

Debtor(s)

Appellant(s)

Highland Capital Management, L.P.

Appellee(s)

Case No.: 19-34054-sgj11

Chapter No.: 11

Adversary No.: 21-03010-sgj

Civil Action No.: 3:22-CV-02170-S

## 19340542211220000000000006

**UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF  
TEXAS, DALLAS DIVISION**

**In Re: Highland Capital Management, L.P.** § Case No. **19-34054-SGJ-11**  
**NexPoint Advisors, L.P. et al** §

Appellant § 21-03010  
vs. §  
**Highland Capital Management, L.P.** §

Appellee § **3:22-CV-02170-S**

**[126] Judgment (final). Entered on 9/14/2022**

**MINI RECORD**

**VOLUME 1**



by: /s/J. Blanco, Deputy Clerk

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COUNSEL FOR HIGHLAND CAPITAL MANAGEMENT  
FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj11
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

INDEX

**AMENDED DESIGNATION OF ITEMS FOR THE RECORD ON APPEAL  
BY NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this *Amended Designation of Items for the Record on Appeal*, designating the following items for the record of said appeal:

<u>Item</u>	<u>Docket No.</u>	<u>Description</u>
<b>ADVERSARY PROCEEDING (21-03010-sgj)</b>		
1	128	Joint Notice of Appeal
2	126	Judgment
3		Docket Sheet
4	1	Plaintiff Highland Capital Management, L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief
5	33	Original Answer
6	37	Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters
7	49	Response to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
8	56	Highland Capital Management, L.P.'s Reply In Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
9	90	Advisors' Trial Brief
10	91	Highland's Proposed Findings of Fact and Conclusions of Law
11	96	Joint Pretrial Order
12	124	Findings of Fact and Conclusions of Law
<b>BANKRUPTCY CASE (19-34054-sgj-11)</b>		
13	1826	Application for Allowance of Administrative Expense Claim
14	2274	Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
<b>EVIDENCE AND TRANSCRIPTS (21-03010-SGJ)</b>		
15	115	All exhibits admitted into evidence at trial on April 12, 2022 and April 13, 2022 Thru Vol. 12
16	113	Transcript of April 12, 2022 trial
17	116	Transcript of April 13, 2022 trial
18	122	Transcript of April 27, 2022 closing arguments

RESPECTFULLY SUBMITTED this 4th day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

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**ATTORNEYS FOR NEXPOINT ADVISORS,  
L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 4th day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

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FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.

UNITED STATES BANKRUPTCY COURT  
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FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

**STATEMENT OF ISSUES ON APPEAL  
OF NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors,  
L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this  
*Statement of Issues on Appeal* as follows:

The Statement of Issues in this Appeal, with respect to that certain *Judgment* the subject of this Appeal, are:

1. Whether the Bankruptcy Court erred as a matter of law by reviewing and relying on inadmissible extraneous and parol evidence to construe the Payroll Reimbursement Agreements as providing for flat fees, as neither agreement was ambiguous, and in construing Highland’s performance under the Agreements.

2. Whether the Bankruptcy Court erred as a matter of law in construing the Payroll Reimbursement Agreements as providing for “actual cost” based on a set monthly amount subject to notice and agreed modification rather than the real “actual cost” for any given period based on the actual “dual employees,” including by deciding that the Payroll Reimbursement Agreements provided no affirmative duty or mandatory obligation on Highland to adjust said amounts.

3. Whether the Bankruptcy Court erred as a matter of law in construing the amendments to the Payroll Reimbursement Agreements as made for the “purpose of funneling” money to Highland and receiving tax benefits, as opposed to what the documents say they are, including the Bankruptcy Court’s resort to inadmissible extraneous and parol evidence.

4. Whether, if extraneous and parol evidence was admissible, the Bankruptcy Court erred in construing that evidence as demonstrating (i) that the Payroll Reimbursement Agreements were “flat fee” agreements; (ii) that the Appellants intended the Payroll Reimbursement Agreements to be “flat fee” agreements; (iii) that the Appellants’ knew of the amount of each payment at the time each payment was made and that Appellants made such payments with knowledge that such payments were in excess of the relative value of services provided; and (iv) that Highland was performing under the Agreements.

5. Whether the Bankruptcy Court erred in finding that the Appellants never made a request to modify the amounts payable under the Payroll Reimbursement Agreements such that

Highland was required to negotiate the modification in good faith, and erred in finding that Highland did not fail to so negotiate in good faith.

6. Whether the Bankruptcy Court erred in not finding that Highland, pursuant to contracted services the Appellants were paying Highland for, was under a duty to inform the Appellants of potential overpayments under the Payroll Reimbursement Agreements and to trigger any modification to amounts payable under the same, which duty it breached.

7. Whether the Bankruptcy Court erred in finding that the Appellants waived their claims for overpayments on all four contracts under the facts and under the law, including in light of anti-waiver provisions. While the Bankruptcy Court found that it did not need to decide the issue of the voluntary payment rule, that decision, or lack thereof, is included as an issue on appeal only to preserve rights in case the District Court considers affirming the Judgment on that basis.

8. Whether the Bankruptcy Court erred in finding that the Appellants did not overpay Highland for services under the Shared Services Agreements that Highland was no longer providing and for which the Appellants had to hire others and pay for cover.

9. Whether the Bankruptcy Court erred in denying the Appellants' administrative claims under the Bankruptcy Code in light of postpetition overpayments, both under the respective contracts and, additionally or separately, under general principles of equity irrespective of the contracts, given the overwhelming evidence that Highland charged the Appellants, and the Appellants paid, large amounts postpetition for services that Highland did not actually provide to the Appellants, especially in light of the fact that Highland owed fiduciary duties to the estate and its creditors and that Highland owed various contracted duties to the Appellants.

10. Whether the Bankruptcy Court erred in finding that the Appellants breached the contracts and awarding Highland damages for breach of the four contracts, including because

Highland was not providing the services for which it sought compensation and because Highland committed a first material breach of the agreements.

11. Whether the Bankruptcy Court erred in finding that the Appellants breached the contracts and awarding Highland damages for breach of the four contracts for a period after the Appellants informed Highland that amounts payable thereunder needed to be modified, thus triggering an obligation to negotiate the same in good faith, which Highland failed to do.

12. Whether the Bankruptcy Court erred in awarding Highland damages for breach of the four contracts when Highland failed to offer evidence of its actual damages.

RESPECTFULLY SUBMITTED this 2d day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

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**ATTORNEYS FOR NEXPOINT ADVISORS,  
L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**



**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 2d day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

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FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
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L.P.	§	
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HIGHLAND CAPITAL MANAGEMENT,	§	
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Plaintiff,	§	
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v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

**JOINT NOTICE OF APPEAL**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Advisors”), the defendants in the above styled and numbered Adversary Proceeding, and, pursuant to 28 U.S.C. § 158(a), hereby appeal to the United States District Court for the Northern District of Texas that certain *Judgment* (“Judgment”) entered by the Bankruptcy Court on September 14, 2022 at docket no. 126.

A copy of the Judgment is attached hereto as Exhibit “A.”

The names of the parties to the Order, their roles in the appeal, and the contact information for their counsel are as follows:

1. Appellants:

NexPoint Advisors, L.P.  
Highland Capital Management Fund Advisors, L.P.

Attorneys:

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2. Appellee:

Highland Capital Management, L.P.

Attorneys:

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RESPECTFULLY SUBMITTED this 20th day of September, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

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**ATTORNEYS FOR NEXPOINT ADVISORS,  
L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 20th day of September, 2022, true and correct copies of this document, including any exhibit(s), were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

Davor Rukavina, Esq.

# ENTERED

Harry H. C. Jones  
United States Bankruptcy Judge

000 EXHIBIT "A"

This matter having come before the Court following the consolidation of (a) certain breach of contract claims asserted by Highland Capital Management, L.P. (“Highland” or “Plaintiff”) against Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and together with HCMFA, the “Defendants,” and Plaintiff and Defendants together, the “Parties”) in the above-referenced adversary proceeding (the “Adversary Proceeding”), with (b) the administrative expense claims asserted by HCMFA and NexPoint against Highland in the *Application for Allowance of Administrative Claim* [Main Docket No. 1826];<sup>2</sup> and the Court having held an evidentiary hearing on April 12 and 13, 2022 (the “Trial”) and considered (a) Defendants’ arguments and contentions set forth in the *Advisors’ Trial Brief* [AP Docket No. 90]; (b) Plaintiff’s arguments and contentions set forth in *Highland’s Proposed Findings of Fact and Conclusions of Law* [AP Docket No. 91]; (c) the *Joint Pretrial Order* [AP Docket No. 96] filed by the Parties; (d) the exhibits admitted into evidence during the Trial [AP Docket No. 115]; (e) the credibility of the witnesses who testified during the Trial; (f) the arguments presented by counsel during closing arguments held on April 27, 2022; and (g) all prior proceedings arising in or concerning the claims asserted in the Adversary Proceeding, and for the reasons set forth in the *Findings of Fact and Conclusions of Law in Support of Judgment: (A) Granting Breach of Contract Claims Asserted by the Reorganized Debtor; and (B) Denying Defendants’ Request for Allowance of Administrative Expense Claims* [AP Docket No. 124] (the “Findings”) issued by the Court on August 30, 2022; the Court hereby enters the following final judgment (the “Final Judgment”).

**IT IS ORDERED, ADJUDGED, AND DECREED** as follows:

---

<sup>2</sup> See *Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters*, Adv. Pro. No. 21-03010-sgj, Docket No. 36 (references to the docket maintained in the Adversary Proceeding are hereafter referred to as “AP Docket No. \_\_\_\_”).

1. HCMFA owes Highland the aggregate sum of \$1,756,000, and Highland shall have a money judgment against HCMFA in that amount.

2. NexPoint owes Highland the aggregate sum of \$840,000, and Highland shall have a money judgment against NexPoint in that amount.

3. All relief requested by the Defendants in the *Application for Allowance of Administrative Claim* [Main Docket No. 1826], including with respect to (i) all alleged overpayments and (2) all alleged breaches of contract by Highland, is denied and all claims that were asserted or could have been asserted therein are dismissed with prejudice.

4. The amounts set forth to be paid in this Final Judgment shall bear interest, pursuant to 28 U.S.C. § 1961, from the date of the entry of this Final Judgment, at a rate of 3.48 percent. Interest shall be computed daily to the date of payment, except as provided in 28 U.S.C. § 2516(b) and 31 U.S.C. § 1304(b), and shall be compounded annually.

### END OF JUDGMENT ###

# ENTERED

**The following constitutes the ruling of the court and has the force and effect therein described.**

Stacy L. C. Jamitz  
United States Bankruptcy Judge

[illegible]

000007



This matter having come before the Court following the consolidation of (a) certain breach of contract claims asserted by Highland Capital Management, L.P. (“Highland” or “Plaintiff”) against Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and together with HCMFA, the “Defendants,” and Plaintiff and Defendants together, the “Parties”) in the above-referenced adversary proceeding (the “Adversary Proceeding”), with (b) the administrative expense claims asserted by HCMFA and NexPoint against Highland in the *Application for Allowance of Administrative Claim* [Main Docket No. 1826];<sup>2</sup> and the Court having held an evidentiary hearing on April 12 and 13, 2022 (the “Trial”) and considered (a) Defendants’ arguments and contentions set forth in the *Advisors’ Trial Brief* [AP Docket No. 90]; (b) Plaintiff’s arguments and contentions set forth in *Highland’s Proposed Findings of Fact and Conclusions of Law* [AP Docket No. 91]; (c) the *Joint Pretrial Order* [AP Docket No. 96] filed by the Parties; (d) the exhibits admitted into evidence during the Trial [AP Docket No. 115]; (e) the credibility of the witnesses who testified during the Trial; (f) the arguments presented by counsel during closing arguments held on April 27, 2022; and (g) all prior proceedings arising in or concerning the claims asserted in the Adversary Proceeding, and for the reasons set forth in the *Findings of Fact and Conclusions of Law in Support of Judgment: (A) Granting Breach of Contract Claims Asserted by the Reorganized Debtor; and (B) Denying Defendants’ Request for Allowance of Administrative Expense Claims* [AP Docket No. 124] (the “Findings”) issued by the Court on August 30, 2022; the Court hereby enters the following final judgment (the “Final Judgment”).

**IT IS ORDERED, ADJUDGED, AND DECREED** as follows:

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<sup>2</sup> See *Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters*, Adv. Pro. No. 21-03010-sgj, Docket No. 36 (references to the docket maintained in the Adversary Proceeding are hereafter referred to as “AP Docket No. \_\_\_\_”).

1. HCMFA owes Highland the aggregate sum of \$1,756,000, and Highland shall have a money judgment against HCMFA in that amount.

2. NexPoint owes Highland the aggregate sum of \$840,000, and Highland shall have a money judgment against NexPoint in that amount.

3. All relief requested by the Defendants in the *Application for Allowance of Administrative Claim* [Main Docket No. 1826], including with respect to (i) all alleged overpayments and (2) all alleged breaches of contract by Highland, is denied and all claims that were asserted or could have been asserted therein are dismissed with prejudice.

4. The amounts set forth to be paid in this Final Judgment shall bear interest, pursuant to 28 U.S.C. § 1961, from the date of the entry of this Final Judgment, at a rate of 3.48 percent. Interest shall be computed daily to the date of payment, except as provided in 28 U.S.C. § 2516(b) and 31 U.S.C. § 1304(b), and shall be compounded annually.

### END OF JUDGMENT ###

**EXHIBITS, APPEAL, FUNDS**

**U.S. Bankruptcy Court  
Northern District of Texas (Dallas)  
Adversary Proceeding #: 21-03010-sgj**

*Assigned to:* Chief Bankruptcy Judge Stacey G. Jernigan

*Date Filed:* 02/17/21

*Lead BK Case:* 19-34054

*Lead BK Title:* Highland Capital Management, L.P.

*Lead BK Chapter:* 11

*Demand:*

*Nature[s] of Suit:* 91 Declaratory judgment  
02 Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy)  
72 Injunctive relief – other

***Plaintiff***  
-----

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**LEAD ATTORNEY**

V.

***Defendant***  
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***Defendant***

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represented by **Thomas Daniel Berghman**  
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**A. Lee Hogewood, III**  
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**Davor Rukavina**  
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**Julian Preston Vasek**  
 (See above for address)

<b>Filing Date</b>	<b>Docket Text</b>
02/17/2021	<u>1</u> Adversary case 21-03010. Complaint by Highland Capital Management, L.P. against Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P.. Fee Amount \$350 (Attachments: # <u>1</u> Exhibit A # <u>2</u> Exhibit B # <u>3</u> Exhibit C # <u>4</u> Exhibit D # <u>5</u> Exhibit E # <u>6</u> Exhibit F # <u>7</u> Exhibit G # <u>8</u> Exhibit H # <u>9</u> Exhibit I # <u>10</u> Exhibit J # <u>11</u> Adversary Cover Sheet). Nature(s) of suit: 91 (Declaratory judgment). 02 (Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy)). 72 (Injunctive relief – other). (Annable, Zachery)
02/17/2021	Receipt of filing fee for Complaint(21-03010-sgj) [cmp,cmp] ( 350.00). Receipt number 28496915, amount \$ 350.00 (re: Doc# <u>1</u> ). (U.S. Treasury)
02/17/2021	<u>2</u> Motion to compel Adoption and Implementation of a Plan for the Transition of Services by February 28, 2021. ( <i>Debtor's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Services by February 28, 2021</i> ) filed by Plaintiff Highland Capital Management, L.P. (Annable, Zachery)
02/17/2021	<u>3</u> Brief in support filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>2</u> Motion to compel Adoption and Implementation of a Plan for the Transition of Services by February 28, 2021. ( <i>Debtor's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Service</i> ). (Annable, Zachery)
02/17/2021	<u>4</u> Declaration re: ( <i>Declaration of Mr. James P. Seery, Jr. in Support of Debtor's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Services by February 28, 2021</i> ) filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>2</u> Motion to compel Adoption and Implementation of a Plan for the Transition of Services by February 28, 2021. ( <i>Debtor's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Service</i> ). (Attachments: # <u>1</u> Exhibit A # <u>2</u> Exhibit B # <u>3</u> Exhibit C # <u>4</u> Exhibit D # <u>5</u> Exhibit E # <u>6</u> Exhibit F # <u>7</u> Exhibit G # <u>8</u> Exhibit

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	<i>H # 2 Exhibit I # 10 Exhibit J) (Annable, Zachery)</i>
02/17/2021	<u>5</u> Motion for expedited hearing(related documents <u>2</u> Motion to compel) filed by Plaintiff Highland Capital Management, L.P. (Annable, Zachery)
02/17/2021	<u>6</u> Notice of hearing filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>2</u> Motion to compel filed by Plaintiff Highland Capital Management, L.P.). Hearing to be held on 2/23/2021 at 09:30 AM Dallas Judge Jernigan Ctrm for <u>2</u> , (Annable, Zachery)
02/18/2021	<u>7</u> Summons issued on Highland Capital Management Fund Advisors, L.P. Answer Due 3/22/2021; NexPoint Advisors, L.P. Answer Due 3/22/2021 (Edmond, Michael)
02/18/2021	<u>8</u> Scheduling order setting deadlines. Discovery and all exhibits except impeachment documents: 45 days prior to Docket Call, pre-trial order: 7 calendar days prior to Docket Call, proposed findings of fact and conclusions of law: 7 days prior to first scheduled docket call (RE: related document(s) <u>1</u> Complaint filed by Plaintiff Highland Capital Management, L.P.). Trial Docket Call date set for 7/12/2021 at 01:30 PM at Dallas Judge Jernigan Ctrm. Trial will be held during the week of 7/19/2021., Entered on 2/18/2021 (Edmond, Michael)
02/18/2021	<u>9</u> Notice of Appearance and Request for Notice by A. Lee Hogewood III filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P.. (Hogewood, A.)
02/18/2021	<u>10</u> Witness and Exhibit List filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>2</u> Motion to compel Adoption and Implementation of a Plan for the Transition of Services by February 28, 2021. ( <i>Debtor's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Service</i> ). (Attachments: # <u>1</u> Exhibit 1 # <u>2</u> Exhibit 2 # <u>3</u> Exhibit 3 # <u>4</u> Exhibit 4 # <u>5</u> Exhibit 5 # <u>6</u> Exhibit 6 # <u>7</u> Exhibit 7 # <u>8</u> Exhibit 8 # <u>9</u> Exhibit 9 # <u>10</u> Exhibit 10 # <u>11</u> Exhibit 11 # <u>12</u> Exhibit 12 # <u>13</u> Exhibit 13 # <u>14</u> Exhibit 14 # <u>15</u> Exhibit 15 # <u>16</u> Exhibit 16) (Annable, Zachery)
02/18/2021	<u>11</u> Order granting motion for expedited hearing (Related Doc# <u>5</u> )(document set for hearing: <u>2</u> Motion to compel) Hearing to be held on 2/23/2021 at 09:30 AM Dallas Judge Jernigan Ctrm for <u>2</u> , Entered on 2/18/2021. (Okafor, M.)
02/19/2021	<u>12</u> Certificate of service re: <i>Documents Served on February 17, 2021</i> Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>1</u> Adversary case 21-03010. Complaint by Highland Capital Management, L.P. against Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P.. Fee Amount \$350 (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C # 4 Exhibit D # 5 Exhibit E # 6 Exhibit F # 7 Exhibit G # 8 Exhibit H # 9 Exhibit I # 10 Exhibit J # 11 Adversary Cover Sheet). Nature(s) of suit: 91 (Declaratory judgment). 02 (Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy)). 72 (Injunctive relief – other). filed by Plaintiff Highland Capital Management, L.P., <u>2</u> Motion to compel Adoption and Implementation of a Plan for the Transition of Services by February 28, 2021. ( <i>Debtor's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Services by February 28, 2021</i> ) filed by Plaintiff Highland Capital Management, L.P. filed by Plaintiff Highland Capital Management, L.P., <u>3</u> Brief in support filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>2</u> Motion to compel Adoption and Implementation of a Plan for the Transition of Services by February 28, 2021. ( <i>Debtor's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Service</i> ). filed by Plaintiff Highland Capital Management, L.P., <u>4</u> Declaration re: ( <i>Declaration of Mr. James P. Seery, Jr. in Support of Debtor's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Services by February 28, 2021</i> ) filed by Plaintiff Highland Capital

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	<i>Management, L.P. (RE: related document(s) <u>2</u> Motion to compel Adoption and Implementation of a Plan for the Transition of Services by February 28, 2021. (Debtor's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Service). (Attachments: # <u>1</u> Exhibit A # <u>2</u> Exhibit B # <u>3</u> Exhibit C # <u>4</u> Exhibit D # <u>5</u> Exhibit E # <u>6</u> Exhibit F # <u>7</u> Exhibit G # <u>8</u> Exhibit H # <u>9</u> Exhibit I # <u>10</u> Exhibit J) filed by Plaintiff Highland Capital Management, L.P., <u>5</u> Motion for expedited hearing(related documents <u>2</u> Motion to compel) filed by Plaintiff Highland Capital Management, L.P. filed by Plaintiff Highland Capital Management, L.P., <u>6</u> Notice of hearing filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>2</u> Motion to compel filed by Plaintiff Highland Capital Management, L.P.). Hearing to be held on 2/23/2021 at 09:30 AM Dallas Judge Jernigan Ctrm for <u>2</u>, filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)</i>
02/20/2021	<u>13</u> Amended Notice of hearing filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>2</u> Motion to compel filed by Plaintiff Highland Capital Management, L.P.). Hearing to be held on 2/23/2021 at 09:00 AM Dallas Judge Jernigan Ctrm for <u>2</u> , (Annable, Zachery)
02/20/2021	<u>14</u> BNC certificate of mailing – PDF document. (RE: related document(s) <u>11</u> Order granting motion for expedited hearing (Related Doc <u>5</u> )(document set for hearing: <u>2</u> Motion to compel) Hearing to be held on 2/23/2021 at 09:30 AM Dallas Judge Jernigan Ctrm for <u>2</u> , Entered on 2/18/2021. (Okafor, M.)) No. of Notices: 1. Notice Date 02/20/2021. (Admin.)
02/21/2021	<u>15</u> Notice to take deposition of James P. Seery Jr. filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P.. (Vasek, Julian)
02/21/2021	<u>16</u> Notice to take deposition of Dustin Norris filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
02/21/2021	<u>17</u> Notice to take deposition of James Dondero filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
02/21/2021	<u>18</u> Witness and Exhibit List filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. (RE: related document(s) <u>2</u> Motion to compel Adoption and Implementation of a Plan for the Transition of Services by February 28, 2021. (Debtor's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Service). (Attachments: # <u>1</u> Exhibit A # <u>2</u> Exhibit B # <u>3</u> Exhibit C # <u>4</u> Exhibit D # <u>5</u> Exhibit E # <u>6</u> Exhibit F # <u>7</u> Exhibit G # <u>8</u> Exhibit H # <u>9</u> Exhibit I # <u>10</u> Exhibit J # <u>11</u> Exhibit K # <u>12</u> Exhibit L # <u>13</u> Exhibit M # <u>14</u> Exhibit N) (Vasek, Julian)
02/22/2021	<u>19</u> Amended Witness and Exhibit List filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>10</u> List (witness/exhibit/generic)). (Attachments: # <u>1</u> Exhibit 17 # <u>2</u> Exhibit 18 # <u>3</u> Exhibit 19 # <u>4</u> Exhibit 20 # <u>5</u> Exhibit 21) (Annable, Zachery)
02/22/2021	<u>20</u> Objection to (related document(s): <u>2</u> Motion to compel Adoption and Implementation of a Plan for the Transition of Services by February 28, 2021. (Debtor's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Service filed by Plaintiff Highland Capital Management, L.P.) filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P.. (Rukavina, Davor)
02/23/2021	<u>21</u> Request for transcript regarding a hearing held on 2/23/2021. The requested turn-around time is hourly. (Edmond, Michael)
02/23/2021	<u>22</u> Certificate of service re: 1) Debtor's Witness and Exhibit List with Respect to Evidentiary Hearing to be Held on February 23, 2021; and 2) Order Granting Debtor's Motion for Expedited Hearing on it's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Implement a Plan for the Transition of Services by February 28,



	<p>2021 Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>10</u> Witness and Exhibit List filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>2</u> Motion to compel Adoption and Implementation of a Plan for the Transition of Services by February 28, 2021. (Debtor's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Service). (Attachments: # <u>1</u> Exhibit 1 # <u>2</u> Exhibit 2 # <u>3</u> Exhibit 3 # <u>4</u> Exhibit 4 # <u>5</u> Exhibit 5 # <u>6</u> Exhibit 6 # <u>7</u> Exhibit 7 # <u>8</u> Exhibit 8 # <u>9</u> Exhibit 9 # <u>10</u> Exhibit 10 # <u>11</u> Exhibit 11 # <u>12</u> Exhibit 12 # <u>13</u> Exhibit 13 # <u>14</u> Exhibit 14 # <u>15</u> Exhibit 15 # <u>16</u> Exhibit 16) filed by Plaintiff Highland Capital Management, L.P., <u>11</u> Order granting motion for expedited hearing (Related Doc <u>5</u>)(document set for hearing: <u>2</u> Motion to compel) Hearing to be held on 2/23/2021 at 09:30 AM Dallas Judge Jernigan Ctrm for <u>2</u>. Entered on 2/18/2021. (Okafor, M.)). (Kass, Albert)</p>
02/23/2021	<p><u>23</u> Hearing held on 2/23/2021. (RE: related document(s) <u>2</u> Motion to compel Adoption and Implementation of a Plan for the Transition of Services by February 28, 2021, (Debtor's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Services by February 28, 2021) filed by Plaintiff Highland Capital Management, L.P. filed by Plaintiff Highland Capital Management, L.P.) (Appearances: J. Morris and J. Pomeranz for Debtor; L. Hogewood and D. Rukavina for Advisors; J. Wilson and B. Assink for J. Dondero; M. Clemente for UCC. Evidentiary hearing. Motion moot, as a result of evidence and findings that court made on the record. Mr. Morris to upload an order consistent with the courts ruling.) (Edmond, Michael) (Entered: 02/24/2021)</p>
02/23/2021	<p><u>27</u> Court admitted exhibits date of hearing February 23, 2021 (RE: related document(s) <u>2</u> Motion to compel Adoption and Implementation of a Plan for the Transition of Services by February 28, 2021. (Debtor's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Services by February 28, 2021) filed by Plaintiff Highland Capital Management, L.P.) (COURT ADMITTED PLAINTIFF'S EXHIBIT'S #1 THROUGH #21 ADMITTED BY JOHN MORRIS THAT APPEAR AT DOC. #10 &amp; #19 AND DEFENDANT EXHIBIT'S #A THROUGH #N THAT APPEAR AT DOC. #18 &amp; EXHIBIT #0 (TO BE SUPPLEMENTED IN) BY DAVOR RUKAVINA) (Edmond, Michael) (Entered: 02/25/2021)</p>
02/24/2021	<p><u>24</u> Support/supplemental document Letter to Court Regarding Proposed Order filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. (RE: related document(s) <u>23</u> Hearing held). (Rukavina, Davor)</p>
02/24/2021	<p><u>25</u> Order dismissing motion to compel as moot. (related document # <u>2</u>) Entered on 2/24/2021. (Bradden, T.)</p>
02/25/2021	<p><u>26</u> Transcript regarding Hearing Held 02/23/2021 (239 pgs.) RE: Motion for Mandatory Injunction. THIS TRANSCRIPT WILL BE MADE ELECTRONICALLY AVAILABLE TO THE GENERAL PUBLIC 90 DAYS AFTER THE DATE OF FILING. TRANSCRIPT RELEASE DATE IS 05/26/2021. Until that time the transcript may be viewed at the Clerk's Office or a copy may be obtained from the official court transcriber. Court Reporter/Transcriber Kathy Rehling, kathyrehlingtranscripts@gmail.com, Telephone number 972-786-3063. (RE: related document(s) <u>23</u> Hearing held on 2/23/2021. (RE: related document(s) <u>2</u> Motion to compel Adoption and Implementation of a Plan for the Transition of Services by February 28, 2021, (Debtor's Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Services by February 28, 2021) filed by Plaintiff Highland Capital Management, L.P. filed by Plaintiff Highland Capital Management, L.P.) (Appearances: J. Morris and J. Pomeranz for Debtor; L. Hogewood and D. Rukavina for Advisors; J. Wilson and B. Assink for J. Dondero; M. Clemente for UCC. Evidentiary hearing. Motion moot, as a result of evidence and findings that court made on the record. Mr. Morris to upload an order consistent with the courts ruling.)). Transcript to be made available to the public on 05/26/2021. (Rehling, Kathy)</p>
02/25/2021	

	<u>28</u> Certificate of service re: <i>Documents Served on or Before February 23, 2021</i> Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>13</u> Amended Notice of hearing filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>2</u> Motion to compel filed by Plaintiff Highland Capital Management, L.P.). Hearing to be held on 2/23/2021 at 09:00 AM Dallas Judge Jernigan Ctrm for <u>2</u> , filed by Plaintiff Highland Capital Management, L.P., <u>16</u> Notice to take deposition of Dustin Norris filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P., <u>17</u> Notice to take deposition of James Dondero filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P., <u>19</u> Amended Witness and Exhibit List filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>10</u> List (witness/exhibit/generic)). (Attachments: # 1 Exhibit 17 # 2 Exhibit 18 # 3 Exhibit 19 # 4 Exhibit 20 # 5 Exhibit 21) filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)
02/27/2021	<u>29</u> BNC certificate of mailing – PDF document. (RE: related document(s) <u>25</u> Order dismissing motion to compel as moot. (related document <u>2</u> ) Entered on 2/24/2021. (Bradden, T.)) No. of Notices: 1. Notice Date 02/27/2021. (Admin.)
03/01/2021	<u>30</u> Certificate of service re: <i>Order</i> Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>25</u> Order dismissing motion to compel as moot. (related document <u>2</u> ) Entered on 2/24/2021. (Bradden, T.)). (Kass, Albert)
03/10/2021	<u>31</u> Notice of Appearance and Request for Notice by Paige Holden Montgomery filed by Interested Party Committee of Unsecured Creditors. (Montgomery, Paige)
03/10/2021	<u>32</u> Notice of Appearance and Request for Notice by Juliana Hoffman filed by Interested Party Committee of Unsecured Creditors. (Hoffman, Juliana)
03/22/2021	<u>33</u> Answer to complaint filed by Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P.. (Rukavina, Davor)
07/12/2021	<u>34</u> Hearing held on 7/12/2021. (RE: related document(s) <u>1</u> Adversary case 21–03010. Complaint by Highland Capital Management, L.P. against Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P., Nature(s) of suit: 91 (Declaratory judgment). 02 (Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy)). 72 (Injunctive relief – other). filed by Plaintiff Highland Capital Management, L.P.) (Appearances: D. Rukavina. Nonevidentiary TDC. Matter is being consolidated with Defendants trial in September on its asserted administrative claims. Counsel should submit an agreed order to this effect.) (Edmond, Michael) (Entered: 07/13/2021)
07/14/2021	<u>35</u> PDF with attached Audio File. Court Date & Time [07/12/2021 01:37:35 PM]. File Size [ 1287 KB ]. Run Time [ 00:05:29 ]. (admin).
08/04/2021	<u>36</u> Stipulation by Highland Capital Management, L.P. and Highland Capital Management Fund Advisors, L.P., and NexPoint Advisors, L.P.. filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>8</u> Standing scheduling order in an adversary proceeding). (Annable, Zachery)
08/06/2021	<u>37</u> Order approving stipulation (A) amending schedule and (B) consolidating and resolving certain matters (RE: related document(s) <u>2607</u> Stipulation filed by Debtor Highland Capital Management, L.P. (RE: related document(s) <u>36</u> Stipulation and <u>1</u> Complaint filed by Plaintiff Highland Capital Management, L.P.). Trial date set for 12/7/2021 at 09:30 AM at Dallas Judge Jernigan Ctrm. Entered on 8/6/2021 (Okafor, M.)
08/06/2021	<u>38</u> Certificate of service re: <i>Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters</i> Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>36</u> Stipulation by Highland Capital Management,



	L.P. and Highland Capital Management Fund Advisors, L.P., and NexPoint Advisors, L.P.. filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>8</u> Standing scheduling order in an adversary proceeding). filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)
08/08/2021	<u>39</u> BNC certificate of mailing – PDF document. (RE: related document(s) <u>37</u> Order approving stipulation (A) amending schedule and (B) consolidating and resolving certain matters (RE: related document(s) <u>2607</u> Stipulation filed by Debtor Highland Capital Management, L.P. (RE: related document(s) <u>36</u> Stipulation and <u>1</u> Complaint filed by Plaintiff Highland Capital Management, L.P.). Trial date set for 12/7/2021 at 09:30 AM at Dallas Judge Jernigan Ctrm. Entered on 8/6/2021 (Okafor, M.)) No. of Notices: 1. Notice Date 08/08/2021. (Admin.)
08/11/2021	<u>40</u> Certificate of service re: <i>Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters</i> Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>37</u> Order approving stipulation (A) amending schedule and (B) consolidating and resolving certain matters (RE: related document(s) <u>2607</u> Stipulation filed by Debtor Highland Capital Management, L.P. (RE: related document(s) <u>36</u> Stipulation and <u>1</u> Complaint filed by Plaintiff Highland Capital Management, L.P.). Trial date set for 12/7/2021 at 09:30 AM at Dallas Judge Jernigan Ctrm. Entered on 8/6/2021 (Okafor, M.)). (Kass, Albert)
10/05/2021	<u>41</u> Notice to take deposition of Highland Capital Management Fund Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
10/11/2021	<u>42</u> Certificate of service re: Highlands Notice of Rule 30(b)(6) Deposition to Highland Capital Management Fund Advisors, L.P. Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>41</u> Notice to take deposition of Highland Capital Management Fund Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)
11/01/2021	<u>43</u> Notice of Reservation of Rights Regarding Application for Allowance of <i>Administrative Expense Claim</i> filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P.. (Vasek, Julian)
12/09/2021	<u>44</u> Notice of Trial hearing filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P.. Trial date set for 2/8/2022 at 09:30 AM at at <a href="https://us-courts.webex.com/meet/jerniga">https://us-courts.webex.com/meet/jerniga</a> . (Vasek, Julian)
12/15/2021	<u>45</u> Stipulation by Highland Capital Management, L.P. and Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.. filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>37</u> Order to set hearing). (Annable, Zachery)
12/17/2021	<u>46</u> Order approving stipulation regarding second amended scheduling order (RE: related document(s) <u>1</u> Complaint filed by Plaintiff Highland Capital Management, L.P., <u>45</u> Stipulation filed by Plaintiff Highland Capital Management, L.P.). Trial Docket Call date set for 2/8–9/2022 at 09:30 AM Dallas Judge Jernigan Ctrm. Entered on 12/17/2021 (Okafor, Marcey)
12/19/2021	<u>47</u> BNC certificate of mailing – PDF document. (RE: related document(s) <u>46</u> Order approving stipulation regarding second amended scheduling order (RE: related document(s) <u>1</u> Complaint filed by Plaintiff Highland Capital Management, L.P., <u>45</u> Stipulation filed by Plaintiff Highland Capital Management, L.P.). Trial Docket Call date set for 2/8–9/2022 at 09:30 AM Dallas Judge Jernigan Ctrm. Entered on 12/17/2021) No. of Notices: 2. Notice Date 12/19/2021. (Admin.)
12/20/2021	<u>48</u> Certificate of service re: Stipulation Regarding Second Amended Scheduling Order Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>45</u> Stipulation by Highland Capital Management, L.P. and Highland Capital Management

	Fund Advisors, L.P. and NexPoint Advisors, L.P.. filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>37</u> Order to set hearing). filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)
12/22/2021	<u>49</u> Reply to Debtors Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P. filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P.. (Vasek, Julian) Modified text on 12/23/2021 (Okafor, Marcey).
12/22/2021	<u>50</u> Certificate of service re: Order Approving Stipulation Regarding Second Amended Scheduling Order Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>46</u> Order approving stipulation regarding second amended scheduling order (RE: related document(s) <u>1</u> Complaint filed by Plaintiff Highland Capital Management, L.P., <u>45</u> Stipulation filed by Plaintiff Highland Capital Management, L.P.). Trial Docket Call date set for 2/8-9/2022 at 09:30 AM Dallas Judge Jernigan Ctrm. Entered on 12/17/2021). (Kass, Albert)
12/27/2021	<u>51</u> Subpoena on Frank Waterhouse filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
12/28/2021	<u>52</u> Certificate of service re: Plaintiff's Notice of Service of a Subpoena to Frank Waterhouse Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>51</u> Subpoena on Frank Waterhouse filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)
01/04/2022	<u>53</u> Notice to take deposition of Highland Capital Management Fund Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
01/04/2022	<u>54</u> Notice to take deposition of NexPoint Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
01/04/2022	<u>55</u> Notice to take deposition of Dustin Norris filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
01/05/2022	<u>56</u> Response opposed to (related document(s): <u>49</u> Notice (generic) filed by Defendant Highland Capital Management Fund Advisors, L.P., Defendant NexPoint Advisors, L.P.) filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
01/06/2022	<u>57</u> Certificate of service re: 1) Highland's Amended Notice of Rule 30(b)(6) Deposition to (A) Highland Capital Management Fund Advisors, L.P. and (B) NexPoint Advisors, L.P.; 2) Highland's Amended Notice of Rule 30(b)(6) Deposition to (A) Highland Capital Management Fund Advisors, L.P. and (B) NexPoint Advisors, L.P.; and 3) Highland's Notice of Deposition to Dustin Norris Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>53</u> Notice to take deposition of Highland Capital Management Fund Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P., <u>54</u> Notice to take deposition of NexPoint Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P., <u>55</u> Notice to take deposition of Dustin Norris filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)
01/07/2022	<u>58</u> Certificate of service re: Highland Capital Management, L.P.'s Reply in Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P. Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>56</u> Response opposed to (related document(s): <u>49</u> Notice (generic) filed by Defendant Highland Capital Management Fund Advisors, L.P., Defendant NexPoint Advisors, L.P.) filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)

01/31/2022	<u>59</u> Joint Motion to continue hearing on (related documents <u>1</u> Complaint, <u>45</u> Stipulation) filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P., Plaintiff Highland Capital Management, L.P. (Attachments: # <u>1</u> Proposed Order) (Rukavina, Davor)
02/01/2022	<u>60</u> Agreed Amended Scheduling Order granting motion to continue trial (related document # <u>59</u> ) (related documents Complaint, Stipulation) Trial date set for 4/12/2022 at 09:30 AM at Dallas Judge Jernigan Ctrm. Entered on 2/1/2022. (Okafor, Marcey)
02/03/2022	<u>61</u> BNC certificate of mailing – PDF document. (RE: related document(s) <u>60</u> Agreed Amended Scheduling Order granting motion to continue trial (related document <u>59</u> ) (related documents Complaint, Stipulation) Trial date set for 4/12/2022 at 09:30 AM at Dallas Judge Jernigan Ctrm. Entered on 2/1/2022.) No. of Notices: 2. Notice Date 02/03/2022. (Admin.)
02/04/2022	<u>62</u> Certificate of service re: Agreed Amended Scheduling Order Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>60</u> Agreed Amended Scheduling Order granting motion to continue trial (related document <u>59</u> ) (related documents Complaint, Stipulation) Trial date set for 4/12/2022 at 09:30 AM at Dallas Judge Jernigan Ctrm. Entered on 2/1/2022.). (Kass, Albert)
02/26/2022	<u>63</u> Notice to take deposition of Dustin Norris filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
02/26/2022	<u>64</u> Notice to take deposition of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
02/26/2022	<u>65</u> Notice to take deposition of Dennis J. Sauter, Jr. filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
03/02/2022	<u>66</u> Subpoena on Frank Waterhouse filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
03/03/2022	<u>67</u> Certificate of service re: 1) Highland's Amended Notice of Deposition to Dustin Norris; 2) Highland's Second Amended Notice of Rule 30(b)(6) Deposition to (A) Highland Capital Management Fund Advisors, L.P. and (B) NexPoint Advisors, L.P.; and 3) Highland's Amended Notice of Deposition to Dennis J. Sauter, Jr. Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>63</u> Notice to take deposition of Dustin Norris filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P., <u>64</u> Notice to take deposition of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P., <u>65</u> Notice to take deposition of Dennis J. Sauter, Jr. filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)
03/07/2022	<u>68</u> Certificate of service re: Plaintiff's Amended Notice of Service of a Subpoena to Frank Waterhouse Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>66</u> Subpoena on Frank Waterhouse filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)
03/15/2022	<u>69</u> Subpoena on Frank Waterhouse filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
03/15/2022	<u>70</u> Subpoena on Highland Capital Management Fund Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
03/15/2022	

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	<u>71</u> Subpoena on NexPoint Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
03/16/2022	<u>72</u> Certificate of service re: 1) Plaintiffs Second Amended Notice of Service of a Subpoena to Frank Waterhouse; 2) Plaintiff's Notice of Service of Trial Subpoena to Highland Capital Management Fund Advisors, L.P.; and 3) Plaintiff's Notice of Service of Trial Subpoena to NexPoint Advisors, L.P. Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s)) <u>69</u> Subpoena on Frank Waterhouse filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P., <u>70</u> Subpoena on Highland Capital Management Fund Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P., <u>71</u> Subpoena on NexPoint Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)
03/22/2022	<u>73</u> Subpoena on Frank Waterhouse filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
03/24/2022	<u>74</u> Certificate of service re: Plaintiffs Third Amended Notice of Service of a Subpoena to Frank Waterhouse Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s)) <u>73</u> Subpoena on Frank Waterhouse filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)
04/01/2022	<u>75</u> Subpoena on NexPoint Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
04/01/2022	<u>76</u> Subpoena on Highland Capital Management Fund Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
04/01/2022	<u>77</u> Subpoena on James Dondero filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
04/01/2022	<u>78</u> Subpoena on Dustin Norris filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
04/01/2022	<u>79</u> Subpoena on The Retail Board filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
04/01/2022	<u>80</u> (REDACTED EXHIBITS ADDED 04/18/2022); Witness and Exhibit List ( <i>Reorganized Debtor's Witness and Exhibit List with Respect to Trial to Be Held on April 12–13, 2022</i> ) filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s)) <u>1</u> Complaint). (Attachments: # <u>1</u> Exhibit 1 # <u>2</u> Exhibit 2 # <u>3</u> Exhibit 3 # <u>4</u> Exhibit 4 # <u>5</u> Exhibit 5 # <u>6</u> Exhibit 6 # <u>7</u> Exhibit 7 # <u>8</u> Exhibit 8 # <u>9</u> Exhibit 9 # <u>10</u> Exhibit 10 # <u>11</u> Exhibit 11 # <u>12</u> Exhibit 12 # <u>13</u> Exhibit 13 # <u>14</u> Exhibit 14 # <u>15</u> Exhibit 15 # <u>16</u> Exhibit 16 # <u>17</u> Exhibit 17 # <u>18</u> Exhibit 18 # <u>19</u> Exhibit 19 # <u>20</u> Exhibit 20 # <u>21</u> Exhibit 21 # <u>22</u> Exhibit 22 # <u>23</u> Exhibit 23 # <u>24</u> Exhibit 24 # <u>25</u> Exhibit 25 # <u>26</u> Exhibit 26 # <u>27</u> Exhibit 27 # <u>28</u> Exhibit 28 # <u>29</u> Exhibit 29 # <u>30</u> Exhibit 30 # <u>31</u> Exhibit 31 # <u>32</u> Exhibit 32 # <u>33</u> Exhibit 33 # <u>34</u> Exhibit 34 # <u>35</u> Exhibit 35 # <u>36</u> Exhibit 36 # <u>37</u> Exhibit 37 # <u>38</u> Exhibit 38 # <u>39</u> Exhibit 39 # <u>40</u> Exhibit 40 # <u>41</u> Exhibit 41 # <u>42</u> Exhibit 42 # <u>43</u> Exhibit 43 # <u>44</u> Exhibit 44 # <u>45</u> Exhibit 45 # <u>46</u> Exhibit 46 # <u>47</u> Exhibit 47 # <u>48</u> Exhibit 48 # <u>49</u> Exhibit 49 # <u>50</u> Exhibit 50 # <u>51</u> Exhibit 51 # <u>52</u> Exhibit 52 # <u>53</u> Exhibit 53 # <u>54</u> Exhibit 54 # <u>55</u> Exhibit 55 # <u>56</u> Exhibit 56 # <u>57</u> Exhibit 57 # <u>58</u> Exhibit 58 # <u>59</u> Exhibit 59 # <u>60</u> Exhibit 60 # <u>61</u> Exhibit 61 # <u>62</u> Exhibit 62 # <u>63</u> Exhibit 63 # <u>64</u> Exhibit 64 # <u>65</u> Exhibit 65 # <u>66</u> Exhibit 66 # <u>67</u> Exhibit 67 # <u>68</u> Exhibit 68 # <u>69</u> Exhibit 69 # <u>70</u> Exhibit 70 # <u>71</u> Exhibit 71 # <u>72</u> Exhibit 72 # <u>73</u> Exhibit 73 # <u>74</u> Exhibit 74 # <u>75</u> Exhibit 75 # <u>76</u> Exhibit 76 # <u>77</u> Exhibit 77 # <u>78</u> Exhibit 78 # <u>79</u> Exhibit 79 # <u>80</u> Exhibit 80 # <u>81</u> Exhibit 81 # <u>82</u> Exhibit 82 # <u>83</u> Exhibit 83 # <u>84</u> Exhibit 84 # <u>85</u> Exhibit 85 # <u>86</u> Exhibit 86 # <u>87</u> Exhibit 87 # <u>88</u> Exhibit 88 # <u>89</u> Exhibit 89 # <u>90</u> Exhibit 90 # <u>91</u> Exhibit 91 # <u>92</u> Exhibit 92 # <u>93</u> Exhibit 93 # <u>94</u> Exhibit 94 # <u>95</u> Exhibit 95 # <u>96</u> Exhibit 96 # <u>97</u> Exhibit 97 # <u>98</u> Exhibit 98 # <u>99</u> Exhibit 99 # <u>100</u> Exhibit 100 # <u>101</u> Exhibit 101 # <u>102</u> Exhibit 102 # <u>103</u> Exhibit 103 #

	<p><u>104</u> Exhibit 104 # <u>105</u> Exhibit 105 # <u>106</u> Exhibit 106 # <u>107</u> Exhibit 107 # <u>108</u> Exhibit 108 # <u>109</u> Exhibit 109 # <u>110</u> Exhibit 110 # <u>111</u> Exhibit 111 # <u>112</u> Exhibit 112 # <u>113</u> Exhibit 113 # <u>114</u> Exhibit 114 # <u>115</u> Exhibit 115 # <u>116</u> Exhibit 116 # <u>117</u> Exhibit 117 # <u>118</u> Exhibit 118 # <u>119</u> Exhibit 119 # <u>120</u> Exhibit 120 # <u>121</u> Exhibit 121 # <u>122</u> Exhibit 122 # <u>123</u> Exhibit 123 # <u>124</u> Exhibit 124 # <u>125</u> Exhibit 125 # <u>126</u> Exhibit 126 # <u>127</u> Exhibit 127 # <u>128</u> Exhibit 128 # <u>129</u> Exhibit 129 # <u>130</u> Exhibit 130 # <u>131</u> Exhibit 131 # <u>132</u> Exhibit 132 # <u>133</u> Exhibit 133 # <u>134</u> Exhibit 134 # <u>135</u> Exhibit 135 # <u>136</u> Exhibit 136 # <u>137</u> Exhibit 137 # <u>138</u> Exhibit 138 # <u>139</u> Exhibit 139 # <u>140</u> Exhibit 140 # <u>141</u> Exhibit 141 # <u>142</u> Exhibit 142 # <u>143</u> Exhibit 143 # <u>144</u> Exhibit 144 # <u>145</u> Exhibit 145 # <u>146</u> Exhibit 146 # <u>147</u> Exhibit 147 # <u>148</u> Exhibit 148 # <u>149</u> Exhibit 149 # <u>150</u> Exhibit 150 # <u>151</u> Exhibit 151 # <u>152</u> Exhibit 152 # <u>153</u> Exhibit 153 # <u>154</u> Exhibit 154 # <u>155</u> Exhibit 155 # <u>156</u> Exhibit 156 # <u>157</u> Exhibit 157 # <u>158</u> Exhibit 158 # <u>159</u> Exhibit 159) (Annable, Zachery) Additional attachment(s) added on 4/18/2022 (Okafor, Marcey).</p>
04/01/2022	<p><u>81</u> Witness and Exhibit List / <i>Advisors' Trial Witness and Exhibit List</i> filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. (RE: related document(s)<u>1</u> Complaint). (Berghman, Thomas)</p>
04/05/2022	<p><u>82</u> Objection to (related document(s): <u>80</u> List (witness/exhibit/generic) filed by Plaintiff Highland Capital Management, L.P.) filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P.. (Berghman, Thomas)</p>
04/05/2022	<p><u>83</u> Objection to (related document(s): <u>81</u> List (witness/exhibit/generic) filed by Defendant Highland Capital Management Fund Advisors, L.P., Defendant NexPoint Advisors, L.P.)(<i>Reorganized Debtor's Objections to Advisors' Trial Witness and Exhibit List</i>) filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)</p>
04/06/2022	<p><u>84</u> Certificate of service re: Subpoena to Appear and Testify at a Hearing or Trial in a Bankruptcy Case (or Adversary Proceeding) (<i>Affidavit of Service</i>) filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s)<u>78</u> Subpoena). (Annable, Zachery)</p>
04/06/2022	<p><u>85</u> Certificate of service re: Subpoena to Appear and Testify at a Hearing or Trial in a Bankruptcy Case (or Adversary Proceeding) (<i>Affidavit of Service</i>) filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s)<u>77</u> Subpoena). (Annable, Zachery)</p>
04/06/2022	<p><u>86</u> Certificate of service re: Subpoena to Appear and Testify at a Hearing or Trial in a Bankruptcy Case (or Adversary Proceeding) (<i>Affidavit of Service</i>) filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s)<u>76</u> Subpoena). (Annable, Zachery)</p>
04/06/2022	<p><u>87</u> Certificate of service re: Subpoena to Appear and Testify at a Hearing or Trial in a Bankruptcy Case (or Adversary Proceeding) (<i>Affidavit of Service</i>) filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s)<u>76</u> Subpoena). (Annable, Zachery)</p>
04/06/2022	<p><u>88</u> Certificate of service re: Subpoena to Appear and Testify at a Hearing or Trial in a Bankruptcy Case (or Adversary Proceeding) (<i>Affidavit of Service</i>) filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s)<u>75</u> Subpoena). (Annable, Zachery)</p>
04/06/2022	<p><u>89</u> Certificate of service re: Subpoena to Appear and Testify at a Hearing or Trial in a Bankruptcy Case (or Adversary Proceeding) (<i>Affidavit of Service</i>) filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s)<u>75</u> Subpoena). (Annable, Zachery)</p>
04/06/2022	<p><u>90</u> Brief in opposition filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. (RE: related document(s)<u>1</u> Complaint). (Rukavina, Davor)</p>



04/06/2022	<u>91</u> Proposed findings of fact and conclusions of law filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>1</u> Complaint). (Annable, Zachery)
04/06/2022	<u>92</u> Proposed pre-trial order filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
04/07/2022	<u>93</u> Certificate of service re: Documents Served on April 1, 2022 Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>75</u> Subpoena on NexPoint Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P., <u>76</u> Subpoena on Highland Capital Management Fund Advisors, L.P. filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P., <u>77</u> Subpoena on James Dondero filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P., <u>78</u> Subpoena on Dustin Norris filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P., <u>79</u> Subpoena on The Retail Board filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P., <u>80</u> Witness and Exhibit List ( <i>Reorganized Debtor's Witness and Exhibit List with Respect to Trial to Be Held on April 12-13, 2022</i> ) filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>1</u> Complaint). (Attachments: # 1 Exhibit 1 # 2 Exhibit 2 # 3 Exhibit 3 # 4 Exhibit 4 # 5 Exhibit 5 # 6 Exhibit 6 # 7 Exhibit 7 # 8 Exhibit 8 # 9 Exhibit 9 # 10 Exhibit 10 # 11 Exhibit 11 # 12 Exhibit 12 # 13 Exhibit 13 # 14 Exhibit 14 # 15 Exhibit 15 # 16 Exhibit 16 # 17 Exhibit 17 # 18 Exhibit 18 # 19 Exhibit 19 # 20 Exhibit 20 # 21 Exhibit 21 # 22 Exhibit 22 # 23 Exhibit 23 # 24 Exhibit 24 # 25 Exhibit 25 # 26 Exhibit 26 # 27 Exhibit 27 # 28 Exhibit 28 # 29 Exhibit 29 # 30 Exhibit 30 # 31 Exhibit 31 # 32 Exhibit 32 # 33 Exhibit 33 # 34 Exhibit 34 # 35 Exhibit 35 # 36 Exhibit 36 # 37 Exhibit 37 # 38 Exhibit 38 # 39 Exhibit 39 # 40 Exhibit 40 # 41 Exhibit 41 # 42 Exhibit 42 # 43 Exhibit 43 # 44 Exhibit 44 # 45 Exhibit 45 # 46 Exhibit 46 # 47 Exhibit 47 # 48 Exhibit 48 # 49 Exhibit 49 # 50 Exhibit 50 # 51 Exhibit 51 # 52 Exhibit 52 # 53 Exhibit 53 # 54 Exhibit 54 # 55 Exhibit 55 # 56 Exhibit 56 # 57 Exhibit 57 # 58 Exhibit 58 # 59 Exhibit 59 # 60 Exhibit 60 # 61 Exhibit 61 # 62 Exhibit 62 # 63 Exhibit 63 # 64 Exhibit 64 # 65 Exhibit 65 # 66 Exhibit 66 # 67 Exhibit 67 # 68 Exhibit 68 # 69 Exhibit 69 # 70 Exhibit 70 # 71 Exhibit 71 # 72 Exhibit 72 # 73 Exhibit 73 # 74 Exhibit 74 # 75 Exhibit 75 # 76 Exhibit 76 # 77 Exhibit 77 # 78 Exhibit 78 # 79 Exhibit 79 # 80 Exhibit 80 # 81 Exhibit 81 # 82 Exhibit 82 # 83 Exhibit 83 # 84 Exhibit 84 # 85 Exhibit 85 # 86 Exhibit 86 # 87 Exhibit 87 # 88 Exhibit 88 # 89 Exhibit 89 # 90 Exhibit 90 # 91 Exhibit 91 # 92 Exhibit 92 # 93 Exhibit 93 # 94 Exhibit 94 # 95 Exhibit 95 # 96 Exhibit 96 # 97 Exhibit 97 # 98 Exhibit 98 # 99 Exhibit 99 # 100 Exhibit 100 # 101 Exhibit 101 # 102 Exhibit 102 # 103 Exhibit 103 # 104 Exhibit 104 # 105 Exhibit 105 # 106 Exhibit 106 # 107 Exhibit 107 # 108 Exhibit 108 # 109 Exhibit 109 # 110 Exhibit 110 # 111 Exhibit 111 # 112 Exhibit 112 # 113 Exhibit 113 # 114 Exhibit 114 # 115 Exhibit 115 # 116 Exhibit 116 # 117 Exhibit 117 # 118 Exhibit 118 # 119 Exhibit 119 # 120 Exhibit 120 # 121 Exhibit 121 # 122 Exhibit 122 # 123 Exhibit 123 # 124 Exhibit 124 # 125 Exhibit 125 # 126 Exhibit 126 # 127 Exhibit 127 # 128 Exhibit 128 # 129 Exhibit 129 # 130 Exhibit 130 # 131 Exhibit 131 # 132 Exhibit 132 # 133 Exhibit 133 # 134 Exhibit 134 # 135 Exhibit 135 # 136 Exhibit 136 # 137 Exhibit 137 # 138 Exhibit 138 # 139 Exhibit 139 # 140 Exhibit 140 # 141 Exhibit 141 # 142 Exhibit 142 # 143 Exhibit 143 # 144 Exhibit 144 # 145 Exhibit 145 # 146 Exhibit 146 # 147 Exhibit 147 # 148 Exhibit 148 # 149 Exhibit 149 # 150 Exhibit 150 # 151 Exhibit 151 # 152 Exhibit 152 # 153 Exhibit 153 # 154 Exhibit 154 # 155 Exhibit 155 # 156 Exhibit 156 # 157 Exhibit 157 # 158 Exhibit 158 # 159 Exhibit 159) filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)
04/07/2022	<u>94</u> Certificate of service re: Reorganized Debtor's Objections to Advisors' Trial Witness and Exhibit List Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>83</u> Objection to (related document(s): <u>81</u> List (witness/exhibit/generic) filed by Defendant Highland Capital Management Fund Advisors, L.P., Defendant NexPoint Advisors, L.P.)( <i>Reorganized Debtor's Objections to Advisors' Trial Witness and Exhibit List</i> ) filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)

04/08/2022	<u>95</u> Subpoena on Frank Waterhouse filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
04/08/2022	<u>96</u> Joint Pre-Trial order (RE: related document(s) <u>1</u> Complaint filed by Plaintiff Highland Capital Management, L.P.). Entered on 4/8/2022 (Okafor, Marcey)
04/08/2022	<u>97</u> Motion to redact/restrict Emergency Redact (related document(s): <u>80</u> ) (Fee Amount \$26) filed by Plaintiff Highland Capital Management, L.P. (Attachments: # <u>1</u> Exhibit 31 (Redacted) # <u>2</u> Exhibit 32 (Redacted) # <u>3</u> Exhibit 34 (Redacted) # <u>4</u> Exhibit 36 (Redacted) # <u>5</u> Exhibit 37 (Redacted) # <u>6</u> Exhibit 38 (Redacted) # <u>7</u> Exhibit 39 (Redacted) # <u>8</u> Exhibit 40 (Redacted) # <u>9</u> Exhibit 49 (Redacted) # <u>10</u> Exhibit 76 (Redacted) # <u>11</u> Exhibit 86 (Redacted) # <u>12</u> Exhibit 142 (Redacted)) (Annable, Zachery)
04/08/2022	Receipt of filing fee for Motion to Redact/Restrict From Public View( <u>21-03010-sgi</u> ) [motion,mredact] ( 26.00). Receipt number A29454882, amount \$ 26.00 (re: Doc# <u>97</u> ). (U.S. Treasury)
04/08/2022	<u>98</u> Support/supplemental document – <i>OBJECTIONS TO TRIAL SUBPOENAS DUCES TECUM</i> filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. (RE: related document(s) <u>75</u> Subpoena, <u>76</u> Subpoena). (Berghman, Thomas)
04/08/2022	<u>99</u> Certificate of service re: re 1) Highland's Proposed Findings of Fact and Conclusions of Law; and 2) Joint Pretrial Order Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>91</u> Proposed findings of fact and conclusions of law filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>1</u> Complaint). filed by Plaintiff Highland Capital Management, L.P., <u>92</u> Proposed pre-trial order filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)
04/10/2022	<u>100</u> BNC certificate of mailing – PDF document. (RE: related document(s) <u>96</u> Joint Pre-Trial order (RE: related document(s) <u>1</u> Complaint filed by Plaintiff Highland Capital Management, L.P.). Entered on 4/8/2022) No. of Notices: 2. Notice Date 04/10/2022. (Admin.)
04/11/2022	<u>101</u> Objection to (related document(s): <u>98</u> Support/supplemental document filed by Defendant Highland Capital Management Fund Advisors, L.P., Defendant NexPoint Advisors, L.P.)( <i>Highland's Response to Objections to Trial Subpoenas Duces Tecum</i> ) filed by Plaintiff Highland Capital Management, L.P.. (Annable, Zachery)
04/11/2022	<u>102</u> Declaration re: ( <i>Declaration of John A. Morris in Support of Highland's Response to Objections to Trial Subpoenas Duces Tecum</i> ) filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>101</u> Objection). (Attachments: # <u>1</u> Exhibit 1 # <u>2</u> Exhibit 2 # <u>3</u> Exhibit 3 # <u>4</u> Exhibit 4 # <u>5</u> Exhibit 5) (Annable, Zachery)
04/12/2022	<u>103</u> Certificate of service re: 1) Plaintiff's Notice of Service of a Trial Subpoena to Frank Waterhouse ; 2) Joint Pretrial Order; and 3) Reorganized Debtor's Emergency Motion to Redact Certain Exhibits Attached to Reorganized Debtor's Witness and Exhibit List with Respect to Trial to be Held on April 12 – 13, 2022 Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>95</u> Subpoena on Frank Waterhouse filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P., <u>96</u> Joint Pre-Trial order (RE: related document(s) <u>1</u> Complaint filed by Plaintiff Highland Capital Management, L.P.). Entered on 4/8/2022, <u>97</u> Motion to redact/restrict Emergency Redact (related document(s): <u>80</u> ) (Fee Amount \$26) filed by Plaintiff Highland Capital Management, L.P. (Attachments: # <u>1</u> Exhibit 31 (Redacted) # <u>2</u> Exhibit 32 (Redacted) # <u>3</u> Exhibit 34 (Redacted) # <u>4</u> Exhibit 36 (Redacted) # <u>5</u> Exhibit 37 (Redacted) # <u>6</u> Exhibit 38 (Redacted) # <u>7</u> Exhibit 39 (Redacted) # <u>8</u> Exhibit 40 (Redacted) # <u>9</u> Exhibit 49 (Redacted) # <u>10</u> Exhibit 76 (Redacted) # <u>11</u> Exhibit 86 (Redacted) # <u>12</u> Exhibit 142 (Redacted)) filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)

04/12/2022	<u>104</u> Certificate of service re: 1) Highland's Response to Objections to Trial Subpoenas Duces Tecum; and 2) Declaration of John A. Morris in Support of Highland's Response to Objections to Trial Subpoenas Duces Tecum Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s)) <u>101</u> Objection to (related document(s): <u>98</u> Support/supplemental document filed by Defendant Highland Capital Management Fund Advisors, L.P., Defendant NexPoint Advisors, L.P.)( <i>Highland's Response to Objections to Trial Subpoenas Duces Tecum</i> ) filed by Plaintiff Highland Capital Management, L.P.. filed by Plaintiff Highland Capital Management, L.P., <u>102</u> Declaration re: ( <i>Declaration of John A. Morris in Support of Highland's Response to Objections to Trial Subpoenas Duces Tecum</i> ) filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s)) <u>101</u> Objection). (Attachments: # 1 Exhibit 1 # 2 Exhibit 2 # 3 Exhibit 3 # 4 Exhibit 4 # 5 Exhibit 5) filed by Plaintiff Highland Capital Management, L.P.). (Kass, Albert)
04/12/2022	<u>105</u> Hearing continued (RE: related document(s)) <u>1</u> Adversary case 21-03010. Complaint by Highland Capital Management, L.P. against Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P., Nature(s) of suit: 91 (Declaratory judgment). 02 (Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy)). 72 (Injunctive relief – other), filed by Plaintiff Highland Capital Management, L.P.) Continued Hearing to be held on 4/13/2022 at 09:30 AM Dallas Judge Jernigan Ctrm for <u>1</u> , (Edmond, Michael) (Entered: 04/13/2022)
04/12/2022	<u>106</u> Request for transcript regarding a hearing held on 4/12/2022. The requested turn-around time is hourly. (Edmond, Michael) (Entered: 04/13/2022)
04/12/2022	<u>115</u> Court admitted exhibits date of hearing April 12, 2022 (RE: related document(s)) <u>1</u> Adversary case 21-03010. Complaint by Highland Capital Management, L.P. against Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P., Nature(s) of suit: 91 (Declaratory judgment). 02 (Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy)). 72 (Injunctive relief – other). filed by Plaintiff Highland Capital Management, L.P.) (COURT ADMITTED ALL OF PLAINTIFF'S/DEBTOR EXHIBITS #1 THROUGH #161 BY JOHN MORRIS & COURT ADMITTED DEFENDANT'S/HCM FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P., EXHIBITS #A, #B, #C, #D, #E, #F, #G, #H, #I, #J, #K, #M, #N, #O, #P, #Q, #R, #S, #T, #U, #V, #W, #X, #Y, #AA, #BB, #CC & #EE BY DAVOR RUKAVINA) (Edmond, Michael) (Entered: 04/15/2022)
04/13/2022	<u>107</u> Request for transcript regarding a hearing held on 4/12/2022. The requested turn-around time is hourly (Bergreen, J.)
04/13/2022	<u>108</u> Request for transcript regarding a hearing held on 4/13/2022. The requested turn-around time is hourly. (Edmond, Michael)
04/13/2022	<u>109</u> Hearing held on 4/13/2022. (RE: related document(s)) <u>1</u> Adversary case 21-03010. Complaint by Highland Capital Management, L.P. against Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P., Adversary Cover Sheet). Nature(s) of suit: 91 (Declaratory judgment). 02 (Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy)). 72 (Injunctive relief – other). filed by Plaintiff Highland Capital Management, L.P.) (Appearances: J. Morris, H. Winograd, and G. Demo for Reorganized Debtor; D. Rukavina and T. Berghman for HCMFA and NPA. Evidentiary hearing. Evidence closed. Court will schedule closing arguments (WebEx only) in one-two week time frame. Court room deputy will reach out to parties regarding same.) (Edmond, Michael) (Entered: 04/14/2022)
04/14/2022	<u>110</u> Transcript regarding Hearing Held 04/12/2022 (155 pages) RE: Trial Day 1 (9:38 am to 2:19 pm segment). THIS TRANSCRIPT WILL BE MADE ELECTRONICALLY AVAILABLE TO THE GENERAL PUBLIC 90 DAYS AFTER THE DATE OF FILING. TRANSCRIPT RELEASE DATE IS 07/13/2022. Until that time the transcript may be viewed at the Clerk's Office or a copy may be obtained from the official court transcriber. Court Reporter/Transcriber Kathy Rehling, kathyrehlingtranscripts@gmail.com, Telephone number 972-783-3063. (RE: related document(s) <u>105</u> Hearing continued (RE: related

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	document(s) <u>1</u> Adversary case 21-03010. Complaint by Highland Capital Management, L.P. against Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P., Nature(s) of suit: 91 (Declaratory judgment). 02 (Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy)). 72 (Injunctive relief – other), filed by Plaintiff Highland Capital Management, L.P.) Continued Hearing to be held on 4/13/2022 at 09:30 AM Dallas Judge Jernigan Ctrm for <u>1</u> ). Transcript to be made available to the public on 07/13/2022. (Rehling, Kathy)
04/14/2022	<u>111</u> PDF with attached Audio File. Court Date & Time [04/12/2022 08:44:21 AM]. File Size [ 124265 KB ]. Run Time [ 08:52:34 ]. (admin).
04/14/2022	<u>112</u> PDF with attached Audio File. Court Date & Time [04/13/2022 08:49:27 AM]. File Size [ 25764 KB ]. Run Time [ 01:50:11 ]. (admin).
04/15/2022	<u>113</u> Transcript regarding Hearing Held 04/12/2022 RE: hearing. THIS TRANSCRIPT WILL BE MADE ELECTRONICALLY AVAILABLE TO THE GENERAL PUBLIC 90 DAYS AFTER THE DATE OF FILING. TRANSCRIPT RELEASE DATE IS 07/14/2022. Until that time the transcript may be viewed at the Clerk's Office or a copy may be obtained from the official court transcriber. Court Reporter/Transcriber Acorn Transcripts, LLC, Telephone number 1-800-750-5747. (RE: related document(s) 105 Hearing continued (RE: related document(s) <u>1</u> Adversary case 21-03010. Complaint by Highland Capital Management, L.P. against Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P., Nature(s) of suit: 91 (Declaratory judgment). 02 (Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy)). 72 (Injunctive relief – other), filed by Plaintiff Highland Capital Management, L.P.) Continued Hearing to be held on 4/13/2022 at 09:30 AM Dallas Judge Jernigan Ctrm for <u>1</u> ). Transcript to be made available to the public on 07/14/2022. (Gardelli, Nancy)
04/15/2022	<u>114</u> Transcript regarding Hearing Held 04/13/2022 RE: Hearing. THIS TRANSCRIPT WILL BE MADE ELECTRONICALLY AVAILABLE TO THE GENERAL PUBLIC 90 DAYS AFTER THE DATE OF FILING. TRANSCRIPT RELEASE DATE IS 07/14/2022. Until that time the transcript may be viewed at the Clerk's Office or a copy may be obtained from the official court transcriber. Court Reporter/Transcriber Acorn Transcripts, LLC, Telephone number 1-800-750-5747. (RE: related document(s) 109 Hearing held on 4/13/2022. (RE: related document(s) <u>1</u> Adversary case 21-03010. Complaint by Highland Capital Management, L.P. against Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P., Adversary Cover Sheet). Nature(s) of suit: 91 (Declaratory judgment). 02 (Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy)). 72 (Injunctive relief – other). filed by Plaintiff Highland Capital Management, L.P.) (Appearances: J. Morris, H. Winograd, and G. Demo for Reorganized Debtor; D. Rukavina and T. Berghman for HCMFA and NPA. Evidentiary hearing. Evidence closed. Court will schedule closing arguments (WebEx only) in one-two week time frame. Court room deputy will reach out to parties regarding same.)). Transcript to be made available to the public on 07/14/2022. (Gardelli, Nancy)
04/18/2022	<u>116</u> Transcript regarding Hearing Held 04/13/22 RE: Trial PM Session. THIS TRANSCRIPT WILL BE MADE ELECTRONICALLY AVAILABLE TO THE GENERAL PUBLIC 90 DAYS AFTER THE DATE OF FILING. TRANSCRIPT RELEASE DATE IS 07/18/2022. Until that time the transcript may be viewed at the Clerk's Office or a copy may be obtained from the official court transcriber. Court Reporter/Transcriber Liberty Transcripts/Dipti Patel, Telephone number 847-848-4907. (RE: related document(s) 109 Hearing held on 4/13/2022. (RE: related document(s) <u>1</u> Adversary case 21-03010. Complaint by Highland Capital Management, L.P. against Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P., Adversary Cover Sheet). Nature(s) of suit: 91 (Declaratory judgment). 02 (Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy)). 72 (Injunctive relief – other). filed by Plaintiff Highland Capital Management, L.P.) (Appearances: J. Morris, H. Winograd, and G. Demo for Reorganized Debtor; D. Rukavina and T. Berghman for HCMFA and NPA. Evidentiary hearing. Evidence closed. Court will schedule closing arguments (WebEx only) in one-two week time frame. Court room deputy will reach out to

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	parties regarding same.)). Transcript to be made available to the public on 07/18/2022. (Patel, Dipti)
04/18/2022	<u>117</u> Amended Witness and Exhibit List ( <i>Reorganized Debtor's Amended Witness and Exhibit List with Respect to Trial to Be Held on April 12–13, 2022</i> ) filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>80</u> List (witness/exhibit/generic)). (Attachments: # <u>1</u> Exhibit 160 # <u>2</u> Exhibit 161) (Annable, Zachery)
04/18/2022	<u>118</u> Order Granting Emergency Motion to Redact Certain Exhibits (Related Doc # <u>97</u> ) Entered on 4/18/2022. (Okafor, Marcey)
04/19/2022	<u>119</u> Trial/Closing arguments set (RE: related document(s) <u>1</u> Adversary case 21–03010. Complaint by Highland Capital Management, L.P. against Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P.. Fee Amount \$350 (Attachments: # <u>1</u> Exhibit A # <u>2</u> Exhibit B # <u>3</u> Exhibit C # <u>4</u> Exhibit D # <u>5</u> Exhibit E # <u>6</u> Exhibit F # <u>7</u> Exhibit G # <u>8</u> Exhibit H # <u>9</u> Exhibit I # <u>10</u> Exhibit J # <u>11</u> Adversary Cover Sheet). Nature(s) of suit: 91 (Declaratory judgment). 02 (Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy)). 72 (Injunctive relief – other). filed by Plaintiff Highland Capital Management, L.P.) Trial date set for 4/27/2022 at 01:30 PM at at <a href="https://us-courts.webex.com/meet/jerniga">https://us-courts.webex.com/meet/jerniga</a> . Parties should appear via Webex. (Ellison, T.)
04/20/2022	<u>120</u> Certificate of service re: 1) Reorganized Debtor's Amended Witness and Exhibit List with Respect to Trial to be Held on April 12 – 13, 2022; and 2) Order Granting Emergency Motion to Redact Certain Exhibits Attached to Reorganized Debtor's Witness and Exhibit List with Respect to Trial to be Held on April 12 – 13, 2022 Filed by Claims Agent Kurtzman Carson Consultants LLC (related document(s) <u>117</u> Amended Witness and Exhibit List ( <i>Reorganized Debtor's Amended Witness and Exhibit List with Respect to Trial to Be Held on April 12–13, 2022</i> ) filed by Plaintiff Highland Capital Management, L.P. (RE: related document(s) <u>80</u> List (witness/exhibit/generic)). (Attachments: # <u>1</u> Exhibit 160 # <u>2</u> Exhibit 161) filed by Plaintiff Highland Capital Management, L.P., <u>118</u> Order Granting Emergency Motion to Redact Certain Exhibits (Related Doc <u>97</u> ) Entered on 4/18/2022.). (Kass, Albert)
04/27/2022	<u>121</u> Hearing held on 4/27/2022. (RE: related document(s) <u>1</u> Adversary case 21–03010. Complaint by Highland Capital Management, L.P. against Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P., Adversary Cover Sheet). Nature(s) of suit: 91 (Declaratory judgment). 02 (Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy)). 72 (Injunctive relief – other), filed by Plaintiff Highland Capital Management, L.P.) (Appearances: J. Morris for Reorganized Debtor; D. Rukavina for HCMFA and NexPoint Advisors. Nonevidentiary hearing (closing arguments). Court took matter under advisement.) (Edmond, Michael) (Entered: 04/28/2022)
05/04/2022	<u>123</u> Request for transcript regarding a hearing held on 4/27/2022. The requested turn-around time is hourly (Smith, Caitlynne) (Entered: 05/25/2022)
05/09/2022	<u>122</u> Transcript regarding Hearing Held 4/27/2022 RE: Closing Arguments. THIS TRANSCRIPT WILL BE MADE ELECTRONICALLY AVAILABLE TO THE GENERAL PUBLIC 90 DAYS AFTER THE DATE OF FILING. TRANSCRIPT RELEASE DATE IS 08/8/2022. Until that time the transcript may be viewed at the Clerk's Office or a copy may be obtained from the official court transcriber. Court Reporter/Transcriber Dipti Patel/Liberty Transcripts, Telephone number 847–848–4907. (RE: related document(s) <u>121</u> Hearing held on 4/27/2022. (RE: related document(s) <u>1</u> Adversary case 21–03010. Complaint by Highland Capital Management, L.P. against Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P., Adversary Cover Sheet). Nature(s) of suit: 91 (Declaratory judgment). 02 (Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy)). 72 (Injunctive relief – other), filed by Plaintiff Highland Capital Management, L.P.) (Appearances: J. Morris for Reorganized Debtor; D. Rukavina for HCMFA and NexPoint Advisors. Nonevidentiary

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	hearing (closing arguments). Court took matter under advisement.)). Transcript to be made available to the public on 08/8/2022. (Patel, Dipti)
08/30/2022	<u>124</u> Findings of fact and conclusions of law in support of judgment: (A) granting breach of contract claims asserted by the Reorganized Debtor; and (B) denying Defendants' requests for allowance of administrative expense claims (RE: related document(s) <u>1</u> Complaint filed by Plaintiff Highland Capital Management, L.P.). Entered on 8/30/2022 (Okafor, Marcey)
09/01/2022	<u>125</u> BNC certificate of mailing – PDF document. (RE: related document(s) <u>124</u> Findings of fact and conclusions of law in support of judgment: (A) granting breach of contract claims asserted by the Reorganized Debtor; and (B) denying Defendants' requests for allowance of administrative expense claims (RE: related document(s) <u>1</u> Complaint filed by Plaintiff Highland Capital Management, L.P.). Entered on 8/30/2022) No. of Notices: 2. Notice Date 09/01/2022. (Admin.)
09/14/2022	<u>126</u> Judgment (final). Entered on 9/14/2022 (Okafor, Marcey)
09/16/2022	<u>127</u> BNC certificate of mailing – PDF document. (RE: related document(s) <u>126</u> Judgment (final). Entered on 9/14/2022) No. of Notices: 2. Notice Date 09/16/2022. (Admin.)
09/20/2022	<u>128</u> Notice of appeal . Fee Amount \$298 filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. (RE: related document(s) <u>126</u> Judgment). Appellant Designation due by 10/4/2022. (Rukavina, Davor)
09/20/2022	Receipt of filing fee for Notice of appeal( <u>21-03010-sgi</u> ) [appeal,ntcapl] ( 298.00). Receipt number A29832129, amount \$ 298.00 (re: Doc# <u>128</u> ). (U.S. Treasury)
09/30/2022	<u>130</u> Notice of docketing notice of appeal. Civil Action Number: 3:22-cv-02170-S. (RE: related document(s) <u>128</u> Notice of appeal . Fee Amount \$298 filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. (RE: related document(s) <u>126</u> Judgment). Appellant Designation due by 10/4/2022.) (Whitaker, Sheniqua)
09/30/2022	<u>131</u> Certificate of mailing regarding appeal (RE: related document(s) <u>128</u> Notice of appeal . filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. (RE: related document(s) <u>126</u> Judgment). Appellant Designation due by 10/4/2022.) (Attachments: # <u>1</u> Service List) (Whitaker, Sheniqua)
09/30/2022	<u>132</u> Notice regarding the record for a bankruptcy appeal to the U.S. District Court. (RE: related document(s) <u>128</u> Notice of appeal . filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. (RE: related document(s) <u>126</u> Judgment). (Whitaker, Sheniqua)
10/02/2022	<u>133</u> Statement of issues on appeal, filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. (RE: related document(s) <u>128</u> Notice of appeal). (Rukavina, Davor)
10/02/2022	<u>134</u> Appellant designation of contents for inclusion in record on appeal filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. (RE: related document(s) <u>128</u> Notice of appeal). Appellee designation due by 10/17/2022. (Rukavina, Davor)
10/02/2022	<u>135</u> BNC certificate of mailing. (RE: related document(s) <u>132</u> Notice regarding the record for a bankruptcy appeal to the U.S. District Court. (RE: related document(s) <u>128</u> Notice of appeal . filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. (RE: related document(s) <u>126</u> Judgment).) No. of Notices: 0. Notice Date 10/02/2022. (Admin.)

10/04/2022	<u>136</u> Clerk's correspondence requesting amended designation from attorney for debtor. (RE: related document(s) <u>134</u> Appellant designation of contents for inclusion in record on appeal filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. (RE: related document(s) <u>128</u> Notice of appeal). Appellee designation due by 10/17/2022.) Responses due by 10/7/2022. (Blanco, J.)
10/04/2022	<u>137</u> Amended appellant designation of contents for inclusion in record on appeal filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. (RE: related document(s) <u>134</u> Appellant designation). (Rukavina, Davor)
10/07/2022	<u>138</u> Motion to stay pending appeal ( <i>Agreed Motion</i> ) (related documents <u>126</u> Judgment) filed by Defendants Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. (Attachments: # <u>1</u> Proposed Order) (Rukavina, Davor)
10/07/2022	<u>139</u> Support/supplemental document <i>Supersedeas Bond</i> filed by Defendant NexPoint Advisors, L.P. (RE: related document(s) <u>126</u> Judgment). (Rukavina, Davor)
10/07/2022	<u>140</u> Support/supplemental document <i>Supersedeas Bond</i> filed by Defendant Highland Capital Management Fund Advisors, L.P. (RE: related document(s) <u>126</u> Judgment). (Rukavina, Davor)
10/11/2022	<u>141</u> Agreed Order conditionally staying judgment pending appeal (related document # <u>138</u> ) Entered on 10/11/2022. (Okafor, Marcey)
10/13/2022	<u>142</u> Receipt of court papers – supersedeas bond Nexpoint Advisors receipt #D307 (RE: related document(s) <u>141</u> Agreed Order conditionally staying judgment pending appeal (related document <u>138</u> ) Entered on 10/11/2022.) (Ecker, C.)
10/13/2022	<u>143</u> Receipt of court papers – supersedeas Bond Highland Capital Management Fund Advisors, L.P. receipt #D308 (RE: related document(s) <u>141</u> Agreed Order conditionally staying judgment pending appeal (related document <u>138</u> ) Entered on 10/11/2022.) (Ecker, C.)
10/13/2022	<u>144</u> BNC certificate of mailing – PDF document. (RE: related document(s) <u>141</u> Agreed Order conditionally staying judgment pending appeal (related document <u>138</u> ) Entered on 10/11/2022.) No. of Notices: 2. Notice Date 10/13/2022. (Admin.)

**UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF  
TEXAS, DALLAS DIVISION**

**In Re: Highland Capital Management, L.P.** § Case No. **19-34054-SGJ-11**  
**NexPoint Advisors, L.P. et al** §

Appellant § 21-03010  
vs. §  
**Highland Capital Management, L.P.** §

Appellee § **3:22-CV-02170-S**

**[126] Judgment (final). Entered on 9/14/2022**

**APPELLANT RECORD  
VOLUME 2**

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COUNSEL FOR HIGHLAND CAPITAL MANAGEMENT  
FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj11
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

INDEX

**AMENDED DESIGNATION OF ITEMS FOR THE RECORD ON APPEAL  
BY NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this *Amended Designation of Items for the Record on Appeal*, designating the following items for the record of said appeal:



<u>Item</u>	<u>Docket No.</u>	<u>Description</u>
<b>ADVERSARY PROCEEDING (21-03010-sgj)</b>		
1	128	Joint Notice of Appeal
2	126	Judgment
3		Docket Sheet
4	1	Plaintiff Highland Capital Management, L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief
5	33	Original Answer
6	37	Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters
7	49	Response to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
8	56	Highland Capital Management, L.P.'s Reply In Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
9	90	Advisors' Trial Brief
10	91	Highland's Proposed Findings of Fact and Conclusions of Law
11	96	Joint Pretrial Order
12	124	Findings of Fact and Conclusions of Law
<b>BANKRUPTCY CASE (19-34054-sgj-11)</b>		
13	1826	Application for Allowance of Administrative Expense Claim
14	2274	Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
<b>EVIDENCE AND TRANSCRIPTS (21-03010-SGJ)</b>		
15	115	All exhibits admitted into evidence at trial on April 12, 2022 and April 13, 2022 Thru Vol. 12
16	113	Transcript of April 12, 2022 trial
17	116	Transcript of April 13, 2022 trial
18	122	Transcript of April 27, 2022 closing arguments

RESPECTFULLY SUBMITTED this 4th day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina

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Texas Bar No. 24030781  
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**ATTORNEYS FOR NEXPOINT ADVISORS,  
L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 4th day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

Davor Rukavina, Esq.



PACHULSKI STANG ZIEHL & JONES LLP  
Jeffrey N. Pomerantz (CA Bar No.143717) (*admitted pro hac vice*)  
Ira D. Kharasch (CA Bar No. 109084) (*admitted pro hac vice*)  
John A. Morris (NY Bar No. 2405397) (*admitted pro hac vice*)  
Gregory V. Demo (NY Bar No. 5371992) (*admitted pro hac vice*)  
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*Counsel for Highland Capital Management, L.P.*

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

-----	§	
In re:	§	Chapter 11
	§	
HIGHLAND CAPITAL MANAGEMENT, L.P., <sup>1</sup>	§	Case No. 19-34054-sgj11
	§	
Debtor.	§	
-----	§	
HIGHLAND CAPITAL MANAGEMENT, L.P.,	§	
	§	
Plaintiff,	§	Adversary Proceeding No.
	§	
vs.	§	_____
	§	
HIGHLAND CAPITAL MANAGEMENT FUND	§	
ADVISORS, L.P., AND NEXPOINT ADVISORS,	§	
L.P.,	§	
	§	
Defendants.	§	
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<sup>1</sup> The Debtor's last four digits of its taxpayer identification number are (6725). The headquarters and service address for the above-captioned Debtor is 300 Crescent Court, Suite 700, Dallas, TX 75201.

