March 31, 2024** **June 30, 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.

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

Trust's Assets	Trust's Assets	March 31, 2024	December 31, 2023	Trust's Assets	June 30, 2024	December 31, 2023
Mortgage loans held in variable interest entities, at fair value						
Accrued interest receivable						
<b>Trust's Liabilities</b>						
Bonds payable held in variable interest entities, at fair value						
Bonds payable held in variable interest entities, at fair value						
Bonds payable held in variable interest entities, at fair value						
Accrued interest payable						

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

	For the Three Months Ended March 31,			For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2024	2024		2023	2024		2023	2024	
		2024	2023		2024	2023		2024	2023
Net interest earned									
Unrealized gain (loss)									
Change in net assets related to consolidated CMBS variable interest entities									

## Table of Contents

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	Geography	March 31, 2024	December 31, 2023	Geography	June 30, 2024	December 31, 2023
Texas	Texas	15.92 %	15.85 %	Texas	14.64 %	15.84 %
Florida	Florida	14.16 %	14.07 %	Florida	13.06 %	14.07 %
Arizona	Arizona	4.07 %	4.05 %	Arizona	*	4.05 %
California	California	8.59 %	8.69 %	California	8.95 %	8.69 %
Georgia	Georgia	3.87 %	4.00 %	Georgia	5.01 %	4.00 %
Washington	Washington	7.78 %	7.75 %	Washington	7.12 %	7.75 %
New Jersey	New Jersey	4.04 %	4.02 %	New Jersey	*	4.02 %
Nevada		2.50 %	2.49 %			
Pennsylvania		1.28 %	1.27 %			
Colorado	Colorado	7.77 %	7.74 %	Colorado	9.13 %	7.74 %
Connecticut		1.97 %	2.04 %			
North Carolina	North Carolina	4.19 %	4.17 %	North Carolina	4.82 %	4.17 %
New York	New York	3.39 %	3.37 %	New York	4.03 %	*
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	%
Other (33 and 32 states each at <4%)	33.24	%	29.68	%
	<u>100.00</u>		<u>100.00%</u>	

\* Included in "Other."

Collateral Property Type	Collateral Property Type	March 31, 2024		December 31, 2023		Collateral Property Type		June 30, 2024		December 31, 2023	
		2024	2023	2023	2024	2024	2023	2024	2023	2024	2023
Multifamily	Multifamily	97.44	%	97.45	%	Multifamily		98.78	%	97.45	%
Manufactured Housing	Manufactured Housing	2.56	%	2.55	%	Manufactured Housing		1.22	%	2.55	%
		<u>100.00</u>		<u>100.00%</u>				<u>100.00</u>		<u>100.00</u>	

## 5. Common and Preferred Stock Investments

### Common Stock Investments

The Company owns approximately **25.8%** **25.7%** 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** **June 30, 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

### Table of Contents

notes. As of **March 31, 2024** **June 30, 2024**, the Company valued this investment based on the Private REIT's market approach price of **\$20.00** **\$18.80** 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 Company owns approximately 12.3% of the total outstanding common equity of Slater Apartments ("SK Apartments"). The investment is an equity method investment. The investment is held in an entity that is considered a VIE 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 it using the equity method.

The following table presents the common stock investments as of **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively (in thousands, except share amounts):

Investment	Investment	Date	Shares	Shares		Investment	Date	Fair Value	Shares		Fair Value
				March 31, 2024	December 31, 2023				June 30, 2024	December 31, 2023	
Common Stock											
NexPoint Storage Partners											

NexPoint Storage  
Partners  
NexPoint Storage  
Partners  
Private  
REIT

The following table presents "Change in unrealized gain (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)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Change in unrealized gain (loss) on NexPoint Storage Partners	\$ (1,088)	\$ 872	\$ (453)	\$ 637
Change in unrealized gain (loss) on Private REIT	(683)	(697)	(2,189)	(1,729)
Change in unrealized gain (loss) on common stock investments	\$ (1,771)	175	(2,642)	(1,092)

#### 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% 11.8% of the total outstanding shares of preferred stock of the Series D-1 as of **March 31, 2024** **June 30, 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** **June 30, 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.

#### [Table of Contents](#)

## 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** **June 30, 2024**, the Company has accounted for the following investments as unconsolidated VIEs:

Entities	Instrument	Asset Type	Accounting Treatment	Relationship as of	
				March 31, 2024	June 30, 2024
<b>Unconsolidated Entities:</b>					
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
SK Apartments	Common Equity	Multifamily	Equity Method	12.3 %	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 \$32.7 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 \$3.0 million carrying value for each investment RFGH and \$1.5 million for RTB, and may include an additional \$1.3 million and \$2.8 million in unfunded commitments, respectively, for each investment to the extent those commitments are funded. The Company's maximum exposure to loss of value for SK Apartments is \$0.4 million with no additional unfunded commitments. 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 \$26.2 million Private REIT common equity investment.

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

As of **March 31, 2024** **June 30, 2024**, the Company held twelve CMBS interest only strips ("CMBS I/O Strips"), three MSCR Notes and **seven** **two** 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 Multifamily structured credit risk notes ("MSCR Notes") are unguaranteed securities designed to transfer to investors a portion 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.

#### [Table of Contents](#)

The following table presents the CMBS I/O Strips **MSCR Notes** and mortgage backed securities as of **March 31, 2024** **June 30, 2024** (in thousands):

Investment	Investment	Investment Date	Carrying Value	Property Type	Interest Rate	Current Yield (1)	Maturity Date	Investment
<b>CMBS I/O Strips</b>								
CMBS I/O Strip				Multifamily				
CMBS I/O Strip	CMBS I/O Strip	5/18/2020	\$ 1,601	Multifamily	Multifamily	2.02 %	14.67 %	9/25/2046
CMBS I/O Strip	CMBS I/O Strip	8/6/2020	15,623	Multifamily	Multifamily	2.98 %	18.60 %	6/25/2030
CMBS I/O Strip	CMBS I/O Strip	4/28/2021	(2) 4,777	Multifamily	Multifamily	1.59 %	18.20 %	1/25/2030
CMBS I/O Strip	CMBS I/O Strip	5/27/2021	3,338	Multifamily	Multifamily	3.39 %	18.42 %	5/25/2030
CMBS I/O Strip	CMBS I/O Strip	6/7/2021	378	Multifamily	Multifamily	2.31 %	23.40 %	11/25/2028
CMBS I/O Strip	CMBS I/O Strip	6/11/2021	(3) 2,427	Multifamily	Multifamily	1.48 %	18.03 %	5/25/2029
CMBS I/O Strip	CMBS I/O Strip	6/21/2021	809	Multifamily	Multifamily	1.17 %	18.61 %	5/25/2030
CMBS I/O Strip	CMBS I/O Strip	8/10/2021	2,183	Multifamily	Multifamily	1.89 %	18.63 %	4/25/2030
CMBS I/O Strip	CMBS I/O Strip	8/11/2021	1,213	Multifamily	Multifamily	3.10 %	15.69 %	7/25/2031
CMBS I/O Strip	CMBS I/O Strip	8/24/2021	220	Multifamily	Multifamily	2.61 %	16.66 %	1/25/2031
CMBS I/O Strip	CMBS I/O Strip	9/1/2021	3,293	Multifamily	Multifamily	1.92 %	17.63 %	6/25/2030
CMBS I/O Strip	CMBS I/O Strip	9/11/2021	3,472	Multifamily	Multifamily	2.95 %	15.57 %	9/25/2031
<b>Total</b>								
<b>MSCR Notes</b>								
MSCR Notes								
MSCR Notes								
MSCR Notes								
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
<b>Total</b>						
<b>Mortgage Backed Securities</b>						
<b>Mortgage Backed Securities</b>						
<b>Mortgage Backed Securities</b>						
Mortgage Backed Securities						
Mortgage Backed Securities						
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
Mortgage Backed Security						
Mortgage Backed Security						
Mortgage Backed Security	2/29/2024	\$ 9,429	Single-Family	4.50 %	5.21 %	3/19/2029
Mortgage Backed Security	2/29/2024	6,546	Single-Family	4.50 %	5.58 %	3/19/2029
<b>Total</b>						

(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.

(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 (1)	Maturity Date
<b>CMBS I/O Strips</b>							
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
<b>Total</b>		\$ 41,212		2.50 %	17.21 %	
<b>MSCR Notes</b>						
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
<b>Total</b>		\$ 10,378		13.04 %	13.20 %	
<b>Mortgage Backed Securities</b>						
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
<b>Total</b>		\$ 38,270		9.17 %	9.30 %	

(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.
- (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.

#### [Table of Contents](#)

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

Investment	Investment		Carrying Value	Property Type	Interest Rate	Current Yield (1)	Maturity Date
Investment	Date						
<b>CMBS I/O Strips</b>							
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	
<b>Total</b>		\$ 41,212		2.50 %	17.21 %		
<b>MSCR Notes</b>							

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
<b>Total</b>		\$ 10,378		13.04 %	13.20 %	

<b>Mortgage Backed Securities</b>						
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
<b>Total</b>		\$ 38,270		9.17 %	9.30 %	

- (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.  
 (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.

## Table of Contents

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,	For the Three Months Ended June	For the Six Months Ended June	30,	2024 2023 2023
	2024	2024					
	2024	2024		2024	2024	2024	2024 2023 2023
Net interest earned							
Change in unrealized gain (loss) on CMBS structured pass-through certificates							
Change in unrealized gain (loss) on MSCR Notes							
Change in unrealized (loss) on mortgage backed securities							
<b>Total</b>							

## 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, June 30, 2024, the components of the Company's investments in multifamily properties was as follows (in thousands):

Real Estate Investments, Net	Real Estate Investments, Net	Buildings and Land Improvements	Intangible Assets	Lease Construction in Progress	Furniture, Fixtures and Equipment	Real Estate Investments, Net	Buildings and Land Improvements	Intangible Assets	Lease Construction in Progress	Furniture, Fixtures and Equipment
Hudson Montford										

Alexander at  
the District  
Accumulated  
depreciation  
and  
amortization  
Total Real  
Estate  
Investments,  
Net

[Table of Contents](#)

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 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 and six months ended **March 31, 2024** **June 30, 2024** and 2023 for our multifamily properties (in thousands):

	For the Three Months Ended March 31,			For the Six Months Ended June 30,		
	For the Three Months Ended June 30,		2023	For the Six Months Ended June 30,		2023
	2024	2024		2024	2024	
<b>Revenues</b>						
Rental income						
Rental income						
Rental income						
Other income						
Total revenues						
<b>Expenses</b>						
Interest expense						
Interest expense						
Interest expense						
Real estate taxes and insurance						
Property operating expenses						
Property general and administrative expenses						
Property management fees						
Depreciation and amortization						
Rate cap (income) expense						
Casualty (gain) loss						
Total expenses						
<b>Net income (loss) from consolidated real estate owned</b>						

[Table of Contents](#)

**9. Debt**

The following table summarizes the Company's financing arrangements in place as of **March 31, 2024** June 30, 2024 (dollars in thousands):

	March 31, 2024											On face amount ( \$ )	
	Facility						Facility						
	Date issued	Date issued	Outstanding face amount	Carrying value	Final stated maturity	Weighted average interest rate (1)	Weighted average life (years) (2)						
<b>Master Repurchase Agreements</b>													
CMBS													
CMBS													
CMBS													
Mizuho(4)													
Mizuho(4)													
Mizuho(4)	4/15/2020	\$ 341,740	\$ 341,740	N/A	N/A (5)	7.15 %	0.0	\$ 984,591	\$ 984,591	\$ 984,591			
<b>Asset Specific Financing</b>													
Single Family Rental loans													
Single Family Rental loans													
Single Family Rental loans													
Freddie Mac													
Freddie Mac													
Freddie Mac	7/12/2019	123,346	123,346	123,346	7/12/2029	7/12/2029	2.69 %	3.6	135,232	135,232	14		
Mezzanine loans													
Freddie Mac													
Freddie Mac													
Freddie Mac	10/20/2020	59,252	59,252	59,252	8/1/2031	8/1/2031	0.30 %	6.0	96,817	96,817	9		
Multifamily properties													
CBRE													
CBRE													
CBRE	12/31/2021	32,480	32,108	32,108	6/1/2028	6/1/2028 (6)	8.03 %	4.2	N/A	N/A	59,320		
Various	10/10/2023	63,500	63,500	63,500	11/6/2024 (7)	11/6/2024 (7)	8.84 %	0.6	N/A	N/A	66,353		
Common stock investment													
NexBank, SSB													
NexBank, SSB													
NexBank, SSB	4/29/2024	10,000	9,869	9,869	4/28/2025	4/28/2025	9.58 %	0.8					
Promissory note													
Raymond James													
Raymond James													
Raymond James	5/20/2024	63,682	63,211	63,211	11/20/2024	11/20/2024	10.33 %	0.4	94,715	94,715			
<b>Unsecured Financing</b>													
Various													
Various													
Various	10/15/2020	36,500	35,936	35,936	10/25/2025	10/25/2025	7.50 %	1.6					
Various	Various	4/20/2021	180,000	177,413	177,413	5/1/2026	5/1/2026	5.75 %	2.1				

Various	10/18/2022	6,500	6,500	10/18/2027	7.50 %	3.6
NFRO REIT Sub, LLC	10/18/2022	6,500	6,500	10/18/2027	7.50 %	3.3
NXDT	4/19/2024	5,900	5,900	4/19/2029	7.54 %	4.8
Total/weighted average	Total/weighted average	\$843,318	\$ 839,795	5.90	5.90 %	1.7

(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.

#### [Table of Contents](#)

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

	December 31, 2023										
	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	Amortized cost basis	Carrying value (3)	Weighted average life (years) (2)	
<b>Master Repurchase Agreements</b>											
<b>CMBS</b>											
Mizuho(4)	4/15/2020	\$ 303,514	\$ 303,514		N/A (5)	7.26 %	0.0	\$ 931,296	\$ 470,761	\$ 464,888	6.4
<b>Asset Specific Financing</b>											
<b>Single Family Rental loans</b>											
Freddie Mac	7/12/2019	590,306	590,306	7/12/2029	2.34 %	4.5	645,277	676,420	676,420	4.5	
<b>Mezzanine loans</b>											
Freddie Mac	10/20/2020	59,252	59,252	8/1/2031	0.30 %	6.3	96,817	98,839	98,839	6.3	
<b>Multifamily properties</b>											
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	
<b>Unsecured Financing</b>											
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	
<b>Total/weighted average</b>		<b>\$ 1,271,938</b>	<b>\$ 1,268,212</b>		<b>4.55 %</b>	<b>2.9</b>	<b>\$ 676,420</b>	<b>\$ 1,372,571</b>	<b>\$ 1,366,698</b>	<b>5.6</b>	

(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.

#### [Table of Contents](#)

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** **June 30, 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** **June 30, 2024**, the outstanding balance on the Credit Facility was **\$123.3 million** **\$122.5 million**.

We, through the Subsidiary OPs, have borrowed approximately **\$341.7 million** **\$280.7 million** under our repurchase agreements and posted **\$984.6 million** **\$1.1 billion** par value of our CMBS B-Piece, CMBS I/O Strip, MSCR Notes Strips and mortgage backed security investments as collateral as of **March 31, 2024** **June 30, 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.

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.

#### [Table of Contents](#)

As of <b>March 31, June 30, 2024</b> , 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	Investment	Date	Outst Investment	Pri Balan
<b>SFR Loans</b>												
Senior loan												
Senior	Senior	2/11/2020	\$ 31,416	Various	Various	Single-family	Fixed	2.14 %	10/1/2025	2/11/2020	\$ 31,	
Senior	Senior	2/11/2020	33,565	Various	Various	Single-family	Fixed	2.70 %	11/1/2028	Senior loan	2/11/2020	
Senior	Senior	2/11/2020	9,156	Various	Various	Single-family	Fixed	2.79 %	9/1/2028	Senior loan	2/11/2020	
Senior	Senior	2/11/2020	9,284	Various	Various	Single-family	Fixed	2.45 %	3/1/2026	Senior loan	2/11/2020	
Senior	Senior	2/11/2020	7,408	Various	Various	Single-family	Fixed	3.51 %	2/1/2028	Senior loan	2/11/2020	
Senior	Senior	2/11/2020	8,720	Various	Various	Single-family	Fixed	3.30 %	10/1/2028	Senior loan	2/11/2020	
Senior	Senior	2/11/2020	7,848	Various	Various	Single-family	Fixed	3.14 %	1/1/2029	Senior loan	2/11/2020	
Senior	Senior	2/11/2020	5,823	Various	Various	Single-family	Fixed	2.99 %	3/1/2029	Senior loan	2/11/2020	
Senior	Senior	2/11/2020	5,223	Various	Various	Single-family	Fixed	3.14 %	12/1/2028	Senior loan	2/11/2020	
Senior	Senior	2/11/2020	4,903	Various	Various	Single-family	Fixed	2.64 %	10/1/2028	Senior loan	2/11/2020	
<b>Total</b>												
<b>Mezzanine Loans</b>												
<b>Mezzanine Loans</b>												
<b>Mezzanine Loans</b>												
Senior loan												
Senior loan												

Senior loan	10/20/2020	\$ 8,723	Wilmington, DE	Wilmington, DE	Multifamily	Fixed	0.30 %	6/1/2029	10/20/2020	\$ 8,
Senior loan	Senior loan	10/20/2020	7,344	White Marsh, MD	White Marsh, MD	Multifamily	Fixed	0.30 %	4/1/2031	Senior loan 10/20/2020
Senior loan	Senior loan	10/20/2020	6,353	Philadelphia, PA	Philadelphia, PA	Multifamily	Fixed	0.30 %	7/1/2031	Senior loan 10/20/2020
Senior loan	Senior loan	10/20/2020	5,881	Daytona Beach, FL	Daytona Beach, FL	Multifamily	Fixed	0.30 %	7/1/2031	Senior loan 10/20/2020
Senior loan	Senior loan	10/20/2020	4,523	Laurel, MD	Laurel, MD	Multifamily	Fixed	0.30 %	7/1/2031	Senior loan 10/20/2020
Senior loan	Senior loan	10/20/2020	4,179	Temple Hills, MD	Temple Hills, MD	Multifamily	Fixed	0.30 %	1/1/2029	Senior loan 10/20/2020
Senior loan	Senior loan	10/20/2020	3,390	Temple Hills, MD	Temple Hills, MD	Multifamily	Fixed	0.30 %	5/1/2029	Senior loan 10/20/2020
Senior loan	Senior loan	10/20/2020	3,348	Lakewood, NJ	Lakewood, NJ	Multifamily	Fixed	0.30 %	5/1/2029	Senior loan 10/20/2020
Senior loan	Senior loan	10/20/2020	2,454	North Aurora, IL	North Aurora, IL	Multifamily	Fixed	0.30 %	11/1/2028	Senior loan 10/20/2020
Senior loan	Senior loan	10/20/2020	2,264	Rosedale, MD	Rosedale, MD	Multifamily	Fixed	0.30 %	10/1/2028	Senior loan 10/20/2020
Senior loan	Senior loan	10/20/2020	2,215	Cockeysville, MD	Cockeysville, MD	Multifamily	Fixed	0.30 %	7/1/2031	Senior loan 10/20/2020
Senior loan	Senior loan	10/20/2020	2,026	Laurel, MD	Laurel, MD	Multifamily	Fixed	0.30 %	7/1/2029	Senior loan 10/20/2020
Senior loan	Senior loan	10/20/2020	1,836	Vancouver, WA	Vancouver, WA	Multifamily	Fixed	0.30 %	8/1/2031	Senior loan 10/20/2020
Senior loan	Senior loan	10/20/2020	1,763	Tyler, TX	Tyler, TX	Multifamily	Fixed	0.30 %	11/1/2028	Senior loan 10/20/2020
Senior loan	Senior loan	10/20/2020	1,307	Las Vegas, NV	Las Vegas, NV	Multifamily	Fixed	0.30 %	10/1/2028	Senior loan 10/20/2020
Senior loan	Senior loan	10/20/2020	918	Atlanta, GA	Atlanta, GA	Multifamily	Fixed	0.30 %	8/1/2031	Senior loan 10/20/2020
Senior loan	Senior loan	10/20/2020	728	Des Moines, IA	Des Moines, IA	Multifamily	Fixed	0.30 %	3/1/2029	Senior loan 10/20/2020

#### Total

(1) Outstanding principal balance represents the total repurchase agreement balance outstanding as of **March 31, 2024** **June 30, 2024**.

#### [Table of Contents](#)

For the **three** **six** months ended **March 31, 2024** **June 30, 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,		For the Six Months Ended June 30,	
	2024	2024	2023	2024
<b>Balances as of December 31,</b>				
<b>Balances as of January 1,</b>				
Adjustment to mortgages payable, net on deconsolidation of real estate				
Principal borrowings				
Principal repayments				
Principal repayments on mortgages payable				
Loss on extinguishment of debt				

Accretion of discounts
Amortization of deferred financing costs
<b>Balances as of March 31,</b>
<b>Balances as of June 30,</b>

#### 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, June 30, 2024** are as follows (in thousands):

Year	Year	Recourse	Non-recourse	Total	Year	Recourse	Non-recourse	Total
2024(1)								
2025								
2026								
2027								
2028								
Thereafter								
				\$				

(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.

#### [Table of Contents](#)

#### 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** the contractual amounts that reasonably approximate their fair value given the short to moderate term and floating rate nature.

#### [Table of Contents](#)

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** **June 30, 2024** (in thousands):

	Carrying Value	Carrying Value	Fair Value			Carrying Value					
			Level 1	Level 2	Level 3						
<b>Assets</b>											
Cash and cash equivalents											
Cash and cash equivalents											
Cash and cash equivalents											
Restricted cash											
Loans, held-for-investment, net											
Preferred stock investments, at fair value											
Common stock investments, at fair value											
Mortgage loans, held-for-investment, net											
Accrued interest											
Mortgage loans held in variable interest entities, at fair value											
CMBS structured pass-through certificates, at fair value											
MSCR Notes, at fair value											
Mortgage backed securities, at fair value											
Stock warrant investments											
Accounts receivable and other assets											
Due from brokers for securities sold, not yet settled											
<b>Total Assets</b>											
<b>Liabilities</b>											
Secured financing agreements, net											
Secured financing agreements, net											
Secured financing agreements, net											
Master repurchase agreements											
Unsecured notes, net											
Mortgages payable, net											
Accounts payable and other accrued liabilities											
Accrued interest payable											
Bonds payable held in variable interest entities, at fair value											
<b>Total Liabilities</b>											

#### [Table of Contents](#)

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	
<b>Assets</b>						
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	337,110
Preferred stock investments, at fair value	14,776	—	—	14,776	14,776	14,776
Common stock investments, at fair value	61,529	—	—	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
<b>Total Assets</b>	<b>\$ 6,891,802</b>	<b>\$ 40,242</b>	<b>\$ 5,770,375</b>	<b>\$ 1,077,281</b>	<b>\$ 6,887,898</b>
<b>Liabilities</b>					
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
<b>Total Liabilities</b>	<b>\$ 6,572,846</b>	<b>\$ 14,637</b>	<b>\$ 5,489,856</b>	<b>\$ 1,065,407</b>	<b>\$ 6,569,900</b>

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

#### Table of Contents

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 **June 30, 2024** (in thousands):

	Carrying Value	Carrying Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average (1)	Carrying Value
NexPoint Storage Partners	NexPoint Storage Partners \$33,764	Discounted cash flow	Discounted cash flow	Terminal cap rate	5.00% - 5.50%	5.25 %	NexPoint Storage Partners \$32,676
		Discount rate			Discount rate	7.75% - 9.75%	8.1
IQHQ, Inc.	IQHQ, Inc. \$18,346	Discounted cash flow	Discounted cash flow	Discount rate	11.00% - 12.00%	11.50 %	IQHQ, Inc. 18,384
Private REIT	Private REIT \$26,894	Market approach	Market approach	NAV per share multiple	1.00 - 1.10x	1.050x	Private REIT 26,211

(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** six months ended **March 31, 2024** **June 30, 2024**:

	Balance as of 12/31/23	Additions	Change in Unrealized Gains/(Losses)	Balance as of 3/31/24
	Balances as of December 31, 2023		Change in Unrealized Gains/(Losses)	Balances as of June 30, 2024
NexPoint Storage Partners				
IQHQ, Inc.				
Private REIT				

**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** June 30, 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** **six** months **March 31, 2024** June 30, 2024, the Company issued **74,344** **229,216** 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** June 30, 2024, the Company had **17,593,244** **17,461,129** shares of common stock issued and **17,306,257** **17,518,900** 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** June 30, 2024, the Company has issued **1,657,700** **3,163,447** shares of Series B Preferred Stock for gross proceeds of **\$40.9** **\$77.8** million before deducting selling commissions and dealer manager fees of approximately **\$3.6** **\$6.6** million. The Series B Preferred Stock has a \$25.00 per share liquidation preference.

**Table of Contents**

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** and on May 29, 2024, the **total classified as** Company cancelled 286,987 shares of common stock, **eliminating the remaining treasury stock to 286,987 shares**.

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** June 30, 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** **November 2, 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

264,476 restricted stock units to its officers and other employees of the Manager

#### [Table of Contents](#)

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** **June 30, 2024**:

	2024			
	Number of Units	Number of Units	Weighted Average Grant Date Fair Value	Number of Units
Outstanding December 31, 2023				
Granted				
Vested				
Forfeited				
Outstanding March 31, 2024				
Outstanding June 30, 2024				

(1) Certain key employees of the Manager elected to net the taxes owed upon vesting against the shares issued resulting in **74,344** **229,216** 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** **June 30, 2024** is as follows:

	Shares Vesting				Total
	February	March	April	May	
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
<b>Total</b>	<b>171,891</b>	<b>465,316</b>	<b>410,576</b>	<b>68,564</b>	<b>1,116,347</b>

	Shares Vesting				Total
	February	March	April	Total	
2024	—	—	—	—	—
2025	116,998	132,904	102,201	352,103	
2026	54,893	110,250	91,166	256,309	
2027	—	110,248	91,168	201,416	
2028	—	110,247	—	110,247	
<b>Total</b>	<b>171,891</b>	<b>463,649</b>	<b>284,535</b>	<b>920,075</b>	

As of **March 31, 2024** **June 30, 2024**, total unrecognized compensation expense on restricted stock unit awards was approximately **\$9.8** **\$12.7** million, and the expense is expected to be recognized over a weighted average vesting period of **1.3** **1.6** 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.

The following table contains summary information of the 2022 ATM Program for sales from inception through **March 31, 2024** **June 30, 2024**:

#### [Table of Contents](#)

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** **June 30, 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.

#### [Table of Contents](#)

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,**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2024	2023	2024
	2023	2023	2024	2023
Net income (loss) attributable to common stockholders				
Earnings for basic computations				
Earnings for basic computations				
Earnings for basic computations				
Net income (loss) attributable to redeemable noncontrolling interests				
Net income (loss) attributable to redeemable noncontrolling interests				
Net income (loss) attributable to redeemable noncontrolling interests				
Net income attributable to redeemable noncontrolling interests				
Net income attributable to redeemable noncontrolling interests				
Net income attributable to redeemable noncontrolling interests				
Net income for diluted computations				
Weighted-average common shares outstanding				
Weighted-average common shares outstanding				
Weighted-average common shares outstanding				
Average number of common shares outstanding - basic				
Average number of common shares outstanding - basic				
Average number of common shares outstanding - basic	17,264	17,118	17,422	17,213
Average number of common shares from assumed vesting of unvested restricted stock units	740	522	971	829
Average number of common shares from assumed conversion of OP Units	5,038	5,038	5,038	5,038
Average number of common shares from assumed conversion of Series B Preferred Stock				
Average number of common shares outstanding - diluted	24,862	22,678	27,788	23,080
<b>Earnings per weighted average common share:</b>				
Basic				
Basic				
Basic				
Diluted (1)				

(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** six months ended **March 31, 2024**, **June 30, 2024** and **March 31, 2023** **2023** (in thousands):

	For the Three Months Ended March 31, 2024		For the Six Months Ended June 30, 2024	
	2024	2023	2024	2023
<b>Redeemable noncontrolling interests in the OP, January 1,</b>				
Adjustment to redeemable noncontrolling interest in the OP on deconsolidation of real estate				
Net loss attributable to redeemable noncontrolling interests in the OP				
Net income attributable to redeemable noncontrolling interests in the OP				
Redemption of redeemable noncontrolling interests in the OP				
Distributions to redeemable noncontrolling interests in the OP				
<b>Redeemable noncontrolling interests in the OP, March 31,</b>				
<b>Redeemable noncontrolling interests in the OP, June 30,</b>				

#### [Table of Contents](#)

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	Period End	Common Shares Outstanding	OP Units Held by NCI	Combined Outstanding	Period End	Common Shares Outstanding	OP Units Held by NCI	Combined Outstanding
March 31, 2024		17,306,257	5,038,382	22,344,639				
June 30, 2024		17,461,129	5,038,382	22,499,511				

#### 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~~ six months ended ~~March 31, 2024~~ June 30, 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~~ \$2.6 million on January 9, 2023, March 6, 2023, March 28, 2023, May 25, 2023, August 16, 2023, ~~March 1, 2024~~ and ~~March 1, 2024~~ June 27, 2024. Buffalo Pointe

## [Table of Contents](#)

owns a stabilized multifamily property located in Houston, Texas with **92.0%** **92.6%** occupancy as of **March 31, 2024** **June 30, 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**

**11, 2021**, **May 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** **six** months ended **March 31, 2024** **June 30, 2024** and **March 31, 2023** **June 30, 2023**, operating expenses did not exceed the Expense Cap.

For the **three** **six** months ended **March 31, 2024** **June 30, 2024** and **March 31, 2023** **June 30, 2023**, the Company incurred management fees of **\$0.8 million** **\$1.7 million** and **\$0.8 million** **\$1.7 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 ("NXDT"), an entity that is advised by an affiliate of the Manager, 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 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** **June 30, 2024**. As of **March 31, 2024** **June 30, 2024**, the outstanding NSP Series D Preferred Stock accrued dividends was **\$7.3 million**, **\$11.6 million** and the Company and NexPoint Diversified Real Estate Trust are jointly and severally liable for 85.90% of the guaranteed amount. amount equal to **\$9.7 million**.

### *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

## [Table of Contents](#)

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.

### *NXDT Promissory Note*

On April 19, 2024, the Company, through a subsidiary, borrowed \$6.5 million from NexPoint Diversified Real Estate Trust Operating Partnership, L.P. ("NXDT OP"), the operating partnership of NXDT, and issued \$6.5 million aggregate amount of a 7.54% note to NXDT OP maturing on April 19, 2029. Interest is payable in kind and the note is interest only during its term. On June 4, 2024 the Company paid down \$0.6 million in principal. As of June 30, 2024, the outstanding principal balance is \$5.9 million.

#### 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** **June 30, 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** **\$11.3** 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** **June 30, 2024**, the Company has issued **1,657,700** **3,163,477** shares of Series B Preferred Stock for gross proceeds of **\$40.9** **\$77.8** million and paid the Dealer Manager **\$2.6** **\$4.8** million Selling Commissions and **\$1.0** **\$1.8** million Dealer Manager Fees.

#### Promissory Note

On March 28, 2024, the Company loaned **\$500,000** **\$0.5** million 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** **\$0.5** million 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.

#### Table of Contents

#### 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

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% 2024-SFR1 for net proceeds of par value, \$28.0 million.

#### Mortgage Backed Security Dispositions IQHQ Promissory Note and Warrant

On April 19, 2024 May 23, 2024, the Company, through one certain subsidiaries, along with certain entities advised by affiliates of our Manager, entered into a participation rights agreement with NexPoint Bridge Investor I, LLC, an entity owned by an affiliate of the Subsidiary OPs, sold approximately \$10.4 million aggregate principal amount Manager, pursuant to which the Company has a right to fund up to specified amounts of the Class G tranche of IQHQ Promissory Note (as defined in Note 15) and 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 IQHQ Warrant (as defined in Note 15). See Note 15 for additional \$9.0 million, \$10.3 million, \$6.0 million, \$3.0 million, and \$1.5 million respectively, to Alewife Holdings. information.

#### 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 \$9.9 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

#### 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 April 18, 2024 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 June 30, 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 June 30, 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 \$12.4 million was unfunded as of June 30, 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

#### Table of Contents

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 June 30, 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% 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 June 30, 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 June 30, 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 \$0.6 million was unfunded as of June 30, 2024. Further, the Company committed to purchase \$4.3 million of common equity with respect to the same property, of which \$2.8 million was unfunded as of June 30, 2024.

#### Alewife Holdings Loan Commitments

On January 26, 2024, the Company, through one of its subsidiaries ("OP IV"), along with The Ohio State Life Insurance Company ("OSL"), an entity that may be deemed an affiliate of the Manager through common beneficial ownership, 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.

On May 10, 2024, OP IV, NXDT OP and OSL entered into an Assignment and Assumption and Co-Lender Agreement, pursuant to which OP IV assigned the right to fund up to 9% of the Alewife Loan 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, of which \$108.3 million was unfunded as of June 30, 2024.

#### IQHQ Promissory Note and Warrant

On May 23, 2024, NexPoint Bridge Investor I, LLC ("Bridge Investor I"), an entity owned by an affiliate of the Manager, entered into a Secured Convertible Promissory Note and Warrant Purchase Agreement ("Purchase Agreement") whereby IQHQ, LP issued and sold to Bridge Investor I a Secured Convertible Promissory Note ("IQHQ Promissory Note") with a purchase commitment of \$150 million. The IQHQ Promissory Note bears interest at 16.5%, which is payable in kind, and matures on May 23, 2025, which may be extended up to two times for a period of six months after each extension at the option of IQHQ, LP upon payment of an extension fee. The IQHQ Promissory Note will automatically convert into Series E preferred stock of IQHQ upon a Qualified Equity Financing (as defined in the IQHQ Promissory Note). In accordance with the Purchase Agreement, IQHQ Holdings, LP ("IQHQ Holdings") also issued and sold a corresponding warrant to Bridge Investor I to purchase Class A-3 Units of IQHQ Holdings (the "IQHQ Warrant"). The IQHQ Warrant entitles the holder to purchase, at an exercise price of \$0.01, Class A-3 Units of IQHQ Holdings representing up to 6.25% of the fully diluted and outstanding common equity of IQHQ Holdings if the IQHQ Promissory Note is fully funded. The IQHQ Warrant is exercisable, in whole or in part, at any time, and expires on May 23, 2034, unless there is an earlier change of control, initial public offering or liquidation.

In connection with the Purchase Agreement, the Company, through certain subsidiaries, along with certain entities advised by affiliates of our Manager (the "IQHQ Participating Purchasers") entered into a participation rights agreement

#### Table of Contents

with Bridge Investor I pursuant to which the Company and the IQHQ Participating Purchasers have a right to fund up to specified amounts of the IQHQ Promissory Note and the IQHQ Warrant. Upon receipt of a draw request, each IQHQ Participating Purchaser will have the right to elect to fund an amount equal or greater than zero up to their respective preemptive right under the IQHQ Holdings or IQHQ LP organizational documents less the total amount of advances previously made by such IQHQ Participating Purchaser. Upon receipt of a draw request, NXDT OP will also have the right to elect to fund an amount equal or greater than zero up to 50% of the total requested amount that is not funded by the IQHQ Participating Purchasers. The Company, through certain subsidiaries, would be required to fund any amounts not funded by the IQHQ Participating Purchasers and NXDT OP. At any time that the IQHQ Participating Purchasers have funded less than their respective participation amounts, the IQHQ Participating Purchasers have the option to pay the Company or NXDT OP (to the extent it has funded) any amount of such unfunded amount. Upon such payment, the IQHQ Participating Purchaser would become entitled to all interest accrued on the amounts paid to the Company or NXDT OP, if applicable, on and after the date of such payment. A portion of the IQHQ Warrant is allocated in accordance with the pro rata funding of the IQHQ Promissory Note.

IQHQ Holdings is the sole common stockholder of IQHQ, and the IQHQ Participating Purchasers own common equity in IQHQ Holdings and/or IQHQ, LP. The Company has an ownership interest in the Series D-1 preferred stock in IQHQ, which is the limited partner in IQHQ, LP; however, the Company has no controlling financial interest nor significant influence in IQHQ, LP.

The loan participation is considered a transfer of the IQHQ Promissory Note and the IQHQ Warrant and qualified as a sale under ASC 860, *Transfers and Servicing*, as (1) the transfer legally isolated the transferred assets from the transferor, (2) the transferee has the right to pledge or exchange the transferred assets and no condition both constrains the transferee's right to pledge or exchange the assets and provides more than a trivial benefit to the transferor, and (3) the transferor does not maintain effective control over the transferred assets. The IQHQ Promissory Note is classified as Loans, held-for-investment, net, and the IQHQ Warrant is classified as Stock warrant investments. The IQHQ Warrant is accounted for as investments in equity securities under ASC 321, *Investments – Equity Securities*, and the Company elected to use the measurement alternative to measure the investment at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any.

As of the date hereof, the Company has funded \$67.5 million and the IQHQ Participating Purchasers have not currently funded their portion. The Company's expected maximum commitment under the IQHQ Promissory Note and Warrant is \$150 million as of the date hereof.

The table below shows the Company's unfunded commitments by investment type as of June 30, 2024 and December 31, 2023 (in thousands):

Investment Type	June 30, 2024		December 31, 2023	
	Unfunded Commitments		Unfunded Commitments	
Loans	\$	190,785	\$	—
Preferred Equity		12,940		34,966
Common Equity		4,036		6,600
	\$	207,761	\$	41,566

## 16. Subsequent Events

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The Company, through its subsidiaries, sold a CMBS B Piece investment for \$62.4 million on July 26, 2024.

### Dividends Declared

The Board declared the third regular quarterly dividend of 2024 to common stockholders of \$0.50 per share on July 29, 2024, to be paid on September 30, 2024, to stockholders of record as of September 13, 2024.

On July 16, 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 September 5, 2024, to Series B Preferred stockholders of record as of May 24, 2024 August 23, 2024.

On April 29, 2024, our Board declared the second regular quarterly dividend

[Table 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.](#) [Contents](#)

## 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](#) [promissory 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 June 30, 2024 approximately \$18.4 billion \$20.1 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 \$21.8 billion of loans and debt or credit related investments as of March 31, 2024 June 30, 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.

[Table of Contents](#)

**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** **June 30, 2024**. The amounts in the table below are as of the purchase or investment date:

Investment	Investment	Property Type	Investment Date	Outstanding Principal Amount	Cost (% of Par Value)	Coupon (1)	Current Yield (1)	Maturity Date	Interest Rate
Common Equity		Multifamily	9/8/2023	\$ 1,606,814	(2) 66.7 %			N/A	
		Life							Floating Rate
Mezzanine		Sciences	1/26/2024	43,283,523 (3)	100.0 %	14.32 %	14.32 %	2/9/2027	
Preferred Equity		Multifamily	5/29/2020	687,127	100.0 %	11.00 %	11.00 %	5/1/2030	
Common Equity		Multifamily	2/10/2023	2,010,101	99.5 %			N/A	
		Life							Floating Rate
Senior Loan		Sciences	4/11/2024	\$ 55,141,751	(3) 90.9 %	14.33 %	15.75 %	2/9/2027	
Preferred Equity	Preferred Equity	Life Science	1/14/2022	1,608,040	99.5	99.5 %	10.00 %	10.05 %	9/29/2024
Preferred Equity	Preferred Equity	Single-family	5/16/2023	1,530,000	99.0	99.0 %	13.50 %	13.64 %	4/28/2027
Preferred Equity	Preferred Equity	Life Science	9/29/2021	4,321,608	99.5	99.5 %	10.00 %	10.05 %	9/29/2024
Preferred Equity	Preferred Equity	Multifamily	2/24/2023	5,000,000 (4)	99.0 %	11.00 %	11.11 %	2/10/2025	Floating Rate
Common Equity		Multifamily	5/13/2024	500,000	100 %	11.00 %	11.00 %	2/10/2025	
CMBS B-Piece		Multifamily	4/24/2024	31,930,636	85.3 %	5.78 %	6.77 %	3/25/2029	
		Life							Fixed Rate
Promissory Note		Science	5/23/2024	67,500,000 (5)	100 %	16.50 %	16.50 %	5/23/2025	
Common Equity		Multifamily	5/8/2024	391,500	100 %		N/A		Fixed Rate
Preferred Equity	Preferred Equity	Multifamily	2/10/2023	3,400,000 (4)	99.0 %	11.00 %	11.11 %	2/10/2025	Floating Rate
		Life							
Preferred Stock		Science	11/9/2023	3,506,633	100.0 %	11.00 %	11.00 %	N/A	
CMBS B-Piece		Multifamily	2/22/2024	30,869,000	85.6 %	5.90 %	6.89 %	1/25/2029	
Mortgage Backed Security		Single-family	2/29/2024	5,000,000	94.7 %	4.50 %	4.75 %	3/19/2029	
Mortgage Backed Security		Single-family	2/29/2024	11,000,000	85.7 %	4.50 %	5.25 %	3/19/2029	
Mortgage Backed Security		Single-family	2/29/2024	8,213,000	79.7 %	4.50 %	5.65 %	3/19/2029	
Promissory Note		Single-family	3/28/2024	500,000	100.0 %	12.50 %	12.50 %	3/28/2025	
			\$	=					

[Table of Contents](#)

(1) Current yield and coupon as of **March 31, 2024** **June 30, 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** **June 30, 2024**:

Investment	Investment Type	Date	Disposition Date	Amortized Cost Basis	Redemption/Sales Proceeds	Prepayment Penalties	Net Gain (Loss) on Repayment	Investment Type	Date	Disposition Date	Amortized Cost Basis
Senior loan											
Mortgage Backed Security											
Preferred Equity											
MSCR Note											
MSCR Note											
MSCR Note											
Mortgage Backed Security											
Mortgage Backed Security											
Mortgage Backed Security											
CMBS B-Piece											
				\$							
				=							

#### 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.

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			
	Interest income/(expense)	Average Balance (1)	Yield (2)	Interest income/(expense)	Average Balance (1)	Yield (2)	\$ Change	% Change
<b>Interest income</b>								
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 %	(39)	(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 %
<b>Total interest income</b>	<b>\$ (1,574)</b>	<b>\$ 1,109,981</b>	<b>(0.14)%</b>	<b>\$ 16,161</b>	<b>\$ 1,088,223</b>	<b>1.49 %</b>	<b>\$ (17,735)</b>	<b>(109.74)%</b>
<b>Interest expense</b>								
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 %
<b>Total interest expense</b>	<b>\$ (11,240)</b>	<b>\$ (1,224,097)</b>	<b>0.92 %</b>	<b>\$ (12,212)</b>	<b>\$ (1,172,367)</b>	<b>1.04 %</b>	<b>\$ 972</b>	<b>(8.0)%</b>
<b>Net interest income (3)</b>	<b>\$ (12,814)</b>			<b>\$ 3,949</b>			<b>\$ (16,763)</b>	<b>(424.5)%</b>

(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, sales of 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.

#### Table of Contents

*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 and Six Months Ended **March 31, 2024** **June 30, 2024**, and 2023

##### [Table of Contents](#)

The following table sets forth a summary of our operating results for the three and six months ended **March 31, 2024** **June 30, 2024** and 2023 (in thousands):

For the Three Months Ended March 31,		For the Three Months Ended June 30,											
		2024		2024		\$ Change		% Change		2023		\$ Change	
		2024	2023	\$ (Change)	%	2024	2023	\$ (Change)	%	2024	2023	\$ (Change)	
Net interest income (expense)	Net interest income (expense)	\$(12,814)	\$ 3,949	\$(16,763)	(424.5)	(424.5)	\$ 6,740	\$ 4,205	\$ 2,535	(42.5)	\$ 9,370	\$ 9,370	\$ 0
Other income	Other income	9,199	10,949	(1,750)	(1,750)	(1,750)	(16.0)	(16.0)	(14,168)	(9,370)	(4,798)	(4,798)	(4,798)
Operating expenses	Operating expenses	(11,026)	(5,520)	(5,520)	(5,506)	(5,506)	99.7	99.7	(8,794)	(5,098)	(3,696)	(3,696)	(3,696)
Net income (loss)	Net income (loss)	(14,641)	9,378	9,378	(24,019)	(24,019)	(256.1)	(256.1)	12,114	8,477	3,637	3,637	3,637
Net (income) loss attributable to Series A preferred stockholders		(874)	(874)	—	—	—	NA	NA	NA	NA	NA	NA	NA
Net (income) loss attributable to Series B preferred stockholders		(665)	—	(665)	—	—	NA	NA	NA	NA	NA	NA	NA
Net (income) loss attributable to Series A Preferred stockholders		(874)	(874)	—	—	—	NA	NA	NA	NA	NA	NA	NA
Net (income) loss attributable to Series B Preferred stockholders		(1,477)	—	(1,477)	—	—	NA	NA	NA	NA	NA	NA	NA
Net (income) loss attributable to redeemable noncontrolling interests	Net (income) loss attributable to redeemable noncontrolling interests	1,894	(1,937)	(1,937)	3,831	3,831	(197.8)	(197.8)	(2,275)	(1,856)	(1,856)	(1,856)	(1,856)
Net income (loss) attributable to common stockholders		\$(14,286)	\$ 6,567	\$(20,853)	(317.5)	%	—	—	—	—	—	—	—

Net income attributable to common stockholders	\$ 7,488	\$ 5,747	\$ 1,741	30.3 %
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The change in our net income (loss) for the three months **March 31, 2024** **June 30, 2024** as compared to the net income (loss) for the three months ended **March 31, 2023** **June 30, 2023** primarily relates to accelerated amortization, a decrease in interest expense related to the repayment of the premium associated with the prepayment on one of our senior loans. Our net loss income (loss) attributable to common stockholders for the three months ended **March 31, 2024** **June 30, 2024** was approximately **\$14.3 million** **\$7.5 million**. We had approximately **\$12.8 million** **\$6.7 million** in net interest losses, income, generated income of **\$9.2 million** **\$14.2 million** in other income, incurred operating expenses of **\$11.0 million** **\$8.8 million**, allocated \$0.9 million of losses income to Series A Preferred stockholders, allocated **\$0.7 million** **\$1.5 million** of losses income to Series B Preferred stockholders, and allocated **\$1.9 million** **\$2.3 million** of losses income to redeemable noncontrolling interests for the three months ended **March 31, 2024** **June 30, 2024**.

#### Revenues

**Net interest income (expense).** Net interest income was \$6.7 million for the three months ended June 30, 2024 compared to net interest income of \$4.2 million for the three months ended June 30, 2023 which was an increase of approximately \$2.5 million. The increase between the periods is primarily due to a decrease in interest expense from the repayment of one of our senior loans in the first quarter of 2024. As of June 30, 2024 we own 85 discrete investments compared to 87 as of June 30, 2023.

**Other income.** Other income was \$14.2 million for the three months ended June 30, 2024 compared to \$9.4 million for the three months ended June 30, 2023, which was an increase of approximately \$4.8 million. This was primarily due to an increase in unrealized gain related to consolidated CMBS VIEs and an increase in fair value marks between the periods.

#### Expenses

**G&A expenses.** G&A expenses were \$3.2 million for the three months ended June 30, 2024 compared to \$2.4 million for the three months ended June 30, 2023, which was an increase of approximately \$0.8 million. The increase between the periods was primarily due to a \$1.0 million increase in stock compensation expense compared to the prior period.

**Loan servicing fees.** Loan servicing fees were \$0.4 million for the three months ended June 30, 2024 compared to \$1.1 million for the three months ended June 30, 2023, which was a decrease of approximately \$0.7 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 \$0.9 million for the three months ended June 30, 2024 compared to \$0.8 million for the three months ended June 30, 2023.