**PLAINTIFF HIGHLAND CAPITAL MANAGEMENT, L.P.’S  
VERIFIED ORIGINAL COMPLAINT FOR DAMAGES  
AND FOR DECLARATORY AND INJUNCTIVE RELIEF**

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Plaintiff Highland Capital Management, L.P., the above-captioned debtor and debtor-in-possession (“Plaintiff” or the “Debtor”), by its undersigned counsel, files this *Verified Original Complaint for Damages and for Declaratory and Injunctive Relief* (the “Complaint”) against defendants Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NPA,” and together with HCMFA, the “Defendants” or the “Advisors”), seeking damages and declaratory and injunctive relief pursuant to sections 105(a), 362, 542, and 1107 of title 11 of the United States Code (the “Bankruptcy Code”) and Rules 7001(7) and 7065 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). In support of its Complaint, the Debtor alleges upon knowledge of its own actions and upon information and belief as to other matters as follows:

**PRELIMINARY STATEMENT<sup>2</sup>**

1. The Advisors serve as the investment manager, either directly or indirectly, to a number of investment vehicles (collectively, the “Funds”) regulated pursuant to the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Company Act of 1940. Certain of the Funds are publicly traded and have thousands of retail investors who are at risk due to the Advisors’ deleterious conduct.

2. The Advisors are owned and controlled by James Dondero. Pursuant to certain Shared Services Agreements, the Debtor has historically provided back-office and middle-office services that enable the Advisors to manage the Funds. Although the Debtor is paid for these

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<sup>2</sup> Capitalized terms not specifically defined in this Preliminary Statement shall have the meanings ascribed to them below.

services, providing the services requires the Debtor to maintain a full staff, the cost of which has historically caused substantial net losses to the Debtor.

3. Each of the Shared Services Agreements gives either party the unilateral right to terminate the respective Shared Services Agreement by providing prior written notice. On November 30, 2020, the Debtor provided written notice of its intent to terminate the Shared Services Agreements effective as of January 31, 2021.

4. The Termination Notices could not have come as a surprise to the Advisors because the Debtor was in bankruptcy and had been pursuing an “asset monetization” plan of reorganization that would leave it with a substantially scaled-down work force since at least August 2020. With that in mind, the Debtor began developing a plan pursuant to which the shared services would be transitioned to an entity that would be created, owned, and operated by certain of the Debtor’s employees who were expected to be terminated as part of the implementation of the Debtor’s Plan.

5. At the same time, the Debtor continued to provide the services required under the Shared Services Agreements – despite the Advisors being in substantial arrears with an outstanding amount due to the Debtor in excess of \$3 million – and otherwise continued in its attempts to transition those services in a smooth and orderly manner. Indeed, in order to give the Advisors more time to engage and complete the transition, the Debtor has extended the termination date on two occasions, with the current termination deadline being February 19, 2021.<sup>3</sup>

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<sup>3</sup> Although the Shared Services Agreement will terminate on February 19, 2021, the Debtor is willing to further extend the termination dates of the Shared Services Agreements through February 28, 2021, solely to prevent catastrophic harm to the retail investors in the Funds, but the Debtor will be unable to extend the termination date any further as the Debtor is expected to reduce its workforce at the end of February and will have insufficient personnel thereafter to perform under the Shared Services Agreements.

6. Regrettably, as described in more detail below, and notwithstanding the Debtor's best efforts to aid in the transition of services, the Advisors have willfully failed and refused to adopt and effectuate a transition plan, choosing instead to spend the last months threatening the Debtor and certain of its employees and seeking to deflect responsibility for their own wrongful conduct.

7. The status quo is untenable. The Debtor has the contractual right to terminate the Shared Services Agreements and has exercised that right. Pursuant to the Debtor's Plan, there will shortly be a substantial reduction in the Debtor's work force and the Debtor will be unable to provide services to the Advisors. The Advisors' failure to work with the Debtor or to otherwise develop a transition plan of their own has put thousands of retail investors at risk.

8. The Debtor is faced with an awful choice. It can either (a) exercise its rights to terminate the Shared Services Agreements to the detriment of the Funds and their investors, and be sucked into more litigation because of Mr. Dondero's conduct, or (b) attempt to provide services to the Advisors under the Shared Services Agreements at substantial losses and risk material delays in the implementation of the Debtor's Plan.

9. Therefore, in addition to seeking damages and declaratory relief, the Debtor is filing a separate emergency motion for a mandatory injunction compelling the Advisors to adopt and implement a transition plan by February 28, 2021, when the Debtor is expected to substantially reduce its workforce. In the absence of such a mandate, the Funds (together with their thousands of investors) and the Debtor will be irreparably harmed.

### **JURISDICTION AND VENUE**

10. This Court has jurisdiction over this adversary proceeding pursuant to 28 U.S.C. §§ 157 and § 1334(b). This adversary proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (O).

11. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1409.

12. This adversary proceeding is commenced pursuant to Bankruptcy Rules 7001 and 7065, Bankruptcy Code sections 105(a) and 362, 28 U.S.C. §§ 2201 and 2202, and applicable Delaware law.

### **THE PARTIES**

13. The Debtor is a limited liability partnership formed under the laws of Delaware with a business address at 300 Crescent Court, Suite 700, Dallas, Texas 75201.

14. Upon information and belief, HCMFA is a limited partnership with offices located in Dallas, Texas.

15. Upon information and belief, NPA is a limited partnership with offices located in Dallas, Texas.

### **CASE BACKGROUND**

16. On October 16, 2019 (the “Petition Date”), the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the “Delaware Court”), Case No. 19-12239 (CSS) (the “Highland Bankruptcy Case”).

17. On October 29, 2019, the U.S. Trustee in the Delaware Court appointed an Official Committee of Unsecured Creditors with the following members: (a) Redeemer Committee of Highland Crusader Fund, (b) Meta-e Discovery, (c) UBS Securities LLC and UBS

AG London Branch, and (d) Acis Capital Management, L.P. and Acis Capital Management GP LLC.

18. On December 4, 2019, the Delaware Court entered an order transferring venue of the Highland Bankruptcy Case to this Court [Docket No. 186].<sup>4</sup>

19. The Debtor has continued to operate and manage its business as a debtor-in-possession pursuant to Bankruptcy Code sections 1107(a) and 1108. No trustee or examiner has been appointed in this chapter 11 case.

20. On November 24, 2020, the Debtor filed the *Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 1472] (the “Plan”).

21. On February 2 and 3, 2021, the Court conducted a confirmation hearing with respect to the Plan. [Docket No. 1808].

22. On February 8, 2021, the Court rendered an opinion in which it approved the Plan. [Docket No. 1924].

### **STATEMENT OF FACTS**

#### **A. The Debtor Has the Contractual Right to Terminate the Shared Services Agreements, and It Timely Exercised that Right**

23. The Debtor is party to the Shared Services Agreements pursuant to which it has a contractual right of termination upon written notice.

#### **The Debtor’s Shared Services Agreement with HCMFA**

24. The Debtor and HCMFA are parties to that certain *Second Amended and Restated Shared Services Agreement*, effective as of February 8, 2013 (the “HCMFA Shared Services Agreement”), a copy of which is attached hereto as **Exhibit A**.

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<sup>4</sup> All docket numbers refer to the main docket for the Highland Bankruptcy Case maintained by this Court.

25. Pursuant to section 2.01 of the HCMFA Shared Services Agreement and Annex A affixed thereto, the Debtor provides certain services to HCMFA that enable HCMFA to manage the Funds.

26. The HCMFA Shared Services Agreement was for a one-year term, subject to automatic one-year renewals “unless sooner terminated under Section 7.02.”

27. Section 7.02 of the Shared Services Agreement provides that “[e]ither Party may terminate this Agreement, with or without cause, upon at least 60 days advance written notice at any time prior to the expiration of the Term.”

28. On November 30, 2020, the Debtor provided written notice to HCMFA that it intended to terminate the HCMFA Shared Services Agreement as of January 31, 2021 (the “HCMFA Termination Notice”). A copy of the HCMFA Termination Notice is attached hereto as **Exhibit B**.

**The Debtor’s Shared Services Agreement with NPA**

29. The Debtor and NPA are parties to that certain *Amended and Restated Shared Services Agreement*, effective as of January 1, 2018 (the “NPA Shared Services Agreement” and together with the HCMFA Shared Services Agreement, the “Shared Services Agreements”), a copy of which is attached hereto as **Exhibit C**.

30. Pursuant to Article II of the NPA Shared Services Agreement, the Debtor provides certain services to NPA that enable NPA to manage the Funds.

31. The NPA Shared Services Agreement did not have a fixed term. Instead, section 7.01 provided that “[e]ither Party may terminate this Agreement at any time upon at least thirty (30) days’ written notice to the other.”

32. On November 30, 2020, the Debtor provided written notice to NPA that it intended to terminate the NPA Shared Services Agreement as of January 31, 2021 (the “NPA



Termination Notice” and together with the HCMFA Termination Notice, the “Termination Notices”). A copy of the NPA Termination Notice is attached hereto as **Exhibit D**.

**B. Prior to Providing the Termination Notices, the Debtor Worked on a Transition Plan, but the Advisors Failed to Engage or Pay for Services Rendered**

33. On August 12, 2020, after considering its strategic options, the Debtor filed an “asset monetization” plan of reorganization pursuant to which, in general, the Debtor proposed to reduce staff, reject certain contracts, and monetize its assets consistent with maximizing value for all stakeholders. [Docket No. 944].

34. Thus, at least as of that time, all stakeholders – including the Advisors – were on notice that the Debtor intended to continue operations on a scaled-down basis with the goal being an orderly monetization of assets.<sup>5</sup>

35. Consistent with that intent, the Debtor began formulating a plan for the transition of services provided under the Shared Services Agreements.

36. Specifically, beginning in the summer of 2020, the Debtor attempted to negotiate for the orderly transition of services with James Dondero, the individual who owns and controls each of the Advisors.

37. The Debtor’s proposal contemplated the transition of services to the Advisors from the Debtor to an entity that would be created, owned, and operated by certain of the Debtor’s employees (“NewCo”) who were expected to be terminated as part of the Debtor’s asset monetization plan.

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<sup>5</sup> Furthermore, on November 13, 2020, the Debtor filed its *Third Amended Plan of Reorganization of Highland Capital Management* [Docket No. 1383] (the “Third Amended Plan”). In its Third Amended Plan (and subsequent plans), the Debtor explicitly stated that it did not intend to continue providing services under the Shared Service Agreements precisely because they are money losers. Third Amended Plan, Art. IV.A (“[I]t is currently anticipated that neither the Reorganized Debtor nor the Claimant Trust will assume or assume and assign the contracts between the Debtor and certain Related Entities pursuant to which the Debtor provides shared services and sub-advisory services to those Related Entities. The Debtor believes that the continued provision of the services under such contracts will not be cost effective.”)

38. With Mr. Dondero in control, the Advisors never provided any constructive response to the Debtor's proposal. Indeed, Mr. Dondero specifically informed the Debtor that he intended to make the transition difficult for the apparent purpose of creating leverage in plan negotiations.

39. In addition to failing to engage in any process designed to provide for the orderly transition of services, the Advisors also failed to pay the Debtor for the services provided under the Shared Services Agreement.

40. Since the Petition Date, each of the Advisors has failed to meet certain of its payment obligations under the Shared Services Agreements. For the period between the Petition Date and January 31, 2021, (a) HCMFA owes the Debtor \$2,121,276 for services rendered under the HCMFA Shared Services Agreement, and (b) NPA owes the Debtor \$932,977 for services rendered under the NPA Shared Services Agreement. These amounts exclude amounts owed for services provided prior to the Petition Date.

41. The Debtor loses significant money providing services under the Shared Services Agreements, which is why it publicly stated its intention in the Third Amended Plan (and each subsequent amendment and modification to the Plan) not to assume or assume and assign them. While that is bad enough, the Advisors failure to pay for services previously rendered is a blatant breach of the Agreements.

**C. The Debtor Offers to Extend the Termination Date to Avoid a Catastrophe and Attempts to Engage the Funds' Board to Aid in the Adoption of a Transition Plan**

42. Instead of engaging in the process, the Advisors and certain of their employees were more focused on threatening the Debtor and its employees, all in a transparent effort to deflect responsibility for their own obstinate and wrongful conduct.

43. With the January 31, 2021 termination date fast approaching, and with the Advisors continuing to fail to work cooperatively on a transition plan, the Debtor took the initiative and offered to extend the termination date by two weeks (i) in order to avoid catastrophic consequences for the Funds and their investors that would result from an abrupt termination, and (ii) in the hope that the Advisors would use the extended time to finally and constructively engage.

44. Thus, on January 29, 2021, the parties executed an agreement extending the termination date to February 14, 2021 in exchange for the Advisors paying in advance for services to be rendered by the Debtor during that two-week period. A copy of the January 29, 2021, agreement is attached hereto as **Exhibit E**.

45. During the two-week period, the Debtor and its employees and professionals made every effort to bring the issue of the transition of services to a resolution. Among other things, the Debtor continued to refine the proposal for the transition of services to NewCo.

46. The Debtor also attempted to get the attention of the Funds' Boards because it was concerned that the Boards were either uninformed, not engaged, or were under the influence and control of Mr. Dondero.

47. Among other communications, James P. Seery, Jr., the Debtor's Chief Executive Officer, sent formal written communications to the Board of Directors for the Funds on January 27, 2021, February 8, 2021, and February 12, 2021.<sup>6</sup> Copies of Mr. Seery's letters are attached hereto as **Exhibits F, G and H**, respectively.

48. Despite the efforts of certain of the Advisors' professionals, and despite the Debtor's willingness to make all reasonable concessions on a transition agreement, Mr. Dondero

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<sup>6</sup> Mr. Seery's formal correspondence was in addition to his informal correspondence and communications with the Funds' Board and the substantial communications between counsel to the Debtor, the Advisors, and the Funds.

and the Advisors have refused to “say yes” or to otherwise take steps to formulate a transition plan for the protection of the Funds and their investors.

49. Faced with an untenable situation, the Debtor again agreed to extend the termination date, this time to February 19, 2021. *See Exhibit I.*

50. Finally, on February 16, 2021, the Debtor made its last attempt to reach an agreement before being forced to take alternative actions to protect itself, the Funds, and investors, by sending the Advisors a proposed term sheet (the “Term Sheet”) that provided a reasonable transition plan. A copy of the Term Sheet is attached as **Exhibit J**. The Advisors refused to agree to the terms thereunder.

51. Given that the Court will soon enter an order confirming the Debtor’s Plan, and the reduction in the Debtor’s work force will follow soon thereafter, the Debtor will be unable to provide services to the Advisors much longer. The Advisors’ failure to agree on or formulate a transition plan is creating catastrophic risk for the Funds and their investors. The Advisors’ failure to plan for a transition is also creating material risk to the Debtor.

### **FIRST CLAIM FOR RELIEF**

**(For Declaratory Relief: -- 11 U.S.C. § 105(a) and Fed. R. Bankr. P. 7001)**

52. The Debtor repeats and realleges each of the allegations in each of the foregoing paragraphs as though fully set forth herein.

53. A bona fide, actual, present dispute exists between the Debtor and the Advisors concerning their respective rights and obligations under the Shared Services Agreements.

54. A judgment declaring the parties’ respective rights and obligations will resolve their disputes.

55. Pursuant to Bankruptcy Rule 7001, the Debtor specifically seeks declarations that:

- Each of the Advisors is owned and controlled by Mr. Dondero;
- The Debtor has the contractual right to terminate the HCMFA Shared Services Agreement on 60 days' written notice;
- The Debtor properly exercised its right to terminate the HCMFA Shared Services Agreement by providing at least 60 days' written notice;
- The Debtor's obligation to provide services to HCMFA under the HCMFA Shared Services Agreement (or otherwise) will terminate on February 19, 2021;
- The Debtor has the contractual right to terminate the NPA Shared Services Agreement on 30 days' written notice;
- The Debtor properly exercised its right to terminate the NPA Shared Services Agreement by providing at least 30 days' written notice; and
- The Debtor's obligation to provide services to NPA under the NPA Shared Services Agreement (or otherwise) will terminate on February 19, 2021.

## **SECOND CLAIM FOR RELIEF**

### **(Breach of Contract)**

56. The Debtor repeats and realleges each of the allegations in each of the foregoing paragraphs as though fully set forth herein.

57. The Shared Services Agreements are valid and binding contracts.

58. The Debtor has fully performed all obligations under the Shared Services Agreements.

59. The Advisors have breached the Shared Services Agreements by failing to pay for certain services rendered by the Debtor to the Advisors under the Shared Services Agreements.

60. The Advisors have failed to pay the Debtor all amounts due and owing under the Shared Services Agreements despite the Debtor's demands.

61. The Advisors' breach of the Shared Services Agreements has damaged the Debtor in an amount to be determined at trial.

**THIRD CLAIM FOR RELIEF**

**(For Injunctive Relief -- 11 U.S.C. § 105(a) and Fed. R. Bankr. P. 7065)**

62. The Debtor repeats and realleges the allegations in each of the foregoing paragraphs as though fully set forth herein.

63. Pursuant to Bankruptcy Code section 105(a) and Bankruptcy Rule 7065, the Debtor seeks a mandatory injunction directing the Advisors to adopt and implement a plan for the orderly transition of services currently provided under the Shared Services Agreements from the Debtor to NewCo or any other entity of the Advisors' choosing.

64. Bankruptcy Code section 105(a) authorizes the Court to issue "any order, process or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. §105(a).

65. Bankruptcy Rule 7065 incorporates by reference Rule 65 of the Federal Rules of Civil Procedure and authorizes the Court to issue injunctive relief in adversary proceedings.

66. The Debtor will succeed on the merits of its claims for (a) a declaratory judgment that it has the contractual right to terminate each of the Shared Services Agreements, that it properly exercised those rights, and that, effective February 19, 2021, it has no further legal or equitable obligation to provide any services to the Advisors; (b) damages for breach of contract; and (c) for a mandatory injunction requiring the Advisors to adopt and implement a plan for the orderly transition of shared services.

67. The Advisors' failure to adopt and implement a transition plan is untenable because – as the Advisors have known for months – the Debtor will soon be unable to provide services under the Shared Services Agreements, and such willful misconduct and gross

negligence will cause irreparable harm to the Funds and their investors and to the Debtor and its estate.

68. Given that (a) the Advisors were on notice since at least August 2020, that the Debtor was unlikely to provide services under the Shared Services Agreement for an extended period of time; (b) the Debtor has been pursuing a transition plan since the summer of 2020; (c) the Third Amended Plan filed on November 13, 2020 (and each subsequent version of the Plan), expressly stated that the Debtor would not assume or assume and assign the Shared Services Agreements; (d) the Debtor timely provided notice of termination of the Shared Services Agreements on November 30, 2020; (e) upon information and belief, the Advisors (and not the Debtor) owe contractual and other duties to the Funds, the entities most at risk; and (f) the Debtor has acted in good faith by, among other things, twice extending the anticipated termination date, the balance of the equities strongly favors the Debtor.

69. Finally, the public interest virtually requires that the Advisors be directed to adopt and implement a transition plan. In the absence of a mandatory injunction, thousands of retail investors are likely to suffer catastrophic losses, and there will likely be substantial market disruptions with unforeseeable consequences.

70. Based on the foregoing, the Debtor requests that the Court direct the Advisors to adopt and implement a plan for the orderly transition of services currently provided under the Shared Services Agreements from the Debtor to NewCo, or any other entity of the Advisors' choosing, by February 28, 2021.



**PRAYER**

WHEREFORE, the Debtor prays for judgment as follows:

- On the First Cause of Action, a judgment declaring that: (i) each of the Advisors is owned and controlled by Mr. Dondero; (ii) the Debtor has the contractual right to terminate the HCMFA Shared Services Agreement on 60 days' written notice; (iii) the Debtor properly exercised its right to terminate the HCMFA Shared Services Agreement by providing at least 60 days' written notice; (iv) the Debtor's obligation to provide services to HCMFA under the HCMFA Shared Services Agreement (or otherwise) will terminate on February 19, 2021; (v) the Debtor has the contractual right to terminate the NPA Shared Services Agreement on 30 days' written notice; (vi) the Debtor properly exercised its right to terminate the NPA Shared Services Agreement by providing at least 30 days' written notice; and (vii) the Debtor's obligation to provide services to NPA under the NPA Shared Services Agreement (or otherwise) will terminate on February 19, 2021.
- On the Second Cause of Action, damages in an amount to be determined at trial arising from the Advisors' breach of the Shared Services Agreements;
- On the Third Cause of Action, a mandatory injunction directing the Advisors to adopt and implement a plan for the orderly transition of services currently provided under the Shared Services Agreements from the Debtor to NewCo, or any other entity of the Advisors' choosing, by February 28, 2021; and
- For such other and further relief as this Court deems just and proper.

Dated: February 17, 2021.

**PACHULSKI STANG ZIEHL & JONES LLP**

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-and-

**HAYWARD PLLC**

*/s/ Zachery Z. Annable*

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*Counsel for Plaintiff Highland Capital Management, L.P.*

**VERIFICATION**

I have read the foregoing VERIFIED COMPLAINT FOR INJUNCTIVE RELIEF and know its contents.

.. I am a party to this action. The matters stated in it are true of my own knowledge except as to those matters which are stated on information and belief, and as to those matters I believe them to be true.



I am the Chief Executive Officer and Chief Restructuring Officer of Highland Capital Management, L.P., the Plaintiff in this action, and am authorized to make this verification for and on behalf of the Plaintiff, and I make this verification for that reason. I have read the foregoing document(s). I am informed and believe and on that ground allege that the matters stated in it are true.

.. I am one of the attorneys of record for \_\_\_\_\_, a party to this action. Such party is absent from the county in which I have my office, and I make this verification for and on behalf of that party for that reason. I have read the foregoing document(s). I am informed and believe and on that ground allege that the matters stated in it are true.

I certify and declare under penalty of perjury under the laws of the United States that the foregoing is true and correct as of this 17th day of February 2021.

/s/ James P. Seery, Jr.  
James P. Seery, Jr.

## EXHIBIT A

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## SECOND AMENDED AND RESTATED SHARED SERVICES AGREEMENT

THIS SECOND AMENDED AND RESTATED SHARED SERVICES AGREEMENT (this “**Agreement**”) is entered into to be effective as of 8<sup>th</sup> day of February, 2013 (the “**Effective Date**”) by and among Highland Capital Management, L.P., a Delaware limited partnership (“**HCMLP**”), and Highland Capital Management Fund Advisors, L.P., formerly known as Pyxis Capital, L.P., a Delaware limited partnership (“**HCMFA**”), and any affiliate of HCMFA that becomes a party hereto. Each of the signatories hereto is individually a “**Party**” and collectively the “**Parties**”.

### RECITALS

A. During the Term, HCMLP will provide to HCMFA certain services as more fully described herein and the Parties desire to allocate the costs incurred for such services and assets among them in accordance with the terms and conditions in this Agreement.

### AGREEMENT

In consideration of the foregoing recitals and the mutual covenants and conditions contained herein, the Parties agree, intending to be legally bound, as follows:

### ARTICLE I DEFINITIONS

“**Actual Cost**” means, with respect to any period hereunder, one hundred percent (100%) of the actual costs and expenses caused by, incurred or otherwise arising from or relating to (i) the Shared Services and (ii) the Shared Assets, in each case during such period.

“**Affiliate**” means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person. The term “**control**” (including, with correlative meanings, the terms “**controlled by**” and “**under common control with**”) means the possession of the power to direct the management and policies of the referenced Person, whether through ownership interests, by contract or otherwise.

“**Agreement**” has the meaning set forth in the preamble.

“**Allocation Percentage**” has the meaning set forth in Section 4.01.

“**Applicable Margin**” shall mean an additional amount equal to 5% of all costs allocated by Service Provider to the other parties hereto under Article IV; provided that the parties may agree on a different margin percentage as to any item or items to the extent the above margin percentage, together with the allocated cost of such item or service, would not reflect an arm’s length value of the particular service or item allocated.

“**Change**” has the meaning set forth in Section 2.02(a).

“**Change Request**” has the meaning set forth in Section 2.02(b).

“**Code**” means the Internal Revenue Code of 1986, as amended, and the related regulations and published interpretations.

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***“Effective Date”*** has the meaning set forth in the preamble.

***“Governmental Entity”*** means any government or any regulatory agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

***“Liabilities”*** means any cost, liability, indebtedness, obligation, co-obligation, commitment, expense, claim, deficiency, guaranty or endorsement of or by any Person of any nature (whether direct or indirect, known or unknown, absolute or contingent, liquidated or unliquidated, due or to become due, accrued or unaccrued, matured or unmatured).

***“Loss”*** means any cost, damage, disbursement, expense, liability, loss, obligation, penalty or settlement, including interest or other carrying costs, legal, accounting and other professional fees and expenses incurred in the investigation, collection, prosecution and defense of claims and amounts paid in settlement, that may be imposed on or otherwise incurred or suffered by the referenced Person; provided, however, that the term ***“Loss”*** will not be deemed to include any special, exemplary or punitive damages, except to the extent such damages are incurred as a result of third party claims.

***“New Shared Service”*** has the meaning set forth in Section 2.03.

***“Party”*** or ***“Parties”*** has the meaning set forth in the preamble.

***“Person”*** means an association, a corporation, an individual, a partnership, a limited liability company, a trust or any other entity or organization, including a Governmental Entity.

***“Quarterly Report”*** has the meaning set forth in Section 5.01.

***“Recipient”*** means HCMFA and any of HCMFA’s direct or indirect Subsidiaries or managed funds or accounts in their capacity as a recipient of the Shared Services and/or Shared Assets.

***“Service Provider”*** means any of HCMLP and its direct or indirect Subsidiaries in its capacity as a provider of Shared Services or Shared Assets.

***“Service Standards”*** has the meaning set forth in Section 6.01.

***“Shared Assets”*** shall have the meaning set forth in Section 3.02.

***“Shared Services”*** shall have the meaning set forth in Section 2.01.

***“Subsidiary”*** means, with respect to any Person, any Person in which such Person has a direct or indirect equity ownership interest in excess of 50%.

***“Tax”*** or ***“Taxes”*** means: (i) all state and local sales, use, value-added, gross receipts, foreign, privilege, utility, infrastructure maintenance, property, federal excise and similar levies, duties and other similar tax-like charges lawfully levied by a duly constituted taxing authority against or upon the Shared Services and the Shared Assets; and (ii) tax-related surcharges or fees that are related to the Shared Services and the Shared Assets identified and authorized by applicable tariffs.

***“Term”*** has the meaning set forth in Section 7.01.

ARTICLE II  
SHARED SERVICES

Section 2.01 Services. During the Term, Service Provider will provide Recipient with Shared Services, including without limitation, all of the (i) finance and accounting services, (ii) human resources services, (iii) marketing services, (iv) legal services, (v) corporate services, (vi) information technology services, and (vii) operations services; each as requested by HCMFA and as described more fully on Annex A attached hereto, the “**Shared Services**”), it being understood that personnel providing Shared Services may be deemed to be employees of HCMFA to the extent necessary for purposes of the Investment Advisers Act of 1940, as amended.

Section 2.02 Changes to the Shared Services.

(a) During the Term, the Parties may agree to modify the terms and conditions of a Service Provider’s performance of any Shared Service in order to reflect new procedures, processes or other methods of providing such Shared Service, including modifying the applicable fees for such Shared Service to reflect the then current fair market value of such service (a “**Change**”). The Parties will negotiate in good faith the terms upon which a Service Provider would be willing to provide such New Shared Service to Recipient.

(b) The Party requesting a Change will deliver a description of the Change requested (a “**Change Request**”) and no Party receiving a Change Request may unreasonably withhold, condition or delay its consent to the proposed Change.

(c) Notwithstanding any provision of this Agreement to the contrary, a Service Provider may make: (i) Changes to the process of performing a particular Shared Service that do not adversely affect the benefits to Recipient of Service Provider’s provision or quality of such Shared Service in any material respect or increase Recipient’s cost for such Shared Service; (ii) emergency Changes on a temporary and short-term basis; and/or (iii) Changes to a particular Shared Service in order to comply with applicable law or regulatory requirements, in each case without obtaining the prior consent of Recipient. A Service Provider will notify Recipient in writing of any such Change as follows: in the case of clauses (i) and (iii) above, prior to the implementation of such Change, and, in the case of clause (ii) above, as soon as reasonably practicable thereafter.

Section 2.03 New Shared Services. The Parties may, from time to time during the Term of this Agreement, negotiate in good faith for Shared Services not otherwise specifically listed in Section 2.01 (a “**New Shared Service**”). Any agreement between the Parties on the terms for a New Shared Service must be in accordance with the provisions of Article IV and Article V hereof, will be deemed to be an amendment to this Agreement and such New Shared Service will then be a “**Shared Service**” for all purposes of this Agreement.

Section 2.04 Subcontractors. Nothing in this Agreement will prevent Service Provider from, with the consent of Recipient, using subcontractors, hired with due care, to perform all or any part of a Shared Service hereunder. A Service Provider will remain fully responsible for the performance of its obligations under this Agreement in accordance with its terms, including any obligations it performs through subcontractors, and a Service Provider will be solely responsible for payments due to its subcontractors.



### ARTICLE III SHARED ASSETS

Section 3.01 Shared IP Rights. Each Service Provider hereby grants to Recipient a non-exclusive right and license to use the intellectual property and other rights granted or licensed, directly or indirectly, to such Service Provider (the “**Shared IP Rights**”) pursuant to third party intellectual property Agreements (“**Third Party IP Agreements**”), provided that the rights granted to Recipient hereunder are subject to the terms and conditions of the applicable Third Party IP Agreement, and that such rights shall terminate, as applicable, upon the expiration or termination of the applicable Third Party IP Agreement. Recipient shall be licensed to use the Shared IP Rights only for so long as it remains an Affiliate of HCMLP. In consideration of the foregoing licenses, Recipient agrees to take such further reasonable actions as a Service Provider deems to be necessary or desirable to comply with its obligations under the Third Party IP Agreements.

Section 3.02 Other Shared Assets. Subject to Section 3.01, each Service Provider hereby grants Recipient the right, license or permission, as applicable, to use and access the benefits under the agreements, contracts and licenses that such Service Provider will purchase, acquire, become a party or beneficiary to or license on behalf of Recipient (the “**Future Shared Assets**” and collectively with the Shared IP Rights, the “**Shared Assets**”).

### ARTICLE IV COST ALLOCATION

Section 4.01 Actual Cost Allocation Formula. The Actual Cost of any item relating to any Shared Services or Shared Assets shall be allocated based on the Allocation Percentage. For purposes of this Agreement, “**Allocation Percentage**” means:

- (a) To the extent 100% of such item is demonstrably attributable to HCMFA, 100% of the Actual Cost of such item shall be allocated to HCMFA as agreed by HCMFA;
- (b) To the extent a specific percentage of use of such item can be determined (e.g., 70% for HCMLP and 30% for HCMFA), that specific percentage of the Actual Cost of such item will be allocated to HCMLP or HCMFA, as applicable and as agreed by HCMFA; and
- (c) All other portions of the Actual Cost of any item that cannot be allocated pursuant to clause (a) or (b) above shall be allocated between HCMLP and HCMFA in such proportion as is agreed in good faith between the parties.

Section 4.02 Non-Cash Cost Allocation. The actual, fully burdened cost of any item relating to any Shared Services or Shared Assets that does not result in a direct, out of pocket cash expense may be allocated to HCMLP and HCMFA for financial statement purposes only, as agreed by HCMFA, without any corresponding cash reimbursement required, in accordance with generally accepted accounting principles, based on the Allocation Percentage principles described in Section 4.01 hereof.

### ARTICLE V PAYMENT OF COST AND REVENUE SHARE; TAXES

Section 5.01 Quarterly Statements. Within thirty (30) days following the end of each calendar quarter during the Term (or at such time as may be otherwise agreed by the parties), each Service Provider shall furnish the other Parties hereto with a written statement with respect to the Actual Cost paid by it in respect of Shared Services and Shared Assets provided by it, in each case, during such

period, setting forth (i) the cost allocation in accordance with Article IV hereof together with the Applicable Margin on such allocated amounts, and (ii) any amounts paid pursuant to Section 5.02 hereof, together with such other data and information necessary to complete the items described in Section 5.03 hereof (hereinafter referred to as the “**Quarterly Report**”).

Section 5.02 Settlement Payments. At any time during the Term, any Party may make payment of the amounts that are allocable to such Party together with the Applicable Margin related thereto, regardless of whether an invoice pursuant to Section 5.03 hereof has been issued with respect to such amounts.

Section 5.03 Determination and Payment of Cost and Revenue Share.

(a) Within ten (10) days of the submission of the Quarterly Report described in Section 5.02 hereof (or at such other time as may be agreed by the parties), the Parties shall (i) agree on the cost share of each of the Parties and Applicable Margin as calculated pursuant to the provisions of this Agreement; and (ii) prepare and issue invoices for the cost share and Applicable Margin payments that are payable by any of the Parties.

(b) Within ten (10) days of preparation of the agreement and the issuance of the invoice described in Section 5.03(a) (or at such other time as may be agreed by the parties), the Parties shall promptly make payment of the amounts that are set forth on such cost allocation invoice. Notwithstanding anything in this Agreement to the contrary, provision of the Shared Services shall commence from the Effective Date, but no fees shall be payable from Recipient or otherwise accrue with respect to such services provided during the month of December 2011.

Section 5.04 Taxes.

(a) Recipient is responsible for and will pay all Taxes applicable to the Shared Services and the Shared Assets provided to Recipient, provided, that such payments by Recipient to Service Provider will be made in the most tax-efficient manner and provided further, that Service Provider will not be subject to any liability for Taxes applicable to the Shared Services and the Shared Assets as a result of such payment by Recipient. Service Provider will collect such Tax from Recipient in the same manner it collects such Taxes from other customers in the ordinary course of Service Provider's business, but in no event prior to the time it invoices Recipient for the Shared Services and Shared Assets, costs for which such Taxes are levied. Recipient may provide Service Provider with a certificate evidencing its exemption from payment of or liability for such Taxes.

(b) Service Provider will reimburse Recipient for any Taxes collected from Recipient and refunded to Service Provider. In the event a Tax is assessed against Service Provider that is solely the responsibility of Recipient and Recipient desires to protest such assessment, Recipient will submit to Service Provider a statement of the issues and arguments requesting that Service Provider grant Recipient the authority to prosecute the protest in Service Provider's name. Service Provider's authorization will not be unreasonably withheld. Recipient will finance, manage, control and determine the strategy for such protest while keeping Service Provider reasonably informed of the proceedings. However, the authorization will be periodically reviewed by Service Provider to determine any adverse impact on Service Provider, and Service Provider will have the right to reasonably withdraw such authority at any time. Upon notice by Service Provider that it is so withdrawing such authority, Recipient will expeditiously terminate all proceedings. Any adverse consequences suffered by Recipient as a result of the withdrawal will be submitted to arbitration pursuant to Section 9.14. Any contest for Taxes brought by Recipient may not result in any lien attaching to any property or rights of Service Provider or otherwise jeopardize Service Provider's interests or rights in any of its property. Recipient agrees to

indemnify Service Provider for all Losses that Service Provider incurs as a result of any such contest by Recipient.

(c) The provisions of this Section 5.04 will govern the treatment of all Taxes arising as a result of or in connection with this Agreement notwithstanding any other Article of this Agreement to the contrary.

## ARTICLE VI SERVICE PROVIDER RESPONSIBILITIES

Section 6.01 Service Provider General Obligations. Service Provider will provide the Shared Services and the Shared Assets to Recipient on a non-discriminatory basis and will provide the Shared Services and the Shared Assets in the same manner as if it were providing such services and assets on its own account (the “**Service Standards**”). Service Provider will conduct its duties hereunder in a lawful manner in compliance with applicable laws, statutes, rules and regulations and in accordance with the Service Standards, including, for avoidance of doubt, laws and regulations relating to privacy of customer information.

Section 6.02 Books and Records; Access to Information. Service Provider will keep and maintain books and records on behalf of Recipient in accordance with past practices and internal control procedures. Recipient will have the right, at any time and from time to time upon reasonable prior notice to Service Provider, to inspect and copy (at its expense) during normal business hours at the offices of Service Provider the books and records relating to the Shared Services and Shared Assets, with respect to Service Provider’s performance of its obligations hereunder. This inspection right will include the ability of Recipient’s financial auditors to review such books and records in the ordinary course of performing standard financial auditing services for Recipient (but subject to Service Provider imposing reasonable access restrictions to Service Provider’s and its Affiliates’ proprietary information and such financial auditors executing appropriate confidentiality agreements reasonably acceptable to Service Provider). Service Provider will promptly respond to any reasonable requests for information or access. For the avoidance of doubt, all books and records kept and maintained by Service Provider on behalf of Recipient shall be the property of Recipient, and Service Provider will surrender promptly to Recipient any of such books or records upon Recipient’s request (provided that Service Provider may retain a copy of such books or records) and shall make all such books and records available for inspection and use by the Securities and Exchange Commission or any person retained by Recipient at all reasonable times. Such records shall be maintained by Service Provider for the periods and in the places required by laws and regulations applicable to Recipient.

Section 6.03 Return of Property and Equipment. Upon expiration or termination of this Agreement, Service Provider will be obligated to return to Recipient, as soon as is reasonably practicable, any equipment or other property or materials of Recipient that is in Service Provider’s control or possession.

## ARTICLE VII TERM AND TERMINATION

Section 7.01 Term. The term of this Agreement will commence as of the Effective Date and will continue in full force and effect until the first anniversary of the Effective Date (the “**Term**”), unless terminated earlier in accordance with Section 9.02. The Term shall automatically renew for successive one year periods unless sooner terminated under Section 7.02.

Section 7.02 Termination. Either Party may terminate this Agreement, with or without cause, upon at least 60 days advance written notice at any time prior to the expiration of the Term.

#### ARTICLE VIII LIMITED WARRANTY

Section 8.01 Limited Warranty. Service Provider will perform the Shared Services hereunder in accordance with the Service Standards. Except as specifically provided in this Agreement, Service Provider makes no express or implied representations, warranties or guarantees relating to its performance of the Shared Services and the granting of the Shared Assets under this Agreement, including any warranty of merchantability, fitness, quality, non-infringement of third party rights, suitability or adequacy of the Shared Services and the Shared Assets for any purpose or use or purpose. Service Provider will (to the extent possible and subject to Service Provider's contractual obligations) pass through the benefits of any express warranties received from third parties relating to any Shared Service and Shared Asset, and will (at Recipient's expense) assist Recipient with any warranty claims related thereto.

#### ARTICLE IX MISCELLANEOUS

Section 9.01 No Partnership or Joint Venture; Independent Contractor. Nothing contained in this Agreement will constitute or be construed to be or create a partnership or joint venture between or among HCMLP or HCMFA or their respective successors or assigns. The Parties understand and agree that, with the exception of the procurement by Service Provider of licenses or other rights on behalf of Recipient pursuant to Section 3.01, this Agreement does not make any of them an agent or legal representative of the other for any purpose whatsoever. With the exception of the procurement by Service Provider of licenses or other rights on behalf of Recipient pursuant to Section 3.01, no Party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibilities, express or implied, on behalf of or in the name of any other Party, or to bind any other Party in any manner whatsoever. The Parties expressly acknowledge that Service Provider is an independent contractor with respect to Recipient in all respects, including with respect to the provision of the Shared Services.

Section 9.02 Amendments; Waivers. Except as expressly provided herein, this Agreement may be amended only by agreement in writing of all Parties. No waiver of any provision nor consent to any exception to the terms of this Agreement or any agreement contemplated hereby will be effective unless in writing and signed by all of the Parties affected and then only to the specific purpose, extent and instance so provided. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 9.03 Schedules and Exhibits; Integration. Each Schedule and Exhibit delivered pursuant to the terms of this Agreement must be in writing and will constitute a part of this Agreement, although schedules need not be attached to each copy of this Agreement. This Agreement, together with such Schedules and Exhibits constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the Parties in connection therewith.

Section 9.04 Further Assurances. Each Party will take such actions as any other Party may reasonably request or as may be necessary or appropriate to consummate or implement the transactions contemplated by this Agreement or to evidence such events or matters.

Section 9.05 Governing Law. This Agreement and the legal relations between the Parties will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed in such State and without regard to conflicts of law doctrines unless certain matters are preempted by federal law.

Section 9.06 Assignment. Except as otherwise provided hereunder, neither this Agreement nor any rights or obligations hereunder are assignable by one Party without the express prior written consent of the other Parties.

Section 9.07 Headings. The descriptive headings of the Articles, Sections and subsections of this Agreement are for convenience only and do not constitute a part of this Agreement.

Section 9.08 Counterparts. This Agreement and any amendment hereto or any other agreement delivered pursuant hereto may be executed in one or more counterparts and by different Parties in separate counterparts. All counterparts will constitute one and the same agreement and will become effective when one or more counterparts have been signed by each Party and delivered to the other Parties.

Section 9.09 Successors and Assigns; No Third Party Beneficiaries. This Agreement is binding upon and will inure to the benefit of each Party and its successors or assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person or Governmental Entity any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 9.10 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given: (i) immediately when personally delivered; (ii) when received by first class mail, return receipt requested; (iii) one day after being sent for overnight delivery by Federal Express or other overnight delivery service; or (iv) when receipt is acknowledged, either electronically or otherwise, if sent by facsimile, telecopy or other electronic transmission device. Notices, demands and communications to the other Parties will, unless another address is specified by such Parties in writing, be sent to the addresses indicated below:

If to HCMLP, addressed to:

Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147

If to HCMFA, addressed to:

Highland Capital Management Fund Advisors, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147

Section 9.11 Expenses. Except as otherwise provided herein, the Parties will each pay their own expenses incident to the negotiation, preparation and performance of this Agreement, including the fees, expenses and disbursements of their respective investment bankers, accountants and counsel.

Section 9.12 Waiver. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 9.13 Severability. If any provision of this Agreement is held to be unenforceable for any reason, it will be adjusted rather than voided, if possible, to achieve the intent of the Parties. All other provisions of this Agreement will be deemed valid and enforceable to the extent possible.

Section 9.14 Arbitration; Jurisdiction. Notwithstanding anything contained in this Agreement or the Annexes hereto to the contrary, in the event there is an unresolved legal dispute between the parties and/or any of their respective officers, directors, partners, employees, agents, affiliates or other representatives that involves legal rights or remedies arising from this Agreement, the parties agree to submit their dispute to binding arbitration under the authority of the Federal Arbitration Act; provided, however, that either party or such applicable affiliate thereof may pursue a temporary restraining order and/or preliminary injunctive relief in connection with confidentiality covenants or agreements binding on the other party, with related expedited discovery for the parties, in a court of law, and, thereafter, require arbitration of all issues of final relief. The Arbitration will be conducted by the American Arbitration Association, or another, mutually agreeable arbitration service. The arbitrator(s) shall be duly licensed to practice law in the State of Texas. The discovery process shall be limited to the following: Each side shall be permitted no more than (i) two party depositions of six hours each. Each deposition is to be taken pursuant to the Texas Rules of Civil Procedure; (ii) one non-party deposition of six hours; (iii) twenty-five interrogatories; (iv) twenty-five requests for admission; (v) ten requests for production. In response, the producing party shall not be obligated to produce in excess of 5,000 total pages of documents. The total pages of documents shall include electronic documents; (vi) one request for disclosure pursuant to the Texas Rules of Civil Procedure. Any discovery not specifically provided for in this paragraph, whether to parties or non-parties, shall not be permitted. The arbitrator(s) shall be required to state in a written opinion all facts and conclusions of law relied upon to support any decision rendered. No arbitrator will have authority to render a decision that contains an outcome determinative error of state or federal law, or to fashion a cause of action or remedy not otherwise provided for under applicable state or federal law. Any dispute over whether the arbitrator(s) has failed to comply with the foregoing will be resolved by summary judgment in a court of law. In all other respects, the arbitration process will be conducted in accordance with the American Arbitration Association's dispute resolution rules or other mutually agreeable, arbitration service rules. The party initiating arbitration shall pay all arbitration costs and arbitrator's fees, subject to a final arbitration award on who should bear costs and fees. All proceedings shall be conducted in Dallas, Texas, or another mutually agreeable site. Each party shall bear its own attorneys fees, costs and expenses, including any costs of experts, witnesses and/or travel, subject to a final arbitration award on who should bear costs and fees. The duty to arbitrate described above shall survive the termination of this Agreement. Except as otherwise provided above, the parties hereby waive trial in a court of law or by jury. All other rights, remedies, statutes of limitation and defenses applicable to claims asserted in a court of law will apply in the arbitration.

Section 9.15 General Rules of Construction. For all purposes of this Agreement and the Exhibits and Schedules delivered pursuant to this Agreement: (i) the terms defined in Article I have the meanings assigned to them in Article I and include the plural as well as the singular; (ii) all accounting terms not otherwise defined herein have the meanings assigned under GAAP; (iii) all references in this Agreement to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of the body of this Agreement; (iv) pronouns of either gender or neuter will include, as appropriate, the other pronoun forms; (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; (vi) "or" is not exclusive; (vii) "including" and "includes" will be deemed to be followed by "but not limited to" and "but is not limited to," "respectively; (viii) any definition of or

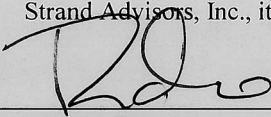
reference to any law, agreement, instrument or other document herein will be construed as referring to such law, agreement, instrument or other document as from time to time amended, supplemented or otherwise modified; and (ix) any definition of or reference to any statute will be construed as referring also to any rules and regulations promulgated thereunder.



IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized officers as of the day and year first above written.

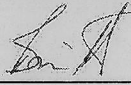
**HIGHLAND CAPITAL MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its general partner

By:   
Name: James Dondero  
Title: President

**HIGHLAND CAPITAL MANAGEMENT FUND  
ADVISORS, L.P.**

By: Strand Advisors XVI, Inc., its general partner

By:   
Name: Brian Mitts  
Title: Assistant Secretary

**Annex A**

**Shared Services**

Compliance

General compliance  
Compliance systems

Facilities

Equipment  
General Overhead  
Office Supplies  
Rent & Parking

Finance & Accounting

Book keeping  
Cash management  
Cash forecasting  
Credit facility reporting  
Financial reporting  
Accounts payable  
Accounts receivable  
Expense reimbursement  
Vendor management

HR

Drinks/snacks  
Lunches  
Recruiting

IT

General support & maintenance (OMS, development, support)  
Telecom (cell, phones, broadband)  
WSO

Legal

Corporate secretarial services  
Document review and preparation  
Litigation support  
Management of outside counsel

Marketing and PR

Public relations

Tax

Tax audit support  
Tax planning  
Tax prep and filing

Investments

Investment research on an ad hoc basis as requested by HCMFA

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Valuation Committee

Trading

Trading desk services

Operations

Trade settlement

## **EXHIBIT B**

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November 30, 2020

Highland Capital Management Fund Advisors, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel

**RE: Termination of Second Amended and Restated Shared Services Agreement, effective as of February 8, 2013, by and among Highland Capital Management, L.P. (“HCMLP”), and Highland Capital Management Fund Advisors, L.P. (the “Agreement”).**

To Whom It May Concern:

As set forth in Section 7.02 of the Agreement, the Agreement is terminable at will upon at least 60 days advance written notice.

By this letter, HCMLP is notifying you that it is terminating the Agreement. Such termination will be effective January 31, 2021. HCMLP reserves the right to rescind this notice of termination.

Please feel free to contact me with any questions.

Sincerely,

HIGHLAND CAPITAL MANAGEMENT, L.P.

/s/ James P. Seery, Jr.

James P. Seery, Jr.  
Chief Executive Officer  
Chief Restructuring Officer

## EXHIBIT C

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## AMENDED AND RESTATED SHARED SERVICES AGREEMENT

This Amended and Restated Shared Services Agreement (as amended, modified, waived, supplemented or restated from time to time in accordance with the terms hereof, this “Agreement”), dated effective as of January 1, 2018, is entered into by and between NexPoint Advisors, L.P., a Delaware limited partnership, as the management company hereunder (in such capacity, the “Management Company”), and Highland Capital Management, L.P., a Delaware limited partnership (“Highland”), as the staff and services provider hereunder (in such capacity, the “Staff and Services Provider” and together with the Management Company, the “Parties”).

### RECITALS

WHEREAS, the Staff and Services Provider is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”);

WHEREAS, the Staff and Services Provider and the Management Company are engaged in the business of providing investment management services;

WHEREAS, the Parties entered into that certain Shared Services Agreement, dated effective as of January 1, 2013 (the “Original Agreement”);

WHEREAS, the Parties desire to amend and restate the Original Agreement and the Staff and Services Provider is hereby being retained to provide certain back- and middle-office services and administrative, infrastructure and other services to assist the Management Company in conducting its business, and the Staff and Services Provider is willing to make such services available to the Management Company, in each case, on the terms and conditions hereof;

WHEREAS, the Management Company may employ certain individuals to perform portfolio selection and asset management functions for the Management Company, and certain of these individuals may also be employed simultaneously by the Staff and Services Provider during their employment with the Management Company; and

WHEREAS, each Person employed by both the Management Company and the Staff and Services Provider as described above (each, a “Shared Employee”), if any, is and shall be identified on the books and records of each of the Management Company and the Staff and Services Provider (as amended, modified, supplemented or restated from time to time).

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree, and the Original Agreement is hereby amended, restated and replaced in its entirety as follows.

### ARTICLE I

#### DEFINITIONS

Section 1.01 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

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“Affiliate” shall mean with respect to a Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the first Person. The term “control” means (i) the legal or beneficial ownership of securities representing a majority of the voting power of any person or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether by contract or otherwise.

“Applicable Asset Criteria and Concentrations” means any applicable eligibility criteria, portfolio concentration limits and other similar criteria or limits which the Management Company instructs in writing to the Staff and Services Provider in respect of the Portfolio or one or more Accounts, as such criteria or limits may be modified, amended or supplemented from time to time in writing by the Management Company;

“Applicable Law” shall mean, with respect to any Person or property of such Person, any action, code, consent decree, constitution, decree, directive, enactment, finding, guideline, law, injunction, interpretation, judgment, order, ordinance, policy statement, proclamation, formal guidance, promulgation, regulation, requirement, rule, rule of law, rule of public policy, settlement agreement, statute, writ, or any particular section, part or provision thereof of any Governmental Authority to which the Person in question is subject or by which it or any of its property is bound.

“Client or Account” shall mean any fund, client or account advised by the Management Company, as applicable.

“Covered Person” shall mean the Staff and Services Provider, any of its Affiliates, and any of their respective managers, members, principals, partners, directors, officers, shareholders, employees and agents (but shall not include the Management Company, its subsidiaries or member(s) and any managers, members, principals, partners, directors, officers, shareholders, employees and agents of the Management Company or its subsidiaries or member(s) (in their capacity as such)).

“Governmental Authority” shall mean (i) any government or quasi-governmental authority or political subdivision thereof, whether national, state, county, municipal or regional, whether U.S. or non-U.S.; (ii) any agency, regulator, arbitrator, board, body, branch, bureau, commission, corporation, department, master, mediator, panel, referee, system or instrumentality of any such government, political subdivision or other government or quasi-government entity, whether non-U.S. or U.S.; and (iii) any court, whether U.S. or non-U.S.

“Indebtedness” shall mean: (a) all indebtedness for borrowed money and all other obligations, contingent or otherwise, with respect to surety bonds, guarantees of borrowed money, letters of credit and bankers’ acceptances whether or not matured, and hedges and other derivative contracts and financial instruments; (b) all obligations evidenced by notes, bonds, debentures, or similar instruments, or incurred under bank guaranty or letter of credit facilities or credit agreements; (c) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to any property of the Management Company or any subsidiary; (d) all capital lease obligations; (e) all indebtedness guaranteed by such Person or any of its subsidiaries; and (f) all indebtedness guaranteed by such Person or any of its subsidiaries.

“Operating Guidelines” means any operating guidelines attached to any portfolio management agreement, investment management agreement or similar agreement entered into between the Management Company and a Client or Account.

“Portfolio” means the portfolio of securities and other assets, including without limitation, financial instruments, equity investments, collateral loan obligations, debt securities, preferred return notes and other similar obligations held directly or indirectly by, or on behalf of, Clients and Accounts from time to time;

“Securities Act” shall mean the Securities Act of 1933, as amended.

Section 1.02 Interpretation. The following rules apply to the use of defined terms and the interpretation of this Agreement: (i) the singular includes the plural and the plural includes the singular; (ii) “or” is not exclusive (unless preceded by “either”) and “include” and “including” are not limiting; (iii) unless the context otherwise requires, references to agreements shall be deemed to mean and include such agreements as the same may be amended, supplemented, waived and otherwise modified from time to time; (iv) a reference to a law includes any amendment or modification to such law and any rules or regulations issued thereunder or any law enacted in substitution or replacement therefor; (v) a reference to a Person includes its successors and assigns; (vi) a reference to a Section without further reference is to the relevant Section of this Agreement; (vii) the headings of the Sections and subsections are for convenience and shall not affect the meaning of this Agreement; (viii) “writing”, “written” and comparable terms refer to printing, typing, lithography and other shall mean of reproducing words in a visible form (including telefacsimile and electronic mail); (ix) “hereof”, “herein”, “hereunder” and comparable terms refer to the entire instrument in which such terms are used and not to any particular article, section or other subdivision thereof or attachment thereto; and (x) references to any gender include any other gender, masculine, feminine or neuter, as the context requires.

## ARTICLE II

### SERVICES

Section 2.01 General Authority. Highland is hereby appointed as Staff and Services Provider for the purpose of providing such services and assistance as the Management Company may request from time to time to, and if applicable, to make available the Shared Employees to, the Management Company in accordance with and subject to the provisions of this Agreement and the Staff and Services Provider hereby accepts such appointment. The Staff and Services Provider hereby agrees to such engagement during the term hereof and to render the services described herein for the compensation provided herein, subject to the limitations contained herein.

Section 2.02 Provision of Services. Without limiting the generality of Section 2.01 and subject to Section 2.04 (Applicable Asset Criteria and Concentrations) below, the Staff and Services Provider hereby agrees, from the date hereof, to provide the following back- and middle-office services and administrative, infrastructure and other services to the Management Company.

(a) *Back- and Middle-Office*: Assistance and advice with respect to back- and middle-office functions including, but not limited to, investment research, trade desk services,

including trade execution and settlement, finance and accounting, payments, operations, book keeping, cash management, cash forecasting, accounts payable, accounts receivable, expense reimbursement, vendor management, and information technology (including, without limitation, general support and maintenance (OMS, development, support), telecom (cellphones, telephones and broadband) and WSO);

(b) *Legal/Compliance/Risk Analysis.* Assistance and advice with respect to legal issues, litigation support, management of outside counsel, compliance support and implementation and general risk analysis;

(c) *Tax.* Assistance and advice with respect to tax audit support, tax planning and tax preparation and filing.

(d) *Management of Clients and Accounts.* Assistance and advice with respect to (i) the adherence to Operating Guidelines by the Management Company, and (ii) performing any obligations of the Management Company under or in connection with any back- and middle-office function set forth in any portfolio management agreement, investment management agreement or similar agreement in effect between the Management Company and any Client or Account from time to time.

(e) *Valuation.* Advice relating to the appointment of suitable third parties to provide valuations on assets comprising the Portfolio and including, but not limited to, such valuations required to facilitate the preparation of financial statements by the Management Company or the provision of valuations in connection with, or preparation of reports otherwise relating to, a Client or Account for which the Management Company serves as portfolio manager or investment manager or in a similar capacity;

(f) *Execution and Documentation.* Assistance relating to the negotiation of the terms of, and the execution and delivery by the Management Company of, any and all documents which the Management Company considers to be necessary in connection with the acquisition and disposition of an asset in the Portfolio by the Management Company or a Client or Account managed by the Management Company, transactions involving the Management Company or a Client or Account managed by the Management Company, and any other rights and obligations of the Management Company or a Client or Account managed by the Management Company;

(g) *Marketing.* Provide access to marketing team representatives to assist with the marketing of the Management Company and any specified Clients or Accounts managed by the Management Company conditional on the Management Company's agreement that any incentive compensation related to such marketing shall be borne by the Management Company;

(h) *Reporting.* Assistance relating to any reporting the Management Company is required to make in relation to the Portfolio or any Client or Account, including reports relating to (i) credit facility reporting and purchases, sales, liquidations, acquisitions, disposals, substitutions and exchanges of assets in the Portfolio, (ii) the requirements of an applicable regulator, or (iii) other type of reporting which the Management Company and Staff and Services Provider may agree from time to time;

(i) *Administrative Services.* The provision of office space, information technology services and equipment, infrastructure, rent and parking and other related services requested or utilized by the Management Company from time to time;

(j) *Shared Employees.* To the extent applicable, the provision of Shared Employees and such additional human capital as may be mutually agreed by the Management Company and the Staff and Services Provider in accordance with the provisions of Section 2.03 hereof;

(k) *Ancillary Services.* Assistance and advice on all things ancillary or incidental to the foregoing; and

(l) *Other.* Assistance and advice relating to such other back- and middle-office services in connection with the day-to-day business of the Management Company as the Management Company and the Staff and Services Provider may from time to time agree.

For the avoidance of doubt, none of the services contemplated hereunder shall constitute investment advisory services, and the Staff & Services Provider shall not provide any advice to the Management Company or perform any duties on behalf of the Management Company, other than the back- and middle-office services contemplated herein, with respect to (a) the general management of the Management Company, its business or activities, (b) the initiation or structuring of any Client or Account or similar securitization, (c) the substantive investment management decisions with respect to any Client or Account or any related collateral obligations or securitization, (d) the actual selection of any collateral obligation or assets by the Management Company, (e) binding recommendations as to any disposal of or amendment to any Collateral Obligation or (f) any similar functions.

#### Section 2.03 Shared Employees.

(a) The Staff and Services Provider hereby agrees and consents that each Shared Employee, if any, shall be employed by the Management Company, and the Management Company hereby agrees and consents that each Shared Employee shall be employed by the Staff and Services Provider. Except as may otherwise separately be agreed in writing between the applicable Shared Employee and the Management Company and/or the Staff and Services Provider, in each of their discretion, each Shared Employee is an at-will employee and no guaranteed employment or other employment arrangement is agreed or implied by this Agreement with respect to any Shared Employee, and for avoidance of doubt this Agreement shall not amend, limit, constrain or modify in any way the employment arrangements as between any Shared Employee and the Staff and Services Provider or as between any Shared Employee and the Management Company, it being understood that the Management Company may enter into a short-form employment agreement with any Shared Employee memorializing such Shared Employee's status as an employee of the Management Company. To the extent applicable, the Staff and Services Provider shall ensure that the Management Company has sufficient access to the Shared Employees so that the Shared Employees spend adequate time to provide the services required hereunder. The Staff and Services Provider may also employ the services of persons other than the Specified Persons as it deems fit in its sole discretion



(b) Notwithstanding that the Shared Employees, if any, shall be employed by both the Staff and Services Provider and the Management Company, the Parties acknowledge and agree that any and all salary and benefits of each Shared Employee shall be paid exclusively by the Staff and Services Provider and shall not be paid or borne by the Management Company and no additional amounts in connection therewith shall be due from the Management Company to the Staff and Services Provider.

(c) To the extent that a Shared Employee participates in the rendering of services to the Management Company's clients, the Shared Employee shall be subject to the oversight and control of the Management Company and such services shall be provided by the Shared Employee exclusively in his or her capacity as a "supervised person" of, or "person associated with", the Management Company (as such terms are defined in Sections 202(a)(25) and 202(a)(17), respectively, of the Advisers Act).

(d) Each Party may continue to oversee, supervise and manage the services of each Shared Employee in order to (1) ensure compliance with the Party's compliance policies and procedures, (2) ensure compliance with regulations applicable to the Party and (3) protect the interests of the Party and its clients; *provided* that Staff and Services Provider shall (A) cooperate with the Management Company's supervisory efforts and (B) make periodic reports to the Management Company regarding the adherence of Shared Employees to Applicable Law, including but not limited to the 1940 Act, the Advisers Act and the United States Commodity Exchange Act of 1936, as amended, in performing the services hereunder.

(e) Where a Shared Employee provides services hereunder through both Parties, the Parties shall cooperate to ensure that all such services are performed consistently with Applicable Law and relevant compliance controls and procedures designed to prevent, among other things, breaches in information security or the communication of confidential, proprietary or material non-public information.

(f) The Staff and Services Provider shall ensure that each Shared Employee has any registrations, qualifications and/or licenses necessary to provide the services hereunder.

(g) The Parties will cooperate to ensure that information about the Shared Employees is adequately and appropriately disclosed to clients, investors (and potential investors), investment banks operating as initial purchaser or placement agent with respect to any Client or Account, and regulators, as applicable. To facilitate such disclosure, the Staff and Services Provider agrees to provide, or cause to be provided, to the Management Company such information as is deemed by the Management Company to be necessary or appropriate with respect to the Staff and Services Provider and the Shared Employees (including, but not limited to, biographical information about each Shared Employee).

(h) The Parties shall cooperate to ensure that, when so required, each has adopted a Code of Ethics meeting the requirements of the Advisers Act ("Code of Ethics") that is consistent with applicable law and which is substantially similar to the other Party's Code of Ethics.

(i) The Staff and Services Provider shall make reasonably available for use by the Management Company, including through Shared Employees providing services pursuant to this Agreement, any relevant intellectual property and systems necessary for the provision of the services hereunder.

(j) The Staff and Services Provider shall require that each Shared Employee:

(i) certify that he or she is subject to, and has been provided with, a copy of each Party's Code of Ethics and will make such reports, and seek prior clearance for such actions and activities, as may be required under the Codes of Ethics;

(ii) be subject to the supervision and oversight of each Party's officers and directors, including without limitation its Chief Compliance Officer ("CCO"), which CCO may be the same Person, with respect to the services provided to that Party or its clients;

(iii) provide services hereunder and take actions hereunder only as approved by the Management Company;

(iv) provide any information requested by a Party, as necessary to comply with applicable disclosure or regulatory obligations;

(v) to the extent authorized to transact on behalf of the Management Company or a Client or Account, take reasonable steps to ensure that any such transaction is consistent with any policies and procedures that may be established by the Parties and all Applicable Asset Criteria and Concentrations; and

(vi) act, at all times, in a manner consistent with the fiduciary duties and standard of care owed by the Management Company to its members and direct or indirect investors or to a Client or Account as well as clients of Staff and Services Provider by seeking to ensure that, among other things, information about any investment advisory or trading activity applicable to a particular client or group of clients is not used to benefit the Shared Employee, any Party or any other client or group of clients in contravention of such fiduciary duties or standard of care.

(k) Unless specifically authorized to do so, or appointed as an officer or authorized person of the Management Company with such authority, no Shared Employee may contract on behalf or in the name of the Management Company, acting as principal.

Section 2.04 Applicable Asset Criteria and Concentrations. The Management Company will promptly inform the Staff and Services Provider in writing of any Applicable Asset Criteria and Concentrations to which it agrees from time to time and the Staff and Services Provider shall take such Applicable Asset Criteria and Concentrations into account when providing assistance and advice in accordance with Section 2.02 above and any other assistance or advice provided in accordance with this Agreement.

Section 2.05 Compliance with Management Company Policies and Procedures. The Management Company will from time to time provide the Staff and Services Provider and the

Shared Employees, if any, with any policy and procedure documentation which it establishes internally and to which it is bound to adhere in conducting its business pursuant to regulation, contract or otherwise. Subject to any other limitations in this Agreement, the Staff and Services Provider will use reasonable efforts to ensure any services it and the Shared Employees provide pursuant to this Agreement complies with or takes account of such internal policies and procedures.

Section 2.06 Authority. The Staff and Services Provider's scope of assistance and advice hereunder is limited to the services specifically provided for in this Agreement. The Staff and Services Provider shall not assume or be deemed to assume any rights or obligations of the Management Company under any other document or agreement to which the Management Company is a party. Notwithstanding any other express or implied provision to the contrary in this Agreement, the activities of the Staff and Services Provider pursuant to this Agreement shall be subject to the overall policies of the Management Company, as notified to the Staff and Services Provider from time to time. The Staff and Services Provider shall not have any duties or obligations to the Management Company unless those duties and obligations are specifically provided for in this Agreement (or in any amendment, modification or novation hereto or hereof to which the Staff and Services Provider is a party).

Section 2.07 Third Parties.

(a) The Staff and Services Provider may employ third parties, including its affiliates, to render advice, provide assistance and to perform any of its duties under this Agreement; *provided* that notwithstanding the employment of third parties for any such purpose, the Staff and Services Provider shall not be relieved of any of its obligations or liabilities under this Agreement.

(b) In providing services hereunder, the Staff and Services Provider may rely in good faith upon and will incur no liability for relying upon advice of nationally recognized counsel (which may be counsel for the Management Company, a Client or Account or any Affiliate of the foregoing), accountants or other advisers as the Staff and Services Provider determines, in its sole discretion, is reasonably appropriate in connection with the services provided by the Staff and Services Provider under this Agreement.

Section 2.08 Management Company to Cooperate with the Staff and Services Provider. In furtherance of the Staff and Services Provider's obligations under this Agreement the Management Company shall cooperate with, provide to, and fully inform the Staff and Services Provider of, any and all documents and information the Staff and Services Provider reasonably requires to perform its obligations under this Agreement.

Section 2.09 Power of Attorney. If the Management Company considers it necessary for the provision by the Staff and Services Provider of the assistance and advice under this Agreement (after consultation with the Staff and Services Provider), it may appoint the Staff and Services Provider as its true and lawful agent and attorney, with full power and authority in its name to sign, execute, certify, swear to, acknowledge, deliver, file, receive and record any and all documents that the Staff and Services Provider reasonably deems appropriate or necessary in connection with the execution and settlement of acquisitions of assets as directed by the Management Company



and the Staff and Services Provider's powers and duties hereunder (which for the avoidance of doubt shall in no way involve the discretion and/or authority of the Management Company with respect to investments). Any such power shall be revocable in the sole discretion of the Management Company.

### ARTICLE III

#### CONSIDERATION AND EXPENSES

Section 3.01 Consideration. As compensation for its performance of its obligations as Staff and Services Provider under this Agreement, the Staff and Services Provider will be entitled to receive a flat fee of \$168,000 per month (the "Staff and Services Fee"), payable monthly in advance on the first business day of each month.

Section 3.02 Costs and Expenses. Each party shall bear its own expenses; *provided* that the Management Company shall reimburse the Staff and Services Provider for any and all costs and expenses that may be borne properly by the Management Company.

Section 3.03 Deferral. Notwithstanding anything to the contrary contained herein, if on any date the Management Company determines that it would not have sufficient funds available to it to make a payment of Indebtedness, it shall have the right to defer any all and amounts payable to the Staff and Services Provider pursuant to this Agreement, including any fees and expenses; *provided* that the Management Company shall promptly pay all such amounts on the first date thereafter that sufficient amounts exist to make payment thereof.

### ARTICLE IV

#### REPRESENTATIONS AND COVENANTS

Section 4.01 Representations. Each of the Parties hereto represents and warrants that:

(a) It has full power and authority to execute and deliver, and to perform its obligations under, this Agreement;

(b) this Agreement has been duly authorized, executed and delivered by it and constitutes its valid and binding, obligation, enforceable in accordance with its terms except as the enforceability hereof may be subject to (i) bankruptcy, insolvency, reorganization moratorium, receivership, conservatorship or other similar laws now or hereafter in effect relating to creditors' rights and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding, in equity or at law);

(c) no consent, approval, authorization or order of or declaration or filing with any Governmental Authority is required for the execution of this Agreement or the performance by it of its duties hereunder, except such as have been duly made or obtained; and

(d) neither the execution and delivery of this Agreement nor the fulfillment of the terms hereof conflicts with or results in a breach or violation of any of the terms or provisions of, or constitutes a default under, (i) its constituting and organizational documents; or (ii) the terms

of any material indenture, contract, lease, mortgage, deed of trust, note, agreement or other evidence of indebtedness or other material agreement, obligation, condition, covenant or instrument to which it is a party or by which it is bound.

## ARTICLE V

### COVENANTS

#### Section 5.01 Compliance: Advisory Restrictions.

(a) The Staff and Services Provider shall reasonably cooperate with the Management Company in connection with the Management Company's compliance with its policies and procedures relating to oversight of the Staff and Services Provider. Specifically, the Staff and Services Provider agrees that it will provide the Management Company with reasonable access to information relating to the performance of Staff and Services Provider's obligations under this Agreement.

(b) This Agreement is not intended to and shall not constitute an assignment, pledge or transfer of any portfolio management agreement or any part thereof. It is the express intention of the parties hereto that this Agreement and all services performed hereunder comply in all respects with all (a) applicable contractual provisions and restrictions contained in each portfolio management agreement, investment management agreement or similar agreement and each document contemplated thereby; and (b) Applicable Laws (collectively, the "Advisory Restrictions"). If any provision of this Agreement is determined to be in violation of any Advisory Restriction, then the services to be provided under this Agreement shall automatically be limited without action by any person or entity, reduced or modified to the extent necessary and appropriate to be enforceable to the maximum extent permitted by such Advisory Restriction.

#### Section 5.02 Records: Confidentiality.

The Staff and Services Provider shall maintain or cause to be maintained appropriate books of account and records relating to its services performed hereunder, and such books of account and records shall be accessible for inspection by representatives of the Management Company and its accountants and other agents at any time during normal business hours and upon not less than three (3) Business Days' prior notice; *provided* that the Staff and Services Provider shall not be obligated to provide access to any non-public information if it in good faith determines that the disclosure of such information would violate any applicable law, regulation or contractual arrangement.

The Staff and Services Provider shall follow its customary procedures to keep confidential any and all information obtained in connection with the services rendered hereunder that is either (a) of a type that would ordinarily be considered proprietary or confidential, such as information concerning the composition of assets, rates of return, credit quality, structure or ownership of securities, or (b) designated as confidential obtained in connection with the services rendered by the Staff and Services Provider hereunder and shall not disclose any such information to non-affiliated third parties, except (i) with the prior written consent of the Management Company, (ii) such information as a rating agency shall reasonably request in connection with its

rating of notes issued by a CLO or supplying credit estimates on any obligation included in the Portfolio, (iii) in connection with establishing trading or investment accounts or otherwise in connection with effecting transactions on behalf of the Management Company or any Client or Account for which the Management Company serves as portfolio manager or investment manager or in a similar capacity, (iv) as required by (A) Applicable Law or (B) the rules or regulations of any self-regulating organization, body or official having jurisdiction over the Staff and Services Provider or any of its Affiliates, (v) to its professional advisors (including, without limitation, legal, tax and accounting advisors), (vi) such information as shall have been publicly disclosed other than in known violation of this Agreement or shall have been obtained by the Staff and Services Provider on a non-confidential basis, (vii) such information as is necessary or appropriate to disclose so that the Staff and Services Provider may perform its duties hereunder, (viii) as expressly permitted in the final offering memorandum or any definitive transaction documents relating to any Client or Account, (ix) information relating to performance of the Portfolio as may be used by the Staff and Services Provider in the ordinary course of its business or (xx) such information as is routinely disclosed to the trustee, custodian or collateral administrator of any Client or Account in connection with such trustee's, custodian's or collateral administrator's performance of its obligations under the transaction documents related to such Client or Account. Notwithstanding the foregoing, it is agreed that the Staff and Services Provider may disclose without the consent of any Person (1) that it is serving as staff and services provider to the Management Company, (2) the nature, aggregate principal amount and overall performance of the Portfolio, (3) the amount of earnings on the Portfolio, (4) such other information about the Management Company, the Portfolio and the Clients or Accounts as is customarily disclosed by staff and services providers to management vehicles similar to the Management Company, and (5) the United States federal income tax treatment and United States federal income tax structure of the transactions contemplated by this Agreement and the related documents and all materials of any kind (including opinions and other tax analyses) that are provided to them relating to such United States federal income tax treatment and United States income tax structure. This authorization to disclose the U.S. tax treatment and tax structure does not permit disclosure of information identifying the Staff and Services Provider, the Clients or Accounts or any other party to the transactions contemplated by this Agreement (except to the extent such information is relevant to U.S. tax structure or tax treatment of such transactions).

## ARTICLE VI

### EXCULPATION AND INDEMNIFICATION

Section 6.01. Standard of Care. Except as otherwise expressly provided herein, each Covered Person shall discharge its duties under this Agreement with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. To the extent not inconsistent with the foregoing, each Covered Person shall follow its customary standards, policies and procedures in performing its duties hereunder. No Covered Person shall deal with the income or assets of the Management Company in such Covered Person's own interest or for its own account. Each Covered Person in its respective sole and absolute discretion may separately engage or invest in any other business ventures, including those that may be in competition with the Management Company, and the Management Company will not have any rights in or to such ventures or the income or profits derived therefrom.

Section 6.02 Exculpation. To the fullest extent permitted by law, no Covered Person will be liable to the Management Company, any Member, or any shareholder, partner or member thereof, for (i) any acts or omissions by such Covered Person arising out of or in connection with the conduct of the business of the Management Company or its General Partner, or any investment made or held by the Management Company or its General Partner, unless it is determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, to be the result of gross negligence or to constitute fraud or willful misconduct (as interpreted under the laws of the State of Delaware) (each, a “Disabling Conduct”) on the part of such Covered Person, (ii) any act or omission of any Investor, (iii) any mistake, gross negligence, misconduct or bad faith of any employee, broker, administrator or other agent or representative of such Covered Person, *provided* that such employee, broker, administrator or agent was selected, engaged or retained by or on behalf of such Covered Person with reasonable care, or (iv) any consequential (including loss of profit), indirect, special or punitive damages. To the extent that, at law or in equity, any Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the Management Company or any Member, no Covered Person acting under this Agreement shall be liable to the Management Company or to any such Member for its good-faith reliance on the provisions of this Agreement. The exculpations set forth in this Section 6.02 shall exculpate any Covered Person regardless of such Covered Person’s sole, comparative, joint, concurrent, or subsequent negligence.

To the fullest extent permitted by law, no Covered Person shall have any personal liability to the Management Company or any Member solely by reason of any change in U.S. federal, state or local or foreign income tax laws, or in interpretations thereof, as they apply to the Management Company or the Members, whether the change occurs through legislative, judicial or administrative action.

Any Covered Person in its sole and absolute discretion may consult legal counsel, accountants or other advisers selected by it, and any act or omission taken, or made in good faith by such Person on behalf of the Management Company or in furtherance of the business of the Management Company in good-faith reliance on and in accordance with the advice of such counsel, accountants or other advisers shall be full justification for the act or omission, and to the fullest extent permitted by applicable law, no Covered Person shall be liable to the Management Company or any Member in so acting or omitting to act if such counsel, accountants or other advisers were selected, engaged or retained with reasonable care.

Section 6.03 Indemnification by the Management Company. The Management Company shall and hereby does, to the fullest extent permitted by applicable law, indemnify and hold harmless any Covered Person from and against any and all claims, causes of action (including, but not limited to, strict liability, negligence, statutory violation, regulatory violation, breach of contract, and all other torts and claims arising under common law), demands, liabilities, costs, expenses, damages, losses, suits, proceedings, judgments, assessments, actions and other liabilities, whether judicial, administrative, investigative or otherwise, of whatever nature, known or unknown, liquidated or unliquidated (“Claims”), that may accrue to or be incurred by any Covered Person, or in which any Covered Person may become involved, as a party or otherwise, or with which any Covered Person may be threatened, relating to or arising out of the investment or other activities of the Management Company or its General Partner, or activities undertaken in connection with the Management Company or its General Partner, or otherwise relating to or



arising out of this Agreement, including amounts paid in satisfaction of judgments, in compromise or as fines or penalties, and attorneys' fees and expenses incurred in connection with the preparation for or defense or disposition of any investigation, action, suit, arbitration or other proceeding (a "Proceeding"), whether civil or criminal (all of such Claims, amounts and expenses referred to therein are referred to collectively as "Damages"), except to the extent that it shall have been determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, that such Damages arose primarily from Disabling Conduct of such Covered Person. The termination of any Proceeding by settlement, judgment, order, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that any Damages relating to such settlement, judgment, order, conviction or plea of nolo contendere or its equivalent or otherwise relating to such Proceeding arose primarily from Disabling Conduct of any Covered Persons. Any Covered Person shall be indemnified under the terms of this Section 6.03 regardless of such Covered Person's sole, comparative, joint, concurrent, or subsequent negligence.

Expenses (including attorneys' fees) incurred by a Covered Person in defense or settlement of any Claim that may be subject to a right of indemnification hereunder shall be advanced by the Management Company prior to the final disposition thereof upon receipt of a written undertaking by or on behalf of the Covered Person to repay the amount advanced to the extent that it shall be determined ultimately by a court of competent jurisdiction that the Covered Person is not entitled to be indemnified hereunder. The right of any Covered Persons to the indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which the Covered Person may otherwise be entitled by contract or as a matter of law or equity and shall be extended to the Covered Person's successors, assigns and legal representatives. Any judgments against the Management Company and/or any Covered Persons in respect of which such Covered Person is entitled to indemnification shall first be satisfied from the assets of the Management Company, including Drawdowns, before such Covered Person is responsible therefor.

Notwithstanding any provision of this Agreement to the contrary, the provisions of this Section 6.03 shall not be construed so as to provide for the indemnification of any Covered Person for any liability (including liability under Federal securities laws which, under certain circumstances, impose liability even on persons that act in good faith), to the extent (but only to the extent) that such indemnification would be in violation of applicable law, but shall be construed so as to effectuate the provisions of this Section 6.03 to the fullest extent permitted by law.

Section 6.04 Other Sources of Recovery etc. The indemnification rights set forth in Section 6.03 are in addition to, and shall not exclude, limit or otherwise adversely affect, any other indemnification or similar rights to which any Covered Person may be entitled. If and to the extent that other sources of recovery (including proceeds of any applicable policies of insurance or indemnification from any Person in which any of the Clients or Accounts has an investment) are available to any Covered Person, such Covered Person shall use reasonable efforts to obtain recovery from such other sources before the Company shall be required to make any payment in respect of its indemnification obligations hereunder; *provided* that, if such other recovery is not available without delay, the Covered Person shall be entitled to such payment by the Management Company and the Management Company shall be entitled to reimbursement out of such other recovery when and if obtained.

Section 6.05 Rights of Heirs, Successors and Assigns. The indemnification rights provided by Section 6.03 shall inure to the benefit of the heirs, executors, administrators, successors and assigns of each Covered Person.

Section 6.06 Reliance. A Covered Person shall incur no liability to the Management Company or any Member in acting upon any signature or writing reasonably believed by him, her or it to be genuine, and may rely in good faith on a certificate signed by an officer of any Person in order to ascertain any fact with respect to such Person or within such Person's knowledge. Each Covered Person may act directly or through his, her or its agents or attorneys.

## ARTICLE VII

### TERMINATION

Section 7.01 Termination. Either Party may terminate this Agreement at any time upon at least thirty (30) days' written notice to the other.

## ARTICLE VIII

### MISCELLANEOUS

Section 8.01 Amendments. This Agreement may not be amended or modified except by an instrument in writing signed by each Party.

Section 8.02 Assignment and Delegation.

(a) Neither Party may assign, pledge, grant or otherwise encumber or transfer all or any part of its rights or responsibilities under this Agreement, in whole or in part, except (i) as provided in clauses (b) and (c) of this Section 8.02, without the prior written consent of the other Party and (ii) in accordance with Applicable Law.

(b) Except as otherwise provided in this Section 8.02, the Staff and Services Provider may not assign its rights or responsibilities under this Agreement unless (i) the Management Company consents in writing thereto and (ii) such assignment is made in accordance with Applicable Law.

(c) The Staff and Services Provider may, without satisfying any of the conditions of Section 8.02(a) other than clause (ii) thereof, (1) assign any of its rights or obligations under this Agreement to an Affiliate; *provided* that such Affiliate (i) has demonstrated ability, whether as an entity or by its principals and employees, to professionally and competently perform duties similar to those imposed upon the Staff and Services Provider pursuant to this Agreement and (ii) has the legal right and capacity to act as Staff and Services Provider under this Agreement, or (2) enter into (or have its parent enter into) any consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all of its assets to, another entity; *provided* that, at the time of such consolidation, merger, amalgamation or transfer the resulting, surviving or transferee entity assumes all the obligations of the Staff and Services Provider under this Agreement generally (whether by operation of law or by contract) and the other entity is a continuation of the Staff and Services Provider in another corporate or similar form and has

substantially the same staff; *provided further* that the Staff and Services Provider shall deliver ten (10) Business Days' prior notice to the Management Company of any assignment or combination made pursuant to this sentence. Upon the execution and delivery of any such assignment by the assignee, the Staff and Services Provider will be released from further obligations pursuant to this Agreement except to the extent expressly provided herein.

Section 8.03 Non-Recourse; Non-Petition.

(a) The Staff and Services Provider agrees that the payment of all amounts to which it is entitled pursuant to this Agreement shall be payable by the Management Company only to the extent of assets held in the Portfolio.

(b) Notwithstanding anything to the contrary contained herein, the liability of the Management Company to the Staff and Services Provider hereunder is limited in recourse to the Portfolio, and if the proceeds of the Portfolio following the liquidation thereof are insufficient to meet the obligations of the Management Company hereunder in full, the Management Company shall have no further liability in respect of any such outstanding obligations, and such obligations and all claims of the Staff and Services Provider or any other Person against the Management Company hereunder shall thereupon extinguish and not thereafter revive. The Staff and Services Provider accepts that the obligations of the Management Company hereunder are the corporate obligations of the Management Company and are not the obligations of any employee, member, officer, director or administrator of the Management Company and no action may be taken against any such Person in relation to the obligations of the Management Company hereunder.

(c) Notwithstanding anything to the contrary contained herein, any Staff and Services Provider agrees not to institute against, or join any other Person in instituting against, the Management Company any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings, or other proceedings under United States federal or state bankruptcy laws, or similar laws until at least one year and one day (or, if longer, the then applicable preference period plus one day) after the payment in full all amounts payable in respect of any Indebtedness incurred to finance any portion of the Portfolio; *provided* that nothing in this provision shall preclude, or be deemed to stop, the Staff and Services Provider from taking any action prior to the expiration of the aforementioned one year and one day period (or, if longer, the applicable preference period then in effect plus one day) in (i) any case or proceeding voluntarily filed or commenced by the Management Company, or (ii) any involuntary insolvency proceeding filed or commenced against the Management Company by a Person other than the Staff and Services Provider.

(d) The Management Company hereby acknowledges and agrees that the Staff and Services Provider's obligations hereunder shall be solely the corporate obligations of the Staff and Services Provider, and are not the obligations of any employee, member, officer, director or administrator of the Staff and Services Provider and no action may be taken against any such Person in relation to the obligations of the Staff and Services Provider hereunder.

(e) The provisions of this Section 8.03 shall survive termination of this Agreement for any reason whatsoever.



Section 8.04 Governing Law.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas. The Parties unconditionally and irrevocably consent to the exclusive jurisdiction of the courts located in the State of Texas and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

(b) The Parties irrevocably agree for the benefit of each other that the courts of the State of Texas and the United States District Court located in the Northern District of Texas in Dallas are to have exclusive jurisdiction to settle any disputes (whether contractual or non-contractual) which may arise out of or in connection with this Agreement and that accordingly any action arising out of or in connection therewith (together referred to as "Proceedings") may be brought in such courts. The Parties irrevocably submit to the jurisdiction of such courts and waive any objection which they may have now or hereafter to the laying of the venue of any Proceedings in any such court and any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably agree that a judgment in any Proceedings brought in such courts shall be conclusive and binding upon the Parties and may be enforced in the courts of any other jurisdiction.

Section 8.05 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR ITS ENTERING INTO THIS AGREEMENT.

Section 8.06 Severability. The provisions of this Agreement are independent of and severable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties.

Section 8.07 No Waiver. The performance of any condition or obligation imposed upon any Party may be waived only upon the written consent of the Parties. Such waiver shall be limited to the terms thereof and shall not constitute a waiver of any other condition or obligation of the other Party. Any failure by any Party to enforce any provision shall not constitute a waiver of that or any other provision or this Agreement.

Section 8.08 Counterparts. This Agreement may be executed in any number of counterparts by facsimile or other written or electronic form of communication, each of which shall be deemed to be an original as against any Party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the Parties reflected hereon as the signatories.

Section 8.09 Third Party Beneficiaries. This Agreement is for the sole benefit of the Parties hereto and their permitted assigns and nothing herein express or implied shall give or be construed to give to any Person, other than the Parties hereto and such permitted assigns, any legal or equitable rights hereunder. For avoidance of doubt, this Agreement is not for the benefit of and is not enforceable by any Shared Employee, Client or Account or any investor (directly or indirectly) in the Management Company.

Section 8.10 No Partnership or Joint Venture. Nothing set forth in this Agreement shall constitute, or be construed to create, an employment relationship, a partnership or a joint venture between the Parties. Except as expressly provided herein or in any other written agreement between the Parties, no Party has any authority, express or implied, to bind or to incur liabilities on behalf of, or in the name of, any other Party.

Section 8.11 Independent Contractor. Notwithstanding anything to the contrary, the Staff and Services Provider shall be deemed to be an independent contractor and, except as expressly provided or authorized herein, shall have no authority to act for or represent the Management Company or any Client or Account in which the Management Company acts as portfolio manager or investment manager or in a similar capacity in any manner or otherwise be deemed an agent of the Management Company or any Client or Account in which the Management Company acts as portfolio manager or investment manager or in a similar capacity.

Section 8.12 Written Disclosure Statement. The Management Company acknowledges receipt of Part 2 of the Staff and Services Provider's Form ADV, as required by Rule 204-3 under the Advisers Act, on or before the date of execution of this Agreement.

Section 8.13 Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 8.14 Entire Agreement. This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, between the Parties with respect to such subject matter.

Section 8.15 Notices. Any notice or demand to any Party to be given, made or served for any purposes under this Agreement shall be given, made or served by sending the same by overnight mail or email transmission or by delivering it by hand as follows:

- (a) If to the Management Company:

NexPoint Advisors, L.P.  
200 Crescent Court  
Suite 700  
Dallas, TX 75201

(b) If to the Staff and Services Provider:

Highland Capital Management, L.P.  
300 Crescent Court  
Suite 700  
Dallas, TX 75201


or to such other address or email address as shall have been notified to the other Parties.

*[The remainder of this page intentionally left blank.]*

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed as of the date hereof by its duly authorized representative.

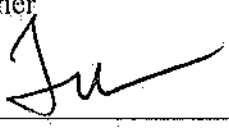
**NEXPOINT ADVISORS, L.P.**

By: NexPoint Advisors GP, LLC, its  
General Partner

By:   
Name: Frank Waterhouse  
Title: Treasurer

**HIGHLAND CAPITAL  
MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its General  
Partner

By:   
Name: Frank Waterhouse  
Title: Treasurer

000080

## **EXHIBIT D**

000081

November 30, 2020

NexPoint Advisors, L.P.  
200 Crescent Court, Suite 700  
Dallas, Texas 75201

**RE: Termination of Amended and Restated Shared Services Agreement, dated January 1, 2018, and among Highland Capital Management, L.P. (“HCMLP”), and NexPoint Advisors, L.P. (the “Agreement”).**

To Whom It May Concern:

As set forth in Section 7.01 of the Agreement, the Agreement is terminable at will upon at least 30 days advance written notice.

By this letter, HCMLP is notifying you that it is terminating the Agreement. Such termination will be effective January 31, 2021. HCMLP reserves the right to rescind this notice of termination.

Please feel free to contact me with any questions.

Sincerely,

HIGHLAND CAPITAL MANAGEMENT, L.P.

/s/ James P. Seery, Jr.

James P. Seery, Jr.  
Chief Executive Officer  
Chief Restructuring Officer

## **EXHIBIT E**

000083



Highland Capital Management LP  
300 Crescent Court, Suite 700  
Dallas, Texas 75201

NexPoint Advisors, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201

Highland Capital Management Fund Advisors, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201

January 30, 2021

Ladies and Gentlemen:

This letter agreement (the “Letter Agreement”) is entered into by and among Highland Capital Management LP (“HCMLP”), NexPoint Advisors, L.P. (“NPA”), and Highland Capital Management Fund Advisors, L.P. (“HCMFA”).

Reference is made to the following agreements (as amended to date, the “NPA Services Agreements”):

1. Amended and Restated Shared Services Agreement dated effective as of January 1, 2018 by and between NPA and HCMLP
2. Payroll Expense Reimbursement Agreement dated as of May 1, 2018 by and between NPA and HCMLP (as amended by Amendment Number One December 14, 2018)

Reference is made to the following agreements (as amended to date, the “HCMFA Services Agreements” and together with the NPA Services Agreements, the “Services Agreements”):

1. Second Amended and Restated Shared Services Agreement dated effective as of February 8, 2013 by and between HCMFA and HCMLP
2. Payroll Expense Reimbursement Agreement dated as of May 1, 2018 by and between HCMFA and HCMLP (as amended by Amendment Number One December 14, 2018)

Pursuant to termination notices delivered by HCMLP to each of NPA and HCMFA, each of the Services Agreements is scheduled to terminate in accordance with its terms on January 31, 2021.

NPA hereby represents and warrants to HCMLP that it has paid to HCMLP in cash, by wire transfer on the date of this Letter Agreement, an amount equal to \$210,000. HCMFA hereby represents and warrants to HCMLP that it has paid to HCMLP in cash, by wire transfer on the date of this Letter Agreement, an amount equal to \$360,241 (together with the payment from NPA referenced in the prior sentence, the “Pre-Paid Fees”).

Subject to and in reliance upon the payments by NPA and HCMFA of the Pre-Paid Fees, HCMLP hereby agrees to continue the term of each of the Services Agreements for an additional period of 14 calendar days, with the first of such calendar days being February 1, 2021 (the “Extension Period”). Thereafter, the undersigned parties, HCMLP, NPA, and HCMFA agree and acknowledge that each of the NPA Services Agreement and the HCMFA Services Agreement will terminate automatically and without any further action or notice.

The Pre-Paid Fees to HCMLP are exclusive of any additional expenses incurred under the terms of the Services Agreement during the Extension Period, which will be billed in arrears to NPA and/or HCMFA as applicable.

Except as explicitly referenced in this Letter Agreement, the terms of the Services Agreements shall remain in effect during the Extension Period. Each party to this Letter Agreement reserves all rights it has, or may have, including all rights to pursue and defend any claims and/or causes of action, with respect to any matter, agreement, or understanding not explicitly addressed in this Letter Agreement. This Letter Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas. The undersigned parties unconditionally and irrevocably consent to the exclusive jurisdiction of the exclusive jurisdiction of the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (which court, for purposes of this Letter Agreement, is the only court of competent jurisdiction) and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Letter Agreement or the matters contemplated hereby.

Sincerely,

Highland Capital Management LP

  
By: James P. Seery, Jr.  
Its: Chief Executive Officer

Agreed and Accepted:

NexPoint Advisors, L.P.

\_\_\_\_\_  
By:  
Its:

Highland Capital Management Fund Advisors, L.P.

\_\_\_\_\_  
By:  
Its:

## **EXHIBIT F**

000086

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**From:** James Seery <jpseeryjr@gmail.com>  
**Sent:** Wednesday, January 27, 2021 2:47 PM  
**To:** Ethan Powell  
**Cc:** Thomas Surgent  
**Subject:** Response to KL Gates Letter Dated January 27, 2021

Mr. Powell:

I write to respond briefly to your counsel's letter to me dated today. I will not be communicating with your counsel.

Initially, as I stated on the phone to you prior to your termination of my call, either the Funds' Board is unaware of the actions taken by the Funds in court over the past week or the Board is complicit in those actions. In my opinion, the Funds' CCO perjured himself multiple times yesterday, and the advisors and the Funds fabricated a false claim that HCMLP breached the Advisors Act with respect to HCMLP's management of certain CLOs. Based on our prior dealings, I would not have expected the Funds and their Boards to participate in such a false narrative in the Bankruptcy Court and hope that it was a case of counsel and the CCO hiding their tactics from the Board. We can address these issues at a later time.

With respect to the KL Gates letter, as the Board is aware, HCMLP has been pursuing a plan of reorganization that calls for termination of the shared service agreements with the Funds and their advisors for months. HCMLP has given timely notice of termination of the shared service agreements. As the Boards are further aware, for the past several months, HCMLP has attempted to work on a transition of HCMLP employees to a Dondero controlled entity that could work with the Funds to provide the services previously provided by HCMLP. And as I specifically told the Funds' Board, that arrangement is dependent on cooperation from Mr. Dondero as the person in complete control of the advisors. Since Mr. Dondero is also the portfolio manager of the advisors, HCMLP assumes that the Board have been in regular communication with him about the transition, especially since the termination notices were sent. KL Gates is correct that the shared service agreements and all services thereunder terminate on January 31, 2021 (the "Termination Date").

For the past several months, Mr. Dondero has refused to permit the negotiation of a transition arrangement on behalf of advisors. In the past few weeks, HCMLP and its advisors have been attempting to work with Brian Collins and JP Sevilla (senior HCMLP employees) to construct a transition arrangement based on the terms HCMLP has been proposing for months. Those soon to be former HCMLP employees would form their own company (with other former HCMLP employees) to provide the services to the advisors, the Funds, and others. We believe that arrangement is potentially close to agreement and will be documented in a term sheet that will need to be executed prior to the end of the day on the Termination Date. If the term sheet is agreed to, properly executed, and its conditions precedent are met, it will govern the respective parties' arrangement and the provision of services while final documents incorporating the agreement are drafted during the first two weeks of February.

A key condition precedent is for the advisors and their related entities to pay all post-petition amounts due to HCMLP. (HCMLP has already commenced actions to collect certain other amounts due to it from those related entities.). The total post-petition amount owed is approximately \$5.5 million.

HCMLP encourages the Board to reach out to Messrs. Collins and Sevilla to gain an understanding of the terms of the potential transition arrangement, the counterparties' willingness to execute the term sheet, and the counterparties' ability to timely make the required payment.

I will not address the remainder of the KL Gates letter. By declining to address the letter, HCMLP does not agree with it, save for the recognition that termination of the shared service agreements has been properly given and that the agreements and services thereunder terminate on the Termination Date. HCMLP reserves all its rights and claims.

Best. Jim

Jim Seery  
631-804-2049  
jpseeryjr@gmail.com

## EXHIBIT G

000089

*By Email and FedEx*

Board of Trustees of Highland Funds  
c/o Stacy Louizos, Esq.  
Blank Rome LLP  
1271 Avenue of the Americas  
New York, NY 10020  
[slouizos@blankrome.com](mailto:slouizos@blankrome.com)

Ethan Powell, Trustee: [ethanpowell@impactshares.org](mailto:ethanpowell@impactshares.org)  
John Honis, Trustee: [Jhonis@RandAdvisors.com](mailto:Jhonis@RandAdvisors.com)  
Dr. Bob Froehlich, Trustee: [drbobf@gmail.com](mailto:drbobf@gmail.com)  
Bryan Ward, Trustee: [bward2299@gmail.com](mailto:bward2299@gmail.com)  
Ed Constantino, Trustee: [enconstantino@gmail.com](mailto:enconstantino@gmail.com)

February 8, 2021

Dear Members of the Board of Trustees:

I write regarding the transition of the Shared Services (as defined below) provided by Highland Capital Management LP ("HCMLP") to NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (the "Fund Advisers"), which serve as investment advisers to the investment companies registered under the Investment Company Act of 1940 that are overseen by the Board (collectively, the "Funds").

As you are aware, HCMLP provides certain back- and middle-office services, administrative, infrastructure, and other services to the Fund Advisers under Shared Service Agreements between HCMLP and the Fund Advisers (the "Shared Service Agreements"). These services include office space and facilities, personnel sharing/human resources, information technology, trade desk services, compliance/risk personnel, administrative, tax, document negotiation, valuation, and reporting services as described more fully in the Shared Service Agreements (collectively, the "Shared Services").

As the Board is also aware, HCMLP gave the required advance notice of termination of its services under the Shared Service Agreements more than two months ago, and has extended that notice for an additional two weeks, solely to accommodate the Fund Advisers' need for additional time to transition services. Accordingly, February 14, 2021 is now the extended termination date of the Shared Services Agreements and related Payroll Expense Reimbursement Agreements that form the basis of the services provided by HCMLP to the Fund Advisers.

As of today, the Fund Advisers have not confirmed that they are prepared to fully service the Funds without interruption following the termination. As discussed below, HCMLP is in bankruptcy, has diminishing resources, and is subject to a creditor's committee and plan of reorganization that does not contemplate HCMLP continuing to provide services to the Fund Advisers after February 14, 2021. As a result, we are once again providing the Board with notice that it must exercise its oversight responsibility over the Funds to assure that there is a replacement service provider by February 15, 2021.



Board of Trustees

February 8, 2021

Page 2

Both before and after notice of termination was given, HCMLP has endeavored in good faith to negotiate an appropriate transition of the shared services to a newly-formed company ("NewCo") that will be owned and operated by the very same employees that oversee the provision of the shared services now (following their termination by HCMLP, that is).

Our interest in transitioning this business and these employees is not simply a desire, it is part and parcel of the reorganization and Chapter 11 restructuring plan for HCMLP that was approved by the federal bankruptcy court this morning.

Unfortunately, our negotiations with the Fund Advisers to bring this matter to a conclusion, while ongoing, have not resulted in an agreement. And indeed, the Fund Advisers' conduct at times has been counterproductive to the transition of these services, requiring multiple instances of court intervention to prevent harm to HCMLP or the estate.

HCMLP recognizes the potential consequences of a material disruption in the Fund Advisers' services to the Funds and their investors, and therefore has at all times sought to ensure uninterrupted service to the Fund Advisers. Most recently we offered to extend the termination date for an additional 14 days, despite not having been paid by the Fund Advisers for our services for months prior to the extension. To be clear, however, HCMLP is a debtor in bankruptcy and is winding down its operations and employees. At some point shortly after February 14, HCMLP will no longer have the resources to provide these services to the Fund Advisers. Moreover, the bankruptcy creates uncertainty about future employment status for the HCMLP employees providing services to the Fund Advisers, creating risk to our future ability to provide these services, which we understand are necessary to the Funds.

We remain committed to attempting to transition the Shared Services to NewCo or any other successor servicer selected by the Board and/or the Fund Advisers. We continue to actively negotiate a binding term sheet that would ensure a smooth and successful transition. We cannot complete this negotiation without the Fund Advisers' participation and agreement. For this reason, we reiterate that the Trustees must (i) make clear to the Fund Advisers their shared commitment to that transition, and (ii) specifically articulate to us their plan to ensure the Funds do not fail in the event the Fund Advisers do not agree to a plan of transition.

Without waiver to our claims against the Fund Advisers, including the Fund Advisers' material default in payments to HCMLP, in the interests of facilitating an orderly transition by February 15, HCMLP is also prepared to make the web and e-mail domains and data relevant to the shared services available to NewCo at the time of transition.

In closing, HCMLP has acted in good faith at all times to effectuate the orderly transition of the Shared Services. Now that we face the loss of budget and personnel needed to provide these services, I think we can agree that the interests of the Funds and their shareholders are not served by the Fund Advisers' refusal to bring this matter to closure by the February 14 termination date. The solution is at hand and we see no reason why,

Board of Trustees


February 8, 2021

Page 3

with your commitment, the transition cannot be completed in an orderly fashion in advance of that termination.

Sincerely,

HIGHLAND CAPITAL MANAGEMENT, L.P.

A handwritten signature in black ink, appearing to read "JP Seery, Jr.", with a stylized flourish at the end.

James P. Seery, Jr.

Chief Executive Officer/Chief Restructuring Officer

## **EXHIBIT H**

000093

*By Email*

Board of Trustees of Highland Funds  
c/o Stacy Louizos, Esq.  
Blank Rome LLP  
1271 Avenue of the Americas  
New York, NY 10020  
[slouizos@blankrome.com](mailto:slouizos@blankrome.com)

Ethan Powell, Trustee: [ethanpowell@impactshares.org](mailto:ethanpowell@impactshares.org)  
John Honis, Trustee: [Jhonis@RandAdvisors.com](mailto:Jhonis@RandAdvisors.com)  
Dr. Bob Froehlich, Trustee: [drbobf@gmail.com](mailto:drbobf@gmail.com)  
Bryan Ward, Trustee: [bward2299@gmail.com](mailto:bward2299@gmail.com)  
Ed Constantino, Trustee: [enconstantino@gmail.com](mailto:enconstantino@gmail.com)

February 12, 2021

Dear Members of the Boards of Trustees/Directors:

I write further to my letter of February 8, 2021 regarding the termination or transition of the shared services provided by Highland Capital Management LP ("HCMLP") to NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (the "Fund Advisers"), which serve as investment advisers to the investment companies registered under the Investment Company Act of 1940 that are overseen by the Board (collectively, the "Funds").

Specifically, I am writing to be sure that the current status from our perspective is clear to you as HCMLP seeks to resolve this matter:

*Negotiation of Term Sheet to Transition Services to an Alternative Service Provider*

In my February 8th letter, I indicated that our negotiations with the Fund Advisers are ongoing, but an agreement remains beyond our collective grasp. HCMLP believes that we are at a point where there are no open material business issues. Our most recent draft of the Term Sheet to the Fund Advisers provides the Fund Advisers with access to all necessary information, systems, and data.

Specifically, under the Term Sheet, in exchange for the agreed upon fees, HCMLP will agree to:

(i) provide access for employees and personnel of the Fund Advisers and their subsidiaries to and use of the offices, and facilities of HCMLP in a manner consistent with customary access and use by employees and shared personnel (of the newco) of the Fund Advisers and their subsidiaries,

(ii) provide employees and personnel of the Fund Advisers with access to and use of the systems and resources of HCMLP as set forth on an extensive schedule of vendor agreements, software platforms, IT services, trading systems, administrative systems, and

Board of Trustees / Directors

February 12, 2021

Page 2

other resources, in each case as agreed by the parties, and

(iii) transfer to the Fund Advisers all of HCMLP's rights title and interest in the domain names required by the Fund Advisers. In turn, the cost of the leased space and other Shared Resources will be shared by the parties as agreed on the detailed schedule on an item-by-item basis, but generally reflecting a split of 60% payable by the Fund Advisers and 40% payable by HCMLP (except with respect to rent where the split is 75% payable by the Fund Advisers and 25% payable by HCMLP).

By way of background, after pushing to commence these negotiations since last summer, we finally got some engagement from the Fund Advisers and provided the revised draft Term Sheet to counsel for the Fund Advisers on January 28<sup>th</sup>. We have since collectively revised the draft several times, including sending a draft on February 2nd and most recently providing the current draft yesterday. We are prepared to execute the current draft of the revised Term Sheet today.

We write to share this information with the Independent Trustees/Directors of the Funds because HCMLP believes it cannot provide these services beyond February 19, 2021. It is for you and your counsel to assess whether the Board should take steps to assure that services to the Funds will be maintained beyond this date. Of course, our position is that it is your fiduciary duty to meet that obligation. We are confident we have met our obligations and are prepared to take steps to underscore that position.

#### *February 19th Deadline*

As you know, last November HCMLP provided the Fund Advisers with the requisite two-month notice under the Shared Services Agreements. The Fund Advisers did not arrange for an alternative service provider during this period, even though this issue has been on the table since last summer.

Nonetheless, in the interest of reaching a good faith resolution, HCMLP extended the termination of the shared services from January 31st to February 14th to provide additional time for the Fund Advisers to transition. We have now agreed to further extended the termination deadline an additional working week, to February 19<sup>th</sup>, conditioned on payment. But we have reached the point where our obligations to the Estate means that this is a firm deadline. After February 19th, HCMLP will not be in a position to continue to provide services to the Fund Advisers. This will result in the cessation of services that have been provided to the Fund Advisers, including, without limitation, pricing, striking of daily net asset values, compliance support, trading systems, email, and other IT functions. These services may be required for Funds' shareholders to purchase and sell shares of the Funds unless you have arranged alternative services from a successor provider.

HCMLP stands ready to cooperate to transition necessary data and files to a successor services provider identified by the Funds and/or the Fund Advisers.

Board of Trustees / Directors

February 12, 2021

Page 3

*Fund Board Involvement*

In my February 8th letter, I requested on behalf of HCMLP that the Board (i) make clear to the Fund Advisers their shared commitment to that transition, and (ii) specifically articulate to us their plan to ensure the Funds do not fail in the event the Fund Advisers do not agree to a plan of transition.

We await a written position on these issues.

Sincerely,

HIGHLAND CAPITAL MANAGEMENT, L.P.



James P. Seery, Jr.  
Chief Executive Officer/Chief Restructuring Officer



## EXHIBIT I

000097

Highland Capital Management LP  
300 Crescent Court, Suite 700  
Dallas, Texas 75201

NexPoint Advisors, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201

Highland Capital Management Fund Advisors, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201

February 11, 2021

Ladies and Gentlemen:

This letter agreement (the "Letter Agreement") is entered into by and among Highland Capital Management LP ("HCMLP"), NexPoint Advisors, L.P. ("NPA"), and Highland Capital Management Fund Advisors, L.P. ("HCMFA").

Reference is made to the following agreements (as amended to date, the "NPA Services Agreements"):

1. Amended and Restated Shared Services Agreement dated effective as of January 1, 2018 by and between NPA and HCMLP
2. Payroll Expense Reimbursement Agreement dated as of May 1, 2018 by and between NPA and HCMLP (as amended by Amendment Number One December 14, 2018)

Reference is made to the following agreements (as amended to date, the "HCMFA Services Agreements" and together with the NPA Services Agreements, the "Services Agreements"):

1. Second Amended and Restated Shared Services Agreement dated effective as of February 8, 2013 by and between HCMFA and HCMLP
2. Payroll Expense Reimbursement Agreement dated as of May 1, 2018 by and between HCMFA and HCMLP (as amended by Amendment Number One December 14, 2018)

Each of the Services Agreements was scheduled to terminate in accordance with its terms on January 31, 2021, and in each case such termination was extended to February 14, 2021 by that certain letter agreement by and among the undersigned parties dated January 30, 2021 (the "First Extension Letter"). Now, the undersigned parties wish to further extend such terminations to February 19, 2021 in accordance with the terms of this Letter Agreement.

NPA hereby represents and warrants to HCMLP that it has paid to HCMLP in cash, by wire transfer on the date of this Letter Agreement, an amount equal to \$75,000. HCMFA hereby represents and warrants to HCMLP that it has paid to HCMLP in cash, by wire transfer on the date of this Letter Agreement, an amount equal to \$128,657 (together with the payment from NPA referenced in the prior sentence, the "Pre-Paid Fees").


Subject to and in reliance upon the payments by NPA and HCMFA of the Pre-Paid Fees, HCMLP hereby agrees to continue the term of each of the Services Agreements for an additional period of 5 calendar days, with the first of such calendar days being February 15, 2021 (the "Second Extension Period"). Thereafter, the undersigned parties, HCMLP, NPA, and HCMFA, agree and acknowledge that each of the NPA Services Agreement and the HCMFA Services Agreement will terminate automatically and without any further action or notice.

The Pre-Paid Fees to HCMLP are exclusive of any additional expenses incurred under the terms of the Services Agreement during the Second Extension Period, which will be billed in arrears to NPA and/or HCMFA as applicable.

Except as explicitly referenced in this Letter Agreement, the terms of the Services Agreements (as extended by the shall remain in effect during the Second Extension Period. Each party to this Letter Agreement reserves all rights it has, or may have, including all rights to pursue and defend any claims and/or causes of action, with respect to any matter, agreement, or understanding not explicitly addressed in this Letter Agreement. This Letter Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas, The undersigned parties unconditionally and irrevocably consent to the exclusive jurisdiction of the exclusive jurisdiction of the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (which court, for purposes of this Letter Agreement, is the only court of competent jurisdiction) and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Letter Agreement or the matters contemplated hereby.

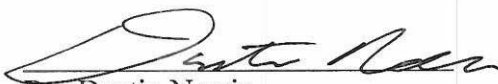
Sincerely,

Highland Capital Management LP

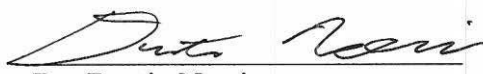
  
By: James P. Sorely, Jr.  
Its: CEO/CRO

Agreed and Accepted:

NexPoint Advisors, L.P.

  
By: Dustin Norris  
Its: Executive Vice President

Highland Capital Management Fund Advisors, L.P.

  
By: Dustin Norris  
Its: Executive Vice President

## **EXHIBIT J**

000100

## CONFIDENTIAL BINDING TERM SHEET

This Confidential Binding Term Sheet (including the Schedules attached hereto, this “Term Sheet”) is entered into effective as of February 12, 2021 (the “Effective Date”) by and among Highland Capital Management, LP (“HCMLP”) and the following parties (collectively, the “NexPoint Parties”): NexPoint Advisors, L.P. (“NPA”), and Highland Capital Management Fund Advisors, L.P. (“HCMFA”).

The NexPoint Parties and HCMLP collectively are referred to as the “Parties” and each of them as a “Party”.

### PREAMBLE

WHEREAS, HCMLP and the NexPoint Parties were parties to certain Shared Services Agreements and Payroll Expense Reimbursement Agreement pursuant to which HCMLP provided certain personnel and services to the NexPoint Parties in consideration of payments by the NexPoint Parties for such shared services (the “Shared Services Agreements”).

WHEREAS, termination notices for such Shared Services Agreements were delivered to the NexPoint Parties in accordance with the terms of such Shared Services Agreements.

WHEREAS, the Parties have been engaged in discussions and negotiations prior to and since the delivery of such termination notices with respect to the potential extension of shared services by HCMLP to the NexPoint Parties.

WHEREAS, HCMLP, NPA, and HCMFA have entered into a Letter Agreement dated January 31, 2021 which extends the Shared Services Agreements applicable to NPA and HCMFA, which otherwise would have expired on January 31, 2021, for a 14-day period beginning on February 1, 2021.

WHEREAS, HCMLP, NPA, and HCMFA have entered into a Second Letter Agreement dated February 11, 2021 which extends the Shared Services Agreements applicable to NPA and HCMFA, which otherwise would have expired pursuant to the first Letter Agreement on February 14, 2021, for five days through February 19, 2021.

WHEREAS, certain employees of HCMLP intend to form a new company (“Newco”) to provide services similar to those provided under the Shared Service Agreements to the NexPoint Parties and other third parties.

WHEREAS, the Parties wish to enter into a binding term sheet pursuant to which HCMLP will provide certain access and resources to the NexPoint Parties in consideration of payments and other agreements of the NexPoint Parties.

NOW, THEREFORE, in consideration of the covenants and agreements set forth in this Term Sheet and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

### **I. RESOURCES AND PAYMENTS**

Section 1.1 Payment of Past Due Amounts. The NexPoint Parties will pay to HCMLP an amount equal to \$3,054,253 (the “Past Due Payment Amounts”) in immediately available funds as follows: (i) \$1,000,000 will be paid on the Effective Date and (ii) the balance shall be paid in fourteen



equal monthly installments on the first business day of each month following the Effective Date. The payment of the Past Due Payment Amounts will offset dollar for dollar amounts owed by the NexPoint Parties to HCMLP after the filing of HCMLP's bankruptcy petition on October 19, 2019, under the Shared Services Agreements.

Section 1.2 Access to Premises; Office Space.

(a) Until the expiration of the current term of the HCMLP lease for 200 and 300 Crescent Court, Dallas, Texas 75201 (the "Premises") (April 30, 2022) (the "Lease"), employees and personnel of the NexPoint Parties and their subsidiaries and affiliates shall be afforded by HCMLP access to and use of the offices, and facilities of HCMLP located at the Premises in a manner consistent with customary access and use of employees and shared personnel of the NexPoint Parties and their subsidiaries and affiliates, and subject to any restrictions and conditions applicable under the Lease. Parties will work in good faith to enter a sublease for no less than 75% of the Premises to NexPoint Parties at the lease-rate set forth on Schedule A to this Term Sheet.

(b) In consideration of the access and use of the offices and facilities by employees and personnel of the NexPoint Parties as set forth in Section 1.2(a), the NexPoint Parties shall make prompt payments in cash, by wire transfer, to HCMLP or its designee in such amounts and at such times as are set forth on Schedule A to this Term Sheet.

(c) For the avoidance of doubt the access and limited use of the offices and facilities by employees and personnel of the NexPoint Parties as set forth in Section 1.2(a) shall not include sharing of any HCMLP information (with all such information being deemed confidential and for the exclusive use by and benefit of HCMLP employees and/or personnel) other than shared spaces such as conference rooms, reception areas, restrooms, and dining areas. The parties acknowledge that there will be certain areas subject to the exclusive use and control of either HCMLP or the NexPoint Parties as will be agreed to in the Definitive Agreement or in the sublease, which may be entered into prior to the Definitive Agreement. HCMLP information shall include all files, data, communications, and documents that are maintained and utilized by personnel of HCMLP and/or its general partner that are not necessary for the business of the NexPoint Parties, including without limitation all files, data, communications, and documents relating to the bankruptcy of HCMLP, the management and affairs of HCMLP, personnel matters of HCMLP, disputes to which HCMLP is a party, communications with counsel to HCMLP and other outside advisors, and communications with the members of the board of the general partner of HCMLP. Correspondingly, the parties agree that NexPoint Parties will continue to have, and HCMLP will not interfere with, access to certain Shared Resources as defined below. Further, HCMLP shall use reasonable efforts to avoid using or accessing any NexPoint Parties' privileged (*i.e.*, between any NexPoint Party and its outside or external counsel) e-mails and privileged information housed on certain Shared Resources, except as necessary to satisfy HCMLP's regulatory or legal requirements

(d) HCMLP shall have no obligation to renew or extend the Lease beyond April 30, 2022.

(e) The NexPoint Parties shall, and shall ensure that their employees and personnel, comply with and fulfill any obligations or responsibilities applicable to employees or personnel of HCMLP under the Lease and other documents and policies governing the use of the offices and facilities hereunder (including, but not limited to, the restriction against the access of any and all HCMLP information).

(f) The Parties acknowledge and agree that one or more of the Parties may engage Newco to provide back-office services to such Party or Parties pursuant to a services agreement (or equivalent agreement or arrangement) between such Party or Parties and Newco. To the extent a Party enters into any such agreement or arrangement with Newco, the Parties shall cooperate to provide Newco personnel

with reasonable access to the facilities and resources set forth in Schedule A to the extent reasonably necessary for Newco to perform its services to such Party.

Section 1.3 Access to Certain Shared Resources.

(a) HCMLP shall provide employees and personnel of the NexPoint Parties with access to and use of the systems and resources of HCMLP set forth on Schedule A to this Term Sheet (the “Shared Resources”) during the periods set forth on Schedule A. Correspondingly, the parties agree that NexPoint Parties will continue to have, and HCMLP will not interfere with, access to certain necessary Shared Resources. For the avoidance of doubt, the parties agree that NexPoint Parties will have access to the same books and records as available under the applicable Shared Services Agreements. Further, to the extent permitted by the terms and agreements governing the Shared Resource, HCMLP agrees that NexPoint Parties shall have the right to share or sublicense such Shared Resource at NexPoint Parties’ discretion.

(b) In consideration of the provision of Shared Resources by HCMLP to employees and personnel of the NexPoint Parties as set forth in Section 1.3(a), the NexPoint Parties shall make prompt payments in cash, by wire transfer, to HCMLP or its designee in such amounts and at such times as are set forth on Schedule A to this Term Sheet. The NexPoint Parties shall pay all initial one-time payments set forth on Schedule A to HCMLP as a single lump sum within 30 days after the date of this Term Sheet. Thereafter, the NexPoint Parties shall make all monthly payments (or other periodic payments) set forth on Schedule A to HCMLP on or before the first day of the calendar month (or other period) to which such payment relates. All payment obligations of the NexPoint Parties under this Term Sheet shall be joint and not several. Except with respect to such payment obligations, the obligations and liabilities of the NexPoint Parties hereunder shall be several and not joint.

(c) Each such Shared Resource shall be renewed only to the extent necessary to remain available to employees and personnel of the NexPoint Parties and HCMLP for such parties to perform their duties consistent with past practices during such periods set forth on Schedule A. Thereafter, no Party to this Term Sheet shall be responsible for extension or renewal of any such Shared Resource or to provide access to any such Shared Resource with any other Party. The aggregate cost of any renewal (even if such renewal extends beyond the term provided in Schedule A) shall be borne 60% by the NexPoint Parties and 40% by HCMLP. The NexPoint Parties shall promptly pay their portion of such renewal costs to HCMLP or its designee at the request of HCMLP at least five (5) Business Days (as defined below) before the date such renewal payment is required to be made to the applicable vendor, and assuming timely receipt of such portion, HCMLP shall timely make the full renewal payment to the applicable vendor. For purposes of this Term Sheet, “Business Day” shall mean a day on which the New York Stock Exchange is open for regular trading. The parties hereby agree to discuss the renewal of such Shared Resource prior to renewal and agree that to the extent the one of the parties determines that a Shared Resource no longer necessary for one or both of the parties to operate, then either (i) such vendor contract shall not be renewed, or (ii) if renewed, such vendor contract shall be renewed and paid solely by the party that needs the contract to operate.

(d) The NexPoint Parties shall, and shall ensure that their employees and personnel, comply with and fulfill any obligations or responsibilities applicable to employees or personnel of HCMLP under the policies governing the use of the Shared Resources hereunder.

Section 1.4 Unexpected Costs; Repairs. In the event it is necessary for the Parties to incur any costs (e.g., in the case of breakdowns or repairs) for the continued functionality of the Shared Services at their existing levels, such additional expenditures shall be (i) approved by HCMLP and NPA, and (ii) borne 60% by the NexPoint Parties and 40% by HCMLP.



Section 1.5 Failure to Pay; Cure Period. In the event a NexPoint Party fails to satisfy any payments such NexPoint Party is obligated to make pursuant to this Term Sheet and such NexPoint Party fails to cure such failure to make prompt payment within five (5) Business Days of receipt of notice of such failure from HCMLP, HCMLP shall have the right to terminate access to all Shared Resources and all respective agreements in connection with such Shared Resources with respect to all of the NexPoint Parties. HCMLP further agrees that in the event that HCMLP fails to make any payment to a landlord or Shared Resource vendor required to be made hereunder, the NexPoint Parties shall have the right to make the payments necessary to retain such leased property, service or Shared Resource and deduct such the amount of such payments from future payments due to HCMLP under the Term Sheet. If the amounts paid by the NexPoint Parties exceed what would otherwise be due to HCMLP from such NexPoint Parties, the NexPoint Parties may pursue recovery from HCMLP for such excess amount.

## II. OTHER AGREEMENTS OF THE PARTIES

### Section 2.1 Certain Benefit Plan Matters.

(a) On or before February 19, 2021, HCMLP and NPA shall enter into a mutually acceptable Assignment and Assumption Agreement, pursuant to which HCMLP agrees to assign to NPA, and NPA agrees to assume, effective as of January 1, 2021, all of the rights and obligations of HCMLP as the “Primary Plan Sponsor” of the Highland 401(k) Plan, as amended and restated effective January 1, 2016 (as amended to date).

(b) HCMLP and NPA shall use reasonable best efforts to enter into a mutually acceptable Assignment and Assumption Agreement (or equivalent agreement), pursuant to which HCMLP agrees to assign to NPA or its designee, and NPA or its designee agrees to assume all of the rights and obligations of HCMLP as the sponsor of Highland’s defined benefit plan (as amended to date).

(c) To the extent permitted under applicable law (including without limitation the Employee Retirement Income Security Act of 1974) the parties agree to enter into an arrangement with respect to employee benefit plan (including, without limitation, health, medical, dental, and other similar plans) whereby, as soon as reasonably practicable, NPA shall admit and maintain each employee of HCMLP and its sole limited partner of the Claimant Trust as a participant of each employee benefit plan (including, without limitation, health, medical, dental, and other similar plans) maintained by or on behalf of NPA for employees of NPA and/or the NexPoint Parties, on the same terms and subject to the same conditions as such employees of NPA and/or the NexPoint Parties. The parties agree that the actual costs of such employee benefit plans attributable to HCMLP employees shall be borne by HCMLP.

### Section 2.2 Transfers of Property to NPA.

(a) As soon as reasonably practicable following the execution of this Term Sheet, HCMLP shall transfer to NPA or its designee, all of HCMLP’s rights title and interest, if any, in the domain names set forth on Schedule C to this Term Sheet (the “Domain Names”), and, to the extent possible, all telephone numbers currently utilized exclusively by the NexPoint Parties. The NexPoint Parties shall provide a list of such telephone numbers to HCMP as soon as practicable following the execution of this Term Sheet and HCMLP and the NexPoint Parties shall meet and confer in good faith to confirm that such telephone numbers are exclusively used by the NexPoint Parties.

(b) If the NexPoint Parties (i) make all payments required by this Term Sheet (and any other Definitive Agreement that supersedes this Term Sheet), (ii) fulfill all of their obligations under this Term Sheet (and any other Definitive Agreement that supersedes this Term Sheet), and (iii) are not in breach of any material provision of this Term Sheet, any other Definitive Agreement that supersedes this Term

Sheet, and/or any material provision of any other agreement between HCMLP and a NexPoint Party in each case through the full term of this Term Sheet (and any other Definitive Agreement that supersedes this Term Sheet) provided that in the event of any such breach the breaching NexPoint Party has notice thereof and a reasonable opportunity to cure (not to exceed 30 calendar days) if such breach is curable (collectively, the “NexPoint Conditions”), then upon the expiration of the term of this Term Sheet (or any other Definitive Agreement that supersedes this Term Sheet), HCMLP shall transfer to NPA or its designee, all of HCMLP’s rights, title, and interest, if any, (1) in the furniture and fixtures and office supplies and equipment located on or used exclusively in connection with the operations at the Premises; (2) Flexential; (3) Evoque; and (4) the home offices or remote working spaces of its employees and personnel.

Section 2.3 Employee Matters.

(a) Each the following shall terminate on February 20, 2021, in accordance with its terms: (i) that certain *Payroll Reimbursement Agreement*, dated May 1, 2018, by and between HCMFA and NPA, as subsequently amended on December 14, 2018, and (ii) (i) that certain *Payroll Reimbursement Agreement*, dated May 1, 2018, by and between HCMFA and HCMLP, as subsequently amended on December 14, 2018.

(b) HCMLP agrees that (i) the NexPoint Parties or an entity formed by current or former HCMLP employees to provide services to the NexPoint Parties (the “Potential Employers”) may, in each case in their sole and absolute discretion, make offers of employment to any HCMLP employee and (ii) HCMLP will not enforce any non-compete or similar agreement if any HCMLP employee accepts an offer of employment with a Potential Employer. For the avoidance of doubt, nothing herein will prevent HCMLP from continuing to employ an HCMLP employee or require HCMLP to terminate an HCMLP employee if a Potential Employer makes an offer of employment.

Section 2.4 Limited Liability.

(a) HCMLP shall not be liable to any person or entity, including any third party, for any action, inaction, or conduct of any NexPoint Party or that of such NexPoint Party’s or its affiliates’ employees, personnel, officers, directors, managers, members, representatives, agents, principals, owners, or partners (collectively, “Agents”) in connection with use by the NexPoint Parties or their Agents of HCMLP’s offices, facilities, and/or the shared resources under this Term Sheet.

(b) The NexPoint Parties shall indemnify and hold harmless HCMLP from and against any and all costs and expenses (including advancing of reasonable attorneys’ fees) of HCMLP or its affiliates or any of their Agents (including, without limitation, costs and expenses of any disputes, legal actions, examinations, investigations, and other legal or regulatory costs or expenses), related to or arising out of any action, inaction, or conduct by the NexPoint Parties or their Agents in connection with use by the NexPoint Parties of HCMLP’s offices, facilities, and/or the shared resources under this Term Sheet.

(c) No Party shall be liable to any other Party or to any other person or entity for the failure to provide services, access, or resources hereunder if such failure results from an event beyond the reasonable control of the Party obligated to provide such services, access, or resources.

**III. BINDING TERM SHEET; DEFINITIVE AGREEMENTS**

Section 3.1 Binding Agreement. The Parties agree that this Term Sheet constitutes the legal, valid and binding obligation of each Party, enforceable against each Party in accordance with its terms.

Section 3.2 Entire Current Understanding and Agreement. This Term Sheet constitutes the entire current understanding and agreement by and among the Parties hereto with respect to the subject matter hereof and supersedes any and all prior or contemporaneous negotiations, term sheets, covenants, agreements, undertakings and understandings (written or oral) and courses of conduct and dealing by or among the Parties with respect to the matters expressly set forth herein.

Section 3.3 Term Sheet Controls. Any express terms and conditions set forth in this Term Sheet shall control any conflict or inconsistency with, and amend and supersede, the terms and conditions of any and all other agreements between or among the Parties, except to the extent that (x) another agreement is amended and/or restated or entered into after the Effective Date with the prior written consent of each of HCMLP and NPA and (y) such other agreement states that it shall control in the event of any conflict or inconsistency between such other agreement.

Section 3.4 Definitive Agreement. The Parties agree that a definitive agreement among the Parties that supersedes this Term Sheet (a “Definitive Agreement”) will be necessary, desirable and/or appropriate to implement the terms and conditions set forth in this Term Sheet. Accordingly, the Parties agree to negotiate in good faith any additional terms and conditions relating to the matters herein in a manner to fully implement, and in a manner consistent with, the terms and conditions set forth in this Term Sheet, except to the extent that the Parties mutually shall otherwise agree in writing. Nevertheless, until any such Definitive Agreement is effective, this Term Sheet shall remain in full force and effect.

Section 3.5 Efforts, Authorizations and Consents; Cooperation; No Ulterior Actions.

(a) Efforts. Each Party shall proceed diligently and in good faith, and agrees to use all reasonable best efforts to do, and cause to be done, all things necessary, desirable and/or appropriate to, as promptly as practicable and in accordance with the terms and timeline set forth herein, consummate the transactions contemplated by this Term Sheet, and shall direct and cause its affiliates and its affiliates’ officers and employees to so proceed and to so act.

(b) Authorizations and Consents. Each Party shall use reasonable best efforts to obtain all authorizations, consents, registrations, orders and approvals that may be or become necessary, desirable and/or appropriate for such Party’s execution and delivery of, and the performance of such Party’s obligations pursuant to, this Term Sheet, and each Party agrees to cooperate fully and promptly with a requesting Party in its seeking to obtain all such authorizations, consents, registrations, orders and approvals.

(c) Cooperation. Each Party agrees to cooperate fully and promptly with the other Parties to consummate the Definitive Agreement in accordance with the terms and timeline contemplated herein and shall direct and use its reasonable best efforts to cause Persons under its control to so cooperate.

(d) Indirect Actions. Each Party acknowledges and agrees that he will not, on or after the Effective Date, avoid or seek to avoid, the economic and other rights, powers, privileges or interests of the other Parties set forth in this Term Sheet. Each Party shall not, and each Party shall cause Persons under his control not to, do indirectly that which cannot be done directly under this Term Sheet.

Section 3.6 Further Assurances. At any time and from time to time, at the request of any Party and without further consideration, the other Parties shall execute and deliver such instruments and take such action as such Party may reasonably determine is necessary, desirable and/or appropriate to carry out the actions contemplated by this Term Sheet.

Section 3.7 NexPoint Parties Representative. For convenience of administration, all of the NexPoint Parties hereby appoint NPA as their sole representative for purposes of all actions, consents, notices, and communications hereunder to or from the NexPoint Parties. HCMLP may rely upon any action by NPA or communication to or from NPA to serve as an action of, or communication to or from, and to bind, all of the NexPoint Parties.

#### IV. MISCELLANEOUS OTHER PROVISIONS

Section 4.1 Term. This Term Sheet shall terminate without further action of any Party on April 30, 2022 (unless otherwise agreed in writing by HCMLP and NPA). Any payments required to be made by a Party hereunder shall for periods through April 30, 2022 shall survive termination of this Term Sheet. In addition, the following sections shall survive termination of this Term Sheet indefinitely: Sections 2.3 (Limited Liability), 4.4 (Notices), 4.7 (Governing Law; Submission to Jurisdiction; Service of Process), 4.9 (No Third-Party Beneficiaries).

Section 4.2 Amendment. This Term Sheet shall be binding upon the Parties and may not be modified in any manner, except by an instrument in writing of concurrent or subsequent date signed by each of HCMLP and NPA.

Section 4.3 Waiver of Rights. No delay or omission by any Party in exercising any right under this Term Sheet shall operate as a waiver of that or any other right. A waiver or consent given by any Party hereto on any one occasion shall be effective only in that instance and shall not be construed as a ban or waiver of any right on any other occasion.

Section 4.4 Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly delivered: (a) four (4) Business Days after it is sent by registered or certified mail, return receipt requested, postage prepaid; (b) one (1) Business Day after it is sent for next Business Day delivery via a reputable nationwide overnight courier service; (c) when sent, if e-mailed on a Business Day; (d) the next Business Day following the day on which the e-mail is sent if e-mailed on a day that is not a Business Day; (e) when receipt is acknowledged, if facsimiled on a Business Day; and (f) the next Business Day following the day on which receipt is acknowledged if facsimiled on a day that is not a Business Day, in each case to the intended recipient as set forth below:

If to HCMLP:

James P. Seery, Jr.  
c/o Highland Capital Management, LP  
300 Crescent Court  
Dallas, Texas 75201  
Email: jpseeryjr@gmail.com

With copies to:

Pachulski Stang Ziehl & Jones LLP  
780 3rd Ave #34  
New York, NY 10017  
Attention: Gregory V. Demo  
Email: GDemo@pszjlaw.com

and

Wilmer Cutler Pickering Hale and Dorr LLP  
60 State Street  
Boston, MA 02109  
Attention: Timothy F. Silva  
Email: timothy.silva@wilmerhale.com

If to the NexPoint Parties:

D.C. Sauter  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Email: DSauter@NexPointadvisors.com

With a copy to:

K&L Gates LLP  
4350 Lassiter at North Hills Avenue  
Suite 300  
P.O. Box 17047  
Raleigh, North Carolina 27619  
Attention: A. Lee Hogewood III  
Email: lee.hogewood@klgates.com

Any Party may give any notice, request, demand, claim, or other communication hereunder using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the Party for whom it is intended. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

Section 4.5 Reservation of Rights. For the avoidance of doubt, each Party reserves all rights it has, or may have, including all rights to pursue and defend any claims and/or causes of action, with respect to any matter, agreement, or understanding not explicitly addressed in this Term Sheet. The Parties expressly reserve all rights with respect to amounts asserted in connection with the NexPoint Parties' administrative claim, including, without limitation the NexPoint Parties' right to amend such claim to assert additional or lesser amounts, including with respect to the Past Due Payment Amounts (but excluding the amounts payable for access and the Shares Services hereunder), the rights of HCMLP to object to such claim as well as all rights and defenses in connection with all pending and potential Adversary Proceedings between the Parties. All such claims and defenses are expressly preserved for future resolution by the court.

Section 4.6 Successors and Assigns; Survival. This Term Sheet shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. No NexPoint Party may assign its rights or obligations hereunder without the prior written consent of HCMLP. HCMLP may not assign its rights or obligations hereunder without the prior written consent of NPA.

Section 4.7 Voluntary Assent; Review of Term Sheet; Independent Counsel; Construction. Each Party acknowledges and agrees that no promises or agreements of any kind have been made to or

with him by the other or by any person or entity whatsoever to cause him to sign this Term Sheet other than those set forth in this Term Sheet, and that such Party fully understands the meaning and intent of this Term Sheet. Each Party further states and represents that it is sophisticated, has carefully read this Term Sheet, understands its contents, and freely and voluntarily assents to all of its terms and conditions. Each Party further states and represents that he has been represented by independent legal counsel of its own choosing with respect to the negotiation and preparation of this Term Sheet. The Parties have participated jointly in the negotiation and drafting of this Term Sheet. In the event any ambiguity or question of intent or interpretation arises, this Term Sheet shall be construed as if drafted jointly by HCMLP and the NexPoint Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Term Sheet.

Section 4.8 Governing Law; Submission to Jurisdiction; Service of Process. This Term Sheet shall be interpreted and construed in accordance with the laws of the State of Texas, without regard to conflict of laws provisions. Each Party hereby irrevocably submits to and acknowledges and recognizes the exclusive jurisdiction of the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (which court, for purposes of this Term Sheet, is the only court of competent jurisdiction), over any suit, action or other proceeding arising out of, under or in connection with this Term Sheet or its subject matter. Each Party irrevocably consents to service of process in any action or proceeding arising out of or relating to this Term Sheet in the manner provided for notices in Section 4.4. Nothing in this Term Sheet shall affect the right of any Party to serve process in any other manner permitted by law.

Section 4.9 Severability; Remedies Cumulative. The provisions of this Term Sheet shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions of this Term Sheet. If any provision of this Term Sheet, or the application thereof to any Person or any circumstance, is found by a court or other regulatory authority of competent jurisdiction to be invalid or unenforceable, (a) the Parties shall negotiate in good faith to modify this Term Sheet so as to give effect to the original intent of the Parties of such invalid or unenforceable provision to the fullest extent permitted by law, and (b) the remainder of this Term Sheet and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction. The rights and remedies of the Parties to this Term Sheet are cumulative and not alternative, and each Party shall have the right in any particular circumstance to enforce any provision of this Term Sheet without regard to the availability of a remedy under any other provision of this Term Sheet.

Section 4.10 No Third-Party Beneficiaries.

(a) It is the explicit intention of the Parties that no Person other than the Parties — and, for the avoidance of doubt, no employee or officer of any Party or any of its affiliates or any of a Party's or its affiliates' owners, officers or employees and no client or investor in any product managed or sponsored by any Party — is or shall be entitled to bring any action to enforce any provision of this Term Sheet against any Party or otherwise, and that the covenants, undertakings and agreements set forth in this Term Sheet are for the sole benefit of, and shall be enforceable only by the Parties (and their respective successors and permitted assigns), and they shall not be construed as conferring, and are not intended to confer, any rights on any other person or entity whatsoever.

(b) No investors and no creditors of any Party shall have any right or entitlement to enforce any of the provisions of this Term Sheet or to require any Party to discharge its obligations hereunder.



Section 4.11 Headings. The headings of the Sections and sub-Sections of this Term Sheet are for convenience of reference only, and are not to be considered in construing the terms and provisions of this Term Sheet.

Section 4.12 Construction. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless otherwise indicated: (i) the words “herein,” “hereof” and “hereunder,” and words of similar import when used in this Term Sheet, shall be construed to refer this Term Sheet in its entirety and not to any particular provision hereof and (ii) all references in this Term Sheet to Exhibits, Schedules, Articles, Sections, paragraphs and sentences shall be construed to refer to Exhibits and Sections to, and Articles, Sections, paragraphs and sentences of, this Term Sheet. References to statutes shall mean such statutes as amended.

Section 4.13 Payments. All payments and distributions required to be made pursuant this Term Sheet shall be made in cash and/or other immediately available funds to one (1) or more accounts as directed by the person or entity to whom such amounts are due.

Section 4.14 Counterparts and Electronic Signatures. This Term Sheet may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one (1) and the same instrument. This Term Sheet may be executed by facsimile and/or electronically by any one (1) or more of the Parties.

*[Remainder of page intentionally left blank; signature page follows]*



IN WITNESS WHEREOF, the Parties have executed this Term Sheet effective as of the date first written above.

**HIGHLAND CAPITAL MANAGEMENT, LP**

By: \_\_\_\_\_  
Name:  
Title:

**NEXPOINT ADVISORS, L.P.**

By: \_\_\_\_\_  
Name:  
Title:

**HIGHLAND CAPITAL MANAGEMENT  
FUND ADVISORS, L.P.**

By: \_\_\_\_\_  
Name:  
Title:

**Schedule A**

**Schedule of Shared Resources and Payments**

B-1

**Schedule B**

**Domain Names**

B-2

<b>ADVERSARY PROCEEDING COVER SHEET</b> (Instructions on Reverse)		<b>ADVERSARY PROCEEDING NUMBER</b> (Court Use Only)		
<b>PLAINTIFFS</b> Highland Capital Management, L.P.	<b>DEFENDANTS</b> Highland Capital Management Fund Advisors, L.P., and NexPoint Advisors, L.P.			
<b>ATTORNEYS</b> (Firm Name, Address, and Telephone No.) Hayward PLLC 10501 N. Central Expressway, Suite 106 Dallas, Texas 75231 Tel.: (972) 755-7100	<b>ATTORNEYS</b> (If Known)			
<b>PARTY</b> (Check One Box Only) <input checked="" type="checkbox"/> Debtor <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin <input type="checkbox"/> Creditor <input type="checkbox"/> Other <input type="checkbox"/> Trustee	<b>PARTY</b> (Check One Box Only) <input type="checkbox"/> Debtor <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin <input type="checkbox"/> Creditor <input checked="" type="checkbox"/> Other <input type="checkbox"/> Trustee			
<b>CAUSE OF ACTION</b> (WRITE A BRIEF STATEMENT OF CAUSE OF ACTION, INCLUDING ALL U.S. STATUTES INVOLVED) Count 1: Declaratory relief pursuant to 11 U.S.C. 105(a) and Fed. R. Bankr. P. 7001; Count 2: Breach of contract; Count 3: Injunctive relief pursuant to 11 U.S.C. 105(a) and Fed. R. Bankr. P. 7065				
<b>NATURE OF SUIT</b> (Number up to five (5) boxes starting with lead cause of action as 1, first alternative cause as 2, second alternative cause as 3, etc.)				
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top; border: none;"> <b>FRBP 7001(1) – Recovery of Money/Property</b>  <input type="checkbox"/> 11-Recovery of money/property - §542 turnover of property  <input type="checkbox"/> 12-Recovery of money/property - §547 preference  <input type="checkbox"/> 13-Recovery of money/property - §548 fraudulent transfer  <input type="checkbox"/> 14-Recovery of money/property - other   <b>FRBP 7001(2) – Validity, Priority or Extent of Lien</b>  <input type="checkbox"/> 21-Validity, priority or extent of lien or other interest in property   <b>FRBP 7001(3) – Approval of Sale of Property</b>  <input type="checkbox"/> 31-Approval of sale of property of estate and of a co-owner - §363(h)   <b>FRBP 7001(4) – Objection/Revocation of Discharge</b>  <input type="checkbox"/> 41-Objection / revocation of discharge - §727(c),(d),(e)   <b>FRBP 7001(5) – Revocation of Confirmation</b>  <input type="checkbox"/> 51-Revocation of confirmation   <b>FRBP 7001(6) – Dischargeability</b>  <input type="checkbox"/> 66-Dischargeability - §523(a)(1),(14),(14A) priority tax claims  <input type="checkbox"/> 62-Dischargeability - §523(a)(2), false pretenses, false representation,  actual fraud  <input type="checkbox"/> 67-Dischargeability - §523(a)(4), fraud as fiduciary, embezzlement, larceny   <div style="text-align: center;">(continued next column)</div> </td> <td style="width: 50%; vertical-align: top; border: none;"> <b>FRBP 7001(6) – Dischargeability (continued)</b>  <input type="checkbox"/> 61-Dischargeability - §523(a)(5), domestic support  <input type="checkbox"/> 68-Dischargeability - §523(a)(6), willful and malicious injury  <input type="checkbox"/> 63-Dischargeability - §523(a)(8), student loan  <input type="checkbox"/> 64-Dischargeability - §523(a)(15), divorce or separation obligation  (other than domestic support)  <input type="checkbox"/> 65-Dischargeability - other   <b>FRBP 7001(7) – Injunctive Relief</b>  <input type="checkbox"/> 71-Injunctive relief – imposition of stay  <input checked="" type="checkbox"/> 72-Injunctive relief – other   <b>FRBP 7001(8) Subordination of Claim or Interest</b>  <input type="checkbox"/> 81-Subordination of claim or interest   <b>FRBP 7001(9) Declaratory Judgment</b>  <input checked="" type="checkbox"/> 91-Declaratory judgment   <b>FRBP 7001(10) Determination of Removed Action</b>  <input type="checkbox"/> 01-Determination of removed claim or cause   <b>Other</b>  <input type="checkbox"/> SS-SIPA Case – 15 U.S.C. §§78aaa <i>et seq.</i>  <input checked="" type="checkbox"/> 02-Other (e.g. other actions that would have been brought in state court  if unrelated to bankruptcy case) </td> </tr> </table>			<b>FRBP 7001(1) – Recovery of Money/Property</b> <input type="checkbox"/> 11-Recovery of money/property - §542 turnover of property <input type="checkbox"/> 12-Recovery of money/property - §547 preference <input type="checkbox"/> 13-Recovery of money/property - §548 fraudulent transfer <input type="checkbox"/> 14-Recovery of money/property - other  <b>FRBP 7001(2) – Validity, Priority or Extent of Lien</b> <input type="checkbox"/> 21-Validity, priority or extent of lien or other interest in property  <b>FRBP 7001(3) – Approval of Sale of Property</b> <input type="checkbox"/> 31-Approval of sale of property of estate and of a co-owner - §363(h)  <b>FRBP 7001(4) – Objection/Revocation of Discharge</b> <input type="checkbox"/> 41-Objection / revocation of discharge - §727(c),(d),(e)  <b>FRBP 7001(5) – Revocation of Confirmation</b> <input type="checkbox"/> 51-Revocation of confirmation  <b>FRBP 7001(6) – Dischargeability</b> <input type="checkbox"/> 66-Dischargeability - §523(a)(1),(14),(14A) priority tax claims <input type="checkbox"/> 62-Dischargeability - §523(a)(2), false pretenses, false representation, actual fraud <input type="checkbox"/> 67-Dischargeability - §523(a)(4), fraud as fiduciary, embezzlement, larceny  <div style="text-align: center;">(continued next column)</div>	<b>FRBP 7001(6) – Dischargeability (continued)</b> <input type="checkbox"/> 61-Dischargeability - §523(a)(5), domestic support <input type="checkbox"/> 68-Dischargeability - §523(a)(6), willful and malicious injury <input type="checkbox"/> 63-Dischargeability - §523(a)(8), student loan <input type="checkbox"/> 64-Dischargeability - §523(a)(15), divorce or separation obligation (other than domestic support) <input type="checkbox"/> 65-Dischargeability - other  <b>FRBP 7001(7) – Injunctive Relief</b> <input type="checkbox"/> 71-Injunctive relief – imposition of stay <input checked="" type="checkbox"/> 72-Injunctive relief – other  <b>FRBP 7001(8) Subordination of Claim or Interest</b> <input type="checkbox"/> 81-Subordination of claim or interest  <b>FRBP 7001(9) Declaratory Judgment</b> <input checked="" type="checkbox"/> 91-Declaratory judgment  <b>FRBP 7001(10) Determination of Removed Action</b> <input type="checkbox"/> 01-Determination of removed claim or cause  <b>Other</b> <input type="checkbox"/> SS-SIPA Case – 15 U.S.C. §§78aaa <i>et seq.</i> <input checked="" type="checkbox"/> 02-Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy case)
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<input checked="" type="checkbox"/> Check if this case involves a substantive issue of state law	<input type="checkbox"/> Check if this is asserted to be a class action under FRCP 23			
<input type="checkbox"/> Check if a jury trial is demanded in complaint	Demand \$ Damages in an amount to be determined at trial			
Other Relief Sought  Declaratory relief and injunctive relief				

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BANKRUPTCY CASE IN WHICH THIS ADVERSARY PROCEEDING ARISES		
NAME OF DEBTOR Highland Capital Management, L.P.		BANKRUPTCY CASE NO. 19-34054-sgj11
DISTRICT IN WHICH CASE IS PENDING Northern District of Texas	DIVISION OFFICE Dallas Division	NAME OF JUDGE Stacey G. C. Jernigan
RELATED ADVERSARY PROCEEDING (IF ANY)		
PLAINTIFF	DEFENDANT	ADVERSARY PROCEEDING NO.
DISTRICT IN WHICH ADVERSARY IS PENDING	DIVISION OFFICE	NAME OF JUDGE
SIGNATURE OF ATTORNEY (OR PLAINTIFF)  <i>Zachery Z. Annable</i>		
DATE February 17, 2021		PRINT NAME OF ATTORNEY (OR PLAINTIFF) Zachery Z. Annable

### INSTRUCTIONS

The filing of a bankruptcy case creates an “estate” under the jurisdiction of the bankruptcy court which consists of all of the property of the debtor, wherever that property is located. Because the bankruptcy estate is so extensive and the jurisdiction of the court so broad, there may be lawsuits over the property or property rights of the estate. There also may be lawsuits concerning the debtor’s discharge. If such a lawsuit is filed in a bankruptcy court, it is called an adversary proceeding.

A party filing an adversary proceeding must also must complete and file Form 1040, the Adversary Proceeding Cover Sheet, unless the party files the adversary proceeding electronically through the court’s Case Management/Electronic Case Filing system (CM/ECF). (CM/ECF captures the information on Form 1040 as part of the filing process.) When completed, the cover sheet summarizes basic information on the adversary proceeding. The clerk of court needs the information to process the adversary proceeding and prepare required statistical reports on court activity.

The cover sheet and the information contained on it do not replace or supplement the filing and service of pleadings or other papers as required by law, the Bankruptcy Rules, or the local rules of court. The cover sheet, which is largely self-explanatory, must be completed by the plaintiff’s attorney (or by the plaintiff if the plaintiff is not represented by an attorney). A separate cover sheet must be submitted to the clerk for each complaint filed.

**Plaintiffs and Defendants.** Give the names of the plaintiffs and defendants exactly as they appear on the complaint.

**Attorneys.** Give the names and addresses of the attorneys, if known.

**Party.** Check the most appropriate box in the first column for the plaintiffs and the second column for the defendants.

**Demand.** Enter the dollar amount being demanded in the complaint.

**Signature.** This cover sheet must be signed by the attorney of record in the box on the second page of the form. If the plaintiff is represented by a law firm, a member of the firm must sign. If the plaintiff is pro se, that is, not represented by an attorney, the plaintiff must sign.

000115

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ATTORNEYS FOR THE DEFENDANTS

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	)	Chapter 11
HIGHLAND CAPITAL MANAGEMENT, L.P.	)	Case No. 19-34054 (SGJ11)
Debtors.	)	(Jointly Administered)
	)	
HIGHLAND CAPITAL MANAGEMENT, L.P.,	)	
Plaintiff,	)	
v.	)	Adv. Pro. No. 21-03010 (SGJ11)
HIGHLAND CAPITAL MANAGEMENT FUND	)	
ADVISORS, L.P., AND NEXPOINT ADVISORS,	)	
L.P.,	)	
Defendants.	)	

**ORIGINAL ANSWER**

TO THE HONORABLE STACEY G.C. JERNIGAN, U.S. BANKRUPTCY JUDGE:

COME NOW NexPoint Advisors, L.P. ("NexPoint") and Highland Capital Management Fund Advisors, L.P. ("HCMFA", and together with NexPoint, the "Defendants"), the defendants in the above styled and numbered adversary proceeding (the "Adversary Proceeding"), and file

this their *Original Answer* (the “Answer”), responding to the *Plaintiff Highland Capital Management, L.P.’s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief* (the “Complaint”), filed by Highland Capital Management, L.P. (the “Debtor”). Except where an allegation in the Complaint is expressly admitted, all allegations in the Complaint are denied.

**I. ANSWER**

1. Admitted.
2. The Defendants admit the first sentence of paragraph 2 of the Complaint and deny the second sentence thereof.
3. Admitted.
4. Admitted.
5. The Defendants admit paragraph 5 of Complaint, except that they deny the allegation of more than \$3 million in arrears under the Shared Services Agreements.
6. Denied.
7. The Defendants admit the second and third sentences of paragraph 7 of the Complaint, and they deny the balance of said paragraph.
8. Denied.
9. Denied.
10. The Defendants admit that the Court has jurisdiction over the collection claim in the Complaint, but not the other relief requested. The Defendants deny that the Court’s jurisdiction is core, and they do not consent to the Court’s entry of final judgment.
11. Admitted.
12. Paragraph 12 contains legal conclusions or statements to which no response is required.



13. Admitted.

14. Admitted.

15. Admitted.

16. Admitted.

17. Admitted.

18. Admitted.

19. Admitted.

20. Admitted.

21. Admitted.

22. Admitted.

23. Admitted.

24. Admitted.

25. Admitted.

26. Admitted.

27. Admitted.

28. Admitted.

29. Admitted.

30. Admitted.

31. Admitted.

32. Admitted.

33. The Defendants have no knowledge about the Debtor considering strategic options, and therefore deny that allegation, but otherwise admit the balance of paragraph 33 of the Complaint.

34. Denied.

35. The Defendants have no knowledge of the Debtor's formulation of a transition plan and therefore they deny paragraph 35 of the Complaint.

36. Denied.

37. Admitted.

38. Denied.

39. Denied.

40. Denied.

41. Denied.

42. Denied.

43. Denied.

44. Other than word "thus," which implications are denied, the Defendants admit paragraph 44 of the Complaint.

45. Other than admitting ongoing negotiations during the two week period, the Defendants deny paragraph 45 of the Complaint.

46. Other than admitting that the Debtor contacted the Funds' boards, the Defendants deny paragraph 46 of the Complaint.

47. Admitted.

48. Denied.

49. Other than admitting the fact of the extension, the Defendants deny paragraph 49 of the Complaint.

50. Other than admitting the fact of the term sheet and the Defendants' rejection thereof, the Defendants deny the allegations contained in paragraph 50 of the Complaint.

51. Denied.

52. The Defendants repeat and reurge their answers above.

- 53. Denied.
- 54. Denied.
- 55. Admitted.
- 56. The Defendants repeat and reurge their answers above.
- 57. Admitted, prior to their termination.
- 58. Denied.
- 59. Denied.
- 60. Denied.
- 61. Denied.
- 62. The Defendants repeat and reurge their answers above.
- 63. The Defendants deny the Debtor is entitled to any injunction.
- 64. Admitted.
- 65. Admitted.
- 66. Denied.
- 67. Denied.
- 68. Denied.
- 69. Denied.
- 70. Denied.

## **II. AFFIRMATIVE DEFENSES**

71. With respect to the amounts allegedly owing by the Defendants under the Shared Services Agreements, most if not all of those amounts are not properly chargeable by the Debtor or payable by the Defendants because the Debtor failed to provide the services, or have the employees, the subject of such charges. The Debtor has charged/overcharged the Defendants for non-existing services and employees.

72. The Debtor has failed to state a claim upon which relief can be given with respect to declaratory relief or injunctive relief.

### **III. ARBITRATION**

73. The Shared Services Agreement between the Debtor and HCMFA contains an arbitration provision requiring arbitration of any “unresolved legal dispute.” HCMFA accordingly demands arbitration of all disputes raised in the Complaint against it.

### **IV. PRAYER**

WHEREFORE, PREMISES CONSIDERED, the Defendants respectfully request that the Court enter judgment as follows:

- (i) denying all relief requested in the Complaint;
- (ii) awarding the Defendants their reasonable attorney’s fees and expenses incurred herein, including under section 38.001 of the Texas Civil Practice and Remedies Code;
- (iii) awarding prejudgment and postjudgment interest as provided for by law;
- (v) with respect to HCMFA, mandating that the Debtor’s claims be arbitrated; and
- (v) granting the Defendants such other and further relief as may be appropriate.

RESPECTFULLY SUBMITTED this 22d day of March, 2021.

**MUNSCH HARDT KOPF & HARR, P.C.**

*/s/ Davor Rukavina*

---

Davor Rukavina, Esq.  
Texas Bar No. 24030781  
Julian P. Vasek, Esq.  
Texas Bar No. 24070790  
3800 Ross Tower  
500 N. Akard Street  
Dallas, Texas 75202-2790  
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**ATTORNEYS FOR THE DEFENDANTS**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on March 22, 2021, a true and correct copy of this document was served electronically by the Court's CM/ECF system on all parties entitled to such notice, including counsel for the Debtor.

*/s/ Davor Rukavina*

---

Davor Rukavina, Esq.

# ENTERED

Stacy H.C. Jarrige  
United States Bankruptcy Judge

000123

Upon consideration of the *Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters* [A.P. Docket No. 36] (the “Stipulation”)<sup>2</sup> filed in the above-captioned adversary proceeding (the “Adversary Proceeding”), it is **HEREBY ORDERED THAT:**

1. The Stipulation, a copy of which is attached hereto as **Exhibit A**, is approved.
2. The Debtor’s Breach of Contract Claim shall be consolidated with the Advisors’ Admin Claim for all purposes and shall be litigated and resolved pursuant to this Stipulation in the Adversary Proceeding, and the Court shall enter a final judgment on the Breach of Contract Claim and the Advisors’ Admin Claim in the Adversary Proceeding.
3. The Debtor’s Equitable Claims shall be deemed to be fully and finally resolved pursuant to the February Order.
4. Trial in the Adversary Proceeding (including on the Advisors’ Admin Claim) is set for **December 7 and 8, 2021 at 9:30 a.m. (Central Time)**, which, unless the Court holds otherwise, shall be conducted live.
5. Requests for discovery shall be served on or before **August 6, 2021**, unless otherwise agreed in writing by the Parties.
6. Responses and/or objections to discovery requests shall be served on or before **August 27, 2021**, unless otherwise agreed in writing by the Parties.
7. All responsive, non-privileged documents shall be produced on or before **September 10, 2021**, unless otherwise agreed in writing by the Parties.

---

<sup>2</sup> All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Stipulation.



8. Initial disclosures are waived, except for testifying experts, with respect to which such disclosures and report shall be served on or before **September 24, 2021**. Any rebuttal expert disclosure and report shall be served on or before **October 8, 2021**.

9. Depositions shall be scheduled and concluded on or before **October 18, 2021**, unless otherwise agreed in writing by the Parties.

10. Responses to the Objection (“Responses”) shall be filed on or before **November 1, 2021**, unless otherwise agreed in writing by the Parties.

11. Replies to the Responses shall be filed on or before **November 15, 2021**, unless otherwise agreed in writing by the Parties.

12. Witness and exhibit lists and all referenced exhibits will be filed on the docket and served on or before **December 1, 2021**, unless otherwise agreed in writing by the Parties. Objections to exhibits, other than for relevance, shall be filed on or before **December 3, 2021**, or they shall be deemed waived.

13. A joint pretrial order in compliance with the Court’s Local Rules shall be filed on or before **December 1, 2021**.

14. Any Party wishing to file a trial brief shall file and serve the same on or before **December 1, 2021**.

15. All deadlines set forth above are effective as of **5:00 p.m. (Central Time)** on each applicable date.

16. The Stipulation shall only be modified in a writing signed by the Parties or upon the entry of an order of the Court entered upon notice to the Parties.

17. The Court shall retain jurisdiction over all disputes arising out of or otherwise concerning the interpretation and enforcement of the Stipulation and this Order.

### END OF ORDER ###

## **EXHIBIT A**

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PACHULSKI STANG ZIEHL & JONES LLP  
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Ira D. Kharasch (CA Bar No. 109084) (*admitted pro hac vice*)  
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*Counsel for the Debtor and Debtor-in-Possession*

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:	§	
HIGHLAND CAPITAL MANAGEMENT, L.P., <sup>1</sup>	§	Chapter 11
Debtor.	§	Case No. 19-34054-sgj 1
HIGHLAND CAPITAL MANAGEMENT, L.P.,	§	
Plaintiff,	§	Adversary Proceeding No.
vs.	§	Case No. 21-03010-sgj
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P., AND NEXPOINT ADVISORS, L.P.,	§	
Defendants.	§	

<sup>1</sup> The Debtor's last four digits of its taxpayer identification number are (6725). The headquarters and service address for the above-captioned Debtor is 300 Crescent Court, Suite 700, Dallas, TX 75201.

**STIPULATION (A) AMENDING SCHEDULING ORDER AND (B) CONSOLIDATING AND  
RESOLVING CERTAIN MATTERS**

---

This stipulation (the “Stipulation”) is made and entered into by and between Highland Capital Management L.P. (the “Debtor”), on the one hand, and Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and together with HCMFA, the “Advisors”, and the Advisors together with the Debtor, the “Parties”), by and through their respective undersigned counsel, to (a) amend that certain *Agreed Scheduling Order with Respect to Debtor’s Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.* [Bankr. Docket No. 2345] (the “Scheduling Order”) filed in the above-captioned chapter 11 bankruptcy case (the “Bankruptcy Case”); (b) consolidate for all purposes the litigation of the “Second Claim for Relief (Breach of Contract)” asserted by the Debtor against the Advisors in that certain *Complaint for Damages and Declaratory and Injunctive Relief* (the “Breach of Contract Claim”, and together with the matters subject to the Scheduling Order, the “Litigated Matters”) filed by the Debtor in the above-captioned adversary proceeding (the “Adversary Proceeding”); and (c) address the Debtor’s remaining claims asserted in the Adversary Proceeding.

**RECITALS**

WHEREAS, on October 16, 2019 (the “Petition Date”), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the Bankruptcy Court for the District of Delaware, Case No. 19-12239 (CSS) (the “Delaware Court”);

WHEREAS, on December 4, 2019, the Delaware Court entered an order transferring venue of the Debtor’s Bankruptcy Case to this Court [Bankr. Docket No. 186];

WHEREAS, the Debtor and NexPoint entered into that certain *Amended and Restated Shared Services Agreement* effective as of January 1, 2018 (the “NexPoint SSA”);

WHEREAS, the Debtor and HCMFA entered into that certain *Second Amended and Restated Shared Services Agreement* effective as of February 8, 2013 (the “HCMFA SSA”, and together with the NexPoint SSA, the “Shared Services Agreements”);

WHEREAS, on January 24, 2021, the Advisors filed their *Application for Allowance of Administrative Claim* [Bankr. Docket No. 1826] (the “Advisors’ Admin Claim”) in the Bankruptcy Case concerning matters related to the Shared Services Agreements;

WHEREAS, on May 5, 2021, the Debtor filed its *Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.* [Bankr. Docket No. 2345] (the “Objection”);

WHEREAS, on May 21, 2021, the Court entered the Scheduling Order with respect to the Advisors’ Admin Claim and the Debtor’s Objection thereto;

WHEREAS, on February 17, 2021, the Debtor commenced the Adversary Proceeding in which it (i) asserted the Breach of Contract claim for damages arising from the Advisors’ alleged breach of the Shared Services Agreements, and (ii) sought declaratory and injunctive relief (the “Equitable Relief”);

WHEREAS, on February 24, 2021, following an evidentiary hearing, the Court entered an *Order* resolving the Debtor’s claims for Equitable Relief asserted in the Adversary Proceeding [A.P. Docket No. 25] (the “February Order”);

WHEREAS, on March 22, 2021, the Advisors filed their *Original Answer* in the Adversary Proceeding [A.P. Docket No. 33];

WHEREAS, the Parties agree that the Advisors’ Admin Claim and the Debtor’s Breach of

Contract Claim both involve related issues of fact concerning the Shared Services Agreements and that it would be more efficient, and conserve the resources of the Parties and the Court, to consolidate the Litigated Matters for all purposes (including discovery, motion practice, and a trial on the merits);

WHEREAS, the Parties have conferred and desire to enter into a mutually agreeable proposed schedule and address related matters, all as specifically set forth below.

NOW, THEREFORE, it is hereby stipulated and agreed, and upon approval of this Stipulation by the Court, it shall be SO ORDERED:

1. The Debtor's Breach of Contract Claim shall be consolidated with the Advisors' Admin Claim for all purposes and shall be litigated and resolved pursuant to this Stipulation in the Adversary Proceeding, and the Court shall enter a final judgment on the Breach of Contract Claim and the Advisors' Admin Claim in the Adversary Proceeding.

2. The Debtor's Equitable Claims shall be deemed to be fully and finally resolved pursuant to the February Order.

3. Trial in the Adversary Proceeding (including on the Advisors' Admin Claim) is set for **December 7 and 8, 2021 at 9:30 a.m. (Central Time)**, which, unless the Court holds otherwise, shall be conducted live.

4. Requests for discovery shall be served on or before **August 6, 2021**, unless otherwise agreed in writing by the Parties.

5. Responses and/or objections to discovery requests shall be served on or before **August 27, 2021**, unless otherwise agreed in writing by the Parties.

6. All responsive, non-privileged documents shall be produced on or before **September 10, 2021**, unless otherwise agreed in writing by the Parties.

7. Initial disclosures are waived, except for testifying experts, with respect to which such disclosures and report shall be served on or before **September 24, 2021**. Any rebuttal expert disclosure and report shall be served on or before **October 8, 2021**.

8. Depositions shall be scheduled and concluded on or before **October 18, 2021**, unless otherwise agreed in writing by the Parties.

9. Responses to the Objection (“Responses”) shall be filed on or before **November 1, 2021**, unless otherwise agreed in writing by the Parties.

10. Replies to the Responses shall be filed on or before **November 15, 2021**, unless otherwise agreed in writing by the Parties.

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12. A joint pretrial order in compliance with the Court’s Local Rules shall be filed on or before **December 1, 2021**.

13. Any Party wishing to file a trial brief shall file and serve the same on or before **December 1, 2021**.

14. All deadlines set forth above are effective as of **5:00 p.m. (Central Time)** on each applicable date.

15. If approved by the Court, this Stipulation shall only be modified in a writing signed by the Parties or upon the entry of an order of the Court entered upon notice to the Parties.

16. The Court shall retain jurisdiction over all disputes arising out of or otherwise concerning the interpretation and enforcement of this Stipulation.



Dated: August 4, 2021.

**MUNSCH HARDT KOPF & HARR, P.C.**

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UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj11
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

**RESPONSE TO DEBTOR’S OBJECTION TO APPLICATION FOR  
ADMINISTRATIVE CLAIM OF HIGHLAND CAPITAL MANAGEMENT  
FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.**

TO THE HONORABLE STACEY G.C. JERNIGAN, U.S. BANKRUPTCY JUDGE:

NOW COME Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors,  
L.P. (the “Advisors”) and file this *Response to Debtor’s Objection to Application for*

*Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.*, respectfully stating as follows:

## **I. SUMMARY**

1. In response to the Advisors' Admin Claim, the Debtor asserts only waiver and the voluntary payment rule. But neither applies. The parties' contracts contain enforceable nonwaiver provisions, and the Advisors acted promptly to assert and protect their rights after becoming aware they had overpaid the Debtor. The voluntary payment rule does not apply to statutory claims or contract claims, nor does it apply when there is a mistake of fact. Neither of these defenses bars the Admin Claim, and the Debtor's other objections amount to irrelevant *ad hominem* attacks that lack any real substance. The Court should overrule the Debtor's objection and grant the Admin Claim.

## **II. BACKGROUND**

2. On January 24, 2021, the Advisors filed their *Application for Allowance of Administrative Expense Claim* (Bankr. Dkt. No. 1826, the "Admin Claim").

3. On February 22, 2021, the Court entered its *Order (I) Confirming the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified) and (II) Granting Related Relief* (Dkt. No. 1943, the "Confirmation Order"), pursuant to which it confirmed the *Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified)* (the "Plan").

4. Under the Plan and Confirmation Order, the Administrative Expense Claims Bar Date is forty-five days after the Plan's Effective Date. The Effective Date occurred on August 11,

2021, *see* Dkt. No. 2700, so the Administrative Expense Claims Bar Date did not occur until September 27, 2021.<sup>1</sup>

5. On May 5, 2021, Highland Capital Management, L.P. (the “Debtor”) filed its *Debtor’s Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.* (Bankr. Dkt. No. 2274, the “Objection”).

6. The Admin Claim is based on overpayments the Advisors made to the Debtor under those certain shared services agreements and payroll reimbursement agreements (collectively, the “Agreements”). In its Objection, the Debtor insinuates the Advisors were aware of the overpayments for more than six months before filing the Admin Claim. But that is not factually accurate. The issue did not crystalize until late November 2020. Upon discovering the overpayments and realizing their magnitude, the Advisors promptly ceased making payments under the Agreements. The Advisors also attempted to address the issue with the Debtor.

7. On December 1, 2021, Debtor employee David Klos acknowledged the overpayments under the payroll reimbursement agreements in particular:

These have not changed since BK, which given the changes in headcount you point out along with not paying insider bonus compensation, has increased the profitability of the contracts from HCMLP’s perspective.

Unsurprisingly, the Advisors’ attempts to negotiate with the Debtor went nowhere.

8. On or about March 1, 2021, following termination of the Agreements, the Debtor and the Advisors entered into that certain *Shared Resources Agreement*, pursuant to which they expressly preserved the Admin Claim:

For the avoidance of doubt, each Party reserves all rights it has, or may have, including all rights to pursue and defend any claims and/or causes of action, with respect to any matter, agreement, or understanding not explicitly addressed in this Agreement. The Parties expressly reserve all rights with respect to amounts asserted

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<sup>1</sup> The forty-fifth day after August 11, 2021 was Saturday September 25, 2021. Under Fed. R. Bankr. P. 9006, the Administrative Expense Claims Bar Date occurred the next business day.

in connection with the NexPoint Parties' administrative claim, including, without limitation the NexPoint Parties' right to amend such claim to assert additional or lesser amounts, including with respect to the post-petition amounts owed under the Shared Services Agreements; provided, that under no circumstances shall such claim or claims give rise to any right of offset against any amounts payable hereunder, the rights of HCMLP to object to such claim as well as all rights and defenses in connection with all pending and potential Adversary Proceedings between the Parties. All such claims and defenses are expressly preserved for future resolution by the court.

9. The shared services agreement between the Debtor and NexPoint contains the following nonwaiver clause:

The performance of any condition or obligation imposed upon any Party may be waived only upon the written consent of the Parties. Such waiver shall be, limited to the terms thereof and shall not constitute a waiver of any other condition or obligation of the other Party. Any failure by any Party to enforce any provision shall not constitute a waiver of that or any other provision or this Agreement.

10. The other three Agreements all contain the following nonwaiver clause:

No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

11. All of the Agreements contain provisions stating they are governed by and shall be interpreted under the laws of the State of Texas.

### **III. ARGUMENT & AUTHORITIES**

#### **A. THE ADVISORS HAVE NOT WAIVED THE ADMIN CLAIM**

12. The Debtor claims the Advisors waived the Admin Claim. But this is wrong for two reasons. First, the Agreements contain enforceable nonwaiver provisions. Second, even if they did not, the Advisors plainly never manifested an intent to waive their rights.

##### **i. The Agreements Contain Enforceable Nonwaiver Provisions**

13. "Given Texas's strong public policy favoring freedom of contract, there can be no doubt that, as a general proposition, nonwaiver provisions are binding and enforceable." *Shields Ltd. P'ship v. Bradberry*, 526 S.W.3d 471, 481 (Tex. 2017). True, "a party's rights under a

nonwaiver provision my indeed be waived expressly or impliedly.” *Id.* at 482-83. But in order to waive a nonwaiver provision, “there must, at a minimum, be some act inconsistent with its terms.” *Id.* at 474. More specifically, “[w]hile waiver may sometimes be established by conduct, that conduct must be unequivocally inconsistent with claiming a known right.” *Id.* at 485 (quoting *Van Indep. Sch. Dist. v. McCarty*, 165 S.W.3d 351, 353 (Tex. 2005)). Simply “engaging in the very conduct disclaimed as a basis for waiver is insufficient as a matter of law to nullify the nonwaiver provision in the parties’ ... agreement.” *Id.* at 484-85.

14. The Debtor has not identified any conduct unequivocally inconsistent with enforcing the nonwaiver provisions in the Agreements, as opposed to conduct allegedly inconsistent merely with asserting the Admin Claim itself. A recent case highlights this critical distinction. *In re United Servs. Auto. Ass’n*, No. 03-19-00292-CV, 2020 Tex. App. LEXIS 10203 (Tex. App.—Austin Dec. 23, 2020) (“*USAA*”). Insured homeowners asserted that their insurer’s delay invoking an appraisal clause “should be viewed as waving its rights under the nonwaiver provision as well as waiving its rights under the appraisal clause.” *Id.* at \*6. “However,” the Court held, “even assuming that USAA’s delay amounted to intentional conduct inconsistent with claiming its rights to enforce the appraisal agreement, it does not follow that such behavior was also ‘inconsistent with claiming the right to enforce the nonwaiver agreement.’” *Id.* at \*6-7 (quoting *Shields*, 526 S.W.3d at 485). The same is true here. None of the Advisors’ alleged conduct is unequivocally inconsistent—or even moderately inconsistent—with enforcing the Agreements’ nonwaiver provisions. Such provisions are enforceable and bar the Debtor’s waiver argument.

**ii. The Advisors Never Intended to Waive their Rights**

15. Even if the Agreements did not contain enforceable nonwaiver provisions, there is no basis for the Debtor to argue the Advisors waived the Admin Claim. Waiver has three elements:



“(1) an existing right, benefit, or advantage held by a party; (2) the party’s actual knowledge of its existence; and (3) the party’s actual intent to relinquish the right, or intentional conduct inconsistent with the right.” *Ulico Cas. Co. v. Allied Pilots Ass’n*, 262 S.W.3d 773, 778 (Tex. 2008). Waiver “is ordinarily a question of fact, dependent on things done and said, and the burden of proof is on the party relying on waiver.” *Alford, Meroney & Co. v. Rowe*, 619 S.W.2d 210, 213 (Tex. App.—Amarillo 1981) (citations omitted). Silence or inaction may be evidence of waiver, but it must be “coupled with knowledge of the known right, for such an unreasonable period of time as to indicate an intention to waive the right. *Id.*

16. The Advisors discovered the overpayments under the Agreements in late November 2020. They tried to engage the Debtor, but the Debtor refused to listen, even though at least one Debtor employee acknowledged the problem. In January, the Advisors filed the Admin Claim, eight months before the Court-ordered deadline to do so. There is simply no basis under these facts to conclude the Advisors actually intended to relinquish their rights under the Agreements. Indeed, the facts plainly show otherwise.