**Expenses from consolidated real estate owned.** Expenses from consolidated real estate owned were \$4.4 million for the three months ended June 30, 2024, compared to \$0.8 million for the three months ended June 30, 2023, which was an increase of approximately \$3.5 million. The increase is due to the consolidation of Alexander at the District.

#### Table of Contents

	For the Six Months Ended June 30,			
	2024	2023	\$ Change	% Change
Net interest income (expense)	\$ (6,074)	\$ 8,154	\$ (14,228)	(174.5)%
Other income	23,367	20,319	3,048	15.0 %
Operating expenses	(19,820)	(10,618)	(9,202)	86.7 %
Net income (loss)	(2,527)	17,855	(20,382)	(114.2)%
Net (income) loss attributable to Series A Preferred stockholders	(1,748)	(1,748)	—	— %
Net (income) loss attributable to Series B Preferred stockholders	(2,142)	—	(2,142)	N/A
Net (income) loss attributable to redeemable noncontrolling interests	(382)	(3,793)	3,411	(89.9)%
Net income (loss) attributable to common stockholders	\$ (6,799)	\$ 12,314	\$ (19,113)	(155.2)%

The change in our net income (loss) for the six months ended June 30, 2024 as compared to the net income (loss) for the six months ended June 30, 2023 primarily relates to an increase in other income. Our net income (loss) attributable to common stockholders for the six months ended June 30, 2024 was approximately **\$6.1 million**. We had approximately **\$6.1 million** in net interest losses, generated income of **\$23.4 million** in other income, incurred operating expenses of **\$19.8 million**, allocated **\$1.7 million** of income to Series A Preferred stockholders, allocated **\$2.1 million** of income to Series B Preferred stockholders, and allocated **\$0.4 million** of income to redeemable noncontrolling interests for the six months ended June 30, 2024.

#### Revenues

**Net interest income (expense).** Net interest loss was **\$12.8 million** **\$6.1 million** for the three six months ended **March 31, 2024** **June 30, 2024** compared to net interest income of **\$3.9 million** **\$8.2 million** for the three six months ended **March 31, 2023** **June 30, 2023**, which was a decrease of approximately **\$16.7 million** **\$14.2 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 six months ended **March 31, 2024** **June 30, 2024**. As of **March 31, 2024** **June 30, 2024** we own **88** **85** discrete investments compared to **87** **88** as of **March 31, 2023** **June 30, 2023**.

**Other income.** Other income was **\$9.2 million** **\$23.4 million** for the three six months ended **March 31, 2024** **June 30, 2024** compared to **\$10.9 million** **\$20.3 million** for the three six months ended **March 31, 2023** **June 30, 2023** which was a decrease of approximately **\$1.8 million** **\$3.0 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 \$7.4 million for the **three six** months ended **March 31, 2024** **June 30, 2024** compared to \$2.2 million \$4.5 million for the **three six** months ended **March 31, 2023** **June 30, 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 \$0.9 million for the **three six** months ended **March 31, 2024** **June 30, 2024** compared to \$1.0 million \$2.1 million for the **three six** months ended **March 31, 2023** **June 30, 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 \$1.7 million for the **three six** months ended **March 31, 2024** **June 30, 2024** compared to \$0.8 million \$1.7 million for the **three six** months ended **March 31, 2023** **June 30, 2023**.

Expenses from consolidated real estate owned. Expenses from consolidated real estate owned were \$5.4 million \$9.8 million for the **three six** months ended **March 31, 2024** **June 30, 2024**, compared to \$1.5 million \$2.3 million for the **three six** months ended **March 31, 2023** **June 30, 2023**, which was an increase of approximately \$7.5 million. The increase is due to the consolidation of Alexander at the District.

#### [Table of Contents](#)

#### 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,		For the Six Months Ended June 30,					
	2024	2023	2024	2023	2024	2023	2024	2023
	2024	2023	% Change		2024	2023	% Change	
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	6,567	(317.5)	(317.5)%	\$ (6,799)	\$ 12,314	(155.2)
Net income attributable to redeemable noncontrolling interests	\$ 382	\$ 3,793	(89.9)	%				
Net (income) loss attributable to Series B preferred stockholders	\$ 2,142	\$ —	N/A					
Weighted-average number of shares of common stock outstanding								
Weighted-average number of shares of common stock outstanding								

Weighted-average  
number of shares of  
common stock  
outstanding

Basic		17,264	17,118	17,118	0.9	0.9 %	\$ 17,343	\$ 17,166	1.0	1.0 %	
Diluted	Diluted	24,862	22,678	22,678	9.6	9.6 %	Diluted	\$ 26,399	\$ 22,880	15.4	15.4 %
Net income per share, basic	Net income per share, basic	\$ (0.83)	\$ 0.38	\$ (318.4)	(318.4)	% basic	\$ (0.39)	\$ 0.72	(154.7)	(154.7)	%
Net income per share, diluted	Net income per share, diluted	\$ (0.83)	\$ 0.37	\$ (324.3)	(324.3)	% diluted	\$ (0.39)	\$ 0.70	(155.7)	(155.7)	%
Dividends declared per share	Dividends declared per share	\$ 0.5000	\$ 0.6850	\$ (27.0)	(27.0)	%	\$ 1.0000	\$ 1.3700	(27.0)	(27.0)	%
<b>For the Three Months Ended June 30,</b>											
		<b>2024</b>		<b>2023</b>			<b>% Change</b>				
Net income attributable to common stockholders		\$ 7,488		\$ 5,747			30.3 %				
Net income attributable to redeemable noncontrolling interests		\$ 2,275		\$ 1,856			22.6 %				
Net (income) loss attributable to Series B preferred stockholders		\$ 1,477		\$ —			N/A				
Weighted-average number of shares of common stock outstanding											
Basic		\$ 17,422		\$ 17,213			1.2 %				
Diluted		\$ 27,788		\$ 23,080			20.4 %				
Net income per share, basic		\$ 0.43		\$ 0.33			28.7 %				
Net income per share, diluted		\$ 0.40		\$ 0.33			21.2 %				
Dividends declared per share		\$ 0.5000		\$ 0.6850			(27.0)%				

#### **Earnings Available for Distribution, and Cash Available for Distribution and Adjusted Diluted Weighted Average Shares**

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

#### [Table of Contents](#)

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 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.

Starting in the second quarter of 2024, EAD per diluted share and CAD per diluted share are based on adjusted diluted weighted average shares. Adjusted weighted average diluted shares outstanding is a non-GAAP measure calculated by subtracting the dilutive effect of potential redemptions of Series B Preferred shares for shares of our common stock from weighted average diluted shares outstanding. We believe providing adjusted weighted average diluted shares outstanding and EAD per diluted share and CAD per diluted share based on adjusted weighted average diluted shares outstanding is helpful to our investors in their assessment of our performance without the potential dilutive effect of the Series B Preferred shares. We have the right to redeem the Series B Preferred shares for cash or shares of our common stock. Additionally, Series B Preferred redemptions are capped at 2% of the outstanding Series B Preferred shares per month, 5% per quarter and 20% per year. Further, it is the Company's intent to not settle Series B Preferred redemptions in shares of common stock when the Company's common stock price is below book value.

Adjusted weighted average diluted shares outstanding should not be considered as an alternative to the GAAP measures. Our computation of adjusted weighted average diluted shares outstanding may not be comparable to adjusted weighted average diluted shares outstanding reported by other companies.

Prior period EAD per diluted share and CAD per diluted share have not been updated to reflect this adjustment as the dilutive effect of the Series B Preferred redemptions were immaterial to prior periods.

The following table provides a reconciliation of EAD and CAD to GAAP net income attributable including the dilutive effect of noncontrolling interests and adjusted diluted weighted average shares outstanding to common stockholders diluted weighted average shares outstanding for the three and six months ended March 31, 2024 June 30, 2024 and 2023 (in thousands, except per share amounts):

	For the Three Months Ended March 31,		
	2024	2023	% Change
<b>Net income attributable to common stockholders</b>	\$ (14,286)	\$ 6,567	(317.5)%
<b>Adjustments</b>			
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)%
<b>EAD attributable to common stockholders</b>	<u>\$ (10,031)</u>	<u>\$ 9,525</u>	<u>(205.3)%</u>
<b>EAD per Diluted Weighted-Average Share</b>	<u>\$ (0.55)</u>	<u>\$ 0.54</u>	<u>(201.9)%</u>
<b>EAD per Diluted Weighted-Average Share</b>			
<b>Adjustments</b>			
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 %
<b>CAD attributable to common stockholders</b>	<u>\$ 12,033</u>	<u>\$ 9,957</u>	<u>20.8 %</u>
<b>CAD per Diluted Weighted-Average Share</b>	<u>\$ 0.67</u>	<u>\$ 0.56</u>	<u>19.6 %</u>
<b>Weighted-average common shares outstanding - basic</b>	<u>17,264</u>	<u>17,118</u>	<u>0.9 %</u>
<b>Weighted-average common shares outstanding - diluted (3)</b>	<u>18,082</u>	<u>17,640</u>	<u>2.5 %</u>

[Table of Contents](#)

For the Three Months Ended June 30,		
2024	2023	% Change

<b>Net income (loss) attributable to common stockholders</b>	\$ 7,488	\$ 5,747	30.3 %
<b>Net income attributable to redeemable noncontrolling interests</b>	\$ 2,275	\$ 1,856	22.6 %
<b>Adjustments</b>			
Amortization of stock-based compensation	1,454	1,262	15.2 %
Provision for (reversal of) credit losses	(2)	(6)	(66.7)%
Equity in (income) losses of equity method investments (1)	892	889	0.3 %
Unrealized (gains) or losses (2)	3,852	1,708	125.5 %
<b>EAD</b>	<b>\$ 15,959</b>	<b>\$ 11,456</b>	<b>39.3 %</b>
<b>EAD per Diluted Weighted-Average Share (3)</b>	<b>\$ 0.68</b>	<b>\$ 0.50</b>	<b>37.2 %</b>
<b>Adjustments</b>			
Amortization of premiums	1,682	3,806	(55.8)%
Accretion of discounts	(3,693)	(3,572)	3.4 %
Depreciation and amortization of real estate investments	1,082	478	126.4 %
Amortization of deferred financing costs	12	11	9.1 %
<b>CAD</b>	<b>\$ 15,042</b>	<b>\$ 12,179</b>	<b>23.5 %</b>
<b>CAD per Diluted Weighted-Average Share (3)</b>	<b>\$ 0.64</b>	<b>\$ 0.53</b>	<b>21.7 %</b>
<b>Weighted-average common shares outstanding - basic</b>	<b>17,422</b>	<b>17,213</b>	<b>1.2 %</b>
<b>Weighted-average common shares outstanding - diluted</b>	<b>27,788</b>	<b>23,080</b>	<b>20.4 %</b>
<b>Shares attributable to potential redemption of Series B Preferred</b>	<b>(4,357)</b>	<b>—</b>	<b>N/A</b>
<b>Adjusted weighted-average common shares outstanding - diluted (3)</b>	<b>23,431</b>	<b>23,080</b>	<b>1.5 %</b>

- (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 Starting in the second quarter of 2024, EAD per diluted weighted-average share, CAD per diluted weighted-average share and adjusted diluted weighted average common 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 the potential redemption of Series B Preferred Stock for the three months ended March 31, 2024 and 2023 (in thousands, except per share amounts): common shares. Prior periods have not been updated to reflect this adjustment.

	For the Three Months Ended March 31,		
	2024	2023	% Change
<b>Net income (loss) attributable to common stockholders</b>	\$ (14,286)	\$ 6,567	(317.5)%
<b>Net income (loss) attributable to redeemable noncontrolling interests</b>	\$ (1,894)	\$ 1,937	(197.8)%
<b>Adjustments</b>			
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 %
<b>EAD</b>	<b>\$ (11,451)</b>	<b>\$ 11,881</b>	<b>(196.4)%</b>
<b>EAD per Diluted Weighted-Average Share</b>	<b>\$ (0.46)</b>	<b>\$ 0.52</b>	<b>(188.5)%</b>
<b>Adjustments</b>			
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)%

<b>CAD</b>	<b>\$ 14,873</b>	<b>\$ 12,399</b>	<b>20.0 %</b>
<b>CAD per Diluted Weighted-Average Share</b>	<b>\$ 0.60</b>	<b>\$ 0.55</b>	<b>9.1 %</b>
<b>Weighted-average common shares outstanding - basic</b>	<b>17,264</b>	<b>17,118</b>	<b>0.9 %</b>
<b>Weighted-average common shares outstanding - diluted</b>	<b>24,862</b>	<b>22,678</b>	<b>9.6 %</b>

[Table of Contents](#)

	For the Six Months Ended June 30,		
	2024	2023	% Change
<b>Net income (loss) attributable to common stockholders</b>	<b>\$ (6,799)</b>	<b>\$ 12,314</b>	<b>(155.2)%</b>
<b>Net income attributable to redeemable noncontrolling interests</b>	<b>\$ 382</b>	<b>\$ 3,793</b>	<b>(89.9)%</b>
<b>Adjustments</b>			
Amortization of stock-based compensation	3,252	2,109	54.2 %
Provision for (reversal of) credit losses	(422)	(40)	955.0 %
Equity in (income) losses of equity method investments (1)	2,892	889	225.3 %
Unrealized (gains) or losses (2)	5,203	4,272	21.8 %
<b>EAD</b>	<b>\$ 4,508</b>	<b>\$ 23,337</b>	<b>(80.7)%</b>
<b>EAD per Diluted Weighted-Average Share (3)</b>	<b>\$ 0.19</b>	<b>\$ 1.02</b>	<b>(81.4)%</b>
<b>Adjustments</b>			
Amortization of premiums	29,556	7,337	302.8 %
Accretion of discounts	(7,573)	(7,072)	7.1 %
Depreciation and amortization of real estate investments	3,400	954	256.4 %
Amortization of deferred financing costs	24	22	9.1 %
<b>CAD</b>	<b>\$ 29,915</b>	<b>\$ 24,578</b>	<b>21.7 %</b>
<b>CAD per Diluted Weighted-Average Share (3)</b>	<b>\$ 1.29</b>	<b>\$ 1.07</b>	<b>20.6 %</b>
<b>Weighted-average common shares outstanding - basic</b>	<b>17,343</b>	<b>17,166</b>	<b>1.0 %</b>
<b>Weighted-average common shares outstanding - diluted</b>	<b>26,399</b>	<b>22,880</b>	<b>15.4 %</b>
<b>Shares attributable to potential redemption of Series B Preferred</b>	<b>(3,121)</b>	<b>—</b>	<b>N/A</b>
<b>Adjusted weighted-average common shares outstanding - diluted (3)</b>	<b>23,278</b>	<b>22,880</b>	<b>1.7 %</b>

- (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) Starting in the second quarter of 2024, EAD per diluted weighted-average share, CAD per diluted weighted-average share and adjusted diluted weighted average common shares outstanding do not include the dilutive effect of the potential redemption of Series B Preferred Stock for common shares. Prior periods have not been updated to reflect this adjustment. In the six months ended June 30, 2024, the adjusted diluted average common shares outstanding for the first quarter does not exclude the dilutive effect of the potential redemption of Series B Preferred Stock for common shares.

[Table of Contents](#)

**Book Value per Share / Unit**

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

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
	<b>June 30, 2024</b>	<b>December 31, 2023</b>
<b>Common stockholders' equity</b>		

Shares of common stock outstanding at period end	Shares of common stock outstanding at period end	17,306	Shares of common stock outstanding at period end	17,232	Shares of common stock outstanding at period end	17,461	Shares of common stock outstanding at period end	17,232
Book value per share of common stock								

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):

	March 31, 2024	December 31, 2023		March 31, 2024	December 31, 2023	
Common stockholders' equity						
Redeemable noncontrolling interests in the OP						
Total equity						
Redeemable OP Units at period end						
Redeemable OP Units at period end						
Redeemable OP Units at period end	5,038	5,038	5,038	5,038	5,038	5,038
Shares of common stock outstanding at period end	17,306	17,232	17,232	17,461	17,232	17,232
Combined shares of common stock and redeemable OP Units	22,345	22,270	22,270	22,500	22,270	22,270
Combined book value per share / unit						

## Our Portfolio

Our portfolio consists of SFR Loans, CMBS B-Pieces, CMBS I/O Strips, mezzanine loans, preferred equity investments, common stock investments, preferred stock investments, multifamily properties, **MSCR Notes** promissory notes, and mortgage backed securities with a combined unpaid principal balance of \$1.5 billion as of **March 31, 2024** **June 30, 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** **June 30, 2024** (dollars in thousands):

Investment (1)	Investment (1)	Investment (1)	Current Principal (2)	Net Equity (2)	Property Location	Type Coupon	Current Yield (3)	Remaining Term (4) (years)	Investment (1)	Investment (1)	Current Principal (2)	Net Equity (2)	Property Location	Type Coupon	Current Yield (3)	Remaining Term (4) (years)
<b>SFR Loans</b>																
1																
1																
1																
2																
3																
4																
5																
6																
7																
8																
9																
10																
11																
<b>Total</b>																
<b>CMBS B-Pieces</b>																
1																
1																
1																
2																
3																
4																

5
6
7
8
9
10
Total
CMBS I/O Strips
CMBS I/O Strips
CMBS I/O Strips
1
1
1
2
3

[Table of Contents](#)

5
6
7
8
9
10
Total
CMBS I/O
Strips
CMBS I/O
Strips
CMBS I/O
Strips
1
1
CMBS I/O
1 Strip 5/18/2020 17,590 (7) 481 Various Multifamily 2.09 % 15.94 %
CMBS I/O
2 Strip 8/6/2020 108,643 (7) 4,559 Various Multifamily 3.08 % 19.88 %
CMBS I/O
3 Strip 4/28/2021 (8) 63,892 (7) 1,245 Various Multifamily 1.71 % 20.32 %
CMBS I/O
4 4 Strip 5/27/2021 20,000 (6) (6) 1,123 Various Various Multifamily 3.39 % 18.42 %
CMBS I/O
5 5 Strip 6/7/2021 4,266 (6) (6) 102 Various Various Multifamily 2.31 % 23.40 %
CMBS I/O
6 6 Strip 6/11/2021 (8) 97,876 (6) (6) 1,124 Various Various Multifamily 1.48 % 18.03 %
CMBS I/O
7 7 Strip 6/24/2021 25,283 (6) (6) 221 Various Various Multifamily 1.17 % 18.61 %
CMBS I/O
8 8 Strip 8/10/2021 25,000 (6) (6) 563 Various Various Multifamily 1.89 % 18.63 %
CMBS I/O
9 9 Strip 8/11/2021 6,942 (6) (6) 372 Various Various Multifamily 3.10 % 15.69 %
CMBS I/O
10 10 Strip 8/24/2021 1,625 (6) (6) 66 Various Various Multifamily 2.61 % 16.66 %

11	11	CMBS I/O Strip	9/1/2021	34,625	(6)	(6)	989	Various	Various	Multifamily	1.92	%	17.63	%
12	12	CMBS I/O Strip	9/11/2021	20,902	(6)	(6)	1,107	Various	Various	Multifamily	2.95	%	15.57	%
<b>Total</b>														
<b>Mezzanine</b>														
<b>Loans</b>														
<b>Mezzanine</b>														
<b>Loans</b>														
1	1													
1	1	Mezzanine	6/12/2020	7,500	7,500	7,500	Houston, TX	Houston, TX	Multifamily	11.00	%			
2	2	Mezzanine	10/20/2020	5,470	2,244	2,244	Wilmington, DE	Wilmington, DE	Multifamily	7.50	%			
3	3	Mezzanine	10/20/2020	10,380	4,288	4,288	White Marsh, MD	White Marsh, MD	Multifamily	7.42	%			
4	4	Mezzanine	10/20/2020	14,253	5,866	5,866	Philadelphia, PA	Philadelphia, PA	Multifamily	7.59	%			
5	5	Mezzanine	10/20/2020	3,700	1,514	1,514	Daytona Beach, FL	Daytona Beach, FL	Multifamily	7.83	%			
6	6	Mezzanine	10/20/2020	12,000	4,955	4,955	Laurel, MD	Laurel, MD	Multifamily	7.71	%			
7	7	Mezzanine	10/20/2020	3,000	1,239	1,239	Temple Hills, MD	Temple Hills, MD	Multifamily	7.32	%			
8	8	Mezzanine	10/20/2020	1,500	620	620	Temple Hills, MD	Temple Hills, MD	Multifamily	7.22	%			
9	9	Mezzanine	10/20/2020	5,540	2,272	2,272	Lakewood, NJ	Lakewood, NJ	Multifamily	7.33	%			
10	10	Mezzanine	10/20/2020	6,829	2,797	2,797	Rosedale, MD	Rosedale, MD	Multifamily	7.53	%			
11	11	Mezzanine	10/20/2020	3,620	1,495	1,495	North Aurora, IL	North Aurora, IL	Multifamily	7.42	%			
12	12	Mezzanine	10/20/2020	9,610	3,970	3,970	Cockeysville, MD	Cockeysville, MD	Multifamily	7.42	%			
13	13	Mezzanine	10/20/2020	7,390	3,053	3,053	Laurel, MD	Laurel, MD	Multifamily	7.42	%			
14	14	Mezzanine	10/20/2020	2,135	874	874	Tyler, TX	Tyler, TX	Multifamily	7.74	%			
15	15	Mezzanine	10/20/2020	1,190	488	488	Las Vegas, NV	Las Vegas, NV	Multifamily	7.71	%			
16	16	Mezzanine	10/20/2020	3,310	1,358	1,358	Atlanta, GA	Atlanta, GA	Multifamily	6.91	%			
17	17	Mezzanine	10/20/2020	2,880	1,179	1,179	Des Moines, IA	Des Moines, IA	Multifamily	7.89	%			
18	18	Mezzanine	10/20/2020	4,010	1,642	1,642	Urbandale, IA	Urbandale, IA	Multifamily	7.89	%			
19	19	Mezzanine	11/18/2021	12,600	12,510	12,510	Irving, TX	Irving, TX	Multifamily	16.29	%			
20	20	Mezzanine	12/29/2021	7,760	7,749	7,749	Rogers, AR	Rogers, AR	Multifamily	16.29	%			
21	21	Mezzanine	6/9/2022	4,500	4,481	4,481	Rogers, AR	Rogers, AR	Multifamily	16.02	%			
22	22	Mezzanine	10/5/2022	(9)	4,030	4,000	Kirkland, WA	Kirkland, WA	Multifamily	16.02	%			16.14 %
23		Mezzanine	1/26/2024	44,574		43,350	MA	Cambridge, MA	Life Sciences	14.32	%			14.72 %

**Total**

**Preferred**

**Equity**

Preferred													
Equity													
Preferred													
Equity													
1													
1													
Preferred													
1	Equity	5/29/2020	(10)	12,385	12,385	12,385	Houston, TX	Houston, TX	Multifamily	11.00 %			11.00 %
Preferred													
2	Equity	9/29/2021		14,121	14,093	14,093	Holly Springs, NC	Holly Springs, NC	Life Science	10.00 %			10.00 %
Preferred													
3	Equity	12/28/2021	(11)	10,253	10,253	10,253	Las Vegas, NV	Las Vegas, NV	Multifamily	10.50 %			10.50 %
Preferred													
4	Equity	1/14/2022		26,207	26,199	26,199	Vacaville, CA	Vacaville, CA	Life Science	10.00 %			10.00 %
Preferred													
5	Equity	4/7/2022	(12)	4,000	3,968	3,968	Beaumont, TX	Beaumont, TX	Self-Storage	15.29 %			15.41 %
Preferred													
6	Equity	6/8/2022		4,000	3,968	3,968	Temple, TX	Temple, TX	Self-Storage	14.57 %			14.57 %
Preferred													
7	Equity	7/1/2022	(13)	9,000	8,939	8,939	Medley, FL	Medley, FL	Self-Storage	11.00 %			11.08 %
Preferred													
8	Equity	8/10/2022		8,500	8,457	8,457	Plano, TX	Plano, TX	Multifamily	16.12 %			16.12 %
Preferred													
9	Equity	9/30/2022		9,000		8,950	Fort Worth, TX	Multifamily	15.02 %				15.10 %
Preferred													
10	Equity	10/19/2022		19,908		19,945	Woodbury, MN	Life Science	10.00 %				9.98 %
Preferred													
11	Equity	2/10/2023		32,955		32,853	Forney, TX	Multifamily	11.00 %				11.03 %
Preferred													
12	Equity	2/24/2023		26,104		26,003	Richmond, VA	Multifamily	11.00 %				11.04 %
Preferred													
13	Equity	4/6/2023		25,002		25,039	Temecula, CA	Life Science	17.50 %				17.47 %
Preferred													
14	Equity	5/16/2023	(14)	8,680		8,603	Phoenix, AZ	Single-family	13.50 %				13.62 %
Preferred													
15	Equity	5/17/2023	(15)	4,192		4,151	Houston, TX	Life Science	13.00 %				13.13 %
Total					214,307		213,806						
Common													
Equity													
Common													
Equity													
1													
1													
Common													
1	Stock	11/6/2020		N/A		33,764		N/A		Self-Storage			

#### Table of Contents

Preferred													
9	Equity	9/30/2022		9,000		8,958	Fort Worth, TX	Multifamily	15.03 %				15.10 %
Preferred							Woodbury, MN	Life Science	10.00 %				9.97 %

Preferred											
11	Equity	2/10/2023	33,883	33,814	Forney, TX	Multifamily	11.00	%	11.02 %		
Preferred					Richmond,						
12	Equity	2/24/2023	32,359	32,234	VA	Multifamily	11.00	%	11.04 %		
Preferred					Temecula,						
13	Equity	4/6/2023	26,093	26,150	CA	Life Science	17.50	%	17.46 %		
Preferred					Single-family						
14	Equity	5/16/2023 (15)	11,660	11,560	Phoenix, AZ		13.50	%	13.62 %	2.83	
Preferred					Life						
15	Equity	5/17/2023 (16)	4,192	4,151	Houston, TX	Science	13.00	%	13.13 %	2.48	
Preferred					Knoxville,						
16	Equity	6/28/2024	7,100	7,065	TN	Marina	13.00	%	13.07 %		
<b>Total</b>											
Common											
Equity											
Common											
Equity											
Common											
Equity											
1											
1											
Common											
1	Stock	11/6/2020	N/A	32,676	N/A	Self-Storage				N/A	
Common											
2	Stock	4/14/2022	N/A	26,894	N/A	N/A				N/A	
Common											
3	Equity	2/10/2023	N/A	—	Forney, TX	Forney, TX				N/A	
Common											
4	Equity	2/24/2023	N/A	—	Richmond, VA	Richmond, VA				N/A	
Common											
5	Equity	9/8/2023	N/A	—	Atlanta, GA	Atlanta, GA				N/A	
Common											
		<b>60,658</b>									
Common											
6	Equity	5/8/2024	N/A	—	WA	Multifamily				N/A	
<b>Total</b>											
Preferred											
Stock											
Preferred											
Stock											
Preferred											
Stock											
1											
1											
Preferred											
1	Stock	11/9/2023	N/A	18,346	Various	Various				10.50 %	
Real Estate											
Real Estate											
Real Estate											
1											
1											
Real											
1	Estate	12/31/2021 (16)	N/A	25,603	Charlotte, NC	Charlotte, NC	Multifamily			N/A	Real Estate
Real											
2	Estate	10/10/2023 (17)	N/A	3,275	Atlanta, GA	Atlanta, GA	Multifamily			N/A	Real Estate
<b>Total</b>											

Promissory Note										
Promissory Note										
Promissory Note										
1										
1										
Promissory Note	3/28/2024		500	500	500	Various	Various	Single-family		12.50 %
MSCR Notes										
MSCR Notes										
MSCR Notes										
1										
1										
MSCR										
1 Note	5/25/2022		4,000		2,010	Various	Multifamily		14.82 %	
MSCR										
2 Note	5/25/2022		5,000	2,236	2,236	Various	Various	Multifamily		11.82 %
MSCR										
3 Note	9/23/2022		1,500		659	Various	Multifamily		12.17 %	
Total	Total				10,500	4,905			13.01	
Mortgage Backed Securities										
Mortgage Backed Securities										
Mortgage Backed Securities										
1										
1										
Mortgage Backed										
1 Security	6/1/2022		10,419	3,473	3,473	Various	Various	Single-family		8.63 %
Mortgage Backed										
2 Security	9/29/2022		8,000	7,964	7,964	Various	Various	Self-Storage		11.10 %
Mortgage Backed										
3 Security	3/10/2023		5,747		2,034	Various	Multifamily		13.95 %	
Mortgage Backed										
4 Security	2/29/2024		30,000		4,264	Various	Single-family		4.50 %	
Mortgage Backed										
5 Security	2/29/2024		11,000		2,357	Various	Single-family		4.50 %	
Mortgage Backed										
6 Security	2/29/2024		8,213		1,964	Various	Single-family		4.50 %	
Total	Total				73,379	22,056			6.55	
Stock Warrants										
Stock Warrants										
Stock Warrants										

Stock	Warrants						
1	1						
Stock							
1 Warrant	5/23/2024	5,857	11,713	Various	Life Science		N/A

- (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 promissory notes, mortgage backed securities as well as the net equity of our CMBS B-Piece investments, investments and stock warrants.
- (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 Company reclassified this investment from a mezzanine loan to senior loan effective April 1, 2024.
- (6) The CMBS B-Pieces are shown on an unconsolidated basis reflecting the value of our investments.
- (7) 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.
- (8) 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.

[\(8\) Table of Contents](#)

- (9) 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 FRESSB 2019-SB64 CMBS I/O Strip on June 11, 2021 and September 29, 2021, February 3, 2022 and March 18, 2022, respectively.
- (9) (10) The Company reclassified this investment from preferred equity to a mezzanine loan effective January 1, 2023.
- (10) (11) 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) (12) 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) (13) 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) (14) The Company reclassified this investment from a mezzanine loan to preferred equity effective January 1, 2023.

- (14) (15) 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) (16) 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) (17) Real Estate is a 204-unit multifamily property. As of **March 31, 2024** **June 30, 2024**, the property was **98.0% 95.6%** occupied, with effective rent per occupied unit of **\$1,693 \$1,631** per month.
- (17) (18) Real Estate is a 280-unit multifamily property. As of **March 31, 2024** **June 30, 2024**, the property was **68.6% 80.4%** occupied with effective rent per occupied unit of **\$1,633 \$1402** per month.

The following table details overall statistics for our portfolio as of **March 31, 2024** **June 30, 2024** (dollars in thousands):

	Total Portfolio	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	85
Principal balance (1)	\$ 1,168,775	\$ 385,093	\$ 783,681	N/A	N/A (1)	\$ 1,169,753	\$ 4
Carrying value					Principal balance		
Weighted-average cash coupon	6.28 %	9.45 %	4.73 %	N/A coupon	7.45 %		10.49 %

Weighted-average all-in yield	Weighted-average all-in yield	6.94 %	12.73 %	4.43 %	N/A in yield	Weighted-average all-in yield	9.62 %	12.85 %
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(1) Cost is used in lieu of **principal balance notional value** 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** **June 30, 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.

#### [Table of Contents](#)

Investment	Asset Metrics			Debt Metrics				Net Spread
	Fixed/Floating Rate	Interest Rate	Maturity Date	Fixed/Floating Rate	Interest Rate	Maturity Date		
<b>SFR Loans</b>								
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%	
<b>Mezzanine Loans</b>								
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** **June 30, 2024**, the outstanding balance on the Credit Facility was **\$123.3 million** **\$122.5 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,

#### [Table of Contents](#)

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** **\$280.7 million** under our repurchase agreements and posted approximately **\$984.6 million** **\$1.1 billion** 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 (in thousands):

												March 31, 2024		June 30, 2024		
		Facility				Facility				Collateral						
Date issued	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)	Date issued					
<b>Master Repurchase Agreements</b>																
CMBS																
CMBS																
CMBS																
Mizuho <sup>(4)</sup>																
Mizuho <sup>(4)</sup>																
Mizuho <sup>(4)</sup>	4/15/2020	341,740	341,740	N/A	N/A (5)	7.15 %	0.00	984,591	519,743	519,743	513,307	513,307	6.06	6.06	4/15/2020	280,651

(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** **June 30, 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.

## [Table of Contents](#)

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** **June 30, 2024**, the Company has sold **1,657,700** **3,163,477** shares of Series B Preferred Stock for total gross proceeds of **\$40.9 million** **\$77.8 million**.

### **Company Notes Offering**

In 2022 and 2023, the Company issued a total of **\$35 million** **\$35.0 million** and **\$15 million** **\$15.0 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** **June 30, 2024**, our cash and cash equivalents were **\$19.3 million** **\$4.3 million**.

### **Cash Flows**

The following table presents selected data from our Consolidated Statements of Cash Flows for the **three** **six** months ended **March 31, 2024** **June 30, 2024** and **March 31, 2023** **June 30, 2023** (in thousands):

	For the Three Months Ended March 31, 2024		For the Six Months Ended June 30, 2024		
	2024	2024	2023	2024	2023
Net cash provided by operating activities					
Net cash provided by investing activities					
Net cash (used in) financing activities					
Net increase (decrease) in cash, cash equivalents, and restricted cash					
Cash, cash equivalents and restricted cash, beginning of period					
Cash, cash equivalents and restricted cash, end of period					

**Cash flows from operating activities.** During the **three** **six** months ended **March 31, 2024** **June 30, 2024**, net cash provided by operating activities was **\$17.7 million** **\$10.2 million** compared to net cash provided by operating activities of **\$15.0 million** **\$22.5 million** for the **three** **six** months ended **March 31, 2023** **June 30, 2023**. This **increase** **decrease** primarily relates to **accelerated amortization of the premium associated with the prepayment** **change in unrealized gains on a senior loan** **investments held at fair value**.

**Cash flows from investing activities.** During the **three** **six** months ended **March 31, 2024** **June 30, 2024**, net cash provided by investing activities was **\$545.4 million** **\$597.0 million** compared to net cash provided by investing activities of **\$66.7 million** **\$431.4 million** for the **three** **six** months ended **March 31, 2023** **June 30, 2023**. This increase was primarily due to the **principal prepayment** **proceeds from payments received on a senior loan** **mortgage loans held for investment**.

**Cash flows from financing activities.** During the **three** **six** months ended **March 31, 2024** **June 30, 2024**, net cash used in financing activities was **\$560.5 million** **\$616.5 million** compared to net cash used in financing activities of **\$61.7 million** **\$452.6 million** for the **three** **six** months ended

**March 31, 2023** **June 30, 2023**. The increase primarily relates to principal repayments on borrowings under secured financing agreements **associated** **and offset** with **proceeds from the prepayment on a senior loan** **issuance of Series B Preferred Stock**.

## [Table of Contents](#)

### **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** **second** regular quarterly dividend to common stockholders of \$0.50 per share on **February 26, 2024** **April 29, 2024**, which was paid on **March 28, 2024** **June 28, 2024**, to stockholders of record as of **March 15, 2024** **June 14, 2024**. Our Board declared a Series A Preferred Stock dividend to Series A Preferred stockholders of \$0.53125 per share on **June 7, 2024**, which was paid on **April 25, 2024** **July 25, 2024**, to Series A Preferred stockholders of record as of **April 15, 2024** **July 15, 2024**. On **January 2, 2024** **March 22, 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** **May 6, 2024**, to Series B Preferred Stockholders stockholders of record as of **January 25, 2024** **April 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 **April 18, 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** **June 5, 2024**, to stockholders of record as of **March 25, 2024** **May 24, 2024**. On **March 22, 2024** **May 23, 2024**, our Board declared a Series B Preferred Stock dividend to Series B Preferred stockholders of \$0.1875, which **will be** was paid on **May 6, 2024** **July 5, 2024**, to stockholders of record as of **April 25, 2024** **June 25, 2024**. On **June 25, 2024**, our Board declared a Series B Preferred Stock dividend to Series B Preferred stockholders of \$0.1875, which was paid on **August 5, 2024**, to stockholders of record as of **July 25, 2024**.

### **Off-Balance Sheet Arrangements**

As of **March 31, 2024** **June 30, 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 ("NXDT"), an entity that is advised by an affiliate of the Manager, 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

## [Table of Contents](#)

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** **\$64.2 million** issued to Extra Space. The guarantees by REIT Sub and the Co-Guarantors are capped at **\$97.6 million**, **\$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** **\$15.0 million** of these promissory notes, resulting in an aggregate principal amount of approximately **\$49.2 million**, **\$49.2 million**. On December 8, 2023, NSP paid down the remaining principal balance of **\$49.2 million**, **\$49.2 million**. The NSP Series D preferred stock remains outstanding as of **March 31, 2024** **June 30, 2024**. As of **March 31, 2024** **June 30, 2024**, the outstanding NSP Series

D Preferred Stock accrued dividends was \$7.3 million, \$11.6 million and the Company and NexPoint Diversified Real Estate Trust are jointly and severally liable for 85.90% of the guaranteed amount, amount equal to \$9.7 million.

#### 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 June 30, 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 June 30, 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 six months ended March 31, 2024 June 30, 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 \$12.4 million was unfunded as of March 31, 2024 June 30, 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 June 30, 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% 20% 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

#### Table of Contents

Forney, Texas, which was fully funded as of March 31, 2024 June 30, 2024. Further, the Company committed to purchase \$4.3 million of common equity with respect to the same property, of which \$1.3 million \$1.3 million was unfunded as of March 31, 2024 June 30, 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 \$0.6 million was unfunded as of March 31, 2024 June 30, 2024. Further, the Company committed to purchase \$4.3 million of common equity with respect to the same property, of which \$3.3 million \$2.8 million was unfunded as of March 31, 2024 June 30, 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 \$108.3 million was unfunded as of March 31, 2024 June 30, 2024. Subsequent to March 31, 2024 On May 10, 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 15.

The table below shows the Company's unfunded commitments by investment type as of March 31, 2024 June 30, 2024 and December 31, 2023 (in thousands):

Investment Type	Investment Type	March 31, 2024	Unfunded Commitments	December 31, 2023	Investment Type	Unfunded Commitments	June 30, 2024	December 31, 2023
Mezzanine Loan					Investment Type			
Loans								
Preferred Equity								

Common  
Equity

—  
\$  
=

#### 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

##### [Table of Contents](#)

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~~ six months ended ~~March 31, 2024~~ June 30, 2024 is included in other income on the accompanying Consolidated Statements of Operations, resulting in a ~~March 31, 2024~~ June 30, 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~~ June 30, 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~~ six months ended ~~March 31, 2024~~ June 30, 2024, the unrealized gain (loss) related to the change in fair value estimate is ~~\$0.6 million~~ ~~(\$0.5 million)~~. See Notes 5 and 10 to our consolidated financial statements for additional disclosures regarding the valuation of NSP.

As of ~~March 31, 2024~~ June 30, 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, *Investments - Equity Securities*. 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~~ six months ended ~~March 31, 2024~~ June 30, 2024, the unrealized loss related to the change in fair value estimate is ~~\$1.5 million~~ ~~\$2.2 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~~ June 30, 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~~ six months ended ~~March 31, 2024~~ June 30, 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~~ June 30, 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** **six** months ended **March 31, 2024** **June 30, 2024** and **March 31, 2023** **June 30, 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.

[Table of Contents](#)

## **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** **June 30, 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** **June 30, 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** **June 30, 2024** that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

[Table of Contents](#)

## **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. **None.**

[Table of Contents](#)

**Item 6. Exhibits**

**EXHIBIT INDEX**

Exhibit Number	Description
3.1 10.1*	<a href="#">Second Amended Promissory Note, dated as of April 19, 2024, by and Restated Bylaws of between NexPoint Diversified 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).</a>
10.1	<a href="#">Amended Trust Operating Partnership, L.P. 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), NREF OP IV, L.P.</a>
10.2*	<a href="#">Promissory Note, Loan Agreement, dated as of March 28, 2024 April 29, 2024, by and between NexPoint SFR Operating Partnership, L.P. NexBank and NexPoint Real Estate Finance Inc. Operating Partnership, L.P.</a>
31.1*	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1+	<a href="#">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.</a>
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.

[Table of Contents](#)

## 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, August 7, 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, August 7, 2024

6568

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 \$6,500,000.00 April 19, 2024

FOR VALUE RECEIVED, **NexPoint SFR Operating Partnership, NREF OP IV, 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 Diversified Real Estate Finance, Inc. Trust Operating Partnership, L.P.** ("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 **SIX MILLION FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00)** **\$6,500,000.00**, 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** **April 19, 2024**.

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(b) “Note” means this Promissory Note dated **March 31, 2024** **April 19, 2024**.

[Promissory Note]

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(c) “Note Rate” means a rate per annum equal to **12.50%** **7.535%**.

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

**5.6. Maturity Date.** The indebtedness evidenced hereby shall mature on **March 31, 2025** **April 19, 2029** (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.

**6.7. 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

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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

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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.]

3

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

MAKER:

NREF OP IV, L.P.

By: /s/ Brian Mitts Name: Brian Mitts  
Title: Chief Financial Officer, Treasurer and Assistant Secretary

**Execution Version**

**LOAN AGREEMENT**

**for a loan in the amount of**

**\$10,000,000.00**

**MADE BY AND BETWEEN**

**NEXPOINT SFR REAL ESTATE FINANCE OPERATING PARTNERSHIP, L.P.**

300 Crescent Court, Suite 700,  
Dallas, Texas 75201, as Borrower

AND NEXBANK,  
2515 McKinney Avenue, Suite 1100,  
Dallas, Texas 75201, as Lender

Dated as of April 29, 2024

## TABLE OF CONTENTS

### ARTICLE I INCORPORATION OF RECITALS AND EXHIBITS 1

- 1.1** Incorporation of Recitals. 1
- 1.2** Incorporation of Exhibits. 1

### ARTICLE II DEFINITIONS 1

- 1.1** Defined Terms. 1
- 1.2** Other Definitional Provisions. 13

### ARTICLE III BORROWER'S REPRESENTATIONS AND WARRANTIES 13

- 1.1** Representations and Warranties. 14
- 1.2** Intentionally Omitted. 17
- 1.3** Survival of Representations and Warranties. 17

### ARTICLE IV LOAN AND LOAN DOCUMENTS 17

- 1.1** Agreement to Borrow and Lend; Lender's Obligation to Disburse. 17
- 1.2** Loan Documents. 18
- 1.3** Term of the Loan. 18
- 1.4** Prepayments. 19
- 1.5** Required Principal Payments. 19
- 1.6** Late Charge. 19

### ARTICLE V INTEREST 20

- 1.1** Interest Rate. 20
- 1.2** Payment Dates. 20
- 1.3** Maximum Lawful Rate. 20

### ARTICLE VI COSTS OF MAINTAINING LOAN 21

- 1.1** Increased Costs and Capital Adequacy. 21
- 1.2** TAXES. 22

### ARTICLE VII LOAN EXPENSE AND ADVANCES 24

- 1.1** Loan and Administration Expenses. 24
- 1.2** Lender's Attorneys' Fees and Disbursements. 24
- 1.3** Time of Payment of Fees and Expenses. 24
- 1.4** Expenses and Advances Secured by Loan Documents. 24
- 1.5** Right of Lender to Make Advances to Cure Borrower's Defaults. 25
- 1.6** Origination Fee. 25

### ARTICLE VIII REQUIREMENTS PRECEDENT TO THE OPENING OF THE LOAN 25

- 1.1** Conditions Precedent. 25

### ARTICLE IX REQUIREMENTS PRECEDENT TO SUBSEQUENT DISBURSEMENTS OF THE LOAN 26

- 1.1** Conditions Precedent. 26

### ARTICLE X AFFIRMATIVE COVENANTS 27

- 1.1** Furnishing Information. 27

- 
- 1.2** Maintenance of Insurance. 28
  - 1.3** Payment of Taxes. 28
  - 1.4** Lender's Attorneys' Fees for Enforcement of Agreement. 29
  - 1.5** Use of Proceeds. 29

- 1.6** Lost Note. 29
- 1.7** Indemnification. 29
- 1.8** Inspection of Assets; Books and Records; Discussions. 30
- 1.9** Swap Agreements. 30
- 1.10** Operating Account. 30
- 1.11** Maintenance of Liens. 30
- 1.12** REIT STATUS. 30
- 1.13** Net Debt to Equity Ratio. 30
- 1.14** Consolidated Fixed Charge Coverage Ratio. 30
- 1.15** Borrowing Base 31

#### **ARTICLE X NEGATIVE COVENANTS31**

- 1.1** Indebtedness. 31
- 1.2** LIENS. 31
- 1.3** Fundamental Changes; Disposition of Assets. 31
- 1.4** Intentionally Omitted. 31
- 1.5** Swap Agreements. 31
- 1.6** Restricted Payments. 32
- 1.7** Transactions with Affiliates. 32
- 1.8** Restrictive Agreements. 32
- 1.9** Total Unencumbered Assets. 32
- 1.10** GLR. 32

#### **ARTICLE XII 33**

- INSURANCE PROCEEDS** 33
- 1.1** Intentionally Omitted. 33

#### **ARTICLE XIII33**

##### **ASSIGNMENTS BY LENDER AND BORROWER33**

- 1.1** Assignments and Participations. 33
- 1.2** Prohibition of Assignments by Borrower. 33
- 1.3** Successors and Assigns. 33

#### **ARTICLE XIV TIME OF THE ESSENCE33**

- 1.1** Time is of the Essence. 33

#### **ARTICLE XV EVENTS OF DEFAULT33**

- 1.1** Events of Default. 33

#### **ARTICLE XVI LENDER'S REMEDIES IN EVENT OF DEFAULT 35**

- 1.1** Remedies Conferred Upon Lender. 35
- 1.2** Subordination. 36
- 1.3** Distributions. 37

#### **ARTICLE XVII GENERAL PROVISIONS37**

- 1.1** Captions. 37
- 1.2** Modification; Waiver. 37
- 1.3** Authorized Representative. 37
- 1.4** Governing Law. 37
- 1.5** Acquiescence Not to Constitute Waiver of Lender's Requirements. 38

- 
- 1.6** Disclaimer by Lender. 38
  - 1.7** Partial Invalidity; Severability. 38
  - 1.8** Definitions Include Amendments. 38
  - 1.9** Execution in Counterparts. 38
  - 1.10** Entire Agreement. 38
  - 1.11** Waiver of Damages. 39
- 

- 1.12** Claims Against Lender. 39
  - 1.13** Jurisdiction. 39
  - 1.14** SET-OFFS. 39
  - 1.15** Lender's Consent. 40
  - 1.16** Notices. 40
  - 1.17** Waiver of Jury Trial. 41
  - 1.18** No Oral Agreements. 41
- 

#### **EXHIBITS TO LOAN AGREEMENT**

- Exhibit A Borrower's Certificate
- Exhibit B Certificate of Compliance
- Exhibit C Borrowing Base Report

#### **SCHEDULES TO LOAN AGREEMENT**

- Schedule 11 Indebtedness, Liens, Restrictive Agreements
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#### **LOAN AGREEMENT**

THIS LOAN AGREEMENT ("Agreement") is made as of April 29, 2024 (the "EffectiveDate"), by and between NEXPOINT REAL ESTATE FINANCE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership (the "Borrower"), and NEXBANK, its successors and assigns ("Lender").

#### **WITNESSETH:**

## RECITALS

A. Borrower has applied to Lender for a revolving credit facility in the amount of up to TEN MILLION DOLLARS (\$10,000,000.00) (as increased or reduced pursuant to the terms of Section4 set forth hereinbelow, the "Facility") for working capital and other general purposes, and Lender is willing to make the loans on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

## **ARTICLE I INCORPORATION OF RECITALS AND EXHIBITS**

### **1.1 Incorporation of Recitals.**

The foregoing preambles and all other recitals set forth herein are made a part hereof by this reference.

### **1.2 Incorporation of Exhibits.**

Exhibits A through D, to this Agreement, attached hereto are incorporated in this Agreement and expressly made a part hereof by this reference.