**B. THE VOLUNTARY PAYMENT RULE DOES NOT APPLY**

17. Next, the Debtor argues the voluntary payment rule bars the Admin Claim. But this is wrong for two reasons as well. First, the voluntary payment rule does not apply to breach of contract and other similar claims. Second, the voluntary payment rule only applies when there is a mistake of law, not a mistake of fact.

**i. The Voluntary Payment Rule Does Not Apply to Breach of Contract**

18. Historically, the voluntary payment rule was “a defense to claims asserting unjust enrichment; that is, when a plaintiff sues for restitution claiming a payment constitutes unjust enrichment, a defendant may respond with the voluntary-payment rule as a defense.” *See BMG Direct Mktg. v. Peake*, 178 S.W.3d 763, 768 (Tex. 2004). But “[a]lthough the voluntary-payment

rule has been applied, at times, in both private and public contexts, other legal and statutory remedies have evolved over time to supplant the rule's application in many of these contexts." *Id.* at 770. "Thus, although the voluntary-payment rule may have been widely used by parties and some Texas courts at one time, its scope has diminished as the rule's equitable policy concerns have been addressed through statutory or other legal remedies." *Id.* at 771. "Like other equitable claims and defenses, an adequate legal remedy may render equitable claims of unjust enrichment and equitable defenses of voluntary-payment unavailable." *Id.* at 770. While not completely abrogated, the rule today has only "limited application in Texas jurisprudence." *Id.* at 771.

19. As an initial matter, an administrative expense claim is a statutory remedy, and the statute should govern. Moreover, Courts have expressly held that the voluntary payment rule does not apply to breach of contract claims. *Lopez v. Bailon*, No. 07-14-00442-CV, 2016 Tex. App. LEXIS 8458, \*10 (Tex. App.—Amarillo Aug. 4, 2016) ("The voluntary payment defense does not apply to a simple breach of contract action."); see *BMG Direct Mktg.*, 178 S.W.3d at 775 ("It is true that, to the extent the subject matter of Peake's claim is covered by the parties' contract, the rule would not apply."). The Advisors have not submitted merely a common-law unjust enrichment claim. They have asserted a claim under the Bankruptcy Code and written contracts. Under these circumstances, the voluntary payment rule does not apply.

**ii. The Voluntary Payment Rule Does Not Apply to Mistakes of Fact**

20. Long ago, the Texas Supreme Court "stated the common-law voluntary-payment rule as follows: 'Money voluntarily paid on a claim of right, with full knowledge of all the facts, in the absence of fraud, deception, duress, or compulsion, cannot be recovered back merely because the party at the time of payment was ignorant of or mistook the law as to his liability.'" *BMG Direct Mktg.*, 178 S.W.3d at 768 (Tex. 2004) (quoting *Pennell v. United Ins. Co.*, 243 S.W.2d 572, 576 (Tex. 1951) (quoting 40 AM. JUR. § 205 (1942))) (emphasis added). The rule does not

apply to mistakes of fact. *See Central Austin Apts., LLC v. UP Austin Holdings, LP*, No. 03-13-00080-CV, 2014 Tex. App. LEXIS 10357, \*44 n.28 (Tex. App.—Austin Dec. 8, 2014. *rev'd on other grounds*) (“The voluntary-payment rule does not bar restitution based on mutual mistake of fact.”). Indeed, “for the voluntary-payment rule to apply, a person must pay ‘with full knowledge of all the facts.’” *BMG Direct Mktg.*, 178 S.W.3d at 772.

21. Here, the Advisors were not aware of all the facts until late November 2020. Upon becoming aware, they immediately ceased payments under the Agreements. Under the circumstances, the voluntary payment rule does not apply.

#### **IV. RESERVATION OF RIGHTS**

22. On December 17, 2021, the Court entered its *Order Approving Stipulation Regarding Second Amended Scheduling Order* (Adv. Dkt. No. 56, the “Stipulated Order”).

23. Under the Stipulated Order, *inter alia*, the following deadlines apply:

- a. “Responses to the Objection (‘Responses’) shall be filed on or before December 22, 2021, unless otherwise agreed in writing by the Parties.”
- b. “Depositions shall be scheduled and concluded on or before January 20, 2022, unless otherwise agreed in writing by the Parties.”
- c. “Any Party wishing to file a trial brief shall file and serve the same on or before February 1, 2022.”

24. Accordingly, considering the procedural posture of this adversary proceeding and the fact that discovery is ongoing, the Advisors reserve all their rights, including the right to file a comprehensive trial brief and to put on their case at trial consistent with applicable notice-pleading standards.

#### **V. CONCLUSION**

WHEREFORE, PREMISES CONSIDERED, the Advisors respectfully request that the Court enter an order (I) granting and allowing the Admin Claim; (II) overruling the Debtor’s

Objection; and (III) providing the Advisors such other and further relief to which they are entitled at law or in equity.

RESPECTFULLY SUBMITTED this 22nd day of December, 2021.

MUNSCH HARDT KOPF & HARR P.C.

By: /s/ Davor Rukavina

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*Counsel for the Advisors*

### **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on December 22, 2021, true and correct copies of the foregoing document were served on the following recipients via the Court's CM/ECF system.

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*Counsel for Highland Capital Management, L.P.*

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:	§	Chapter 11
HIGHLAND CAPITAL MANAGEMENT, L.P., <sup>1</sup>	§	Case No. 19-34054-sgj11
Reorganized Debtor.	§	
HIGHLAND CAPITAL MANAGEMENT, L.P.,	§	
	§	Adversary Proceeding No.
	§	21-03010-sgj

<sup>1</sup> The Reorganized Debtor's last four digits of its taxpayer identification number are (8357). The headquarters and service address for the above-captioned Reorganized Debtor is 100 Crescent Court, Suite 1850, Dallas, TX 75201.

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Plaintiff,

vs.

HIGHLAND CAPITAL MANAGEMENT FUND  
ADVISORS, L.P.; NEXPOINT ADVISORS, L.P.,

Defendants.

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§  
§  
§  
§  
§

**HIGHLAND CAPITAL MANAGEMENT, L.P.’S REPLY IN FURTHER SUPPORT OF  
DEBTOR’S OBJECTION TO APPLICATION FOR ADMINISTRATIVE CLAIMS OF  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P. AND  
NEXPOINT ADVISORS, L.P.**

Highland Capital Management, L.P., the reorganized debtor and the plaintiff in the above-referenced adversary proceeding (“Highland”), hereby files this reply (i) in opposition to the *Advisors’ Response to Debtor’s Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P., and NexPoint Advisors, L.P.* [Adv. Docket No. 49] (the “Response”) and (ii) in further support of *Debtor’s Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.* [Docket No. 2274] (the “Objection”).<sup>2</sup> In furtherance thereof, Highland states as follows:

**PRELIMINARY STATEMENT**

1. On January 24, 2021, on the eve of Highland’s confirmation hearing and with virtually no prior notice, the Advisors filed their Application for a \$14 million administrative priority claim on account of alleged overpayments made to Highland (the “Alleged Claim”). The Application has no merit and ignores or distorts critical facts. Highland performed under the Agreements in accordance with their terms and past practice, including prepetition practice, and the Advisors received exactly what they bargained for. Even assuming the Advisors could meet their burden of proof and establish a breach (which they cannot), the Alleged Claim has been

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<sup>2</sup> Capitalized terms used but not defined herein have the meanings given to them in the Objection.



waived, is barred by the “voluntary payment” rule, is facially and incredibly inflated, and is subject to setoff.

2. A quick review of the Advisors’ evolving story and its implications shows the lack of credibility in the Application and the Response:

- The Advisors contend that “beginning around July 2020, Mr. Seery directed the Debtor to cease providing services to the Advisors as otherwise contemplated under the SSAs and PRAs.” Application ¶ 16. This allegation is facially absurd because it would have resulted in the immediate and catastrophic default by the Advisors under their agreements with their retail fund clients, something that obviously never occurred.<sup>3</sup>
- Despite alleging that Highland ceased providing services in July 2020, the Advisors incredibly and inexplicably seek “damages” going back eight months earlier—to the Petition Date—before anyone in the Highland case had even heard of Mr. Seery.
- After Highland discovered written evidence that the Advisors assured the Retail Boards in October 2020 that Highland was performing under the Agreements, the Advisors were forced to change their story, now contending that they did not discover the overpayments until November 2020. Response ¶ 16.

3. As will be proven at trial, the Advisors will fail to meet their burden of proving Highland breached the Agreements. Instead, the evidence will show that, with full knowledge of the services being provided by Highland, the Advisors continued to timely make all payments required under the Agreements until weeks after Mr. Dondero was forced to resign in October 2020. At that time, and despite assuring the Retail Boards that Highland was performing under the Agreements, the Advisors concocted their Alleged Claim, and Mr. Dondero directed the Advisors to stop paying *all* amounts due and owing to Highland, including those owed under the Agreements – not because of the Alleged Claim, but as part of his broader strategy to burn Highland down.

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<sup>3</sup> It is beyond dispute that the Advisors did not have the ability to service their retail funds without Highland’s support during this period of time.

4. The Objection should be sustained, and the Court should enter a judgment in Highland's favor for all unpaid amounts due and owing under the Agreements.

### **RELEVANT BACKGROUND**

#### **A. Highland Complied with the Agreements**

5. On February 8, 2013, Highland and HCMFA executed the HCMFA SSA. On January 1, 2018, Highland and NexPoint executed the NexPoint SSA (together with the HCMFA SSA, the "Shared Services Agreements").

6. On May 1, 2018, Highland and NexPoint executed the NexPoint PRA and Highland and HCMFA executed the HCMFA PRA (together with the NexPoint PRA, the "Reimbursement Agreements").

7. James Dondero owned and/or controlled Highland, HCMFA, and NexPoint (i) when the Shared Services Agreements and Reimbursement Agreements (together, the "Agreements") were entered into, and (ii) at all times from the date of execution of the Agreements through January 9, 2020, when he ceded control of Highland. Mr. Dondero has continued to control the Advisors through the present time.

8. As will be established at trial, and consistent with its prepetition practice, Highland provided the services required by the Agreements following the Petition Date.<sup>4</sup> Despite this, the Advisors filed the Application and Response but failed to disclose that (i) with numerous of their officers simultaneously employed by Highland, the Advisors knew at all relevant times exactly what services Highland was providing and by whom they were being provided; (ii) Mr. Waterhouse, the Advisors' "authorized agent," was responsible for, knew of, and approved all payments made by the Advisors to Highland under the Agreements; (iii) the Advisors assured the

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<sup>4</sup> The Shared Services Agreements were terminated in accordance with their terms in early 2021.

boards overseeing the Advisors' retail funds (the "Retail Boards") that Highland was performing under the Agreements and was working with the Advisors on a transition plan to avoid any interruption in such services arising from Highland's termination of the Agreements; (iv) in February 2021, the Advisors requested, and received, multiple extensions of the Agreements without which the Advisors could not have operated their business; and (v) until the filing of the Application, the Advisors never contended that Highland had breached any of the Agreements.<sup>5</sup>

**B. The Advisors' Allegations Concerning Damages and Related Matters Illustrate the Lack of Credibility in the Alleged Claim**

9. On its face, the Advisors' \$14 million claim is absurd as it appears to represent nearly *all* payments made by the Advisors to Highland under all of the Agreements – even during the periods (i) when Mr. Dondero remained in control of all of the entities, (ii) when Mr. Dondero was a portfolio manager at the Debtor, (iii) before Mr. Seery gave his alleged edict to cease all services in July 2020, and (iv) when the Advisors were representing to the Retail Boards that Highland was continuing to provide services under the Agreements.

**C. The Timing of the Alleged Claim Is Suspect**

10. In the Response, the Advisors contend for the first time that they only discovered the alleged overpayments in November 2020 and could not have filed the Application sooner (even though Mr. Seery allegedly directed the cessation of services in July 2020).

11. This contention makes no sense because there will be no dispute that the Advisors and their officers knew at all relevant times (i) the nature and extent of services Highland was providing, and (ii) the amount of money the Advisors were paying for those services. But as will be shown at trial, this belated contention is being advanced, among other reasons, in a futile attempt

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<sup>5</sup> See Objection, ¶¶ 16-21, 27.

to justify the Advisors' tardiness in filing the Alleged Claim in response to Highland's waiver argument and to otherwise support spurious contentions.<sup>6</sup>

### **ARGUMENT**

12. The facts will show the Advisors received the benefit of their bargain and the allegations of alleged overpayment are false. However, the Alleged Claim also fails as a matter of law because it has been waived and is otherwise barred by the "voluntary payment" rule.

#### **A. The Advisors Waived the Alleged Claims**

13. The Advisors argue they did not waive the Alleged Claim because (i) the Agreements contain enforceable nonwaiver provisions and (ii) they never manifested an intent to waive their rights. Response § 12.

14. Highland agrees that each Agreement contains a generic and broad nonwaiver provision.<sup>7</sup> However, the Texas Supreme Court has unequivocally held that a nonwaiver provision can itself be waived and has implied that broad, generic nonwaiver provisions – like those in the Agreements – may not be enforceable at all. *Shields LP v. Bradberry*, 526 S.W.3d 471, 482-83 (Tex. 2017) ("To the extent there has been any doubt up to this time, we affirm that a party's rights under a nonwaiver provision may indeed be waived expressly or impliedly"); *Id.* at 484 ("a nonwaiver provision absolutely barring waiver in the most general of terms might be wholly ineffective"); *see also* 8 Corbin on Contracts § 40.13 ("a provision that an express condition of a

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<sup>6</sup> As a result of Mr. Dondero's instructions, the Advisors owe Highland \$2.56 million under the Agreements plus an additional \$2.15 million in unpaid expense reimbursements, as of May 2021. This amount excludes other amounts owed by the Advisors, including the approximately \$30 million due under various demand and term notes.

<sup>7</sup> NexPoint SSA § 8.07; HCMFA SSA §§9.02, 9.12; NexPoint PRA § 6.12; HCMFA PRA § 6.12. The Advisors also cite the reservation of rights in the *Shared Resources Agreement*, executed on March 1, 2021, as evidence of nonwaiver. Response ¶ 8. That agreement was entered into a month and a half after the filing of the Application and does not change the Advisors' conduct prior to the filing of the Application. Nor does it change the Advisors' rights. They reserved the Alleged Claim with all its deficiencies and with Highland's right to assert all defenses. And, because the Alleged Claim had already been waived, the Advisors' effectively reserved nothing.

promise or promises in the contract cannot be eliminated by waiver, or by conduct constituting estoppel, is wholly ineffective”).

15. Highland also agrees that waiver has three elements: (i) an existing right or benefit; (ii) actual knowledge of its existence; and (iii) actual intent to relinquish the right or intentional conduct inconsistent with the right. *Ulico Cas. Co. v. Allied Pilots Ass’n*, 262 S.W. 3d 773, 778 (Tex. 2008); Response ¶ 15. But, while waiver is largely a matter of intent, that intent should be implied where a party has relied on its counterparty’s conduct to its detriment. *Enserch Corp. v. Rebich*, 925 S.W.3d 75, 82 (Tex. App. 1996) (“[W]aiver by implication should not be inferred contrary to the intention of the party whose rights would be injuriously affected thereby, unless the opposite party has been misled to his or her prejudice”) (citations omitted).

16. The evidence will show that the Advisors’ conduct satisfies each of the foregoing elements and the Alleged Claim and the nonwaiver provisions in the Agreements have been waived. In fact, the Advisors have only put forth one actual argument as to why waiver should not apply in the Response: they did not discover the conduct prior to November 2020. That argument is fallacious. The Advisors have engaged in a multi-year course of conduct with respect to the Agreements, and Highland reasonably relied on that course of conduct. The Advisors’ efforts to re-write that history to Highland’s material detriment are unavailing.

**B. The Voluntary Payment Rule Bars the Alleged Claim**

17. The Advisors are also precluded from recovering any alleged overpayments under the voluntary payment rule. The Advisors seek to avoid this result by arguing the voluntary

payment rule does not apply to (i) breach of contract claims or (ii) mistakes of fact.<sup>8</sup> The Advisors misinterpret the case law and misapply the facts of this case.

18. The Texas Supreme Court case *BMG Direct Marketing v. Peake* is instructive. 178 S.W. 3d (Tex. 2004). In *BMG*, the court was asked to decide whether a contract party that had voluntarily paid late fees pursuant to a “contractually agreed-upon late fee” provision could later argue that such provision was an “unenforceable illegal penalty.” *Id.*, at 766-67, 771-76. The court held that recovery of the contractually agreed-upon fees was barred by the voluntary payment rule, and, in doing so, assessed and rejected movant’s argument that the voluntary payment rule did not apply because movant’s claims sought to *void* a contractual provision. *Id.*, at 775 (“[T]o the extent the subject matter of Peake’s claims is covered by the parties’ contract, the rule would not apply. But insofar as Peake alleges an illegal penalty . . . which would operate to void the contractual late-fee. . . his refund suit sounds in restitution for unjust enrichment”). Because the remedy sounded in unjust enrichment, it was barred by the voluntary payment rule.<sup>9</sup>

19. The Advisors’ allegations are on all fours with *BMG*. First, they allege overpayment under the Reimbursement Agreements because the calculation was based on an outdated schedule of employees. Application §§ 18, 23. Both parties, however, are obligated to

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<sup>8</sup> The Advisors also argue the voluntary payment rule does not apply to statutory claims and the Alleged Claim arises from a statute because it is an administrative claim under the Bankruptcy Code. Response § 19. This argument is frivolous and should be quickly rejected. The Bankruptcy Code did not create the Alleged Claim, which arose from Highland’s alleged breach of the Agreements; rather, the Bankruptcy Code simply provides rules for the priority and treatment of the Alleged Claim relative to other claims asserted against Highland. The Alleged Claim is not a statutory claim.

<sup>9</sup> Notably, various courts, including the Fifth Circuit Court of Appeals, addressing the voluntary payment rule under different states’ common law (which are substantively similar to the voluntary payment rule under Texas common law), have readily applied the voluntary payment rule to breach of contract claims. *See, e.g., Chris Albritton Constr. Co. v. Pitney Bowes Inc.*, 304 F.3d 527, 531-33 (5th Cir. 2002) (applying voluntary payment rule under Mississippi law (substantively similar to Texas law) to breach-of-contract action; “the voluntary payment doctrine defeats Plaintiffs’ claims for breach of contract”); *Salling v. Budget Rent-A-Car Sys.*, 672 F.3d 442, 444-45 (6th Cir. 2012) (voluntary payment rule under Ohio law (substantively similar to Texas law) was valid defense to breach of contract claim); *Utica Mut. Ins. Co. v. Munich Reinsurance Am., Inc.*, 381 F.Supp.3d 185, 222 (N.D.N.Y. 2019) (breach-of-contract action; applying New York law which is substantively similar to Texas law).

update the schedule of employees (NexPoint PRA § 4.02; HCMFA PRA § 4.02), and the Advisors are essentially arguing “mutual mistake,” the remedy for which is to void the contract and return overpaid fees under a theory of unjust enrichment. *See, e.g., Burlington N.R.R. v. Sw. Elec. Power*, 925 S.W.2d 92, 97 (Tex. App. 1996) (“Recovery under principles of unjust enrichment is also appropriate when a contemplated agreement is unenforceable, impossible, not fully performed, thwarted by mutual mistake, or void for other legal reasons”). Second, they allege they overpaid under the Shared Services Agreements because they paid for services Highland ceased providing in July 2020. Highland, however, had no obligation to provide such services, which were contrary to its interest,<sup>10</sup> and, even if it did, that obligation would be void under public policy.<sup>11</sup> *Phila. Indem. Ins. Co. v. White*, 490 S.W.3d 468, 483 (Tex. 2016) (“‘A contract to do a thing which cannot be performed without violation of the law’ violates public policy and is void.”) (citations omitted). Again, the Advisors ability to recover fees paid for such “services” would be through unjust enrichment.<sup>12</sup>

20. The Advisors’ argument that the voluntary payment rule does not apply to mistakes of fact also overstates the case law. The only case cited by the Advisors addressed a “mutual” mistake. *Central Austin Apts., LLC v. UP Austin Holdings, LP*, 2014 Tex. App. LEXIS 10357, \*44 n. 28 (Tex. App. Feb. 6, 2015).<sup>13</sup> As set forth above and as the facts will show, there was no

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<sup>10</sup> *See, e.g.,* HCMFA SSA § 6.01; NexPoint SSA §§ 2.03(d), (e), (j).

<sup>11</sup> Mr. Seery’s direction in or around July 2020 was in response to this Court’s order and concern about potential conflicts of interest. *See Order on Motion for Clarification of Ruling [DE # 914] and Joinders thereto [DE ## 915 and 927]* [Docket No. 935 at 10] (“This could escalate to problematic territory in a hurry. ***The court trusts the Debtor’s independent directors and new CEO are scrutinizing the issue of in-house lawyers potentially advising both the Debtor and Highland Non-Debtor Entity targets.***”) (emphasis in original).

<sup>12</sup> The Advisors admit that they are seeking recovery, at least in part, under a theory of unjust enrichment. Response § 19 (“The Advisors have not submitted merely a common-law unjust enrichment claim.”).

<sup>13</sup> The Advisors state *Central Austin* was reversed on other grounds. *Central Austin* was vacated, not reversed, following the parties’ settlement. *See* 2015 Tex. App. LEXIS 1205 (Tex. App. Feb. 6, 2015).



“mutual” mistake. The Advisors had the same information as Highland and voluntarily chose to make payments under the Agreements without reservation. In these circumstances, the voluntary payment rule applies. *See, e.g., BMG*, 178 S.W.3d at 773 (finding voluntary payment rule applied when late-fee policy was fully disclosed and the contract party was made aware of the amount of such late fees and the circumstances under which they would be imposed); *Chris Albritton Constr. Co.*, 304 F.3d at 531-33 (applying Mississippi law (substantively similar to Texas law) and holding “uncertainty about the facts, irrespective of the reason for such uncertainty, is not the equivalent of a mistake of fact”) (citations omitted); *AAA Bonding Agency v. United States Dep’t of Homeland Security*, 2015 U.S. Dist. LEXIS 196279, at \*4 (S.D. Tex. Nov. 12, 2015) (same).

### **CONCLUSION**

WHEREFORE, Highland respectfully requests that the Court (i) deny the Application, and (iii) grant Highland such other and further relief as the Court deems just and proper.

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Dated: January 5, 2022

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UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj11
	§	
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

**ADVISORS' TRIAL BRIEF**

TO THE HONORABLE STACEY G.C. JERNIGAN, U.S. BANKRUPTCY JUDGE:

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the "Advisors"), the defendants in the above styled and numbered Adversary Proceeding, and file this their *Trial Brief*, respectfully stating as follows:

## **I. SUMMARY**

1. The Advisors' administrative claim is simple. Even though the Payroll Reimbursement Agreements required the Advisors to reimburse Highland for Highland's actual costs incurred for various employees, Highland in fact billed the Advisors for 20 employees who were not actually employees, and on account of whom Highland did not incur any actual costs. Highland, contractually obligated to manage the Advisors' contracts and accounts, then used its powers to pay itself for these non-existing employees out of the Advisors' funds, totaling almost \$7.7 million in postpetition overpayments – all the while shirking its contractual obligations to ensure that such very overpayments did not occur. These are incontestable facts. Even Highland's own controller calculated the overpayments at \$6.6 million on an annualized basis, in December 2020. When at the outset of the Bankruptcy Case, the Advisors had sought to change these amounts on a go-forward basis, Highland stood behind the automatic stay, informing the Advisors that the stay prevented the Advisors from modifying the reimbursement rates. Highland breached the Payroll Reimbursement Agreements and the Advisors are entitled to an administrative claim for the resulting damages.

2. Highland also breached the Shared Services Agreements with the Advisors. First, it failed to provide legal and compliance services, despite the Advisors paying for the same. This led to \$425,000 in cover damages. Second, Highland's own internal record demonstrates that Highland was not providing \$1.3 million in legal services under the Shared Services Agreements, again despite actually billing the Advisors for the same and paying itself from the Advisors' funds. Third, Highland failed to properly adjust the reimbursement rates under the Payroll Reimbursement Agreements, a service which the Advisors contracted for and paid for under the Shared Services Agreements.

3. For similar reasons, Highland cannot recover on its breach of contract claims against the Advisors. Highland committed the first material breaches under each of the agreements. In particular, Highland refused to negotiate the reimbursement rates under the Payroll Reimbursement Agreements, as required by those agreements. And, Highland has failed to calculate how much should have been payable under all of the agreements in light of the greatly reduced headcount and services being provided. To the extent that the Advisors owe Highland any amounts under the Payroll Reimbursement Agreements and Shared Services Agreements, those amounts must be calculated in light of Highland's actual costs and should be offset against the Advisors' administrative claims.

## II. THE FACTS

### A. THE AGREEMENTS

4. The Advisors are registered investment advisors. They serve as the investment manager, either directly or indirectly, to a number of investment vehicles, including certain retail funds, regulated pursuant to the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Company Act of 1940. The Advisors provide investment advisory services to their Clients pursuant to written investment advisory agreements.

5. In order for the Advisors to provide the required services to their clients and to comply with various legal compliance requirements, the Advisors need the services of a number of employees. Some of these services and employees are highly specialized, while others are not. Thus, in order for the Advisors to be able to provide these services, they contracted with Highland for various so-called "front office," "middle office," and "back office" services. This was effectuated through four (4) written agreements at issue in this Adversary Proceeding.

6. On May 1, 2018, but effective as of January 1, 2018, HCMFA entered into that certain *Payroll Reimbursement Agreement* with Highland, while on the same date NexPoint (also

to be effective as of January 1, 2018) entered into its own, virtually identical *Payroll Reimbursement Agreement* with Highland (together, the “Payroll Reimbursement Agreements”).

7. Under the Payroll Reimbursement Agreements, Highland made various of its employees “dual employees” with the Advisors, and the Advisors agreed to reimburse Highland for a percentage of each employee’s costs (consisting generally of a percentage of compensation, including bonuses, paid by Highland to the employee). The details of the agreements are discussed below but, generally, each provides that these reimbursement amounts will be a monthly payment by each Advisor: \$416,000 per month from HCMFA and \$252,000 from NexPoint. Each of the Payroll Reimbursement Agreements has a schedule of employees attached to it, together with an allocated percentage of that employee’s compensation per Advisor. For example, for Highland’s provision of employee Cameron Baynard, HCMFA agreed to pay 29% of that employee’s compensation, while NexPoint agreed to pay 9%. These percentages were prepared by Highland employees using a reasonable methodology to determine approximately how much of each employee’s time was devoted to providing services to each of the Advisors.

8. Separately, on February 8, 2013, HCMFA entered into that certain *Second Amended and Restated Shared Services Agreement* with Highland, and, on January 1, 2018, NexPoint entered into that certain *Amended and Restated Shared Services Agreement* with Highland (together, the “Shared Services Agreements”). Unlike the Payroll Reimbursement Agreements, where Highland made its employees directly available to the Advisors, under the Shared Services Agreements Highland agreed to provide various services, using its employees, to the Advisors. Some of the services provided by Highland under the Shared Services Agreements included regulatory compliance, legal, facilities (office space, IT, etc.), book keeping, accounts payable, expense reimbursement, vendor management, and human resources.

9. Under its Shared Services Agreement, HCMFA agreed to pay Highland for the actual costs, at 100%, of the shared services provided by Highland, and an additional margin of 5%. Under its Shared Services Agreement, NexPoint was to pay a flat fee of \$168,000 to Highland per month.

10. The Payroll Reimbursement Agreements and the Shared Services Agreements are executory contracts under the Bankruptcy Code. At no time did Highland move to assume or reject any of these agreements. Rather, Highland terminated the Shared Services Agreements effective as of February 28, 2021.

**B. HIGHLAND PAYING ITSELF FROM THE ADVISORS' FUNDS**

11. It is also important to note that it was Highland employees who, pursuant to the shared services they were providing, controlled the processing and payment of the Advisors' bills, including under the Payroll Reimbursement Agreements and the Shared Services Agreements themselves. These employees had access to the Advisors' bank accounts and caused the Advisors to pay each month under the Payroll Reimbursement Agreements from the Advisors' funds, without the involvement of any Advisor employee.

**C. OVERBILLING OF THE ADVISORS UNDER THE AGREEMENTS**

12. As noted, each of the Payroll Reimbursement Agreements contained a schedule of employees, a percentage of whose compensation each Advisor was responsible to reimburse Highland for. However, many of these employees were no longer employed by Highland as of the petition date and thereafter. This is simply because the employees resigned or were terminated, especially postpetition when Highland reduced its workforce. Thus, while each of the Payroll Reimbursement Agreements contains twenty-five (25) employees, twenty (20) of these employees were no longer employees at various points in time postpetition. Yet Highland continued to bill the Advisors for these 20 employees—in effect, the Advisors were paying the compensation of 20



employees who simply were no longer employees of Highland and who were not providing services to the Advisors. The Advisors were “reimbursing” Highland for costs and expenses that Highland simply no longer had. That is the core of the Advisors’ overpayment claim under the Payroll Reimbursement Agreements.

13. In the end, and during the postpetition period, Highland billed HCMFA, and paid itself from HCMFA’s funds, \$4,928,103 for reimbursements for employees who simply were not there. Likewise, postpetition Highland billed NexPoint, and paid itself from NexPoint’s funds, \$2,721,839 for employees who were no longer there. Thus, the Advisors together overpaid Highland \$7,649,942 during the postpetition period in reimbursements when Highland itself had no actual costs for these employees since they were no longer employees. Put another way, Highland was contractually obligated to monitor the Advisors’ contracts and to advise the Advisors of undesirable or money-losing contracts; Highland breached that obligation when it chose not to so advise the Advisors where Highland itself was the counterparty; and Highland profited from the same in excess of \$7 million.

14. The situation with the Shared Services Agreements is slightly different in that the issue does not involve the payment for non-existing employees, but rather the payment for services that Highland was contracted to provide, paid itself from the Advisors’ funds for providing, yet failed to provide to the Advisors. These services largely involved legal and compliance services, after Mr. Seery, the new CRO and CEO of Highland, instructed Highland’s employees that they could not work on any matter that could be adverse to the interests of Highland (although there were other services which Highland failed to provide for different reasons). Here, the issue is simply a failure by Highland to provide what it contracted to provide and what the Advisors actually paid it to provide.

15. This caused damages to the Advisors. The Advisors were forced to employ two people full time, one to provide legal services and the other compliance services, resulting in the Advisors being forced to pay \$425,000 in cover. Separately, as will be discussed below, the Debtor's own internal records demonstrate that the Debtor was making a profit of \$1 million on an annualized basis under the Shared Services Agreements, even though no such profit was provided for, except for a 5% margin. Thus, the Advisors overpaid Highland on the Shared Services Agreements as well.

**D. ADVISORS' ATTEMPTS TO MODIFY REIMBURSEMENT RATES**

16. The Payroll Reimbursement Agreements provide that the monthly reimbursement amounts may be modified periodically based on the actual costs of the dual employees (such as which employees were even being used) and based on allocated percentages (if an employee was spending less time or more time working for an Advisor). In late 2018, and consistent with its general practices to do an annual true-up and reconciliation for its contracts, Highland and the Advisors performed a true-up for amounts reimbursed under the Payroll Reimbursement Agreements for the year 2018 (and, to the extent that the agreements provide for a monthly true-up period, which provision is not exclusive, the parties modified such monthly review by doing it annually due to the burdens of performing the true-up every month). As a result of this true-up, HCMFA paid Highland an *additional* \$1,200,000, while NexPoint paid Highland an *additional* \$1,300,000.

17. In late 2019, and after Highland filed bankruptcy, Highland again began the process of a true-up under the Payroll Reimbursement Agreement. At the same time, the Committee requested detailed information regarding the Payroll Reimbursement Agreements and the Shared Services Agreements. Thus, Frank Waterhouse, at the time an officer of both Highland and each of the Advisors, reviewed the Payroll Reimbursement Agreements and noted that the Advisors

were overpaying by substantial amounts for reimbursements due to employees who were no longer there.

18. Mr. Waterhouse did exactly as he should have done, both pursuant to prior practice, pursuant to the terms of the Payroll Reimbursement Agreements, and pursuant to the Shared Services Agreements under which, as noted above, Highland was to provide services to the Advisors to make sure that they were paying correct amounts under their contracts and accounts payable. Next, and after he determined that there were sizable overpayments, he again did what he should have done: he discussed the overpayments with Fred Caruso, then the CRO of Highland, and with Highland's general counsel, and he requested that the reimbursement amounts be changed based on the lack of so many employees.

19. In response, Mr. Caruso told Mr. Waterhouse that the automatic stay prevented a modification of the reimbursement amounts in the Payroll Reimbursement Agreements, a position that Highland's legal counsel confirmed. Mr. Caruso informed Mr. Waterhouse that the matter would have to be addressed later, and that it would be addressed. Mr. Waterhouse relied on these representations. Nor was that the only time that the Advisors sought to modify the reimbursement amounts, as Mr. Dustin Norris, an officer of the Advisors, repeatedly discussed the matter with Highland's controller starting in late Summer or early Fall, 2020. Each time the response from Highland was that the automatic stay applied but that the overpayments would be addressed as part of a then-contemplated global resolution between Highland, Mr. Dondero, and his related entities.

**E. HIGHLAND'S ADMISSIONS OF OVERPAYMENTS**

20. Beginning with Mr. Waterhouse's first discussion of the overpayments with Mr. Caruso, and continuing throughout 2020 with Mr. Norris and Mr. Klos, Highland repeatedly admitted that the Advisors were overpaying under the Payroll Reimbursement Agreements and,

later, were also paying for services under the Shared Services Agreement that Highland was no longer providing.

21. Most significantly, however, in December, 2020, Mr. Klos undertook an internal analysis at Highland, at the request of Mr. Waterhouse, to determine the profitability of the Payroll Reimbursement Agreements and Shared Services Agreements to Highland. As a professional accountant, and with full knowledge of the facts (and the one who originally populated the employee allocation percentages and lists of employees attached to the agreements), Mr. Klos calculated that the Advisors were overpaying under the Payroll Reimbursement Agreements by \$6.6 million per year, and that Highland was making a \$1 million annual gain on the Shared Services Agreements, despite those agreements' provision for only a 5% markup.

22. Indeed, Mr. Klos even wrote an e-mail in which he stated that, "given the changes in headcount . . . along with not paying insider bonus compensation, has increased the profitability of the contracts from HCMLP's perspective." Exactly. Except that the Payroll Reimbursement Agreements and Shared Services Agreements were not supposed to provide for a "profit" to Highland, and instead only a reimbursement (with the one exception for a 5% margin).

23. It is when these facts—the magnitude of the overpayments—came to light that the Advisors stopped paying on the Payroll Reimbursement Agreements and the Shared Services Agreements. The Advisors did not refuse to pay *all* amounts, but rather the inflated overpayment amounts, unless and until Highland did as the contracts require, which was to negotiate in good faith what the appropriate reimbursement and actual cost amounts should be. Highland never did that.

### III. DISCUSSION

#### A. HIGHLAND’S BREACHES OF THE AGREEMENTS

24. The evidence will be incontestable that, postpetition, Highland was charging the Advisors, and the Advisors were paying Highland, for 20 employees who were not employees of Highland; *i.e.* the Advisors were reimbursing Highland for costs that Highland was not actually incurring. The evidence will demonstrate that the amount of these overpayments is \$7,649,942 postpetition. Even Highland’s own internal analysis, from December, 2020, demonstrated that the Advisors were overpaying by \$6.6 million per year. The question is whether this constituted a breach by Highland of the Payroll Reimbursement Agreements.

25. The elements of a breach of contract are: “(1) the existence of a valid contract; (2) performance or tendered performance by the plaintiff; (3) breach of the contract by the defendant; and (4) damages sustained as a result of the breach.” *Schlumberg Ltd. v. Ruherford*, 472 S.W. 881, 892 (Tex. App. – Houston [1st Dist.] 2015). The Court’s primary role in interpreting a contract is “to determine the parties’ intent as reflected in the [contract’s] terms.” *Chrysler Ins. Co. v. Greenspoint Dodge of Houston Inc.*, 297 S.W.3d 248, 252 (Tex. 2009). “Contract language that can be given a certain or definite meaning is not ambiguous and is construed as a matter of law.” *Id.* “If the contract is capable of being given a definite legal meaning, parole evidence is generally not admissible to create an ambiguity.” *Kendziorski v. Saunders*, 191 S.W.3d 395, 405 (Tex. App. – Austin 2006).

26. The fundamental question is what the Payroll Reimbursement Agreements required the Advisors to pay to Highland. Highland now takes the position that the Payroll Reimbursement Agreements were not reimbursement agreements at all, but rather agreements that provided for a set amount of money to be paid by the Advisors to Highland irrespective of the provisions of the agreements. Any such evidence will be inadmissible parole evidence, as the Payroll

Reimbursement Agreements are not ambiguous. They provide for the Advisors to reimburse Highland for the actual costs of the dual employees, which monthly amount is estimated in the agreements, but subject to modification by either party based on the actual costs incurred.

27. Both of the Payroll Reimbursement Agreements contain the same operative provisions. The most important provisions are those governing reimbursement: “During the Term, HCMLP will seek reimbursement from HCMFA for the cost of certain employees who are dual employees . . . and who provide advice to registered companies advised by HCMFA under the direction and supervision of HCMFA.” *See* Recital A. In fact, each Payroll Reimbursement Agreement references a “reimbursement” obligation at least ten (10) times.

28. Section 2.01 of the Payroll Reimbursement Agreements provides as follows:

Employee Reimbursement. During the Term, HCMFA shall reimburse HCMLP for the Actual Cost to HCMLP of certain employees who (i) are dual employees of HCMLP and HCMFA and (ii) provide advice to any investment company . . . pursuant to an investment advisory agreement between HCMFA and such investment company.

29. The Payroll Reimbursement Agreements define “Actual Cost” as follows:

Actual Cost means, with respect to any period hereunder, the actual costs and expenses caused by, incurred or otherwise arising from or relating to each Dual Employee, in each case during such period. Absent any changes to employee reimbursement, as set forth in Section 2.02, such costs and expenses are equal to \$416,000 per month [and for NexPoint, \$252,000 per month].

30. Section 2.02 of the Payroll Reimbursement Agreements provides as follows:

Changes to Employee Reimbursement. During the Term, the Parties may agree to modify the terms and conditions of HCMFA’s reimbursement in order to reflect new procedures or processes, including modifying the Allocation Percentage (defined below) applicable to such Dual Employee to reflect the then current fair market value of such Dual Employee’s employment. The Parties will negotiate in good faith the terms of such modification.

31. Section 4.02 of the Payroll Reimbursement Agreement provides as follows:

Determination and Payment of Cost. HCMFA shall promptly make payment of the Actual Cost within ten (10) days of the end of each calendar month. Should either

Party determine that a change to employee reimbursement is appropriate, as set forth in Section 2.02, the Party requesting such modification shall notify the other Party on or before the last business day of the calendar month.

32. The Payroll Reimbursement Agreements are therefore straightforward. The Advisors are to reimburse Highland for Actual Cost. Unless Actual Cost is changed pursuant to section 2.02, Actual Cost is a predetermined monthly amount. And, importantly, section 2.02 does not state *when* a change must be made, and it does not limit the change to a prospective, as opposed to a retrospective, amount; only that the modification be “during the term” and that the parties “will negotiate in good faith the terms of such modification.” This is exactly what the parties did at the end of 2018 when they retroactively did a “true-up” of Actual Cost for 2018 and the Advisors paid an additional \$2.5 million to Highland. And, while section 4.02 suggests that a prospective change must be requested before the end of any given month, nothing in that section makes that requirement exclusive, limits a retrospective modification, or controls section 2.02, which provides that the modification may be at any time during the term.

33. Highland argues that the preset monthly amounts are controlling and that the Advisors failed to follow section 2.02 to change those monthly amounts, in effect waiving their abilities to change those amounts retroactively. On that last point, however, the evidence will demonstrate the following.

- (i) First, in 2018, the parties agreed that a monthly true-up would be too burdensome and cumbersome and that, instead, Highland would perform an annual true-up at the end of each year, consistent with its custom and practice of trueing-up and reconciling its contracts on an annual basis. The parties did so on December 14, 2018 and agreed that the Advisors actually owed Highland *more* than the monthly amounts. In fact, HCMFA paid Highland an additional \$1.2 million and NexPoint paid Highland an additional \$1.3 million, because the parties agreed, as part of the true-up, that the preset monthly amounts in the agreements did not provide accurate “reimbursement.”
- (ii) Postpetition in late 2019, Frank Waterhouse, as officer of each of the Advisors and of Highland, again looking at an annual true-up and in response to inquiries made by the Committee, informed both Fred Caruso, Highland’s CRO at the time, and



Highland's legal counsel, that the monthly amounts needed to be changed because the Advisors were by then overpaying Highland since many employees the subject of the agreements were no longer actually employed. Mr. Caruso and legal counsel, who were not officers or employees of the Advisors, informed Mr. Waterhouse that the automatic stay prevented the Advisors from changing the amounts or terminating the agreements, but that Highland would get to it and do a true-up later on in the case. Thus, the Advisors triggered section 2.02 of the Agreements but Highland did not, as required by that section, "negotiate in good faith the terms of such modification," instead submitting that the automatic stay prevented any modification. Mr. Waterhouse relied on this representation, especially as it was confirmed by Highland's legal counsel who, at the same time, was also the Advisors' legal counsel pursuant to the Shared Services Agreements. In other words, the Advisors tried, but were rebuked by Highland.

- (iii) The Advisors again sought to trigger section 2.02 in September and October, 2020. Dustin Norris, an officer of the Advisors, discussed the issue on multiple occasions with David Klos, the controller for Highland. Mr. Klos repeatedly acknowledged the fact of overpayments but informed Mr. Norris that Highland could not do anything about it at that time. In fact, Mr. Klos then prepared an internal calculation for Highland, in December, 2020, showing that Highland was making an annualized \$6.6 million profit on the Payroll Reimbursement Agreements. Again, the Advisors tried, but were rebuked by Highland, which again did not "negotiate in good faith the terms of such modification," precisely because the agreements had become so profitable to Highland (even as Highland was otherwise informing the Court that the agreements were not profitable at all).
- (iv) Section 4.02 provides that, "[s]hould either Party determine that a change to employee reimbursement is appropriate . . ." Highland should have determined that such a change was appropriate. Under the Shared Services Agreements, Highland was providing services to the Advisors which included legal and payment services such that Highland was responsible to, on behalf of the Advisors, review bills before paying them and review contracts and bills to see whether they were appropriate, whether there were credits or savings to be had, and whether there were defenses to payment. The Advisors were paying Highland precisely to review the Payroll Reimbursement Agreements on a real-time basis to determine whether the Advisors were paying proper reimbursement amounts. Despite knowledge since late 2019 that the Advisors were overpaying, Highland did nothing, either honestly believing that the automatic stay applied or hiding behind the stay in light of the new profitability under the agreements.

34. Accordingly, there was no waiver. On the contrary, the Advisors repeatedly tried to exercise their rights under section 2.02 to change the reimbursement amounts. And, it is Highland that breached the Payroll Reimbursement Agreements first, by charging for employees

who were not there, and second, by categorically failing or refusing to negotiate a modification to the monthly amounts in good faith.

35. Importantly, as pointed out above, the Advisors were each paying Highland under the Shared Services Agreements to review and assist with accounts payable, accounting, legal, expense reimbursement, vendor management, and other services pursuant to which Highland should have been the one to raise the overpayment issue, the same as it would have done, and did, when reviewing third party invoices and bills. This would have included checking to see whether correct amounts were being charged the Advisors prior to paying the Advisors' invoices with the Advisors' funds. It utterly failed to do this. In this respect, Texas law is clear that one may not take advantage of another's delay in the performance of a contractual obligation when his own negligence has caused the delay. *See, e.g., Collier v. Robinson*, 129 S.W. 389 (Tex. Civ. App. 1910) ("plaintiffs were excused from payment of the purchase price of the property within sixty days from the date of the contract, in the event only of a finding by the jury that they were prevented from so doing by the negligence of the defendants"). As explained by one court:

It is settled law that one may not take advantage of, nor recover damages for, delays for which he is himself responsible, and that the time for performance is excused and a corresponding extension of time given where the delay is occasioned by the act or default of the party claiming the damages.

*Szanto v. Pagel*, 47 S.W.2d 632, 635 (Tex. Civ. App. – Austin 1932).

36. Thus, not only is Highland's failure to take timely and appropriate action to correct the overpayments itself a breach of the Shared Services Agreements, but it also means that Highland cannot take advantage of any delay by the Advisors in enforcing their rights when that delay was occasioned by Highland's own negligence and breach of contract.

37. The situation with the Shared Services Agreements is more straightforward: the Advisors contracted with Highland to provide various services, and they paid Highland for those

services, and Highland failed to provide those services. This gives rise to direct damages, which means the “restoration of the benefit of a plaintiff’s bargain.” *Signature Indus. Servs. LLC v. Int’l Paper Co.*, 2022 Tex. LEXIS 44 at \*8 (Tex. 2022). Such damages include “cover” damages, meaning the costs incurred by the Advisors to replace the services that Highland failed to provide. *See Little Darling Corp. v. Ald, Inc.*, 566 S.W.2d 347, 349 (Tex. Civ. App. 1978) (where defendant failed to provide services required under contract, finding that plaintiff is entitled to additional sums paid to procure replacement services).

38. Since Highland was not permitted a profit under the Shared Services Agreement and the amounts payable by the Advisors were the reimbursement for actual costs (except to the extent of a 5% margin), yet Highland itself calculated a \$1 million annual profit, the damages for its breach of contract are \$1,300,000, given the 13 months of payments by the Advisors under the Shared Services Agreements. The cover damages are \$425,000, representing the cost to the Advisors of having to hire two employees to cover for the services that Highland was not providing (but for which the Advisors were nevertheless paying Highland in full).

**B. ALLOWANCE OF CONTRACT DAMAGES AS ADMINISTRATIVE CLAIMS**

39. Administrative expenses generally include “the actual, necessary costs and expenses of preserving the estate ....” 11 U.S.C. § 503(b)(1)(a). However, the list of administrative expense claims set forth in section 503(b) is not exclusive or exhaustive. *In re Imperial Bev. Group, LLC*, 457 B.R. 490, 500 (Bankr. N.D. Tex. 2011) (citing various cases for the proposition that “the administrative expenses listed in the subsections of § 503(b)—preceded by ‘including’—are not exclusive”); 11 U.S.C. § 102(3) (“In this title ... ‘includes’ and ‘including’ are not limiting ....”). Here, there is no question that Highland’s breaches of the agreements were committed postpetition, and that the Advisors provided millions of dollars in value to Highland stemming from their overpayments. That is an administrative claim. *See, e.g., In re Nat’l Steel Corp.*, 316 B.R. 287,

300 (Bankr. N.D. Ill. 2004) (“[c]laims under § 503(b)(1)(A) are to be measured by the benefit received by the estate”).

40. Each of the Payroll Reimbursement Agreements and Shared Services Agreements were unexpired executory contracts, which Highland never assumed or rejected. Postpetition, pre-rejection performance under an executory contract gives rise to an administrative expense claim. *See NLRB v. Bildisco & Bildisco*, 465 U.S. 513, 531 (1984) (“If the debtor-in-possession elects to continue to receive benefits from the other party to an executory contract pending a decision to reject or assume the contract, the debtor-in-possession is obligated to pay for the reasonable value of those services”); *In re MCS/Tex. Direct, Inc.*, 02-40229-DML-11, 2004 Bankr. LEXIS 379, \*11-12 (Bankr. N.D. Tex. March 30, 2004) (“Even if the contract is rejected, the contract party is entitled to payment for postpetition value received by a debtor.”).

41. Similarly, a postpetition, pre-rejection breach of contract gives rise to an administrative expense claim. *See In re United Trucking Serv.*, 851 F.2d 159, 162 (6th Cir. 1988) (“the damages under the breached lease covenant, to the extent that they occurred post-petition, provided benefits to the bankrupt estate and were property accorded priority under § 503”); *Shapiro v. Meridian Auto. Sys. (Del.) (In re Lorro, Inc.)*, 391 B.R. 760, 766 (Bankr. E.D. Mich. 2008) (“the term ‘administrative expense’ has been construed to include claims based on tort, trademark infringement, patent infringement, and breach of contract”) (citing, *inter alia*, *Reading Co. v. Brown*, 391 U.S. 471 (1968)). And, as the Supreme Court confirmed in 1968, the “actual and necessary costs” or preserving the estate include, with respect to an operating debtor-in-possession, damages that the debtor causes from its operation of its business. *See Reading Co. v. Brown*, 391 U.S. 471 (1968).

42. It is incontestable that Highland received millions of dollars from the Advisors in exchange for which the Advisors provided no return consideration. “In order to establish the

priority of an administrative claim, the claimant must demonstrate that the debt (1) arose out of a transaction with the debtor-in-possession and (2) benefitted the operation of the debtor's business." *In re Jartran, Inc.*, 732 F.2d 584, 586 (7th Cir. 1984). The measure of the administrative claim is "the benefit received by the estate rather than the costs incurred by a claimant." In *In re Nat'l Steel Corp.*, 316 B.R. 287 (N.D.Ill. 2004). Here, the benefit to the estate, of pure profit and free money where the only "work" Highland performed was to transfer the Advisors' money into its own pockets, totals in the millions of dollars.

43. In *Steel Corp.*, a creditor filed an administrative claim based on the debtor overcharging the creditor for steel. There, the bankruptcy court denied the creditor's administrative claim because, even though the debtor charged the creditor in excess of the agreed-upon contract, the creditor nevertheless received below-market steel, and the debtor did not fail to deliver the steel nor delivered defective steel or steel not made to specifications. *Id.* Notably, the contract price only *informed* the Court's decision, but did not control. Here, Highland did not deliver but benefitted greatly. Thus, while the contracts are informative and should guide the Court's ruling, it cannot be the end of the inquiry. Highland's contractual argument taken to its conclusion means that Highland would be contractually entitled to millions of dollars even if Highland provided the Advisors with *zero employees and zero services* – an absurd result that cannot stand in equity. In the end, Highland received free money well in excess of Highland's costs, every dollar of which benefitted its estate. That entitles the Advisors to an administrative claim to the extent services were not provided.

**C. THE ADVISORS DID NOT WAIVE THEIR RIGHTS OR THEIR CLAIMS**

44. As explained above, the Advisors did not waive their rights to change the amounts payable under the agreements. On the contrary, they attempted to change those amounts shortly after bankruptcy and repeatedly thereafter, only to be informed by Highland that the automatic stay prevented any modification to the present amounts.

45. Waiver is an affirmative defense on which Highland bears the burden of proof. *See Zarate v. Rodriguez*, 542 S.W.3d 26, 40 (Tex. App. – Houston [14th Dist.] 2017). “[W]aiver is the intentional relinquishment of a right actually or constructively known, or intentional conduct inconsistent with claiming that right. The elements of waiver include (1) an existing right, benefit, or advantage held by a party; (2) the party’s actual or constructive knowledge of its existence; and (3) the party’s actual intent to relinquish the right or intentional conduct inconsistent with the right.” *Perry Homes v. Cull*, 258 S.W.3d 580, 602-03 (Tex. 2008) (internal citation omitted). There could have been no actual intent by the Advisors to waive their rights, and no intentional conduct inconsistent with those rights, when their officers attempted repeatedly postpetition to change the reimbursement amounts in the Payroll Reimbursement Agreements.

46. Moreover, the Payroll Reimbursement Agreements expressly contain a no-waiver provision: “[n]o failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.” Agreements at § 6.12. This provision is fully enforceable under Texas law. *See, e.g., Shields Ltd. P’ship v. Bradberry*, 526 S.W.3d 471, 481-82 (Tex. 2017) (“[g]iven Texas’s strong public policy favoring freedom of contract, there can be no doubt that, as a general proposition, nonwaiver provisions are binding and enforceable”).

47. The evidence will therefore demonstrate that, despite repeated attempts by the Advisors to exercise their rights under section 2.02 of the Payroll Reimbursement Agreements,

Highland did not “negotiate in good faith the terms of such modification.” This constituted a breach by Highland of section 2.02 of the agreements, in addition to its overall breach of the agreements by charging reimbursement amounts that it knew were well in excess of the actual costs it was incurring for its employees. That point should not be lost on the Court. Highland, despite having professional management and being a fiduciary in its bankruptcy case, charged the Advisors millions of dollars postpetition for employees who simply were not there, knowing that it was making a large profit on those agreements, and doing nothing about it and refusing to do anything about it once repeated efforts were made by the Advisors.

**D. VOLUNTARY PAYMENT DOCTRINE DOES NOT APPLY**

48. Highland argues that the voluntary payment doctrine prevents the Advisors from recovering their overpayments. Under the voluntary payment rule, “money voluntarily paid on a claim of right, with full knowledge of all the facts, in the absence of fraud, duress, or compulsion, cannot be recovered back merely because the party at the time of payment was ignorant of or mistook the law as to his liability.” *Miga v. Jensen*, 299 S.W.3d 98, 103 (Tex. 2009). Here, the rule does not apply factually for at least two immediate reasons. First, the Advisors did not “voluntarily” make the overpayments; Highland employees, who were not Advisor employees, made the payments from the Advisors’ funds pursuant to the shared services agreement. Second, the Advisors did not have knowledge of all of the facts because, even though they knew that certain employees were no longer there, they did not know that Highland was still billing them, and paying itself, for those employees. Again, it was all Highland employees doing the billing and the payments.

49. Moreover, the voluntary payment rule does not apply to breach of contract claims. Historically, the voluntary payment rule was “a defense to claims asserting unjust enrichment; that is, when a plaintiff sues for restitution claiming a payment constitutes unjust enrichment, a



defendant may respond with the voluntary-payment rule as a defense.” See *BMG Direct Mktg. v. Peake*, 178 S.W.3d 763, 768 (Tex. 2004). But “[a]lthough the voluntary-payment rule has been applied, at times, in both private and public contexts, other legal and statutory remedies have evolved over time to supplant the rule’s application in many of these contexts.” *Id.* at 770. “Thus, although the voluntary-payment rule may have been widely used by parties and some Texas courts at one time, its scope has diminished as the rule’s equitable policy concerns have been addressed through statutory or other legal remedies.” *Id.* at 771. “Like other equitable claims and defenses, an adequate legal remedy may render equitable claims of unjust enrichment and equitable defenses of voluntary-payment unavailable.” *Id.* at 770. While not completely abrogated, the rule today has only “limited application in Texas jurisprudence.” *Id.* at 771 .

50. Here, the issue is a statutory one, with respect to the Bankruptcy Code’s provisions governing the allowance of an administrative claim. The statute should govern. And, courts have expressly held that the voluntary payment rule does not apply to breach of contract claims. *Lopez v. Bailon*, No. 07-14-00442-CV, 2016 Tex. App. LEXIS 8458, \*10 (Tex. App.—Amarillo Aug. 4, 2016) (“The voluntary payment defense does not apply to a simple breach of contract action.”); see *BMG Direct Mktg.*, 178 S.W.3d at 775 (“It is true that, to the extent the subject matter of Peake’s claim is covered by the parties’ contract, the rule would not apply.”). The Advisors have not submitted merely a common-law unjust enrichment claim. They have asserted a claim under the Bankruptcy Code and written contracts. Under these circumstances, the voluntary payment rule does not apply.

**E. THE COURT SHOULD DENY HIGHLAND’S CLAIMS**

51. As explained above, Highland breached each of the agreements in question. “It is a fundamental principle of contract law that when one party to a contract commits a material breach of that contract, the other party is discharged or excused from further performance.” *Bartush-*

*Schnitzius Foods Co. v. Cimco Refrigeration Inc.*, 518 S.W.3d 432, 436 (Tex. 2017). Texas law identifies five (5) nonexclusive factors that govern the materiality question: “(a) the extent to which the injured party will be deprived of the benefit which he reasonably expected; (b) the extent to which the injured party can be adequately compensated for the part of that benefit of which he will be deprived; (c) the extent to which the party failing to perform or to offer to perform will suffer forfeiture; (d) the likelihood that the party failing to perform or to offer to perform will cure his failure, taking account of the circumstances including any reasonable assurances; (e) the extent to which the behavior of the party failing to perform or to offer to perform comports with standards of good faith and fair dealing.” *Mustang Pipeline Co. v. Driver Pipeline Co.*, 134 S.W.3d 195, 199 (Tex. 2004).

52. Certainly with respect to the Payroll Reimbursement Agreements, Highland’s breaches were material: billing the Advisors for 20 out of 25 employees who were no longer there, refusing to negotiate in good faith, and damages of almost \$7.7 million. And, Highland will not suffer a forfeiture: it had no right to the overpayments. Likewise, Highland’s behavior does not comport with any standard of good faith and fair dealing. Highland, itself seeking relief from this Court, and with fiduciary duties to its estate, knew full well that it was overbilling the Advisors, refused to do anything about it despite requests and the language of the agreements, refused to negotiate in good faith, and simply pocketed the overpayments as profit.

53. Accordingly, the Court should deny Highland’s claims for unpaid amounts under the agreements. However, if the Court concludes otherwise, Highland has utterly failed to calculate its damages except on its flawed theory that the Payroll Reimbursement Agreements provide for monthly payments, period, irrespective of actual costs and the agreements’ requirements for reimbursement. The Advisors clearly initiated the process of modifying the monthly reimbursement rates well prior to when they stopped payments, and the agreements

clearly require Highland to “negotiate in good faith the terms of such modification.” Highland utterly failed or refused to engage in *any* negotiation, much less a good faith one.

54. Insofar as the Advisors invoked section 2.02 of the Payroll Reimbursement Agreements, and section 4.01 of the HCMFA Shared Services Agreement (as well as any similar provision in the NexPoint Shared Services Agreement), and Highland failed to comply with its obligations, the agreements’ basic requirement of a reimbursement of “the actual costs and expenses” relating to each dual employee controls. Highland has the burden to calculate these amounts, and it has failed to do so, instead relying on its theory that only the preset monthly amounts matter—a theory the Court cannot adopt without reading section 2.02 out of the agreements. Accordingly, the Court should reject Highland’s damages model as a matter of law and deny any relief on Highland’s claims or, alternatively, calculate those claims based on actual costs under the Payroll Reimbursement Agreements and the Shared Services Agreements.

RESPECTFULLY SUBMITTED this 6th day of April, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

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L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on this the 6th day of April, 2022, true and correct copies of this document were electronically served on all parties entitled to notice thereof, including on Highland through its attorneys of record.

By: /s/ Davor Rukavina  
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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:	§	
	§	Chapter 11
HIGHLAND CAPITAL MANAGEMENT, L.P., <sup>1</sup>	§	
	§	Case No. 19-34054-sgj11
Reorganized Debtor.	§	
HIGHLAND CAPITAL MANAGEMENT, L.P.,	§	
	§	
Plaintiff,	§	Adversary Proceeding No.
	§	
vs.	§	21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.,	§	
	§	
Defendants.	§	
	§	

<sup>1</sup> The Reorganized Debtor's last four digits of its taxpayer identification number are (6725). The headquarters and service address for the above-captioned Reorganized Debtor is 100 Crescent Court, Suite 1850, Dallas, TX 75201.

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## **HIGHLAND'S PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW**

Highland Capital Management, L.P. (“Plaintiff” or “Highland”) submits the following *Proposed Findings of Fact and Conclusions of Law* in the above-captioned chapter 11 bankruptcy case (the “Bankruptcy Case”) and the above-captioned adversary proceeding (the “Adversary Proceeding”) pursuant to Local Bankruptcy Rule 7016-1 and the *Agreed Amended Scheduling Order* [Adv. Pro. Docket No. 60].<sup>2</sup>

### **I. SUMMARY OF PROPOSED FINDINGS AND CONCLUSIONS**<sup>3</sup>

1. This Adversary Proceeding involves competing claims arising under certain Shared Services Agreements and Payroll Reimbursement Agreements entered into between and among the Parties.

2. The Advisors assert claims against Highland for (a) “overpayment” under the PRAs, (b) “overpayment” under the SSAs, and (c) breach of contract under the SSAs. In support of their claims for “overpayment” under the PRAs, the Advisors contend that they were wrongfully charged their allocable share of the “Actual Cost” of certain Dual Employees who were no longer employed at Highland. The Advisors do not claim that Highland failed to provide advisory services under the PRAs; rather, they contend that they were overcharged for these services since such services were not provided by specified Dual Employees. In their claim for overpayment and breach of the SSAs, the Advisors maintain that (i) Highland did not perform services under the SSAs, and (ii) as a result, the Advisors were overcharged for such services that were allegedly not being provided.

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<sup>2</sup> “Adv. Pro. Docket No. \_\_\_” refers to the docket entries maintained in the Adversary Proceeding.

<sup>3</sup> Capitalized terms not defined in this Summary have the meanings ascribed to them below.

3. In its defense, Highland contends that the PRAs clearly and unambiguously establish that the Advisors agreed to pay – and properly did pay -- a flat monthly fee for investment advisory services rendered, regardless of which employees actually performed those services, unless the parties agreed otherwise.

4. Highland also argues that even if the PRAs are deemed ambiguous, parol evidence, the surrounding circumstances, and the parties’ uninterrupted course of dealing proves that the parties intended that the Advisors would pay a flat monthly fee for investment advisory services, unless modified in writing pursuant to the PRAs. Highland further maintains that, even if the Advisors could prove that they “overpaid” under the PRAs, the Advisors claims have been (i) waived and (ii) are barred by the voluntary payment rule.

5. Highland asserts claims against the Advisors for breach of contract arising from the Advisors’ failure to pay amounts due and owing under the SSAs and PRAs as well as for other reimbursable costs that Highland incurred on their behalf.

6. The Parties’ claims under the Agreements were tried before the court on April 12 and April 13, 2022. The Court heard testimony from [number] of witnesses, including [names], and admitted [number] exhibits into evidence.

7. For the reasons set forth below, the Court finds that the Advisors have failed to meet their burden of proving (i) that they made any “overpayments” under the PRAs; (ii) that Highland breached the SSAs; or (iii) that the Advisors “overpaid” under the SSAs. The Court also finds that even if the Advisors had met their burden of proving that they “overpaid” under the PRAs, the Advisors claims for are (i) waived, and (ii) barred by the voluntary payment rule. The Advisors’ claims for “overpayments” under the SSA are likewise waived.

8. The Court further finds that Highland has met its burden of proving (a) its breach of contract claim against the Advisors, and (b) that it is entitled to recover its costs and expenses, including attorneys' fees, in prosecuting and defending the claims asserted in this Adversary Proceeding.

9. In reaching these conclusions, the Court has considered all of the admissible evidence, including documentary evidence, and has carefully considered weighed the credibility of the witnesses.

10. For the reasons set forth herein, it is hereby **ORDERED** that the Advisors failed to prove their breach of contract and overpayment claims under the SSA and PRAs, and therefore, the Advisors cannot recover on their claims.

11. It is further **ORDERED** that Highland met its burden of proving the Advisors breached the SSAs by failing to pay amounts due and owing, and the Advisors are liable to Highland for all amounts due and owing thereunder as well as all costs and expenses, including attorneys' fees, in prosecuting and defending the claims asserted in this Adversary Proceeding.

## **II. PROPOSED FINDINGS OF FACT**

### **A. The Advisors**

12. Pyxis Capital, L.P. ("Pyxis") was formed in or around 2009. In or around 2012, Pyxis changed its name to Highland Capital Management Fund Advisors, L.P. ("HCMFA"). At all relevant times, James Dondero ("Mr. Dondero") has controlled HCMFA. [Adv. Pro. Docket No. 25].

13. NexPoint Advisors, L.P. ("NexPoint" and together with HCMFA, the "Advisors") was formed in or around 2012. At all relevant times, Mr. Dondero has controlled NexPoint. *Id.*

14. The Advisors are registered investment advisors under the Investment Advisers Act of 1940. They serve as the investment manager for certain investment vehicles (collectively, the

“Clients”), including certain retail funds (the retail funds for which HCMFA and NexPoint serve as the investment advisor are collectively referred to as the “Retail Funds”), regulated pursuant to the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Company Act of 1940 (the “ICA”).

15. The Advisors provide investment advisory services to their Clients pursuant to written investment advisory agreements (the “Investment Advisory Agreements”).

16. The Advisors’ Investment Advisory Agreements are (a) the principal source of the Advisors’ revenue, and (b) are the reason for the Advisors’ existence.

## **B. The Agreements at Issue**

### **1. The HCMFA Shared Services Agreement**

17. On February 9, 2012, Highland and Pyxis (HCMFA’s predecessor) entered into that certain *Shared Services Agreement*, effective as of December 15, 2011. **Exhibit 54.**

18. On September 12, 2012, Highland and Pyxis entered into that certain *Amended and Restated Shared Services Agreement*, effective as of December 15, 2011. **Exhibit 55.**

19. Highland and HCMFA entered into that certain *Second Amended and Restated Shared Services Agreement*, effective as of February 8, 2013 (the “HCMFA SSA”), which noted that HCMFA was “formerly known as” Pyxis. **Exhibit 2.**

20. Pursuant to the HCMFA SSA, HCMFA agreed to pay Highland for certain costs incurred or arising from certain shared services requested by HCMFA and provided by Highland, including, in pertinent part: (i) finance and accounting, (ii) human resources, (iii) marketing, (iv) legal, (v) corporate, (vi) information technology, and (vii) operations (the “HCMFA Shared Services”). *See id.* (HCMFA SSA) Article II, Section 2.01.

21. Pursuant to the HCMFA SSA, HCMFA was required to pay Highland its allocable share of the Actual Cost of Shared Services and Shared Assets based on an Allocation Percentage, as those terms are defined in the HCFMA SSA. *See id.* (HCMFA SSA) Section 4.01.

22. To determine the amounts owed, (a) Highland was to prepare Quarterly Reports setting forth the cost allocations and detailing amounts paid during the applicable quarter; (b) the parties were to agree on the allocations set forth in the Quarterly Reports and prepare invoices (the “HCMFA SSA Invoices”); and (c) the invoiced amounts were to be paid within 10 days. *See id.* (HCMFA SSA) Sections 5.01, 5.02, and 5.03.

23. At all relevant times, David Klos (“Mr. Klos”) served as Highland’s Controller and Chief Accounting Officer and reported directly to Frank Waterhouse (“Mr. Waterhouse”), Highland’s Chief Financial Officer, who simultaneously served as the Treasurer for each of the Advisors.<sup>4</sup>

24. Mr. Klos had primary responsibility for overseeing the preparation of the HCMFA SSA Invoices and will testify (a) about the process of preparing and paying the HCMFA SSA Invoices, and (b) that the process of preparing and paying the HCMFA SSA Invoices was substantively the same from 2012 until the HCMFA SSA was terminated in January 2021.

25. In other words, Mr. Klos will testify that the process of preparing and paying the HCMFA SSA Invoices in 2020 (after the Independent Board took control of Highland) was the same as the process that was in place during the prior eight (8) years (when Mr. Dondero controlled Highland and each of the Advisors).

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<sup>4</sup> Mr. Klos is a certified public accountant and was promoted to Chief Financial Officer of Highland shortly after Highland’s plan of reorganization was confirmed and Mr. Waterhouse resigned to accept a position with Skyview.

**2. The NexPoint Shared Services Agreement**

26. On June 5, 2013, Highland and NexPoint entered into that certain *Shared Services Agreement*, effective as of January 1, 2013 (the “Original NexPoint SSA”). **Exhibit 29.**

27. The Original NexPoint SSA was modelled on the HCMFA SSA and included a formula for determining NexPoint’s share of the allocable cost of shared services and assets, which did not rely on an actual analysis of cost, but rather a percentage of managed fund assets. *See id.* (Original NexPoint SSA) Sections 4.01, 5.01, 5.02, and 5.03.

28. For reasons described in more detail below, Highland and NexPoint amended the Original NexPoint SSA in early 2018. Specifically, Highland and NexPoint, entered into that certain *Amended and Restated Shared Services Agreement*, effective as of January 1, 2018 (the “NexPoint SSA,” and together with the HCMFA SSA, the “Shared Services Agreements”).

**Exhibit 3.**

29. Among the most significant changes to the parties’ relationship were that (a) the “asset based” formula (which was calculated using asset values of a fund advised by NexPoint) for determining the value of Highland’s services was replaced with a monthly, “flat fee” arrangement, and (b) Highland was provided with exculpation and indemnification rights.

30. Consequently, rather than paying for services based on an agreed-upon formula, NexPoint agreed to pay Highland a flat monthly fee of \$168,000, payable in advance on the first business day of each month, in exchange for shared services. *See id.* (NexPoint SSA) Article III, Section 3.01.

31. In addition, Highland was granted broad indemnity and exculpation rights. *See id.* (NexPoint SSA), Sections 6.02 and 6.03. Under Section 6.03 of the NexPoint SSA, Highland is entitled to recover its costs and expenses, including attorney’s fees, incurred in connection with the defense or settlement of indemnifiable claims. *See id.* at Section 6.03.

32. Mr. Waterhouse signed the NexPoint SSA on behalf of **both** Highland (in his capacity as Treasurer of Strand Advisors, Inc., Highland's General Partner) and NexPoint (in his capacity as NexPoint's Treasurer).

**3. Highland Gives Written Notice of Termination of the Shared Services Agreements and Then Agrees to Extend the Termination Date**

**i. The Termination Notices**

33. On November 30, 2020, Highland exercised its right under the HCMFA SSA by providing written notice to HCMFA (the "HCMFA Termination Notice") that it intended to terminate the HCMFA SSA as of January 31, 2021 (the "HCMFA Termination Date"). **Exhibit 153.**

34. On November 30, 2020, Highland exercised its right under the NexPoint SSA by providing written notice to NexPoint (the "NexPoint Termination Notice", and together with the HCMFA Termination Notice, the "Termination Notices") that it intended to terminate the NexPoint SSA as of January 31, 2021 (the "NexPoint Termination Date", and together with the HCMFA Termination Date, the "Termination Date"). **Exhibit 154.**

**ii. Highland Agrees to Extend the Termination Date**

35. Prior to providing the Termination Notices, starting in the summer of 2020, Highland began negotiating a transition plan for the orderly transition of services to the Advisors or their designee. By the end of January 2021, the parties had not reached an agreement on a transition plan.

36. In an act that avoided catastrophic consequences for the Retails Funds and their investors that would have resulted from an abrupt termination of the Shared Services Agreements, Highland offered to extend the termination date by two weeks—provided that the Advisors paid for services in advance.



37. Thus, on January 29, 2021, the parties executed an agreement extending the Termination Date to February 14, 2021 in exchange for the Advisors' payment for services to be rendered by Highland during that two-week period.

38. In February 2021, the parties extended the Termination Date one final time.<sup>5</sup>

#### **4. The Payroll Reimbursement Agreements**

39. In addition to the Shared Services Agreements, Highland and each of the Advisors were parties to certain "Payroll Reimbursement Agreements" (the "PRAs" and together with the Shared Services Agreements, the "Agreements") that are the subject of their competing claims.

40. The PRAs were not adopted in a vacuum. While Highland contends, and the evidence shows, that the terms of the PRAs are clear and unambiguous, the background facts and contemporaneous, written communications exchanged before any dispute arose and any manufactured debate over whether the parties intended that the Advisors would each pay Highland a flat monthly fee in exchange for investment advisory (or "front office") services unless and until the parties agreed in writing to amend the flat fee.

#### **iii. Events Leading Up to the Creation of the NexPoint PRA**

41. Throughout the latter half of the 2010s, Highland's operating performance steadily declined. By the end of 2017, Highland was operating at a loss, which was expected to accelerate into 2018. **Exhibit 86** at 2.

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<sup>5</sup> When Highland commenced this Adversary Proceeding, it sought, among other things, a mandatory injunction requiring the Advisors to adopt a viable transition plan. Highland was expected to downsize following confirmation of its plan of reorganization, and it needed finality. *See generally Plaintiff Highland Capital Management L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief*, Adv. Pro. No. 21-03010-sgj, Docket No. 1. The evidence adduced at the hearing on Highland's motion for injunctive relief established that the only issue preventing a consensual transition of shared personnel and services was the Advisors' insistence that Mr. Dondero be given access to Highland's offices, notwithstanding the imposition of temporary and preliminary injunctive relief against him.

42. To help address this problem, and to reduce NexPoint's taxable income, Mr. Dondero directed Highland's team to prospectively increase NexPoint's annual payments to Highland for services to be rendered to exactly \$6 million, and that's precisely what Highland's team did.

43. To achieve that result, the Highland team created a new Agreement—a "Sub-Advisory Agreement"—pursuant to which NexPoint would compensate Highland for the "front office" investment advice that Highland provided, while also amending the NexPoint SSA to provide for a fixed fee, rather than a fee calculated by a formula.

44. Mr. Waterhouse will testify that Highland had provided the same "front office" investment advice to the Advisors prior to 2018 without payment or compensation of any kind.

45. In December 2017, however, in order to implement Mr. Dondero's directive that the value of the services that Highland provided to NexPoint be fixed at \$6 million per year, the Highland team created the following framework by which NexPoint would compensate Highland for services rendered:

- The NexPoint SSA was changed from a variable "cost based" contract to a "fixed fee" contract whereby NexPoint would pay Highland a **flat monthly fee of \$168,000 (Exhibit 3 (NexPoint SSA) § 3.01)**;
- NexPoint would pay Highland a **flat monthly fee of \$252,000** pursuant to a newly crafted Sub-Advisory Agreement (**Exhibit 5 (NexPoint Sub-Advisory Agreement) § 2(a)**); and
- An affiliate of NexPoint, NexPoint Real Estate Advisors ("NREA"), would pay Highland a **flat monthly fee of \$80,000** pursuant to a separate Shared Services Agreement (the "NREA SSA", and together with the NexPoint SSA and the NexPoint Sub-Advisory Agreement, the "NexPoint Agreements").

See **Exhibit 130** (January 4, 2018 e-mail from D. Klos allocating the \$6 million among the three contemplated NexPoint Agreements); **Exhibit 86** at 36 (forecast that assumed that “NexPoint and subs [would pay Highland] \$6 million/year subadvisory + shared services”).<sup>6</sup>

46. The flat fees contemplated under the NexPoint Agreements equaled \$500,000 per month, or \$6 million, as Mr. Dondero instructed.

47. On or about January 11, 2018, Highland and NexPoint entered into that certain *Sub-Advisory Agreement*, effective as of January 1, 2018 (the “Sub-Advisory Agreement”). **Exhibit 5** (Sub-Advisory Agreement). See also **Exhibit 130** (January 11, 2018 e-mail from Sean Fox attaching executed copies of, among other things, the NexPoint Agreements).

48. Pursuant to the Sub-Advisory Agreement, Highland, as “Sub-Advisor,” was to provide certain front-office services to the Advisors to enable the Advisors to fulfill their obligations to their Clients under the Investment Management Agreements.

49. Mr. Waterhouse signed the Sub-Advisory Agreement on behalf of **both** Highland (in his capacity as Treasurer of Strand Advisors, Inc., Highland’s general partner) and NexPoint (in his capacity as NexPoint’s Treasurer).

50. All of this and more was contemporaneously explained to Mr. Dondero and his partner, Mark Okada (“Mr. Okada”). Each year, Mr. Waterhouse and Mr. Klos prepared a written analysis of Highland’s past and projected financial performance (each, an “Annual Review”) that

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<sup>6</sup> To remove any doubt about the parties’ intentions, the Annual Review that was presented to Mr. Dondero and Mark Okada on or about January 26, 2018, contained a three-year projection of NexPoint’s profits and losses that **projected that NexPoint would pay Highland exactly \$6 million per year in 2018, 2019, and 2020** (**Exhibit 86** at 46) (projecting annual payments of \$3,024,000 for sub-advisory fees (*i.e.*, \$252,000 per month), and annual payments of \$2,976,000 for shared services (*i.e.*, \$168,000 per month for NexPoint’s shared services and \$80,000 per month for NREA’s (as defined *supra*) shared services), which together yield \$6 million in annual fees).

they presented to Mr. Dondero and Mr. Okada. *See, e.g.*, **Exhibit 86** (2017/2018 Annual Review), **Exhibit 142** (2018/2019 Annual Review), and **Exhibit 143** (2019/2020 Annual Review).<sup>7</sup>

51. On or about January 26, 2018, Mr. Waterhouse and Mr. Klos presented the Annual Review for 2017/18 to Mr. Dondero and Mr. Okada. The 2017/2018 Annual Review included the following statements and information:

- Highland was projected to incur operating losses of \$12 million in 2018 (**Exhibit 86** at 2);
- Highland's projected operating losses in 2018 were to be mitigated by the \$6 million in fees that Mr. Dondero directed NexPoint to pay Highland for services to be rendered (*id.* at 36);
- The fixed, \$6 million-aggregate, annual payments were projected to be made by NexPoint in 2018, 2019, and 2020 (*id.* at 46); and
- Extensive information about new hires, terminations, and compensation and benefits paid across the Highland platform (*id.* at 29-33, 48).

52. Notably, and as discussed in more detail below, the 2017/2018 Annual Review (a) assumed that the NexPoint Sub-Advisory Agreement would be retroactive to January 1, 2018; (b) did not contemplate that HCMFA would enter into a Sub-Advisory Agreement with Highland or that HCMFA would otherwise suddenly begin paying Highland for investment advisory services; and (c) assumed that Highland would continue to receive substantial revenue under sub-advisory and shared services agreements with an affiliate, Acis Capital Management, L.P. ("Acis").

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<sup>7</sup> Mr. Waterhouse will testify that Brian Collins, then Highland's head of Human Resources, also participated in the Annual Reviews for the limited purpose of presenting information relating to hires, terminations, compensation, and benefits for everyone employed in the Highland complex. Mr. Collins is on the Advisor's witness and exhibit list, and Highland believes that if he is actually called to testify, Mr. Collins will be forced to acknowledge that (i) he kept Mr. Dondero informed of all personnel matters, including hires and terminations, (ii) Mr. Dondero determined the salary, bonus, and compensation amounts for all employees across the Highland complex, (iii) each month the Human Resources Department e-mailed detailed information to numerous people, including the Advisors' officers, about hires and terminations across the Highland complex (*see Exhibits 88-127*); and (iv) NexPoint made substantial post-petition payments to Highland's "insiders" without disclosure to the Court or the Independent Board and at times NexPoint now contends it "overpaid" Highland for services rendered.

iv. **Highland’s Revenue Stream Faces Unexpected Pressure and Highland Is Advised that the Sub-Advisory Agreement Is Not a Viable Structure for Providing Highland with Urgently Needed Cash**

53. Almost immediately after Mr. Waterhouse and Mr. Klos presented the 2017/2018 Annual Review to Mr. Dondero and Mr. Okada, Highland faced a new and substantial threat to its operating revenue stream.

54. In particular, on January 30, 2018, Joshua Terry commenced an involuntary bankruptcy case against Acis in the United States Bankruptcy Court for the Northern District of Texas, Case No. 18-30264-sgj11 (the “Acis Bankruptcy”).

55. At the time, Acis was an affiliate of Highland that managed certain collateralized loan obligations (“CLOs”). To perform its duties, Acis had entered into sub-advisory and shared services agreements with Highland (the “Acis Agreements”).

56. The Acis Agreements were a vital source of Highland’s revenue. Highland was projected to receive almost \$10 million in revenue in 2018 alone from the deals subject to the Acis Agreements—Highland’s second-highest source of revenue representing nearly 12% of its total projected operating income. **Exhibit 86** (Annual Review) at 35 (“Highland 2.0 CLOs” refers to the CLOs managed by Acis).

57. Mr. Terry’s decision to commence the Acis Bankruptcy was an unexpected threat to Highland’s operating performance.<sup>8</sup>

58. On top of that, Highland continued to urgently need cash. **Exhibit 128**. On March 7, 2018, in response to these developments, Highland decided to create a Sub-Advisory Agreement for HCMFA, initially for a flat monthly fee of \$450,000, retroactive to January 1, 2018. A week

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<sup>8</sup> The threat presented from the potential loss of Acis’s revenue was not limited to 2018, because Highland expected to “reset” the Acis CLOs to extend the reinvestment period and maturity by more than two years. **Exhibit 86** (Annual Review) at 34 (“Acis CLOs 3-6 reset and extend investment period and maturity by 2.25 years”). Consequently, the Acis Bankruptcy threatened Highland with the loss of over \$20 million in expected revenue over the next 27 months.

later, a draft Sub-Advisory Agreement modeled on the NexPoint Sub-Advisory Agreement was prepared for HCMFA. *See* **Exhibit 87** (e-mails between March 7 and March 15, 2018).

59. The creation of the Sub-Advisory Agreement for HCMFA is notable because (a) the Annual Review presented to Mr. Dondero and Mr. Okada just six weeks earlier did not contemplate that HCMFA would be party to a Sub-Advisory Agreement or otherwise compensate Highland for investment advisory services it was providing, and (b) it corroborates Highland's contention that the parties intended to create a "fee for service" advisory relationship.

60. Within days, however, Highland learned that the Sub-Advisory Agreement structure could not be utilized to implement Mr. Dondero's directive that NexPoint and HCMFA pay Highland fees for "front office" services rendered.

61. Specifically, Highland learned (a) from its outside counsel that (i) the Retail Board needed to approve the Sub-Advisory Agreements during an in-person meeting, and that (ii) the Sub-Advisory Agreements could not be made retroactive to January 1, 2018, and (b) that the next in-person meeting of the Retail Board would not be until June. **Exhibit 87** (*see* March 15, 2018 e-mails from Lauren Thedford, an attorney employed by Highland but who also served as an officer (Secretary) of the Advisors).

62. Based on this advice, Highland concluded that it could not utilize the contemplated Sub-Advisory Agreement structure because (a) Highland would not be able to earn any revenue for sub-advisory services until June, the earliest date the Retail Board could approve of the Sub-Advisory Agreements during an in-person meeting, and (b) it could not be retroactive to January 1, 2018, meaning that Highland would be unable to receive six months of needed revenue. So another method was needed to overcome these obstacles—and the Payroll Reimbursement Agreements were born.

63. The next month, Highland prepared a draft Payroll Reimbursement Agreement that did not need Retail Board-approval and could be made retroactive to the beginning of the year. Mr. Klos immediately expressed his concerns about tying the payments to any assessment of “actual costs,” writing to Ms. Thedford that:

Does it have to be framed as reimbursement of actual costs? **We’d much rather it be characterized as just an agreed upon amount between the two entities.** It’s not a small task and involves subjective assumptions to allocate individual employees, so as it’s written, **it would be creating a ton of work that isn’t creating any value to the overall complex.**

**Exhibit 129** (emphases added).<sup>9</sup>

64. In response, Ms. Thedford stated that she was “open” to changing the “definition of Actual Costs” but observed that there “needs to be some method of determining the amounts” and that it was “important” to treat the agreement as one for “reimbursement.” In response, Mr. Klos stated:

Could we say that Actual Cost is being determined **at the outset of the agreement, have a schedule as of Jan. 1, 2018 and say that Actual Cost shall be as set out in that schedule and shall be paid in monthly installments for the term of the agreement . . . that way the exercise is only performed once.**

Beyond that year, termination provision kicks-in, so if there’s a belief that Actual Costs have changed materially, either party could terminate and/or renegotiate for an amended agreement.

**Exhibit 129** (Klos e-mail to Thedford sent on April 17, 2018 at 10:56 a.m.) (emphasis added).

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<sup>9</sup> Mr. Klos’s reference to the “overall complex” was consistent with Highland’s internal view that Highland and its affiliates were an integrated unit, not arm’s-length business partners. Indeed, in the Annual Review, Mr. Waterhouse and Mr. Klos presented Highland’s results to Mr. Dondero and Mr. Okada on a consolidated basis (including HCMLP, HCMFA, NexPoint and Acis, among other affiliates), entirely stripping out (or “eliminating”) the fees from the shared services and presenting employment information on a unified basis. See **Exhibit 86** (Annual Review) at 6 (consolidated balance sheet), 11 (consolidated profit and loss statement for 2015 through 2017, excluding fees under the Shared Services Agreements among the consolidating entities), 13 (analysis of operating income and margins on a consolidated basis), 14 (analysis of net income and net income margin on a consolidated basis), 15 (historical, consolidated revenue), 19 (legal matters), and 29-33 (monthly headcount, hires, terminations, compensation, and other human resource matters across the Highland platform).



65. Ms. Thedford believed that Mr. Klos' suggested approach was "workable" and asked Mr. Klos if he had a "methodology **for the outset determination.**" Mr. Klos subsequently created a list of employees and allocations with "fully loaded compensation." **Exhibit 129** (emphasis added).