## **ARTICLE II DEFINITIONS**

### **1.1 Defined Terms.**

The following terms as used herein shall have the following meanings:

Acquired Indebtedness: Indebtedness of a Person or any of its subsidiaries existing at the time such Person becomes a subsidiary of the Guarantor or at the time it merges or consolidates with the Guarantor or any of its Subsidiaries or assumed in connection with the acquisition of assets from such Person and in each case whether or not incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a subsidiary of the Guarantor or such acquisition, merger or consolidation.

Affiliate: With respect to a specified person or entity, any individual, partnership, corporation,

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limited liability company, trust, unincorporated organization, association or other entity which, directly or indirectly, through one or more intermediaries, Controls or is Controlled by or is under common control with such person or entity, including, without limitation, any general or limited partnership in which such person or entity is a partner.

Agreement: As such term is defined in the Preamble.

Anti-Money Laundering and Anti-Terrorism Laws: (i) the Money Laundering Control Act of 1986, 18 U.S.C. §§1956 and 1957; (ii) the Bank Secrecy Act, 31 U.S.C. §§ 5311 et seq., and the regulations promulgated thereunder; (iii) the USA Patriot Act and regulations issued pursuant to it; or (iv) any other anti-money laundering law enacted, or regulation issued by the Financial Crimes Enforcement Network of the US Department of the Treasury (FinCEN) pursuant to such law, by the United States of America subsequent to the Effective Date.

Applicable Rate: At all times prior to the Maturity Date, the "Applicable Rate" shall be the higher of (i) Term SOFR plus 4.25% per annum, or (ii) 8.25% per annum. The Applicable Rate shall be adjusted on the commencement of each Interest Period, provided that the Applicable Rate for the first Interest Period shall be set on April 25, 2024.

Asset Acquisition: means: (1) an Investment by the Guarantor or any Subsidiary of the Guarantor in any other Person pursuant to which such Person shall become a subsidiary of the Guarantor or any subsidiary of the Guarantor, or shall be merged with or into the Guarantor or any Subsidiary of

the Guarantor; or (2) the acquisition by the Guarantor or any subsidiary of the Guarantor of the assets of any Person (other than a Subsidiary of the Guarantor) that constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business.

Authorized Representative: The person appointed as the Authorized Representative pursuant to Section 17.3.

Bankruptcy Code: Title 11 of the United States Code entitled "Bankruptcy" as now or hereafter in effect, or any successor thereto or any other present or future bankruptcy or insolvency statute.

Borrower: As such term is defined in the Preamble.

Borrowing Base: At any time, an amount equal to the lesser of (i) the Loan Amount or (ii) on any date of determination, the lesser of an amount equal to (x) sixty percent (60%) of the Collateral Value, or (y), if such Collateral becomes traded on a Public Exchange, fifty percent (50%) of the fair market value of the Collateral, as determined by Lender in its reasonable discretion.

Borrowing Base Report: A report in the form of Exhibit C attached hereto detailing and certifying the Collateral assets that make up the Borrowing Base and providing the Collateral Value of the same.

Business Day: A day of the year (but not a Saturday or Sunday) on which banks are not required or authorized to close in Dallas, Texas.

Capital Lease Obligations: With respect to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or

- 2 -

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- 3 -

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personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases or finance leases (but, for avoidance of doubt, not operating leases) on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

Capital Stock: With respect to any entity, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting), including partnership or limited liability company interests, whether general or limited, in the equity of such entity (including without limitation all warrants, options, derivative instruments, or rights of subscription or conversion relating to or affecting Capital Stock), whether outstanding on the issue date of the notes or issued thereafter.

Cash Equivalents: Any (a) securities with maturities of ninety (90) days or less from the date of acquisition issued or fully guaranteed or insured by the United States Government or any agency thereof, (b) certificates of deposit and Eurodollar time deposits with maturities of ninety (90) days or less from the date of acquisition and overnight bank deposits of any commercial bank having capital and surplus in excess of \$500,000,000, (c) repurchase obligations of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than seven (7) days with respect to securities issued or fully guaranteed or insured by the United States Government, (d) commercial paper of a domestic issuer rated at least A-1 or the equivalent thereof by S&P or P-1 or the equivalent thereof by Moody's and in either case maturing within ninety (90) days after the day of acquisition, (e) securities with maturities of ninety (90) days or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by

Moody's, (f) securities with maturities of ninety (90) days or less from the date of acquisition backed by standby letters of credit issued by any commercial bank satisfying the requirements of clause (b) of this definition and (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition.

CME: CME Group Benchmark Administration Limited.

Collateral: Collectively, all of property of Borrower in which Liens are purported to be granted pursuant to the Security Documents as security for the Loans.

Collateral Value: As of any date of determination, the lesser of (i) the product of (x) the Consolidated Book Value of Common Stock (as defined in the Articles of Amendment and Restatement of GLR dated as of June 25, 2020) in GLR as of the last day of the immediately preceding fiscal quarter, divided by the total number of shares of Common Stock in GLR outstanding, and (y) the number of shares in GLR pledged by the Borrower pursuant to the Security Documents to the extent of Lender's first lien perfected security interest therein, or (ii) the product of (x) the quarterly internal NAV per-share calculation of the Common Stock performed by GLR, and (y) the number of shares in GLR pledged by the Borrower pursuant to the Security Documents to the extent of Lender's first lien perfected security interest therein.

Control: As such term is used with respect to any person or entity, including the correlative meanings of the terms "controlled by" and "under common control with", shall mean the possession,

- 4 -

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directly or indirectly, of the power to direct or cause the direction of the management policies of such person or entity, whether through the ownership of voting securities, by contract or otherwise.

- 5 -

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Constituent Documents: For any entity, its constituent or organizational documents, including:

(a) in the case of any partnership, joint venture, trust or other form of business entity, the partnership, joint venture, trust or other applicable agreement of formation and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation with the secretary of state or other department in the state of its formation, in each case as amended from time to time; (b) in the case of any limited liability company, its articles or certificate of formation and its operating agreement or limited liability company agreement; and (c) in the case of a corporation, its certificate or articles of incorporation and its bylaws.

Consolidated Book Value: In respect of any Person, the total of the amounts shown on the balance sheet of such Person and its consolidated Subsidiaries, determined on a consolidated basis in accordance with GAAP, as of the end of the most recent fiscal quarter of such Person ending at least 45 days prior to the taking of any action for the purpose of which the determination is being made, as

(i) the par or stated value of all outstanding Equity Interests of such Person plus (ii) paid-in capital, share premium or capital surplus relating to such Equity Interests plus (iii) any retained earnings or earned surplus plus (iv) any accumulated other comprehensive income, less any accumulated deficit.

Consolidated Fixed Charge Coverage Ratio: With respect to any Person, the ratio of Consolidated EBITDA of such Person during the four full fiscal quarters, or the "Four Quarter Period," ending prior to the date of the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio for which financial statements are available, or the "Transaction Date," to Consolidated Fixed Charges of such Person for the Four Quarter Period. In addition to and without limitation of the foregoing, for purposes of this definition, "Consolidated EBITDA" and "Consolidated Fixed Charges" shall be calculated after giving effect on a pro forma basis for the period of such calculation to:

1. the incurrence or repayment of any Indebtedness of such Person or any of its Subsidiaries (and the application of the proceeds thereof) giving rise to the need to make such calculation and any incurrence or repayment of other Indebtedness (and the application of the proceeds thereof), other than the incurrence or repayment of Indebtedness in the ordinary course of business for working capital purposes pursuant to working capital facilities, occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date, as if such incurrence or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the fourth fiscal quarter of the Four Quarter Period; and
2. any asset sales or other dispositions or any asset originations, asset purchases, Investments and Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of such Person or one of its subsidiaries (including any Person who becomes a subsidiary as a result of the Asset Acquisition) incurring, assuming or otherwise being liable for Acquired Indebtedness and also including any Consolidated EBITDA (including any pro forma expense and cost reductions calculated on a basis consistent with Regulation S-X under the Securities Exchange Act of 1934) attributable to the assets which are originated or purchased, the Investments that are made and the assets that are the subject of the Asset Acquisition or asset sale or other disposition during the Four Quarter Period) occurring during the Four Quarter Period or at any time subsequent to the last day of the Four Quarter Period and on or prior to the Transaction Date, as if such asset sale or other disposition or asset origination, asset

- 6 -

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purchase, Investment or Asset Acquisition (including the incurrence, assumption or liability for any such Acquired

- 7 -

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Indebtedness) occurred on the first day of the fourth fiscal quarter of the Four Quarter Period. If such Person or any of its subsidiaries directly or indirectly guarantees Indebtedness of a third Person, the preceding sentence shall give effect to the incurrence of such guaranteed Indebtedness as if such Person or any subsidiary of such Person had directly incurred or otherwise assumed such guaranteed Indebtedness.

Consolidated EBITDA: With respect to any Person, for any period, the sum (without duplication) of:

1. Consolidated Net Income; and
2. to the extent Consolidated Net Income has been reduced thereby:
  - (a) all income taxes of such Person and its subsidiaries paid or accrued in accordance with GAAP for such period (other than income taxes attributable to extraordinary gains or losses and direct impairment charges or the reversal of such charges on the Guarantor's assets);
  - (b) Consolidated Interest Expense;
  - (c) depreciation, depletion and amortization; and
  - (d) any "mark to market" gains or losses recognized in accordance with GAAP.

Consolidated Fixed Charges: With respect to any Person for any period, the sum, without duplication, of:

1. Consolidated Interest Expense; plus

- the amount of all dividend payments on any series of Preferred Equity of such Person and, to the extent permitted under the indenture, its subsidiaries (other than dividends paid in Qualified Capital Stock) paid, accrued or scheduled to be paid or accrued during such period.

**Consolidated Interest Expense:** With respect to any Person for any period, the sum of, without duplication:

- the aggregate of the interest expense of such Person and its subsidiaries for such period determined on a consolidated basis in accordance with GAAP, including without limitation:
  - (a) any amortization of debt discount; (b) the net costs under Interest Swap Obligations; (c) all capitalized interest; and (d) the interest portion of any deferred payment obligation; and
- to the extent not already included in clause (1), the interest component of Capital Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its subsidiaries during such period as determined on a consolidated basis in accordance with GAAP.

**Consolidated Net Income:** With respect to any Person, for any period, the aggregate net income (or loss) of such Person and its subsidiaries before the payment of dividends on Preferred Equity for such period on a consolidated basis, determined in accordance with GAAP; provided that there shall be excluded therefrom:

- 8 -

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- after-tax gains and losses from asset sales or abandonments or reserves relating thereto (including gains and losses from the sale of corporate tenant lease assets);
- after-tax items classified as extraordinary gains or losses and direct impairment charges or the reversal of such charges on the Guarantor's assets;
- the net income (but not loss) of any subsidiary of the referent Person to the extent that the declaration of dividends or similar distributions by that subsidiary of that income is restricted by a contract, operation of law or otherwise;
- the net income or loss of any other Person, other than a Subsidiary of the referent Person, except:
  - to the extent (in the case of net income) of cash dividends or distributions paid to the referent Person, or to a Subsidiary of the referent Person (other than a subsidiary described in clause (3) above), by such other Person; or
  - that the referent Person's share of any net income or loss of such other Person under the equity method of accounting for Affiliates shall not be excluded;
- any restoration to income of any contingency reserve of an extraordinary, nonrecurring or unusual nature;
- income or loss attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued, but not including revenues, expenses, gains and losses relating to real estate properties sold or held for sale, even if they were classified as attributable to discontinued operations under the provisions of ASC 205-20); and
- in the case of a successor to the referent Person by consolidation or merger or as a transferee of the referent Person's assets, any earnings of the successor corporation prior to such consolidation, merger or transfer of assets.

**Default or default:** Any event, circumstance or condition, which, if it were to continue uncured, would, with notice or lapse of time or both, constitute an Event of Default hereunder.

**Default Rate:** A rate per annum equal to five percentage points (500 basis points) in excess of the Applicable Rate, but which shall not at any time exceed the Maximum Lawful Rate.

**Disqualified Capital Stock:** That portion of any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof on or prior to the Maturity Date.

Distribution Event of Default: An Event of Default pursuant to Sections 15.1(a), (e), or (f). Effective Date: As defined in the Preamble.

- 9 -

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Environmental Laws: All applicable laws, rules, regulations, codes, ordinances, orders,

- 10 -

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decrees, judgments, injunctions, or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters and includes (without limitation) the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 U.S.C. § 9601 et seq., the Hazardous Materials

Transportation Act, 49 U.S.C. §1801 et seq., the Federal Insecticide, Fungicide, and Rodenticide Act,

7 U.S.C. §136 et seq., the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. §6901 et seq., the Toxic Substances Control Act, 15 U.S.C. §2601 et seq., the Clean Air Act, 42 U.S.C. § 7401 et seq., the Clean Water Act, 33 U.S.C. §1251 et seq., the Occupational Safety and Health Act, 29 U.S.C. §651 et seq., (to the extent the same relates to any Hazardous Materials), and the Oil Pollution Act of 1990, 33 U.S.C. §2701 et seq., as such laws have been amended or supplemented, and the regulations promulgated pursuant thereto, and all analogous state and local statutes.

Environmental Liability: Any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), related in any way to any Borrower or with respect to a property owned by such Borrower or an Affiliate of Borrower directly or indirectly resulting from or based upon (a) a violation of any Environmental Law, (b) exposure to any Hazardous Materials in violation of any Environmental Law, (c) the Release or threatened Release of any Hazardous Materials into the environment in violation of any Environmental Law or (d) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

Equity Interests: Shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust, convertible debt, or other equity ownership interests in a Person (not including any preferred class of equity), and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

ERISA: The Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder from time to time.

Event of Default: As such term is defined in Article XV. First Extended Maturity Date: April 27, 2026.

First Extension Option: As such term is defined in Section 4.3(a).

GAAP: Generally accepted accounting principles in the United States of America. GLR: The Ground Lease REIT, Inc., a Maryland corporation.

Governmental Authority: Any federal, state, county or municipal government, or political subdivision thereof, any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality, or public body, or any court, administrative tribunal, or public utility.

Guarantee: Any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or

payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

**Guarantor:** NEXPOINT REAL ESTATE FINANCE, INC., a Maryland corporation.

**Guaranty:** That certain Guaranty Agreement dated as of the date hereof, by the Guarantor for the benefit of Lender.

**Gross Income:** All receipts, revenues, income and other moneys received or collected by or on behalf of any Person, if any, and all rights to receive the same, whether in the form of accounts, accounts receivable, contract rights or other rights, and the proceeds of such rights, and whether now owned or held or hereafter coming into existence. Gross Income shall not include loan proceeds or equity or capital contributions.

**Hazardous Materials:** All materials which are defined, described or identified as hazardous or toxic materials, wastes or substances in applicable Environmental Laws; provided, that Hazardous Materials shall not include any such substances or wastes utilized or maintained at a property owned by Borrower or an Affiliate of Borrower in the ordinary course of business and in accordance with all applicable Environmental Laws.

**Including or including:** Including but not limited to.

**Indebtedness:** Without duplication, with respect to any Person (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

**Initial Maturity Date:** April 28, 2025.

**Interest Period:** As to the first Interest Period, the period commencing on April 29, 2024 and

ending May 5, 2024 and, as to each Interest Period thereafter, the period commencing on the fifth (5<sup>th</sup>) day of the immediately preceding Interest Period and ending on the date which is one (1) month after the commencement of such Interest Period, provided, however that:

(i) any Interest Period that would otherwise extend beyond the Maturity Date shall end on the Maturity Date.

**Interest Swap Obligations:** The obligations of any Person pursuant to any arrangement with any other Person, whereby, directly or indirectly, such Person is entitled to receive from time to time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such other Person calculated by applying a fixed or a floating rate of interest on the same notional amount and shall include, without limitation, interest rate swaps, caps, floors, collars and similar agreements.

**Internal Revenue Code:** The Internal Revenue Code of 1986, as amended from time to time.

**Investment:** With respect to any Person, any direct or indirect loan or other extension of credit (including, without limitation, a guarantee), or corporate tenant lease to or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any Person. "Investment" shall exclude extensions of trade credit by us and our subsidiaries on commercially reasonable terms in accordance with our or our subsidiaries' normal trade practices, as the case may be.

**Investment Advisor:** NEXPOINT REAL ESTATE ADVISORS VII, L.P., a Delaware limited partnership, together with any permitted successors and assigns.

**Investment Advisory Agreement:** That certain Management Agreement dated as of February 6, 2020, by and between Guarantor and Investment Adviser, as amended by that certain First Amendment to Management Agreement dated as of July 17, 2020, and as further amended by that certain Second Amendment to Management Agreement dated as of November 3, 2021, as the same may be further amended, restated, modified, or amended and restated from time to time.

**Laws:** Collectively, all federal, state and local laws, statutes, codes, ordinances, orders, rules and regulations, including judicial opinions or precedential authority in the applicable jurisdiction.

**Late Charge:** As such term is defined in Section 4.6.

**Lender:** As defined in the opening paragraph of this Agreement, and including any successor holder of the Loan from time to time.

**Lien:** With respect to any asset, (a) any lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

Liquidity: With respect to any Person, all unpledged and unencumbered cash and Cash Equivalents of such Person (but for avoidance of doubt cash and Cash Equivalents pledged to the

- 16 -

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Lender shall be included in Liquidity).

Loans: Each advance made by Lender to Borrower pursuant to the terms of this Agreement.

Loan Amount: The maximum amount of the Facility as set forth in Section 4.1(a), as the same may be increased or reduced from time to time in accordance with the terms and conditions of Section 4.

Loan Documents: The collective reference to this Agreement, the documents and instruments listed in Section 4.2, and all the other documents and instruments entered into from time to time, evidencing or securing the Loan or any obligation of payment thereof or performance of Borrower's obligations in connection with the transaction contemplated hereunder, each as amended.

Loan Opening Date: The date of the initial disbursement of proceeds of the Loan.

Material Adverse Change or material adverse change: If, in Lender's reasonable discretion, the business prospects, operations or financial condition of a person, entity or property has changed in a manner which could impair the value of Lender's security for the Loan, prevent timely repayment of the Loan or otherwise prevent the applicable person or entity from timely performing any of its material obligations under the Loan Documents.

Maturity Date: The Initial Maturity Date, provided, if Borrower timely satisfies the conditions to extend the term of the Loan pursuant to Section 4.3(b) or Section 4.3(c), then the Maturity Date shall be extended to the First Extended Maturity Date or Second Extended Maturity Date, as applicable.

Maximum Lawful Rate: As such term is defined in Section 5.3. Measurement Date: As such term is defined in Section 10.13.

Measurement Period: Shall mean the twelve (12) consecutive calendar months ended on such Measurement Date.

Net Debt to Equity Ratio: As of any date of determination, the ratio of (a) the sum of (x) the aggregate principal amount of senior securities representing Indebtedness for borrowed money of the Guarantor and its Subsidiaries as of such date, plus (y) the aggregate principal amount of any Indebtedness for borrowed money of Persons other than the Guarantor and its Subsidiaries, which Indebtedness is subject to a guarantee as of such date by either of the Guarantor or any of its consolidated subsidiaries, less (z) all cash and Cash Equivalents of the Guarantor and its Subsidiaries to (b) Stockholders' Equity at the last day of the immediately preceding fiscal quarter. For the avoidance of doubt, the Indebtedness relating to "Bonds payable held in variable interest entities" that are not obligations of the Guarantor, but are included on the Guarantor's balance sheet as required by GAAP will not be included in this calculation.

Note: A promissory note, in the Loan Amount, executed by Borrower and payable to the order of Lender, evidencing the Loan.

Obligations: All present and future indebtedness, obligations, and liabilities of Borrower or Guarantor to Lender, and all renewals and extensions thereof, or any part thereof, or any part thereof,

- 17 -

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arising pursuant to the Loan Documents (including, without limitation, the indemnity provisions hereof), and all interest accruing thereon, and attorneys' fees incurred in the enforcement or collection

- 18 -

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thereof, regardless of whether such indebtedness, obligations, and liabilities are direct, indirect, fixed, contingent, joint, several, or joint and several.

OFAC: As defined in Section 3.1(v).

Open the Loan, Opening of the Loan or Loan Opening: The disbursement of Loan proceeds.

Other Taxes: Any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

Permitted Liens:

1. Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings, provided any reserve or other appropriate provision as is required by GAAP has been made therefor; and
2. Liens of a depository institution or broker-dealer arising solely by virtue of any contractual, statutory or common law provisions relating to broker's Liens, banker's Liens, rights of set-off or similar rights and remedies as to deposit or brokerage accounts or other funds maintained with such depository institution or broker-dealer.

Person: Any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

Pledge Agreement: That certain Pledge and Security Agreement, dated as of the date hereof, executed by each Borrower for the benefit of Lender.

Preferred Equity: As applied to the Equity Interests of any Person, shall mean Equity Interests of such Person (other than common Equity Interests of such Person) of any class or classes (however designed) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Equity Interests of any other class of such Person.

Public Exchange: A national securities exchange registered under Section 6 of the Securities Exchange Act of 1934 or that is quoted on a system sponsored by a national securities association registered under Section 15 of the Securities Exchange Act.

Qualified Capital Stock: Capital Stock other than Disqualified Capital Stock.

Release: Any release, spill, emission, leaking, pumping, pouring, dumping, emptying, injection, deposit, disposal, discharge, dispersal, leaching or migration on or into the indoor or outdoor environment, or into or out of any property, in violation of applicable Environmental Laws.

Restricted Party: as defined in Section 3.1(v).

Restricted Payment: Any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in Borrower, or any payment (whether in cash,

- 19 -

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securities or other property), including any sinking fund or similar deposit, on account of the purchase,

- 20 -

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redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in Borrower or any option, warrant or other right to acquire any such Equity Interests in Borrower.

Second Extended Maturity Date: April 26, 2027.

Second Extension Option: As such term is defined in Section 4.3(a).

Security Documents: The Pledge Agreement, any Uniform Commercial Code financing statements required to be filed pursuant to the Pledge Agreement and all other instruments, documents and agreements delivered by or on behalf of Borrower pursuant to this Agreement or any of the other Loan Documents in order to grant to, or perfect in favor of, Lender, a Lien on the Collateral as security for the Loan.

Solvent: When used with respect to any Person, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such Person and its Subsidiaries on a consolidated basis will, as of the date hereof, exceed the amount of all "liabilities of such Person, contingent or otherwise", at a fair valuation, as such quoted terms are determined in accordance with applicable federal and state laws governing determination of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person and its Subsidiaries on a consolidated basis will, as of the date hereof, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have an unreasonably small amount of capital with which to conduct its business. For purposes of this definition, (i) "debt" means liability on a "claim," and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

Stockholders' Equity: At any date, the amount determined on a consolidated basis, without duplication, in accordance with GAAP, of total stockholders' equity or net assets, as applicable, for the Guarantor and its Subsidiaries at such date and the redeemable noncontrolling interests in Borrower.

Subsidiary: The "Subsidiary" of any Person shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

Swap Agreement: Any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of Borrower shall be a Swap Agreement.

Taxes: Any present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

- 21 -

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**Term SOFR:** The rate per annum equal to the Term SOFR Screen Rate two U.S. Government Securities Business Days prior to the commencement of such Interest Period; *provided* that if the rate is not published prior to 11:00 a.m. on such determination date then Term SOFR means the Term SOFR Screen Rate on the first U.S. Government Securities Business Day immediately prior thereto, in each case, for such Interest Period.

**Term SOFR Screen Rate:** The 1-month SOFR term rate administrated by CME (or any successor administrator satisfactory to Lender) and published on the applicable Reuters screen page (or such other commercially available source providing such quotations as may be designated by Lender from time to time).

**Total Unencumbered Assets:** As of any date means all of the assets (excluding intangibles) of the Guarantor and its subsidiaries that are not subject to a Lien (other than a Permitted Lien) securing Indebtedness, all on a consolidated basis for the Guarantor and its subsidiaries in accordance with GAAP.