66. Mr. Klos will testify that the list and allocations were created to "back into" the same monthly fees that were contemplated under the now to-be-replaced Sub-Advisory Agreements. Mr. Klos will further testify that while the estimates were made in good faith, they were based on his personal subjective assessments, were not based on any empirical research, and were only created as a "proxy" to provide cover for the flat monthly payments.<sup>10</sup>

67. With these issues resolved and the parties' intent clear, on or around May 1, 2018, Highland and NexPoint entered into that certain *Payroll Reimbursement Agreement*, effective as of January 1, 2018 (the "NexPoint PRA"), and Highland and HCMFA entered into that certain *Payroll Reimbursement Agreement*, effective as of January 1, 2018 (the "HCMFA PRA"). **Exhibit 6** (NexPoint PRA); **Exhibit 8** (HCMFA PRA).

68. Except for the (a) names of the parties, (b) the amount of monthly fees to be paid thereunder, and (c) the list of Dual Employees and their respective Allocations set forth in Exhibit A, the NexPoint PRA and the HCMFA PRA were identical.

69. Consistent with the understanding reached between Mr. Klos and Ms. Thedford, a then-officer of the Advisors, and despite the Advisors' current protests to the contrary, the PRAs clearly and unambiguously required the Advisors to pay a flat monthly fee for investment advisory services unless and until the parties agreed otherwise.

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<sup>10</sup> Mr. Klos and Mr. Waterhouse will confirm that Highland never maintained (and no one was ever asked or expected to maintain) any time records or other documents that could be utilized or relied upon to create the allocations. Mr. Klos did not confer with any of the Dual Employees to determine if his allocations were accurate, nor was he ever asked or instructed to do so.

70. Specifically, pursuant to Section 2.01 of the PRAs, each of the Advisors was required to pay Highland the “Actual Cost to HCMLP” allocated to each Advisor for certain Dual Employees (as defined in the PRAs). **Exhibit 6** (NexPoint PRA) §§ 2.01, 3.01; **Exhibit 8** (HCMFA PRA) §§ 2.01, 3.01.

71. “Actual Cost” was defined in the PRAs as follows:

[W]ith respect to any period hereunder, the actual costs and expenses caused by, incurred, or otherwise arising from or relating to each Dual Employee, in each case during such period. ***Absent any changes to employee reimbursement, as set forth in Section 2.02, such costs and expenses are equal to [\$X] per month.***

**Exhibit 6** (NexPoint PRA) Article I (fixing the costs and expenses at \$252,000 per month); **Exhibit 8** (HCMFA PRA) Article I (fixing the costs and expenses at \$416,000 per month) (emphasis added).

72. Pursuant to Section 2.02, the parties could agree to modify the Actual Cost if they believed a change to employee reimbursement was appropriate. **Exhibit 6** (NexPoint PRA) § 2.02; **Exhibit 8** (HCMFA PRA) § 2.02. *See also* **Exhibit 6** (NexPoint PRA) § 4.02 (“Should either Party determine that a change to employee reimbursement is appropriate, as set forth in Section 2.02, the Party requesting the modification shall notify the other Party on or before the last business day of the calendar month”); **Exhibit 8** (HCMFA PRA) § 4.02 (same).<sup>11</sup>

73. The undisputed evidence establishes that (a) neither Mr. Klos nor anyone else ever updated the Exhibits attached to the PRAs; (b) neither Mr. Klos nor anyone else was ever instructed to update the Exhibits attached to the PRAs; (c) at all relevant times, the Advisors and Highland had access to the same information concerning the amounts paid under the PRAs, the amounts projected to be paid under the PRAs, the termination of Dual Employees, the compensation of

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<sup>11</sup> The Advisors contend that Section 4.02 imposed an affirmative obligation on Highland to update Exhibit A and unilaterally adjust the monthly payments, but no such obligation exists, nor—notwithstanding any revisionist history or uninformed statement to the contrary—did the Advisors ever expect Highland to do so.

Dual Employees, and the investment advisory services provided by Highland to each of the Advisors; and (d) as discussed below, the parties knew of and relied on Section 2.02 in December 2018 to amend the PSAs while Mr. Dondero was fully in control of the Highland complex.

v. **Pursuant to Section 2.02, the Parties Amend the PRAs in December 2018**

74. Despite the substantial support provided by the PRAs, Highland continued bleeding cash while the Advisors were generating cash, so by December 2018, Highland turned to the PRAs as a source of further funding.

75. Again, pursuant to Section 2.02 of the PRAs, the parties could “agree to modify” the amounts to be paid under those Agreements. Relying on that provision, Mr. Dondero instructed the Highland team to cause the Advisors make an additional, one-time \$2.5 million payment to Highland, allocated between them, under the PRAs.

76. Based on Mr. Dondero’s instruction, on December 14, 2018, (a) Highland and NexPoint entered into that certain *Amendment Number One to Payroll Reimbursement Agreement* (the “NexPoint PRA Amendment”), pursuant to which NexPoint paid \$1,300,000 to Highland, and (b) Highland and HCMFA entered into that certain *Amendment Number One to Payroll Reimbursement Agreement* (the “HCMFA PRA Amendment” and together with the NexPoint PRA Amendment, the “PRA Amendments”), pursuant to which HCMFA paid \$1,200,000 to Highland. **Exhibit 7** (NexPoint PRA Amendment); **Exhibit 9** (HCMFA PRA Amendment).<sup>12</sup>

77. Mr. Klos will testify that Mr. Dondero fixed the amounts set forth in the PRA Amendments and that the payments were not supported by any analysis of Highland’s “actual costs.” He will further testify that given his knowledge of the profitability of each of Highland

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<sup>12</sup> Mr. Waterhouse signed each of the PRA Amendments on behalf of the General Partners of Highland and each of the Advisors but will testify that he has no recollection as to how the amounts set forth in the PRA Amendments were determined.

and the Advisors, the rationale for an adjustment to increase the amounts was not unreasonable at the time, since Highland was operating negatively, whereas the Advisors were operating positively, all whilst operating in the same business with substantive overlap from the same employees supporting each of Highland and the Advisors. There will be no evidence that anyone performed (or was asked to perform) any analysis of Highland's "actual costs" of providing sub-advisory services to the Advisors before Mr. Waterhouse executed the PRA Amendments (or at any time thereafter).<sup>13</sup>

vi. **Before Any Dispute Arose, Mr. Klos Confirmed the Parties' Intent that the PRAs Were "Flat Fee for Services" Arrangements**

78. In January 2020, at around the time when Mr. Dondero ceded control of Highland, but more than six months before any dispute arose concerning amounts paid or to be paid under the Agreements, Mr. Klos reiterated to Mr. Waterhouse and Ms. Thedford that the PRAs were intended to be fixed-fee agreements for sub-advisory or "front office" services rendered, rather than a "reimbursement" program based on periodic assessments of annual costs.

79. At that time, in response to inquiries from the Retail Board, Ms. Thedford sought information concerning expense reimbursements and allocations under the PRAs. After Mr. Klos informed Ms. Thedford that such information "doesn't exist in terms of current percentages," Ms. Thedford asked whether such information was contained in Exhibit A to the PRAs. In response, Mr. Klos reminded Ms. Thedford that the allocations in Exhibit A were:

**a point in time estimate as of 2018. Half the people are gone now and if you were to reallocate them now, all the percentages would be different. On top of**

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<sup>13</sup> The evidence corroborates Highland's contention that the PRA Amendments (like the PRAs themselves) were not based on "actual costs," because the Advisors were paying millions of additional dollars at a time when they knew that more than one-third of the Dual Employees had already been terminated. **Exhibit 14** (responses to Interrogatories 3 and 4 in which the Advisors admit having contemporaneous knowledge that 9 of the 26 Dual Employees (or, more than one-third) were terminated before December 1, 2018). If the parties intended that the Advisors would pay for "actual costs" (as opposed to services), the Advisors would never have agreed to pay millions of additional dollars in December 2018; instead, they would have made the same arguments of "overpayments" that they advance here.

that, we don't have anything comprehensive that is comparable for back office people so the only thing we can really provide is a stale percentage on a small subset of the overall population.

Would be much more logical to do the yes/no and then as a **blanket statement say that HCMFA/NPA pay \$x/\$y annually to HCMLP for these employees' services.**

**Exhibit 151** (emphases added).

80. Ms. Thedford responded by simply writing "Got it, thanks." *Id.*

81. Later in January 2020, Mr. Waterhouse asked Mr. Klos for information concerning the "monthly amount for each agreement." In response, Mr. Klos again confirmed that "flat fee" arrangement under the Agreements (except for the HCMFA SSA), and provided information showing NexPoint continued to pay Highland \$6 million per year for services rendered:

Monthly amounts below

HCMFA

\$416k **flat** for investment support

\$290k-300k for shared services

NPA

\$252k **flat** for investment support

\$248k **flat** for shared services (\$168k from NPA directly; \$80k from NREA, but assume you're looking for a consolidated number)

**Exhibit 146** (emphases added).

82. Thus, in January 2020 (the month the Independent Board took control of Highland), the Advisors' Treasurer was reminded in writing of the flat monthly fees that the Advisors were paying under the Agreements. The evidence will show that these exact amounts were charged to, and paid by, the Advisors for the two-year period before January 2020 and continued uninterrupted until Mr. Dondero directed Mr. Waterhouse to cease making all payments to Highland in late 2020.

**C. Highland's Claim for Unpaid Fees**

83. From October 16, 2019 (the "Petition Date") until November 30, 2020 (the "Relevant Period"), the Advisors paid Highland amounts due and owing under the Agreements each month, just as they had for years.

84. By the end of November 2020, (i) the Independent Board had demanded Mr. Dondero's resignation; (ii) Mr. Dondero had begun interfering with Highland's business and engaging in other improper conduct that ultimately led to the imposition of injunctive relief; and (iii) Highland had delivered the Termination Notices.

85. In the face of this acrimony, Mr. Dondero instructed Mr. Waterhouse to stop making any payments to Highland. As a result of Mr. Dondero's instruction, the Advisors failed to pay amounts due and owing under the Agreements for the month of December 2020 and January 2021 (and in the case of the HCMFA SSA, the month of November 2020). Specifically, (a) for the months of November and December 2020, and January 2021, HCMFA failed to pay Highland \$1,726,277 for services rendered, (b) for the months of December 2020 and January 2021, NexPoint failed to pay Highland \$1,000,000<sup>14</sup> for services rendered, and (c) the Advisors failed to pay Highland for other reimbursable out-of-pocket costs not otherwise captured through the monthly invoices and represented primarily by the Advisors' allocable portion of accounting software, IT development, and investment research products and tools (*e.g.*, Bloomberg machines).<sup>15</sup>

86. There will be no dispute that the Advisors failed to (i) pay Highland any amounts due and owing under the Agreements or (ii) otherwise compensate Highland for investment

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<sup>14</sup> This amount includes non-payment by NexPoint's wholly owned subsidiary, NREA, for two months of shared services at \$80,000 per month, or \$160,000 total.

<sup>15</sup> HCMFA's portion of such amounts was \$2,054,546.19; NexPoint's portion of such amounts was \$100,834.96.

advisory and shared services rendered in December 2020 and January 2021 (and as to HCMFA, shared services in November 2020).

**D. The Shared Services Agreements**

87. The evidence shows that the Shared Services Agreements enabled the Advisors to obtain middle- and back-office services from Highland that were required so that the Advisors could fulfill their obligations to their Clients pursuant to the Investment Advisory Agreements.

88. The evidence also shows that the Advisors fully performed their obligations under the Investment Advisory Agreements and—as specifically described below—that the Advisors repeatedly represented to the Retail Board that Highland’s performance under the shared-services arrangements was not adversely impacted by Highland’s bankruptcy and that service was never interrupted.

**1. Highland Performed All of Its Obligations under the Agreements**

89. The evidence—including, but not limited to, the Advisors’ contemporaneous and repeated representations to the Retail Board—proves that Highland fully performed its obligations under the Agreements.

90. As required by the ICA, the Retail Board conducts an annual review whereby it determines whether to extend its Investment Advisory Agreements with the Advisors. This is referred to as the “15(c) review” process.

91. As part of this 15(c)-review process, and at other times during Highland’s bankruptcy, the Advisors provided the Retail Board with information concerning the status of the shared services relationship, Highland’s provision of services thereunder, and contingency planning in case the Advisors’ shared services relationship with Highland was terminated.

92. The Advisors provided this information to the Retail Board either in writing or orally during meetings of the Retail Board (the “Retail Board Meetings”). Minutes from the Retail



Board Meetings were created in the ordinary course (the “Board Minutes”). A representative of the Retail Board will testify that the Board Minutes were adopted only after, among other things, the Advisors had an opportunity to review and edit their content to assure their accuracy.

93. The Board Minutes recite, among other things, that one or more of the Advisors’ officers (*i.e.*, Mr. Waterhouse, Mr. Norris, Ms. Thedford, or Mr. Post) or attorneys (*i.e.*, Dennis C. Sauter, the Advisors’ in-house counsel, or K&L Gates, the Advisors’ outside counsel) was present and participated in every applicable Retail Board Meeting. *See generally* **Exhibits 57-73**.

94. A representative of the Retail Board will testify that the Retail Board (a) assumed that the Advisors made the statements and representations reflected in the Board Minutes on an informed basis after conducting due diligence, and (b) the Retail Board relied on the statements and representations made by or on behalf of the Advisors in the Retail Board Meetings.

95. The contemporaneous Board Minutes from 2020 constitute substantial, irrefutable evidence of Highland’s uninterrupted performance of its obligations under the Agreements.

96. In January 2020, Mr. Dondero avoided the appointment of a trustee by ceding control of Highland to the Independent Board. With Mr. Dondero’s loss of control of Highland, the Retail Board naturally sought information about whether this change would impact Highland’s staffing. Thus, the Board Minutes from the Retail Board Meeting held on January 22, 2020 (shortly after the Court approved the Corporate Governance settlement) included the following entries:

Ms. Thedford noted that **the Meeting Materials included a headcount report that lists each employee associated with HCMLP and the Advisers and identifies whether the employee is dually employed by both HCMLP and an Adviser** or pursuant to a separate arrangement, such as Mr. Norris’ employment with the Funds’ distributor, NexPoint Securities, Inc. . . .

Mr. Norris discussed the shared services arrangements that each Adviser is a party to with HCMLP pursuant to which the Adviser may utilize employees from HCMLP for the provision of various services such as human resources, accounting,

valuation, information technology services, compliance and legal. Mr. Norris noted, however, that many of these “third party” services are readily available on the open market.

**Exhibit 57** at 2, 3.

97. In response to the Retail Board’s request, the Advisors included in the “Meeting Materials” a list of every person employed in the Highland complex, including (a) name, (b) title, (c) department, (d) employing entity (*e.g.*, HCMLP, HCMFA, NexPoint), (e) whether the person was a “dual employee,” (f) office location, and (g) whether the person was an “investment professional” or was providing “back office” services.” **Exhibit 75.**

98. In mid-June, Jason Post (“Mr. Post”), the Advisors’ Chief Compliance Officer, assured the Retail Board that the Advisors were “monitor[ing]” the “level and quality” of Highland’s shared services and that he was unaware of any disruptions:

Mr. Post described the team members providing compliance and legal support services to the Funds and the Advisers. . . . Mr. Post stated he believed the Compliance department was adequately staffed.

Mr. Post also discussed the quality and continuity of services provided to the Funds by HCMLP pursuant to shared services agreements with the Advisers in the context of the HCMLP bankruptcy. A discussion ensued during which Mr. Post responded to questions from the Board. *He noted the regular updates provided to the Board and also discussed how the level and quality of services are being monitored and confirmed that he is not aware of any disruptions in the service levels provided to the Funds.*

**Exhibit 58** at 20 (emphasis added).

99. In August, Dustin Norris (“Mr. Norris”), an Executive Vice President of each Advisor, represented to the Retail Board that “there had been no issues or disruptions in services as a result of the HCMLP bankruptcy matter,” although James P. Seery, Jr. (“Mr. Seery”), Highland’s Chief Executive Officer, advised the Retail Board that certain conflicts might arise given the differing investment strategies being adopted by Highland, on the one hand, and the Advisors, on the other:

Mr. Norris next provided an overview of the 15(c) review materials and process and discussed the expected timeline with respect to Board consideration of approval of the renewals. ***He noted that there had been no issues or disruptions in services as a result of the HCMLP bankruptcy matter.***

Mr. Seery then pointed out to the Board a potential conflict of interest that had arisen with respect to an investment held by both HCMLP-advised funds and certain of the Funds. Mr. Seery explained that the HCMLP-advised funds were likely to seek to sell their interests in the investment. This divergence of investment objectives of HCMLP and the Funds, and the overlapping portfolio and administrative personnel of HCMLP and HCMFA and the NexPoint Advisors working on the matter, created a potential conflict between the two groups.

**Exhibit 59** at 6, 11 (emphasis added).

100. In advance of a Retail Board Meeting to be held in September, the Advisors sent a memorandum to the Retail Board in which they stated, among other things, that the “Advisors and HCMLP believe the current shared services being provided are generally consistent with the level of service that historically been received,” and further addressed potential conflict issues. **Exhibit 18** at ACL 080581 (response to question 3).

101. During the two-day Retail Board meeting held on September 17-18, 2020, the Retail Board was advised that Highland continued to perform all of the shared services and was provided with additional information concerning potential conflicts:

In response to questions from the Board, Mr. Ellington noted that he had been advised that Mr. Dondero had a high degree of confidence that, even if an overall settlement could not be achieved, there would be a mechanism in place for the services currently provided by HCMLP such that any impact to the Funds would be minimal. In the short-term, Mr. Seery expected that the shared services agreement (the “Shared Services Agreement”) between HCMLP (on the one hand) and HCMFA/NexPoint Advisers (on the other) to remain in place. In the event that the Shared Services Agreement were terminated, Mr. Seery believes that the employees and services at HCMLP that are currently supporting the Funds would be transferred either directly to HCMFA/NexPoint Advisers or to a third-party that would continue to service the Funds. A discussion then ensued, including as regards the process for addressing any conflicts of interest. . . .

Mr. Surgent joined the Meeting. During the discussion, he responded to the 15(c) follow-up questions submitted by the Board relating to HCMLP matters. ***He provided the Board with a status update on the HCMLP bankruptcy and***

*discussed the impact of the HCMLP bankruptcy on the shared services arrangements with the Funds, noting he does not expect that the level and quality of services would change in the immediate term.* Regarding the bankruptcy, Mr. Surgent reiterated Mr. Seery's stated goal to achieve a consensual, omnibus resolution by the end of the year. To the extent this was not achievable, Mr. Surgent noted that an alternative plan had been filed by HCMLP. . . . *He indicated that at this time it was business as usual with respect to the services provided to the Funds* and that the Board would be notified immediately of any developments. A robust discussion then ensued, which included an explanation of how conflicts of interests are addressed when certain HCMLP employees are conflicted out of working on particular matters, as was the case in the recent OmniMax International, Inc. (f/k/a Euramax) ("OmniMax") matter. Mr. Surgent and Mr. Norris explained that there were sufficient and appropriate personnel at HCMFA/NexPoint Advisors who are not also dual employees at HCMLP to cover all relevant functions on such matters, including legal, compliance, accounting, administration and portfolio management. *Mr. Surgent also provided an update on the current matters where this was being utilized, including with respect to OmniMax, and noted that there were a limited number of such potential conflicts. Mr. Norris confirmed that he was comfortable with the level and quality of services being provided and has not seen any issues with the conflicts process.* He also noted that in view of this being an employee of NexPoint and not being an employee of HCMLP, he was not conflicted out of working on any such matter and was able to oversee the process. In response to a request of the Board, Mr. Norris undertook to provide the Board with a list of non-HCMLP employees available to address any conflicts that may arise.

**Exhibit 60** at 7, 12-13 (emphases added).

102. On October 9, 2020, Mr. Norris sent an e-mail to the Retail Board and other officers and agents of the Advisors (including outside counsel) to provide an interim update in which he advised the Retail Board that NexPoint was working on contingency plans to "ensure that there is no disruption in services":

We are working on full responses to your with [sic] 15(c) follow-up questions attached, however we want to keep you updated as it pertains to the continued developments with shared services and your first question on the attached. As it stands today, NexPoint's senior management's plan as a backup/contingency plan is to extend employment offers to the vast majority of HCMLP's employees by 12/31/2020. *This will help ensure that there is no disruption in services to the Funds. Once we have further details of this we will advise. In the interim the plan is to continue with existing shared services.*

**Exhibit 81** (emphasis added).

103. A few days later, on October 13, 2020, Mr. Norris informed the Retail Board during a regularly scheduled meeting that, with respect to shared services, “all operations continued in the normal course there [sic] had been no material impact on the day-to-day operations of the Funds” and that contingency plans were “in place to continue to provide the same level and quality of services to the Funds”:

Mr. Ellington then explained three various potential scenarios contemplated during the ongoing negotiations, including a full or partial buyout of certain creditor claims by Mr. Dondero or no agreement, which could potentially lead to liquidation of HCMLP and termination of all HCMLP employees. . . .

Mr. Sauter also discussed the status of the shared services agreements. In response to another question, *Mr. Norris discussed the morale employees [sic] and noted that all operations continued in the normal course there [sic] had been no material impact on the day-to-day operations of the Funds.* He indicated that there would not likely be any material developments with respect to the status of HCMLP until the end of the year at the earliest. The Board requested that the Advisers continue working toward developing definitive plan to *ensure that the resources, both of personnel and equipment, are in place to continue to provide the same level and quality of services to the Funds* and to continue to report back to the Board on the status.

**Exhibit 61** at 2, 3 (emphases added).

104. On October 23, 2020, the Advisors provided written responses to certain questions posed by the Retail Board, including whether the Advisors had “contingency plans with respect to the services provided under the Shared Services Agreement in the event that the outcome of the HCMLP bankruptcy proceedings were to impact the current servicing structure.” As to that question, the Advisors provided the following response:

**Response:** As a result of the Highland Capital Management, L.P. (“HCMLP”) bankruptcy, NexPoint’s senior management’s plan as a backup/contingency plan is to extend employment offers to the vast majority of HCMLP’s employees by December 31, 2020. *This will help ensure that there is no disruption in services to the Funds.* . . .

**Exhibit 22** at 1 (emphasis added).<sup>16</sup>

105. The Retail Board also asked whether there were “any material outstanding amounts currently payable or due in the future (e.g., notes) to HLCMLP [sic] by HCMFA or NexPoint Advisors or any other affiliate that provide services to the Funds.” *Id.* at 2. As to that question, the Advisors informed the Retail Board of the amounts due under various promissory notes and noted that “[a]ll amounts owed by each of NexPoint and HCMFA pursuant to the shared services arrangement with HCMLP have been paid as of the date of this letter.” *Id.*

106. On October 28, 2020, the Retail Board was again told that (i) Highland was expected to continue to provide shared services without interruption, (ii) the parties continued to work on a “seamless transition,” (iii) according to Mr. Collins, there had been no “significant departures” of employees, and that (iv) the “quality and level” of services had not been negatively impacted by Highland’s bankruptcy:

Mr. Ellington provided an update on the HCMLP bankruptcy, focusing on the contingency plan for fund service providers if HCMLP is unable to perform its current functions. . . . He also noted that based upon on-going discussions with HCMLP, as well as in view of these alternative contingency plans, *the Advisers do not expect any interruption to the services to the Funds that are currently being provided by HCMLP pursuant to the Shared Services Agreement.*

Mr. Ellington and Mr. Waterhouse next discussed the potential moving of employees from HCMLP to a newly formed company (“NewCo”). *Such a transfer of employees to NewCo would take place at the termination of the Shared Services Agreements and would permit a seamless transition of personnel and services for the Funds.* . . . Mr. Collins noted that, although employees of HCMLP were not yet able to be released subject to confirmation of the plan of bankruptcy, *he was confident in the firm’s ability to retain talent throughout this process based on discussions with the employees. He noted that every employee team leader had been spoken to and also noted that there have been no significant departures to date.* He also noted that in order to assist with any potential conflict of interests, Jason Post, the Funds’ CCO, became an employee of NexPoint on October 14, 2020. He noted that Mr. Post, while formerly an HCMLP employee, had only been

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<sup>16</sup> Notably, Mr. Post, the Advisors’ then-Chief Compliance Officer, drafted this response in conjunction with Mr. Norris, Ms. Thedford, and Mr. Collins. **Exhibit 21.**



performing work for the Funds. Mr. Post then referred the Board to the Board Materials, which included a list of current co-investments and cross-held positions held by the funds and a list of non-HCMLP employees who would be available to assist the Board in the event of any conflict of interest between HCMLP, on one hand, and the Advisers of the Funds, on the other. . . .

*The Advisers represented that the quality and level of services provided to the Funds by the Advisers and pursuant to the shared services arrangements had not been negatively impacted to date and that adequate plans were in place prevent any diminution of services as a result of any potential issues relating to the HCMLP bankruptcy that might arise. . . .*

*The Board noted that the level and quality of services to the Funds by the Advisers and its affiliates had not been materially impacted by the HCMLP bankruptcy and took into account the Advisers' representations that the level and quality of the services provided by the Advisers and their affiliates, as well as of those services currently being provided by HCMLP pursuant to the Shared Services Agreement, would continue to be provided to the Funds at the same or higher level and quality.*

**Exhibit 62** at 2, 3, 7 (emphases added).

107. A week later, Mr. Norris again reassured the Retail Board that Highland continued to provide shared services on an uninterrupted basis and that no issues of “conflict” arose:

*Mr. Norris then noted that there has not been any disruption to the services provided to the Funds by HCMLP pursuant to the Shared Services Agreement and that he expects that such services will continue to be provided in normal course.* In addition, Mr. Norris noted that there have been no issues with an HCMLP employee being conflicted out since the last update.

**Exhibit 63** at 3 (emphasis added).

108. By December 1, 2020, (a) the Court had approved Highland's latest *Disclosure Statement* [Docket No. 1476]; (b) Highland had sent the Termination Notices (**Exhibit 153** and **Exhibit 154**); and (c) the Advisers had allegedly discovered the “overpayments under the Agreements.” (**Exhibit 13** ¶ 16). Yet, the Advisers continued to reassure the Retail Board that everything was proceeding normally and that the parties were working to achieve an orderly, seamless transition.



109. Indeed, on December 1, 2020, Mr. Post confirmed that Highland sent the Termination Notices and informed the Retail Board that the Advisors planned to revise the “disclosure documents for the Funds” to state, among other things, that:

***On November 13, 2020, HCMLP filed an amended plan of reorganization and disclosure statement (the “Amended Plan”) which was subsequently accepted by the Creditors and approved by the Court. On November 30, 2020, HCMLP provided notice of termination of the Shared Services Agreement to HCMFA/NPA, effective January 31, 2021. However, based upon on-going discussions with HCMLP, HCMFA/NPA expects to be able to continue to receive these services through a transfer of personnel, equipment and facilities from HCMLP either to HCMFA/NPA or to a third-party service provider.***

**Exhibit 16** at (December 1, 2020 e-mail from Mr. Post) (emphasis added).

110. On December 7, 2020, the Advisors provided written responses posed by Blank Rome, outside counsel to the Retail Board. In response to a question about who “is responsible for putting together the plan to continue to provide/transition shared services for the retail complex,” the Advisors stated:

The senior management team of the Advisors is responsible for the transition of services, and this group is made up of Jim Dondero, D.C. Sauter, Jason Post, and Dustin Norris. ***This group is working with HCMLP management to ensure an orderly transition.***

**Exhibit 10** at 1 (emphasis added).

111. The Retail Board also asked for a “matrix of current services provided and services that will be transferred.” In response, the Advisors stated:

Please see Appendix A below, which includes the list of services provided under the shares services agreement with HCMLP. These services fall into two broader categories: 1) Employees performing services and 2) Systems, infrastructure, software and supplies/equipment. As we understand it, the bankruptcy plan of reorganization approved by the bankruptcy court (the “Approved Plan”) anticipates the termination of all HCMLP employees by 1/31/21. ***The Advisors anticipate extending employment offers to the vast majority of HCMLP’s employees such that the employees would be rehired immediately upon termination of their employment with HCMLP. This will cover all of the services under category 1 above.***

*Id.* at 2 (emphasis added).

112. During a Retail Board meeting held on December 10-11, 2020, (a) Mr. Norris reviewed the “current services provided under the shared services agreement with HCMLP and discussed the current plans for ensuring the continuation of those services after a plan of reorganization is approved”; and (b) Mr. Sauter “noted that there has been no material attrition to date with respect to employees”:

Mr. Norris provided responses to the Board’s follow up questions that had been submitted on their behalf prior to the Meeting. Among these items, ***Mr. Norris reviewed a matrix of current services provided under the shared services agreement with HCMLP and discussed the current plans for ensuring the continuation of those services after a plan of reorganization is approved.*** Mr. Norris noted that these shared services fell into two broader categories: (1) employees performing services and (2) systems, infrastructure, software and supplies/equipment. With respect to the first category, Mr. Norris discussed plans by the Advisers to extend employment offers to the vast majority of HCMLP’s employees such that the employees would be rehired immediately upon termination of their employment with HCMLP. In the alternative, these employees could join a newly formed entity (New Co) and continue to provide services to the Funds through NewCo. ***With respect to the second category, Mr. Sauter noted that the Advisers and HCMLP were in agreement that these would be assigned with a payment from the Advisers*** and that there were working groups set up that were pursuing an orderly transition of all of these items, which included orderly assignment and assumption of the relevant agreements needed to continue with all current services. ***He noted that there has been no material attrition to date with respect to employees.*** . . . Mr. Norris also discussed the Advisers’ proposed alternative plan and confirmed that ***regardless of whether the Advisers and HCMLP came to an agreement on shared services, such services would be continued to be provided to the Funds without interruption.***

**Exhibit 64** at 7, 8 (emphases added).

113. By January 2021, Highland had obtained temporary injunctive relief against Mr. Dondero, but the Advisers assured the Retail Board that it had no impact on the Advisers’ ability to obtain access to information and resources concerning the Retail Funds:

Mr. Norris confirmed that ***the Advisers did not feel limited by the temporary restraining orders relating to the HCMLP bankruptcy with respect to access to Fund information.*** Mr. Norris then updated the board on a number of employee moves from HCMLP to NexPoint. In response to a question, Messrs. Post and

Norris confirmed that there was sufficient legal and compliance coverage for the Funds.

Mr. Norris then provided an update on the negotiations with HCMLP on the transition of shared services. He noted that both sides had agreed in principal on the transition of services and cost sharing but that it was not yet memorialized in a contract and a number of details still needed to be resolved. ***He confirmed that the Advisers continued to receive full access to information and resources with respect to the Funds.***

**Exhibit 66** at 2, 3 (emphases added).

114. On January 29, 2021, Jackie Graham, NREA's Director of Investor Relations and Capital Markets, sent an e-mail to Mr. Dondero, Mr. Sauter, and others in advance of a Board call in which she attached an outline of certain issues concerning shared services provided by Highland and stated, among other things, that:

Because the [relevant Funds] are externally managed by external advisors (NexPoint Real Estate Advisors, L.P. and its affiliates (the "Advisors")), the [relevant Funds] rely on the Advisors to provide certain services to them. ***The Advisers utilize Highland Capital Management, L.P. ("HCM") to provide a certain subset of these services under a shared services agreement between HCM and the Advisers.*** . . .

Employees of the Advisors are working with HCM to provide a transition of shared services from HCM to the Advisors or third party providers. . . . Specifically, the Advisors and affiliate advisors would pay a one-time fee of \$400,000 and ongoing monthly costs of \$270,000. Additionally, ***HCM may require the Advisors and affiliate advisors to pay previously unpaid fees allegedly owed to HCM totaling \$5.5m.*** . . .

Winston is reviewing potential legal remedies ***in the event HCM breaches the shared services*** but denying us access to our data held by HCM or otherwise attempts to cause harm to our shareholders . . .

**Exhibit 84** at FUNDS 0000043-44 (emphases added).

115. As the transition of the shared services from Highland to Skyview was nearing completion, the Advisors continued to reassure the Retail Board that all was well. On February 26, 2021, Mr. Norris provided an update on the transition:

Mr. Norris provided an update on the shared services arrangements and employee transitions. ***He indicated that there would be no impact as a result of certain employees not transitioning to the Advisers*** and discussed the team in place and their qualifications. He noted that the current shared services arrangements with HCMLP would cease at the end of February and that the Advisers wish to move forward with new Shared Services Agreements between each Adviser and NewCo. He then stated that these Agreements were in the process of being drafted and finalized and will be reviewed with the Board at its next meeting. ***He indicated that there had been no major issues in connection with the transition and that the personnel from the Advisers had met with HCMLP with respect to data files and are comfortable that HCMLP will be providing the necessary information.*** In response to a question from the Board, he indicated that there was not an immediate need for such data and confirmed that the Advisers had the data and information files they needed with respect to Fund operations and services.

**Exhibit 73** at 9-10 (emphases added).

116. Based on all the information and representations made by the Advisors, the NexPoint Diversified Real Estate Trust (one of the Advisors' Clients) filed its annual report with the SEC in early **2022** (about a year after Highland commenced this Adversary Proceeding and the Advisors filed their administrative claim) in which it disclosed, among other things, the following:

The Fund has retained NexPoint Advisors, L.P. (the "Investment Adviser") to manage the assets of the Fund pursuant to an investment advisory agreement between the Investment Adviser and the Fund (the "Agreement"). . . . ***The Board of Trustees noted that the level and quality of services to the Fund by the Investment Adviser and its affiliates had not been materially impacted by the HCMLP bankruptcy*** and took into account the Investment Adviser's representations that the level and quality of the services provided by the Investment Adviser and their affiliates, as well as of those services provided by Skyview to the Investment Adviser under the Skyview Services Agreement, would continue to be provided to the Fund at the same or higher level and quality.

**Exhibit 77** at 41, 43.<sup>17</sup>

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<sup>17</sup> The Highland Income Fund, advised by HCMFA, also filed its annual report in early 2022 that contained the same disclosure.

**2. The Advisors Knowingly and Intentionally Made All Payments Due under the Agreements from January 1, 2018 through November 30, 2020**

117. From January 1, 2018 (the effective date of all of the Agreements, except the HCMFA SSA) through November 30, 2020, the Advisors knowingly and intentionally made all monthly payments due and owing under the Agreements in exchange for Highland's front-office and middle- and back-office services.<sup>18</sup>

118. The evidence establishing that the Advisors had contemporaneous knowledge of the payments made under the Agreements includes the following:

- The Agreements signed by the Advisors' Treasurer specified the fixed monthly amounts to be paid;<sup>19</sup>
- The monthly payments made by NexPoint were consistent with Mr. Dondero's determination that the total annual payment for Highland's services was to be fixed at \$6 million;<sup>20</sup>
- Mr. Dondero was given written projections for 2018, 2019, and 2020 that are consistent with all amounts subsequently paid during those years (except December 2020);<sup>21</sup>
- The parties originally sought to enter into "flat fee" arrangements under the Sub-Advisory Agreements and only entered into the PRAs because outside counsel advised that the Sub-Advisory Agreements could not be retroactive and could not be adopted unless approved by the Retail Board during an in-person meeting;<sup>22</sup>
- Highland sought and obtained Mr. Waterhouse's approval before making payments under the Agreements;<sup>23</sup>

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<sup>18</sup> The lone exception was the monthly amount from HCMFA for shared services rendered in November 2020, because such amounts were not determined until after Mr. Dondero's direction to stop making payments.

<sup>19</sup> **Exhibit 3** §3.01; **Exhibit 6** (definition of "Actual Costs"); and **Exhibit 8** (definition of "Actual Costs").

<sup>20</sup> See **Exhibit 86** at 36 (forecast assumed that "NexPoint and subs [would pay Highland] \$6 million/year subadvisory + shared services").

<sup>21</sup> **Exhibit 86** at 46 (projecting annual payments of \$3,024,000 for sub-advisory fees (*i.e.*, \$252,000 per month) and annual payments of \$2,976,000 for shared services (*i.e.*, \$168,000 per month for shared services for NexPoint and \$80,000 per month for shared services for NexPoint's affiliate, NREA), which together yield \$6 million in annual fees)

<sup>22</sup> **Exhibit 129**.

<sup>23</sup> See, *e.g.*, **Exhibit 147** and **Exhibit 152**. Mr. Klos and Mr. Waterhouse will confirm that Highland obtained Mr. Waterhouse's approval before making payments under the Agreements.

- The Advisors' contemporaneous books and records recorded all payments to Highland under the Agreements;<sup>24</sup>
- Mr. Klos reminded Mr. Waterhouse in January 2020 of the "flat" monthly fees being charged;<sup>25</sup>
- In April 2020, Mr. Dondero was provided with written forecasts showing that NexPoint was projected to pay Highland exactly \$500,000 per month (or, again, \$6 million per year on an annualized basis) through December 2020;<sup>26</sup>
- In August 2020, HCMFA provided its unaudited income statement to the Retail Board that showed, among other things, all amounts paid under the Agreements for the twelve months ending June 30, 2020;<sup>27</sup>
- The Advisors represented to the Retail Board in October 2020 that "[a]ll amounts owed by each of NPA and HCMFA pursuant to the shared services arrangement have been paid,"<sup>28</sup> a representation that could not have been made in good faith if made on an unformed basis; and
- Each of the payments that the Advisors made under the Agreements between January and November 2020 (when the Independent Board controlled of Highland) were exactly the same (or utilized the exact same methodology under the HCMFA SSA) as the payments that the Advisors made under the Agreements between January 1, 2018 and December 31, 2019 (when Mr. Dondero solely controlled Highland and the Advisors).

119. There will be no evidence showing that the Advisors were unaware of the amounts being charged and paid under the Agreements between the Petition Date and November 30, 2020, when the Advisors knowingly and intentionally ceased making payments to Highland.

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<sup>24</sup> Mr. Waterhouse will testify to this fact and it will be uncontested.

<sup>25</sup> **Exhibit 146.**

<sup>26</sup> **Exhibit 150.**

<sup>27</sup> **Exhibit 17** at ACL 080290.

<sup>28</sup> **Exhibit 22** at ACL 080593 (response to Question 2).

**3. The Advisors Knew (i) What Services Were Being Provided, and (ii) When Every Person (Including Every Dual Employee) Was Hired and Terminated by Highland, During the Relevant Period**

120. There is overwhelming, irrefutable evidence that the Advisors had contemporaneous knowledge of every person who was hired or terminated by Highland from before January 1, 2018 through at least December 30, 2020, including the following:

- In their written responses to interrogatories, the Advisors admitted that they had contemporaneous knowledge of the termination of every Dual Employee (the “Advisors’ Admissions”);<sup>29</sup>
- Every month from at least October 2017 through January 2021, Highland’s Human Resources department (under the direction of Mr. Collins) prepared a “Monthly Headcount Report” (the “Monthly Headcount Reports”) listing every employee in the Highland complex and highlighting new hires and terminations and distributed such reports to numerous people, including the Advisors’ officers (*i.e.*, Mr. Waterhouse, Ms. Thedford, and Mr. Norris);<sup>30</sup>
- Multiple witnesses will testify that Mr. Dondero was informed (if not approved) of every hiring and termination from before January 1, 2018 through at least January 9, 2020;
- Mr. Dondero was provided with extensive information concerning hires, terminations, and employee compensation and benefits during the Annual Reviews;<sup>31</sup>
- In early 2020, the Advisors provided detailed information to the Retail Board concerning all of Highland’s employees;<sup>32</sup>
- On August 13, 2020, the Advisors informed the Retail Board, among other things, of recent changes to the Advisors’ portfolio management team (*i.e.*, the team that provided investment advisory or “front office” services) and concluded that “there have been no changes that may reasonably be viewed to bear on an Advisers’ performance of services for a Fund or otherwise to have an effect on a Fund;”<sup>33</sup>

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<sup>29</sup> **Exhibit 14** (responses to Interrogatories 3 and 4).

<sup>30</sup> **Exhibits 88-127.**

<sup>31</sup> **Exhibit 86** (2017/2018 Annual Review) at 29-33; **Exhibit 142** (2018/2019 Annual Review) at 6-10.

<sup>32</sup> **Exhibit 57; Exhibit 75.**

<sup>33</sup> **Exhibit 17** at 3-5 (responses to Questions 4 and 5).



- On October 28, 2020, Mr. Collins informed the Retail Board that he was confident the Advisors could retain Highland's employees based on his discussions with those individuals and that there were "no significant departures to date;"<sup>34</sup> and
- In December 2020, Mr. Sauter represented to the Retail Board that there was "no material attrition to date with respect to employees."<sup>35</sup>

121. Based on this information, there is no credible basis for the Advisors' contention that the Advisors only intended to pay for the "Actual Cost" of the Dual Employees listed on Exhibit A to each of the PRAs.

122. Based on the Advisors' Admissions and the Monthly Staffing Reports alone, the Advisors knew the following facts at the following times:

- As of May 1, 2018, when the Advisors entered into the PRAs, **4 of the 29** Dual Employees on Exhibit A had already been terminated;
- As of December 14, 2018, when the Advisors entered into the PRA Amendments pursuant to which they agreed to pay Highland an incremental \$2.5 million in the aggregate, **9 of the 29** Dual Employees on Exhibit A had already been terminated; and
- As of October 16, 2019, the date Mr. Dondero caused Highland to commence the Bankruptcy Case, **14 of the 29** employees on Exhibit A had already been terminated.

123. Prior to the Petition Date, and indeed prior to the delivery of the Termination Notices,<sup>36</sup> the departure of the Dual Employees was apparently of no concern to the Advisors.

124. There is no dispute that (i) Mr. Dondero controlled Highland and the Advisors from at least January 1, 2018 through the Petition Date and (ii) ***nearly half*** of the Dual Employees were terminated during that time. Over this same period, a number of employees were either hired or

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<sup>34</sup> Exhibit 62.

<sup>35</sup> Exhibit 64.

<sup>36</sup> At least three additional Dual Employees were terminated between the Petition Date and the date Highland sent the Termination Notices (*see* Exhibit 14 (response to interrogatory 3)), yet the Advisors never exercised their rights under Section 2.02 of the PRAs or otherwise said or suggested that the fixed monthly amounts that had been charged every month since January 2018 should be modified.

transitioned roles in order to maintain the level of services provided to the Advisors. Despite having contemporaneous knowledge of these facts, there will be no evidence that the Advisors ever attempted to modify the amounts to be paid pursuant to Section 2.02 of the PRAs (except for the December 2018 amendments to *increase* such amounts) or objected to the amounts being charged.<sup>37</sup> Indeed, the evidence is exactly the opposite: for twenty-two (22) consecutive months, each of the Advisors paid the “flat fee” expressly set forth in the definition of “Actual Costs” in the PRAs.

125. Nor can the Advisors credibly contend that they were “unaware” of what shared services were being provided by Highland. The undisputed evidence shows, among other things, that:

- Until late December 2020, Mr. Dondero was physically present in Highland’s offices and regularly communicated with Highland’s employees;
- Mr. Dondero and each of the Advisors’ officers interacted with Highland’s employees each business day during the post-petition period;
- The Advisors knew that they needed to obtain the shared services so they could fulfill their obligations under the Investment Advisory Agreements;
- Accordingly, and as the Advisors expressly represented to the Retail Board, *the Advisors “monitored” the “level and quality” of shared services that Highland was providing*,<sup>38</sup>
- The Advisors repeatedly and without exception represented to the Retail Board that Highland continued to provide quality shared services without interruption, notwithstanding the bankruptcy filing;<sup>39</sup>
- Between October 16 and December 31, 2020, the Advisors and their outside counsel, K&L Gates, wrote five (5) separate letters to Highland but—with one

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<sup>37</sup> Notably, the Advisors never filed a pre-petition claim based on the theory they are now pressing in support of their administrative claim.

<sup>38</sup> **Exhibit 58.**

<sup>39</sup> *See, e.g.,* **Exhibit 58** at 20; **Exhibit 59** at 6; **Exhibit 18** at ACL 080581; **Exhibit 60** at 7, 12-13; **Exhibit 81**; **Exhibit 61** at 2, 3; **Exhibit 22** at 1; **Exhibit 62** at 2-3, 7; **Exhibit 63** at 3; **Exhibit 16**; **Exhibit 10** at 1; **Exhibit 64** at 7, 8; **Exhibit 66** at 2,3; and **Exhibit 73** at 9-10.

spurious exception—never complained about the shared services being provided by Highland, let alone asserted that Highland was in breach of their obligations under the Shared Services Agreements.<sup>40</sup>

126. In short, the evidence will conclusively establish that, between January 10, 2020 and February 2021, Highland provided the same services to the Advisors under the Agreements, for the same set prices, as Highland provided and charged between January 1, 2018 and January 9, 2020, when Mr. Dondero was in control of Highland and the Advisors.

**E. The Advisors’ Damages and Overpayment Theory is Fatally Flawed**

127. The Advisors have not and cannot meet their burden of proving damages for at least the following reasons:

- The Advisors’ damage theory is based on an analysis (a) originally created for an unrelated purpose, (b) revised under suspicious circumstances; and (c) based on assumptions that are incompatible with the Advisors’ intended contention;
- The analysis in question was originally prepared by Mr. Klos in November 2019 (**Exhibit 144**), and was updated a month later for use in discussions with Highland’s Official Committee of Unsecured Creditors (**Exhibit 145**);
- Mr. Waterhouse has admitted that he asked Mr. Klos to update his analysis in December 2020, and that he made the request because he believed the revised analysis could be useful in “negotiations;”
- As constructed, the analysis is not a reliable basis for determining the Advisors’ allocable share of the “Actual Costs” of the Dual Employees nor is it a reliable indicator of Highland’s alleged profitability under the Agreements; and
- The evidence establishes that Mr. Dondero incorporated the flawed analysis into the “plan” he proposed on the eve of confirmation as a way to drive a bargain.

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<sup>40</sup> See **Exhibit 148** (October 16, 2020 letter from the Advisors); **Exhibit 155** (November 24, 2020 letter from the Advisors); **Exhibit 156** (December 22, 2020 letter from K&L Gates); **Exhibit 157** (December 23, 2020 letter from K&L Gates); and **Exhibit 158** (December 31 2020, letter from K&L Gates). The only issue raised in these letters that even arguably concerns “shared services” is the Advisors’ complaint that Highland would not “allows its employees to work on certain matters that jointly affect HCMLP and the Advisors.” **Exhibit 148**. This is a reference to “conflicts of interest,” a topic that was transparently and extensively discussed with the Retail Board. See, e.g., **Exhibits 18, 59, 60, 62, and 63**. Mr. Seery will testify that the actual areas of “conflict” were quite limited and that, in any event, the Agreements did not require (and could never be reasonably read to require) Highland to cause its employees to act against Highland’s own interests or contrary to applicable law.

128. For the reasons set forth below, the Advisors have failed to meet their burden of proving “overpayment” or that Highland breached the HCMFA SSA. Even if they had met their burden, however, the Advisors have failed to meet their burden of proving damages by a preponderance of evidence.

### **III. PROPOSED CONCLUSIONS OF LAW**

#### **A. Jurisdiction and Venue**

129. This Court has jurisdiction over this Adversary Proceeding, and this Adversary Proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (O).

130. This Adversary Proceeding is commenced pursuant to Bankruptcy Rules 7001 and 7065, Bankruptcy Code sections 105(a) and 362, 28 U.S.C. §§ 2201 and 2202.

131. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1409.

#### **B. The Parties’ Claims**

132. This action involves competing claims for alleged breaches of the Agreements. The Parties’ claims are summarized as follows:

##### **1. Highland’s Claims**

133. Highland asserts breach of contract claims against (a) HCMFA for failing to pay for services rendered by Highland under (i) the HCMFA SSA during the months of November 2020, December 2020, and January 2021, and (ii) the HCMFA PRA during the months of December 2020, and January 2021, and against (b) NexPoint for failing to pay for services rendered by Highland under (i) the NexPoint SSA during the months of December 2020 and January 2021, and (ii) the NexPoint PRA during the months of December 2020 and January 2021 and (c) both Advisors for also failing to reimburse Highland for expenses under the Shared Services Agreements.

134. In accordance with the clear and unambiguous provisions of section 6.03 the NexPoint SSA, Highland also seeks to recover its costs and expenses, including attorneys' fees, incurred in the pursuit and defense of the claims asserted in this Adversary Proceeding.<sup>41</sup>

## **2. The Advisors Claims**

135. The Advisors bring claims against Highland for (a) restitution for overpayments made under the PRAs, (b) breach of contract under the SSAs for Highland's failure to perform services thereunder, (c) restitution for overpayments made under the SSAs.

136. The Court will address each claim in turn.

## **C. Choice of Law**

137. Texas law applies to the claims at issue. See **Exhibit 2** (HCMFA SSA), Section 9.05 (providing that "the Agreement shall be governed by, and construed in accordance with, the laws of the state of Texas"); **Exhibit 3** (NexPoint SSA), Section 8.02 (same); **Exhibit 6** (NexPoint PRA), Section 6.05 (same); **Exhibit 8** (HCMFA PRA), Section 6.05 (same).

## **D. The Advisors' Claims for Overpayment under the PRAs**

138. The Advisors seek restitution for alleged overpayments they made under the PRAs from the Petition Date until November 30, 2020 (the date the Advisors ceased making any payments under the PRAs).

139. As set forth in the Joint Pretrial Order filed in this Adversary Proceeding, the Advisors contend that each of the Advisors is to reimburse Highland for its actual costs of the Dual Employees listed on Exhibit A to the PRAs, but that as of the Petition Date, certain of the Dual

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<sup>41</sup> The parties agree that the "quantification of any attorney's fees awarded in this Adversary Proceeding, subject to defenses, will be handled through post-trial motion practice under Rule 54(d)(2) and no Party need present evidence on any attorney fee claim at the trial of this Adversary Proceeding." *Joint Pretrial Order*, Section VII. For the reasons set forth below, the Court finds that the Advisors are liable for the reimbursement of Highland's costs and fees (including attorneys' fees), but defers for another day any determination as to the quantum of costs and fees to be paid.

Employees were no longer employed at Highland. Therefore, the Advisors argue, during this period, that they were paying Highland for Dual Employees who were no longer employed by Highland, and that such payments constituted overpayments under the PRAs. The Advisors maintain that their monthly payments under the PRAs resulted in overpayments by the Advisors to Highland totaling \$7,649,942, broken down as \$4,928,103 in postpetition overpayments by HCMFA and \$2,721,839 in postpetition overpayments by NexPoint. The Advisors' overpayment claim is premised on the contention that the Advisors were only required to pay for "actual costs and expenses" relating to each "Dual Employee," notwithstanding the clear, fixed monthly amount required to be paid by the Advisors by the PRAs.

140. Alternatively, the Advisors argue that if Section 2.02 of the PRAs controls, the Advisors sought to modify the clear, fixed monthly amounts under Section 2.02, but that Highland failed to negotiate the same in good faith as required by such section.

141. In defense, Highland argues that the PRAs clearly and unambiguously require that the Advisors pay a flat monthly fee for investment advisory services rendered, regardless of which employees actually performed those services, unless the parties agreed otherwise in writing pursuant to Section 2.02.

142. Highland also argues that even if the PRAs are deemed ambiguous, parole evidence and the parties' uninterrupted course of dealing proves that the parties intended for the Advisors pay a flat monthly fee for investment advisory services, unless modified pursuant to Section 2.02.

143. Alternatively, Highland further maintains that, even if the Advisors could prove that they "overpaid," under the PRAs, the Advisors claims have been (a) waived and (b) are barred by the voluntary payment rule.

144. Since the Parties disagree as to the meaning of “Actual Cost,” the Court first addresses the question of whether the PRAs are unambiguous regarding the Advisors’ payment obligations thereunder. The Court next turns to the merits of Advisors’ overpayment claims and Highland’s defenses.

**1. The Payroll Reimbursements are Unambiguous as a Matter of Law**

**i. Legal Standard**

145. “Whether a contract is ambiguous is a question of law for the court to decide by looking at the contract as a whole in light of the circumstances present when the contract was entered into.” *BCC Merchant Solutions, Inc. v. Jet Pay, LLC*, 129 F.Supp.3d 440, 466 (N.D.Tex. 2015) (internal quotations omitted); *see also Watkins v. Petro-Search, Inc.*, 689 F.2d 537, 538 (5th Cir. 1982) (“[W]hen a question relating to the construction of a contract or its ambiguity is presented, the court is to take the wording of the contract in the light of the surrounding circumstances, in order to ascertain the meaning that would be attached to the wording by a reasonably intelligent person acquainted with all operative usages and knowing all the circumstances prior to and contemporaneous with the making of the integration”). “If, in the light of the surrounding circumstances, the language of the contract appears to be capable of only a single meaning, the court can then confine itself to the writing.” *Watkins*, 689 F.2d at 538 (internal quotations omitted); *see also Columbia Gas Transmission Corp. v. New Ulm Gas, Ltd.*, 940 S.W.2d 587, 591 (Tex. 1996) (“In determining the parties’ agreement, we are to examine all parts of the contract and the circumstances surrounding the formulation of the contract.”).

146. “In construing a contract, a court must ascertain the true intentions of the parties as expressed in the writing itself.” *Italian Cowboy Partners, Ltd. v. Prudential Ins. Co. of Am.*, 341 S.W.3d 323, 333 (Tex. 2011). “In identifying such intent, we must examine and consider the entire writing in an effort to harmonize and give effect to all the provisions of the contract so that none



will be rendered meaningless.” *Id.* “We begin this analysis with the contract's express language.” *Id.*

147. A contract is unambiguous and will be enforced as written where it is “susceptible to only one reasonable construction.” *BCC Merchant*, 129 F.Supp.3d at 477. “[A] cardinal rule of contract interpretation under Texas law is that the entire writing must be examined” and “no single provision taken alone [may] be given controlling effect.” *Id.* (citing Texas law) (internal quotations omitted). Texas courts consider the entire writing “to harmonize and effectuate all provisions such that none are rendered meaningless.” *Id.* “An ambiguity is not created simply because the parties advance conflicting interpretations of the contract ... Rather, an ambiguity exists only where such conflicting interpretations are ‘reasonable.’” *Id.* at 477-78 (internal quotations and citations omitted); *see also AXA Art Americas Corp. v. Public Storage*, 208 F.Supp.3d 820, 828 (S.D.Tex. 2016) (“Ambiguity arises only when the applicable of the applicable rules of interpretation to the instrument leave it genuinely uncertain which one of ... two meanings is the proper one”) (internal quotations omitted); *Instone Travel Tech Marine & Offshore v. Int’l Partners, Inc.*, 334 F.3d 423, 431 (5th Cir. 2003) (A “contract is not ambiguous because it suffers from mere ‘uncertainty or lack of clarity,’” noting “[t]he failure to include more express language of the parties' intent does not create an ambiguity when only one reasonable interpretation exists.”); *Columbia Gas*, 940 S.W.2d at 589 (“For an ambiguity to exist, both interpretations must be *reasonable*.”) (emphasis in original).

148. “Where the language is clear and definite, the contract is not ambiguous, and a court must apply the plain language as a matter of law.” *Main Street Bank v. Unisen*, No. H-06-3776, 2008 WL 11483415, at \*4 (S.D.Tex. Feb. 15. 2008). “Only where a contract is ambiguous may a court consider the parties' interpretation and admit extraneous evidence to determine the true

meaning of the instrument.” *David J. Sacks, P.C. v. Haden*, 266 S.W.3d 447, 450–51 (Tex.2008) (per curiam) (internal quotation omitted); *see also Italian Cowboy*, 341 S.W.3d at 333 (same).

ii. **The PRAs Unambiguously Required the Advisors to Pay Highland Fixed Monthly Fees Absent Changes Made Under Section 2.02**

149. There is no ambiguity regarding the Advisors’ payment obligations under the PRAs, and specifically whether the Advisors were obligated to pay fixed monthly fees to Highland.

150. As mandated, the Court begins by examining the express terms of the contracts. Under the plain terms of the PRAs, each of the Advisors were to pay Highland the “Actual Cost” for investment advisory services provided by Dual Employees (as defined in the PRAs). *See* Exhibit 6 (NexPoint PRA) §§ 2.01, 3.01, Exhibit 8 (HCMFA PRA) §§ 2.01, 3.01.

151. Each of the PRAs contains an identical “ARTICLE I DEFINITIONS” provisions ,save for the fixed dollar amount of “Actual Cost,” which Article sets forth the definitions of terms used in the respective PRAs. **Exhibit 6** (NexPoint PRA) Article I, **Exhibit 7** (HCFMA PRA) Article I, Exhibit 7. Each of the PRAs also contains an identical “Section 6.15 General Rules of Construction” which provides: [f]or all purposes of this Agreement and the Exhibits and Schedules delivered pursuant to this Agreement: (i) the terms defined in Article I have the meanings ascribed to them in Article I and include the plural as well as the singular.” **Exhibit 6** (NexPoint PRA) Section 6.15, **Exhibit 7** (HCFMA PRA) Section 6.15. As a result, the definitions in Article I of each of the PRAs are binding on the parties thereto and cannot be amended absent a writing executed by each of the parties to the agreements. **Exhibit 6** (NexPoint PRA) Section 6.02, **Exhibit 7** (HCMFMA PRA) Section 6.02.

152. The binding definitions of “Actual Cost” and “Dual Employees” in Article I of each of the PRAs is clear, unambiguous, and determinative. The definition of “Actual Cost” is:

[W]ith respect to any period hereunder, the actual costs and expenses caused by, incurred, or otherwise arising from or relating to each Dual Employee, in each case

during such period. **Absent any changes to employee reimbursement, as set forth in Section 2.02, such costs and expenses are equal to [X] per month.**

**Exhibit 6** (NexPoint PRA) Article I, **Exhibit 8** (HCMFA PRA) Article I (emphasis added).

153. The PRAs fix a set amount for Actual Cost which is binding unless amended in writing. the plain meaning of these provisions proves, as a matter of law, that the parties agreed (a) on the value to be paid for the investment advisory services each month, and (b) that the value to be paid for those services each month would remain in effect “[a]bsent any changes to employee reimbursement, as set forth in Section 2.02.”

154. The Advisors’ interpretation of the PRAs is unreasonable precisely because it renders the second sentence of the definition of “Actual Costs”—that is, the fixed amount—superfluous, an obvious violation of basic rules of contract interpretation. Stated another way, if—as the Advisors now contend—the parties intended that the Advisors’ payment obligations would fluctuate based on the identity, compensation, and time allocation each Dual Employee, they would never have included the second sentence fixing the amount in the definition of “Actual Costs.”

155. The Advisors’ interpretation is also unreasonable because it would either (a) leave the Advisors with a gap in investment advisory services every time a Dual Employee was terminated or (b) would require Highland to provide the investment advisory services of departed Dual Employees without compensation. This re-writing of the contract makes no sense.

156. The Court finds and determines as a matter of law that, unless modified in writing pursuant to Section 2.02, the “Actual Cost” for the investment advisory services that Highland provided to NexPoint under the NexPoint PRA was fixed at \$252,000 per month (*see Exhibit 6* (NexPoint PRA), Article I), and the “Actual Cost” for the investment advisory services that

Highland provided to HCMFA under the NexPoint PRA was fixed at \$416,000 per month. *See Exhibit 8* (HCMFA PRA) Article I.

157. The Parties' rights to modify the "Actual Cost" under the PRAs are also unambiguous. Pursuant to the express terms of Section 2.02, either party could request a modification to the "Actual Cost" if they believed a change was appropriate. **Exhibit 6** (NexPoint PRA) § 2.02; **Exhibit 8** (HCMFA PRA) § 2.02. *See also* **Exhibit 6** (NexPoint PRA) § 4.02 ("Should either Party determine that a change to employee reimbursement is appropriate, as set forth in Section 2.02, the Party requesting the modification shall notify the other Party on or before the last business day of the calendar month"), **Exhibit 8** (HCMFA PRA) § 4.02 (same). Any such modification had to be evidence by a writing signed by all parties to the agreement. **Exhibit 6** (NexPoint PRA) Section 6.02, **Exhibit 7** (HCMFMA PRA) Section 6.02.

158. The inclusion of Sections 2.02, 4.02, and 6.02 is further evidence that the Advisors' current interpretation is unreasonable. Again, if, as the Advisors now contend, the parties intended that the Advisors' payment obligations would be determined by a formula based on the identity, compensation, and time allocation of each Dual Employee, the PRAs would say that. But they don't. Indeed, the right to request modifications to "Actual Costs" under Sections 2.02 and 4.02 would be completely unnecessary if the parties intended that "Actual Costs" would fluctuate based on objectively ascertainable and undisputable facts such as the continued employment of each Dual Employee.<sup>42</sup>

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<sup>42</sup> There is more evidence that the Advisors' interpretation is unreasonable. The Advisors admit knowing that four (4) of the 29 Dual Employees listed on Exhibits A were terminated between January 1, 2018 (the effective date of the PRAs) and May 1, 2018 (the date the PRAs were signed). *See Exhibit 14* (response to interrogatories 3 and 4). If the parties intended that the Advisors would retroactively pay only for the "Actual Cost" of the Dual Employees beginning on January 1, 2018, then the monthly charge referred to in the definition of "Actual Cost" would have had one price for January 2018 (the *only* month in which *all* of the Dual Employees were employed by Highland), and that price would have been reduced for February (when Jake Tomlin and Michael Phillips were terminated); it would have been further reduced for March (when Sanjay Gulati was terminated); and it would have been further reduced for April (when Phillip Ryder was terminated). Instead, *the Advisors entered into the PRAs knowing that*

159. The Advisors’ suggestion that Sections 2.02 and 4.02 imposed an affirmative obligation on Highland to update the list of Dual Employees and their respective Allocation Percentages, or to unilaterally adjust the “Actual Costs,” is similarly untenable. Under the Advisors’ re-interpretation of the PRA, Highland would have been obligated to invoke Section 4.02 (which is itself dependent on Section 2.02) on the Advisors’ behalf and to adjust the Advisors’ monthly payments as Dual Employees were terminated or changes were made in their compensation or Allocation Percentages. But again, that is simply not what the PRAs say.

160. Indeed, (a) the name “HCMLP” does not even appear in either Section 2.02 or 4.02; (b) modifications to the fee structure under Section 2.02 could not be imposed unilaterally but instead required an “agree[ment]” of the parties; and (c) modifications to the fee structure under Section 2.02 are permissive, not mandatory. *See e.g., Exhibit 6* (NexPoint PRA) Section 2.02 (the “Parties *may* agree” to change the fees to be paid) (emphasis added).

161. Based on the foregoing, the Court concludes as a matter of law that the Advisors’ interpretation of the PRA is not a “reasonable interpretation” that could create ambiguity. *See AXA*, 208 F.Supp.3d at 828 (finding contract unambiguous as a matter of law where provision “unambiguously” sets forth plaintiff’s right and “creates no affirmative duty” on defendant, noting plaintiff’s “interpretation is not reasonable in light of the [] agreement as a whole”); *BCC*, 129 F.Supp.3d at 478 (finding no ambiguity in agreement based on its “plain” and “unequivocal” language, noting that party’s “proffered interpretation” “does not reasonably account for the surrounding language” of agreement, would render such language “meaningless,” and is “not reasonable under Texas law”); *Instone*, 334 F.3d at 431 (“when properly confined to the four corners of the document ... [defendant’s] interpretation” is not “reasonable” because it

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*the monthly charge referred to in the definition of “Actual Cost” included the cost of four (4) Dual Employees on Exhibit A who were already terminated.*

“unambiguously holds [defendant] responsible” thereunder); *David J. Sacks*, , 266 S.W.3d at 450–51 (finding “plain language” of engagement letter unambiguously provided that defendant agreed to pay plaintiff hourly fees, and rejecting defendants’ contention that “fee agreement must specifically state that hourly fees will accrue without limit,” explaining that “the lack of such explicit language is irrelevant if the agreement can be reasonably interpreted only one way.”) *Italian Cowboy*, 341 S.W.3d at 333 (“We conclude that the only reasonable interpretation of the contract language at issue here is that the parties to this lease intended nothing more than the provisions of a standard merger clause, and did not intend to include a disclaimer of reliance on representations. Therefore, we need not consider any extraneous evidence of the parties’ intent to ascertain the true meaning of the instrument.”); *Columbia Gas*, 940 S.W.2d at 591-92 (finding party’ interpretation of contract unreasonable where it has effect of “eliminating the viability of” and “frustrate the intend [sic??] of” another provision of the contract, and where party’s “interpretation ignores the contract language.”).

162. Thus, the express terms of the PRAs unambiguously provide, as a matter of law, that NexPoint and HCMFA were obligated to pay Highland a fixed monthly “Actual Cost” in the amount of \$252,000 and \$416,000, respectively, absent any changes pursuant to Section 2.02 of the PRAs.

**iii. Even if the PRAs Are Ambiguous, the Parole Evidence and the Parties’ Course of Dealing Supports Highland’s Interpretation**

163. Even if the PRAs were found to be ambiguous on the issue of how the monthly advisory fees were to be determined, the parole evidence and the parties’ course of dealing conclusively establishes that Highland’s interpretation is the only reasonable interpretation of the agreements which accurately reflects the parties’ intent.

164. The Court incorporates by reference by reference all of the Findings of Fact set forth in Section B(4) above but highlights certain particularly pertinent facts here:

- The PRAs were preceded by the Sub-Advisory Agreement (an indisputably fixed-cost contract for investment advisory services) and were **only** created after the parties learned that the Sub-Advisory Agreement could not be retroactive or adopted except upon approval during an in-person meeting of the Retail Board;
- The Communications between Mr. Klos and Ms. Thedford in April 2018 (**Exhibit 129**) prove that the parties never intended to update Exhibit A and that the advisory fees would be fixed after being initially set, subject only to termination or an agreement to amend (*i.e.*, Section 2.02);
- Mr. Klos created Exhibits A in good faith but for the purpose of “backing into” the fee structure set forth in the Sub-Advisory Agreement and the annual amounts determined by Mr. Dondero;
- Exhibits A were never updated and there is no evidence anyone was charged with the responsibility for doing so;
- The Advisors, with full knowledge of all relevant facts, paid the fixed monthly fees required by the definition of “Actual Cost” during every month between January 1, 2018 and November 30, 2020, without protest or objection;
- The Parties entered into the PRA Amendments in December 2018 when Mr. Dondero was solely in control of Highland and the Advisors, and the additional fixed amount of \$2,500,000 paid by the Advisors bore no relationship to costs incurred by Highland or the schedule of “Dual Employees” (indeed, more than one-third of the Dual Employees were terminated as of December 2018) and
- Highland’s interpretation of the PRAs was ratified in the January 2020 communications exchanged between Mr. Klos and the Advisors’ officers before any dispute existed.

165. The surrounding circumstances (including parole evidence and the parties’ uninterrupted course of dealings) establish that even if the PRAs were found to be ambiguous, Highland’s interpretation makes sense, is intellectually and factually consistent, and is reasonable while the Advisors’ interpretation is not. *See Columbia Gas.*, 940 S.W.2d at 591 (finding party’s “circuitous” interpretation of contract especially unreasonable in light of “circumstances



surrounding formulation of contract,” including what parties knew when contract was signed, and that parties incorporated certain provisions at the time the contract was formulated, noting “this interpretation properly considers the circumstances surrounding the formulation of the contract...”).

166. Based on the undisputed circumstances surrounding the creation, drafting, execution and administration of the PRAs, the Advisors were required to pay a flat monthly fee in the amounts of \$252,000 and \$416,000 for NexPoint and HCMFA, respectively, for investment advisory services unless the Parties agreed in writing otherwise. *See Epps v. NCNB Tex. Nat’l Bank*, 838 F. Supp. 296, 304 (N.D. Tex. 1993), *aff’d sub nom. Epps v. NCNB Tex.*, 7 F.3d 44 (5th Cir. 1993) (“[A]pplying the undisputed facts to the unambiguous terms of the contract,” the contract is not ambiguous); *Watkins*, 689 F.2d at 540 (“[T]he express language of the agreement-in the light of this circumstance (known to both parties who confected the agreement) and of others surrounding the agreement-in our opinion is susceptible with regard to the issue before us of only one reasonable (and thus unambiguous) meaning,” finding that “even if we were to construe the agreement to be ambiguous (so as to allow parole evidence to show not only the surrounding circumstances but also the intent of the parties)” the parol evidence does not prove contrary interpretation).

## **2. The Advisors’ Claim for Overpayment Under the PRAs Fails**

167. The Advisors’ claim of overpayments on the PRAs is premised on the theory of unjust enrichment or restitution. “Generally speaking, when a valid, express contract covers the subject matter of the parties’ dispute, there can be no recovery under a quasi-contract theory, such as unjust enrichment.” *DeClaire v. G & B McIntosh Family Ltd. P’ship*, 260 S.W.3d 34, 49 (Tex. App. 2008). There are, however, exceptions to this general rule, such as when a claim for unjust

enrichment is premised on overpayments made under a valid contract. *See id.*; *Sw. Elec. Power Co. v. Burlington N. R.R. Co.*, 966 S.W.2d 467, 470 (Tex. 1998) (same).

168. The Advisors’ claim for overpayments under the theory of unjust enrichment or restitution fails for the reasons discussed above. The claim is premised on the faulty notion that the Advisors were paying for specific Dual Employees under the PRAs, and not the services rendered by Highland in exchange for a fixed monthly fee, *i.e.*, the “Actual Cost” defined in the PRAs.

169. As discussed *supra*, the payments made by the Advisors under the PRAs were required under the clear and unambiguous terms of valid contracts. Moreover, the Advisors have not alleged, let alone proven, that Highland failed to provide investment advisory services under the PRAs. The Advisors also adduced no evidence proving that Highland failed to negotiate in good faith under Section 2.02.<sup>43</sup> Accordingly, the Advisors’ claims for “overpayment” under the PRAs fail. *See DeClaire*, 260 S.W.3d at 49 (finding that party’s claim for overpayments under contract failed where “the parties entered into a valid, written contract and nothing suggests that overpayments were made on the contract” and where such contract contained express language setting forth payments at issue); *Sw. Elec. Power*, 966 S.W.2d at 470 (party failed to prove claim for unjust enrichment for overcharges on contract, where defendant charged the rates expressly set forth in the contract, and plaintiff paid the rates established in accordance with such contract,

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<sup>43</sup> The Court finds that Highland did not violate its obligation to negotiate in “good faith” because the evidence shows that the Advisors’ contentions were manufactured for the purpose of creating negotiating leverage, not because of any legitimate dispute. Even if that were not the case, Highland did not violate any obligation given that the Advisors were on notice of Highland’s monetization plan and its intention to cease providing services when the Advisors first began questioning the amounts charged under the PRAs. Finally, even if Highland breached its obligations, such breach would be of extremely limited utility to the Advisors since any “modification” to the fee structure could only be prospective, not retroactive. *See, e.g., Exhibit 6* (NexPoint PRA) Section 4.02 (requests for modifications had to be made “on or before the last business day of the calendar month,” a provision that would be rendered meaningless if the fees paid during the contractual term could be re-visited at any time).

finding that “if the contract rates were paid under the [] agreements, there could be no recovery of ‘overcharges’ under a theory of unjust enrichment.”)

170. There is no evidence showing that the Advisors made “overpayments” under the PRAs. Accordingly, the Advisors cannot recover for their claim of “overpayments.”

**3. The Advisors Waived any Claim for Overpayments Under the PRAs**

171. The Court finds that, even if the Advisors could prove that they overpaid under the PRAs, any such claim for “overpayment” has been waived.

**i. Legal Standard**

172. “Under Texas case law, waiver is the intentional relinquishment of a known right or the intentional conduct inconsistent with claiming that right.” *Sedona Contracting, Inc. v. Ford, Powell & Carson, Inc.*, 995 S.W.2d 192, 195 (Tex. App. 1999). The elements of waiver include: (1) an existing right, benefit, or advantage held by a party; (2) the party’s actual or constructive knowledge of its existence; and (3) the party’s actual intent to relinquish the right or intentional conduct inconsistent with the right (which can be inferred from the conduct). *See id.*; *see also Ulico Cas. Co. v. Allied Pilots Ass’n*, 262 S.W.3d 773, 778 (Tex. 2008); *Tenneco Inc. v. Enter. Products Co.*, 925 S.W.2d 640, 643 (Tex. 1996) (“The affirmative defense of waiver can be asserted against a party who intentionally relinquishes a known right or engages in intentional conduct inconsistent with claiming that right.”). “Silence or inaction, for so long a period as to show an intention to yield the known right, is also enough to prove waiver.” *Tenneco*, 925 S.W.2d at 643. While waiver is largely a matter of intent, that intent should be implied where a party has relied on its counterparty’s conduct to its detriment. *Enserch Corp. v. Rebich*, 925 S.W.2d 75, 82 (Tex. App. 1996) (“‘[W]aiver by implication should not be inferred contrary to the intention of the party whose rights would be injuriously affected thereby, *unless the opposite party has been misled to his or her prejudice*’”) (emphasis in original) (internal quotations omitted).

173. While waiver is ordinarily a question of fact, when the surrounding facts and circumstances are undisputed, the question becomes one of law. *Motor Vehicle Bd. of Tex. Dep't of Transp. v. El Paso Indep. Auto. Dealers Ass'n, Inc.*, 1 S.W.3d 108, 111 (Tex. 1999); *Tenneco*, 925 S.W.2d at 643.

ii. **The Advisors' Conduct Constitutes Waiver**

174. The Advisors' conduct satisfies each of the foregoing elements, and waiver has, therefore, been established as a matter of law.

175. The first factor is easily met. For purposes of this analysis only, the Court assumes (contrary to the conclusions of law set forth above) that the Advisors were *only* required to pay for their respective, allocated share of the "Actual Cost" of Dual Employees. In addition, as discussed above, the Parties could agree to modify the fixed fee definition of Actual Cost pursuant to Section 2.02 if they believed a change to the reimbursement was appropriate. **Exhibit 6** (NexPoint PRA) § 2.02, **Exhibit 8** (HCMFA PRA) § 2.02. Section 4.02 provided the mechanism through which the Party could invoke Section 2.02. It provided that "[s]hould either Party determine that a change to employee reimbursement is appropriate, as set forth in Section 2.02, the Party requesting the modification shall notify the other Party on or before the last business day of the calendar month"), **Exhibit 8** (HCMFA PRA) § 4.02.

176. Based on the foregoing assumptions and facts, the Advisors had the rights to (a) pay *only* for their allocable share of the "Actual Cost" for the Dual Employees listed on the Exhibits A, and (b) to seek to modify the amounts charged if they believed a change was appropriate.

177. The second factor—knowledge of these existing rights—is also satisfied. According to the Advisors, their right to pay *only* for their allocable share of the "Actual Cost" for the Dual Employees listed on the Exhibits A is embedded in the PRAs, as is their right to seek

modification. The PRAs were signed by Mr. Waterhouse in his capacity as an officer of the Advisors (and Highland), and the Advisors rely on the PRAs for their claims. Consequently, there is no dispute that the Advisors knew of their “rights” (as they now contend they understood them).

178. The third factor—intent to relinquish, and “the key element of waiver”—is also met. *See Sedona*, 995 S.W.2d at 196. “In order to establish waiver, the act must be clear and decisive.” *Id.* The evidence establishes that the Advisors actions constituted a continuous, clear, and decisive intention to relinquish their rights.

179. **First**, if the Advisors actually believed that they had the right to *only* pay for their allocable share of the “Actual Cost” of the Dual Employees, then they knowingly and intentionally relinquished that right the moment Mr. Waterhouse signed the PRAs. The monthly fees set forth in the PRAs included the allocable share of the “Actual Cost” of four (4) Dual Employees who were terminated between January 1, 2018 (the effective date of the PRAs) and May 1, 2018 (when the PRAs were signed). In other words, under the Advisors’ theory, they were grossly “overpaying” under the PRAs from the outset.

180. **Second**, in December 2018, the Advisors agreed to collectively pay an additional \$2,500,000 pursuant to Section 2.02 of the PRAs. The Advisors’ decision to enter into the PRA Amendment is another act of waiver because (a) they knew at the time that nine (9) of the Dual Employees listed on Exhibits A had already been terminated and (b) the amounts charged under the PRA Amendments had no relationship to “Actual Costs” (nor would that make sense since the Advisors were paying millions of additional dollars while knowing that more than one- third of the Dual Employees on Exhibit A had already been terminated).

181. **Third**, from January 1, 2018 through November 30, 2020, the Advisors knowingly and intentionally paid the flat fee amounts set forth in the PRAs (a) with contemporaneous

knowledge of the departure of certain of the Dual Employees on Exhibits A and (b) without objection or any attempt to exercise their rights under Section 2.02.

182. The overwhelming evidence demonstrates that *for nearly three years*, with complete, contemporaneous knowledge of the departure of a substantial number of Dual Employees, the Advisors knowingly and intentionally (a) paid the amounts set forth in the PRAs rather than their supposed allocable share of the “Actual Cost” of the Dual Employees list on Exhibits A, and (b) failed to exercise their known rights to modify the PRAs. This is the definition of “waiver.” *See Sedona*, 995 S.W.2d at 196 (party’s conduct constituted waiver where he understood terms of the documents he submitted); *Tenneco*, 925 S.W.2d at 643 (waiver was established as a matter of law where “defendants have shown that until this lawsuit, [party] accepted” situation without invoking provision of agreement at issue); *United States Bank, N.A. v. Kobernick*, 454 Fed. Appx. 307, 315 (5th Cir. Dec. 16, 2011) (finding “each element of waiver is present” where party had right under agreement, party knew it had that right, and its intentional conduct was inconsistent with such right). Accordingly, the Advisors have waived any claims relating to overpayments under the PRAs.

183. The Advisors cannot avoid the consequences of their inaction by relying on so-called “non-waiver” provisions.<sup>44</sup> Texas law provides that ostensible “non-waiver provisions” can themselves be waived by the parties. *See, e.g., Kobernick*, 454 Fed. Appx. at 315 (5th Cir. Dec. 16, 2011) (bank’s actions were inconsistent with preserving contractual right to declare a certain default and thus, the bank had waived said right, notwithstanding non-waiver clause (citing

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<sup>44</sup> For example, the PRAs provide in Section 6.02 that: “No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof ....”

*Straus v. Kirby Court Corp.*, 909 S.W.2d 105, 108 (Tex. App. 1995) and other cases); *Shields LP v. Bradberry*, 526 S.W.3d 471, 482-83 (Tex. 2017) (“To the extent there has been any doubt up to this time, we affirm that a party’s rights under a nonwaiver provision may indeed be waived expressly or impliedly,” noting “a nonwaiver provision absolutely barring waiver in the most general of terms might be wholly ineffective”); *see also* 8 Corbin on Contracts § 40.13 (“a provision that an express condition of a promise or promises in the contract cannot be eliminated by waiver, or by conduct constituting estoppel, is wholly ineffective”).

**4. The Advisors’ Claim of Overpayment Under the PRAs is Barred by the Voluntary Payment Rule**

184. The Advisors are barred from asserting a claim of “overpayment” under the PRAs under the voluntary payment rule.

185. Under the voluntary payment rule, “[m]oney voluntarily paid on a claim of right, with full knowledge of all the facts, in the absence of fraud, deception, duress, or compulsion, cannot be recovered back merely because the party at the time of payment was ignorant of or mistook the law as to his liability.” *BMG Direct Mktg., Inc. v. Peake*, 178 S.W.3d 763, 768 (Tex.2005) (internal quotations omitted). “The voluntary payment rule precludes a party from ‘pay[ing] out his money, leading the other party to act as though the matter were closed, and then be in the position to change his mind and invoke the aid of the courts to get it back.’” *Miga v. Jensen*, 299 S.W.3d 98, 103 (Tex. 2009). “Money voluntarily paid on a claim of right, with full knowledge of all the facts, in the absence of fraud, deception, duress, or compulsion, cannot be recovered merely because the party at the time of the payment was ignorant of or mistook the law as to [their] liability.” *XTO Energy Inc. v. Goodwin*, 584 S.W.3d 481, 497 (Tex. App. 2017). “The rule is a defense to claims asserting unjust enrichment; that is, when a plaintiff sues for restitution claiming a payment constitutes unjust enrichment, a defendant may respond with the voluntary-



payment rule as a defense.” *Id.* (citing *BMG Direct Mktg., Inc. v. Peake*, 178 S.W.3d 763, 768 (Tex. 2005)). “Because public policy favors protecting the finality of payments when a person is aware of all the facts upon which the liability to make payments depends, and there is no fraud, deception, duress, or coercion involved, Texas courts have, at times, applied the voluntary-payment rule between private parties.” *Id.*; *see also BMG*, 178 S.W.3d at 770 (“[T]he rule against recovery of voluntary payments “precludes the courts being occupied in undoing the arrangements of parties which they have voluntarily made, and into which they have not been drawn by fraud or accident, or by any excusable ignorance of their legal rights and liabilities.”) (internal quotations omitted).

186. Here, as discussed *supra*, the Advisors knowingly and intentionally paid Highland the Actual Costs (as actually defined in the PRAs) every month from January 1, 2018 until November 30, 2020. The Advisors never objected to making such payments. Nor is there any evidence that they made such payments under duress, or otherwise through any deceptive or fraudulent conduct on the part of Highland.<sup>45</sup> Thus, even if the Advisors could show there were any overpayments under the PRAs, the voluntary payment rule would, as a matter of law, preclude the Advisors from recovering on any amounts paid. *See BMG*, 178 S.W.3d at 771-72 (applying the voluntary payment rule to prevent the recovery of a “late fee” paid by a customer who later claimed it was unlawful); *XTO Energy*, 584 S.W.3d at 499 (finding voluntary payment was a defense as a matter of law to plaintiff’s claim of unjust enrichment arising from overpayments on royalties where plaintiff voluntarily paid those royalties to defendant, had all the documents and information before it to assess and evaluate the merits of those payments and calculate payments

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<sup>45</sup> Indeed, the evidence shows that the payments were (a) consistent with the 3-year budget presented to Mr. Dondero and Mr. Okada in January 2018; (b) were consistent with the 2020 forecast presented to Mr. Dondero in April 2020, and (c) all approved in advance by Mr. Waterhouse. *See, e.g., Exhibit 86, Exhibit 50, Exhibit 152.*

prior to making challenged payments, and where there was no evidence that any accounting errors or incorrect determinations were precipitated through defendant's fraudulent or deceptive conduct); *Dallas County Cmty. Coll. Dist. v. Bolton*, 185 S.W.3d 868 (Tex. 2005) (finding voluntary payment rule barred plaintiff's recovery of fees paid where defendant introduced evidence that plaintiffs "paid the fees without filing any type of grievance protest" and plaintiffs did not establish duress as a matter of law); *Samson Exploration, LLC v. T.S. Reed Properties, Inc.*, 521 S.W.3d 766, 779-80 (Tex. 2017) (finding voluntary payment rule applied to preclude lessee from seeking to recover alleged overpayments of royalty payments to lessors and other stakeholders where payments were voluntary and lessee made the payments with "full knowledge of the fact" that there was error in zoning designation, and where lessee "never exercised its authority to amend the designation ... even though the designation that it filed expressly provided that [lessee] reserved the right to do so in order to correct any error," further noting that payments were not paid under duress or over any objection to doing so); *Texas Nat. Bank of Baytown v. Harris County*, 765 S.W.2d 823, 825-26 (Tex. App. 1988) (voluntary payment rule barred recovery on taxes paid, even though it was illegal, where paid where such payments were made voluntarily absent duress). Accordingly, the voluntary payment rule precludes the Advisors' recovery on any alleged overpayments under the PRAs.

**E. The Advisors Claims for Breach of the Shared Services Agreements**

187. The Advisors vaguely claim that Highland breached the SSAs by failing to perform certain services to the Advisors, including legal and compliance services, thereunder. The Advisors contend that on or around July 2020, Highland instructed its employees to cease providing certain services to the Advisors which Highland believed were adverse to the interests of Highland. The Advisors maintain that this forced the Advisors to retain two new employees to cover for such services, resulting in \$425,000 in damages. The Advisors also contend they were

forced to pay Highland \$1 million for legal services that Highland was no longer providing, resulting in \$1.3 million in payments postpetition for services that Highland failed to provide. The Advisors seek damages for overpayments and breaches of the SSAs totaling \$1,725,000.<sup>46</sup>

**1. The Advisors' Fail to Prove Highland Breached the SSAs**

**i. Legal Standard**

188. Under Texas law, a party claiming breach of contract has the burden to prove the following elements: “(1) the existence of a valid contract; (2) performance or tendered performance by the plaintiff; (3) breach of the contract by the defendant; and (4) damages to the plaintiff as a result of the defendant's breach.” *Williams v. Wells Fargo Bank, N.A.*, 884 F.3d 239, 244 (5th Cir. 2018) (internal citations omitted); *see also Calce v. Dorado Expl., Inc.*, 309 S.W.3d 719, 733 (Tex. App. 2010) (“A party claiming breach of contract has the burden to prove the elements of that cause of action.”); *Velvet Snout, LLC v. Sharp*, 441 S.W.3d 448, 451 (Tex. App. 2014) (noting the plaintiff “had the burden of proof on its breach of contract claim.”).