**Transaction Parties:** Borrower, Guarantor, and any other Person party to a Security Document.

**Transfer:** Any sale, transfer, conveyance, alienation, pledge, assignment, encumbrance hypothecation or other disposition of any direct interest in the Borrower or any interest which would result in a change of Control of Borrower, or any interest in any entity which directly or indirectly holds an interest in, or directly or indirectly controls, the Borrower.

**Unsecured Indebtedness:** That portion of the outstanding principal amount of the Guarantor and its Subsidiaries that are not subject to a Lien (other than a Permitted Lien) securing Indebtedness, all on a consolidated basis for the Guarantor and its Subsidiaries in accordance with GAAP.

**U.S. Government Securities Business Day:** Any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association, or any successor thereto, recommends that the fixed income departments of its members be closed for the entire day for purposes of trading United States government securities.

## 1.2 Other Definitional Provisions.

All accounting terms used in this Agreement or the other Security Documents shall have, unless otherwise specifically provided herein or therein, the meaning customarily given such term in accordance with GAAP, and all financial computations thereunder shall be computed, unless otherwise specifically provided therein, in accordance with GAAP consistently applied; provided, however, that all financial covenants and calculations in the Security Documents shall be made in accordance with GAAP as in effect on the Effective Date unless Borrower and Lender shall otherwise specifically agree in writing. That certain items or computations are explicitly modified by the phrase "in accordance with GAAP" shall in no way be construed to limit the foregoing. All terms defined in this Agreement shall have the same meanings when used in the Note, Deed of Trust, any other Security Documents, or any certificate or other document made or delivered pursuant hereto. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement.

## ARTICLE III BORROWER'S REPRESENTATIONS AND WARRANTIES

### **1.1 Representations and Warranties.**

To induce Lender to execute this Agreement and perform its obligations hereunder, Borrower hereby represents and warrants to Lender as follows:

- (a) Except as previously disclosed to Lender in writing, no litigation or proceedings are pending, or to the best of Borrower's knowledge threatened in writing, against Borrower or Guarantor, which could, if adversely determined, cause a Material Adverse Change with respect to Borrower or Guarantor.
- (b) Borrower is a duly organized and validly existing limited partnership formed pursuant to the laws of the State of Delaware and has full power and authority to execute, deliver and perform all Loan Documents to which Borrower is a party, and such execution, delivery and performance have been duly authorized by all requisite action on the part of Borrower. Each Loan Document to which Borrower is a party has been duly executed and delivered by Borrower and is the legally valid and binding obligation of Borrower, enforceable against Borrower in accordance with its respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.
- (c) Guarantor is a duly organized and validly existing Maryland corporation, formed pursuant to the laws of the State of Maryland.
- (d) No consent, approval or authorization of or declaration, registration or filing with any Governmental Authority or nongovernmental person or entity, including any creditor, partner, or member of Borrower, is required in connection with the execution, delivery and performance of this Agreement or any of the Loan Documents other than the filing of UCC-1 Financing Statements, except for such consents, approvals or authorizations of or declarations or filings with any Governmental Authority or non-governmental person or entity where the failure to so obtain would not have an adverse effect on Borrower or which have been obtained as of any date on which this representation is made or remade.
- (e) The execution, delivery and performance of this Agreement, the execution and payment of the Note and the granting of the security interests under the Security Documents have not constituted and will not constitute, upon the giving of notice or lapse of time or both, a breach or default under any other agreement to which Borrower or Guarantor is a party or may be bound or affected, or a violation of any Law or court order.
- (f) Borrower and Guarantor are in compliance with all laws, regulations and orders of any Governmental Authority applicable to each party or its property and all indentures, agreements and other instruments binding upon it or its property including, without limitation, Environmental Laws, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Change for such party. Borrower and Guarantor have received all permits and licenses issued by any Governmental Authority as are necessary for the conduct of each such party's business.
- (g) There is no default under this Agreement or any of the other Loan Documents, nor any condition which, after notice or the passage of time or both, would constitute an Event of Default under said documents.

(h) No brokerage fees or commissions are payable by or to any person in connection with this Agreement or the Loan to be disbursed hereunder.

(i) All financial statements of the Borrower and Guarantor and other information previously furnished by Borrower to Lender in connection with the Loan are true, complete and correct in all material respects and fairly present the financial conditions of the subjects thereof as of the respective dates thereof and do not fail to state any material fact necessary to make such statements or information not materially misleading, and, to Borrower and Guarantor's actual knowledge, no Material Adverse Change with respect to Borrower or Guarantor has occurred since the respective dates of such statements and information. Neither Borrower nor Guarantor has any material Indebtedness or other material liability, contingent or otherwise, not disclosed in such financial statements.

(j) Borrower has good title to, or valid leasehold interests in, all property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes. Except as permitted by this Agreement, all such property is free and clear of Liens.

(k) The security interest in the Collateral created by the Pledge Agreement in favor of Lender constitutes a valid, perfected and first priority security interest with respect to the Collateral that is prior and superior in right to any other Person, enforceable as such against creditors of and purchasers from Borrower. No Collateral is required to be directly pledged for the attachment or perfection of the security interest thereon.

(l) Borrower owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Change.

(m) The execution, delivery and performance by Borrower or Guarantor of this Agreement and any other Loan Document, and the transactions contemplated hereunder and thereunder will not violate or be inconsistent with any provision of Regulation T, Regulation U or Regulation X.

(n) Intentionally Omitted.

(o) Borrower has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except Taxes that are being contested in good faith by appropriate proceedings and for which Borrower has set aside on its books adequate reserves.

(p) Borrower is not a party in interest to any plan defined or regulated under ERISA, and the assets of Borrower are not "plan assets" of any employee benefit plan covered by ERISA or Section 4975 of the Internal Revenue Code.

(q) Borrower has disclosed to Lender all material agreements, instruments and corporate or other restrictions to which it or Guarantor are subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change for any such party. No reports, financial statements, certificates or other information furnished by or

- 27 -

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- 28 -

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on behalf of Borrower to Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

- (r) Neither Borrower nor Guarantor is a "foreign person" within the meaning of Section 1445 or 7701 of the Internal Revenue Code.
- (s) Borrower uses no trade name other than its actual name set forth herein. The principal place of business of Borrower is as stated in Section 17.16.
- (t) Borrower's place of formation or organization is the State of Delaware.
- (u) All statements set forth in the Recitals are true and correct.
- (v) Neither Borrower nor Guarantor, is (and each party will not be) a person with whom Lender is restricted from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury of the United States of America (including, those Persons named on OFAC's Specially Designated and Blocked Persons list) or under any statute, executive order (including, the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and shall not engage in any dealings or transactions or otherwise be associated with such persons (each such person, a "Restricted Party"). In addition, Borrower hereby agrees to provide to the Lender with any additional information that the Lender deems necessary from time to time in order to ensure compliance with all applicable Laws concerning money laundering and similar activities.
- (w) Intentionally omitted.
- (x) To the Borrower's actual knowledge, Borrower: (a) has not received any written notice or other written communication or otherwise learned of any Environmental Liability which would individually or in the aggregate reasonably be expected to cause a Material Adverse Change arising in connection with: (i) any non-compliance with or violation of the requirements of any Environmental Law by a Transaction Party, or any permit issued under any Environmental Law to such Transaction Party; or (ii) the Release or threatened Release of any Hazardous Material into the environment; and (b) to its actual knowledge, has threatened or actual liability in connection with the Release or threatened Release of any Hazardous Material into the environment, in each case which would individually or in the aggregate reasonably be expected to cause a Material Adverse Change.
- (y) On the Effective Date, and the date any Loan is made, immediately after giving effect to the transactions contemplated by the Loan Documents occurring on such date, each Borrower is Solvent.
- (z) None of the Equity Interests constituting the Collateral are held in a third-party deposit account.

- 29 -

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#### 1.2 Intentionally Omitted.

#### 1.3 Survival of Representations and Warranties.

Borrower agrees that all of the representations and warranties set forth in Section 3.1 and Section 3.2 and elsewhere in this Agreement are true as of the date hereof, will be true at the Loan Opening and, except for matters which have been disclosed by Borrower and approved by Lender in writing, at all times thereafter. Each request for a disbursement under the Loan Documents shall constitute a reaffirmation of such representations and warranties, as deemed modified in accordance with the disclosures made and approved as aforesaid, as of the date of such request. It shall be a condition precedent to the Loan Opening and each subsequent disbursement that each of said representations and warranties is true and correct as of the date of such requested disbursement. Each disbursement of Loan proceeds shall be deemed to be a reaffirmation by Borrower that each of the representations and warranties is true and correct as of the date of such disbursement. In addition, at Lender's request, Borrower shall reaffirm such representations and warranties in writing prior to each disbursement hereunder.

### ARTICLE IV LOAN AND LOAN DOCUMENTS

### 1.1 Agreement to Borrow and Lend; Lender's Obligation to Disburse.

(a) Subject to the terms, provisions and conditions of this Agreement and the other Loan Documents, Borrower agrees to borrow from Lender and Lender agrees to lend to Borrower the Loan, for the purposes and subject to all of the terms, provisions and conditions contained in this Agreement. If Lender consists of more than one party, the obligations of each such party with respect to the amount it has agreed to loan to Borrower shall be several (and not joint and several) and shall be limited to its proportionate share of the Loan and of each advance.

(b) Subject to any increase of the Loan Amount in compliance with Section 4.1 set forth hereinbelow, the maximum aggregate amount of the Loan shall not exceed TEN MILLION Dollars and No/100s (\$10,000,000.00). Subject to such maximum amount and the terms and conditions hereof, Borrower may borrow, prepay, and re-borrow amounts under the Loan.

(c) Lender agrees, upon Borrower's compliance with and satisfaction of all conditions precedent to the Loan Opening and provided no Material Adverse Change has occurred with respect to Borrower and no Default or Event of Default has occurred and is continuing hereunder, to Open the Loan.

(d) After the Opening of the Loan, Borrower shall be entitled to receive further successive disbursements of the proceeds of the Loan in accordance with Article IX, within three (3) Business Days after compliance with all conditions precedent thereto, provided that (i) Borrower has complied with all conditions precedent to disbursement from time to time including the requirements of Article IX; (ii) no Material Adverse Change has occurred with respect to Borrower, Guarantor or GLR, and

(iii) no Default or Event of Default exists hereunder or under any other Loan Document.

(e) To the extent that Lender may have acquiesced in noncompliance with any requirements precedent to the Opening of the Loan such acquiescence shall not constitute a waiver by Lender, and

- 30 -

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Lender may at any time after such acquiescence require Borrower to comply with all such requirements.

- 31 -

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### 1.2 Loan Documents.

Borrower agrees that it will, on or before the Loan Opening Date, execute and deliver or cause to be executed and delivered to Lender the following documents in form and substance acceptable to Lender:

- (a) The Note.
- (b) Each Security Document.
- (c) The Guaranty.

(d) Such UCC financing statements as Lender determines are advisable or necessary to perfect or notify third parties of the security interests intended to be created by the Loan Documents.

(e) Such other documents, instruments or certificates as Lender and its counsel may reasonably require, including such documents as Lender in its sole discretion deems necessary or appropriate to effectuate the terms and conditions of this Agreement and the Loan Documents, and to comply with the Laws of the State.

### 1.3 Term of the Loan.

(a) All principal, interest and other sums due under the Loan Documents shall be due and payable in full on the Maturity Date. All references herein to the Maturity Date shall mean Initial Maturity Date, provided that, subject to clauses (b) and (c) below, Borrower shall have the right to extend the Maturity Date for an additional 364-day term, on no more than two (2) occasions (the "First Extension Option" and the "Second Extension Option"), thereby extending the Maturity Date to the First Extended Maturity Date and Second Extended Maturity Date, respectively.

(b) Borrower may only exercise the First Extension Option upon satisfying the following conditions:

- (i) Borrower shall have delivered to Lender written notice of such election no earlier than one hundred and twenty (120) days and no later than sixty (60) prior to the Initial Maturity Date;
- (ii) Lender shall have received Borrower's current financial statements and a Borrowing Base Report, each certified as correct by Borrower. There must be no Material Adverse Change in Borrower's financial condition and the outstanding principal amount of the Loan shall not exceed the Borrowing Base (provided that Borrower may, at Borrower's discretion, make a principal payment to establish compliance with the Borrowing Base requirement);
- (iii) Such notice is accompanied by an extension fee in the amount of twenty basis points (0.2%) of the Loan Amount as of such date; and
- (iv) the representations and warranties of the Borrower contained in the Agreement or in any other Loan Document shall be true and correct in all

- 32 -

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material respects on and as of the date on which notice is given in accordance with this subsection

- 33 -

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(b); and

(v) No Default or Event of Default exists under the Loan Documents.

(c) Borrower may only exercise the Second Extension Option upon satisfying the following conditions:

- (i) Borrower shall have delivered to Lender written notice of such election no earlier than one hundred and twenty (120) days and no later than sixty (60) prior to the First Extended Maturity Date;
- (ii) Lender shall have received Borrower's current financial statements and a Borrowing Base Report, each certified as correct by Borrower. There must be no Material Adverse Change in Borrower's financial condition and the outstanding principal amount of the Loan shall not exceed the Borrowing Base (provided that Borrower may, at Borrower's discretion, make a principal payment to establish compliance with the Borrowing Base requirement);
- (iii) Such notice is accompanied by an extension fee in the amount of twenty basis points (0.2%) of the Loan Amount as of such date; and

- (iv) the representations and warranties of the Borrower contained in the Agreement or in any other Loan Document shall be true and correct in all material respects on and as of the date on which notice is given in accordance with this subsection (b); and
- (v) No Default or Event of Default exists under the Loan Documents.

#### **1.4 Prepayments.**

Borrower shall have the right to make prepayments of the Loan, in whole or in part, upon not less than five (5) Business Days' prior written notice to Lender. No prepayment of all or part of the Loan shall be permitted unless same is made together with the payment of all interest accrued on the Loan through the date of prepayment and an amount equal to and attorneys' fees and disbursements incurred by Lender as a result of the prepayment.

#### **1.5 Required Principal Payments.**

(a) All principal shall be paid on or before the Maturity Date.

(b) If, at any time, Lender has determined in its reasonable discretion, or Borrower has actual knowledge, that the outstanding principal amount of the Loan exceeds the Borrowing Base, then Borrower shall promptly, but no later than ten (10) Business Days from receipt of notice or actual knowledge, prepay the Loan in an amount equal to the difference between the Borrowing Base and the outstanding principal amount of the Loan, as determined by Lender in its reasonable discretion.

#### **1.6 Late Charge.**

Any and all amounts due hereunder or under the other Loan Documents which remain unpaid on the tenth (10<sup>th</sup>) day after the date said amount was due and payable shall incur a fee (the "Late

- 34 -

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- 35 -

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Charge") of five percent (5%) per annum of said amount, which payment shall be in addition to all of Lender's other rights and remedies under the Loan Documents, provided that no Late Charge shall apply to the final payment of principal on the Maturity Date. Nothing in this Section shall be deemed a cure period for the purpose of determining the occurrence of an Event of Default.

## **ARTICLE V INTEREST**

#### **1.1 Interest Rate.**

- (a) Subject to Section 5.3, the Loan will bear interest at the Applicable Rate, unless the Default Rate is applicable.
- (b) Interest at the Applicable Rate (or Default Rate) shall be 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, but not including, the date of repayment.
- (c) The Loan shall bear interest at the Default Rate at any time at which an Event of Default shall exist.

#### **1.2 Payment Dates.**

Borrower shall pay interest in arrears on the fifth (5th) day of every calendar month in the amount of all interest accrued and unpaid. All payments (whether of principal or of interest) shall be deemed credited to Borrower's account only if received by 2:00 p.m. Dallas time on a Business Day; otherwise, such payment shall be deemed received on the next Business Day.

#### 1.3 Maximum Lawful Rate.

It is the intent of Borrower and Lender 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, contacted for, charged or received under this Agreement and the other Loan Documents exceed the highest lawful interest rate permitted under applicable law (the "Maximum Lawful Rate"). If Lender 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 Maximum Lawful Rate, 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 Loan in the inverse order of its maturity and not to the payment of interest, or refunded to Borrower 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 Loan so that the amount of interest on account of such obligation does not exceed the Maximum Lawful Rate. 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.

## ARTICLE VI

- 36 -

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- 37 -

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## COSTS OF MAINTAINING LOAN

#### 1.1 Increased Costs and Capital Adequacy.

(a) Borrower recognizes that the cost to Lender of maintaining the Loan or any portion thereof may fluctuate and, Borrower agrees to pay Lender additional amounts to compensate Lender for any increase in its actual costs incurred in maintaining the Loan or any portion thereof outstanding or for the reduction of any amounts received or receivable from Borrower as a result of any change after the date hereof in any applicable Law, regulation or treaty, or in the interpretation or administration thereof, or by any domestic or foreign court, (A) changing the basis of taxation of payments under this Agreement to Lender (other than taxes imposed on all or any portion of the overall net income or receipts of Lender), or (B) imposing, modifying or applying any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, credit extended by, or any other acquisition of funds for loans by Lender (which includes the Loan or any applicable portion thereof), or (C) imposing on Lender any other condition affecting the Loan, provided that the result of the foregoing is to increase the cost to Lender of maintaining the Loan or any portion thereof or to reduce the amount of any sum received or receivable from Borrower by Lender under the Loan Documents.

(b) If the application of any Law, rule, regulation or guideline adopted or arising out of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards", or the adoption after the date hereof of any other Law, rule, regulation or guideline regarding capital adequacy, or any change after the date hereof in any of the foregoing, or in the interpretation or administration thereof by any domestic or foreign Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Lender, with any request or directive regarding capital adequacy (whether or not having the force of law) of any

such authority, central bank or comparable agency, has the effect of reducing the rate of return on Lender's capital to a level below that which Lender would have achieved but for such application, adoption, change or compliance (taking into consideration the policies of Lender with respect to capital adequacy), then, from time to time Borrower shall pay to Lender such additional amounts as will compensate Lender for such reduction with respect to any portion of the Loan outstanding.

(c) Any amount payable by Borrower under subsection (a) or subsection (b) of this Section

6.1 shall be paid within five (5) days of receipt by Borrower of a certificate signed by an authorized officer of Lender setting forth the amount due and the basis for the determination of such amount, which statement shall be conclusive and binding upon Borrower, absent manifest error. Failure on the part of Lender to demand payment from Borrower for any such amount attributable to any particular period shall not constitute a waiver of Lender's right to demand payment of such amount for any subsequent or prior period except as set forth under subsection (d) of this Section 6.1. Lender shall use reasonable efforts to deliver to Borrower prompt notice of any event described in subsection (a) or (b) above, of the amount of the reserve and capital adequacy payments resulting therefrom and the reasons therefor and of the basis of calculation of such amount; provided, however, that any failure by Lender to so notify Borrower shall not affect Borrower's obligation to pay the reserve and capital adequacy payment resulting therefrom except as set forth under subsection (d) of this Section 6.1.

- 38 -

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(d) Borrower shall not be obligated to make any payments under this Section 6.1 to the extent that Lender has not notified the Borrower of the basis of such demand for payment by a date that is no later than 120 days after Lender incurs the cost associated with the change in applicable Law

- 39 -

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giving rise to any such payment.

**1.2 Taxes.**

(a) All payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any and all present and future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding taxes based on (or measured by) net income or net profits and franchise taxes (imposed in lieu of net income taxes) imposed on the Lender as a result of a present or former connection between the Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or the other Loan Documents) and branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction. If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") or Other Taxes are required to be withheld from any amounts payable to the Lender hereunder, or if the Borrower is prevented by operation of law or otherwise from paying, causing to be paid or remitting that portion of amounts payable hereunder represented by Non-Excluded Taxes or Other Taxes withheld or deducted, then the amounts payable under this Agreement shall, to the extent permitted by law, be increased to such amount as is necessary to yield and remit to the Lender an amount which, after deduction of all Non-Excluded Taxes and Other Taxes, equals the amount that would have been payable if no Non-Excluded Taxes or Other Taxes were applied; provided, however, that the Borrower shall not be required to increase any such amounts payable to the Lender with respect to any Non- Excluded Taxes and Other Taxes: (i) that are attributable to the Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section 6.2 or (ii) that are United States withholding taxes imposed on amounts payable to the Lender at the time the Lender becomes a party to this Agreement, except to the extent that such Lender or the assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Non-Excluded Taxes or Other Taxes pursuant to this Section 6.2.

- (b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.
- (c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Lender a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Lender the required receipts or other required documentary evidence, the Borrower shall indemnify the Lender for any incremental taxes, interest or penalties that may become payable by the Lender as a result of any such failure.
- (d) If the Lender (or assignee or participant) is not a "United States person" (a "Non-U.S.Lender"), then the Lender (or such assignee or participant, as applicable) shall on or about the date on which such Non-U.S. Lender becomes a party to this Agreement, deliver to the Borrower (or, in the case of a participant, to the Lender) two copies of either U.S. Internal Revenue Service Form W-8BEN, W-8BEN-E or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to

- 40 -

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payments of "portfolio interest", a statement substantially in the form of Exhibit A hereto (modified as appropriate)

- 41 -

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depending on the status of the Lender) and a Form W-8BEN, W-8BEN-E or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any participant, on or before the date such participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender or at such time or times as reasonably requested by the Borrower. Each Non-U.S. Lender shall promptly notify the Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Each Lender that is a United States person (as defined in Section 7701(a)(30) of the Code) (other than persons who are corporations or otherwise exempt from United States backup withholding tax) shall, at the time such Lender becomes a party to this Agreement or at such other time (or times) reasonably requested by the Borrower, deliver to the Borrower a properly completed and duly executed U.S. Internal Revenue Service Form W-9 or any successor form certifying that such person is exempt from United States backup withholding tax on payments made hereunder. Notwithstanding any other provision of this paragraph (d), a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph (d) that such Non-U.S. Lender is not legally able to deliver.

(e) If the Lender (or participant) is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement, then the Lender shall deliver to the Borrower, at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that the Lender (or participant) is legally entitled to complete, execute and deliver such documentation and in the Lender's (or participant's) reasonable judgment such completion, execution or submission would not materially prejudice the legal or commercial position of the Lender (or participant).

(f) If a payment made to a Lender hereunder would be subject to U.S. federal withholding tax imposed by FATCA (as defined below) if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower at the time or times prescribed by law and at such time or times reasonably requested by the Borrower such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional

documentation reasonably requested by the Borrower as may be necessary for the Borrower to comply with its obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount, if any, to deduct and withhold from such payment. Solely for purposes of this Section 2.8(f), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(g) For purposes of this Section 6.2, "FATCA" means (a) Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable to and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, and any agreements entered into pursuant to Section 1471(b)(1) of the Code or (b) any fiscal or regulatory legislation, rules or practices adopted pursuant to any

- 42 -

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intergovernmental agreement treaty or convention among Governmental Authorities and implementing such Sections of the Code.

- 43 -

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(h) The agreements in this Section 6.2 shall survive the termination of this Agreement and the payment of the Loan Advances and all other amounts payable hereunder.

## ARTICLE VII LOAN EXPENSE AND ADVANCES

### **7.1** Loan and Administration Expenses.

Borrower unconditionally agrees to pay all costs and expenses incurred by Lender in connection with the Loan, including all amounts payable pursuant to Sections 7.2 and 7.3 and any and all other fees owing to Lender pursuant to the Loan Documents or any separate fee agreement, and also including, without limiting the generality of the foregoing, all recording, filing and registration fees and charges, printing and photocopying expenses, cost of certified copies of instruments, cost of premiums on surety company bonds, all travel related expenses and all costs and expenses incurred by Lender in connection with the determination of whether or not Borrower has performed the obligations undertaken by Borrower hereunder or has satisfied any conditions precedent to the obligations of Lender hereunder and, if any default or Event of Default occurs hereunder or under any of the Loan Documents or if the Loan or Note or any portion thereof is not paid in full when and as due, all such costs and expenses of Lender (including, without limitation, court costs and counsel's fees and disbursements and fees and costs of paralegals) incurred in attempting to enforce payment of the Loan and expenses of Lender incurred (including court costs and counsel's fees and disbursements and fees and costs of paralegals) in attempting to realize, while a default or Event of Default exists, on any security or incurred in connection with the sale or disposition (or preparation for sale or disposition) of any security for the Loan.

### **7.2** Lender's Attorneys' Fees and Disbursements.

Borrower agrees to pay Lender's attorney fees and disbursements incurred in connection with this Loan, including (i) the preparation of this Agreement, any intercreditor agreements and the other Loan Documents and the preparation of the closing binders, (ii) the disbursement, amendment, and administration of the Loan and (iii) the enforcement of the terms of this Agreement and the other Loan Documents.

### **7.3** Time of Payment of Fees and Expenses.

Borrower shall pay all expenses and fees incurred as of the Loan Opening on the Loan Opening Date (unless sooner required herein). At the time of the Opening of the Loan, Lender may pay from the proceeds of the initial disbursement of the Loan all such Loan expenses and all fees payable to

Lender. Lender may require the payment of outstanding fees and expenses as a condition to any disbursement of the Loan.

#### 7.4 Expenses and Advances Secured by Loan Documents.

Any and all advances or payments made by Lender under this Article VII from time to time, and any amounts expended by Lender pursuant to Article XVI, shall, as and when advanced or incurred, constitute additional indebtedness evidenced by the Note and secured by the Security Documents and the other Loan Documents.

- 44 -

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#### 7.5 Right of Lender to Make Advances to Cure Borrower's Defaults.

In the event that Borrower fails to perform any of Borrower's covenants, agreements or obligations contained in this Agreement or any of the other Loan Documents (after the expiration of applicable grace periods, except in the event of an emergency or other exigent circumstances), Lender may (but shall not be required to) perform any of such covenants, agreements and obligations, and any amounts expended by Lender in so doing and shall constitute additional indebtedness evidenced by the Note and secured by the Security Documents and the other Loan Documents and shall bear interest at the Default Rate.

#### 7.6 Origination Fee.

Borrower shall pay to Lender, at the Opening of the Loan, a non-refundable origination fee in the amount of ONE HUNDRED THOUSAND and NO/100 Dollars (\$100,000.00).

### ARTICLE VIII REQUIREMENTS PRECEDENT TO THE OPENING OF THE LOAN

#### 1.1 Conditions Precedent.

Borrower agrees that Lender's obligation to open the Loan is conditioned upon Borrower's delivery, performance and satisfaction of the following conditions precedent in form and substance satisfactory to Lender in its reasonable discretion:

- (a) Loan Documents: The Lender shall have received copies of each of the documents set forth in Section 4.2, executed by Borrower, as the case may be, and recorded, if applicable, each in form and substance satisfactory to the Lender.
- (b) Borrowing Base Report: Borrower shall have furnished to Lender a Borrowing Base Report, together with information setting forth in a format acceptable to Lender in its sole but reasonable discretion the Collateral Value.
- (c) Insurance Policies: Borrower shall have furnished to Lender prior to the date of this Agreement policies or binders evidencing that insurance coverages are in effect with respect to Borrower, in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.
- (d) No Litigation: No litigation or proceedings shall be pending or threatened in writing which would reasonably be expected to cause a Material Adverse Change with respect to Borrower or Guarantor;
- (e) Attorney Opinions: Borrower shall have furnished to Lender an opinion from counsel for Borrower covering due authorization, execution and delivery and enforceability of the Loan Documents, and creation and perfection of the security interests granted under the Loan Documents, and also containing such other legal opinions as Lender shall require, in form and substance satisfactory to Lender;

- 45 -

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(f) **Searches:** Borrower shall have furnished to Lender current bankruptcy, federal tax lien and judgment searches and searches of all Uniform Commercial Code financing statements filed in

- 46 -

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each place UCC Financing Statements are to be filed hereunder, demonstrating the absence of adverse claims;

(g) **Financial Statements:** Borrower shall have furnished to Lender current annual financial statements of Guarantor and such other persons or entities connected with the Loan as Lender may request, each in form and substance and certified by such individual as acceptable to Lender. Borrower shall provide such other additional financial information Lender reasonably requires;

(h) Intentionally Omitted;

(i) Intentionally Omitted;

(j) **Organizational Documents:** Borrower shall have furnished to Lender proof satisfactory to Lender of authority, formation, organization and good standing in the state of its incorporation or formation and, if applicable, qualification as a foreign entity in good standing in the state of its incorporation or formation, of all corporate, partnership, trust and limited liability company entities executing any Loan Documents, whether in their own name or on behalf of another entity. Borrower shall also provide certified resolutions in form and content satisfactory to Lender, authorizing execution, delivery and performance of the Loan Documents, an incumbency certificate with respect to the Borrower's officers that are authorized to sign this Agreement and the other documents to be delivered hereunder and to request Loans hereunder and such other documentation as Lender may reasonably require to evidence the authority of the persons executing the Loan Documents;

(k) **No Default:** There shall be no uncured Default or Event of Default by Borrower hereunder; and

(l) **Additional Documents:** Borrower shall have furnished to Lender such other materials, documents, papers or requirements regarding Borrower as Lender shall reasonably request.

## **ARTICLE IX** **REQUIREMENTS PRECEDENT TO SUBSEQUENT DISBURSEMENTS OF THE LOAN**

### **1.1 Conditions Precedent.**

Borrower agrees that Lender's obligation to make subsequent disbursements of the Loan is conditioned upon Borrower's satisfaction of the following conditions precedent in form and substance satisfactory to Lender in its reasonable discretion.

(a) **Borrower's Certificate:** Lender shall have received a fully executed and delivered Borrower's Certificate in the form of Exhibit A attached hereto, which Borrower's Certificate shall demonstrate, to Lender's sole discretion, that at the time of and immediately after giving effect to such disbursement, the outstanding principal amount of the Loan will not exceed the Borrowing Base.

(b) **Maximum Loan Amount:** After making such disbursement, the aggregate outstanding balance of the Loan shall not exceed the Loan Amount.

- 47 -

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(c) **Representations and Warranties:** The representations and warranties of Borrower and Guarantor set forth in this Agreement shall be true and correct in all material respects on and as of the date of such disbursement.

- 48 -

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(d) **No Default or Event of Default:** At the time of and immediately after giving effect to such disbursement, no Default or Event of Default shall have occurred and be continuing.

(e) **Borrowing Base Report:** Borrower shall have furnished to Lender a Borrowing Base Report, together with information setting forth in a format acceptable to Lender in its sole but reasonable discretion the Collateral Value.

(g) **Intentionally Omitted;** and

(h) **Fees; Costs and Expenses:** Payment of all fees, expenses and other amounts due and payable by any Borrower on or prior to the date of such Borrowing pursuant to the Loan Documents.

Each request for an advance of the Loan submitted by Borrower shall be deemed to be a representation and warranty that the conditions specified in Section 8.1 have been satisfied on and as of the date of the applicable advance.

## ARTICLE X AFFIRMATIVE COVENANTS

Borrower covenants and agrees as follows:

### 1.1 Furnishing Information.

Borrower shall deliver or cause to be delivered to Lender:

(a) quarterly consolidated financial statements of Guarantor certified by Guarantor within sixty (60) days after the end of each fiscal quarter other than the fiscal quarter that ends on the fiscal year-end;

(b) an annual consolidated financial statement of Guarantor audited by a certified public accountant reasonably acceptable to Lender within one hundred and twenty (120) days after each fiscal year;

(c) a Borrowing Base Report, together with information setting forth in a format acceptable to Lender in its sole but reasonable discretion the Collateral Value within sixty (60) days after the end of each fiscal quarter other than the fiscal quarter that ends on the fiscal year-end;

(d) a Borrowing Base Report, together with information setting forth in a format acceptable to Lender in its sole but reasonable discretion the Collateral Value within one hundred and twenty (120) days for the fiscal quarter that ends on the fiscal year-end;

(e) a duly executed Certificate of Compliance in the form of Exhibit B attached hereto (i) within sixty (60) days after the end of each fiscal quarter other than the fiscal quarter that ends on the fiscal year-end, and (ii) within one hundred and twenty (120) days for the fiscal quarter that ends on the fiscal year-end;

- 49 -

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(f) quarterly financial statements (including the internal NAV per-share calculation of the Common Stock) prepared by or on behalf of GLR within sixty (60) days after the end of each fiscal quarter other than the fiscal quarter that ends on the fiscal year-end;

- 50 -

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(g) annual financial statements (including the internal NAV per-share calculation of the Common Stock) prepared by or on behalf of GLR within one hundred and twenty (120) days after each fiscal year;

(h) at Lender's request, (i) annual Federal Income Tax Returns with respect to Borrower and Guarantor and (ii) financial statements of Borrower;

(i) All such financial statements shall be in a format approved in writing by Lender in Lender's reasonable sole discretion, in a format acceptable to Lender. Each financial statement and Borrowing Base Report shall be certified as true, complete and correct in all material respects by its preparer and by Borrower. Borrower shall during regular business hours permit Lender or any of its agents or representatives to have access to and examine all of its books and records reasonably necessary to confirm the Borrowing Base Report or financial health of the Borrower. If any such financial statement or other report or information described in this subsection is not delivered to Lender as provided above, Borrower shall have a five (5) business day cure period. Upon expiration of such cure period, Borrower agrees to pay a late charge to Lender in the amount of \$500 per item per day.

(h) Borrower will furnish to Lender promptly (but in any event no later than five (5) Business Days thereafter) upon becoming actually aware of the existence of any condition or event which constitutes an Event of Default or a Default, a written notice specifying the nature and period of existence thereof and the action which Borrower is taking or proposes to take with respect thereto.

#### **1.2 Maintenance of Insurance.**

Borrower shall maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

#### **1.3 Payment of Taxes.**

Borrower shall pay all Taxes before the same become delinquent, provided, however, that Borrower shall have the right to pay such Tax under protest or to otherwise contest any such Tax or assessment, but only if (i) such contest has the effect of preventing the collection of such Taxes so contested and also of preventing the attachment of any Lien to any of Borrower's property,

(ii) Borrower has notified Lender of Borrower's intent to contest such Taxes, and (iii) Borrower has deposited security in form and amount satisfactory to Lender, in its sole discretion, and has increased the amount of such security so deposited promptly after Lender's request therefor. If Borrower fails to commence such contest or, having commenced to contest the same, and having deposited such security required by Lender for its full amount, shall thereafter fail to prosecute such contest in good faith or with due diligence, or, upon adverse conclusion of any such contest, shall fail to pay such Tax, Lender may, at its election (but shall not be required to), pay and discharge any such Tax, and any interest or penalty thereon, and any amounts so expended by Lender shall be deemed to constitute disbursements of the Loan proceeds hereunder (even if the total amount of disbursements would exceed the face amount of the Note). Borrower shall furnish to Lender evidence that Taxes are paid at least five (5) days prior to the last date for payment of such Taxes and before imposition of any penalty or accrual of interest.

- 51 -

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#### **1.4 Lender's Attorneys' Fees for Enforcement of Agreement.**

In case of any Default or Event of Default hereunder, Borrower (in addition to Lender's attorneys' fees, if any, to be paid pursuant to Section 7.2) will pay Lender's attorneys' and paralegal fees (including, without limitation, any attorney and paralegal fees and costs incurred in connection with any litigation or bankruptcy or administrative hearing and any appeals therefrom and any post-judgment enforcement action including, without limitation, supplementary proceedings) in connection with the enforcement of this Agreement; without limiting the generality of the foregoing, if at any time or times hereafter Lender employs counsel (whether or not any suit has been or shall be filed and whether or not other legal proceedings have been or shall be instituted) for advice or other representation with respect to this Agreement, or any of the other Loan Documents, or to protect, collect, lease, sell, take possession of, or liquidate any of the Collateral, or to attempt to enforce any security interest or lien in any portion of the Collateral, or to enforce any rights of Lender or Borrower's obligations hereunder, then in any of such events all of the attorneys' fees arising from such services, and any expenses, costs and charges relating thereto (including fees and costs of paralegals), shall constitute an additional liability owing by Borrower to Lender, payable on demand.

**1.5 Use of Proceeds.**

The proceeds of the Loans will be used only for the working capital, general corporate purposes. No proceeds of the Loans shall be used to purchase any securities issued by the Borrower's Affiliates. No part of the proceeds of the Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X.

**1.6 Lost Note.**

Upon Lender's furnishing to Borrower an affidavit to such effect, Borrower shall, if the Note is mutilated, destroyed, lost or stolen, deliver to Lender, in substitution therefor, a new note containing the same terms and conditions as the Note.

**1.7 Indemnification.**

BORROWER SHALL INDEMNIFY LENDER, INCLUDING EACH PARTY OWNING AN INTEREST IN THE LOAN AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND CONSULTANTS (EACH, AN "INDEMNIFIED PARTY") AND DEFEND AND HOLD EACH INDEMNIFIED PARTY HARMLESS FROM AND AGAINST ALL CLAIMS, INJURY, DAMAGE, LOSS AND LIABILITY, COST AND EXPENSE (INCLUDING ATTORNEYS' FEES, COSTS AND EXPENSES) OF ANY AND EVERY KIND TO ANY PERSONS OR PROPERTY BY REASON OF (I) ANY BREACH OF REPRESENTATION OR WARRANTY, DEFAULT OR EVENT OF DEFAULT UNDER THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR RELATED DOCUMENT; OR (II) ANY OTHER MATTER ARISING IN CONNECTION WITH THE LOAN OR BORROWER. BORROWER'S DUTY TO INDEMNIFY, HOLD HARMLESS, AND DEFEND THE INDEMNIFIED PARTIES AGAINST LOSSES EXTENDS TO LOSS THAT MAY BE CAUSED OR ALLEGED TO BE CAUSED IN PART BY THE NEGLIGENCE OF INDEMNITEES TO THE FULLEST EXTENT THAT SUCH INDEMNIFICATION IS PERMITTED BY APPLICABLE LAW. THE FOREGOING INDEMNIFICATION SHALL

- 52 -

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SURVIVE REPAYMENT OF THE LOAN AND SHALL CONTINUE TO BENEFIT LENDER FOLLOWING ANY ASSIGNMENT OF THE LOAN

- 53 -

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WITH RESPECT TO MATTERS ARISING OR ACCRUING PRIOR TO SUCH ASSIGNMENT.

**1.8 Inspection of Assets; Books and Records; Discussions.**

Lender and its representatives shall at all times have full and free access during normal business hours on reasonable prior notice at reasonable intervals to all the books reasonably necessary to confirm the Borrowing Base Report or financial health of the Borrower, correspondence and records of Borrower relating to Borrower's business, the Collateral, or the Loan Documents, and Lender and its representatives may examine the same, take extracts therefrom and make photocopies thereof, and Borrower agrees to render to the Lender and/or its representatives at Borrower's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto. To the extent documents are subject to attorney client privilege (e.g., board minutes setting forth substantive legal advice), as determined by Borrower's external legal counsel in its good faith and reasonable discretion, Borrower reserves the right to redact such documents or information.

**1.9 Swap Agreements.**

If Borrower enters into a Swap Agreement permitted under Section 10.5, then Borrower shall cause the counterparty to the Swap Agreement to enter into an assignment of such Swap Agreement in favor of Lender and acceptable to Lender in its sole but reasonable discretion. Borrower hereby grants to Lender a security interest in all Swap Agreements, present or future, to secure the Indebtedness.

**1.10 Operating Account.**

The Borrower shall maintain their deposits and operating accounts with Lender.

**1.11 Maintenance of Liens.**

The Borrower shall perform all such acts and execute all such documents as Lender may reasonably request in order to enable Lender to file and record every instrument that Lender may deem necessary in order to perfect and maintain Lender's first priority security interests in (and Liens on) the Collateral and otherwise to preserve and protect the rights of Lender in respect of such first priority security interests and Liens.

**1.12 REIT Status.**

The Guarantor shall perform all such acts to maintain its status as a Real Estate Investment Trust, as defined in the Internal Revenue Code Section 856.

**1.13 Net Debt to Equity Ratio.**

Beginning on June 30<sup>th</sup>, 2024, and on the last day of each fiscal quarter thereafter (each, a "Measurement Date") thereafter, Guarantor shall have a Net Debt to Equity Ratio of no more than 3.50:1.00.

**1.14 Consolidated Fixed Charge Coverage Ratio.**

- 54 -

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Beginning on June 30<sup>th</sup>, 2024, and on each Measurement Date thereafter, Guarantor shall have a Consolidated Fixed Charge Coverage Ratio of no less than 1.50:1.00 for the applicable

- 55 -

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Measurement Period ending on such Measurement Date.

**1.15 Borrowing Base**

Borrower will not exceed the Borrowing Base at any time while the Loan is outstanding.

**ARTICLE XI NEGATIVE COVENANTS**

Borrower covenants and agrees as follows:

**1.1 Indebtedness.**

Borrower will not create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness created hereunder;

(b) Indebtedness existing on the date hereof and set forth in Schedule 11, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; and

(c) other unsecured Indebtedness in an aggregate principal amount not exceeding \$50,000 at any time outstanding.

**1.2 Liens.**

Borrower will not create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except any Lien on any property or asset of Borrower existing on the date hereof and set forth in Schedule 11; provided that (i) such Lien shall not apply to any other property or asset of Borrower and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof.

**1.3 Fundamental Changes; Disposition of Assets.**

Borrower and Guarantor will not without the consent of Lender (a) merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or any substantial part of its assets (except that Borrower may sell its assets in the ordinary course of business as described in the Constituent Documents), or liquidate or dissolve, or (b) engage to any material extent in any business other than businesses of the type conducted by Borrower or Guarantor on the Effective Date and businesses reasonably related thereto.

**1.4 Intentionally Omitted.**

**1.5 Swap Agreements.**

- 56 -

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Borrower will not enter into any Swap Agreement, except (a) Swap Agreements entered into

- 57 -

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to hedge or mitigate risks to which Borrower has actual exposure, and (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of Borrower and (c) Swap Agreements entered into as part of the Borrowers investment process.

**1.6 Restricted Payments.**

Except for any payments and declarations that are required to be made pursuant to the rules and regulations of Governmental Authorities to which the Borrower is subject, Borrower will not declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment unless Lender provides its prior written consent.

**1.7 Transactions with Affiliates.**

Borrower will not sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to Borrower than could be obtained on an arm's-length basis from unrelated third parties, and (b) any Restricted Payment permitted by Section 11.6.

**1.8 Restrictive Agreements.**

Borrower will not, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon the ability of Borrower to create, incur or permit to exist any Lien upon any of its property or assets; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by Law or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 11 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), and (iii) the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness.

**1.9 Total Unencumbered Assets.**

At the end of each fiscal quarter, Guarantor shall maintain Total Unencumbered Assets of no less than 100% of the aggregate principal amount of the Unsecured Indebtedness of the Guarantor.

**1.10 GLR.**

Borrower will not consent to an action under the terms of the agreements by which Borrower owns the Collateral if such action would materially and negatively affect the Lender's ability to enforce its security interest in the Collateral.

- 58 -

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**ARTICLE XII INSURANCE  
PROCEEDS**

**1.1 Intentionally Omitted.**

**ARTICLE XIII**

- 59 -

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**ASSIGNMENTS BY LENDER AND BORROWER**

**1.1 Assignments and Participations.**

106/122

Lender may from time to time assign the Loans and the Loan Documents (or any interest therein) and may grant participations in the Loan. Borrower agrees to cooperate with Lender's efforts to do any of the foregoing and to execute all documents reasonably required by Lender in connection therewith which do not adversely affect Borrower's rights under the Loan Documents.

**1.2 Prohibition of Assignments by Borrower.**

Borrower shall not assign or attempt to assign its rights under this Agreement and any purported assignment shall be void. Borrower shall not permit the Transfer of any direct or indirect interest in Borrower.

**1.3 Successors and Assigns.**

Subject to the foregoing restrictions on transfer and assignment contained in this Article XIII, this Agreement shall inure to the benefit of and shall be binding on the parties hereto and their respective successors and permitted assigns.

**ARTICLE XIV TIME OF THE ESSENCE**

**1.1 Time is of the Essence.**

Borrower agrees that time is of the essence under this Agreement.

**ARTICLE XV EVENTS OF DEFAULT**

**1.1 Events of Default.**

The occurrence of any one or more of the following shall constitute an "Event of Default" as said term is used herein:

(a) Any Borrower shall fail to pay when due: (i) any principal of the Obligations; or (ii) any interest on the Obligations or (iii) any fee, expense, or other payment required hereunder or under any other Loan Document, and such failure under the foregoing clause (ii) continues for three (3) Business Days thereafter; or for clause (iii) for a period of ten (10) days after written notice from Lender that the same is due and payable continues.

(b) Failure of Borrower to observe or perform any of the other covenants or conditions by Borrower to be performed under the terms of this Agreement or any other Loan Document for a period

- 60 -

of thirty (30) days after written notice from Lender, to observe or perform any non-monetary covenant or condition contained in this Agreement or any other Loan Documents; provided that if any such failure concerning a non-monetary covenant or condition is susceptible to cure and cannot reasonably be cured within said thirty (30) day period, then Borrower shall have an additional sixty (60) day period to cure such failure and no Event of Default shall be deemed to exist hereunder so long as Borrower commences such cure within the initial thirty (30) day period and diligently and in good faith pursues such cure to completion within such resulting ninety (90) day period from the date of Lender's notice; and provided further that if a different notice or grace period is specified under any other subsection of this Section 15.1 with respect to a particular breach, or if another subsection of this Section 15.1 applies to a particular breach and does not expressly provide for a notice or grace period the specific provision shall control.

(c) Any assignment in violation of Section 13.2.

(d) If any warranty, representation, statement, report or certificate made now or hereafter by Borrower is untrue or incorrect at the time made or delivered, provided that if such breach is reasonably susceptible of cure and does not create a Material Adverse Change, then no Event of Default shall exist so long as Borrower cures said breach (i) within the notice and cure period provided in (a) above for a breach that can be cured by the payment of money, or (ii) within the notice and cure period provided in (b) above for any other breach.

(e) Borrower, Guarantor or GLR shall commence a voluntary case under the Bankruptcy Code; or an involuntary proceeding is commenced against Borrower, Guarantor or GLR under the Bankruptcy Code and relief is ordered against Borrower, Guarantor or GLR, or the petition is controverted but not dismissed or stayed within sixty (60) days after the commencement of the case, or a custodian (as defined in the Bankruptcy Code) is appointed for or takes charge of all or substantially all of the property of Borrower, Guarantor or GLR; or Borrower, Guarantor or GLR commences any other proceedings under any reorganization, arrangement, readjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar Law of any

jurisdiction whether now or hereafter in effect relating to Borrower, Guarantor or GLR; or there is commenced against Borrower, Guarantor or GLR any such proceeding which remains undismissed or unstayed for a period of sixty (60) days; or Borrower, Guarantor or GLR fails to controvert in a timely manner any such case under the Bankruptcy Code or any such proceeding, or any order of relief or other order approving any such case or proceeding is entered; or Borrower, Guarantor or GLR by any act or failure to act indicates its consent to, approval of, or acquiescence in any such case or proceeding or the appointment of any custodian or the like of or for it for any substantial part of its property or suffers any such appointment to continue undischarged or unstayed for a period of sixty (60) days.

(f) Borrower, Guarantor or GLR shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver or trustee or liquidator of all of its property or the major part thereof or if all or a substantial part of the assets of Borrower, Guarantor or GLR are attached, seized, subjected to a writ or distress warrant, or are levied upon, or come into the possession of any receiver, trustee, custodian or assignee for the benefit of creditors.

(g) One or more final, non-appealable judgments are entered (i) against Borrower in amounts aggregating in excess of \$250,000.00 or (ii) against Guarantor in amounts aggregating in

- 61 -

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excess of \$2,500,000.00, and said judgments are not stayed or bonded over within thirty (30) days after entry.

- 62 -

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(h) If Borrower shall fail to pay any debt owed by it or is in default under any other agreement with Lender or any other party (other than a failure or default for which Borrower's maximum liability does not exceed \$250,000.00 and Guarantor's maximum liability does not exceed \$1,000,000.00) and such failure or default continues after any applicable grace period specified in the instrument or agreement relating thereto.