189. The Advisors have not met their burden to establish that Highland breached the Agreements. Specifically, the Advisors fail to prove the elements of (1) breach and (2) damages.

**ii. The Advisors Fail to Establish Highland's Nonperformance under the SSAs**

190. The Advisors fail to adduce any evidence showing that Highland failed to perform its obligations under the Shared Services Agreements. By contrast, the undisputed and overwhelming evidence demonstrates that, at all relevant times, Highland performed its obligations under the Shared Services Agreements. As discussed *supra*, the Advisors repeatedly

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<sup>46</sup> It should be noted that Highland charged HCMFA a flat fee of only \$10,500 per month for comprehensive legal services. *See, e.g., Exhibit 159*. Thus, assuming for the sake of argument that the Advisors believed that they had to hire new in-house lawyer in the fall of 2020 and came out of pocket for the small, if even existent, matters that Highland's legal team could no longer assist with, such annualized costs was substantially greater than what HCMFA paid for comprehensive legal services under the HCMFA SSA.

represented to the Retail Board that Highland was fully performing its obligations under the Shared Services Agreements.

191. In August 2020, the Advisors represented to the Retail Board that Highland was performing its obligations under the Shared Services Agreements. *See, e.g.*, **Exhibit 59** (in August 2020, Mr. Norris represented to the Retail Board that “there had been no issues or disruptions in services as a result of the HCMLP bankruptcy matter”); **Exhibit 18** (the Advisors represented to the Retail Board that “the Advisors and HCMLP believe the current shared services being provided are generally consistent with the level of services that historically have been received”).

192. The Advisors continued to repeat these representations to the Retail Board into September and October 2020. *See, e.g.*, **Exhibit 60** (the Advisors represented to the Retail Board during a two-day Retail Board meeting on September 16-17, 2020 that they do “not expect that the level and quality of services would change in the immediate term,” and Mr. Norris noted that he was “comfortable with the level and quality of services being provided and has not seen any issues with the conflicts process.”); **Exhibit 81** (The Advisors represented to the Retail Board on October 9, 2020 that they were formulating “contingency plans” to “ensure that there is no disruption in services,” noting that “NexPoint’s senior management’s plan as a backup/contingency plan is to extend employment offers to the vast majority of HCMLP’s employees by 12/31/2020. This will help ensure that there is no disruption in services to the Funds ... In the interim the plan is to continue with existing shared services.”); **Exhibit 61** (Mr. Norris represented to the Retail Board on October 13, 2020 that with respect to shared services, “all operations continued in the normal course there [sic] had been no material impact on the day-to-day operations of the Funds,” and that contingency plans were “in place to continue to provide the same level and quality of services to the Funds.”); **Exhibit 22** (reassuring the Retail Board on

October 23, 2020 through written responses to Retail Board questions that NexPoint's backup/contingency plan "is to extend employment offers to the vast majority of HCMLP's employees by December 31, 2020. This will help ensure that there is no disruption in services to the Funds..."); **Exhibit 62** (the Advisors reiterated to the Retail Board on October 28, 2020 that the parties continued to work on a "seamless transition" of services and that the "quality and level" of services had not been negatively impacted by Highland's bankruptcy); **Exhibit 63** (the Advisors reassured the Retail Board a week later that there "has not been any disruption to the services provided to the Funds by HCMLP pursuant to the Shared Services Agreement"). The Advisors' representations to the Retail Board that Highland was performing its obligations under the SSAs continued into December 2020 and January 2021. *See* **Exhibit 16, Exhibit 10, Exhibit 64, Exhibit 66.**<sup>47</sup>

193. There is otherwise no evidence showing that Highland failed in any way to fulfill its obligations under the SSAs. Accordingly, the Advisors have not met their burden of proving that Highland did not perform under the SSAs.

**iii. The Advisors Fail to Establish Damages**

194. The Advisors also cannot prove the element of damages.

195. The Advisors maintain that as a result of Highland's alleged nonperformance under the SSAs, the Advisors were forced to retain two new employees to cover for such services, resulting in \$425,000 in damages. The Advisors also contend they were forced to pay Highland

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<sup>47</sup> The only services that Highland admittedly did not perform were those in which conflicts of interest existed. This did not constitute a breach of the SSAs, and in fact, such services were not permitted under the SSAs. *See* Exhibit 3 (NexPoint SSA) section 5.01(b). Highland was not obligated to perform services that were adverse to Highland or violated Applicable Law, including services related to conflicts that would cause its employees to act against Highland's own interests.

\$1 million for legal services that Highland was no longer providing, resulting in \$1.3 million in payments postpetition for services that Highland failed to provide.

196. Again, there is no evidence in the record showing that the Advisors did not receive services under the SSAs from Highland. The Advisors have not provided any admissible evidence of reasonably ascertainable monetary damages incurred as a result of any alleged breach of the SSAs. “Compensatory damages may only be recovered in a claim for breach of contract when the loss is a ‘natural, probable, and foreseeable consequence of the defendant’s conduct.” *Healix Infusion Therapy, Inc. v. Helix Health, LLC*, 737 F. Supp. 2d 648, 656 (S.D. Tex. 2010) (applying Texas law) (internal quotations omitted); *Velvet Snout, LLC v. Sharp*, 441 S.W.3d 448, 451 (Tex. App. 2014) (“The absence of this causal connection between the alleged breach and the alleged damages will preclude recovery.”) (internal quotations omitted). “A party may not recover damages for breach of contract if those damages are remote, contingent, speculative, or conjectural.” *Healix*, 737 F. Supp. 2d at 656–57.

197. The Advisors fail to show that any losses incurred from retaining two new employees to cover for certain legal services were caused by Highland’s failure to perform under the SSAs. Accordingly, the Advisors fail to prove the element of damages.

## **2. The Advisors’ Claim for Overpayment under the SSAs Fails**

198. The Advisors bring a claim for overpayments under the SSAs, and specifically maintain they overpaid Highland \$1 million for legal services that Highland was no longer providing. As discussed *supra*, Highland provide all required services to the Advisors under the SSAs. The Advisors, therefore, cannot recover on their claim of overpayment under the SSAs.

**3. The Advisors Waived Any Claims Relating to the Payments Made Under the Shared Services Agreements**

199. Even if the Advisors could prove their claim of overpayment under the SSAs, the Advisors waived any such claim. The Advisors knowingly and intentionally made all monthly payments every month under the SSAs until November 30, 2020. The Advisors never objected to making such payments, sought judicial relief, or otherwise put Highland on notice that the Advisors did not believe such payments under the SSAs were proper. The Advisors were aware of such payments under the SSAs each month, which is demonstrated by the fact that, at all relevant times, (i) Mr. Waterhouse, the Advisors' Treasurer, authorized all such payments prior to making them, (ii) such payments were recorded in the Advisors' books and records, and (iii) the Advisors represented to the Retail Board that such payments had been made.

**F. Highland's Claim for Breach of the SSAs**

200. Highland has established all elements of its breach of contract against (a) HCMFA for failing to pay for services rendered by Highland under (i) the HCMFA SSA during the months of November 2020, December 2020, and January 2021, and (ii) the HCMFA PRA during the months of December 2020, and January 2021, and against (b) NexPoint for failing to pay for services rendered by Highland under (i) the NexPoint SSA during the months of December 2020 and January 2021, and (ii) the NexPoint PRA during the months of December 2020 and January 2021, as well as additional expenses.

201. It is undisputed that the Agreements are valid contracts. The overwhelming evidence in the record demonstrates that Highland performed under the Agreements, and that the Advisors failed to pay for such services. Finally, Highland has also proven by a preponderance of the evidence that it was damaged as a result of the Advisors' failure to pay for services rendered. Specifically, (a) for the months of November and December 2020, and January 2021, HCMFA



failed to pay Highland \$1,726,277 for services rendered, (b) for the months of December 2020 and January 2021, NexPoint failed to pay Highland \$1,000,000<sup>48</sup> for services rendered, and (c) the Advisors also failed to reimburse Highland for expenses under the Shared Services Agreements.

202. Highland is also entitled to recover its costs and expenses, including its attorneys' fees, prosecuting the foregoing claims and defense against the Advisors' claims.

**### END OF FINDINGS AND CONCLUSIONS ###**

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<sup>48</sup> Includes non-payment by NexPoint's wholly-owned subsidiary, NREA, for two months of shared services at \$80,000 per month or \$160,000 total.

Respectfully submitted by:

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**UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF  
TEXAS, DALLAS DIVISION**

**In Re: Highland Capital Management, L.P.** § Case No. **19-34054-SGJ-11**  
**NexPoint Advisors, L.P. et al** §

Appellant § 21-03010

vs. §

**Highland Capital Management, L.P.** §

Appellee § **3:22-CV-02170-S**

**[126] Judgment (final). Entered on 9/14/2022**

**APPELLANT RECORD**

**VOLUME 3**

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FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj 11
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

INDEX

**AMENDED DESIGNATION OF ITEMS FOR THE RECORD ON APPEAL  
BY NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this *Amended Designation of Items for the Record on Appeal*, designating the following items for the record of said appeal:

<u>Item</u>	<u>Docket No.</u>	<u>Description</u>
<b>ADVERSARY PROCEEDING (21-03010-sgj)</b>		
1	128	Joint Notice of Appeal
2	126	Judgment
3		Docket Sheet
4	1	Plaintiff Highland Capital Management, L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief
5	33	Original Answer
6	37	Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters
7	49	Response to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
8	56	Highland Capital Management, L.P.'s Reply In Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
9	90	Advisors' Trial Brief
10	91	Highland's Proposed Findings of Fact and Conclusions of Law
11	96	Joint Pretrial Order
12	124	Findings of Fact and Conclusions of Law
<b>BANKRUPTCY CASE (19-34054-sgj-11)</b>		
13	1826	Application for Allowance of Administrative Expense Claim
14	2274	Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
<b>EVIDENCE AND TRANSCRIPTS (21-03010-SGJ)</b>		
15	115	All exhibits admitted into evidence at trial on April 12, 2022 and April 13, 2022 Thru Vol. 12
16	113	Transcript of April 12, 2022 trial
17	116	Transcript of April 13, 2022 trial
18	122	Transcript of April 27, 2022 closing arguments

RESPECTFULLY SUBMITTED this 4th day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina

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**ATTORNEYS FOR NEXPOINT ADVISORS,  
L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 4th day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

Davor Rukavina, Esq.

# ENTERED

**The following constitutes the ruling of the court and has the force and effect therein described.**

Harry H. C. Jones  
United States Bankruptcy Judge

[illegible]

000246



## **JOINT PRETRIAL ORDER**

This Joint Pretrial Order is jointly submitted to the Court for entry pursuant to Local Bankruptcy Rule 7016-1 and the *Agreed Amended Scheduling Order* [A.P. Docket No. 60]<sup>1</sup> by plaintiff Highland Capital Management, L.P. (“Plaintiff” or “Highland”) and defendants Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint,” and together with HCMFA, “Defendants” or the “Advisors,” and collectively with Plaintiff, the “Parties”), in the above-captioned chapter 11 bankruptcy case (the “Bankruptcy Case”) and Adversary Proceeding.

### **I. NATURE OF ACTION AND PROCEDURAL POSTURE**<sup>2</sup>

1. This action involves competing claims for alleged breaches of certain written Shared Services Agreements and Payroll Reimbursement Agreements (collectively, the “Agreements”).

2. On January 24, 2021, the Advisors filed their *Application for Allowance of Administrative Claim* [Bankr. Docket No. 1826]<sup>3</sup> (the “Advisors’ Admin Claim”) seeking damages totaling approximately \$14 million arising from (i) the Advisors’ alleged overpayment of amounts due under the Payroll Reimbursement Agreements and (ii) Highland’s alleged nonperformance under the Shared Services Agreements.

3. On May 5, 2021, Highland filed its *Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.* [Bankr. Docket No. 2274] (“Highland’s Objection”).

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<sup>1</sup> “A.P. Docket No.” refers to the docket entries maintained in the above-captioned adversary proceeding (the “Adversary Proceeding”).

<sup>2</sup> Capitalized terms not defined in this Section I shall have the meanings ascribed to them below.

<sup>3</sup> “Bankr. Docket No.” refers to the docket entries maintained in the Bankruptcy Case.

4. On May 31, 2021, the Court entered the *Agreed Scheduling Order with Respect to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors L.P. and NexPoint Advisors, L.P.* [Bankr. Docket No. 2345] (the "Scheduling Order").

5. On February 17, 2021, Highland commenced the Adversary Proceeding by filing its *Verified Original Complaint for Damages and for Declaratory and Injunctive Relief* [A.P. Docket No. 1] (the "Complaint"). In its Complaint, Highland (i) asserted a breach of contract claim ("Highland's Breach of Contract Claim") for damages arising from the Advisors' alleged breach of the Agreements, and (ii) sought declaratory and injunctive relief (the "Equitable Relief").

6. On February 24, 2021, following an evidentiary hearing, the Court entered an Order resolving Highland's claims for Equitable Relief [A.P. Docket No. 25] (the "February Order").

7. On March 22, 2021, the Advisors filed their *Original Answer* to the Complaint [A.P. Docket No. 33].

8. On August 4, 2021, the Parties agreed to consolidate the Advisors' Admin Claim and Highland's Breach of Contract Claim in the Adversary Proceeding since both claims involve related issues of fact concerning the Agreements. *See Stipulation (a) Amending Scheduling Order and (b) Consolidating and Resolving Certain Matters* [A.P. Docket No. 36] (the "Stipulation").

9. On August 6, 2021, the Court entered an *Order Approving Stipulation (a) Amending Scheduling Order and (b) Consolidating and Resolving Certain Matters* [A.P. Docket No. 37] (the "Consolidation Order").

10. On December 15, 2021, the Parties filed the *Stipulation Regarding Second Amended Scheduling Order* [A.P. Docket No. 45] (the "Second Stipulation").

11. On December 17, 2021, the Court entered an *Order Approving Stipulation Regarding Second Amended Scheduling Order* [A.P. Docket No. 46] (the “Second Amended Scheduling Order”).

12. On January 31, 2022, the Parties filed the *Joint Motion to Continue Trial and Extend Scheduling Order* [A.P. Docket No. 59] (the “Joint Motion to Continue”).

13. On February 1, 2022, the Court entered an *Order Approving the Parties’ Agreed Amended Scheduling Order* [Docket No. 60] (the “Third Amended Scheduling Order”).

14. A trial on Highland’s Breach of Contract Claim and the Advisors’ Admin Claim is scheduled for April 12-13, 2022.

## **II. PARTIES’ CLAIMS AND DEFENSES**

**The following statements and contentions of the respective Parties in this Section reflect the respective views of each Party and are not a joint statement or stipulation. No Party admits, agrees, or acquiesces to any factual or legal contentions, statements, or allegations of any other Party.**

### **A. Highland’s Claims:**

15. Highland asserts breach of contract claims against (a) HCMFA for failing to pay for services rendered by Highland under (i) the HCMFA SSA during the months of November 2020, December 2020, and January 2021, and (ii) the HCMFA PRA during the months of December 2020 and January 2021; (b) NexPoint for failing to pay for services rendered by Highland under (i) the NexPoint SSA during the months of December 2020 and January 2021, and (ii) the NexPoint PRA during the months of December 2020 and January 2021; and (c) the Advisors for reimbursable, out-of-pocket costs of Highland not otherwise captured through the monthly invoices and represented primarily by the Advisors’ allocable portion of accounting software, IT development, and investment research products and tools (*e.g.*, Bloomberg machines).

16. Highland is also entitled to recover its costs and expenses, including its attorneys' fees, prosecuting the foregoing claims and defense against the Advisors' claims.

**B. Summary of the Advisors' Defense**

17. The Advisors contest Highland's breach of contract claims for unpaid amounts under the Agreements for essentially the same reasons as outlined below regarding the Advisors' Admin Claim; namely, that Highland cannot seek reimbursement under the Payroll Reimbursement Agreements for employees who were not actually employees of Highland providing services to the Advisors during the relevant time period, while various of the services to be provided under the Shared Services Agreement were not actually provided by Highland during the relevant time period. Moreover, to the extent that section 2.02 of the Payroll Reimbursement Agreements controls the question of the proper calculation of amounts reimbursable by the Advisors, the Advisors timely sought changes to such proper amounts and Highland failed to negotiate the same in good faith as required by such section, meaning that Highland cannot now claim that the preset monthly reimbursement amounts controls. To the extent that any amounts are owing under the Agreements, such amounts should be setoff and netted against the Advisors' Admin Claim.

**C. The Advisors' Admin Claim**

18. The Advisors' Admin Claim is based on: (i) postpetition overpayments by the Advisors to Highland under the Payroll Reimbursement Agreements; and (ii) postpetition payments by the Advisors to Highland under the Shared Services Agreements for services that Highland failed to provide, resulting in a breach of contract by Highland.

19. Highland, though its employees, provided a wide range of services to the Advisors. Under the Payroll Reimbursement Agreements, each of the Advisors is to reimburse Highland for its actual costs of the employees providing services to the Advisors under the Payroll

Reimbursement Agreements, according to schedules of employees and allocations of amounts attached to each of the Payroll Reimbursement Agreements. As of the Petition Date, and through to the termination of the Payroll Reimbursement Agreements, Highland no longer had various employees, who had either resigned or were terminated, a process that continued and accelerated postpetition as Highland reduced its personnel count. Yet, during that whole period, Highland was billing the Advisors—and paying itself from the Advisors’ funds—for employees who were no longer employed by Highland. This resulted in postpetition overpayments by the Advisors to Highland totaling \$7,649,942, broken down as \$4,928,103 in postpetition overpayments by HCMFA and \$2,721,839 in postpetition overpayments by NexPoint.

20. Under the Shared Services Agreements, each of the Advisors was paying to Highland certain set amounts on a monthly basis for services that Highland, through its employees, was to provide to the Advisors. These services included legal services and compliance services. During the bankruptcy case, Highland instructed various of its employees that they could no longer provide certain services to the Advisors, which Highland believed may have been adverse to the interests of Highland. This led the Advisors to being forced to retain two new employees to cover for these services, resulting in \$425,000 in damages. Additionally, according to Highland’s own internal analysis, the Advisors were paying Highland \$1 million for legal services that Highland was no longer providing, resulting in \$1.3 million in payments postpetition for services that Highland failed to provide. Therefore, the Advisors claim administrative claims for overpayments under, and breaches of, the Shared Services Agreements in the amount of \$1,725,000.

#### **D. Summary of Highland’s Defenses**

21. The Advisors’ claims were manufactured for settlement purposes late in 2020 after (a) the Independent Board demanded Mr. Dondero’s resignation; (b) Highland filed an asset-monetization plan; (c) Highland reached settlements with some of Mr. Dondero’s most bitter

adversaries on terms he personally found unreasonable; (d) Highland gave notice of termination of the Shared Services Agreements on November 30, 2020; (e) Mr. Dondero began engaging in conduct that ultimately led to the imposition of a temporary restraining order against him in early December 2020; and (f) Highland was nearing confirmation of its proposed Plan of Reorganization.

22. The clear and unambiguous terms of the HCMFA PRA and NexPoint PRA establish that the Advisors agreed to pay a flat monthly fee for investment advisory services rendered, regardless of which employees actually performed those services, unless the parties agreed otherwise pursuant to Section 2.02 of the PRAs.

23. If the Court were to find the PRAs ambiguous on this point, the parol evidence will corroborate Highland's contention that the parties always intended that the Advisors would pay a flat monthly fee for investment advisory services unless they agreed otherwise.

24. Moreover, the parties' course of dealing will further corroborate Highland's contention in this regard. Specifically, from January 1, 2018 (the effective date of the PRAs) through January 1, 2020 (the month Mr. Dondero was forced to surrender control), the Advisors paid the precise amounts set forth in the PRAs despite having contemporaneous knowledge that a substantial number of Dual Employees had been terminated.

25. The undisputed evidence will show that the Independent Board and Highland engaged in the exact same conduct with respect to the administration of the PRAs that they had engaged in during 2018 and 2019 when Mr. Dondero was in control of Highland and the Advisors. In short, the evidence will show that Highland fully performed its obligations under the PRAs.

26. In addition to the plain and unambiguous terms of the PRAs, and the parol evidence and course of dealing corroborating Highland's contentions, the Advisors' claims under the PRAs

are barred by the doctrine of waiver and the Voluntary Payment Rule, and the Advisors cannot prove damages in any event.

27. The Advisors' claims under the Shared Services Agreements fail because Highland fully performed its obligations under those Agreements as reflected in, among other pieces of evidence, the Advisors' extensive representations to the Retail Board that, throughout 2020, Highland continued to provide the same level and quality of services as it always had.

28. Moreover, the Advisors' claims under the Shared Services Agreements are barred by the doctrine of waiver and the Voluntary Payment Rule, and the Advisors cannot prove damages in any event

### **III. STATEMENT OF STIPULATED FACTS**

#### **A. The Parties Stipulate to the Following Facts:**

##### **1. Case Background**

29. On October 16, 2019, Highland filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "Delaware Court"), Case No. 19-12239 (CSS).

30. On December 4, 2019, the Delaware Court entered an order transferring venue of the Bankruptcy Case to the United States Bankruptcy Court for the Northern District of Texas, Dallas Division. [Bankr. Docket No. 186] (the "Bankruptcy Court").

31. On January 9, 2020, the Court entered an order removing Highland's founder, James Dondero ("Mr. Dondero"), from control and replacing him with an independent board of directors. [Bankr. Docket No. 339]. The independent directors included: James P. Seery, Jr., John S. Dubel, and Retired Bankruptcy Judge Russell Nelms (the "Independent Directors").

32. On July 16, 2020, the Court approved Mr. Seery's appointment as Highland's Chief Executive Officer, Chief Restructuring Officer, and Foreign Representative. *See Order Approving*



*Debtor's Motion Under Bankruptcy Code Section 105(a) and 363(b) Authorizing Retention of James P. Seery, Jr. as Chief Executive Officer, Chief Restructuring Officer and Foreign Representative Nunc Pro Tunc to March 15, 2020* [Bankr. Docket No. 854].

33. On February 22, 2021, the Bankruptcy Court entered the *Order (i) Confirming the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified) and (ii) Granting Related Relief* [Bankr. Docket No. 1943] (the “Confirmation Order”) confirming the *Fifth Amended Plan of Reorganization of Highland Capital Management, L.P., (as Modified)* [Bankr. Docket No. 1808] (the “Plan”).

34. The Plan went Effective (as defined in the Plan) on August 11, 2021. *See Notice of Occurrence of Effective Date of Confirmed Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Bankr. Docket No. 2700]. Highland is currently managed by Mr. Seery, one of its former Independent Directors, and a committee, which includes certain of Highland's prepetition creditors and one independent member.

## **2. The Advisors**

35. The Advisors are controlled by James Dondero.

36. The Advisors are registered investment advisors. They serve as the investment manager, either directly or indirectly, to a number of investment vehicles (collectively, the “Clients”), including certain retail funds (the retail funds for which HCMFA and NexPoint serve as the investment advisor are collectively referred to as the “Retail Funds”) regulated pursuant to the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Company Act of 1940.

37. The Advisors provide investment advisory services to their Clients pursuant to written investment advisory agreements (the “Investment Advisory Agreements”).

38. HCMFA was formed on or around February 2, 2009, and had previously been known as Pyxis Capital, L.P. (“Pyxis”).

39. NexPoint was formed on or around March 20, 2012.

**3. The Shared Services Agreements**

40. In 2013, Highland entered into certain Shared Services Agreements with each of the Advisors. The purpose of the Shared Services Agreements was to outsource certain office functions to Highland that the Advisors did not carry in-house. This outsourcing enabled the Advisors to perform their obligations to their Clients under the Investment Advisory Agreements.

41. Specifically, on June 5, 2013, Highland and NexPoint entered into that certain *Shared Services Agreement*, effective as of January 1, 2013.

42. Highland and NexPoint entered into that certain *Amended and Restated Shared Services Agreement* (the “NexPoint SSA”), effective as of January 1, 2018.

43. On February 9, 2012, Highland and Pyxis (HCMFA’s predecessor) entered into that certain *Shared Services Agreement*, effective as of December 15, 2011.

44. On September 12, 2012, Highland and Pyxis entered into that certain *Amended and Restated Shared Services Agreement*, effective as of December 15, 2011.

45. Highland and HCMFA entered into that certain *Second Amended and Restated Shared Services Agreement*, effective as of February 8, 2013 (the “HCMFA SSA”, and together with the NexPoint SSA, the “Shared Services Agreements”).

**4. The Termination of the Shared Services Agreements**

46. On November 30, 2020, Highland provided written notice to (i) HCMFA that it intended to terminate the HCMFA SSA as of January 31, 2021 (the “Termination Date”), and (ii) NexPoint that it intended to terminate the NexPoint SSA as of January 31, 2021 (the written notices are referred to together as the “Termination Notices”).

47. On January 29, 2021, the Parties executed an agreement extending the Termination Date to February 14, 2021 in exchange for the Advisors' advance payment for services to be rendered by Highland during that two-week period, which date was further extended through to the end of February, 2021.

**5. The Payroll Reimbursement Agreements**

**i. The NexPoint PRA**

48. Highland and NexPoint entered into that certain *Sub-Advisory Agreement*, effective as of January 1, 2018 (the "Sub-Advisory Agreement"). Pursuant to the Sub-Advisory Agreement, Highland provided certain front-office services to the Advisors to enable the Advisors to fulfill their obligations to their Clients under the Investment Management Agreements.

49. On or around May 1, 2018, Highland and NexPoint entered into that certain *Payroll Reimbursement Agreement* (the "NexPoint PRA").

50. The NexPoint PRA replaced the Sub-Advisory Agreement and was effective as of January 1, 2018.

51. On December 14, 2018, Highland and NexPoint entered into *Amendment Number One to Payroll Reimbursement Agreement* (the "NexPoint PRA Amendment").

**ii. The HCMFA PRA**

52. On or around May 1, 2018, Highland and HCMFA entered into that certain *Payroll Reimbursement Agreement*, effective as of January 1, 2018 (the "HCMFA PRA," with the NexPoint PRA, the "Payroll Reimbursement Agreements").

53. On December 14, 2018, Highland and HCMFA entered into that certain *Amendment Number One to Payroll Reimbursement Agreement* (the "HCMFA PRA Amendment," and together with the NexPoint PRA Amendment, the "PRA Amendments").

#### **IV. CONTESTED ISSUES OF FACT**

**The statements and contentions in this section reflect the respective views of each Party and are not a joint statement or stipulation. No Party admits, agrees, or acquiesces to any factual or legal contentions, statements, or allegations of any other Party.**

##### **A. Highland's Contested Issues of Fact**

54. Highland incorporates by reference as if fully set forth herein paragraphs 12-128 of *Highland's Proposed Findings of Fact and Conclusions of Law* that are being filed contemporaneously with this Pre-Trial Order.

##### **B. The Advisors' Contested Issues of Fact**

55. Whether Highland was billing the Advisors postpetition under the Payroll Reimbursement Agreements for employees who were no longer actually employed by Highland, and on account of which the Advisors received no value, constituting a breach by Highland of the Payroll Reimbursement Agreements.

56. Whether, as a result of the same, Highland overbilled the Advisors, and the Advisors overpaid to Highland, approximately \$7,649,942, representing damages to the Advisors for Highland's postpetition breaches of the Payroll Reimbursement Agreements.

57. Whether Highland was billing the Advisors postpetition under the Shared Services Agreements for services that Highland was not providing, and on account of which the Advisors received no value, constituting a breach by Highland of the Payroll Reimbursement Agreements.

58. Whether, as a result of the same, the Advisors suffered damages in the form of \$425,000 expended by the Advisors to obtain replacement and cover services, and \$1.3 million in payments by the Advisors to Highland postpetition for which Highland failed to provide the required services.

59. Whether Highland was making a profit under the Payroll Reimbursement Agreements postpetition.

60. Whether Highland was making more of a profit under the Shared Services Agreements postpetition than permitted in those agreements.

61. Whether the Advisors' postpetition payments to Highland under the Agreements were voluntarily made by the Advisors.

62. Whether the Advisors' postpetition payments to Highland under the Agreements were made with full knowledge of all relevant facts.

63. Whether the Advisors waived their claim for overpayments under the Agreements by not taking action sooner or by not following any protocol or provision in the Agreements to change monthly amounts payable under the Agreements and specified in the Agreements.

64. Whether, prepetition, the Parties agreed to do an annual true-up and reconciliation of amounts properly payable under the Payroll Reimbursement Agreements, as opposed to a monthly process of changing the amounts payable allegedly specified in the Payroll Reimbursement Agreements, thereby modifying the Payroll Reimbursement Agreements by their consent and their actions.

65. Whether, in late 2019 or early 2020, Frank Waterhouse, then an officer of both the Advisors and Highland, raised the issue of the overpayments under the Agreements with Fred Caruso, then Highland's CRO in order to initiate a true-up or reconciliation of amounts properly payable under the Agreements, in response to which Mr. Caruso and Highland's legal counsel informed Mr. Waterhouse that the automatic stay prevented any such true-up or reconciliation.

66. To the extent that the Advisors did not sooner, or allegedly timely, initiate the process to change the monthly reimbursement amounts under the Payroll Reimbursement Agreements as provided for therein, whether Highland owed the Advisors a duty to do so on the Advisors' behalf pursuant to the services that Highland was required to provide under the Shared

Services Agreements and whether Highland's failure to do so estops or otherwise prevents Highland from raising any issue of timeliness.

67. With respect to Highland's claims against the Advisors for amounts allegedly owing and unpaid under the Agreements, whether Highland breached the Payroll Reimbursement Agreements by not negotiating changes to the reimbursement amounts in good faith as required by the Agreements.

## **V. CONTESTED ISSUES OF LAW**

**The statements and contentions in this section reflect the respective views of each Party and are not a joint statement or stipulation. No Party admits, agrees, or acquiesces to any factual or legal contentions, statements, or allegations of any other Party.**

### **A. Highland submits the following Contested Issues of Law:**

68. Whether HCMFA breached its obligations under the HCFMA SSA by failing to pay Highland for middle- and back-office services rendered in November 2020, December 2020, and January 2021?

69. Whether HCMFA breached its obligations under the HCMFA PRA by failing to pay for investment advisory services in December 2020 and January 2021?

70. Whether NexPoint breached its obligations under the NexPoint SSA by failing to pay Highland for middle- and back-office services rendered in December 2020 and January 2021?

71. Whether NexPoint breached its obligations under the NexPoint PRA by failing to pay for investment advisory services in December 2020 and January 2021?

72. Whether Highland is entitled to recover from the Advisors its costs and fees, including its attorneys' fees, incurred prosecuting and defending the claims subject to this Adversary Proceeding?

73. Whether the PRAs clearly and unambiguously required each of the Advisors to pay Highland a flat monthly fee for investment advisory services?

74. Whether the parol evidence establishes that the parties intended that the Advisors would Highland a flat monthly fee for investment advisory services?

75. Whether the parties' course of dealing corroborates Highland's contention that, as intended, the PRAs required each of the Advisors to pay Highland a flat monthly fee for investment advisory services?

76. Whether the Advisors waived their right to assert that they "overpaid" under the PRAs and the Shared Services Agreements?

77. Whether the Advisors have met their burden of proving that they have been damaged, and, if so, the quantum of damages sustained?

**B. The Advisors submit the following Contested Issues of law:**

78. Whether, under the Payroll Reimbursement Agreements, the Advisors must reimburse Highland for Highland's employees for actual amounts and costs of such employees or whether the presumed monthly payment amount specified in each Payroll Reimbursement Agreement controls irrespective of actual amounts and costs; in other words, which provision regarding the reimbursement amount in the Payroll Reimbursement Agreements controls.

79. Whether Highland breached the Payroll Reimbursement Agreements by charging the Advisors, and paying itself from the Advisors' funds, for employees who were not actually employees of Highland.

80. Whether the Advisors initiated the process in late 2019 or early 2020 to change the monthly reimbursement amounts under the Payroll Reimbursement Agreements and whether Highland breached those agreements by not following or permitting the process for changing the same.



81. Whether the automatic stay prevented the Advisors from terminating or enforcing the Payroll Reimbursement Agreements, as executory contracts that had not been assumed by Highland.

82. Whether Highland breached the Shared Services Agreements by failing to provide certain services for which it billed the Advisors, including legal services, and additionally by failing to address and correct the overbilling under the Payroll Reimbursement Agreements.

83. Whether the Advisors' overbilling claim is properly allowable as an administrative claim.

84. Whether the Advisors breached the Shared Services Agreements by not paying Highland for amounts allegedly do under those Agreements.

85. Whether Highland can seek any damages for alleged unpaid amounts under the Payroll Reimbursement Agreements after it failed in good faith to negotiate requested changes to the monthly reimbursement amounts.

## **VI. ESTIMATE OF THE LENGTH OF TRIAL**

86. The Parties believe that the trial of this Adversary Proceeding can be completed in two days.

## **VII. LIST OF PENDING OR ANTICIPATED MOTIONS IN THIS ADVERSARY PROCEEDING**

87. Subject to evidentiary objections that may be asserted, the Parties submit that there are no pending or anticipated motions in this Adversary Proceeding.

88. The quantification of any attorney's fees awarded in this Adversary Proceeding, subject to defenses, will be handled through post-trial motion practice under Rule 54(d)(2), and no Party need present evidence on any attorney fee claim at the trial of this Adversary Proceeding.

**VIII. ADDITIONAL MATTERS THAT MIGHT AID IN DISPOSITION OF THIS CASE**

89. The Parties submit that there are no additional matters that might aid in disposition of this case.

**### END OF ORDER ###**

Submitted by:

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-and-

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CLERK, U.S. BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS

**ENTERED**

THE DATE OF ENTRY IS ON  
THE COURT'S DOCKET

The following constitutes the ruling of the court and has the force and effect therein described.

Signed August 30, 2022

  
United States Bankruptcy Judge

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:

HIGHLAND CAPITAL MANAGEMENT, L.P.,

Reorganized Debtor.

HIGHLAND CAPITAL MANAGEMENT, L.P.,

Plaintiff,

vs.

HIGHLAND CAPITAL MANAGEMENT FUND  
ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.,

Defendants.

§  
§ Chapter 11  
§  
§ Case No. 19-34054-sgj11  
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§  
§ Adversary Proceeding No.  
§ 21-03010-sgj  
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**FINDINGS OF FACT AND CONCLUSIONS OF LAW IN SUPPORT OF A JUDGMENT:**  
**(A) GRANTING BREACH OF CONTRACT CLAIMS ASSERTED BY THE**  
**REORGANIZED DEBTOR; AND (B) DENYING DEFENDANTS' REQUESTS FOR**  
**ALLOWANCE OF ADMINISTRATIVE EXPENSE CLAIMS**

## I. INTRODUCTION

The above-referenced adversary proceeding (“Adversary Proceeding”) is related to the Chapter 11 bankruptcy case of Highland Capital Management, L.P. (the “Debtor” or “Highland”), which was filed on October 16, 2019 (the “Petition Date”). Highland is now a Reorganized Debtor (sometimes referred to as such, herein). It obtained confirmation of a plan on February 22, 2021. The plan went effective on August 11, 2021. On direct appeal to the Fifth Circuit, Highland’s confirmation order was affirmed in substantial part, on August 19, 2022.

A few days before confirmation of its plan, Highland filed the complaint (“the Complaint”) initiating this Adversary Proceeding.<sup>1</sup> The defendants in the Adversary Proceeding are two very significant *non-debtor entities* within the massive Highland complex of companies: one known as Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and the other known as NexPoint Advisors, L.P. (“NexPoint” or sometimes “NPA”). These two companies are sometimes collectively referred to as the “Advisors” or “Defendants.” It is undisputed that, at all relevant times, the Advisors have been controlled by James Dondero (“Mr. Dondero”), the co-founder and former CEO of the Debtor.<sup>2</sup> Early during the Highland bankruptcy case (on January 9, 2020), Mr. Dondero’s tenure as CEO of Highland was terminated, and three new independent directors (the “Independent Board”) were appointed to manage the affairs of the Debtor, pursuant to a settlement

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<sup>1</sup> Plaintiff Highland Capital Management, L.P.’s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief, filed February 17, 2021, DE # 1 in the AP. Note: all references herein to “DE # \_\_\_\_” shall refer to the docket entry number at which a pleading appears in the docket maintained in the Highland main bankruptcy case. All references to “DE # \_\_\_\_ in the AP” refer to the docket entry number at which a pleading appears in the docket maintained in this Adversary Proceeding.

<sup>2</sup> Joint Pretrial Order, DE # 92 in the AP at p. 9, ¶ 35. *See also* Tr. Transcript 4/13/22, Part 2 of 2 [DE # 116], at 14:19-20.

between the Debtor and Official Committee of Unsecured Creditors (“UCC”), approved by the bankruptcy court.<sup>3</sup>

The Adversary Proceeding involves Highland’s breach of contract allegations against the two Advisors arising under four different agreements: (a) two Shared Services Agreements (one between Highland and each of the two Advisors); and (b) two Payroll Reimbursement Agreements (again, one between Highland and each of the two Advisors).<sup>4</sup> As later further explained, the Advisors are “registered investment advisors” who manage approximately \$11 billion of assets for numerous clients, including retail investors (the retail investor funds constitute about \$3 billion of the \$11 billion of assets under management).<sup>5</sup> Pursuant to the two Shared Services Agreements, Highland provided the “back-office” and “middle-office” services (i.e., accounting, legal, regulatory compliance, human resources, information technology, etc.) that enabled the Advisors to operate as a business. And pursuant to the two Payroll Reimbursement Agreements, Highland provided “front-office” advisory services (i.e., investment advisory personnel) that enabled the Advisors to provide investment services to the funds under their management. To be clear, Highland maintained a full staff of actual employees and essentially contracted out to the Advisors

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<sup>3</sup> The settlement between the Debtor and UCC is sometimes referred to by the parties as the “corporate governance settlement,” and it was entered into to avert the likely appointment of a Chapter 11 trustee.

<sup>4</sup> The Debtor originally asserted three claims in the Complaint: Count One, seeking declaratory relief, as to the parties’ respective rights and obligations under the two Shared Services Agreements; Count Two for Breach of Contract under the two Shared Services Agreements; and Count Three, seeking injunctive relief requiring the Advisors to cooperate in an orderly transition of services away from the Debtor, under the Shared Services Agreement. DE # 1 in the AP. On February 24, 2021, following an evidentiary hearing, the bankruptcy court entered an order resolving the claims for declaratory and injunctive relief (Counts One and Three) of Highland’s Complaint. Subsequently, on August 4, 2021, the parties entered into a stipulation that the claims for declaratory and injunctive relief were finally resolved by the prior order. DE # 36 in the AP. Thus, the only claims remaining from Highland’s Complaint to be considered are those for breaches of contract (Count Two). Notably, the parties’ Joint Pretrial Order expanded Highland’s Count Two to include breaches of the Payroll Reimbursement Agreements and not simply breaches of the Shared Services Agreements. DE # 92 in the AP, ¶¶ 15, 69, 71, 73, 74, 75, 76, 78, 79, 80, 81 & 85.

<sup>5</sup> Tr. Transcript 4/13/22, Part 2 of 2 [DE # 116], at 106:13-16.

for the necessary services, so that the Advisors could manage funds for their clients. The Advisors themselves had relatively few employees.

The Shared Services Agreements, later more fully defined, will sometimes collectively be referred to herein as the “SSAs,” and the Payroll Reimbursement Agreements, also more fully defined herein, will sometimes be referred to as the “PRAs.” The cash flow streams from the SSAs and PRAs were a significant source of revenue and liquidity for Highland. And, of course, the Advisors, themselves, earned significant fees from the contracts that they had with their clients to manage the \$11 billion of assets (the Advisors’ revenue numbers are not in evidence).

Highland asserts that breaches of contract occurred due to the Advisors’ failure—late during Highland’s bankruptcy case, when things had become very contentious between Highland and Mr. Dondero—to pay amounts due and owing under the four agreements (specifically, after Highland had given notice on November 30, 2020, of Highland’s intent to terminate the SSAs, in 60 days, in connection with its chapter 11 plan).<sup>6</sup> Highland asserts that the Advisors thereafter failed to pay some \$2,747,000 due and owing under the four agreements, in late 2020 and early 2021.

Meanwhile, shortly before the filing of the Adversary Proceeding, on January 24, 2021, the Advisors filed their *Application for Allowance of Administrative Claim* in the underlying bankruptcy case.<sup>7</sup> On May 5, 2021, Highland filed its *Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.*<sup>8</sup> Contrary to Highland’s position that the Advisors owe Highland money for unpaid services that

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<sup>6</sup> Highland planned to reduce its workforce in February 2021, in connection with confirmation of its plan, and anticipated it would have insufficient personnel to perform under the agreements thereafter.

<sup>7</sup> DE # 1826.

<sup>8</sup> DE # 2274.



Highland provided, the Application asserted *claims back against Highland* for: (1) alleged post-petition overpayments by the Advisors to Highland under the PRAs, throughout the bankruptcy case (under a theory that the fees payable to Highland under the PRAs were tied to the headcount of employees providing services, and Highland allegedly improperly charged the Advisors the same fixed, monthly amount under the PRAs, over time, as employee headcount at Highland dwindled); (2) alleged post-petition breaches of the SSAs by Highland, for allegedly failing to provide certain legal and compliance services contemplated under the SSAs—causing the Advisors to have to hire their own employees to provide such services; and (3) alleged post-petition overpayments by the Advisors to Highland under the SSAs for the services that Highland allegedly failed to provide. The Advisors have asserted up to \$14 million in administrative expense claims against Highland.

On August 6, 2021, the parties stipulated that the contested matter created by the Advisors’ Application for Allowance of Administrative Claim (and Highland’s objection thereto) should be consolidated with the Debtor’s breach of contract claims within this Adversary Proceeding.<sup>9</sup> All consolidated, competing claims of the parties were tried before the bankruptcy court on April 12 and April 13, 2022, with closing arguments heard on April 27, 2022 (the “Trial”). The court heard from six witnesses and admitted nearly 200 exhibits.

For the reasons set forth below, the bankruptcy court has determined that the Advisors have failed to meet their burden of proving: (i) that they made any “overpayments” under the PRAs; (ii) that Highland breached the SSAs; or (iii) that the Advisors “overpaid” under the SSAs. The court also has determined that, even if the Advisors had met their burden of proving that they “overpaid”

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<sup>9</sup> Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters, DE # 36 in the AP.

under the PRAs, the Advisors claims were waived. The Advisors' claims for "overpayments" under the SSAs were likewise waived. No administrative expense claims will be allowed.

The bankruptcy court has further determined that Highland has met its burden of proving its breach of contract claims against the Advisors for failure to pay certain amounts due under both the SSAs and PRAs in late 2020 and early 2021.

Accordingly, the bankruptcy court **denies** the request for allowed administrative expense claims by the Advisors. Further, the bankruptcy court **grants** the relief requested by Highland under its claims for breach of contract in this Adversary Proceeding. Highland is entitled to the damages set forth at the end of this document.

Set forth below are the court's Findings of Fact and Conclusions of Law, pursuant to Fed. R. Bankr. Proc. 7052. Any Finding of Fact that should be more appropriately characterized as a Conclusion of Law should be deemed as such, and *vice versa*.

## **II. FINDINGS OF FACT**

The Defendant/Advisor known as HCMFA was formed on or around February 2, 2009, and was previously known as Pyxis Capital, L.P. ("Pyxis").<sup>10</sup> The Defendant/Advisor known as NexPoint was formed on or around March 20, 2012. It is undisputed that, at all relevant times, both Defendants (i.e., the Advisors) were controlled by Mr. Dondero.<sup>11</sup>

The Advisors are registered investment advisors under the Investment Advisers Act of 1940. They serve as the investment managers for, among other things, certain retail funds (the

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<sup>10</sup> Joint Pretrial Order, DE # 96 in the AP at p. 10. *See also* Tr. Transcript 4/13/22, Part 2 of 2 [DE # 116], at 14:19-20.

<sup>11</sup> *Id.* at p. 9.

“Retail Funds”) that are regulated pursuant to the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Company Act of 1940.

The Advisors provide investment advisory services to their clients pursuant to written investment advisory agreements (the “Investment Advisory Agreements”). These Investment Advisory Agreements are: (a) the principal source of the Advisors’ revenue, and (b) are the reason for the Advisors’ existence.

An individual named David Klos (“Mr. Klos”) served as Highland’s Controller and Chief Accounting Officer during the times relevant in this Adversary Proceeding (including overseeing the SSAs and PRAs between Highland and the Advisors) and reported directly to an individual named Frank Waterhouse (“Mr. Waterhouse”), who served as both: (a) Highland’s Chief Financial Officer (“CFO”), while simultaneously serving as (b) the Treasurer for each of the Advisors. Both Mr. Klos and Mr. Waterhouse testified at Trial and seemed to be the witnesses who were most involved with the Agreements at the time of their execution, implementation, and during performance thereof.

Mr. Klos now works as CFO of the Reorganized Debtor. Mr. Waterhouse no longer has any employment position with the Reorganized Debtor, but he still serves as an officer and/or employee of both of the Advisors and of Skyview—the latter of which is an entity that many former Highland employees transitioned to around the time that the Highland plan was confirmed, and they were terminated from Highland (Skyview now provides middle- and back-office services to the Advisors).<sup>12</sup> The court found Mr. Klos to be a credible and knowledgeable witness. The court found Mr. Waterhouse’s testimony to have been only moderately helpful. Mr. Waterhouse

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<sup>12</sup> See Tr. Transcript 4/13/22, Part 2 of 2 [DE # 116], at 55:3-21.

testified either “Not that I recall,” “I don’t recall,” “Not that I’m aware of,” or “I don’t remember,” more than 75 times, during two hours and 26 minutes of testimony regarding the SSAs and PRAs.<sup>13</sup>

A. The SSAs

i. *The HCMFA SSA.*

On February 9, 2012, Highland and HCMFA (then operating as Pyxis) entered into a *Shared Services Agreement*, effective as of December 15, 2011 (“Original HCMFA SSA”).<sup>14</sup> On September 12, 2012, the parties entered into an *Amended and Restated Shared Services Agreement*, effective as of December 15, 2011.<sup>15</sup> Subsequently, the parties entered the *Second Amended and Restated Shared Services Agreement*, effective as of February 8, 2013—which is the SSA that was in place between Highland and HCMFA during the bankruptcy case and is at issue in this litigation (the “HCMFA SSA”).<sup>16</sup>

To understand the impetus for the HCMFA SSA (and, for that matter, all of the agreements at issue in this Adversary Proceeding) one must fully appreciate that the Defendants/Advisors had relatively few employees of their own during the times relevant in this Adversary Proceeding. Rather, the Defendants/Advisors essentially contracted for services and/or personnel employed by the mothership, Highland. Pursuant to the HCMFA SSA, HCMFA agreed to pay Highland for costs relating to certain shared services requested by HCMFA and provided by Highland, including, in pertinent part: (i) finance and accounting, (ii) human resources, (iii) marketing, (iv) legal, (v) corporate, (vi) information technology, and (vii) operations.<sup>17</sup> According to all

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<sup>13</sup> With all due respect, the court realizes that most witnesses do not have perfect memories and occasionally testify “I don’t recall” or “I don’t know” during testimony. Indeed, during this Trial, other witnesses sometimes testified as such. But Mr. Waterhouse’s lack of answers to important questions was somewhat troubling to the court.

<sup>14</sup> Pl. Ex. 54.

<sup>15</sup> Pl. Ex. 55.

<sup>16</sup> Pl. Ex. 2.

<sup>17</sup> See *id.* at Article II, Section 2.01.

witnesses, these services are commonly referred to in the industry as “middle- or back-office” services, in contrast to “front-office” services that would be investment advisory services.

Pursuant to the HCMFA SSA, HCMFA was required to pay Highland its allocable share of the “Actual Cost” of “Shared Services” and “Shared Assets” based on an “Allocation Percentage,” as those terms are defined in the HCMFA SSA.<sup>18</sup> To determine the amounts owed, (a) Highland was to prepare Quarterly Reports setting forth the cost allocations and detailing amounts paid during the applicable quarter; (b) the parties were to agree on the allocations set forth in the Quarterly Reports and prepare invoices; and (c) the invoiced amounts were to be paid within 10 days.<sup>19</sup> In contrast to the other SSA with Nexpoint (described below) and the PRAs (also described below), the HCMFA SSA is stipulated to have been a *variable fee arrangement* between the parties.

ii. *The NexPoint SSA.*

On June 5, 2013, Highland and NexPoint entered into their original *Shared Services Agreement*, effective as of January 1, 2013 (the “Original NexPoint SSA”).<sup>20</sup> The Original NexPoint SSA was modelled after the HCMFA SSA and included a formula for determining NexPoint’s share of allocable cost of “Shared Services” and “Shared Assets,” which did not rely on an actual analysis of cost, but rather a percentage of managed fund assets.<sup>21</sup> This contract covered the same “middle- or back-office” services provided under the HCMFA SSA.

Subsequently, Highland and NexPoint amended the Original NexPoint SSA. The parties entered into the *Amended and Restated Shared Services Agreement*, effective as of January 1, 2018—which is the SSA that was in place between Highland and NexPoint during the bankruptcy

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<sup>18</sup> See *id.* at Section 4.01.

<sup>19</sup> See *id.* at Sections 5.01, 5.02, & 5.03.

<sup>20</sup> Pl. Ex. 29.

<sup>21</sup> See *id.* at Sections 4.01, 5.01, 5.02, & 5.03.

case and is at issue in this litigation (the “NexPoint SSA”).<sup>22</sup> The notable changes made to the NexPoint SSA included that: (a) the “asset based” formula (which was calculated using the asset values of a fund advised by NexPoint) for determining the value of Highland’s services was replaced with a monthly, “flat fee” arrangement; and (b) Highland was provided with exculpation and indemnification rights. The monthly flat fee charged by Highland to NexPoint in the amended NexPoint SSA was \$168,000.<sup>23</sup>

NexPoint agreed to pay Highland the flat monthly fee of \$168,000, due before the first business day each month, in exchange for the shared services provided by Highland.<sup>24</sup> Additionally, under Section 6.03 of the NexPoint SSA, Highland is entitled to recover its costs and expenses, including attorney’s fees, incurred in connection with the defense or settlement of indemnifiable claims.<sup>25</sup>

The NexPoint SSA was signed by Mr. Waterhouse on behalf of **both** Highland (in his capacity as Treasurer of Strand Advisors, Inc., the general partner of Highland) and NexPoint (in his capacity as Treasurer of NexPoint Advisors GP, LLC, the general partner of NexPoint).

On November 30, 2020, Highland—with confirmation of its plan pending, which contemplated a separation of Highland from Dondero-controlled entities—exercised its right to terminate both the HCMFA SSA and NexPoint SSA, by providing a written termination notice to the Advisors, indicating Highland’s intent to terminate them, effective January 31, 2021 (the “Termination Date”). However, on January 29, 2021, Highland agreed to extend the Termination Date by two weeks (to February 14, 2021), due to ongoing negotiations for an orderly transition of services, provided the Advisors paid for the services in advance. Highland has credibly

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<sup>22</sup> Pl. Ex. 3.

<sup>23</sup> *Id.* at Article III, Section 3.01.

<sup>24</sup> *See id.*

<sup>25</sup> *See id.* at Section 6.03.

represented that it believed termination without a service provider in place to fill Highland's role would have had dire consequences to the Retail Funds and their investors. The parties later agreed to extend the Termination Date one final time in February 2021, to extend the deadline through the end of February 2021.

The Advisors do not contend that Highland failed to perform under the SSAs, other than, perhaps, providing certain legal and compliance services to the Advisors a handful of times, at a point in time during the bankruptcy case when the Debtor believed it would be a conflict of interest to do so (as the Debtor and Advisors were becoming adverse). Further, it is agreed that the NexPoint SSA contemplated a fixed fee arrangement of \$168,000 per month. To reiterate, the HCMFA SSA was *not* a fixed fee arrangement, but the amounts invoiced under the HCMFA SSA generally ranged between \$300,000 to \$310,000 each month.

B. The PRAs

In addition to the two SSAs, Highland and each of the Advisors/Defendants were parties to two "Payroll Reimbursement Agreements" (the "PRAs" and together with the SSAs, the "Agreements"). The PRAs—in contrast to the SSAs that were designed to compensate Highland for the Defendants' usage of "middle- and back-office" services—were designed to compensate Highland for the Defendants usage of "*front-office*" services.

There is a confusing history leading up to execution of the PRAs. Notably, prior to the year 2018, Highland had provided "front-office" services to the Advisors *for free*. Also notably, in early 2018, the parties embarked on documenting a new arrangement whereby Highland would henceforth be compensated for "front-office" services through the mechanism of "sub-advisory agreements" with the Advisors (which would be typical in the industry generally, as a way to

compensate a party for “front-office” services). But the parties ended up using the PRAs instead, as set forth below.

*i. Events Leading up to the PRAs.*

As noted above, prior to the year 2018, Highland had provided “front-office” services to the Advisors for free, for six years.<sup>26</sup> But at the end of 2017, Highland was operating at a loss and those losses were expected to increase in 2018.<sup>27</sup> According to the credible testimony of Mr. Klos at Trial, Mr. Dondero came up with a number of \$6 million that the Defendant NexPoint should be paying Highland, every year in the aggregate, to compensate for the mounting operating losses at Highland—which also had the added benefit of reducing NexPoint’s taxable income that it was generating, that happened to be flowing up to Mr. Dondero.<sup>28</sup>

So, on or about January 11, 2018, Highland and NexPoint entered into that certain *Sub-Advisory Agreement*, effective as of January 1, 2018 (the “Initial Sub-Advisory Agreement”). Notably, a typical sub-advisory agreement might provide for compensation for front-office services in a myriad of ways, including possibly: based on actual costs; flat fees; or percentage of assets under management (“AUM”), using basis points computed on assets managed.<sup>29</sup> Pursuant to the Initial Sub-Advisory Agreement, Highland would be providing certain “front-office” services to NexPoint to enable it to fulfill its obligations to its Clients under its Investment Management Agreements.<sup>30</sup> In exchange, NexPoint agreed to pay a flat monthly fee of \$252,000, while each of the parties agreed to bear their own expenses.<sup>31</sup> As with the NexPoint SSA, Mr. Waterhouse signed the Sub-Advisory Agreement on behalf of **both** Highland and NexPoint. The

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<sup>26</sup> Tr. Transcript 4/12/22, Part 1 of 2, [DE # 110] at 69:13-71:19.

<sup>27</sup> Pl. Ex. 86 at p. 2. *See* Tr. Transcript 4/12/22, Part 1 of 2 [DE # 110], at 65:13-22.

<sup>28</sup> Tr. Transcript 4/12/22, Part 1 of 2, [DE # 110] at 66:6-71:19.

<sup>29</sup> Tr. Transcript 4/13/22, Part 1 of 2, [DE # 114] at 37-47.

<sup>30</sup> Joint Pretrial Order, DE # 96 in the AP at p. 11.

<sup>31</sup> NexPoint Sub-Advisory Agreement, Pl. Ex. 5, §2(a)-(b).



payment of \$252,000 times 12 equaled \$3,024,000; meanwhile NexPoint would be paying Highland \$168,000 per month under the fixed fee NexPoint SSA, and \$168,000 times 12 equaled \$2,016,000. Thus, by the court's calculations, this would mean that NexPoint would be paying Highland not quite \$6 million per month for "back-", "middle-", and "front-office" services. However, the court understands that a subsidiary of NexPoint, called NREA, would be paying an additional \$80,000 per month flat amount for "back- and middle-office" shared services, which would total \$248,000 per month for shared services being paid from NexPoint (inclusive of its subsidiary) to Highland.<sup>32</sup> \$248,000 times 12 equals \$2,976,000 and, when added to the \$3,024,000 being paid for "front-office" sub-advisory services, this totaled exactly \$6 million.

Each year, Mr. Waterhouse and Mr. Klos prepared a written analysis of Highland's past and projected financial performance (each, an "Annual Review") that they presented to Mr. Dondero and Mark Okada (the latter of whom was Highland's other co-founder).<sup>33</sup> The 2017/2018 Annual Review included statements and information that: (i) Highland was projected to incur operating losses of \$12 million in 2018;<sup>34</sup> (ii) the agreements of NexPoint to pay \$6 million in fees to Highland was to "remain unchanged;"<sup>35</sup> (iii) the aggregate of \$6 million to be paid by NexPoint to Highland was projected to be unchanged in 2018, 2019, and 2020;<sup>36</sup> and (iv) changes through new hires, internal transfers, terminations, and compensation and benefits paid had been made across the Highland platform.<sup>37</sup>

But, a hugely significant event occurred that affected Highland's cash flow right after the 2017/2018 Annual Review was presented. On January 30, 2018, a former Highland employee

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<sup>32</sup> Pl. Ex. 146. *See also* Tr. Transcript 4/12/22, Part 2 of 2 [DE # 113], at 70:6-17.

<sup>33</sup> *See, e.g.*, Pl. Ex. 86 (2017/2018 Annual Review), Pl. Ex. 142 (2018/2019 Annual Review), & Pl. Ex. 143 (2019/2020 Annual Review).

<sup>34</sup> Pl. Ex. 86 at p. 2.

<sup>35</sup> *Id.* at p. 36.

<sup>36</sup> *Id.* at p. 46.

<sup>37</sup> *Id.* at pp. 29-33, 48.

named Joshua Terry commenced an involuntary bankruptcy case against Acis Capital Management, L.P. (“Acis”) in this bankruptcy court (Mr. Terry had obtained a large arbitration award and judgment against Acis and was being frustrated in his efforts to collect upon it). At that time, Acis was an affiliate of Highland that managed certain collateralized loan obligations (“CLOs”). To perform its duties, Acis had earlier entered into its own sub-advisory and shared services agreements with Highland (the “Acis Agreements”). The Acis Agreements were a vital source of Highland’s revenue. Highland was projected to receive almost \$10 million in revenue in 2018 alone from the Acis Agreements—Highland’s second-highest source of revenue representing nearly 12% of its total projected operating income.<sup>38</sup>

So, on March 7, 2018, just weeks after the 2017/2018 Annual Review was presented—and in an attempt to make up for anticipated lost revenue from Acis—Highland decided to create a Sub-Advisory Agreement *also for HCMFA*, initially for a flat monthly fee of \$450,000, retroactive to January 1, 2018. Recall that, heretofore, Highland had been providing front-office services to HCMFA for free. A week later, a draft Sub-Advisory Agreement modeled on the NexPoint Initial Sub-Advisory Agreement was prepared for HCMFA.<sup>39</sup>

Notably: (a) the 2017/2018 Annual Review presented to Mr. Dondero and Mr. Okada just six weeks earlier *did not contemplate that HCMFA would be party to a Sub-Advisory Agreement or otherwise would be compensating Highland for investment advisory services Highland was providing*, and (b) both the title and terms of the draft HCMFA Sub-Advisory Agreement corroborated Highland’s contention that the parties intended to create a “fee for service” advisory relationship.

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<sup>38</sup> Pl. Ex. 86 at p. 35 (“Highland 2.0 CLOs” refers to the CLOs managed by Acis).

<sup>39</sup> See Pl. Ex. 87 (e-mails between March 7 and March 15, 2018).

But, alas, the Initial Sub-Advisory Agreements for both HCMFA and NexPoint were not to be, because Highland learned: (a) from its outside counsel that (i) the Advisors' Retail Board<sup>40</sup> needed to approve the Sub-Advisory Agreements during an *in-person* meeting, and that (ii) the two Sub-Advisory Agreements ***could not be made retroactive to January 1, 2018***, and (b) that the next in-person meeting of the Retail Board would not be until ***June 2018***.<sup>41</sup> This was a problem because Highland needed cash-flow immediately and could not wait until June 2018.

Based on this legal advice, the parties concluded that they could not utilize the contemplated Sub-Advisory Agreement structure because: (a) Highland would not be able to earn any revenue for sub-advisory services until June, the earliest date the Retail Board could approve of the Sub-Advisory Agreements during an in-person meeting, and (b) it could not be retroactive to January 1, 2018, meaning that Highland would be unable to receive six months' of needed revenue. So, another method was needed to overcome these obstacles—and the Payroll Reimbursement Agreements were born.<sup>42</sup>

ii. *The Use of PRAs instead of Sub-Advisory Agreements to Compensate Highland for "Front-Office" Advisory Services.*

So, the next month, Highland prepared a draft PRA that did not need the Advisors' Retail Board's approval and could be made retroactive to the beginning of the year.

While the Initial Sub-Advisory Agreements had clearly contemplated that a flat fee for front-office services would be paid to Highland, Mr. Klos expressed concerns, after reviewing the draft PRAs, about language therein—and an Exhibit A chart attached thereto, listing out 25 "Dual

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<sup>40</sup> The "Retail Board" is essentially an independent board of trustees or board of directors for retail funds managed by the Advisors. Tr. Transcript 4/13/22, Part 1 of 2 [DE # 114], at 4:22-24.

<sup>41</sup> See Pl. Ex. 87 (March 15, 2018 e-mails from Lauren Thedford ("Ms. Thedford"), an attorney employed by Highland but who also served as an officer of the Advisors).

<sup>42</sup> No one ever explained at Trial the exact reasons that a document entitled "Sub-Advisory Agreement" would require in-person Retail Board approval and could not be retroactive in effect. But no one seemed to dispute this fact.

Employees” who would be working both for Highland and the Advisors, and suggesting the percentage of time they might be working for the Advisors—that payments to Highland would be based on “actual costs” *associated with specific employees*. Mr. Klos was worried about the cumbersomeness of the PRAs and wrote to Highland inhouse attorney Lauren Thedford (“Ms. Thedford”), who also served as an officer of the Advisors, that:

Does it have to be framed as reimbursement of actual costs? *We’d much rather it be characterized as just an agreed upon amount between the two entities*. It’s not a small task and involves subjective assumptions to allocate individual employees, so as it’s written, *it would be creating a ton of work that isn’t creating any value to the overall complex*.<sup>43</sup>

In response, Ms. Thedford stated that she was “open” to changing the “definition of Actual Costs” but observed that there “needs to be some method of determining the amounts” and that it was “important” to treat the agreement as one for “reimbursement.” In response, Mr. Klos stated:

Could we say that Actual Cost is being determined *at the outset of the agreement, have a schedule as of Jan. 1, 2018 and say that Actual Cost shall be as set out in that schedule and shall be paid in monthly installments for the term of the agreement . . . that way the exercise is only performed once*.

Beyond that year, termination provision kicks-in, so if there’s a belief that Actual Costs have changed materially, either party could terminate and/or renegotiate for an amended agreement.<sup>44</sup>

At Trial, Mr. Klos credibly testified that the Exhibit A list of employees attached to the PRAs, and the allocation made for employees created in connection with the PRAs, were created to be the same monthly fees previously contemplated under the Initial Sub-Advisory Agreement.<sup>45</sup> Further, Mr. Klos testified that the estimates, despite being made in good faith, were based on his own subjective assessments and were only created as a proxy for the flat monthly fees previously envisioned by Mr. Dondero, to get Highland needed cash flow.<sup>46</sup>

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<sup>43</sup> Pl. Ex. 129 (emphasis added).

<sup>44</sup> *Id.* (Klos e-mail to Thedford sent on April 17, 2018, at 10:56 a.m.) (emphasis added).

<sup>45</sup> Tr. Transcript 4/12/22, Part 1 of 2, at 104:9-24.

<sup>46</sup> Tr. Transcript 4/12/22, Part 1 of 2, at 104:19-106:16.

On or around May 1, 2018, Highland and NexPoint entered into that certain Payroll Reimbursement Agreement (the “NexPoint PRA”).<sup>47</sup> The NexPoint PRA replaced the NexPoint Initial Sub-Advisory Agreement that had been effective as of January 1, 2018.<sup>48</sup> Then, on or around May 1, 2018, Highland and HCMFA entered into that certain Payroll Reimbursement Agreement, also effective as of January 1, 2018 (the “HCMFA PRA”).<sup>49</sup>

Except for the (a) names of the parties, (b) the amount of monthly payments thereunder, and (c) the list of “Dual Employees” and their respective allocations set forth in Exhibit A to each of the PRAs, the NexPoint PRA and HCMFA PRA were identical.

So, to be clear, whereas the SSAs were to provide compensation for “middle-” and “back-office” services provided by Highland to each of the Advisors, the PRAs were, generally, structured for the Advisors to pay Highland amounts in recognition of the “front-office” services provided by the Dual Employees to the Advisors (which “Dual Employees” were technically employed by Highland).

To be further clear, both the NexPoint PRA and HCMFA PRA stated that the Advisors were required to pay Highland the “Actual Cost” to Highland for the Dual Employees pursuant to Section 2.01.<sup>50</sup> However, “Actual Cost” was defined in each of the PRAs as:

with respect to any period hereunder, the actual costs and expenses caused by, incurred, or otherwise arising from or relating to each Dual Employee, in each case during such period. ***Absent any changes to employee reimbursement, as set forth in Section 2.02, such costs and expenses are equal to [\$252,000 for NexPoint and \$416,000 for HCMFA] per month.***<sup>51</sup>

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<sup>47</sup> Pl. Ex. 6 (NexPoint PRA)

<sup>48</sup> Joint Pretrial Order, DE # 96 in the AP at p. 11.

<sup>49</sup> *Id.*

<sup>50</sup> Pl. Ex. 6 §§ 2.01, 3.01; Pl. Ex. 8 §§ 2.01, 3.01.

<sup>51</sup> Pl. Ex. 6 at Article I (fixing the costs and expenses at \$252,000 per month for NexPoint) (emphasis added); Pl. Ex. 8 at Article I (fixing the costs and expenses at \$416,000 per month for HCMFA) (emphasis added).

Significantly, pursuant to Section 2.02, the parties could agree to modify the Actual Cost if they believed a change to employee reimbursement was appropriate, and each party was required to negotiate any change in good faith.<sup>52</sup> The Advisors contend that Section 2.02, in conjunction with Section 4.02, imposed an affirmative obligation on Highland to update the Exhibit A list of Dual Employees and unilaterally adjust the monthly payments, but no such obligation exists under the clear language of the PRAs.<sup>53</sup>

The undisputed evidence establishes that: (a) neither Mr. Klos nor anyone else ever updated the Exhibit A list of Dual Employees attached to the PRAs; (b) neither Mr. Klos nor anyone else was ever instructed to update Exhibit A attached to the PRAs; (c) at all relevant times, the Advisors and Highland had access to the same information concerning the amounts paid under the PRAs, the amounts projected to be paid under the PRAs, the termination of Dual Employees, the compensation of Dual Employees, and the investment advisory services provided by Highland to each of the Advisors; and (d) as discussed below, the parties knew of and relied on Section 2.02 in December 2018 to amend the PRAs while Mr. Dondero was still fully in control of the entire Highland complex. The undisputed evidence was also that four out of the twenty-five Dual Employees listed on the Exhibit A's attached to the PRAs were no longer employed as of the May 1, 2018 date on which the PRAs were executed (although they had been employed as of the January 1, 2018 effective date of the PRAs).

Without considering any extrinsic evidence, the court finds the clear and unambiguous language of the definition of "Actual Cost" in the PRAs indicates that these were intended to be

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<sup>52</sup> Pl. Ex. 6 § 2.02; Pl. Ex. 8 § 2.02 ("During the Term, the Parties may agree to modify the terms and conditions of [NexPoint's/HCMFA's] reimbursement in order to reflect new procedures or processes, including modifying the Allocation Percentage (defined below) applicable to such Dual Employee to reflect the then current fair market value of such Dual Employee's employment. The Parties will negotiate in good faith the terms of such modification.").

<sup>53</sup> Pl. Ex. 6 § 4.02 ("Should either Party determine that a change to employee reimbursement is appropriate, as set forth in Section 2.02, the Party requesting the modification shall notify the other Party on or before the last business day of the calendar month"); Pl. Ex. 8 § 4.02 (same).

fixed amount contracts, *simply plugging in a set monthly amount for front-office services that—absent agreed modifications—were never required to be adjusted based on particular employees’ daily activities or their comings-and-goings, despite the use of the words “Actual Cost.”* Further, the clear and unambiguous language of Sections 2.02 and 4.02 of the PRAs contemplated possible agreed modifications and required “the Party requesting modification [to] notify the other Party” before the end of the month to change the employee reimbursement amount and the parties had to agree on any change to in amount.<sup>54</sup> The requirement that such notification and agreement be made shows the monthly payment was intended to be fixed and provided no mandatory obligation to update it, based on the Dual Employees’ allocation of time or employment at any time. The court finds these provisions, taken together, leave no ambiguity or lack of clarity that the terms of the PRAs generally intended to set a fixed monthly amount for front-office services, for ease of implementation. The parties could always terminate with or without cause,<sup>55</sup> or seek to modify the PRAs if the plugged-in amount seemed unreasonable over time.<sup>56</sup>

### C. The Amendments to the PRAs

On December 14, 2018, (a) Highland and NexPoint entered into that certain *Amendment Number One to Payroll Reimbursement Agreement* (the “NexPoint PRA Amendment”), pursuant to which NexPoint paid an extra \$1,300,000 to Highland, and (b) Highland and HCMFA entered into that certain *Amendment Number One to Payroll Reimbursement Agreement* (the “HCMFA PRA Amendment” and together with the NexPoint PRA Amendment, the “PRA Amendments”), pursuant to which HCMFA paid an extra \$1,200,000 to Highland.<sup>57</sup>

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<sup>54</sup> *See id.*

<sup>55</sup> Pl. Exs. 6 § 5.02; Pl. Ex. 8 § 5.02.

<sup>56</sup> Pl. Ex. 6 § 2.02; Pl. Ex. 8 § 2.02.

<sup>57</sup> Pl. Ex. 7 (NexPoint PRA Amendment); Pl. Ex. 9 (HCMFA PRA Amendment).

These PRA Amendments are short, sparsely worded documents. They simply indicate that the Advisors are agreeing to pay the additional amounts to Highland “representing an estimate of additional Actual Costs owed under the [PRAs] for additional resources used.”<sup>58</sup> At Trial, Mr. Klos credibly testified that neither he, nor anyone else to his knowledge, ever performed an analysis of Highland’s actual costs under the PRAs to determine the extra amounts that ended up being paid to Highland under the PRA Amendments, and the PRA Amendments were only made because Highland was losing money rapidly and the Advisors had taxable income.<sup>59</sup> Additionally, by December 1, 2018 (before the PRA Amendments were executed), the Advisors had knowledge that *nine of the twenty-five Dual Employees listed in Exhibit A to the original PRAs were no longer employed by Highland*.<sup>60</sup> Yet, the Advisors made *additional lump sum payments* exceeding the fixed monthly amounts set forth in the PRAs. The Advisors claim it was their standard practice to perform annual “true-ups” of the various contracts in the Highland complex and that these the PRA Amendments were a “true-up,” which should be used to find that the PRAs did not contemplate flat amounts for services. But this would mean that the Advisors paid Highland \$2.5 million on a PRA “true-up,” when they knew that over one-third of the Dual Employees under the PRAs were terminated during the relevant time period. Further, neither the Advisors nor any individual ever requested Exhibit A to the PRAs to be amended at any time prepetition. As of the Highland bankruptcy Petition Date (October 16, 2019), fourteen of the twenty-five Dual Employees were no longer employed at Highland. Mr. Dondero controlled both Highland and the Advisors at this time. To be clear, the Advisors had never taken the position that there were “overpayments” under the PRAs as of the Petition Date or sought modification of the PRAs. Mr.

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<sup>58</sup> *Id.*

<sup>59</sup> Tr. Transcript 4/12/22, Part 1 of 2, at 113:4-21.

<sup>60</sup> Pl. Ex. 14 (responses to Interrogatories 3 and 4).



Waterhouse, who signed the PRA Amendments on behalf of both Highland and the Advisors, testified that he had no recollection of how the amounts set forth in the PRA Amendments were determined or whether it was actually a “true-up.”

The court finds that nothing in the record suggests that the Advisors were doing a “true-up” when implementing the PRA Amendments. Nor do the additional amounts that were paid by the Advisors to Highland under the PRA Amendments suggest that the previously fixed monthly amount set forth in the PRAs was intended to be a variable amount. The court finds that the PRA Amendments were simply made with the purpose of funneling in more money to Highland to help with its liquidity crisis—with the added benefit of reducing the Advisors’ taxable income.

D. Extrinsic Evidence: Post-Petition Communications and Continued Payments under the PRAs and SSAs

The court will now roll forward and consider the extrinsic evidence from the postpetition time period that might shed light on the disputes in this Adversary Proceeding. Both Highland and the Advisors have taken the position that the Agreements are **unambiguous**—although they each have different interpretations as to what the Agreements mean. While the court is hard-pressed to find any ambiguity in the **content** of the Agreements,<sup>61</sup> the court will analyze the extrinsic evidence presented, since the parties have submitted it, and want the court to consider it if ambiguity is deemed to exist as to the Agreements.

In January 2020 (early during the Highland bankruptcy case), in response to inquiries from the Advisors’ Retail Board, Ms. Thedford sought information concerning expense reimbursements and allocations under the PRAs. Mr. Klos thereafter informed Ms. Thedford that such information “doesn’t exist in terms of current percentages.” Ms. Thedford then asked whether such information

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<sup>61</sup> The court does think the **title** of the PRAs—Payroll Reimbursement Agreement—is rather ambiguous, given the content of the document. Also, the Exhibit A list of employees further injects some ambiguity, given the overall content of the Payroll Reimbursement Agreements.

was contained in Exhibit A to the PRAs. In response, Mr. Klos reminded Ms. Thedford that the allocations in Exhibit A were:

***a point in time estimate as of 2018. Half the people are gone now and if you were to reallocate them now, all the percentages would be different.*** On top of that, we don't have anything comprehensive that is comparable for back office people so the only thing we can really provide is a stale percentage on a small subset of the overall population.

Would be much more logical to do the yes/no and then as ***a blanket statement say that HCMFA/NPA pay \$x/\$y annually to HCMLP for these employees' services.***<sup>62</sup>

Ms. Thedford responded by simply writing "Got it, thanks."<sup>63</sup>

Also, in January 2020 (again, early in the Highland bankruptcy case and the month Mr. Dondero ceded control of Highland to the Independent Board under a stipulated corporate governance order), Mr. Waterhouse, the Treasurer of each of the Advisors, requested information from Mr. Klos concerning the "monthly amount for each agreement."<sup>64</sup> Mr. Klos responded to Mr. Waterhouse confirming the fixed amounts under the Agreements:

Monthly amounts below

HCMFA

\$416k ***flat*** for investment support

\$290k-300k for shared services

NPA

\$252k ***flat*** for investment support

\$248k ***flat*** for shared services (\$168k from NPA directly; \$80k from NREA, but assume you're looking for a consolidated number)<sup>65</sup>

There is no credible evidence that Mr. Waterhouse ever raised any concerns about the fixed monthly amounts being charged and, in fact, he continued approving payments for these exact

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<sup>62</sup> Pl. Ex. 151 (emphasis added).

<sup>63</sup> *Id.*

<sup>64</sup> Pl. Ex. 146.

<sup>65</sup> *Id.* (emphasis added).

amounts. Payments did not stop until December 2020, when Mr. Dondero, wearing his Advisors' hat, directed Mr. Waterhouse to stop paying the amounts due under the Agreements. Then the Advisors filed their Application for Administration Expense Claim the very next month.<sup>66</sup> While there was some testimony suggesting that concerns had been raised in early January 2020 regarding possible overpayments under the PRAs to an individual named Fred Caruso (a financial advisor for the Debtor at the firm DSI),<sup>67</sup> the court did not have compelling evidence of this—Fred Caruso did not testify, and Frank Waterhouse had a generally poor memory for the details about this.

The court finds that these continued communications to officers of the Advisors confirming the amounts being paid under the Agreements, and the continued payments by the Advisors, after obtaining this information, is further evidence of the intent of the parties to structure the Agreements as fixed amount contracts.

E. Extrinsic Evidence: Highland Performed under the Agreements Postpetition

Significantly, there was extensive evidence at Trial that Highland performed at all times under the Agreements, and the Advisors made contemporaneous and repeated representations to their Retail Board that Highland was providing all services required under the Agreements.

All parties agreed that, as required by the Investment Company Act, the Retail Board for the Advisors conducts an annual review whereby it determines whether to extend its own Investment Advisory Agreements with the Advisors. This is referred to as a “15(c) review” process. A witness Ethan Powell, a member of the Retail Board, credibly testified about all this.<sup>68</sup>

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<sup>66</sup> Pl. Exh. 11.

<sup>67</sup> Tr. Transcript 4/13/22, Part 2 of 2 [DE # ], at 144.

<sup>68</sup> Tr. Transcript 4/13/22, Part 1 of 2 [DE # 114], at 4-34.

As part of this “15(c) review” process, and at other times during Highland’s bankruptcy case, the Advisors provided the Retail Board with information concerning the status of the shared services relationship, Highland’s provision of services thereunder, and contingency planning in case the Advisors’ shared services relationship with Highland was terminated.

The Advisors provided this information to the Retail Board either in writing or orally during meetings of the Retail Board (the “Retail Board Meetings”). Minutes from the Retail Board Meetings were created in the ordinary course (the “Retail Board Minutes”). Ethan Powell testified that the Retail Board Minutes were adopted only after, among other things, the Advisors had an opportunity to review and edit their content to assure their accuracy.<sup>69</sup>

The Retail Board Minutes recite, among other things, that one or more of the Advisors’ officers (i.e., Mr. Waterhouse, Mr. Norris, Ms. Thedford, or Mr. Post) or their attorneys (i.e., Dennis C. Sauter, the Advisors’ in-house counsel, or K&L Gates, their outside counsel) were present and participated in every applicable Retail Board Meeting.<sup>70</sup>

Mr. Powell further testified that the Retail Board: (a) assumed that the Advisors made the statements and representations reflected in the Retail Board Minutes on an informed basis after conducting due diligence, and (b) the Retail Board relied on the statements and representations made by or on behalf of the Advisors in the Retail Board Meetings.<sup>71</sup>

It is important to note that, in January 2020, Mr. Dondero had avoided the likely appointment of a Chapter 11 trustee in the Highland bankruptcy case, by ceding control of Highland to the three new Independent Board members. With Mr. Dondero’s loss of control of Highland, the Retail Board naturally sought information about whether this change would impact

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<sup>69</sup> *Id.*, at 9:15-10:24.

<sup>70</sup> *See generally* Pl. Exs. 57-73.

<sup>71</sup> *See* Tr. Transcript 4/13/22, Part 1 of 2 [DE # 114], at 11:22-12:6, 13:1-13.

Highland's staffing. Thus, the Retail Board Minutes from the Retail Board Meeting, held on January 22, 2020, included the following entries:

Ms. Thedford noted that *the Meeting Materials included a headcount report that lists each employee associated with HCMLP and the Advisers and identifies whether the employee is dually employed by both HCMLP and an Adviser* or pursuant to a separate arrangement, such as Mr. Norris' employment with the Funds' distributor, NexPoint Securities, Inc. . . .

Mr. Norris discussed the shared services arrangements that each Adviser is a party to with HCMLP pursuant to which the Adviser may utilize employees from HCMLP for the provision of various services such as human resources, accounting, valuation, information technology services, compliance and legal. Mr. Norris noted, however, that many of these "third party" services are readily available on the open market.<sup>72</sup>

In response to the Retail Board's request, the Advisers included in the "Meeting Materials" a list of every person employed in the Highland complex, including (a) name, (b) title, (c) department, (d) employing entity (e.g., Highland, HCMFA, NexPoint), (e) whether the person was a Dual Employee, (f) office location, and (g) whether the person was an "investment professional" or was providing "back office" services."<sup>73</sup>

In mid-June 2020, Jason Post ("Mr. Post"), the Advisers' Chief Compliance Officer, assured the Retail Board that the Advisers were "monitor[ing]" the "level and quality" of Highland's shared services and that he was unaware of any disruptions:

Mr. Post described the team members providing compliance and legal support services to the Funds and the Advisers. . . . Mr. Post stated he believed the Compliance department was adequately staffed.

Mr. Post also discussed the quality and continuity of services provided to the Funds by HCMLP pursuant to shared services agreements with the Advisers in the context of the HCMLP bankruptcy. A discussion ensued during which Mr. Post responded to questions from the Board. *He noted the regular updates provided to the Board and also discussed how the level and quality of services are being monitored and*

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<sup>72</sup> Pl. Ex. 57 at pp. 2-3.

<sup>73</sup> Pl. Ex. 75.

***confirmed that he is not aware of any disruptions in the service levels provided to the Funds.***<sup>74</sup>

In August 2020, Dustin Norris (“Mr. Norris”), an Executive Vice President of each of the Advisors, represented to the Retail Board that “there had been no issues or disruptions in services as a result of the HCMLP bankruptcy matter,” although James P. Seery, Jr. (“Mr. Seery”), Highland’s new CEO (and a member of the court-appointed Independent Board), advised the Retail Board that certain conflicts might arise, given the differing investment strategies being adopted by Highland, on the one hand, and the Advisors, on the other:

Mr. Norris next provided an overview of the 15(c) review materials and process and discussed the expected timeline with respect to Board consideration of approval of the renewals. ***He noted that there had been no issues or disruptions in services as a result of the HCMLP bankruptcy matter.***

Mr. Seery then pointed out to the Board a potential conflict of interest that had arisen with respect to an investment held by both HCMLP-advised funds and certain of the Funds. Mr. Seery explained that the HCMLP-advised funds were likely to seek to sell their interests in the investment. This divergence of investment objectives of HCMLP and the Funds, and the overlapping portfolio and administrative personnel of HCMLP and HCMFA and the NexPoint Advisors working on the matter, created a potential conflict between the two groups.<sup>75</sup>

In advance of a Retail Board Meeting to be held in September 2020, the Advisors sent a memorandum to the Retail Board in which they stated, among other things, that the “Advisors and HCMLP believe the current shared services being provided are generally consistent with the level of service that historically been received,” and further addressed potential conflict issues.<sup>76</sup>

During the two-day Retail Board meeting held on September 17-18, 2020, the Retail Board was advised that Highland continued to perform all of the shared services and was provided with additional information concerning potential conflicts:

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<sup>74</sup> Pl. Ex. 58 at p. 20 (emphasis added).

<sup>75</sup> Pl. Ex. 59 at pp. 6, 11.

<sup>76</sup> Pl. Ex. 18 at ACL 080581 (response to question 3).

Mr. Surgent joined the Meeting. During the discussion, he responded to the 15(c) follow-up questions submitted by the Board relating to HCMLP matters. ***He provided the Board with a status update on the HCMLP bankruptcy and discussed the impact of the HCMLP bankruptcy on the shared services arrangements with the Funds, noting he does not expect that the level and quality of services would change in the immediate term.*** Regarding the bankruptcy, Mr. Surgent reiterated Mr. Seery's stated goal to achieve a consensual, omnibus resolution by the end of the year. To the extent this was not achievable, Mr. Surgent noted that an alternative plan had been filed by HCMLP. . . . ***He indicated that at this time it was business as usual with respect to the services provided to the Funds*** and that the Board would be notified immediately of any developments.<sup>77</sup>

On October 9, 2020, Mr. Norris sent an e-mail to the Retail Board and other officers and agents of the Advisors (including outside counsel) to provide an interim update in which he advised the Retail Board that NexPoint was working on contingency plans to "ensure that there is no disruption in services":

We are working on full responses to your with [sic] 15(c) follow-up questions attached, however we want to keep you updated as it pertains to the continued developments with shared services and your first question on the attached. As it stands today, NexPoint's senior management's plan as a backup/contingency plan is to extend employment offers to the vast majority of HCMLP's employees by 12/31/2020. ***This will help ensure that there is no disruption in services to the Funds. Once we have further details of this we will advise. In the interim the plan is to continue with existing shared services.***<sup>78</sup>

A few days later, on October 13, 2020, Mr. Norris informed the Retail Board during a regularly scheduled meeting that, with respect to shared services, "all operations continued in the normal course there [sic] had been no material impact on the day-to-day operations of the Funds" and that contingency plans were "in place to continue to provide the same level and quality of services to the Funds":

Mr. Ellington then explained three various potential scenarios contemplated during the ongoing negotiations, including a full or partial buyout of certain creditor claims by Mr. Dondero or no agreement, which could potentially lead to liquidation of HCMLP and termination of all HCMLP employees. . . .

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<sup>77</sup> Pl. Ex. 60 at pp 12-13 (emphasis added).