(i) If a Material Adverse Change occurs with respect to Borrower, Guarantor or the Collateral.

(j) Any of the Loan Documents executed by Borrower shall cease, in whole or in material part, to be legal, valid, and binding agreements enforceable against such Borrower in accordance with the terms thereof or shall in any way be terminated or become or be declared ineffective or inoperative or shall in any way whatsoever cease to give or provide the respective first priority liens, security interest, rights, titles, interest, remedies, powers, or privileges intended to be created thereby (subject to Liens permitted hereunder), or any of the same shall be asserted in writing by any Borrower. The failure at any time of a security interest created under any Security Document to be a valid first lien upon the Collateral described therein.

(k) Failure of Borrower to comply with Sections 3.1(k), 4.5(b), 10.12, 10.15, or 11.10.

(l) Failure of Borrower to comply with Section 10.1, provided that if such breach does not create a Material Adverse Change, then no Event of Default shall exist so long as Borrower cures said breach within ten (10) days following written notice of such breach from Lender.

(m) Breach of covenant set forth in with Section 11.9.

(n) Breach of covenant set forth in Section 10.13 or 10.14.

(o) The occurrence of any other event or circumstance denominated as an event of default in this Agreement or under any of the other Loan Documents and the expiration of any applicable grace or cure periods, if any, specified for such Event of Default herein or therein, as the case may be.

- (p) Intentionally Omitted.
- (q) Borrower or Guarantor or any officer, director or senior employee of such entity is subject to an investigation or proceeding by any governmental, regulatory or self-regulatory authority for reasons of any alleged wrongdoing, breach of any rule or regulation, which could reasonably be expected to result in a Material Adverse Change.
- (r) The sequestration or attachment of (or any levy or execution upon) any portion of the Collateral, which sequestration, attachment, levy or execution is not released, expunged or dismissed within thirty (30) days from such event.

**ARTICLE XVI**  
**LENDER'S REMEDIES IN EVENT OF DEFAULT**

**1.1 Remedies Conferred Upon Lender.**

- 63 -

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Upon the occurrence of any Event of Default, Lender may pursue any one or more of the following remedies concurrently or successively, it being the intent hereof that none of such remedies

- 64 -

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shall be to the exclusion of any other:

- (a) Enforce any Liens or security interests under the Security Documents;
- (b) suspend the Facility until such Event of Default is cured;
- (c) terminate the Facility hereunder;
- (d) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, whereupon the same shall forthwith become due and payable without presentment, demand, protest, notice of default, notice of acceleration, or of intention to accelerate or other notice of any kind all of which each Borrower hereby expressly waives, anything contained herein or in any other Loan Document to the contrary notwithstanding;
- (e) have the irrevocable power of attorney to act on behalf of the Borrower as shall be deemed necessary by Lender or advisable to protect the security interests and liens in the Collateral or obtain repayment of the Obligations and enforce any Liens or security interests under the Security Documents;
- (f) Intentionally omitted;
- (g) use and apply any monies or letters of credit deposited by Borrower with Lender, regardless of the purposes for which the same was deposited, to cure any such default or to apply on account of any indebtedness under this Agreement which is due and owing to Lender; and
- (h) Exercise or pursue any other remedy or cause of action permitted under this Agreement or any other Loan Documents, or conferred upon Lender by operation of Law.

Notwithstanding the foregoing, upon the occurrence of any Event of Default under Section 15.1(e) or (f) with respect to Borrower, the obligation of Lender to make Loans shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, in each case without further act of the Lender, and without presentment, demand, protest, notice of default, notice of acceleration, or of intention to accelerate or other notice of any kind, all of which each Borrower hereby expressly waives.

### **1.2 Subordination.**

If an Event of Default has occurred and is continuing, Guarantor shall not make any payments or advances of any kind, directly or indirectly, on any debts and liabilities to Investment Advisor whether now existing or hereafter arising and whether direct, indirect, several, joint and several, or otherwise, and howsoever evidenced or created (collectively, the "Other Claims"), including, but not limited to, the fees payable to Investment Advisor pursuant to the terms of the Investment Advisory Agreement. All Other Claims, together with all Liens on assets securing the payment of all or any portion of the Other Claims, shall at all times during the continuance of an Event of Default be subordinated to and junior in right and in payment to the Obligations and all Liens on assets securing all or any portion of the Obligations. Each Borrower agrees to take such actions as necessary to provide for such subordination between Guarantor and Investment Advisor,

- 65 -

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*inter se*, including but not limited to provisions for such subordination in the documents evidencing the Other Claims.

- 66 -

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### **1.3 Distributions.**

If any Distribution Event of Default has occurred and is continuing, Guarantor shall not make any distributions of any kind except for any distributions (i) required to maintain its status as a Real Estate Investment Trust, as defined in the Internal Revenue Code Section 856, or (ii) any scheduled debt service payments to lenders of Guarantor or its subsidiaries.

If any Event of Default other than a Distribution Event of Default has occurred and is continuing, upon the notice of Lender, Guarantor shall not make any distributions of any kind except for any distributions (i) required to maintain its status as a Real Estate Investment Trust, as defined in the Internal Revenue Code Section 856, or (ii) any scheduled debt service payments to lenders of Guarantor or its subsidiaries.

## **ARTICLE XVII GENERAL PROVISIONS**

### **1.1 Captions.**

The captions and headings of various Articles, Sections and subsections of this Agreement and Schedules and Exhibits pertaining hereto are for convenience only and are not to be considered as defining or limiting in any way the scope or intent of the provisions hereof.

### **1.2 Modification; Waiver.**

No modification, waiver, amendment or discharge of this Agreement or any other Loan Document shall be valid unless the same is in writing and signed by the party against which the enforcement of such modification, waiver, amendment or discharge is sought.

### **1.3 Authorized Representative.**

Borrower hereby appoints Matt McGraner as its Authorized Representative for purposes of dealing with Lender on behalf of Borrower in respect of any and all matters in connection with this Agreement, the other Loan Documents, and the Loan. The Authorized Representative shall have the power, in his discretion, to give and receive all notices, monies, approvals, and other documents and instruments, and to take any other action on behalf of Borrower. All actions by the Authorized Representative shall be final and binding on Borrower. Lender may rely on the authority given to the Authorized Representative until actual receipt by Lender of a duly authorized resolution substituting a different person as the Authorized Representative or Authorized Representatives *provided*, no more than two persons shall serve as Authorized Representatives at any given time.

**1.4 Governing Law.**

Irrespective of the place of execution and/or delivery, this Agreement shall be governed by, and shall be construed in accordance with, the laws of the State of Texas. To the extent that Chapter 303 of the Texas Finance Code is relevant for the purpose of determining the maximum lawful rate applicable to Lender, Lender shall determine the applicable rate ceiling under such Chapter by the weekly ceiling from time to time in effect; Chapter 346 of the Texas Finance Code does not apply to the Borrower's obligations hereunder.

- 67 -

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**1.5 Acquiescence Not to Constitute Waiver of Lender's Requirements.**

Each and every covenant and condition for the benefit of Lender contained in this Agreement may be waived by Lender, provided, however, that to the extent that Lender may have acquiesced in any noncompliance with any conditions precedent to the Opening of the Loan or to any subsequent disbursement of Loan proceeds, such acquiescence shall not be deemed to constitute a waiver by Lender of such requirements with respect to any future disbursements of Loan proceeds.

**1.6 Disclaimer by Lender.**

This Agreement is made for the sole benefit of Borrower and Lender, and no other person or persons shall have any benefits, rights or remedies under or by reason of this Agreement, or by reason of any actions taken by Lender pursuant to this Agreement. Lender shall not be liable for any debts or claims accruing in favor of any such parties against Borrower or others. Lender, by making the Loan or taking any action pursuant to any of the Loan Documents, shall not be deemed a partner or a joint venturer with Borrower or fiduciary of Borrower. No payment of funds directly to a contractor or subcontractor or provider of services shall be deemed to create any third-party beneficiary status or recognition of same by the Lender.

**1.7 Partial Invalidity; Severability.**

If any of the provisions of this Agreement, or the application thereof to any person, party or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such provision or provisions to persons, parties or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and every provision of this Agreement shall be valid and enforceable to the fullest extent permitted by Law.

**1.8 Definitions Include Amendments.**

Definitions contained in this Agreement which identify documents, including, but not limited to, the Loan Documents, shall be deemed to include all amendments and supplements to such documents from the date hereof, and all future amendments, modifications, and supplements thereto entered into from time to time to satisfy the requirements of this Agreement or otherwise with the consent of Lender. Reference to this Agreement contained in any of the foregoing documents shall be deemed to include all amendments and supplements to this Agreement.

**1.9 Execution in Counterparts.**

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Agreement by DocuSign, facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement.

**1.10 Entire Agreement.**

This Agreement, taken together with all of the other Loan Documents and all certificates and other documents delivered by Borrower to Lender, embody the entire agreement and supersede all prior agreements, written or oral, relating to the subject matter hereof.

- 68 -

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- 69 -

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**1.11 Waiver of Damages.**

In no event shall Lender be liable to Borrower for punitive, exemplary or consequential damages, including, without limitation, lost profits, whatever the nature of a breach by Lender of its obligations under this Agreement or any of the Loan Documents, and Borrower waives all claims for punitive, exemplary or consequential damages.

**1.12 Claims Against Lender.**

Lender shall not be in default under this Agreement, or under any other Loan Documents, unless a written notice specifically setting forth the claim of Borrower shall have been given to Lender within three (3) months after Borrower first had knowledge of the occurrence of the event which Borrower alleges gave rise to such claim and Lender does not remedy or cure the default, if any there be, promptly thereafter. Borrower waives any claim, set-off or defense against Lender arising by reason of any alleged default by Lender as to which Borrower does not give such notice timely as aforesaid. Borrower acknowledges that such waiver is or may be essential to Lender's ability to enforce its remedies without delay and that such waiver therefore constitutes a substantial part of the bargain between Lender and Borrower with regard to the Loans.

**1.13 Jurisdiction.**

TO THE GREATEST EXTENT PERMITTED BY LAW, BORROWER HEREBY WAIVES ANY AND ALL RIGHTS TO REQUIRE MARSHALLING OF ASSETS BY LENDER. WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDINGS RELATING TO THIS AGREEMENT (EACH, A "PROCEEDING"), BORROWER IRREVOCABLY (A) SUBMITS TO THE NON- EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION IN THE CITY OF DALLAS, COUNTY OF DALLAS AND STATE OF TEXAS, AND (B) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDING BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDING, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY. NOTHING IN THIS AGREEMENT SHALL PRECLUDE LENDER FROM BRINGING A PROCEEDING IN ANY OTHER JURISDICTION NOR WILL THE BRINGING OF A PROCEEDING IN ANY ONE OR MORE JURISDICTIONS PRECLUDE THE BRINGING OF A PROCEEDING IN ANY OTHER JURISDICTION. BORROWER FURTHER AGREES AND CONSENTS THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY PROCEEDING IN ANY TEXAS STATE OR UNITED STATES COURT SITTING IN THE CITY OF DALLAS AND COUNTY OF DALLAS MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO BORROWER AT THE ADDRESS INDICATED BELOW, AND SERVICE SO MADE SHALL BE COMPLETE UPON RECEIPT, EXCEPT THAT IF BORROWER SHALL REFUSE TO ACCEPT DELIVERY, SERVICE SHALL BE DEEMED COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL HAVE BEEN SO MAILED.

**1.14 Set-Offs.**

After the occurrence and during the continuance of an Event of Default, Borrower hereby irrevocably authorizes and directs Lender from time to time to charge Borrower's accounts and

deposits with Lender (or its Affiliates), and to pay over to Lender an amount equal to any amounts from time to time due and payable to Lender hereunder, under the Agreement, Note or under any other Loan Document. Borrower hereby grants to Lender a security interest in and to all such accounts and deposits maintained by Borrower with Lender (or its Affiliates).

**1.15 Lender's Consent.**

Wherever in this Agreement there is a requirement for Lender's consent and/or a document to be provided or an action taken "to the satisfaction of Lender", it is understood by such phrase that, except as expressly modified herein, Lender shall exercise its consent, right or judgment in its sole discretion.

**1.16 Notices.**

Any notice, demand, request or other communication which any party hereto may be required or may desire to give hereunder shall be in writing and shall be deemed to have been properly given

(a) if hand delivered, when delivered; (b) if mailed by United States Certified Mail (postage prepaid, return receipt requested), three (3) Business Days after mailing (c) if by Federal Express or other reliable overnight courier service, on the next Business Day after delivered to such courier service or (d) if by telecopier on the day of transmission so long as copy is sent on the same day by overnight courier as set forth below:

If to Borrower:

NexPoint Real Estate Finance Operating Partnership, L.P. 300 Crescent Court, Suite 700  
Dallas, Texas 75201 Attn: Brian Mitts  
Email: [bmitts@nexpoint.com](mailto:bmitts@nexpoint.com)

With a copy to:

Winston & Strawn LLP 35 W. Wacker Drive Chicago, IL 60601 Attn: Andy White  
Email: [awhite@winston.com](mailto:awhite@winston.com)

If to Lender:

NexBank  
2515 McKinney Avenue, Suite 1100  
Dallas, Texas 75201  
Attention: Mike Mendelow; Jeff Kocher Telephone: 214-234-7283; 972-934-4722  
Email: [mike.mendelow@nexbank.com](mailto:mike.mendelow@nexbank.com); [jeff.kocher@nexbank.com](mailto:jeff.kocher@nexbank.com)

With a copy to:

Wick Phillips Gould & Martin, LLP 3131 McKinney Avenue, Suite 500

Dallas, Texas 75204

Attention: Isaac Brown Telephone: 214-740-4037

Facsimile: 214-692-6255

Email: Isaac.brown@wickphillips.com or at such other address as the party to be served with notice may have furnished in writing to the party seeking or desiring to serve notice as a place for the service of notice.

**1.17 Waiver of Jury Trial.**

BORROWER AND LENDER EACH WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS OR RELATING THERETO OR ARISING FROM THE LENDING RELATIONSHIP WHICH IS THE SUBJECT OF THIS AGREEMENT AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

**1.18 No Oral Agreements.**

THIS WRITTEN AGREEMENT (INCLUDING THE EXHIBITS AND SCHEDULES HERETO), AND THE OTHER RELATED DOCUMENTS CONSTITUTE A "LOAN AGREEMENT" AS DEFINED IN SECTION 26.02(a) OF THE TEXAS BUSINESS AND COMMERCE CODE, AND REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF. Any previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement. Nothing in this Agreement, expressed or implied, is intended to confer upon any party other than the parties hereto any rights, remedies, obligations or liabilities under or by reason of this Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

**BORROWER:**

**NEXPOINT REAL ESTATE FINANCE OPERATING PARTNERSHIP, L.P.,**  
a Delaware limited partnership

By: NexPoint Real Estate Finance OP GP, LLC, its general partner

By: /s/ Brian Mitts

Name: Brian Mitts

Title: Chief Authorized Signatory

[Loan Agreement]

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By: /s/ Jef Kocher

Name: Jef Kocher Title: Vic President

[Loan Agreement]

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#### EXHIBIT A

##### Borrower's Certificate

NexBank

2515 McKinney Avenue, Suite 1100

Dallas, Texas 75201 ATTN: Mike Mendelow

RE: Application for Disbursement in connection with a \$10,000,000.00 loan to NEXPOINT REAL ESTATE FINANCE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("Borrower").

1. Pursuant to that certain Loan Agreement dated April 29, 2024 (the "Loan Agreement") between Borrower and NexBank ("Lender"), Borrower hereby requests a Loan disbursement in the amount of .

##### Funding Instructions

2. Borrower also certifies and agrees that:

- (a) It has complied with all duties and obligations required to date to be carried out and performed by it pursuant to the terms of the Loan Agreement;
- (b) No Event of Default as defined in the Loan Agreement, nor any event, circumstance or condition which with notice or the passage of time or both would be an Event of Default, has occurred and is continuing;
- (c) All representations and warranties contained in the Loan Agreement are true and correct as of the date hereof;
- (d) The undersigned understands that this certification is made for the purpose of inducing Lender to make a disbursement to Borrower and that, in making such disbursement, Lender will rely upon the accuracy of the matters stated in this Certificate;

- (e) As evidenced by the Borrowing Base Report provided in connection herewith, as of the date hereof and immediately after giving effect to the requested disbursement, the outstanding principal amount of the Loan does not and will not exceed the Borrowing Base; and
- (f) The proceeds of the advance will be used only for the working capital and general corporate purposes. No proceeds of the advance shall be used to purchase any securities issued by the Borrower's Affiliates. No part of the

A-1

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proceeds of the proceeds will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board,

A-2

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including Regulations T, U and X.

3. The terms used in this Borrower's Certificate have the same meaning and definitions as those set forth in the Loan Agreement.
4. Borrower, or authorized signer, certifies that the statements made in this Borrower's Certificate and any documents submitted herewith and identified herein are true and has duly caused this Borrower's Certificate to be signed on its behalf by the undersigned Authorized Representative.

DATE:BORROWER:BY:

Title:

A-3

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#### EXHIBIT B

##### Certificate of Compliance

NexBank  
2515 McKinney Avenue, Suite 1100

Dallas, Texas 75201 Attn: Mike Mendelow

Re: Loan Agreement dated as of April 29, 2024 (as amended, modified, supplemented, restated, or renewed, from time to time, the "Agreement"), NEXPOINT REAL ESTATE FINANCE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("Borrower"), and NEXBANK ("Lender").

Reference is made to the Agreement. Capitalized terms used in this Certificate (including schedules and other attachments hereto, this "Certificate") without definition have the meanings specified in the Agreement.

Pursuant to applicable provisions of the Agreement, the undersigned, being the Authorized Representative designated in the Agreement, hereby certifies to the Lender that the information furnished in the attached schedules, including, without limitation, each of the calculations listed below are true, correct and complete in all material respects as of the last day of the fiscal periods subject to the financial statements and associated covenants being delivered to the Lender pursuant to the Agreement together with this Certificate (such statements the "Financial Officer, Treasurer Statements" and Assistant Secretary the periods covered thereby the "reporting period") and for such reporting periods.

The undersigned hereby further certifies to the Lender that:

1. **Compliance with Financial Covenants.** As shown below, Guarantor is in full compliance with the Financial Covenants contained in the Agreement.

**[Note to preparer. The following Financial Covenants are provided as illustration. The actual Financial Covenants must be obtained from the Agreement]**

- A. **Covenant:** Net Debt to Equity Ratio of no more than 3.50:1.00 Calculation:

Net Debt to Equity Ratio of: 1.0 for period ending .

**[Borrower to include specific calculation based upon formula outlined in Agreement]**

Compliance? (Yes or No)

- B. **Covenant:** Total Unencumbered Assets of no less than 100% of the aggregate principal amount of the Unsecured Indebtedness of the Guarantor.

B-1

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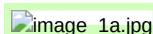
Total Unencumbered Assets: Unsecured Indebtedness of Guarantor:

B-2

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**[Promissory Note] Borrower to include specific calculation based upon formula outlined in Agreement]**

Compliance? (Yes or No)



- C. **Covenant:** Consolidated Fixed Charge Coverage Ratio of not less than 1:50 : 1:00 tested quarterly

Consolidated Fixed Charge Coverage Ratio of: 1.0 for period ending .

**[Borrower to include specific calculation based upon formula outlined in Agreement]**

Compliance? (Yes or No)

2. **Review of Condition.** The undersigned has reviewed the terms of the Loan Documents, including, but not limited to, the representations and warranties of Borrower set forth in the Loan Documents and the covenants of Borrower set forth in the Loan Documents, and has made, or caused to be made under his or her supervision, a review in reasonable detail of the transactions and condition of Borrower through the reporting periods.
3. **Representations and Warranties.** To the undersigned's actual knowledge, the representations and warranties of Borrower contained in the Loan Documents, including those contained in the Agreement, are true and accurate in all material respects as of the date hereof and were true and accurate in all material respects at all times during the reporting period except as expressly noted on Schedule A hereto.
4. **Covenants.** To the undersigned's actual knowledge, during the reporting period, Borrower observed and performed all of the respective covenants and other agreements under the Loan Documents, and satisfied each of the conditions contained therein to be observed, performed or satisfied by Borrower, except as expressly noted on Schedule A hereto.
5. **No Event of Default.** To the undersigned's actual knowledge, no Event of Default exists as of the date hereof or existed at any time during the reporting period, except as expressly noted on Schedule A hereto.

IN WITNESS WHEREOF, this Certificate is executed by the undersigned this day of

By:Authorized Representative

B-3

**EXHIBIT C**

**Borrowing Base Report**

FOR MONTH ENDED:(the "**Subject Month**") LENDER: NEXBANK  
BORROWER: NEXPOINT REAL ESTATE FINANCE OPERATING PARTNERSHIP,  
L.P., a Delaware limited partnership ("**Borrower**")

This Borrowing Base Report (this "**Certificate**") is delivered under the Loan Agreement (the "**Loan Agreement**") dated as of April 29, 2023 between Borrower and Lender. Capitalized terms used in this Certificate shall, unless otherwise indicated, have the meanings set forth in the Loan Agreement. The undersigned hereby certifies to Lender as of the date hereof that (a) he/she is a Responsible Officer of Borrower, and that, as such, he/she is authorized to execute and deliver this Borrowing Base Report to Lender on behalf of Borrower, (b) no Event of Default or potential Default has occurred and is continuing, (c) a review of the activities of Borrower during the Subject Month has been made under the undersigned's supervision with a view to determining the amount of the current Borrowing Base, (d) the Collateral included in the Borrowing Base below meet all conditions to qualify for inclusion therein as set forth in the Loan Agreement, and all representations and warranties set forth in the Loan Agreement with respect thereto are true and correct in all material respects, and (e) the information set forth below (and attached hereto) is true and correct as of the last day of the Subject Month.

**Borrowing Base (See Attached Supporting Documentation)**

1. The attached supporting documentation details, as of the date herein: (a) the number of shares pledged to Lender; (b) the Consolidated Book Value of each share; and (c) the GLR internal NAV calculation of the value of each share. The Collateral Value (the lesser of the product of (a) and (b), or (a) and (c)) is .
2. The Borrowing Base (60% of the Collateral Value) \$

3. The lesser of the Borrowing Base calculated on line 2 above or (–) \$  
the Loan Amount

4. The outstanding principal balance of the Loan (–) \$

5. **TOTAL NET BORROWING AVAILABILITY** \$(not to exceed the Loan Amount)  
(Line 3 minus Line 4)  
*(If result is a negative figure, this amount is due immediately  
as a principal payment.)*

By: Name: Title:

## **SCHEDULE 11**

## Indebtedness, Liens, Restrictive Agreements

- The Note Purchase Agreement for Borrower's notes contains the following limitation (definitions as set forth in the Note Purchase Agreement):
    - Maintenance of Consolidated Unencumbered Assets. The Transaction Entities will maintain a ratio of (i) the Transaction Entities' Total Unencumbered Assets as of the close of business on the last day of each fiscal quarter to (ii) the lesser of (1) the aggregate principal amount of Unsecured Indebtedness of the Transaction Entities and their respective subsidiaries as of such date and (2) the aggregate principal amount of the Notes as of such date, equal to or greater than 1.25 to 1.0.
  - Guarantor and its subsidiaries shall maintain Total Unencumbered Assets of not less than 100% of the aggregate outstanding principal amount of Unsecured Debt of the Guarantor and its subsidiaries, in each case on a consolidated basis.

Sch. 11

### Exhibit 31.1

**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** August 7, 2024

*/s/* Jim Dondero

Jim Dondero  
President  
(Principal Executive Officer)

**Exhibit 31.2**

**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** August 7, 2024

/s/ Brian Mitts

Brian Mitts  
Chief Financial Officer  
(Principal Financial Officer)

**Exhibit 32.1**

**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** June 30, 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** August 7, 2024

/s/ Jim Dondero

Jim Dondero  
President  
(Principal Executive Officer)

Dated: **May 13, 2024** August 7, 2024

/s/ Brian Mitts

Brian Mitts  
Chief Financial Officer  
(Principal Financial Officer)

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