<sup>78</sup> Pl. Ex. 81 (emphasis added).

Mr. Sauter also discussed the status of the shared services agreements. In response to another question, ***Mr. Norris discussed the morale employees [sic] and noted that all operations continued in the normal course there [sic] had been no material impact on the day-to-day operations of the Funds.*** He indicated that there would not likely be any material developments with respect to the status of HCMLP until the end of the year at the earliest. The Board requested that the Advisers continue working toward developing definitive plan to ***ensure that the resources, both of personnel and equipment, are in place to continue to provide the same level and quality of services to the Funds*** and to continue to report back to the Board on the status.<sup>79</sup>

On October 23, 2020, the Retail Board asked whether there were “any material outstanding amounts currently payable or due in the future (e.g., notes) to HLCMLP [sic] by HCMFA or NexPoint Advisors or any other affiliate that provide services to the Funds.”<sup>80</sup> As to that question, the Advisors informed the Retail Board that ***“[a]ll amounts owed by each of NexPoint and HCMFA pursuant to the shared services arrangement with HCMLP have been paid as of the date of this letter.”***<sup>81</sup>

On October 28, 2020, the Retail Board was again told that: (i) Highland was expected to continue to provide shared services without interruption, (ii) the parties continued to work on a “seamless transition,” (iii) according to Mr. [Brian] Collins [HR manager], there had been no “significant departures” of employees, and that (iv) the “quality and level” of services had not been negatively impacted by Highland’s bankruptcy:

Mr. Ellington provided an update on the HCMLP bankruptcy, focusing on the contingency plan for fund service providers if HCMLP is unable to perform its current functions. . . . He also noted that based upon on-going discussions with HCMLP, as well as in view of these alternative contingency plans, ***the Advisers do not expect any interruption to the services to the Funds that are currently being provided by HCMLP pursuant to the Shared Services Agreement.***

Mr. Collins noted that, although employees of HCMLP were not yet able to be released subject to confirmation of the plan of bankruptcy, ***he was confident in the firm’s ability to retain talent throughout this process based on discussions with***

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<sup>79</sup> Pl. Ex. 61 at pp. 2-3.

<sup>80</sup> Pl. Ex. 22 at 2.

<sup>81</sup> *Id.*



*the employees. He noted that every employee team leader had been spoken to and also noted that there have been no significant departures to date. . . .*

*The Advisers represented that the quality and level of services provided to the Funds by the Advisers and pursuant to the shared services arrangements had not been negatively impacted to date and that adequate plans were in place prevent any diminution of services as a result of any potential issues relating to the HCMLP bankruptcy that might arise. . . .*

*The Board noted that the level and quality of services to the Funds by the Advisers and its affiliates had not been materially impacted by the HCMLP bankruptcy and took into account the Advisers' representations that the level and quality of the services provided by the Advisers and their affiliates, as well as of those services currently being provided by HCMLP pursuant to the Shared Services Agreement, would continue to be provided to the Funds at the same or higher level and quality.<sup>82</sup>*

A week later, Mr. Norris again reassured the Retail Board that Highland continued to provide shared services on an uninterrupted basis and that no issues of "conflict" arose:

*Mr. Norris then noted that there has not been any disruption to the services provided to the Funds by HCMLP pursuant to the Shared Services Agreement and that he expects that such services will continue to be provided in normal course.* In addition, Mr. Norris noted that there have been no issues with an HCMLP employee being conflicted out since the last update.<sup>83</sup>

By December 1, 2020: (a) Highland had sent the Termination Notices, indicating its intent to termination the Agreements; and (b) the Advisors had allegedly discovered the "overpayments under the Agreements."<sup>84</sup> Yet, the Advisors continued to reassure the Retail Board that everything was proceeding normally and that the parties were working to achieve an orderly, seamless transition.

Indeed, on December 1, 2020, Mr. Post confirmed that Highland sent the Termination Notices and informed the Retail Board, among other things, that:

On November 30, 2020, HCMLP provided notice of termination of the Shared Services Agreement to HCMFA/NPA, effective January 31, 2021. However, based

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<sup>82</sup> Pl. Ex. 62 at pp. 2-3, 7.

<sup>83</sup> Pl. Ex. 63 at p. 3.

<sup>84</sup> Pl. Ex. 13 ¶16.

upon on-going discussions with HCMLP, ***HCMFA/NPA expects to be able to continue to receive these services through a transfer of personnel, equipment and facilities from HCMLP*** either to HCMFA/NPA or to a third-party service provider.<sup>85</sup>

On December 7, 2020, the Advisors provided written responses posed by Blank Rome, outside counsel to the Retail Board. In response to a question about who “is responsible for putting together the plan to continue to provide/transition shared services for the retail complex,” the Advisors stated:

The senior management team of the Advisors is responsible for the transition of services, and this group is made up of Jim Dondero, D.C. Sauter, Jason Post, and Dustin Norris. ***This group is working with HCMLP management to ensure an orderly transition.***<sup>86</sup>

The Retail Board also asked for a “matrix of current services provided and services that will be transferred.” In response, the Advisors stated:

Please see Appendix A below, which includes the list of services provided under the shared services agreement with HCMLP. These services fall into two broader categories: 1) Employees performing services and 2) Systems, infrastructure, software and supplies/equipment. As we understand it, the bankruptcy plan of reorganization approved by the bankruptcy court (the “Approved Plan”) anticipates the termination of all HCMLP employees by 1/31/21. ***The Advisors anticipate extending employment offers to the vast majority of HCMLP’s employees such that the employees would be rehired immediately upon termination of their employment with HCMLP. This will cover all of the services under category 1 above.***<sup>87</sup>

During a Retail Board meeting held on December 10-11, 2020: (a) Mr. Norris reviewed the “current services provided under the shared services agreement with HCMLP and discussed the current plans for ensuring the continuation of those services after a plan of reorganization is

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<sup>85</sup> Pl. Ex. 16. (December 1, 2020 email from Mr. Post) (emphasis added).

<sup>86</sup> Pl. Ex. 10 at 1 (emphasis added).

<sup>87</sup> *Id.* at 2 (emphasis added).

approved”; and (b) Mr. Sauter “noted that there has been no material attrition to date with respect to employees”:

Mr. Norris provided responses to the Board’s follow up questions that had been submitted on their behalf prior to the Meeting. Among these items, ***Mr. Norris reviewed a matrix of current services provided under the shared services agreement with HCMLP and discussed the current plans for ensuring the continuation of those services after a plan of reorganization is approved.*** Mr. Norris noted that these shared services fell into two broader categories: (1) employees performing services and (2) systems, infrastructure, software and supplies/equipment. With respect to the first category, Mr. Norris discussed plans by the Advisers to extend employment offers to the vast majority of HCMLP’s employees such that the employees would be rehired immediately upon termination of their employment with HCMLP. In the alternative, these employees could join a newly formed entity (New Co) and continue to provide services to the Funds through NewCo. ***With respect to the second category, Mr. Sauter noted that the Advisers and HCMLP were in agreement that these would be assigned with a payment from the Advisers*** and that there were working groups set up that were pursuing an orderly transition of all of these items, which included orderly assignment and assumption of the relevant agreements needed to continue with all current services. ***He noted that there has been no material attrition to date with respect to employees. . . .*** Mr. Norris also discussed the Advisers’ proposed alternative plan and confirmed that ***regardless of whether the Advisers and HCMLP came to an agreement on shared services, such services would be continued to be provided to the Funds without interruption.***<sup>88</sup>

By January 2021, Highland had become embroiled in litigation with Mr. Dondero and had obtained temporary injunctive relief against him. However, the Advisers assured the Retail Board that this had no impact on the Advisers’ ability to obtain access to information and resources concerning the Retail Funds:

Mr. Norris confirmed that ***the Advisers did not feel limited by the temporary restraining orders relating to the HCMLP bankruptcy with respect to access to Fund information.*** Mr. Norris then updated the board on a number of employee moves from HCMLP to NexPoint. In response to a question, Messrs. Post and Norris confirmed that there was sufficient legal and compliance coverage for the Funds.

Mr. Norris then provided an update on the negotiations with HCMLP on the transition of shared services. He noted that both sides had agreed in principle on

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<sup>88</sup> Pl. Ex. 64 at pp. 7-8.

the transition of services and cost sharing but that it was not yet memorialized in a contract and a number of details still needed to be resolved. ***He confirmed that the Advisers continued to receive full access to information and resources with respect to the Funds.***<sup>89</sup>

On January 29, 2021, Jackie Graham, NREA's<sup>90</sup> Director of Investor Relations and Capital Markets, sent an e-mail to Mr. Dondero, Mr. Sauter, and others in advance of a Board call in which she attached an outline of certain issues concerning shared services provided by Highland and stated, among other things, that:

Because the [relevant Funds] are externally managed by external advisors (NexPoint Real Estate Advisors, L.P. and its affiliates (the "Advisors")), the [relevant Funds] rely on the Advisors to provide certain services to them. ***The Advisers utilize Highland Capital Management, L.P. ("HCM") to provide a certain subset of these services under a shared services agreement between HCM and the Advisers. . . .***

Employees of the Advisors are working with HCM to provide a transition of shared services from HCM to the Advisors or third party providers. . . . Specifically, the Advisors and affiliate advisors would pay a one-time fee of \$400,000 and ongoing monthly costs of \$270,000. Additionally, ***HCM may require the Advisors and affiliate advisors to pay previously unpaid fees allegedly owed to HCM totaling \$5.5m. . . .***

Winston is reviewing potential legal remedies ***in the event HCM breaches the shared services*** by denying us access to our data held by HCM or otherwise attempts to cause harm to our shareholders . . .<sup>91</sup>

Eventually, a transition of shared services from Highland to a Newco entity known as Skyview was effectuated (Skyview being owned and operated by individuals previously employed by Highland). As the transition of the shared services from Highland to Skyview was nearing completion, the Advisors continued to reassure the Retail Board that all was well. On February 26, 2021, Mr. Norris provided an update on the transition:

Mr. Norris provided an update on the shared services arrangements and employee transitions. ***He indicated that there would be no impact as a result of certain***

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<sup>89</sup> Pl. Ex. 66 at pp. 2-3.

<sup>90</sup> "NREA" stands for NexPoint Real Estate Advisors, L.P., a subsidiary of NexPoint.

<sup>91</sup> Pl. Ex. 84 at FUNDS 0000043-44 (emphasis added).

*employees not transitioning to the Advisers* and discussed the team in place and their qualifications. He noted that the current shared services arrangements with HCMLP would cease at the end of February and that the Advisers wish to move forward with new Shared Services Agreements between each Adviser and NewCo. He then stated that these Agreements were in the process of being drafted and finalized and will be reviewed with the Board at its next meeting. ***He indicated that there had been no major issues in connection with the transition and that the personnel from the Advisers had met with HCMLP with respect to data files and are comfortable that HCMLP will be providing the necessary information.*** In response to a question from the Board, he indicated that there was not an immediate need for such data and confirmed that the Advisers had the data and information files they needed with respect to Fund operations and services.<sup>92</sup>

Based on all the information and representations made by the Advisors, the NexPoint Diversified Real Estate Trust (one of the Advisors' Clients) filed its annual report with the SEC in early 2022 (about a year after Highland commenced this Adversary Proceeding and the Advisors filed their administrative expense claims) in which it disclosed, among other things, the following:

The Fund has retained NexPoint Advisors, L.P. (the "Investment Adviser") to manage the assets of the Fund pursuant to an investment advisory agreement between the Investment Adviser and the Fund (the "Agreement"). . . . ***The Board of Trustees noted that the level and quality of services to the Fund by the Investment Adviser and its affiliates had not been materially impacted by the HCMLP bankruptcy*** and took into account the Investment Adviser's representations that the level and quality of the services provided by the Investment Adviser and their affiliates, as well as of those services provided by Skyview to the Investment Adviser under the Skyview Services Agreement, would continue to be provided to the Fund at the same or higher level and quality.<sup>93</sup>

Pursuant to the evidence set forth above, the court finds that the Advisors made ***numerous representations*** to the Retail Board, before and after the Advisors allegedly became aware of the "overpayments" and ceased making payments to Highland under the Agreements, indicating that Highland had sufficiently performed all services provided under the Agreements. The court notes that, many times, the communications between the Advisors and the Retail Board (or the Retail

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<sup>92</sup> Pl. Ex. 73 at pp. 9-10 (emphasis added).

<sup>93</sup> Pl. Ex. 77 at 41, 43

Board Minutes) refer to no interruption in “shared services.” The court interprets this to generically mean shared services under both the SSAs and PRAs. This is strong evidence that Highland, indeed, performed all services contemplated under the Agreements.

F. Extrinsic Evidence that the Advisors had Knowledge of Employees Hired and Terminated by Highland, Both Pre- and Post-Petition

In addition to the evidence detailed above, there is still more credible evidence that the Advisors had knowledge of when employees of Highland, including the Dual Employees, were hired and terminated by Highland. Among other things:

- In their written responses to interrogatories, the Advisors admitted that they had contemporaneous knowledge of the termination of every Dual Employee;<sup>94</sup>
- Every month from at least October 2017 through January 2021, Highland’s Human Resources department (under the direction of a Mr. Brian Collins) prepared a “Monthly Headcount Report” (the “Monthly Headcount Reports”) listing every employee in the Highland complex and highlighting new hires and terminations and distributed such reports to numerous people, including the Advisors’ officers (i.e., Mr. Waterhouse, Ms. Thedford, and Mr. Norris);<sup>95</sup>
- Mr. Dondero was provided with extensive information concerning hires, terminations, and employee compensation and benefits during the Annual Reviews;<sup>96</sup>
- In early 2020, the Advisors provided detailed information to the Retail Board concerning all of Highland’s employees;<sup>97</sup>

Yet, despite having knowledge of Highland terminating certain employees, both when it was controlled by the Independent Board and when it was controlled by Mr. Dondero, the Advisors continued to approve and make payments in the same monthly amounts under the Agreements.

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<sup>94</sup> Pl. Ex. 14 at pp 12-13 (responses to Interrogatories 3 and 4).

<sup>95</sup> Pl. Exs. 88-127.

<sup>96</sup> Pl. Ex. 86 at pp. 29-33; Pl. Ex. 142 at pp. 6-10.

<sup>97</sup> Pl. Ex. 57; Pl. Ex. 75.

As earlier noted, as of May 1, 2018, when the Advisors entered the PRAs, four of the twenty-five Dual Employees on Exhibit A had already been terminated, and Mr. Waterhouse had every reason to know that cost allocations for terminated employees were being used when he signed the Agreements.<sup>98</sup>

As also earlier noted, as of December 14, 2018, when the PRA Amendments paying Highland \$2.5 million of extra compensation were entered, nine of the twenty-five Dual Employees on Exhibit A had already been terminated. Finally, as of the Petition Date, fourteen of the twenty-five Dual Employees on Exhibit A had already been terminated.

Still, no change in the monthly payments (only the unexplained *increase* in payment made by the Advisors under the PRA Amendments that had no analysis done in connection with it) were ever made or requested by the Advisors under the PRAs.

The court finds the Advisors had knowledge of the termination of Dual Employees under Exhibit A of the PRAs. Further, the court finds the Advisors continued making the same monthly payments under the PRAs, despite knowledge of the terminations, for 35 months.

G. The Advisors Knowingly and Intentionally Made All Payments under the Agreements until November 30, 2020

The evidence is undisputed that, from January 1, 2018 through November 30, 2020, the Advisors made all of the same monthly payments under the Agreements in exchange for the back-office, middle-office, and front-office services provided to them by Highland. Each of the payments that the Advisors made under the Agreements between January and November 2020 (when the new Independent Board controlled Highland) were exactly the same (or, in the case of the HCMFA SSA, utilized the exact same methodology) as the payments that the Advisors made

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<sup>98</sup> Tr. Transcript 4/12/22, Part 2 of 2 [DE # 113], at 111:22-112:5.



under the Agreements between January 1, 2018 and December 31, 2019 (when Mr. Dondero still controlled Highland).

It cannot be legitimately disputed that the Advisors had knowledge of the payments made under the Agreements. The evidence shows: (1) the Agreements were signed by Mr. Waterhouse, the Treasurer of the Advisors and the CFO of Highland;<sup>99</sup> (2) Highland sought and obtained permission from Mr. Waterhouse before making payments under the Agreements as the officer of the Advisors;<sup>100</sup> (3) Mr. Waterhouse testified that he, in his role as the Treasurer of the Advisors, was responsible for ensuring the Advisors paid the proper amounts under the Agreements;<sup>101</sup> and (4) the Advisors represented to the Retail Board that “[a]ll amounts owed by each of NPA and HCMFA pursuant to the shared services arrangement have been paid.”<sup>102</sup>

The Advisors made an argument in their trial brief that Highland was simply paying itself without any involvement from any Advisor employee or officer. This statement is disingenuous, given Mr. Waterhouse’s testimony that he was the officer in charge of making sure the proper amounts were transferred under the Agreements and his regular approval of payments.

The court finds, when considering the collective of this evidence, that the Advisors had knowledge of and authorized the payments by the Advisors to Highland under the Agreements.

#### H. The Advisors’ Stoppage of Payments under the Agreements Late in the Bankruptcy Case

As stated above, from the January 1, 2018 until November 30, 2020, the Advisors paid Highland the same fixed monthly amounts due and owing under the Agreements, without change or objection.<sup>103</sup>

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<sup>99</sup> There is one exception. The NexPoint SSA, executed in 2013, was signed by James DOndero and by an individual named Brian Mitts. Pl. Exh. 2.

<sup>100</sup> See, e.g., Pl. Exs. 147, 152.

<sup>101</sup> Tr. Transcript 4/12/22, Part 2 of 2 [DE # 113], at 69:19-25.

<sup>102</sup> Pl. Ex. 22 at ACL 080593 (response to Question 2).

<sup>103</sup> And, notably, without any request for a modification or “true-up” post-petition.



By the end of November 2020: (i) the Independent Board had demanded Mr. Dondero's resignation (from his post-petition role as a portfolio manager for Highland); (ii) Mr. Dondero had begun interfering with Highland's business and engaging in conduct that ultimately led to the imposition of injunctive relief; and (iii) Highland had delivered the termination notices for the SSAs.<sup>104</sup>

It was around this time when Mr. Dondero instructed Mr. Waterhouse to stop making any payments to Highland on account of the Agreements. As a result, the Advisors failed to make payments under the Agreements for the months of December 2020 and January 2021 (and, in the case of the HCMFA SSA, also the month of November 2020). The court finds, and there is no dispute by the Advisors, that the Advisors intentionally did not make these payments to Highland under the Agreements.

#### I. The Advisors' Lack of an Attempt to Modify the PRAs

As earlier noted, the Advisors claim that, in late 2019 or early 2020, after Highland had filed bankruptcy, Mr. Waterhouse raised the existence of overpayments with Fred Caruso ("Mr. Caruso"), an employee of Development Specialists, Inc. ("DSI"), before the new Independent Board of Highland was even appointed. Another employee of DSI, Brad Sharp, serve as the Chief Restructuring Officer in the bankruptcy, at that time (again, before the Independent Board was appointed). However, despite what was alleged in the Advisors' pleadings, Mr. Waterhouse testified that he does not remember ever asking Mr. Caruso to amend the amounts under the PRAs, only that he made him aware that there might be overpayments.<sup>105</sup> The Advisors and Mr.

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<sup>104</sup> The termination notices did not mention the PRAs. Mr. Seery credibly testified that he does not know why the PRAs were not mentioned in the termination notices, but that they were rejected as part of the confirmed plan. Tr. Transcript 4/13/22, Part 1 of 2 [DE #114], at 62:1-63:21.

<sup>105</sup> Tr. Transcript 4/12/22, Part 2 of 2, at 109:18-110:4.

Waterhouse claim that Mr. Caruso told Mr. Waterhouse that the PRAs could not be amended because of the automatic stay in place from the bankruptcy. There is no documentation of this discussion or any subsequent documentation of what Mr. Caruso or Mr. Waterhouse discussed—only the testimony of Mr. Waterhouse where he couldn’t remember specifics. Mr. Caruso did not testify at Trial.

There is no evidence that Mr. Waterhouse might have followed up with Mr. Caruso. Mr. Waterhouse never told anyone else affiliated with the Advisors that he had learned of potential overpayments, other than Scott Ellington (“Mr. Ellington”) and Isaac Leventon (“Mr. Leventon”) with Highland’s legal department, and this included not telling Mr. Dondero.<sup>106</sup> Mr. Waterhouse never made Highland’s new Independent Board aware of the alleged potential overpayments, despite many interactions with the Independent Board.<sup>107</sup> And notably absent from his testimony, was any claim that he made a formal request for modifications to the PRAs as the Advisors’ Treasurer, despite having knowledge of the alleged overpayments since at least late 2019, and likely since the PRAs were signed.

Viewing the evidence in the light most favorable to the Advisors, they only raised the issue of potential overpayments to Highland in late 2019, through Mr. Caruso, Mr. Ellington, and Mr. Leventon. The Advisors never subsequently followed up with Mr. Caruso or informed Highland’s new Independent Board of the alleged overpayments after the Independent Board was put in place shortly after the alleged conversations with Mr. Caruso. Further, and most importantly, the court finds that the Advisors, based on the testimony of Mr. Waterhouse, never made a request to modify

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<sup>106</sup> Tr. Transcript 4/12/22, Part 2 of 2, at 111:18-112:8.

<sup>107</sup> Tr. Transcript 4/12/22, Part 2 of 2, at 114:15-25.

the payments under the PRAs during the relevant period before payments were withheld in November 2020.

### III. CONCLUSIONS OF LAW

#### A. Jurisdiction and Venue

Bankruptcy subject matter jurisdiction exists in this Adversary Proceeding, pursuant to 28 U.S.C. § 1334(b), and this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (B), (C), and (O). The court has Constitutional authority to enter a final judgment in this Adversary Proceeding. While Defendants, in their Original Answer, initially contested that core matters were involved and they did not consent to bankruptcy court adjudication,<sup>108</sup> the parties later stipulated to final adjudication of these matters in the bankruptcy court.<sup>109</sup> Venue is proper in this judicial district pursuant to 28 U.S.C. § 1409.

#### B. Choice of Law

The four relevant documents in the Adversary Proceeding are the HCMFA SSA, NexPoint SSA, HCMFA PRA, and NexPoint PRA. All four of these contracts contain choice of law provisions that the Agreements “will be governed and construed in accordance with the laws of the State of Texas.”<sup>110</sup> Accordingly, Texas law applies to the claims at issue.

#### C. The Advisors’ Claims for Overpayment under the PRAs

The Advisors seek an administrative expense claim for alleged overpayments they made under the PRAs from the Petition Date until November 30, 2020 (the date the Advisors ceased making any payments under the PRAs).

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<sup>108</sup> DE # 33 in AP, ¶ 10.

<sup>109</sup> DE # 37 in AP, ¶ 2.

<sup>110</sup> Pl. Ex. 2 § 9.05; Pl. Ex. 3 § 8.04; Pl. Ex. 6 § 6.05; Pl. Ex. 8 § 6.05.

As set forth in the Joint Pretrial Order filed in this Adversary Proceeding, the Advisors contend that each of the Advisors were required to reimburse Highland for its actual costs of the Dual Employees listed on the Exhibit A's to the PRAs, but that as of the Petition Date, many of the Dual Employees (fourteen out of twenty-five) were no longer employed at Highland. Therefore, the Advisors argue, during this period, they were essentially paying Highland for Dual Employees who were no longer employed by Highland and that such payments constituted overpayments under the PRAs. The Advisors maintain that their monthly payments under the PRAs resulted in overpayments by the Advisors to Highland totaling \$7,649,942, broken down as \$4,928,103 in post-petition overpayments by HCMFA and \$2,721,839 in post-petition overpayments by NexPoint. The Advisors' overpayment claim is premised on the contention that the Advisors were only required to pay for "actual costs and expenses" relating to each particular Dual Employee.

Alternatively, the Advisors argue that if their interpretation of the PRAs is incorrect—such that the PRAs contemplated fixed monthly payments and Section 2.02 of the PRAs would have required a modification of the PRAs in order to reduce the required monthly payment to conform to a smaller number of Dual Employees—then the court should find that the Advisors did, indeed, seek to modify the fixed monthly amounts under Section 2.02, but that Highland failed to negotiate the same in good faith as required by such section.

In response, Highland argues that the PRAs clearly and unambiguously require that the Advisors pay a flat monthly amount for investment advisory services rendered, regardless of which employees actually performed those services, unless the parties agreed otherwise in writing pursuant to Section 2.02. Highland also argues that parole evidence and the parties' uninterrupted course of dealing proves that the parties intended for the Advisors to pay a fixed monthly amount

for investment advisory services, unless modified pursuant to Section 2.02. Highland further argues that the Advisors never sought modification and that their claims have been (a) waived and (b) are barred by the voluntary payment rule.

*i. The PRAs are Unambiguous as a Matter of Law*

Under Texas law, a party claiming breach of contract has the burden to prove the following elements: “(1) the existence of a valid contract; (2) performance or tendered performance by the plaintiff; (3) breach of the contract by the defendant; and (4) damages to the plaintiff as a result of the defendant's breach.” *Williams v. Wells Fargo Bank, N.A.*, 884 F.3d 239, 244 (5th Cir. 2018) (internal citations omitted). The court’s primary role in interpreting a contract is “to determine the parties’ intent as reflected in the [contract’s] terms.” *Chrysler Ins. Co. v. Greenspoint Dodge of Houston Inc.*, 297 S.W.3d 248, 252 (Tex. 2009). “Contract language that can be given a certain or definite meaning is not ambiguous and is construed as a matter of law.” *Id.* “If the contract is capable of being given a definite legal meaning, parole evidence is generally not admissible to create an ambiguity.” *Kendziorski v. Saunders*, 191 S.W.3d 395, 405 (Tex. App. – Austin 2006). “Whether a contract is ambiguous is a question of law for the court to decide by looking at the contract as a whole in light of the circumstances present when the contract was entered into.” *BCC Merchant Solutions, Inc. v. Jet Pay, LLC*, 129 F.Supp.3d 440, 466 (N.D.Tex. 2015) (internal quotations omitted); *see also Watkins v. Petro-Search, Inc.*, 689 F.2d 537, 538 (5th Cir. 1982) (“[W]hen a question relating to the construction of a contract or its ambiguity is presented, the court is to take the wording of the contract in the light of the surrounding circumstances, in order to ascertain the meaning that would be attached to the wording by a reasonably intelligent person acquainted with all operative usages and knowing all the circumstances prior to and contemporaneous with the making of the integration”).

A contract is unambiguous and will be enforced as written where it is “susceptible to only one reasonable construction.” *BCC Merchant*, 129 F.Supp.3d at 477. “[A] cardinal rule of contract interpretation under Texas law is that the entire writing must be examined” and “no single provision taken alone [may] be given controlling effect.” *Id.* (citing Texas law) (internal quotations omitted). “Where the language is clear and definite, the contract is not ambiguous, and a court must apply the plain language as a matter of law.” *Main Street Bank v. Unisen*, No. H-06-3776, 2008 WL 11483415, at \*4 (S.D.Tex. Feb. 15. 2008).

Thus, the court begins its analysis by looking at the plain language of the PRAs. In both of the PRAs, Section 2.01 mandated that the Advisors were required to pay Highland the “Actual Cost” of the services provided by the Dual Employees.<sup>111</sup> However, despite the use of the words “Actual Cost,” and an Exhibit A attachment purporting to list out the Dual Employees, the PRAs defined that term “Actual Cost” under Article I as a specific dollar amount. The PRAs defined “Actual Cost” as equal to \$252,000 per month for NexPoint and \$416,000 per month for HCMFA.<sup>112</sup> There was no requirement of periodic reevaluation of the Actual Cost; no automatic adjustments to the Actual Cost amounts, for such things as employee comings-and-goings or employee changes in job duties; and no mention of a “true-up” annually or at any other time. The PRAs simply plugged in a decisive monthly amount.

Section 4.02 of the PRAs required any party seeking modifications to amounts paid under the definition of “Actual Cost” to make a request on the other party “on or before the last business day of the calendar month.” Further, Section 2.02 permitted the parties to “agree to modify the terms and conditions” of the amounts paid and the parties were required to negotiate any

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<sup>111</sup> Pl. Ex. 6 § 2.01; Pl. Ex. 8 § 2.01.

<sup>112</sup> Pl. Ex. 6 Article I; Pl. Ex. 8 Article I.

modification requested in good faith. Finally, Section 6.02 required that any amendment to the PRAs to be in writing by all parties.

These are the PRA provisions that are germane to the disputes in this Adversary Proceeding. When reading these provisions within the entirety of the PRAs, the court concludes that the PRAs are unambiguous as a matter of law. Section 2.01 and an accompanying Article I definition of “Actual Cost” set forth a flat monthly amount; the parties agreed that this flat monthly amount would be deemed to be the “Actual Cost” of the front-office services that Highland was providing to the Advisors, through the Highland employees. The accompanying Sections 2.02, 4.02, and 6.02 allowed for a modification of these amounts, but only if a party notified the other party on or before the last business day of a calendar month that it requested such a modification. If the parties agreed to a modification, there had to be a written agreement memorializing the amendment.

The Advisors seem to argue that Sections 2.02 and 4.02 imposed an affirmative obligation on Highland to update the list of Dual Employees and their respective Allocation Percentages, or to unilaterally adjust the “Actual Costs.” The literal wording of these provisions does not support such an obligation. Under the Advisors’ interpretation of the PRA, Highland would have been obligated to invoke Section 4.02 (which is itself dependent on Section 2.02) on the Advisors’ behalf and to adjust the Advisors’ monthly payments as Dual Employees were terminated, or as changes were made in their compensation or Allocation Percentages. But again, that is simply not what the PRAs provide. The PRAs use the words the “Parties may agree to modify the terms” when assigning the obligation under Section 2.02, which the preamble defines as both Highland and the Advisors. Further, Section 4.02 requires “the Party requesting modification” to notify “the other Party.” Notably, Section 4.02 does not put this obligation solely on Highland as it uses

“Party” to refer to either party to the contract, whereas it uses “HCMLP” specifically when assigning obligations to Highland elsewhere in the PRAs. The court concludes that the unambiguous language put no unilateral obligation on Highland to amend the PRAs to reflect changes in Dual Employees, but rather on both the parties to negotiate such amendments.

*ii. Even if the PRAs Were Ambiguous, Extrinsic Evidence Supports a Fixed Payment Interpretation*

As stated above, the court concludes that the PRAs are not ambiguous, and that the only reasonable interpretation of the PRAs is they contemplate a fixed monthly payment. In fact, the only aspects of the PRAs that give the court any pause regarding ambiguity are as follow: (a) the title of the PRAs (i.e., Payroll **Reimbursement** Agreement—suggesting an intention to reimburse payroll costs); and (b) the fact that there was a list of employees attached as Exhibit A. Why use the term “reimbursement” or attach a list of employees if these words/concepts were not really dispositive of anything? If these two aspects of the PRAs make them ambiguous, then the court is required to consider the wording of the contract *in the light of the surrounding circumstances*, in order to ascertain the meaning the agreements, as might be given by a reasonably intelligent person acquainted with all operative usages, and knowing all of the circumstances prior to and contemporaneous with the making of the agreements. *See Watkins v. Petro-Search*, 689 F.2d at 538.

The Findings of Fact set out a plethora of evidence that established that the parties always contemplated fixed amounts being used to pay Highland for providing front-office services to the Advisors. This evidence included, among other things: (1) Mr. Klos credibly testifying that the PRAs, and Exhibit A’s, were created to reflect payments, in conjunction with the other Agreements, that equaled the annual amounts that Mr. Dondero wanted transferred to Highland



after the 2017/2018 Annual Review *to deal with Highland's cash liquidity problems* (recall that prior to 2018, Highland provided sub-advisory services to the Advisors for free and Highland was facing an imminent loss of its Acis sub-advisory fees); (2) Mr. Waterhouse testifying that he was aware that four of the Dual Employees had been terminated at the signing of the PRAs, yet did not seek to update the Dual Employee allocations on the Exhibit A's at any point to reflect this; (3) employees and officers of the Advisors received Monthly Headcount Reports from Highland, detailing the hiring and termination of employees, including the Dual Employees during the relevant period; (3) the Exhibit A's were never updated, even though Dual Employees were terminated over time, and no one was ever asked to update them; (4) Mr. Waterhouse, as the Advisors' Treasurer, had knowledge of Dual Employees being terminated or otherwise leaving Highland, and continued to approve payments under the PRAs on 35 separate occasions; (5) Mr. Klos communicated with Mr. Waterhouse in January 2020, during which Mr. Klos confirmed to Mr. Waterhouse that the Agreements were "flat" amount payments and the same amounts had been paid since the PRAs were signed; and (6) no request for an amendment to the PRAs was made through November 2020 (except for the 2018 PRA Amendments—pursuant to which \$2.5 million extra was paid to Highland on account of the PRAs, even though five more employees on the Exhibit A lists had left Highland since execution of the PRAs).

In summary, this extrinsic evidence further supports a conclusion that the PRAs were fixed rate contracts, if the PRAs should be determined to be ambiguous. This extrinsic evidence reveals that the Advisors were aware Dual Employees were being terminated, made no request for an amendment to the PRAs, and continued to make payments under the PRAs until Mr. Waterhouse, under the direction of Mr. Dondero, stopped making payments in November 2020.

Given that the court has concluded that the PRAs were fixed rate arrangements, the Advisors have failed to meet their burden of proving overpayments under the PRAs.

*iii. Highland Did Not Fail to Negotiate in Good Faith*

The court noted above that Section 2.02 of the PRAs included language that required the parties to negotiate in good faith when a party notifies the other party that it is requesting a modification, pursuant to Section 4.02, before the last business day of the calendar month. The Advisors allege that Highland never negotiated in good faith when the Advisors supposedly made Highland aware (through Highland's consultant, Mr. Fred Caruso) that overpayments under the PRAs may have been made, and Mr. Caruso told the Advisors that an amendment could violate the automatic stay in bankruptcy.

The court has already found and concluded that: (a) the PRAs unambiguously created a fixed amount contract; (b) Highland was under no duty to unilaterally modify the PRAs if it knew that Dual Employees were terminated; and (c) the Advisors failed to provide sufficient evidence that they made a formal request of Highland to modify the fixed monthly amount, pursuant to the terms of the PRAs.<sup>113</sup> Thus, the Advisors never triggered Highland's obligation under Section 2.02. Specifically, without a formal notification/request of the type set forth in Section 4.02 of the PRAs, Highland's obligation to negotiate in good faith could not exist. Discussing potential overpayments with a third-party consultant (Mr. Caruso)—assuming such overpayments could even be possible—is not enough. Additionally, if the automatic stay was a valid concern of the Advisors (potentially impairing their ability to exercise contractual rights under the PRA), there were options available to them, including filing a motion for relief from stay to exercise

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<sup>113</sup> The Advisors, in their pleadings, claimed Mr. Waterhouse made such a request in late 2019 in his conversations with Mr. Caruso. However, Mr. Waterhouse testified that they talked about overpayments possibly being made, but that he never recalled requesting amendment of the PRAs.

termination rights (termination was permissible under the PRAs, with or without cause, on 60-day notice)<sup>114</sup> or filing a motion to compel rejection of the PRAs pursuant to Bankruptcy Code section 365.

As such, the court concludes that Highland did not fail to negotiate in good faith under Section 2.02.

*iv. Highland's Waiver Defense to Overpayments under the PRAs*

Alternatively, if the PRAs should be construed to have contemplated variable amounts—that should have changed automatically as Dual Employees departed, as opposed to fixed rate amounts—Highland argues that the preset monthly amounts listed in the PRAs were controlling until the Advisors made a request under Section 2.02 to change those monthly amounts, and that the Advisors ***waived*** any right to overpayments by not making such a request or objecting to payments under the PRAs for all the many months during which Dual Employees were being terminated.

“Under Texas case law, waiver is the intentional relinquishment of a known right or the intentional conduct inconsistent with claiming that right.” *Sedona Contracting, Inc. v. Ford, Powell & Carson, Inc.*, 995 S.W.2d 192, 195 (Tex. App. 1999). The elements of waiver include: (1) an existing right, benefit, or advantage held by a party; (2) the party’s actual or constructive knowledge of its existence; and (3) the party’s actual intent to relinquish the right or intentional conduct inconsistent with the right (which can be inferred from the conduct). *See id.*; *see also Ulico Cas. Co. v. Allied Pilots Ass’n*, 262 S.W.3d 773, 778 (Tex. 2008); *Tenneco Inc. v. Enter. Products Co.*, 925 S.W.2d 640, 643 (Tex. 1996) (“The affirmative defense of waiver can be

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<sup>114</sup> Pl. Ex. 6 § 5.02; Pl. Ex. 8 § 5.02.

asserted against a party who intentionally relinquishes a known right or engages in intentional conduct inconsistent with claiming that right.”).

Waiver “results as a legal consequence from some act or conduct of the party against whom it operates” and is “essentially unilateral in character,” meaning “no act of the party in whose favor it is made is necessary to complete it.” *Shields Ltd. P'ship v. Bradberry*, 526 S.W.3d 471, 485 (Tex. 2017) (quotation marks omitted). “Silence or inaction, for so long a period as to show an intention to yield the known right, is also enough to prove waiver.” *Tenneco*, 925 S.W.2d at 643.

While waiver is ordinarily a question of fact, when the surrounding facts and circumstances are undisputed, the question becomes one of law. *Motor Vehicle Bd. of Tex. Dep't of Transp. v. El Paso Indep. Auto. Dealers Ass'n, Inc.*, 1 S.W.3d 108, 111 (Tex. 1999); *Tenneco*, 925 S.W.2d at 643.

The first element is met here. Pursuant to Sections 2.02 and 4.02 of the PRAs, the Advisors had the right to seek a change to the fixed monthly rate if they believed a change was appropriate.

There is no dispute over the second element. The PRAs were signed by Mr. Waterhouse as an officer of both Highland and the Advisors. Further, the Advisors have never disputed having knowledge of Sections 2.02 and 4.02 under the PRAs during the relevant period.

The third and final element is the most pertinent under the analysis for waiver—the question being whether the actions or inactions of the Advisors were sufficient to show an intention to relinquish their right to modify the PRAs. Relevant here: (a) the Advisors (through their officers Mr. Waterhouse, Mr. Norris, and Ms. Thedford) were kept up to date from before the PRAs were signed until after November 30, 2020, by Monthly Headcount Reports created by Highland and distributed to these officers; (b) the Advisors signed the PRAs on May 1, 2018, at which time, the Advisors knew four of the twenty-five Dual Employees under the attached Exhibit A’s had been

terminated; (c) the Advisors entered into the PRA Amendments in December 2018, when they had knowledge that nine of the twenty-five Dual Employees had been terminated—instead of attempting to amend under Sections 2.02 and 4.02, to reduce the monthly payments, to reflect the reduced number of Dual Employees, the Advisors paid Highland an additional sum of \$2.5 million and never requested an amendment thereafter; and (d) on the Petition Date in October 2019, the Advisors were aware that fourteen of the twenty-five Dual Employees had been terminated; yet, from the Petition Date to November 30, 2020, the Advisors never made a request to modify the PRAs under Sections 2.02 and 4.02 and continued to pay the fixed amounts, despite knowledge that over half the Dual Employees had been terminated.

In summary, the Advisors did not exercise their alleged right to correct the monthly flat amount, to account for alleged overpayments, for almost three years (from the time the contract was signed until November 30, 2020). Mr. Waterhouse authorized payments under the PRAs for almost three years—i.e., thirty-five times.

The court notes again that Mr. Waterhouse, when asked directly, did not recall ever requesting that the PRAs be amended in his conversations with Mr. Caruso and also failed to ever make a request to amend to Highland's new Independent Board. The Advisors do not claim to have made a request for amendment to the PRAs, despite claiming that Highland failed to negotiate in good faith when Mr. Caruso allegedly suggested the automatic stay might prevent amendments to the PRAs.

The waiver here cannot be remedied by the general non-waiver provisions in the PRAs.<sup>115</sup> A nonwaiver provision in a contract that purports to absolutely bar waiver in the most general of terms might be wholly ineffective and itself can be waived. *Shields Ltd. P'ship v. Bradberry*, 526

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<sup>115</sup> See Section 6.02 of Pl. Exh. 6 and Pl. Exh. 8.

S.W.3d 471, 484 (Tex. 2017) (while contrarily noting that *specific* non-waiver provisions noting specific actions or inaction that will not result in waiver are wholly enforceable). Nothing in the general non-waiver provisions in the PRAs provided any specificity as to the above actions or nonactions of the Advisors regarding amendment to the PRAs that would prevent waiver.

The Advisors never exercised their rights under Sections 2.02 and 4.02 of the PRAs and, indeed, acted counter to those rights by continuing to make payments without requesting amendment to the fixed monthly amounts from the time that the PRAs were signed until November 30, 2020, while simultaneously having knowledge that many of the Dual Employees were gone. Accordingly, the court concludes that Highland has met its burden of proof that the Advisors waived any amounts of alleged overpayments that might have been properly remedied by amendment of the monthly rates under Sections 2.02 and 4.02.

v. *Highland's Defense to Overpayments under the Voluntary Payment Rule*

Highland also raised the voluntary payment rule as a defense to the Advisors claims of overpayments. Under the voluntary payment rule, “money voluntarily paid on a claim of right, with full knowledge of all the facts, in the absence of fraud, duress, or compulsion, cannot be recovered back merely because the party at the time of payment was ignorant of or mistook the law as to his liability.” *Miga v. Jensen*, 299 S.W.3d 98, 103 (Tex. 2009). “The rule is a defense to claims asserting unjust enrichment; that is, when a plaintiff sues for restitution claiming a payment constitutes unjust enrichment, a defendant may respond with the voluntary-payment rule as a defense.” *XTO Energy Inc. v. Goodwin*, 584 S.W.3d 481, 497 (Tex. App. 2017). Highland contends that the Advisors overpayment claims under the PRAs are essentially ones for unjust enrichment and, thus, the voluntary payment rule is a proper defense to such claims.

In response, the Advisors contend that the voluntary payment rule cannot be asserted in regard to a breach of contract claim, which is what the Advisors contend they are claiming (i.e., not unjust enrichment). Texas case law cited by the Advisors states, “although the voluntary-payment rule may have been widely used by parties and some Texas courts at one time, its scope has diminished as the rule’s equitable policy concerns have been addressed through statutory or other legal remedies.” *BMG Direct Mktg., Inc. v. Peake*, 178 S.W.3d 763, 771 (Tex. 2005). “Like other equitable claims and defenses, an adequate legal remedy may render equitable claims of unjust enrichment and equitable defenses of voluntary-payment unavailable.” *Id.* at 770. While not completely abrogated, the rule today has only “limited application in Texas jurisprudence.” *Id.* at 771.

The court need not decide the scope and applicability of the voluntary payment rule to the disputes under the PRAs at this time. The court has already found and concluded that the PRAs are unambiguous and created a fixed amount payment arrangement. The court has also found and concluded that, even if the PRAs were ambiguous, the extrinsic evidence supports the interpretation that the PRAs created a fixed amount payment arrangement. Further, the court has found and concluded that, even if the PRAs were not intended to be fixed amount payment arrangements, the Advisors waived their right to modify by continuing to make payments with knowledge of terminated Dual Employees for three years.

D. The Advisors’ Claims under the SSAs

*i. The Advisors’ Claim for Breach of Contract under the SSAs*

Turning to the SSAs—which were less of a focus at Trial than the PRAs—the Advisors claim that Highland breached the SSAs by failing to perform certain services owing to the Advisors, including legal and compliance services, thereunder. The Advisors contend that on or

around July 2020, Highland instructed its employees to cease providing certain services to the Advisors which Highland believed were adverse to the interests of Highland. The Advisors maintain that this forced the Advisors to retain two new employees to “cover” for such lost services, resulting in \$425,000 in damages. The Advisors also contend that they were forced to pay Highland \$1 million for legal services that Highland was no longer providing, resulting in \$1.3 million in payments post-petition for services that Highland failed to provide. The Advisors seek damages for overpayments and breaches of the SSAs totaling \$1,725,000.

As stated above, the elements of breach of contract under Texas law are: (1) the existence of a valid contract; (2) performance or tendered performance by the plaintiff; (3) breach of the contract by the defendant; and (4) damages to the plaintiff as a result of the defendant's breach. *Williams*, 884 F.3d at 244.

Highland argues that the Advisors have not met their burden of proving the elements of breach or damages. Highland argues that the evidence, to the contrary, shows that Highland continued to perform under the SSAs—not the least of which was the evidence of the Advisors’ continuous representations to the Retail Board that the quality of services under the agreements with Highland had not deteriorated.

As discussed extensively in the court’s Findings of Fact above, the Advisors made numerous repeated representations to the Retail Board that performance under the SSAs continued as normal following July 2020—despite the Advisors now alleging that legal and compliance services were withheld.

To recap, in August 2020, the Advisors represented to the Retail Board that “there had been no issues or disruptions in services as a result of the HCMLP bankruptcy matter” and that the Advisors believed “the current shared services being provided are generally consistent with the



level of services that historically have been received.”<sup>116</sup> In September and October 2020, the Advisors continued their representations that shared services continued to be properly provided. During a two-day meeting of the Retail Board, on September 16-17, 2020, the Advisors told the Retail Board that they do “not expect that the level and quality of services would change in the immediate term, and Mr. Norris stated he was “comfortable with the level and quality of services being provided and has not seen any issue with the conflicts process.”<sup>117</sup> On October 9, 2020, the Advisors told the Retail Board there were “contingency plans” being formulated but “[i]n the interim the plan is to continue with the existing services.”<sup>118</sup> On October 13, 2020, Mr. Norris represented to the Retail Board that “all operations continued in the normal course [sic] there had been no material impact on the day-to-day operations of the Funds”.<sup>119</sup> On October 28, 2020, the Advisors continued to reassure the Retail Board by saying Highland and the Advisors were working on a “seamless transition” and the “quality and level” of services had not been negatively impacted by Highland’s bankruptcy.<sup>120</sup> A week after that, the Retail Board was told there “has not been any disruption to the services provided to the Funds by HCMLP pursuant to the Shared Services Agreement”.<sup>121</sup> The Advisors continued to communicate with the Retail Board in December 2020 and January 2021 but never made any representation Highland had provided any less quality or level of services than it had previously under the SSAs.

Based on their own representations to the Retail Board, the court finds and concludes that the Advisors have failed to meet their burden for proving the element of breach by Highland for a lack of services provided under the SSAs.

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<sup>116</sup> Pl. Ex. 59; Pl. Ex. 18.

<sup>117</sup> Pl. Ex. 60.

<sup>118</sup> Pl. Ex. 81.

<sup>119</sup> Pl. Ex. 61.

<sup>120</sup> Pl. Ex. 62.

<sup>121</sup> Pl. Ex. 63.

Further, based on those same representations and no other evidence showing otherwise, the Advisors did not meet their burden of showing damages as a result of the alleged breaches. The Advisors failed to show that the “loss” from employing two new employees to provide certain legal services were caused by Highland’s failure to perform under the SSAs.

*ii. The Advisors’ Claim for Overpayment under the SSAs*

Finally, the Advisors also have brought a claim for overpayments under the SSAs, asserting that they overpaid Highland by \$1 million for legal services that Highland stopped providing. This claim, like the Advisors’ breach of contract claim, relies on the court concluding that the Advisors have satisfied their burden of showing Highland did not perform under the SSAs. Relying on the analysis above, the court concludes that the Advisors have not satisfied their burden of showing Highland failed to provide any services contracted for under the SSAs and, thus, cannot succeed on their claim for overpayment.

*iii. Highland’s Waiver Defense to the Advisors’ Claims under the SSAs*

If the court were to find that Highland had breached the SSAs, Highland alternatively pleaded the defense of waiver, similar as it did with regard to the Advisors’ claims under the PRAs.

The elements of waiver, again, include: (1) an existing right, benefit, or advantage held by a party; (2) the party’s actual or constructive knowledge of its existence; and (3) the party’s actual intent to relinquish the right or intentional conduct inconsistent with the right (which can be inferred from the conduct). *Sedona Contracting, Inc.*, 995 S.W.2d at 195.

The Advisors don’t dispute that they signed the SSAs and were aware of the terms of the SSAs.

Again, similar to waiver under the PRAs, the third element requires the most analysis here. The Advisors have admitted that Mr. Waterhouse oversaw and authorized all payments made

under the SSAs. The Advisors never made objections to making such payments under the SSAs as they were making them. Further, the Advisors never raised any objection to the payments with Highland to put them on notice. In fact, quite the opposite, the Advisors made representations to the Retail Board, detailed above, that everything was running smoothly with regard to the services provided under the SSAs. The Advisors knowingly and intentionally made payments every month under the SSAs until November 30, 2020 but decided not to raise the issue at any point with Highland until they stopped paying under the SSAs.

The Advisors' conduct is inconsistent with asserting rights under the SSA. The Advisors hired two new employees to perform certain services under the SSAs, allegedly indicating that they thought the SSAs were being breached. Yet, the Advisors continued authorizing the same payments to Highland. The Advisors did not tell Highland that it believed required services were not being provided and did not assert an administrative expense claim at the time.

If silence were not enough, as detailed above, the Advisors made numerous representations to the Retail Board after the supposed breach that everything was operating as normal under the SSAs, and Highland's service were of the same "quality and level" as always.

The Advisors conducted themselves intentionally in a manner inconsistent with asserting their claims of breach of the SSAs. Accordingly, the court concludes the Advisors have waived their claims resulting from the payments under the SSAs.

D. Highlands' Breach of Contract Claims Relating to All Four Agreements

Finally, Highland has claimed breaches of contract by the Advisors under all four of the Agreements due to nonpayment under each Agreement for certain months, starting in November

2020. The months in which Highland claims nonpayment are as follows:

Agreement	Months of Nonpayment	Amounts Unpaid
<i>HCMFA SSA</i>	November 2020, December 2020, and January 2021	\$924,000 <sup>122</sup>
<i>HCMFA PRA</i>	December 2020 and January 2021	\$832,000 (\$416,000/month)
<i>NexPoint SSA</i>	December 2020 and January 2021	\$336,000 (\$168,000/month)
<i>NexPoint PRA</i>	December 2020 and January 2021	\$504,000 (\$252,000/month)

Highland also sought damages relating to the nonpayment of fees under its Shared Service Agreement with NREA. NREA is a wholly owned subsidiary of NexPoint. The SSA with NREA apparently had a monthly fee of \$80,000 every month, the payment on which also ceased in November 2020. While there was evidence to support this arrangement existed (for example, Mr. Waterhouse confirmed there was an SSA between Highland and NREA),<sup>123</sup> the NREA SSA itself was not submitted into evidence and NREA is not listed as a defendant to this Adversary Proceeding. The court concludes that, even though NREA is apparently a subsidiary of NexPoint, no sufficient theory of liability has been argued as to why NexPoint should be held liable for an agreement Highland made with NREA. As such, the court will not grant relief related to the alleged NREA SSA in connection with this Trial.

The burden of proving the elements of breach of contract for its claims asserted now switches to Highland. As stated above, the elements are: (1) the existence of a valid contract; (2)

<sup>122</sup> The HCMFA SSA was the one and only agreement with a variable fee arrangement. Highland made this calculation by taking the most recent payment due in November of \$308,000 and multiplying that number by three for the three months of nonpayment.

<sup>123</sup> Tr. Transcript 4/12/22, Part 2 of 2, at 70:6-17 [DE # 113}.

performance or tendered performance by the plaintiff; (3) breach of the contract by the defendant; and (4) damages to the plaintiff as a result of the defendant's breach. *Williams*, 884 F.3d at 244 (internal citations omitted).

Element one is quickly satisfied as neither party disputes the existence of valid contracts here.

The court relies on its Findings of Facts and previous Conclusions of Law to satisfy element two. As stated by the court above, the PRAs unambiguously established a fixed payment arrangement that was not variable based on the termination of certain Dual Employees. The remaining Dual Employees continued to provide front-office services and, thus, Highland performed under the PRAs. Further, Highland clearly performed under the SSAs at all times according to the Advisors' own representations to the third-party Retail Board that Highland was sufficiently performing at all times. The representations were constant and continued from July 2020 through early 2021, the entire period in which the Advisors now claim legal and compliance services were not being provided.

The third element is uncontested. The Advisors do not contest that they stopped making payments under all of the Agreements in November 2020 at the direction of Mr. Dondero.

The last element, damages, is also present and easily calculable. The nonpayment by the Advisors establishes Highland's alleged compensatory damages. Highland's damages are: (a) the amounts that were not paid in December 2020 and January 2021 under all four Agreement, plus for November 2020 in the case of the HCMFA SSA.

The court concludes that Highland has met its burden on breach of contract by the Advisors on each of the Agreements due to their nonpayment of amounts required.

E. Do Equities Matter at All Here?

This court often states that “facts matter”. Occasionally, facts suggest a certain equitable result contrary to what the law requires. This can sometimes make a court wrestle with a result. Are the Advisors being treated inequitably or unfairly here—by having to pay a fixed amount under the PRAs when the number of employees at Highland dropped precipitously during the term of the PRAs?

Putting aside for a moment the fact that the Advisors had a right to seek modification of the PRAs—a fact about which they profess confusion, because of the Bankruptcy Code’s automatic stay—here are a few facts that detract from any equitable arguments that the Advisors might have.

First, prior to 2018—for six years—Highland provided “front-office” sub-advisory services to the Advisors for free. ***For free.*** Perhaps this is the real reason why folks were not too worried about potential overpayments under the new PRAs that were executed in May 2018—at least not until the Advisors and Highland began their corporate divorce. Sounds like the Advisors had been getting a windfall.

Additionally, Mr. Seery credibly testified (and no one ever disagreed) that the SSAs (in contrast to the PRAs) were ***money-losers*** for Highland. The SSAs were unprofitable for Highland. If the PRAs were profitable, well, that arguably balanced things out a bit.

The fact is that the Agreements were not arms-length agreements, and this cannot be overlooked here. They were intercompany agreements—i.e., entered into between parties that were friendly and affiliated, back at their time of execution. The arrangements were all about the perceived needs of the Highland complex at a time when there was no bankruptcy. The evidence

suggests that everyone was just fine with the agreements for years. But the parties are now hostile and disagree on just about everything.

The fact is that the Agreements, by their terms, could have been renegotiated or terminated by either party during the bankruptcy case. But the Advisors would have had to file a motion to lift stay and ask court permission. This would not necessarily have been a good strategy for them, because the Advisors and Mr. Dondero thought/hoped he might gain back control of Highland eventually (and, therefore, would have the whole complex back under his control). Thus, it might not make sense to change the status quo on the Agreements. In any event, in such a scenario, the court might have denied relief from the stay (depending on the merits of arguments made). Or, the court might have granted relief to the Advisors, in which case Highland might have decided it had to abruptly liquidate—due to a loss of a steady cash stream—which might have caused an abrupt departure of employees or, at best, an abrupt transition of employees away from Highland to the Advisors or an entity with whom the Advisors would contract (such as Skyview). This abrupt transition might not have been pretty.

Equities? Ultimately, the court has interpreted the contracts here (and other evidence—in case the Agreements should be construed as ambiguous) as it thinks is required. But again, these were not arms-length contracts. They were contracts among insiders, made at a time when everyone was friendly. Made at a time when Highland needed cash, and at a time when Highland had been providing *free* front-office services to the Advisors for years. Free services when—meanwhile--the Advisors were parties to investment contracts with Retail Funds, whereby the Advisors were no doubt earning many millions of dollars of fees therefrom for themselves (considering that they were managing many billions of dollars of assets). If equities matter at all here, the result reached here seems entirely fair.

#### IV. DAMAGES COMPUTATION FOR JUDGMENT

The court will grant damages in favor of Highland of: (i) \$924,000 for unpaid fees under the HCMFA SSA for November 2020, December 2020, and January 2021; (ii) \$832,000 for unpaid amounts under the HCMFA PRA for December 2020 and January 2021; (iii) \$336,000 for unpaid fees under the NexPoint SSA for December 2020 and January 2021; and (iv) \$504,000 for unpaid amounts under the NexPoint PRA for December 2020 and January 2021.

All relief requested by the Advisors for administrative expense claims for (i) alleged overpayments and (2) alleged breaches of contract by Highland under the Agreements are *denied*.

Additionally, Highland has asserted that it is entitled to costs and expenses, including attorneys' fees, in connection with prosecuting its claims and defenses against the Advisors. No evidence was presented on the shifting of expenses, including attorney's fees. The parties agreed in their Joint Pretrial Order that "[t]he quantification of any attorney's fees awarded in this Adversary Proceeding, subject to defenses, will be handled through post-trial motion practice under Rule 54(d)(2), and no Party need present evidence on any attorney fee claim at the trial of this Adversary Proceeding."<sup>124</sup> Accordingly, Highland may file its post-trial motion forthwith. Unless the parties otherwise agree, Highland's post-trial motion for fees, costs, and expenses is due within 21 days of entry of these Findings of Fact and Conclusions of Law; with a Responses of the Advisors due 21 days thereafter, and any reply do 10 days thereafter. The parties may seek a hearing thereafter.

**### END OF FINDINGS OF FACT AND CONCLUSIONS OF LAW ###**

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<sup>124</sup> DE # 96 in the AP at p. 16.



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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	Chapter 11
HIGHLAND CAPITAL MANAGEMENT, L.P.,	§	
	§	Case No. 19-34054-sgj11
Debtor.	§	
	§	

**APPLICATION FOR ALLOWANCE OF  
ADMINISTRATIVE EXPENSE CLAIM**

TO THE HONORABLE STACEY G.C. JERNIGAN, U.S. BANKRUPTCY JUDGE:

COME NOW Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint,” and with HCMFA, the “Advisors”), creditors and parties in interest in the above-captioned bankruptcy case (the “Bankruptcy Case”), and file this their *Application for Allowance of Administrative Expense Claim* (the “Application”), respectfully stating as follows:

## **I. JURISDICTION AND VENUE**

1. The Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b).

2. Venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409.

## **II. BACKGROUND**

### **A. SHARED SERVICES AGREEMENTS**

3. On or about February 8, 2013, HCMFA entered into that certain *Second Amended and Restated Shared Services Agreement* (each such agreement, a “SSA”) with Highland Capital Management, L.P. (the “Debtor”). On or about the same date, NexPoint also entered into a SSA with the Debtor.

4. Under the SSAs, the Debtor agreed to provide the Advisors with certain services, including “all of the (i) finance and accounting services, (ii) human resources services, (iii) marketing services, (iv) legal services, (v) corporate services, (vi) information technology services, and (vii) operations services ....”

5. The SSAs contain the following detailed cost allocation provisions:

The Actual Cost of any item relating to any Shared Services or Shared Assets shall be allocated based on the Allocation Percentage. For purposes of this Agreement, “Allocation Percentage” means:

(a) To the extent 100% of such item is demonstrably attributable to HCMFA, 100% of the Actual Cost of such item shall be allocated to HCMFA as agreed by HCMFA;

(b) To the extent a specific percentage of use of such item can be determined (e.g., 70% for HCMLP and 30% for HCMFA), that specific percentage of the Actual Cost of such item will be allocated to HCMLP or HCMFA, as applicable and as agreed by HCMFA; and

(c) All other portions of the Actual Cost of any item that cannot be allocated pursuant to clause (a) or (b) above shall be allocated between HCMLP and HCMFA in such proportion as is agreed in good faith between the parties.

6. “‘Actual Cost’ means, with respect to any period [under the SSA], one hundred percent (100%) of the actual costs and expenses caused by, incurred or otherwise arising from or relating to (i) the Shared Services and (ii) the Shared Assets, in each case during such period.”

7. In the event a party wishes to make changes to the shared services under the SSA, “The parties will negotiate in good faith the terms upon which a Service Provider would be willing to provide such New Shared Services to [the Advisors].”

**B. PAYROLL REIMBURSEMENT AGREEMENTS**

8. On or about May 1, 2018, HCMFA entered into that certain *Payroll Reimbursement Agreement* (each such agreement a “PRA”) with the Debtor. On or about the same date, NexPoint also entered into a PRA with the Debtor.

9. Under the PRAs, the Debtor is entitled to seek reimbursement from the Advisors “for the cost of certain employees who are dual employees of [the Debtor and the Advisors] and who provide advice to registered investment companies advised by [the Advisors] under the direction and supervision of [the Debtor] ....”

10. The amount of such reimbursement is based on an actual cost allocation formula as follows: “The Actual Cost of any Dual Employee relating to the investment advisory services provided to a Fund shall be allocated based on the Allocation Percentage. For purposes of this Agreement, “Allocation Percentage” means the Parties’ good faith determination of the percentage of each Dual Employee’s aggregate hours worked during a quarter that were spent on” certain matters set forth in the PRA.

11. “‘Actual Cost’ means, with respect to any period [under the PRA], the actual costs and expenses caused by, incurred or otherwise arising from or relating to each Dual Employee, in each case during such period. Absent any changes to employee reimbursement, as set forth in Section 2.02, such costs and expenses are equal to \$252,000 per month.”

12. Section 2.02 provides the mechanism to modify employee reimbursement and also provides, “The Parties will negotiate in good faith the terms of such modification.”

**C. BANKRUPTCY FILING AND SUBSEQUENT EVENTS**

13. On October 16, 2019 (the “Petition Date”), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code (11 U.S.C. §§ 101 *et seq.*) in the United States Bankruptcy Court for the District of Delaware, thereby initiating the Bankruptcy Case. On or about December 4, 2019, the Bankruptcy Case was transferred to this Court.

14. On January 9, 2020, the Bankruptcy Court entered its *Order Approving Settlement with Official Committee of Unsecured Creditors Regarding Governance of the Debtor and Procedures for Operations in the Ordinary Course* (Dkt. No. 339, the “Settlement Order”).

15. In connection with the Settlement Order, an independent board (the “Board”) was appointed to manage the Debtor’s general partner, Strand Advisors, Inc. (“Strand”). Its members are John S. Dubel, James P. Seery, Jr., and Russel F. Nelms. Several months later, the Board, with court approval, appointed Mr. Seery as the Debtor’s CEO and CRO.

16. As the Bankruptcy Case progressed, the Court expressed concerns about the Debtor’s employees providing certain services to the non-debtor Advisors. As a result, beginning around July 2020, Mr. Seery directed the Debtor to cease providing services to the Advisors as otherwise contemplated under the SSAs and the PRAs.

17. Nevertheless, the Advisors continued to pay for those services under the SSAs and the PRAs consistent with historical practice, despite the fact that the Debtor is not providing all the required services in return. For example, upon information and belief, the Debtor has booked net income from the SSAs of approximately \$10 million since the Petition Date. Given that the SSAs represent actual-cost sharing agreements, said net revenue represents Advisor overpayments under the SSAs—the purpose of the SSAs is not to make a profit. At the same time, the Advisors

have incurred significant additional expense obtaining services elsewhere that the Debtor was required to provide under the SSAs.

18. There have also been similar overpayments under the PRAs. There is a schedule attached to the PRAs of investment professionals whose compensation would be reimbursed by the Advisors. But this schedule is incredibly outdated. It includes many individuals, for example, who departed the Debtor before the Petition Date or during the Bankruptcy Case. As a result, the Advisors estimate that, since the Petition Date, they have overpaid under the PRA's more than \$9 million.

19. The Advisors have brought these issues to Mr. Seery's attention, and in accordance with the Debtor's obligations under the SSAs and the PRAs, the Advisors expect Mr. Seery to negotiate in good faith. Discovery will be necessary to determine the precise amount of the overpayments under the SSAs and PRAs.

### **III. ARGUMENTS AND AUTHORITIES**

20. Administrative expenses generally include "the actual, necessary costs and expenses of preserving the estate ...." 11 U.S.C. § 503(b)(1)(a). However, the list of administrative expense claims set forth in section 503(b) is not exclusive or exhaustive. *In re Imperial Bev. Group, LLC*, 457 B.R. 490, 500 (Bankr. N.D. Tex. 2011) (citing various cases for the proposition that "the administrative expenses listed in the subsections of § 503(b)—preceded by 'including'—are not exclusive"); 11 U.S.C. § 102(3) ("In this title ... 'includes' and 'including' are not limiting ....").

21. Post-petition, pre-rejection performance under an executory contract gives rise to an administrative expense claim. *See NLRB v. Bildisco & Bildisco*, 465 U.S. 513, 531 (1984) (superseded by statute on other grounds) ("If the debtor-in-possession elects to continue to receive benefits from the other party to an executory contract pending a decision to reject or assume the

contract, the debtor-in-possession is obligated to pay for the reasonable value of those services ...."); *In re MCS/Tex. Direct, Inc.*, 02-40229-DML-11, 2004 Bankr. LEXIS 379, \*11-12 (Bankr. N.D. Tex. March 30, 2004) (“Even if the contract is rejected, the contract party is entitled to payment for postpetition value received by a debtor.”).

22. Similarly, a post-petition, pre-rejection breach of contract gives rise to an administrative expense claim. *See In re United Trucking Serv.*, 851 F.2d 159, 162 (6th Cir. 1988) (“the damages under the breached lease covenant, to the extent that they occurred post-petition, provided benefits to the bankrupt estate and were property accorded priority under § 503”); *Shapiro v. Meridian Auto. Sys. (Del.) (In re Lorro, Inc.)*, 391 B.R. 760, 766 (Bankr. E.D. Mich. 2008) (“the term ‘administrative expense’ has been construed to include claims based on tort, trademark infringement, patent infringement, and breach of contract”) (citing, *inter alia*, *Reading Co. v. Brown*, 391 U.S. 471 (1968)).

23. Here, under the SSAs and the RPAs, the Advisors have paid for services they did not receive and for salaries of employees who no longer exist. The Debtor, on the other hand, collected the Advisors’ payments without providing anything in exchange or incurring any actual costs. While the Advisors continued to perform under the SSAs and the RPAs, the Debtor breached its obligations under those same agreements. Accordingly, the Advisors are entitled to an administrative expense claim for the total overpayments, which, upon information and belief, total approximately \$14 million. Because the accounting information related to such costs and expenses are within the exclusive control of the Debtor, discovery will be necessary to determine the precise amount of the overpayments under the SSAs and PRAs.

#### IV. PRAYER

WHEREFORE, PREMISES CONSIDERED, the Funds and Advisors respectfully request that the Court enter an order granting this Application, awarding them an administrative expense

claim in an amount to be determined at trial (which is expected to be approximately \$14 million), and providing them such other and further relief to which they show themselves to be entitled, at law or in equity.

RESPECTFULLY SUBMITTED this 24th day of January, 2021.

MUNSCH HARDT KOPF & HARR, P.C.

/s/ Davor Rukavina

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The undersigned hereby certifies that a true and correct copy of this document was served (A) electronically by the Court's CM/ECF system on all parties entitled to such notice on January 24, 2021; and (B) by first class U.S. mail, postage prepaid, on the attached service list on January 25, 2021.

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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:

HIGHLAND CAPITAL MANAGEMENT, L.P.,<sup>1</sup>

Debtor.

)  
) Chapter 11  
)  
) Case No. 19-34054-sgj11  
)  
)  
)  
)

**DEBTOR'S OBJECTION TO APPLICATION FOR  
ADMINISTRATIVE CLAIM OF HIGHLAND CAPITAL MANAGEMENT  
FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.**

<sup>1</sup> The Debtor's last four digits of its taxpayer identification number are (6725). The headquarters and service address for the above-captioned Debtor is 300 Crescent Court, Suite 700, Dallas, TX 75201.

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Highland Capital Management, L.P. (the “Debtor”), by and through its undersigned counsel, hereby files this objection (this “Objection”) to the *Application for Allowance of Administrative Expense Claim* [Docket No. 1826] (the “Application”) filed by Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint,” and with HCMFA, the “Claimants” or “Advisors”).<sup>1</sup> In support of this Objection, the Debtor represents as follows:

### **I. PRELIMINARY STATEMENT**

1. The Application should be summarily denied on several grounds. The Claimants are owned and controlled by Mr. James Dondero (“Mr. Dondero”).<sup>2</sup> As alleged in the pending Complaints (as defined below) filed by the Debtor against Mr. Dondero, HCMFA, NexPoint, and certain other entities owned and/or controlled by Mr. Dondero (collectively, the “Dondero Entities”), Mr. Dondero and the Dondero Entities have been actively interfering with and impeding the Debtor’s business and its reorganization under the confirmed Plan and have engaged in a coordinated litigation campaign to harass the Debtor and deplete its resources,<sup>3</sup> in each case to the substantial prejudice of the Debtor’s estate and its stakeholders. The Application is another improper attempt by Dondero-controlled entities to obstruct the Debtor’s reorganization and harass the estate. The Debtor performed under the applicable Agreements, and the Advisors know that.

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<sup>1</sup> Capitalized terms not defined herein have the meanings ascribed to them below or in the Application.

<sup>2</sup> The Advisors objected to the Debtor’s Plan (as defined below) [Docket No. 1670]. In the Confirmation Order (defined below) confirming the Plan, the Court found that the Advisors were controlled by Mr. Dondero. Confirmation Order, ¶ 19.

<sup>3</sup> Confirmation Order, ¶¶ 77-78.

2. After remaining silent for more than six months<sup>4</sup> while the Debtor allegedly failed to provide services and grossly overcharged the Advisors under the parties' Agreements, and having no prepetition claims against the Debtor, the Advisors seek to manufacture a purported administrative expense priority claim by creating "facts" and rewriting the Agreements, which have been terminated by the Debtor. There will be no credible dispute that NexPoint and HCMFA stood by idly without ever (i) declaring a default under the Agreements; (ii) notifying the Debtor of any problem with the Debtor's services or billings; (iii) withholding payments under the Agreements (until notice of the termination of the Agreements); or (iv) seeking judicial relief regarding such matters. In fact, as described below, the Advisors wrote five separate letters to the Debtor in late 2020 and complained about a litany of items but made only one generalized comment about the services being provided. In short, the Advisors waived any right to dispute the sufficiency of the Debtor's services or the amounts payable to the Debtor under the Agreements.

3. Independently, the Advisors' purported overpayments to the Debtor are barred from recovery under the voluntary payment rule under Texas common law. As explained by the Texas Supreme Court, "[t]he voluntary payment rule precludes a party from 'pay[ing] out his money, leading the other party to act as though the matter were closed, and then be in the position to change his mind and invoke the aid of the courts to get it back.'"<sup>5</sup>

4. Accordingly, the Application should be denied by the Court.<sup>6</sup>

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<sup>4</sup> The Advisors allege that in July 2020, "Mr. Seery directed the Debtor to cease providing services to the Advisors as otherwise contemplated under the" applicable agreements (Application, ¶ 16) yet the Advisors sought no relief at any time and only filed the Application on January 24, 2021, on the eve of the Debtor's confirmation hearing.

<sup>5</sup> *Miga v. Jensen*, 299 S.W.3d 98, 103 (Tex. 2009).

<sup>6</sup> In the event that the Court does not resolve this matter on the pleadings, the Debtor expects to propound discovery on the Advisors, and reserves all rights with respect thereto and any other claims, causes of action, setoffs, recoupments, and rights of the Debtor against the Advisors.

## II. JURISDICTION

5. The Court has jurisdiction to consider and determine this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. §§ 157(b)(1) and (b)(2). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

6. The Debtor confirms its consent, pursuant to Rule 7008 of the Federal Rules of Bankruptcy Procedure, to the entry of a final order.

## III. BACKGROUND

7. On October 16, 2019 (the “Petition Date”), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the Bankruptcy Court for the District of Delaware, Case No. 19-12239 (CSS) (the “Delaware Court”).

8. On October 29, 2019, the Official Committee of Unsecured Creditors (the “Committee”) was appointed by the United States Trustee in the Delaware Court.

9. On December 4, 2019, the Delaware Court entered an order transferring venue of the Debtor’s bankruptcy case to this Court [Docket No. 186].<sup>7</sup>

10. On February 22, 2021, this Court entered the *Order Confirming the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified) and (ii) Granting Related Relief* [Docket No. 1943] (the “Confirmation Order”), which confirmed the *Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified)* [Docket No. 1808] (as amended, the “Plan”).<sup>8</sup>

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<sup>7</sup> All docket numbers refer to the docket maintained by this Court.

<sup>8</sup> The confirmed Plan included certain amendments filed on February 1, 2021. *See Debtor’s Notice of Filing of Plan Supplement to the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified)*, Ex. B [Docket No. 1875].

11. The Debtor has continued in the possession of its property and has continued to operate and manage its business as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in this chapter 11 case.

12. Each of the Advisors is owned and controlled, directly or indirectly, by Mr. Dondero.

13. The Debtor and NexPoint were parties to a Shared Services Agreement (“NexPoint SSA”) and a Payroll Reimbursement Agreement (“NexPoint PRA” and together with the NexPoint SSA, the “NexPoint Agreements”), each as amended or amended and restated from time to time.<sup>9</sup>

14. Likewise, the Debtor and HCMFA were parties to a Shared Services Agreement (“HCMFA SSA”) and a Payroll Reimbursement Agreement (“HCMFA PRA” and together with the HCMFA SSA, the “HCMFA Agreements”), each as amended or amended and restated from time to time. The NexPoint Agreements and the HCMFA Agreements (collectively, the “Agreements”) were terminated by the Debtor in accordance with their terms.

15. Neither of the Advisors has a prepetition claim against the Debtor. HCMFA’s proofs of claim (Claim Nos. 95 and 119) were expunged with HCMFA’s consent [Docket No. 1233]. Similarly, NexPoint’s proofs of claim (Claim Nos. 104 and 108) were also consensually expunged [Docket No. 1233].

16. At the Debtor’s request, Mr. Dondero resigned on or around October 9, 2020. Less than a week after his ouster, Mr. Dondero and the Advisors he owns and controls initiated their campaign against the Debtor. Thus, on October 16, 2020, the Advisors wrote to the Debtor and raised three issues, contending that:

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<sup>9</sup> The Advisors assert that the Debtor and NexPoint entered into the applicable SSA on February 8, 2013, the same day the Debtor and HCMFA entered into a SSA. Application ¶3. This assertion is wrong as the Debtor and NexPoint entered into that certain *Amended and Restated Shared Services Agreement* effective as of January 1, 2018.

- the Debtor had allegedly refused to permit its “employees to work on certain [unidentified] matters that jointly affect HCMLP and the Advisors” and that allegedly caused the Advisors to unnecessarily incur third-party costs;<sup>10</sup>
- *if* the Debtor terminated employees at the end of the year, the Debtor “will no longer be able to carry out its duties and responsibilities under the Agreements” (the “Prospective Complaint”); and
- the Debtor’s contemplated sale of certain assets held in CLOs could result in the loss of value, and the Advisors asked that no such assets be sold without their prior consent.

**Morris Dec. Ex. A.**<sup>11</sup>

17. On November 24, 2020, the Advisors again wrote to the Debtor, this time only to reiterate their complaints about the Debtor’s sale of CLO assets and their demand that all such sales cease in the absence of the Advisors’ prior consent. In this letter, the Advisors registered no complaints about the services the Debtor was providing or the amounts being charged or paid under the Agreements. **Morris Dec. Ex. B.**

18. The Advisors were clearly focused on the Debtor’s sale of CLO assets because on December 8, 2020, the Advisors and other Dondero-related entities filed their *Motion for Order Imposing Temporary Restrictions on Debtor’s Ability, as Portfolio Manager, to Initiate Sales by Non-Debtor CLO Vehicles* [Docket No. 1528] (the “Advisors’ CLO Motion”). **Morris Dec. Ex. C.** The Advisors’ CLO Motion was filed on an emergency basis [Docket No. 1523] (**Morris Dec. Ex. D.**), but was later denied as “frivolous.” Notably, while the Advisors’ CLO Motion proves that the Advisors know how to seek judicial relief (on an emergency basis, no less), the Advisors

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<sup>10</sup> The Advisors have never identified any particular “matters that jointly affect[ed] HCMLP and the Advisors” and caused the Advisors to unnecessarily incur third-party costs. Upon information and belief, the “matters” referred to in the October Letter are those related to the CLO issues and other Estate-Adverse Services, none of which are “services” the Debtor was ever obligated to provide. *See infra* n. 12.

<sup>11</sup> Citations marked “Morris Dec. Ex. \_\_” refer to the *Declaration of John A. Morris in Support of Debtor’s Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.* filed contemporaneously with this Objection.

registered no complaints in the Advisors' CLO Motion or at the hearing about the services the Debtor was providing or the amounts being charged or paid under the Agreements.

19. Unchastened, on December 22, 2020, the Advisors renewed their complaints about the Debtor's CLO sales. **Morris Dec. Ex. E.** The Advisors also renewed their Prospective Complaint, contending that the anticipated termination of employees on January 31, 2021 "will result in a loss of the employees that [sic] have traditionally serviced the CLOs." Other than the renewal of their Prospective Complaint, the Advisors registered no complaints in their December 22, 2020, letter about the services the Debtor was providing or the amounts being charged or paid under the Agreements.

20. The next day, the Advisors sent the Debtor another letter, this one focused exclusively on the issue of the Debtor's management of the CLOs. In their December 23, 2020, letter, the Advisors gave notice to the Debtor that they "had no choice but to initiate HCMLP's removal as fund manager" for cause. **Morris Dec. Ex. F.** The Advisors registered no complaints in their December 23, 2020 letter about the services the Debtor was providing or the amounts being charged or paid under the Agreements.

21. Finally, on December 31, 2020, the Advisors again wrote to the Debtor, this time for the sole purpose of registering complaints about the Debtor's decision to evict Mr. Dondero from the Debtor's offices. **Morris Dec. Ex. G.** Other than as specifically related to Mr. Dondero, the Advisors registered no complaints in their December 31, 2020, letter about the services the Debtor was providing or the amounts being charged or paid under the Agreements.

22. As a result of this continued harassment and incessant interference, their failure to pay, collectively, tens of millions of dollars due and owing under a series of demand notes and other notes which were in default, and for other reasons, beginning in December 2020, the Debtor

filed a number of complaints (the “Complaints”) against Mr. Dondero (Adv. Proc. No. 20-03190, filed on December 7, 2020; Adv. Proc. No. 21-03003, filed on January 22, 2021); HCMFA, NexPoint, and certain other affiliated defendants (Adv. Proc. No. 21-03000, filed on January 6, 2021); HCMFA (Adv. Proc. No. 21-03004, filed on January 22, 2021); and NexPoint (Adv. Proc. No. 21-03005, filed on January 22, 2021), among others.

23. As set forth in the Complaints (as applicable), the Debtor has substantial claims against Mr. Dondero, the Advisors and the other affiliated entities for, *inter alia*, interference with the Debtor’s business and operations (including threatening to have the Debtor removed as the portfolio manager of certain collateralized loan obligation vehicles) and for failing to pay amounts due and owing to the Debtor under certain promissory notes. Such parties’ continued disruptive behavior caused the Debtor to notify Mr. Dondero in December 2020 that he would be evicted and all services provided by the Debtor to him would be terminated.

24. The Application was filed on January 24, 2021, obviously as retaliation for the Debtor’s filing of the Complaints and refusal to surrender to the Advisors’ demands concerning the CLOs. The Application has no merit as the Debtor fulfilled its obligations under the applicable Agreements. Assuming for the sake of argument that the Debtor failed to fully perform, the Advisors plainly waived (or should otherwise be estopped from asserting) their right to complain and are otherwise barred under Texas law from recovering anything, and any claim would be subject to substantial setoffs.

25. During the chapter 11 case and prior to the termination of the Agreements, the Debtor performed the services required under the Agreements. The Debtor anticipates that if the Advisors ever specifically identify any alleged service deficiencies or overcharges, they will likely be predicated upon incredible factual assertions or absurd or other untenable contortions of the

Agreements' provisions.<sup>12</sup> Not surprisingly, the Advisors do not identify a single service that the Debtor failed to provide, and instead make only the generalized and uncorroborated assertion that they continued to make payments "despite the fact that the Debtor [was] not providing all the required services in return." Application ¶ 17.

26. The Advisors also try to belatedly manufacture a "breach" under the Payroll Reimbursement Agreements by asserting that certain unidentified employees did not provide services for some unidentified periods of time. Specifically, the Advisors observe that there "is a schedule attached to the PRAs of investment professionals whose compensation would be reimbursed by the Advisors" that is "incredibly outdated," and complain that the list includes "many individuals . . . who departed the Debtor before or during the Bankruptcy Case." Application ¶ 18. The Advisors' complaints in this regard serve only to prove that (a) the Advisors did not care about these matters as long as Mr. Dondero was in control of both the Advisors and the Debtor (*i.e.*, at all relevant times since the Agreements were executed until no later than January 9, 2020); (b) until Mr. Dondero ceased to control both the Advisors and the Debtor, the relationship was not an arms'-length relationship, and (c) the Advisors were apparently obtaining the services they bargained for even if such services were not being provided by specified individuals, because there is no allegation (and there will be no evidence) that the Advisors ever sought an adjustment

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<sup>12</sup> For example, in or after July 2020, the Debtor's new CEO reminded the Debtor's personnel that they should not provide legal services to the Advisors and other third parties that could be adverse to the bankruptcy estate ("Estate-Adverse Services"), especially in light of the Court's particularized concerns. *Order on Motion for Clarification of Ruling* [DE # 914] and *Joinders thereto* [DE ## 915 and 927] [Docket No. 935 at 10] ("This could escalate to problematic territory in a hurry. ***The court trusts the Debtor's independent directors and new CEO are scrutinizing the issue of in-house lawyers potentially advising both the Debtor and Highland Non-Debtor Entity targets.***") (emphasis in original). To the extent that the Advisors may assert the Debtor's services under the Agreements were deficient because the Debtor refused to provide any Estate-Adverse Services, such assertion is patently illogical and unsupportable. It would be an absurd construction of the Agreements to have contemplated and required the Debtor to provide the Advisors with Estate-Adverse Services. See *Sojitz Energy Venture, Inc. v. Union Oil Co.*, 394 F. Supp. 3d 687, 701 (S.D. Tex. 2019) ("We will not construe contracts to produce an absurd result when a reasonable alternative construction exists.").



in the payments or even suggested to the Debtor that they were overpaying for departed employees. Moreover, as the Advisors' litany of letters proves, to the extent the Advisors *ever* registered a concern about particular employees, it was only as part of the Prospective Complaint.

27. Tellingly, during the chapter 11 case, the Advisors did not, for instance, file an emergency motion to compel the Debtor to assume or reject the Agreements, file a motion for relief from the automatic stay to terminate the Agreements, or seek any other relief with respect to the Agreements. Nor did the Advisors declare any breach or other problem with the Debtor's services and billings or the Advisors' payments under the Agreements. Furthermore, neither in their objections to Plan confirmation nor any other filing prior to the January 24, 2021, Application did the Advisors disclose their alleged multi-million dollar administrative claim.

28. It was only *after* the chapter 11 case became contentious and the Debtor began gaining traction with its asset monetization plan that the Claimants filed the Application and notified the Debtor, the Court, and the estate's other stakeholders of their purported administrative claim in an effort to create an "asset" that could be used by Mr. Dondero in his fruitless pursuit of a "pot plan." Indeed, at all times post-petition and prior to the Debtor's notice of termination of the Agreements, the Advisors continued to pay the Debtor for the applicable fees and charges under the Agreements, without complaint or objection.

29. Finally, assuming for the sake of argument only that the Advisors had a viable claim, the Debtor is entitled to offsets and has other claims against the Advisors, with respect to which the Debtor reserves all rights. Among other things, the Advisors owe approximately \$2.56 million under the Agreements, as well as approximately \$2.22 million in unpaid expense

reimbursements. And HCMFA and NexPoint owe more than \$7.68 million<sup>13</sup> and \$23 million,<sup>14</sup> respectively, under various promissory notes owed to the Debtor.

#### IV. OBJECTIONS

A. **The Advisors Waived Any Alleged Breaches, Defaults and Claims Relating to the Purported Deficient Services and Overcharges and the Prior Payments Made By the Advisors Under the Agreements**

30. The Advisors waited more than six months to declare that the Debtor allegedly provided deficient services and overcharged the Advisors under the Agreements (“Agreement Claims”). The Agreement Claims were made *after* the Debtor terminated the Agreements in accordance with their terms. Moreover, the Agreement Claims were asserted as part of a disingenuous plan proposal which asserted the claims for the first time and then unsuccessfully tried to convince the Debtor and its creditors that a plan waiving the Agreement Claims provided the estate with \$14 million more value than the Debtor’s Plan. As explained above, in response to such developments and as part of Mr. Dondero’s pervasive scheme to disrupt the Debtor’s business and obstruct and delay the Debtor’s reorganization under the confirmed Plan, the Advisors are attempting to invent *ex post facto* a multi-million dollar administrative claim against the estate. But the Advisors’ belated complaints are barred as a matter of law.

31. The undisputed facts prove that the Advisors waived any Agreement Claims under applicable Texas law. *See Rex Performance Prods., LLC v. Tate*, 2020 Tex. App. LEXIS 10465, at \*19 (Tex. App. Dec. 31, 2020) “Waiver is defined as ‘an intentional relinquishment of a known right or intentional conduct inconsistent with claiming that right.’” *Id.* (quoting *Sun Expl. & Prod. Co. v. Benton*, 728 S.W.2d 35, 37 (Tex. 1987)). The elements of waiver include: (1) an existing

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<sup>13</sup> As asserted in the Debtor’s Complaint against HCMFA in Adv. Proc. No. 21-03004.

<sup>14</sup> As asserted in the Debtor’s Complaint against NexPoint in Adv. Proc. No. 21-03005.

right, benefit, or advantage held by a party; (2) the party's actual knowledge of its existence; and (3) the party's actual intent to relinquish the right or intentional conduct inconsistent with the right. *Ulico Cas. Co. v. Allied Pilots Ass'n*, 262 S.W.3d 773, 778 (Tex. 2008). Being largely a matter of intent, waiver is ordinarily a question of fact, but when the surrounding facts and circumstances are undisputed, the question becomes one of law. *Motor Vehicle Bd. of Tex. Dep't of Transp. v. El Paso Indep. Auto. Dealers Ass'n, Inc.*, 1 S.W.3d 108, 111 (Tex. 1999).”).

32. As discussed above, the Advisors were evidently so unconcerned with any purported Agreement Claims that, *inter alia*, they (a) continued to pay the Debtor all amounts due without protest or even a reservation of rights (“Unconditional Payments”), (b) failed to declare a default or put the Debtor on notice of any deficiency with the Debtor's services and billings and the Advisors' payments under the Agreements (“Contractual Notice Actions”), despite sending a litany of letters in late 2020 detailing other purported concerns, and (c) failed to seek judicial relief of any kind (*e.g.*, a motion to compel the Debtor to assume or reject the Agreements or a motion for relief from stay to terminate the Agreements (“Bankruptcy Court Actions”), despite having filed the Advisors' CLO Motion on an emergency basis. *See, e.g., EM Bldg. Contrs. Servs., LLC v. Byrd Bldg. Servs., LLC*, 2020 Tex. App. LEXIS 6342, \*40 (Tex. App. Aug. 11, 2020) (“Silence or inaction, for so long a period as to show an intention to yield the known right, is . . . enough to prove waiver”) (quoting *Tenneco Inc. v. Enter. Prods. Co.*, 925 S.W.2d 640, 643 (Tex. 1996)); *In re National Steel Corp.*, 316 B.R. 287, 307 (Bankr. N.D. Ill. 2004) (“[I]t is most significant that the Creditor failed to take timely action to seek appropriate relief during the term of the executory Contract. Specifically, the Creditor failed to come before the Court to seek relief from the automatic stay under 11 U.S.C. § 362(d). Nor did the Creditor seek to compel National Steel to assume or reject the Contract pursuant to § 365(d)(2) [footnote omitted]. Instead of availing itself

of the procedures set forth in the Bankruptcy Code to compel National Steel's decision to assume or reject the Contract, the Creditor paid National Steel the higher price pursuant to the Amended Price Proposal and chose to 'reserve its rights.'"). In short, the Advisors waived any right to dispute the sufficiency of the Debtor's services or the amounts payable to the Debtor under the Agreements.

33. The Advisors cannot avoid the consequences of their inaction by relying on so-called "non-waiver provisions" in the Agreements.<sup>15</sup> Texas law provides that ostensible "non-waiver provisions" can themselves be waived by the parties. *See, e.g., United States Bank, N.A. v. Kobernick*, 454 Fed. Appx. 307, 315 (5th Cir. Dec. 16, 2011) (bank's actions were inconsistent with preserving contractual right to declare a certain default and thus, the bank had waived said right, notwithstanding non-waiver clause (citing *Straus v. Kirby Court Corp.*, 909 S.W.2d 105, 108 (Tex. App. 1995) and other cases)).<sup>16</sup>

34. Here, the Advisors' monthly Unconditional Payments, failure to take any Contractual Notice Actions, and failure to take any Bankruptcy Court Actions relating to the Agreements prove that the Advisors waived any Agreement Claims, notwithstanding any non-waiver clauses in the Agreements.

35. Any purported Agreement Claims of the Advisors were viewed and treated as non-issues by the Advisors during the chapter 11 case, and were thus not preserved for purposes of the Application or otherwise.

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<sup>15</sup> For example, the Payroll Reimbursement Agreement entered into as of May 1, 2018, by and among the Debtor and HCMFA, provides in section 6.02: "No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof ...."

<sup>16</sup> The Debtor is cognizant of the Texas Supreme Court's opinion in *Shields Limited Partnership v. Bradberry*, 526 S.W.3d 471 (Tex. 2017), wherein the court stated that "as a general proposition, nonwaiver provisions are binding and enforceable." *Id.* at 481. However, the *Shields* court also stated: "To the extent there has been any doubt up to this time, we affirm that a party's rights under a nonwaiver provision may indeed be waived expressly or impliedly." *Id.* at 482-83.

**B. The Voluntary Payment Rule Effectively Bars Any Administrative Claim**

36. Separately, the “voluntary payment rule” under applicable Texas law precludes the Advisors from recovering any alleged contractual overpayments under the guise of an administrative claim. As explained above, the Advisors voluntarily and intentionally made postpetition payments under the Agreements to the Debtor. “The voluntary payment rule precludes a party from ‘pay[ing] out his money, leading the other party to act as though the matter were closed, and then be in the position to change his mind and invoke the aid of the courts to get it back.’” *Miga v. Jensen*, 299 S.W.3d 98, 103 (Tex. 2009); accord, *BMG Direct Mktg. v. Peake*, 178 S.W.3d 763 (Tex. 2005) (applying the principle to prevent the recovery of a “late fee” paid by a customer who later claimed it was unlawful); see also *Nat’l Steel Corp.*, 316 B.R. at 307-08 (“Nor is it disputed that the Creditor made the payment voluntarily, notwithstanding the fact that it announced the reservation of its rights to later ‘evaluate the situation.’ Despite the Creditor’s fervent denials that it agreed to the price increase and that such an increase was inappropriate under the Contract, the Creditor made an affirmative, voluntary decision to pay the price increase .... The Court finds that the requirements of the voluntary payment doctrine [under Michigan law, which is similar to Texas law] have been met and that, accordingly, the Creditor cannot recover any portion of the payment at issue made to National Steel.”).

**V. RESERVATION OF RIGHTS**

37. The Debtor reserves all rights relating to NexPoint, HCMFA and/or the Agreements, including, without limitation, any claims, causes of action, setoffs, recoupments and other rights of the Debtor against the Advisors.

## **VI. CONCLUSION**

The Advisors' Application for an administrative claim is part and parcel of the Advisors' and Mr. Dondero's broad strategy to subvert and hinder the Debtor's reorganization to the substantial detriment of the estate and its stakeholders. For the reasons set forth herein, the Debtor respectfully requests that the Court (i) deny the Application, (ii) disallow any asserted administrative claim of the Advisors, and (iii) grant such other and further relief as the Court deems just and proper.

Dated: May 5, 2021.

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**UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF  
TEXAS, DALLAS DIVISION**

**In Re: Highland Capital Management, L.P.** § Case No. **19-34054-SGJ-11**  
**NexPoint Advisors, L.P. et al** §

Appellant § 21-03010  
vs. §  
**Highland Capital Management, L.P.** §

Appellee § **3:22-CV-02170-S**

**[126] Judgment (final). Entered on 9/14/2022**

**APPELLANT RECORD**

**VOLUME 4**



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UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj11
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

INDEX

**AMENDED DESIGNATION OF ITEMS FOR THE RECORD ON APPEAL  
BY NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this *Amended Designation of Items for the Record on Appeal*, designating the following items for the record of said appeal:

<u>Item</u>	<u>Docket No.</u>	<u>Description</u>
<b>ADVERSARY PROCEEDING (21-03010-sgj)</b>		
1	128	Joint Notice of Appeal
2	126	Judgment
3		Docket Sheet
4	1	Plaintiff Highland Capital Management, L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief
5	33	Original Answer
6	37	Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters
7	49	Response to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
8	56	Highland Capital Management, L.P.'s Reply In Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
9	90	Advisors' Trial Brief
10	91	Highland's Proposed Findings of Fact and Conclusions of Law
11	96	Joint Pretrial Order
12	124	Findings of Fact and Conclusions of Law
<b>BANKRUPTCY CASE (19-34054-sgj-11)</b>		
13	1826	Application for Allowance of Administrative Expense Claim
14	2274	Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
<b>EVIDENCE AND TRANSCRIPTS (21-03010-SGJ)</b>		
15	115	All exhibits admitted into evidence at trial on April 12, 2022 and April 13, 2022 Thru Vol. 12
16	113	Transcript of April 12, 2022 trial
17	116	Transcript of April 13, 2022 trial
18	122	Transcript of April 27, 2022 closing arguments

RESPECTFULLY SUBMITTED this 4th day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina

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**ATTORNEYS FOR NEXPOINT ADVISORS,  
L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 4th day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

Davor Rukavina, Esq.

BTXN 208 (rev. 07/09)

IN RE: Highland Capital Management, L.P. v. Highland  
Capital Management Fund Advisors, L.P. et

Trial On Complaint  
doc. #1

Case # 21-03010-sgj

DEBTOR

**TYPE OF  
HEARING**

Highland Capital Management, L.P.

**VS**

Highland Capital Management  
Fund Advisors, L.P. et

**PLAINTIFF / MOVANT**

**DEFENDANT / RESPONDENT**

John Morris

**ATTORNEY**

Davor Rukavina

**ATTORNEY**

**EXHIBITS**

SEE EXHIBIT LIST

SEE EXHIBIT LIST

Court Admitted Exhibit's #1 through #161

Court Admitted Exhibits #A, #B, #C, #D, #E, #F,  
#G, #H, #I, #J, #K, #M, #N, #O, #P, #Q, #R, #S, #T,  
#U, #V, #W, #X, #Y, #AA, #BB, #CC & #DD

Michael Edmond

April 12,  
& 13,  
2022

Stacey G. Jernigan

REPORTED BY

HEARING  
DATE

JUDGE PRESIDING

000355

# **EXHIBIT 1**

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS

In Re:	§	
Highland Capital Management, L.P.	§	
Debtor,	§	Case No.: 19-34054-sgj
	§	
Highland Capital Management, L.P.	§	Chapter No.: 11
	§	
v.	§	Adv. Proc. No.: 21-3010-sgj
	§	
Highland Capital Management Fund Advisors,	§	
L.P., and NexPoint Advisors, L.P.	§	
	§	
Defendants.	§	
	§	
	§	
	§	

**STIPULATION BY AND AMONG NON-PARTY RETAIL BOARD, PLAINTIFF  
HIGHLAND CAPITAL MANAGEMENT, L.P., AND DEFENDANTS AND CLAIMANTS  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P. AND NEXPOINT  
ADVISORS, L.P., IN CONNECTION WITH REORGANIZED DEBTOR AND  
PLAINTIFF HIGHLAND CAPITAL MANAGEMENT, L.P.'S SUBPOENA TO THE  
RETAIL BOARD DATED JANUARY 4, 2022**

Pursuant to Rules 26 and 45 of the Federal Rules of Civil Procedure, Non-Party Retail Board ("Retail Board"), reorganized debtor and plaintiff Highland Capital Management, L.P. ("Plaintiff"), and claimants and defendants Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P. ("Defendants") enter into the following stipulation (the "Stipulation") in connection with the Retail Board's compliance with the Plaintiff's Rule 45 subpoena dated January 4, 2022 (the "Subpoena"), issued with respect to the above captioned matter (the "Action"), which contains four (4) requests for the production of documents (collectively, the

“Requests,” and each individually, a “Request”) and five (5) Rule 30(b)(6) deposition topics (collectively, the “Topics,” and each individually, a “Topic”).<sup>1</sup>

### **STIPULATIONS**

1. The Retail Board, Plaintiff and Defendants acknowledge that the “Retail Board” is defined in the Subpoena and is intended to bind the Boards of Directors/Trustees (the “Boards”) of the Funds named therein (the “Funds”). Accordingly, the Boards of each of the Funds will not require individualized subpoenas and have no objection to the service of the Subpoena on counsel for the “Retail Board” or the acceptance of service of the Subpoena by counsel as of January 5, 2022.

2. In order to reduce the burden of documentary compliance on the members of the Retail Board and to achieve a more efficient approach to locating and producing responsive documents, the Retail Board, the Plaintiff and Defendants have agreed to the following process:

- a. As soon as practicable after the execution of this Stipulation, the Retail Board shall provide Plaintiff with the email addresses used by all individuals in performing their duties while serving on any of the Boards (the “Board Members”) from October 16, 2019 through February 1, 2021 (the “Relevant Time”);
- b. As soon as practicable thereafter, Plaintiff shall search for, and produce to counsel for the Retail Board and the Defendants in electronic form (and in particular, in whatever electronic format they reasonably designate in advance), all documents and e-mails sent to or from any of the Board Members at the email addresses used during the Relevant Time (the “Initial Production”);

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<sup>1</sup> The Topics were provided on January 12, 2022, subsequent to the service of the Subpoena.



- c. Plaintiff represents that neither it nor anyone authorized to act on its behalf shall review any of the documents or e-mails contained in the Initial Production.
- d. As soon as practicable after receipt of the Initial Production, the Retail Board and the Defendants shall produce to Plaintiff all responsive, non-privileged documents and communications identified from the Initial Production (the "Responsive Documents").

3. Notwithstanding the foregoing paragraph, the process described above shall not apply to Board Member John Honis. Specifically, the Debtor shall not search for emails to and from Board Member John Honis. Rather, Mr. Honis will conduct a search and review of his records and will provide his documents to counsel for the Retail Board for review and production in accordance with the terms of the Subpoena, subject to applicable privileges and protections and objections asserted by the Retail Board ("Honis Documents").

4. As soon as practicable after the production of Responsive Documents and the Honis Documents, the parties shall confer in good faith to set the date for the deposition noticed in the Subpoena (which shall be no earlier than three business days after the production of the Responsive Documents and the Honis Documents is complete), and Plaintiff shall provide a good faith estimate of the duration of the deposition.

5. The Retail Board reserves all objections to the Subpoena and the Topics except and only to the extent addressed in this Stipulation.

6. Plaintiff reserves all rights with respect to the enforcement of the Subpoena, notwithstanding any objections asserted by Retail Board or Defendants; provided, however, that the parties agree that they shall meet and confer in a good faith attempt to resolve any disputes regarding the Subpoena, as required by the local rules.



Dated: January 11, 2022

/s/ Evan Lechtman

Evan H. Lechtman, Esquire (*pending pro hac vice admission*)

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/s/ A. Lee Hogewood III

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- and -

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COUNSEL FOR PLAINTIFF

## **EXHIBIT 2**

000362

**SECOND AMENDED AND RESTATED  
SHARED SERVICES AGREEMENT**

THIS SECOND AMENDED AND RESTATED SHARED SERVICES AGREEMENT (this “*Agreement*”) is entered into to be effective as of 8<sup>th</sup> day of February, 2013 (the “*Effective Date*”) by and among Highland Capital Management, L.P., a Delaware limited partnership (“*HCMLP*”), and Highland Capital Management Fund Advisors, L.P., formerly known as Pyxis Capital, L.P., a Delaware limited partnership (“*HCMFA*”), and any affiliate of HCMFA that becomes a party hereto. Each of the signatories hereto is individually a “*Party*” and collectively the “*Parties*”.

RECITALS

A. During the Term, HCMLP will provide to HCMFA certain services as more fully described herein and the Parties desire to allocate the costs incurred for such services and assets among them in accordance with the terms and conditions in this Agreement.

AGREEMENT

In consideration of the foregoing recitals and the mutual covenants and conditions contained herein, the Parties agree, intending to be legally bound, as follows:

ARTICLE I  
DEFINITIONS

“*Actual Cost*” means, with respect to any period hereunder, one hundred percent (100%) of the actual costs and expenses caused by, incurred or otherwise arising from or relating to (i) the Shared Services and (ii) the Shared Assets, in each case during such period.

“*Affiliate*” means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person. The term “*control*” (including, with correlative meanings, the terms “*controlled by*” and “*under common control with*”) means the possession of the power to direct the management and policies of the referenced Person, whether through ownership interests, by contract or otherwise.

“*Agreement*” has the meaning set forth in the preamble.

“*Allocation Percentage*” has the meaning set forth in Section 4.01.

“*Applicable Margin*” shall mean an additional amount equal to 5% of all costs allocated by Service Provider to the other parties hereto under Article IV; provided that the parties may agree on a different margin percentage as to any item or items to the extent the above margin percentage, together with the allocated cost of such item or service, would not reflect an arm’s length value of the particular service or item allocated.

“*Change*” has the meaning set forth in Section 2.02(a).

“*Change Request*” has the meaning set forth in Section 2.02(b).

“*Code*” means the Internal Revenue Code of 1986, as amended, and the related regulations and published interpretations.

**“Effective Date”** has the meaning set forth in the preamble.

**“Governmental Entity”** means any government or any regulatory agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

**“Liabilities”** means any cost, liability, indebtedness, obligation, co-obligation, commitment, expense, claim, deficiency, guaranty or endorsement of or by any Person of any nature (whether direct or indirect, known or unknown, absolute or contingent, liquidated or unliquidated, due or to become due, accrued or unaccrued, matured or unmatured).

**“Loss”** means any cost, damage, disbursement, expense, liability, loss, obligation, penalty or settlement, including interest or other carrying costs, legal, accounting and other professional fees and expenses incurred in the investigation, collection, prosecution and defense of claims and amounts paid in settlement, that may be imposed on or otherwise incurred or suffered by the referenced Person; provided, however, that the term **“Loss”** will not be deemed to include any special, exemplary or punitive damages, except to the extent such damages are incurred as a result of third party claims.

**“New Shared Service”** has the meaning set forth in Section 2.03.

**“Party”** or **“Parties”** has the meaning set forth in the preamble.

**“Person”** means an association, a corporation, an individual, a partnership, a limited liability company, a trust or any other entity or organization, including a Governmental Entity.

**“Quarterly Report”** has the meaning set forth in Section 5.01.

**“Recipient”** means HCMFA and any of HCMFA’s direct or indirect Subsidiaries or managed funds or accounts in their capacity as a recipient of the Shared Services and/or Shared Assets.

**“Service Provider”** means any of HCMLP and its direct or indirect Subsidiaries in its capacity as a provider of Shared Services or Shared Assets.

**“Service Standards”** has the meaning set forth in Section 6.01.

**“Shared Assets”** shall have the meaning set forth in Section 3.02.

**“Shared Services”** shall have the meaning set forth in Section 2.01.

**“Subsidiary”** means, with respect to any Person, any Person in which such Person has a direct or indirect equity ownership interest in excess of 50%.

**“Tax”** or **“Taxes”** means: (i) all state and local sales, use, value-added, gross receipts, foreign, privilege, utility, infrastructure maintenance, property, federal excise and similar levies, duties and other similar tax-like charges lawfully levied by a duly constituted taxing authority against or upon the Shared Services and the Shared Assets; and (ii) tax-related surcharges or fees that are related to the Shared Services and the Shared Assets identified and authorized by applicable tariffs.

**“Term”** has the meaning set forth in Section 7.01.

ARTICLE II  
SHARED SERVICES

Section 2.01 Services. During the Term, Service Provider will provide Recipient with Shared Services, including without limitation, all of the (i) finance and accounting services, (ii) human resources services, (iii) marketing services, (iv) legal services, (v) corporate services, (vi) information technology services, and (vii) operations services; each as requested by HCMFA and as described more fully on Annex A attached hereto, the “**Shared Services**”), it being understood that personnel providing Shared Services may be deemed to be employees of HCMFA to the extent necessary for purposes of the Investment Advisers Act of 1940, as amended.

Section 2.02 Changes to the Shared Services.

(a) During the Term, the Parties may agree to modify the terms and conditions of a Service Provider’s performance of any Shared Service in order to reflect new procedures, processes or other methods of providing such Shared Service, including modifying the applicable fees for such Shared Service to reflect the then current fair market value of such service (a “**Change**”). The Parties will negotiate in good faith the terms upon which a Service Provider would be willing to provide such New Shared Service to Recipient.

(b) The Party requesting a Change will deliver a description of the Change requested (a “**Change Request**”) and no Party receiving a Change Request may unreasonably withhold, condition or delay its consent to the proposed Change.

(c) Notwithstanding any provision of this Agreement to the contrary, a Service Provider may make: (i) Changes to the process of performing a particular Shared Service that do not adversely affect the benefits to Recipient of Service Provider’s provision or quality of such Shared Service in any material respect or increase Recipient’s cost for such Shared Service; (ii) emergency Changes on a temporary and short-term basis; and/or (iii) Changes to a particular Shared Service in order to comply with applicable law or regulatory requirements, in each case without obtaining the prior consent of Recipient. A Service Provider will notify Recipient in writing of any such Change as follows: in the case of clauses (i) and (iii) above, prior to the implementation of such Change, and, in the case of clause (ii) above, as soon as reasonably practicable thereafter.

Section 2.03 New Shared Services. The Parties may, from time to time during the Term of this Agreement, negotiate in good faith for Shared Services not otherwise specifically listed in Section 2.01 (a “**New Shared Service**”). Any agreement between the Parties on the terms for a New Shared Service must be in accordance with the provisions of Article IV and Article V hereof, will be deemed to be an amendment to this Agreement and such New Shared Service will then be a “**Shared Service**” for all purposes of this Agreement.

Section 2.04 Subcontractors. Nothing in this Agreement will prevent Service Provider from, with the consent of Recipient, using subcontractors, hired with due care, to perform all or any part of a Shared Service hereunder. A Service Provider will remain fully responsible for the performance of its obligations under this Agreement in accordance with its terms, including any obligations it performs through subcontractors, and a Service Provider will be solely responsible for payments due to its subcontractors.

ARTICLE III  
SHARED ASSETS

Section 3.01 Shared IP Rights. Each Service Provider hereby grants to Recipient a non-exclusive right and license to use the intellectual property and other rights granted or licensed, directly or indirectly, to such Service Provider (the “**Shared IP Rights**”) pursuant to third party intellectual property Agreements (“**Third Party IP Agreements**”), provided that the rights granted to Recipient hereunder are subject to the terms and conditions of the applicable Third Party IP Agreement, and that such rights shall terminate, as applicable, upon the expiration or termination of the applicable Third Party IP Agreement. Recipient shall be licensed to use the Shared IP Rights only for so long as it remains an Affiliate of HCMLP. In consideration of the foregoing licenses, Recipient agrees to take such further reasonable actions as a Service Provider deems to be necessary or desirable to comply with its obligations under the Third Party IP Agreements.

Section 3.02 Other Shared Assets. Subject to Section 3.01, each Service Provider hereby grants Recipient the right, license or permission, as applicable, to use and access the benefits under the agreements, contracts and licenses that such Service Provider will purchase, acquire, become a party or beneficiary to or license on behalf of Recipient (the “**Future Shared Assets**” and collectively with the Shared IP Rights, the “**Shared Assets**”).

ARTICLE IV  
COST ALLOCATION

Section 4.01 Actual Cost Allocation Formula. The Actual Cost of any item relating to any Shared Services or Shared Assets shall be allocated based on the Allocation Percentage. For purposes of this Agreement, “**Allocation Percentage**” means:

- (a) To the extent 100% of such item is demonstrably attributable to HCMFA, 100% of the Actual Cost of such item shall be allocated to HCMFA as agreed by HCMFA;
- (b) To the extent a specific percentage of use of such item can be determined (e.g., 70% for HCMLP and 30% for HCMFA), that specific percentage of the Actual Cost of such item will be allocated to HCMLP or HCMFA, as applicable and as agreed by HCMFA; and
- (c) All other portions of the Actual Cost of any item that cannot be allocated pursuant to clause (a) or (b) above shall be allocated between HCMLP and HCMFA in such proportion as is agreed in good faith between the parties.

Section 4.02 Non-Cash Cost Allocation. The actual, fully burdened cost of any item relating to any Shared Services or Shared Assets that does not result in a direct, out of pocket cash expense may be allocated to HCMLP and HCMFA for financial statement purposes only, as agreed by HCMFA, without any corresponding cash reimbursement required, in accordance with generally accepted accounting principles, based on the Allocation Percentage principles described in Section 4.01 hereof.

ARTICLE V  
PAYMENT OF COST AND REVENUE SHARE; TAXES

Section 5.01 Quarterly Statements. Within thirty (30) days following the end of each calendar quarter during the Term (or at such time as may be otherwise agreed by the parties), each Service Provider shall furnish the other Parties hereto with a written statement with respect to the Actual Cost paid by it in respect of Shared Services and Shared Assets provided by it, in each case, during such

period, setting forth (i) the cost allocation in accordance with Article IV hereof together with the Applicable Margin on such allocated amounts, and (ii) any amounts paid pursuant to Section 5.02 hereof, together with such other data and information necessary to complete the items described in Section 5.03 hereof (hereinafter referred to as the “*Quarterly Report*”).

Section 5.02 Settlement Payments. At any time during the Term, any Party may make payment of the amounts that are allocable to such Party together with the Applicable Margin related thereto, regardless of whether an invoice pursuant to Section 5.03 hereof has been issued with respect to such amounts.

Section 5.03 Determination and Payment of Cost and Revenue Share.

(a) Within ten (10) days of the submission of the Quarterly Report described in Section 5.02 hereof (or at such other time as may be agreed by the parties), the Parties shall (i) agree on the cost share of each of the Parties and Applicable Margin as calculated pursuant to the provisions of this Agreement; and (ii) prepare and issue invoices for the cost share and Applicable Margin payments that are payable by any of the Parties.

(b) Within ten (10) days of preparation of the agreement and the issuance of the invoice described in Section 5.03(a) (or at such other time as may be agreed by the parties), the Parties shall promptly make payment of the amounts that are set forth on such cost allocation invoice. Notwithstanding anything in this Agreement to the contrary, provision of the Shared Services shall commence from the Effective Date, but no fees shall be payable from Recipient or otherwise accrue with respect to such services provided during the month of December 2011.

Section 5.04 Taxes.

(a) Recipient is responsible for and will pay all Taxes applicable to the Shared Services and the Shared Assets provided to Recipient, provided, that such payments by Recipient to Service Provider will be made in the most tax-efficient manner and provided further, that Service Provider will not be subject to any liability for Taxes applicable to the Shared Services and the Shared Assets as a result of such payment by Recipient. Service Provider will collect such Tax from Recipient in the same manner it collects such Taxes from other customers in the ordinary course of Service Provider’s business, but in no event prior to the time it invoices Recipient for the Shared Services and Shared Assets, costs for which such Taxes are levied. Recipient may provide Service Provider with a certificate evidencing its exemption from payment of or liability for such Taxes.

(b) Service Provider will reimburse Recipient for any Taxes collected from Recipient and refunded to Service Provider. In the event a Tax is assessed against Service Provider that is solely the responsibility of Recipient and Recipient desires to protest such assessment, Recipient will submit to Service Provider a statement of the issues and arguments requesting that Service Provider grant Recipient the authority to prosecute the protest in Service Provider’s name. Service Provider’s authorization will not be unreasonably withheld. Recipient will finance, manage, control and determine the strategy for such protest while keeping Service Provider reasonably informed of the proceedings. However, the authorization will be periodically reviewed by Service Provider to determine any adverse impact on Service Provider, and Service Provider will have the right to reasonably withdraw such authority at any time. Upon notice by Service Provider that it is so withdrawing such authority, Recipient will expeditiously terminate all proceedings. Any adverse consequences suffered by Recipient as a result of the withdrawal will be submitted to arbitration pursuant to Section 9.14. Any contest for Taxes brought by Recipient may not result in any lien attaching to any property or rights of Service Provider or otherwise jeopardize Service Provider’s interests or rights in any of its property. Recipient agrees to



indemnify Service Provider for all Losses that Service Provider incurs as a result of any such contest by Recipient.

(c) The provisions of this Section 5.04 will govern the treatment of all Taxes arising as a result of or in connection with this Agreement notwithstanding any other Article of this Agreement to the contrary.

## ARTICLE VI SERVICE PROVIDER RESPONSIBILITIES

Section 6.01 Service Provider General Obligations. Service Provider will provide the Shared Services and the Shared Assets to Recipient on a non-discriminatory basis and will provide the Shared Services and the Shared Assets in the same manner as if it were providing such services and assets on its own account (the “*Service Standards*”). Service Provider will conduct its duties hereunder in a lawful manner in compliance with applicable laws, statutes, rules and regulations and in accordance with the Service Standards, including, for avoidance of doubt, laws and regulations relating to privacy of customer information.

Section 6.02 Books and Records; Access to Information. Service Provider will keep and maintain books and records on behalf of Recipient in accordance with past practices and internal control procedures. Recipient will have the right, at any time and from time to time upon reasonable prior notice to Service Provider, to inspect and copy (at its expense) during normal business hours at the offices of Service Provider the books and records relating to the Shared Services and Shared Assets, with respect to Service Provider’s performance of its obligations hereunder. This inspection right will include the ability of Recipient’s financial auditors to review such books and records in the ordinary course of performing standard financial auditing services for Recipient (but subject to Service Provider imposing reasonable access restrictions to Service Provider’s and its Affiliates’ proprietary information and such financial auditors executing appropriate confidentiality agreements reasonably acceptable to Service Provider). Service Provider will promptly respond to any reasonable requests for information or access. For the avoidance of doubt, all books and records kept and maintained by Service Provider on behalf of Recipient shall be the property of Recipient, and Service Provider will surrender promptly to Recipient any of such books or records upon Recipient’s request (provided that Service Provider may retain a copy of such books or records) and shall make all such books and records available for inspection and use by the Securities and Exchange Commission or any person retained by Recipient at all reasonable times. Such records shall be maintained by Service Provider for the periods and in the places required by laws and regulations applicable to Recipient.

Section 6.03 Return of Property and Equipment. Upon expiration or termination of this Agreement, Service Provider will be obligated to return to Recipient, as soon as is reasonably practicable, any equipment or other property or materials of Recipient that is in Service Provider’s control or possession.

## ARTICLE VII TERM AND TERMINATION

Section 7.01 Term. The term of this Agreement will commence as of the Effective Date and will continue in full force and effect until the first anniversary of the Effective Date (the “*Term*”), unless terminated earlier in accordance with Section 9.02. The Term shall automatically renew for successive one year periods unless sooner terminated under Section 7.02.

Section 7.02 Termination. Either Party may terminate this Agreement, with or without cause, upon at least 60 days advance written notice at any time prior to the expiration of the Term.

#### ARTICLE VIII LIMITED WARRANTY

Section 8.01 Limited Warranty. Service Provider will perform the Shared Services hereunder in accordance with the Service Standards. Except as specifically provided in this Agreement, Service Provider makes no express or implied representations, warranties or guarantees relating to its performance of the Shared Services and the granting of the Shared Assets under this Agreement, including any warranty of merchantability, fitness, quality, non-infringement of third party rights, suitability or adequacy of the Shared Services and the Shared Assets for any purpose or use or purpose. Service Provider will (to the extent possible and subject to Service Provider's contractual obligations) pass through the benefits of any express warranties received from third parties relating to any Shared Service and Shared Asset, and will (at Recipient's expense) assist Recipient with any warranty claims related thereto.

#### ARTICLE IX MISCELLANEOUS

Section 9.01 No Partnership or Joint Venture; Independent Contractor. Nothing contained in this Agreement will constitute or be construed to be or create a partnership or joint venture between or among HCMLP or HCMFA or their respective successors or assigns. The Parties understand and agree that, with the exception of the procurement by Service Provider of licenses or other rights on behalf of Recipient pursuant to Section 3.01, this Agreement does not make any of them an agent or legal representative of the other for any purpose whatsoever. With the exception of the procurement by Service Provider of licenses or other rights on behalf of Recipient pursuant to Section 3.01, no Party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibilities, express or implied, on behalf of or in the name of any other Party, or to bind any other Party in any manner whatsoever. The Parties expressly acknowledge that Service Provider is an independent contractor with respect to Recipient in all respects, including with respect to the provision of the Shared Services.

Section 9.02 Amendments; Waivers. Except as expressly provided herein, this Agreement may be amended only by agreement in writing of all Parties. No waiver of any provision nor consent to any exception to the terms of this Agreement or any agreement contemplated hereby will be effective unless in writing and signed by all of the Parties affected and then only to the specific purpose, extent and instance so provided. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 9.03 Schedules and Exhibits; Integration. Each Schedule and Exhibit delivered pursuant to the terms of this Agreement must be in writing and will constitute a part of this Agreement, although schedules need not be attached to each copy of this Agreement. This Agreement, together with such Schedules and Exhibits constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the Parties in connection therewith.

Section 9.04 Further Assurances. Each Party will take such actions as any other Party may reasonably request or as may be necessary or appropriate to consummate or implement the transactions contemplated by this Agreement or to evidence such events or matters.

Section 9.05 Governing Law. This Agreement and the legal relations between the Parties will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed in such State and without regard to conflicts of law doctrines unless certain matters are preempted by federal law.

Section 9.06 Assignment. Except as otherwise provided hereunder, neither this Agreement nor any rights or obligations hereunder are assignable by one Party without the express prior written consent of the other Parties.

Section 9.07 Headings. The descriptive headings of the Articles, Sections and subsections of this Agreement are for convenience only and do not constitute a part of this Agreement.

Section 9.08 Counterparts. This Agreement and any amendment hereto or any other agreement delivered pursuant hereto may be executed in one or more counterparts and by different Parties in separate counterparts. All counterparts will constitute one and the same agreement and will become effective when one or more counterparts have been signed by each Party and delivered to the other Parties.

Section 9.09 Successors and Assigns; No Third Party Beneficiaries. This Agreement is binding upon and will inure to the benefit of each Party and its successors or assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person or Governmental Entity any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 9.10 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given: (i) immediately when personally delivered; (ii) when received by first class mail, return receipt requested; (iii) one day after being sent for overnight delivery by Federal Express or other overnight delivery service; or (iv) when receipt is acknowledged, either electronically or otherwise, if sent by facsimile, telecopy or other electronic transmission device. Notices, demands and communications to the other Parties will, unless another address is specified by such Parties in writing, be sent to the addresses indicated below:

If to HCMLP, addressed to:

Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147

If to HCMFA, addressed to:

Highland Capital Management Fund Advisors, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147

Section 9.11 Expenses. Except as otherwise provided herein, the Parties will each pay their own expenses incident to the negotiation, preparation and performance of this Agreement, including the fees, expenses and disbursements of their respective investment bankers, accountants and counsel.

Section 9.12 Waiver. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 9.13 Severability. If any provision of this Agreement is held to be unenforceable for any reason, it will be adjusted rather than voided, if possible, to achieve the intent of the Parties. All other provisions of this Agreement will be deemed valid and enforceable to the extent possible.

Section 9.14 Arbitration; Jurisdiction. Notwithstanding anything contained in this Agreement or the Annexes hereto to the contrary, in the event there is an unresolved legal dispute between the parties and/or any of their respective officers, directors, partners, employees, agents, affiliates or other representatives that involves legal rights or remedies arising from this Agreement, the parties agree to submit their dispute to binding arbitration under the authority of the Federal Arbitration Act; provided, however, that either party or such applicable affiliate thereof may pursue a temporary restraining order and/or preliminary injunctive relief in connection with confidentiality covenants or agreements binding on the other party, with related expedited discovery for the parties, in a court of law, and, thereafter, require arbitration of all issues of final relief. The Arbitration will be conducted by the American Arbitration Association, or another, mutually agreeable arbitration service. The arbitrator(s) shall be duly licensed to practice law in the State of Texas. The discovery process shall be limited to the following: Each side shall be permitted no more than (i) two party depositions of six hours each. Each deposition is to be taken pursuant to the Texas Rules of Civil Procedure; (ii) one non-party deposition of six hours; (iii) twenty-five interrogatories; (iv) twenty-five requests for admission; (v) ten requests for production. In response, the producing party shall not be obligated to produce in excess of 5,000 total pages of documents. The total pages of documents shall include electronic documents; (vi) one request for disclosure pursuant to the Texas Rules of Civil Procedure. Any discovery not specifically provided for in this paragraph, whether to parties or non-parties, shall not be permitted. The arbitrator(s) shall be required to state in a written opinion all facts and conclusions of law relied upon to support any decision rendered. No arbitrator will have authority to render a decision that contains an outcome determinative error of state or federal law, or to fashion a cause of action or remedy not otherwise provided for under applicable state or federal law. Any dispute over whether the arbitrator(s) has failed to comply with the foregoing will be resolved by summary judgment in a court of law. In all other respects, the arbitration process will be conducted in accordance with the American Arbitration Association's dispute resolution rules or other mutually agreeable, arbitration service rules. The party initiating arbitration shall pay all arbitration costs and arbitrator's fees, subject to a final arbitration award on who should bear costs and fees. All proceedings shall be conducted in Dallas, Texas, or another mutually agreeable site. Each party shall bear its own attorneys fees, costs and expenses, including any costs of experts, witnesses and/or travel, subject to a final arbitration award on who should bear costs and fees. The duty to arbitrate described above shall survive the termination of this Agreement. Except as otherwise provided above, the parties hereby waive trial in a court of law or by jury. All other rights, remedies, statutes of limitation and defenses applicable to claims asserted in a court of law will apply in the arbitration.

Section 9.15 General Rules of Construction. For all purposes of this Agreement and the Exhibits and Schedules delivered pursuant to this Agreement: (i) the terms defined in Article I have the meanings assigned to them in Article I and include the plural as well as the singular; (ii) all accounting terms not otherwise defined herein have the meanings assigned under GAAP; (iii) all references in this Agreement to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of the body of this Agreement; (iv) pronouns of either gender or neuter will include, as appropriate, the other pronoun forms; (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; (vi) "or" is not exclusive; (vii) "including" and "includes" will be deemed to be followed by "but not limited to" and "but is not limited to, "respectively; (viii) any definition of or

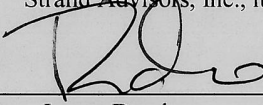
reference to any law, agreement, instrument or other document herein will be construed as referring to such law, agreement, instrument or other document as from time to time amended, supplemented or otherwise modified; and (ix) any definition of or reference to any statute will be construed as referring also to any rules and regulations promulgated thereunder.



IN WITNESS HEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized officers as of the day and year first above written.

**HIGHLAND CAPITAL MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its general partner



By: \_\_\_\_\_  
Name: James Dondero  
Title: President

**HIGHLAND CAPITAL MANAGEMENT FUND  
ADVISORS, L.P.**

By: Strand Advisors XVI, Inc., its general partner



By: \_\_\_\_\_  
Name: Brian Mitts  
Title: Assistant Secretary

**Annex A**

**Shared Services**

**Compliance**

General compliance  
Compliance systems

**Facilities**

Equipment  
General Overhead  
Office Supplies  
Rent & Parking

**Finance & Accounting**

Book keeping  
Cash management  
Cash forecasting  
Credit facility reporting  
Financial reporting  
Accounts payable  
Accounts receivable  
Expense reimbursement  
Vendor management

**HR**

Drinks/snacks  
Lunches  
Recruiting

**IT**

General support & maintenance (OMS, development, support)  
Telecom (cell, phones, broadband)  
WSO

**Legal**

Corporate secretarial services  
Document review and preparation  
Litigation support  
Management of outside counsel

**Marketing and PR**

Public relations

**Tax**

Tax audit support  
Tax planning  
Tax prep and filing

**Investments**

Investment research on an ad hoc basis as requested by HCMFA

	Valuation Committee
<u>Trading</u>	Trading desk services
<u>Operations</u>	Trade settlement



## **EXHIBIT 3**

000376

## AMENDED AND RESTATED SHARED SERVICES AGREEMENT

This Amended and Restated Shared Services Agreement (as amended, modified, waived, supplemented or restated from time to time in accordance with the terms hereof, this "Agreement"), dated effective as of January 1, 2018, is entered into by and between NexPoint Advisors, L.P., a Delaware limited partnership, as the management company hereunder (in such capacity, the "Management Company"), and Highland Capital Management, L.P., a Delaware limited partnership ("Highland"), as the staff and services provider hereunder (in such capacity, the "Staff and Services Provider" and together with the Management Company, the "Parties").

### RECITALS

WHEREAS, the Staff and Services Provider is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act");

WHEREAS, the Staff and Services Provider and the Management Company are engaged in the business of providing investment management services;

WHEREAS, the Parties entered into that certain Shared Services Agreement, dated effective as of January 1, 2013 (the "Original Agreement");

WHEREAS, the Parties desire to amend and restate the Original Agreement and the Staff and Services Provider is hereby being retained to provide certain back- and middle-office services and administrative, infrastructure and other services to assist the Management Company in conducting its business, and the Staff and Services Provider is willing to make such services available to the Management Company, in each case, on the terms and conditions hereof;

WHEREAS, the Management Company may employ certain individuals to perform portfolio selection and asset management functions for the Management Company, and certain of these individuals may also be employed simultaneously by the Staff and Services Provider during their employment with the Management Company; and

WHEREAS, each Person employed by both the Management Company and the Staff and Services Provider as described above (each, a "Shared Employee"), if any, is and shall be identified on the books and records of each of the Management Company and the Staff and Services Provider (as amended, modified, supplemented or restated from time to time).

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree, and the Original Agreement is hereby amended, restated and replaced in its entirety as follows.

### ARTICLE I

#### DEFINITIONS

Section 1.01 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

“Affiliate” shall mean with respect to a Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the first Person. The term “control” means (i) the legal or beneficial ownership of securities representing a majority of the voting power of any person or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether by contract or otherwise.

“Applicable Asset Criteria and Concentrations” means any applicable eligibility criteria, portfolio concentration limits and other similar criteria or limits which the Management Company instructs in writing to the Staff and Services Provider in respect of the Portfolio or one or more Accounts, as such criteria or limits may be modified, amended or supplemented from time to time in writing by the Management Company;

“Applicable Law” shall mean, with respect to any Person or property of such Person, any action, code, consent decree, constitution, decree, directive, enactment, finding, guideline, law, injunction, interpretation, judgment, order, ordinance, policy statement, proclamation, formal guidance, promulgation, regulation, requirement, rule, rule of law, rule of public policy, settlement agreement, statute, writ, or any particular section, part or provision thereof of any Governmental Authority to which the Person in question is subject or by which it or any of its property is bound.

“Client or Account” shall mean any fund, client or account advised by the Management Company, as applicable.

“Covered Person” shall mean the Staff and Services Provider, any of its Affiliates, and any of their respective managers, members, principals, partners, directors, officers, shareholders, employees and agents (but shall not include the Management Company, its subsidiaries or member(s) and any managers, members, principals, partners, directors, officers, shareholders, employees and agents of the Management Company or its subsidiaries or member(s) (in their capacity as such)).

“Governmental Authority” shall mean (i) any government or quasi-governmental authority or political subdivision thereof, whether national, state, county, municipal or regional, whether U.S. or non-U.S.; (ii) any agency, regulator, arbitrator, board, body, branch, bureau, commission, corporation, department, master, mediator, panel, referee, system or instrumentality of any such government, political subdivision or other government or quasi-government entity, whether non-U.S. or U.S.; and (iii) any court, whether U.S. or non-U.S.

“Indebtedness” shall mean: (a) all indebtedness for borrowed money and all other obligations, contingent or otherwise, with respect to surety bonds, guarantees of borrowed money, letters of credit and bankers’ acceptances whether or not matured, and hedges and other derivative contracts and financial instruments; (b) all obligations evidenced by notes, bonds, debentures, or similar instruments, or incurred under bank guaranty or letter of credit facilities or credit agreements; (c) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to any property of the Management Company or any subsidiary; (d) all capital lease obligations; (e) all indebtedness guaranteed by such Person or any of its subsidiaries; and (f) all indebtedness guaranteed by such Person or any of its subsidiaries.

“Operating Guidelines” means any operating guidelines attached to any portfolio management agreement, investment management agreement or similar agreement entered into between the Management Company and a Client or Account.

“Portfolio” means the portfolio of securities and other assets, including without limitation, financial instruments, equity investments, collateral loan obligations, debt securities, preferred return notes and other similar obligations held directly or indirectly by, or on behalf of, Clients and Accounts from time to time;

“Securities Act” shall mean the Securities Act of 1933, as amended.

Section 1.02 Interpretation. The following rules apply to the use of defined terms and the interpretation of this Agreement: (i) the singular includes the plural and the plural includes the singular; (ii) “or” is not exclusive (unless preceded by “either”) and “include” and “including” are not limiting; (iii) unless the context otherwise requires, references to agreements shall be deemed to mean and include such agreements as the same may be amended, supplemented, waived and otherwise modified from time to time; (iv) a reference to a law includes any amendment or modification to such law and any rules or regulations issued thereunder or any law enacted in substitution or replacement therefor; (v) a reference to a Person includes its successors and assigns; (vi) a reference to a Section without further reference is to the relevant Section of this Agreement; (vii) the headings of the Sections and subsections are for convenience and shall not affect the meaning of this Agreement; (viii) “writing”, “written” and comparable terms refer to printing, typing, lithography and other shall mean of reproducing words in a visible form (including telefacsimile and electronic mail); (ix) “hereof”, “herein”, “hereunder” and comparable terms refer to the entire instrument in which such terms are used and not to any particular article, section or other subdivision thereof or attachment thereto; and (x) references to any gender include any other gender, masculine, feminine or neuter, as the context requires.

## ARTICLE II

### SERVICES

Section 2.01 General Authority. Highland is hereby appointed as Staff and Services Provider for the purpose of providing such services and assistance as the Management Company may request from time to time to, and if applicable, to make available the Shared Employees to, the Management Company in accordance with and subject to the provisions of this Agreement and the Staff and Services Provider hereby accepts such appointment. The Staff and Services Provider hereby agrees to such engagement during the term hereof and to render the services described herein for the compensation provided herein, subject to the limitations contained herein.

Section 2.02 Provision of Services. Without limiting the generality of Section 2.01 and subject to Section 2.04 (Applicable Asset Criteria and Concentrations) below, the Staff and Services Provider hereby agrees, from the date hereof, to provide the following back- and middle-office services and administrative, infrastructure and other services to the Management Company.

(a) *Back- and Middle-Office*: Assistance and advice with respect to back- and middle-office functions including, but not limited to, investment research, trade desk services,

including trade execution and settlement, finance and accounting, payments, operations, book keeping, cash management, cash forecasting, accounts payable, accounts receivable, expense reimbursement, vendor management, and information technology (including, without limitation, general support and maintenance (OMS, development, support), telecom (cellphones, telephones and broadband) and WSO);

(b) *Legal/Compliance/Risk Analysis.* Assistance and advice with respect to legal issues, litigation support, management of outside counsel, compliance support and implementation and general risk analysis;

(c) *Tax.* Assistance and advice with respect to tax audit support, tax planning and tax preparation and filing.

(d) *Management of Clients and Accounts.* Assistance and advice with respect to (i) the adherence to Operating Guidelines by the Management Company, and (ii) performing any obligations of the Management Company under or in connection with any back- and middle-office function set forth in any portfolio management agreement, investment management agreement or similar agreement in effect between the Management Company and any Client or Account from time to time.

(e) *Valuation.* Advice relating to the appointment of suitable third parties to provide valuations on assets comprising the Portfolio and including, but not limited to, such valuations required to facilitate the preparation of financial statements by the Management Company or the provision of valuations in connection with, or preparation of reports otherwise relating to, a Client or Account for which the Management Company serves as portfolio manager or investment manager or in a similar capacity;

(f) *Execution and Documentation.* Assistance relating to the negotiation of the terms of, and the execution and delivery by the Management Company of, any and all documents which the Management Company considers to be necessary in connection with the acquisition and disposition of an asset in the Portfolio by the Management Company or a Client or Account managed by the Management Company, transactions involving the Management Company or a Client or Account managed by the Management Company, and any other rights and obligations of the Management Company or a Client or Account managed by the Management Company;

(g) *Marketing.* Provide access to marketing team representatives to assist with the marketing of the Management Company and any specified Clients or Accounts managed by the Management Company conditional on the Management Company's agreement that any incentive compensation related to such marketing shall be borne by the Management Company;

(h) *Reporting.* Assistance relating to any reporting the Management Company is required to make in relation to the Portfolio or any Client or Account, including reports relating to (i) credit facility reporting and purchases, sales, liquidations, acquisitions, disposals, substitutions and exchanges of assets in the Portfolio, (ii) the requirements of an applicable regulator, or (iii) other type of reporting which the Management Company and Staff and Services Provider may agree from time to time;



(i) *Administrative Services.* The provision of office space, information technology services and equipment, infrastructure, rent and parking and other related services requested or utilized by the Management Company from time to time;

(j) *Shared Employees.* To the extent applicable, the provision of Shared Employees and such additional human capital as may be mutually agreed by the Management Company and the Staff and Services Provider in accordance with the provisions of Section 2.03 hereof;

(k) *Ancillary Services.* Assistance and advice on all things ancillary or incidental to the foregoing; and

(l) *Other.* Assistance and advice relating to such other back- and middle-office services in connection with the day-to-day business of the Management Company as the Management Company and the Staff and Services Provider may from time to time agree.

For the avoidance of doubt, none of the services contemplated hereunder shall constitute investment advisory services, and the Staff & Services Provider shall not provide any advice to the Management Company or perform any duties on behalf of the Management Company, other than the back- and middle-office services contemplated herein, with respect to (a) the general management of the Management Company, its business or activities, (b) the initiation or structuring of any Client or Account or similar securitization, (c) the substantive investment management decisions with respect to any Client or Account or any related collateral obligations or securitization, (d) the actual selection of any collateral obligation or assets by the Management Company, (e) binding recommendations as to any disposal of or amendment to any Collateral Obligation or (f) any similar functions.

Section 2.03 Shared Employees.

(a) The Staff and Services Provider hereby agrees and consents that each Shared Employee, if any, shall be employed by the Management Company, and the Management Company hereby agrees and consents that each Shared Employee shall be employed by the Staff and Services Provider. Except as may otherwise separately be agreed in writing between the applicable Shared Employee and the Management Company and/or the Staff and Services Provider, in each of their discretion, each Shared Employee is an at-will employee and no guaranteed employment or other employment arrangement is agreed or implied by this Agreement with respect to any Shared Employee, and for avoidance of doubt this Agreement shall not amend, limit, constrain or modify in any way the employment arrangements as between any Shared Employee and the Staff and Services Provider or as between any Shared Employee and the Management Company, it being understood that the Management Company may enter into a short-form employment agreement with any Shared Employee memorializing such Shared Employee's status as an employee of the Management Company. To the extent applicable, the Staff and Services Provider shall ensure that the Management Company has sufficient access to the Shared Employees so that the Shared Employees spend adequate time to provide the services required hereunder. The Staff and Services Provider may also employ the services of persons other than the Specified Persons as it deems fit in its sole discretion

(b) Notwithstanding that the Shared Employees, if any, shall be employed by both the Staff and Services Provider and the Management Company, the Parties acknowledge and agree that any and all salary and benefits of each Shared Employee shall be paid exclusively by the Staff and Services Provider and shall not be paid or borne by the Management Company and no additional amounts in connection therewith shall be due from the Management Company to the Staff and Services Provider.

(c) To the extent that a Shared Employee participates in the rendering of services to the Management Company's clients, the Shared Employee shall be subject to the oversight and control of the Management Company and such services shall be provided by the Shared Employee exclusively in his or her capacity as a "supervised person" of, or "person associated with", the Management Company (as such terms are defined in Sections 202(a)(25) and 202(a)(17), respectively, of the Advisers Act).

(d) Each Party may continue to oversee, supervise and manage the services of each Shared Employee in order to (1) ensure compliance with the Party's compliance policies and procedures, (2) ensure compliance with regulations applicable to the Party and (3) protect the interests of the Party and its clients; *provided* that Staff and Services Provider shall (A) cooperate with the Management Company's supervisory efforts and (B) make periodic reports to the Management Company regarding the adherence of Shared Employees to Applicable Law, including but not limited to the 1940 Act, the Advisers Act and the United States Commodity Exchange Act of 1936, as amended, in performing the services hereunder.

(e) Where a Shared Employee provides services hereunder through both Parties, the Parties shall cooperate to ensure that all such services are performed consistently with Applicable Law and relevant compliance controls and procedures designed to prevent, among other things, breaches in information security or the communication of confidential, proprietary or material non-public information.

(f) The Staff and Services Provider shall ensure that each Shared Employee has any registrations, qualifications and/or licenses necessary to provide the services hereunder.

(g) The Parties will cooperate to ensure that information about the Shared Employees is adequately and appropriately disclosed to clients, investors (and potential investors), investment banks operating as initial purchaser or placement agent with respect to any Client or Account, and regulators, as applicable. To facilitate such disclosure, the Staff and Services Provider agrees to provide, or cause to be provided, to the Management Company such information as is deemed by the Management Company to be necessary or appropriate with respect to the Staff and Services Provider and the Shared Employees (including, but not limited to, biographical information about each Shared Employee).

(h) The Parties shall cooperate to ensure that, when so required, each has adopted a Code of Ethics meeting the requirements of the Advisers Act ("Code of Ethics") that is consistent with applicable law and which is substantially similar to the other Party's Code of Ethics.

(i) The Staff and Services Provider shall make reasonably available for use by the Management Company, including through Shared Employees providing services pursuant to this Agreement, any relevant intellectual property and systems necessary for the provision of the services hereunder.

(j) The Staff and Services Provider shall require that each Shared Employee:

(i) certify that he or she is subject to, and has been provided with, a copy of each Party's Code of Ethics and will make such reports, and seek prior clearance for such actions and activities, as may be required under the Codes of Ethics;

(ii) be subject to the supervision and oversight of each Party's officers and directors, including without limitation its Chief Compliance Officer ("CCO"), which CCO may be the same Person, with respect to the services provided to that Party or its clients;

(iii) provide services hereunder and take actions hereunder only as approved by the Management Company;

(iv) provide any information requested by a Party, as necessary to comply with applicable disclosure or regulatory obligations;

(v) to the extent authorized to transact on behalf of the Management Company or a Client or Account, take reasonable steps to ensure that any such transaction is consistent with any policies and procedures that may be established by the Parties and all Applicable Asset Criteria and Concentrations; and

(vi) act, at all times, in a manner consistent with the fiduciary duties and standard of care owed by the Management Company to its members and direct or indirect investors or to a Client or Account as well as clients of Staff and Services Provider by seeking to ensure that, among other things, information about any investment advisory or trading activity applicable to a particular client or group of clients is not used to benefit the Shared Employee, any Party or any other client or group of clients in contravention of such fiduciary duties or standard of care.

(k) Unless specifically authorized to do so, or appointed as an officer or authorized person of the Management Company with such authority, no Shared Employee may contract on behalf or in the name of the Management Company, acting as principal.

Section 2.04 Applicable Asset Criteria and Concentrations. The Management Company will promptly inform the Staff and Services Provider in writing of any Applicable Asset Criteria and Concentrations to which it agrees from time to time and the Staff and Services Provider shall take such Applicable Asset Criteria and Concentrations into account when providing assistance and advice in accordance with Section 2.02 above and any other assistance or advice provided in accordance with this Agreement.

Section 2.05 Compliance with Management Company Policies and Procedures. The Management Company will from time to time provide the Staff and Services Provider and the



Shared Employees, if any, with any policy and procedure documentation which it establishes internally and to which it is bound to adhere in conducting its business pursuant to regulation, contract or otherwise. Subject to any other limitations in this Agreement, the Staff and Services Provider will use reasonable efforts to ensure any services it and the Shared Employees provide pursuant to this Agreement complies with or takes account of such internal policies and procedures.

Section 2.06 Authority. The Staff and Services Provider's scope of assistance and advice hereunder is limited to the services specifically provided for in this Agreement. The Staff and Services Provider shall not assume or be deemed to assume any rights or obligations of the Management Company under any other document or agreement to which the Management Company is a party. Notwithstanding any other express or implied provision to the contrary in this Agreement, the activities of the Staff and Services Provider pursuant to this Agreement shall be subject to the overall policies of the Management Company, as notified to the Staff and Services Provider from time to time. The Staff and Services Provider shall not have any duties or obligations to the Management Company unless those duties and obligations are specifically provided for in this Agreement (or in any amendment, modification or novation hereto or hereof to which the Staff and Services Provider is a party).

Section 2.07 Third Parties.

(a) The Staff and Services Provider may employ third parties, including its affiliates, to render advice, provide assistance and to perform any of its duties under this Agreement; *provided* that notwithstanding the employment of third parties for any such purpose, the Staff and Services Provider shall not be relieved of any of its obligations or liabilities under this Agreement.

(b) In providing services hereunder, the Staff and Services Provider may rely in good faith upon and will incur no liability for relying upon advice of nationally recognized counsel (which may be counsel for the Management Company, a Client or Account or any Affiliate of the foregoing), accountants or other advisers as the Staff and Services Provider determines, in its sole discretion, is reasonably appropriate in connection with the services provided by the Staff and Services Provider under this Agreement.

Section 2.08 Management Company to Cooperate with the Staff and Services Provider. In furtherance of the Staff and Services Provider's obligations under this Agreement the Management Company shall cooperate with, provide to, and fully inform the Staff and Services Provider of, any and all documents and information the Staff and Services Provider reasonably requires to perform its obligations under this Agreement.

Section 2.09 Power of Attorney. If the Management Company considers it necessary for the provision by the Staff and Services Provider of the assistance and advice under this Agreement (after consultation with the Staff and Services Provider), it may appoint the Staff and Services Provider as its true and lawful agent and attorney, with full power and authority in its name to sign, execute, certify, swear to, acknowledge, deliver, file, receive and record any and all documents that the Staff and Services Provider reasonably deems appropriate or necessary in connection with the execution and settlement of acquisitions of assets as directed by the Management Company

and the Staff and Services Provider's powers and duties hereunder (which for the avoidance of doubt shall in no way involve the discretion and/or authority of the Management Company with respect to investments). Any such power shall be revocable in the sole discretion of the Management Company.

### ARTICLE III

#### CONSIDERATION AND EXPENSES

Section 3.01 Consideration. As compensation for its performance of its obligations as Staff and Services Provider under this Agreement, the Staff and Services Provider will be entitled to receive a flat fee of \$168,000 per month (the "Staff and Services Fee"), payable monthly in advance on the first business day of each month.

Section 3.02 Costs and Expenses. Each party shall bear its own expenses; *provided* that the Management Company shall reimburse the Staff and Services Provider for any and all costs and expenses that may be borne properly by the Management Company.

Section 3.03 Deferral. Notwithstanding anything to the contrary contained herein, if on any date the Management Company determines that it would not have sufficient funds available to it to make a payment of Indebtedness, it shall have the right to defer any all and amounts payable to the Staff and Services Provider pursuant to this Agreement, including any fees and expenses; *provided* that the Management Company shall promptly pay all such amounts on the first date thereafter that sufficient amounts exist to make payment thereof.

### ARTICLE IV

#### REPRESENTATIONS AND COVENANTS

Section 4.01 Representations. Each of the Parties hereto represents and warrants that:

(a) It has full power and authority to execute and deliver, and to perform its obligations under, this Agreement;

(b) this Agreement has been duly authorized, executed and delivered by it and constitutes its valid and binding, obligation, enforceable in accordance with its terms except as the enforceability hereof may be subject to (i) bankruptcy, insolvency, reorganization moratorium, receivership, conservatorship or other similar laws now or hereafter in effect relating to creditors' rights and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding, in equity or at law);

(c) no consent, approval, authorization or order of or declaration or filing with any Governmental Authority is required for the execution of this Agreement or the performance by it of its duties hereunder, except such as have been duly made or obtained; and

(d) neither the execution and delivery of this Agreement nor the fulfillment of the terms hereof conflicts with or results in a breach or violation of any of the terms or provisions of, or constitutes a default under, (i) its constituting and organizational documents; or (ii) the terms

of any material indenture, contract, lease, mortgage, deed of trust, note, agreement or other evidence of indebtedness or other material agreement, obligation, condition, covenant or instrument to which it is a party or by which it is bound.

## ARTICLE V

### COVENANTS

#### Section 5.01 Compliance; Advisory Restrictions.

(a) The Staff and Services Provider shall reasonably cooperate with the Management Company in connection with the Management Company's compliance with its policies and procedures relating to oversight of the Staff and Services Provider. Specifically, the Staff and Services Provider agrees that it will provide the Management Company with reasonable access to information relating to the performance of Staff and Services Provider's obligations under this Agreement.

(b) This Agreement is not intended to and shall not constitute an assignment, pledge or transfer of any portfolio management agreement or any part thereof. It is the express intention of the parties hereto that this Agreement and all services performed hereunder comply in all respects with all (a) applicable contractual provisions and restrictions contained in each portfolio management agreement, investment management agreement or similar agreement and each document contemplated thereby; and (b) Applicable Laws (collectively, the "Advisory Restrictions"). If any provision of this Agreement is determined to be in violation of any Advisory Restriction, then the services to be provided under this Agreement shall automatically be limited without action by any person or entity, reduced or modified to the extent necessary and appropriate to be enforceable to the maximum extent permitted by such Advisory Restriction.

#### Section 5.02 Records; Confidentiality.

The Staff and Services Provider shall maintain or cause to be maintained appropriate books of account and records relating to its services performed hereunder, and such books of account and records shall be accessible for inspection by representatives of the Management Company and its accountants and other agents at any time during normal business hours and upon not less than three (3) Business Days' prior notice; *provided* that the Staff and Services Provider shall not be obligated to provide access to any non-public information if it in good faith determines that the disclosure of such information would violate any applicable law, regulation or contractual arrangement.

The Staff and Services Provider shall follow its customary procedures to keep confidential any and all information obtained in connection with the services rendered hereunder that is either (a) of a type that would ordinarily be considered proprietary or confidential, such as information concerning the composition of assets, rates of return, credit quality, structure or ownership of securities, or (b) designated as confidential obtained in connection with the services rendered by the Staff and Services Provider hereunder and shall not disclose any such information to non-affiliated third parties, except (i) with the prior written consent of the Management Company, (ii) such information as a rating agency shall reasonably request in connection with its

rating of notes issued by a CLO or supplying credit estimates on any obligation included in the Portfolio, (iii) in connection with establishing trading or investment accounts or otherwise in connection with effecting transactions on behalf of the Management Company or any Client or Account for which the Management Company serves as portfolio manager or investment manager or in a similar capacity, (iv) as required by (A) Applicable Law or (B) the rules or regulations of any self-regulating organization, body or official having jurisdiction over the Staff and Services Provider or any of its Affiliates, (v) to its professional advisors (including, without limitation, legal, tax and accounting advisors), (vi) such information as shall have been publicly disclosed other than in known violation of this Agreement or shall have been obtained by the Staff and Services Provider on a non-confidential basis, (vii) such information as is necessary or appropriate to disclose so that the Staff and Services Provider may perform its duties hereunder, (viii) as expressly permitted in the final offering memorandum or any definitive transaction documents relating to any Client or Account, (ix) information relating to performance of the Portfolio as may be used by the Staff and Services Provider in the ordinary course of its business or (xx) such information as is routinely disclosed to the trustee, custodian or collateral administrator of any Client or Account in connection with such trustee's, custodian's or collateral administrator's performance of its obligations under the transaction documents related to such Client or Account. Notwithstanding the foregoing, it is agreed that the Staff and Services Provider may disclose without the consent of any Person (1) that it is serving as staff and services provider to the Management Company, (2) the nature, aggregate principal amount and overall performance of the Portfolio, (3) the amount of earnings on the Portfolio, (4) such other information about the Management Company, the Portfolio and the Clients or Accounts as is customarily disclosed by staff and services providers to management vehicles similar to the Management Company, and (5) the United States federal income tax treatment and United States federal income tax structure of the transactions contemplated by this Agreement and the related documents and all materials of any kind (including opinions and other tax analyses) that are provided to them relating to such United States federal income tax treatment and United States income tax structure. This authorization to disclose the U.S. tax treatment and tax structure does not permit disclosure of information identifying the Staff and Services Provider, the Clients or Accounts or any other party to the transactions contemplated by this Agreement (except to the extent such information is relevant to U.S. tax structure or tax treatment of such transactions).

## ARTICLE VI

### EXCULPATION AND INDEMNIFICATION

Section 6.01. Standard of Care. Except as otherwise expressly provided herein, each Covered Person shall discharge its duties under this Agreement with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. To the extent not inconsistent with the foregoing, each Covered Person shall follow its customary standards, policies and procedures in performing its duties hereunder. No Covered Person shall deal with the income or assets of the Management Company in such Covered Person's own interest or for its own account. Each Covered Person in its respective sole and absolute discretion may separately engage or invest in any other business ventures, including those that may be in competition with the Management Company, and the Management Company will not have any rights in or to such ventures or the income or profits derived therefrom.



Section 6.02 Exculpation. To the fullest extent permitted by law, no Covered Person will be liable to the Management Company, any Member, or any shareholder, partner or member thereof, for (i) any acts or omissions by such Covered Person arising out of or in connection with the conduct of the business of the Management Company or its General Partner, or any investment made or held by the Management Company or its General Partner, unless it is determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, to be the result of gross negligence or to constitute fraud or willful misconduct (as interpreted under the laws of the State of Delaware) (each, a “Disabling Conduct”) on the part of such Covered Person, (ii) any act or omission of any Investor, (iii) any mistake, gross negligence, misconduct or bad faith of any employee, broker, administrator or other agent or representative of such Covered Person, *provided* that such employee, broker, administrator or agent was selected, engaged or retained by or on behalf of such Covered Person with reasonable care, or (iv) any consequential (including loss of profit), indirect, special or punitive damages. To the extent that, at law or in equity, any Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the Management Company or any Member, no Covered Person acting under this Agreement shall be liable to the Management Company or to any such Member for its good-faith reliance on the provisions of this Agreement. The exculpations set forth in this Section 6.02 shall exculpate any Covered Person regardless of such Covered Person’s sole, comparative, joint, concurrent, or subsequent negligence.

To the fullest extent permitted by law, no Covered Person shall have any personal liability to the Management Company or any Member solely by reason of any change in U.S. federal, state or local or foreign income tax laws, or in interpretations thereof, as they apply to the Management Company or the Members, whether the change occurs through legislative, judicial or administrative action.

Any Covered Person in its sole and absolute discretion may consult legal counsel, accountants or other advisers selected by it, and any act or omission taken, or made in good faith by such Person on behalf of the Management Company or in furtherance of the business of the Management Company in good-faith reliance on and in accordance with the advice of such counsel, accountants or other advisers shall be full justification for the act or omission, and to the fullest extent permitted by applicable law, no Covered Person shall be liable to the Management Company or any Member in so acting or omitting to act if such counsel, accountants or other advisers were selected, engaged or retained with reasonable care.

Section 6.03 Indemnification by the Management Company. The Management Company shall and hereby does, to the fullest extent permitted by applicable law, indemnify and hold harmless any Covered Person from and against any and all claims, causes of action (including, but not limited to, strict liability, negligence, statutory violation, regulatory violation, breach of contract, and all other torts and claims arising under common law), demands, liabilities, costs, expenses, damages, losses, suits, proceedings, judgments, assessments, actions and other liabilities, whether judicial, administrative, investigative or otherwise, of whatever nature, known or unknown, liquidated or unliquidated (“Claims”), that may accrue to or be incurred by any Covered Person, or in which any Covered Person may become involved, as a party or otherwise, or with which any Covered Person may be threatened, relating to or arising out of the investment or other activities of the Management Company or its General Partner, or activities undertaken in connection with the Management Company or its General Partner, or otherwise relating to or

arising out of this Agreement, including amounts paid in satisfaction of judgments, in compromise or as fines or penalties, and attorneys' fees and expenses incurred in connection with the preparation for or defense or disposition of any investigation, action, suit, arbitration or other proceeding (a "Proceeding"), whether civil or criminal (all of such Claims, amounts and expenses referred to therein are referred to collectively as "Damages"), except to the extent that it shall have been determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, that such Damages arose primarily from Disabling Conduct of such Covered Person. The termination of any Proceeding by settlement, judgment, order, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that any Damages relating to such settlement, judgment, order, conviction or plea of nolo contendere or its equivalent or otherwise relating to such Proceeding arose primarily from Disabling Conduct of any Covered Persons. Any Covered Person shall be indemnified under the terms of this Section 6.03 regardless of such Covered Person's sole, comparative, joint, concurrent, or subsequent negligence.

Expenses (including attorneys' fees) incurred by a Covered Person in defense or settlement of any Claim that may be subject to a right of indemnification hereunder shall be advanced by the Management Company prior to the final disposition thereof upon receipt of a written undertaking by or on behalf of the Covered Person to repay the amount advanced to the extent that it shall be determined ultimately by a court of competent jurisdiction that the Covered Person is not entitled to be indemnified hereunder. The right of any Covered Persons to the indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which the Covered Person may otherwise be entitled by contract or as a matter of law or equity and shall be extended to the Covered Person's successors, assigns and legal representatives. Any judgments against the Management Company and/or any Covered Persons in respect of which such Covered Person is entitled to indemnification shall first be satisfied from the assets of the Management Company, including Drawdowns, before such Covered Person is responsible therefor.

Notwithstanding any provision of this Agreement to the contrary, the provisions of this Section 6.03 shall not be construed so as to provide for the indemnification of any Covered Person for any liability (including liability under Federal securities laws which, under certain circumstances, impose liability even on persons that act in good faith), to the extent (but only to the extent) that such indemnification would be in violation of applicable law, but shall be construed so as to effectuate the provisions of this Section 6.03 to the fullest extent permitted by law.

Section 6.04 Other Sources of Recovery etc. The indemnification rights set forth in Section 6.03 are in addition to, and shall not exclude, limit or otherwise adversely affect, any other indemnification or similar rights to which any Covered Person may be entitled. If and to the extent that other sources of recovery (including proceeds of any applicable policies of insurance or indemnification from any Person in which any of the Clients or Accounts has an investment) are available to any Covered Person, such Covered Person shall use reasonable efforts to obtain recovery from such other sources before the Company shall be required to make any payment in respect of its indemnification obligations hereunder; *provided* that, if such other recovery is not available without delay, the Covered Person shall be entitled to such payment by the Management Company and the Management Company shall be entitled to reimbursement out of such other recovery when and if obtained.

Section 6.05 Rights of Heirs, Successors and Assigns. The indemnification rights provided by Section 6.03 shall inure to the benefit of the heirs, executors, administrators, successors and assigns of each Covered Person.

Section 6.06 Reliance. A Covered Person shall incur no liability to the Management Company or any Member in acting upon any signature or writing reasonably believed by him, her or it to be genuine, and may rely in good faith on a certificate signed by an officer of any Person in order to ascertain any fact with respect to such Person or within such Person's knowledge. Each Covered Person may act directly or through his, her or its agents or attorneys.

## ARTICLE VII

### TERMINATION

Section 7.01 Termination. Either Party may terminate this Agreement at any time upon at least thirty (30) days' written notice to the other.

## ARTICLE VIII

### MISCELLANEOUS

Section 8.01 Amendments. This Agreement may not be amended or modified except by an instrument in writing signed by each Party.

Section 8.02 Assignment and Delegation.

(a) Neither Party may assign, pledge, grant or otherwise encumber or transfer all or any part of its rights or responsibilities under this Agreement, in whole or in part, except (i) as provided in clauses (b) and (c) of this Section 8.02, without the prior written consent of the other Party and (ii) in accordance with Applicable Law.

(b) Except as otherwise provided in this Section 8.02, the Staff and Services Provider may not assign its rights or responsibilities under this Agreement unless (i) the Management Company consents in writing thereto and (ii) such assignment is made in accordance with Applicable Law.

(c) The Staff and Services Provider may, without satisfying any of the conditions of Section 8.02(a) other than clause (ii) thereof, (1) assign any of its rights or obligations under this Agreement to an Affiliate; *provided* that such Affiliate (i) has demonstrated ability, whether as an entity or by its principals and employees, to professionally and competently perform duties similar to those imposed upon the Staff and Services Provider pursuant to this Agreement and (ii) has the legal right and capacity to act as Staff and Services Provider under this Agreement, or (2) enter into (or have its parent enter into) any consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all of its assets to, another entity; *provided* that, at the time of such consolidation, merger, amalgamation or transfer the resulting, surviving or transferee entity assumes all the obligations of the Staff and Services Provider under this Agreement generally (whether by operation of law or by contract) and the other entity is a continuation of the Staff and Services Provider in another corporate or similar form and has

substantially the same staff; *provided further* that the Staff and Services Provider shall deliver ten (10) Business Days' prior notice to the Management Company of any assignment or combination made pursuant to this sentence. Upon the execution and delivery of any such assignment by the assignee, the Staff and Services Provider will be released from further obligations pursuant to this Agreement except to the extent expressly provided herein.

Section 8.03 Non-Recourse; Non-Petition.

(a) The Staff and Services Provider agrees that the payment of all amounts to which it is entitled pursuant to this Agreement shall be payable by the Management Company only to the extent of assets held in the Portfolio.

(b) Notwithstanding anything to the contrary contained herein, the liability of the Management Company to the Staff and Services Provider hereunder is limited in recourse to the Portfolio, and if the proceeds of the Portfolio following the liquidation thereof are insufficient to meet the obligations of the Management Company hereunder in full, the Management Company shall have no further liability in respect of any such outstanding obligations, and such obligations and all claims of the Staff and Services Provider or any other Person against the Management Company hereunder shall thereupon extinguish and not thereafter revive. The Staff and Services Provider accepts that the obligations of the Management Company hereunder are the corporate obligations of the Management Company and are not the obligations of any employee, member, officer, director or administrator of the Management Company and no action may be taken against any such Person in relation to the obligations of the Management Company hereunder.

(c) Notwithstanding anything to the contrary contained herein, any Staff and Services Provider agrees not to institute against, or join any other Person in instituting against, the Management Company any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings, or other proceedings under United States federal or state bankruptcy laws, or similar laws until at least one year and one day (or, if longer, the then applicable preference period plus one day) after the payment in full all amounts payable in respect of any Indebtedness incurred to finance any portion of the Portfolio; *provided* that nothing in this provision shall preclude, or be deemed to stop, the Staff and Services Provider from taking any action prior to the expiration of the aforementioned one year and one day period (or, if longer, the applicable preference period then in effect plus one day) in (i) any case or proceeding voluntarily filed or commenced by the Management Company, or (ii) any involuntary insolvency proceeding filed or commenced against the Management Company by a Person other than the Staff and Services Provider.

(d) The Management Company hereby acknowledges and agrees that the Staff and Services Provider's obligations hereunder shall be solely the corporate obligations of the Staff and Services Provider, and are not the obligations of any employee, member, officer, director or administrator of the Staff and Services Provider and no action may be taken against any such Person in relation to the obligations of the Staff and Services Provider hereunder.

(e) The provisions of this Section 8.03 shall survive termination of this Agreement for any reason whatsoever.



Section 8.04 Governing Law.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas. The Parties unconditionally and irrevocably consent to the exclusive jurisdiction of the courts located in the State of Texas and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

(b) The Parties irrevocably agree for the benefit of each other that the courts of the State of Texas and the United States District Court located in the Northern District of Texas in Dallas are to have exclusive jurisdiction to settle any disputes (whether contractual or non-contractual) which may arise out of or in connection with this Agreement and that accordingly any action arising out of or in connection therewith (together referred to as "Proceedings") may be brought in such courts. The Parties irrevocably submit to the jurisdiction of such courts and waive any objection which they may have now or hereafter to the laying of the venue of any Proceedings in any such court and any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably agree that a judgment in any Proceedings brought in such courts shall be conclusive and binding upon the Parties and may be enforced in the courts of any other jurisdiction.

Section 8.05 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR ITS ENTERING INTO THIS AGREEMENT.

Section 8.06 Severability. The provisions of this Agreement are independent of and severable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties.

Section 8.07 No Waiver. The performance of any condition or obligation imposed upon any Party may be waived only upon the written consent of the Parties. Such waiver shall be limited to the terms thereof and shall not constitute a waiver of any other condition or obligation of the other Party. Any failure by any Party to enforce any provision shall not constitute a waiver of that or any other provision or this Agreement.

Section 8.08 Counterparts. This Agreement may be executed in any number of counterparts by facsimile or other written or electronic form of communication, each of which shall be deemed to be an original as against any Party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the Parties reflected hereon as the signatories.

Section 8.09 Third Party Beneficiaries. This Agreement is for the sole benefit of the Parties hereto and their permitted assigns and nothing herein express or implied shall give or be construed to give to any Person, other than the Parties hereto and such permitted assigns, any legal or equitable rights hereunder. For avoidance of doubt, this Agreement is not for the benefit or and is not enforceable by any Shared Employee, Client or Account or any investor (directly or indirectly) in the Management Company.

Section 8.10 No Partnership or Joint Venture. Nothing set forth in this Agreement shall constitute, or be construed to create, an employment relationship, a partnership or a joint venture between the Parties. Except as expressly provided herein or in any other written agreement between the Parties, no Party has any authority, express or implied, to bind or to incur liabilities on behalf of, or in the name of, any other Party.

Section 8.11 Independent Contractor. Notwithstanding anything to the contrary, the Staff and Services Provider shall be deemed to be an independent contractor and, except as expressly provided or authorized herein, shall have no authority to act for or represent the Management Company or any Client or Account in which the Management Company acts as portfolio manager or investment manager or in a similar capacity in any manner or otherwise be deemed an agent of the Management Company or any Client or Account in which the Management Company acts as portfolio manager or investment manager or in a similar capacity.

Section 8.12 Written Disclosure Statement. The Management Company acknowledges receipt of Part 2 of the Staff and Services Provider's Form ADV, as required by Rule 204-3 under the Advisers Act, on or before the date of execution of this Agreement.

Section 8.13 Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 8.14 Entire Agreement. This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, between the Parties with respect to such subject matter.

Section 8.15 Notices. Any notice or demand to any Party to be given, made or served for any purposes under this Agreement shall be given, made or served by sending the same by overnight mail or email transmission or by delivering it by hand as follows:

- (a) If to the Management Company:

NexPoint Advisors, L.P.  
200 Crescent Court  
Suite 700  
Dallas, TX 75201

(b) If to the Staff and Services Provider:

Highland Capital Management, L.P.  
300 Crescent Court  
Suite 700  
Dallas, TX 75201


or to such other address or email address as shall have been notified to the other Parties.

*[The remainder of this page intentionally left blank.]*

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed as of the date hereof by its duly authorized representative.

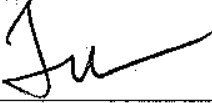
**NEXPOINT ADVISORS, L.P.**

By: NexPoint Advisors GP, LLC, its  
General Partner

By:   
\_\_\_\_\_  
Name: Frank Waterhouse  
Title: Treasurer

**HIGHLAND CAPITAL  
MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its General  
Partner

By:   
\_\_\_\_\_  
Name: Frank Waterhouse  
Title: Treasurer

## **EXHIBIT 4**

000396

**Retail Fund Operations Summary**

Purpose: What do the retail funds need to continue operations after termination of the Shared Service Agreements with HCMLP (2/1/20)?

**1. Access to Personnel – See Org Charts**

- a. R-Operations – oversees accounting, financial reporting, and operations for the retail funds
  - i. Dave Klos – Chief Accounting Officer
  - ii. Will Mabry – Senior Manager, Retail Analysis
  - iii. Charlie Hoedebeck – Manager, Retail Analysis
  - iv. Austin Cotton – Fund Analyst
  - v. Joye Luu – Fund Analyst
  - vi. Andrew Leuthner – Fund Analyst
- b. R-Settlement – oversees operations, trade allocations, corporate actions, and trade settlements for the retail funds
  - i. Vishal Patel – Director of Operations
  - ii. Steven Haltom – Manager, Operations
  - iii. Stetson Clark – Senior Operations Analyst
  - iv. Brad McKay – Operations Analyst
  - v. Kristen Thomas - Operations Analyst
- c. Valuation – oversees valuation, leveling, and daily pricing for the retail funds
  - i. Michael Beispiel – Senior Valuation Manager
  - ii. James Mills – Manager, Valuation
  - iii. Brendan Flaherty – Valuation Analyst
- d. Tax – oversees all tax responsibilities for the retail funds
  - i. Rick Swadley - Director of Tax Compliance
  - ii. Paul Broaddus - Senior Manager, Tax
  - iii. Heriberto Rios – Senior Tax Analyst
  - iv. Tina Thottichira – Senior Tax Analyst
  - v. Sarah Jiminez – Senior Tax Analyst
  - vi. Mark Patrick – Tax Counsel
- e. Compliance - Pre-trade Compliance for the retail funds
  - i. Cyrus Eftekhari - Senior Compliance Analyst
- f. Legal – In-house retail fund counsel and related support
  - i. Lauren Thedford – Associate General Counsel
  - ii. Helen Kim - Paralegal
- g. IT Support – provides support for all related retail employees
  - i. Jason Rothstein – Director of IT
  - ii. Jerome Carter - Junior Network Engineer
- h. Siepe – monitors the HOME 2.0 system and processes. Helps fix data issues

**2. Equipment and Systems**

- a. Online Management System (OMS) – Bloomberg based tool for trade processing. Covers the following primary functions:
  - i. Initiating Trades
  - ii. Trade Allocations
  - iii. Pre-trade Compliance
- b. Bloomberg – terminals (remote and physical)
- c. Wall Street Office (WSO) – various systems
  - i. Retail fund accounting system
  - ii. Clearpar (loan settlements)
  - iii. MarkitClear (receives agent notices)
- d. DTCC - Omgeo Alert – depository for all our settlement instructions
- e. CCH Axcess – Tax Return Preparation / Document Management / Project Management System
- f. Geneva (GVA) – retail fund accounting system
- g. HOME 2.0 (historical data) – aggregated retail fund accounting data
- h. Employee computer/laptops
- i. IT infrastructure and access to data, servers, historical emails, etc
- j. Continuity of email (HCMLP employees continue to receive emails sent to both individuals as well as listservs without interruption)
- k. Employee phones

**3. Processes**

- a. HOME 2.0 (no restrictions)
  - i. Siepe Reporting
    - 1. Daily automated email reporting
      - a. Positions
      - b. Trades
      - c. Compliance testing
      - d. Tax asset testing
  - ii. Siepe Tools
    - 1. Collateral Management Tool (Pledge Tool) – monitors various counterparties collateral daily, and allows R-Ops to automatically pledge / unpledge collateral depending on margin needs
    - 2. Automated Daily P&L Recon – allows R-Ops to focus on investigating NAV breaks and potential errors
    - 3. Automated Daily Custody/Admin position recons – allows R-Ops and R-Settlement to focus on position and custody breaks
    - 4. Compliance Portal – automatically tracks post-trade compliance tests
    - 5. Tax Compliance Tool – used to monitor tax diversification and RIC status
    - 6. Automated Jobs – continuation of all currently automated jobs not already described transferring/communicating information and/or files between systems or to external parties (such as fund admins, trade counterparties, etc.)



- 7. Wire Management System – tool for monitoring vendors and automatic wire creation
- b. Pricing Feeds and Valuation Services
  - i. IDC Pricing feed
  - ii. Markit Pricing feed
  - iii. S&P Capital IQ
- c. Tax Processes – tax prep and tax compliance monitoring
  - i. Bloomberg Tax – Tax Research Platform
  - ii. RIA Checkpoint – RIA monitoring
  - iii. Treatsies – tax software
- d. Settlement Processes – related to the WSO and DTCC systems above
  - i. DTCC Products – process for settlement instructions
    - 1. TradeSuite – service that provides trade matching/breaks (equity/bond trades)
    - 2. CTM – behind the scenes trade matching which is integrated with DTCC
  - ii. Syndtrak – amendments electing
  - iii. DebtDomain – data depository for amendments/restructures

## **EXHIBIT 5**

000400

### SUB-ADVISORY AGREEMENT

This Sub-Advisory Agreement (as amended, modified, waived, supplemented or restated from time to time in accordance with the terms hereof, this “Agreement”), dated effective as of January 1, 2018, is entered into by and between NexPoint Advisors, L.P., a Delaware limited partnership, as the management company hereunder (in such capacity, the “Management Company”), and Highland Capital Management, L.P., a Delaware limited partnership (“Highland”), as the sub-advisor hereunder (in such capacity, the “Sub-Advisor” and together with the Management Company, the “Parties”).

WHEREAS, the Management Company from time to time has entered and will enter into portfolio management agreements, investment management agreements and/or similar agreements (each such agreement as amended, modified, waived, supplemented or restated, subject in each case to the requirements of Section 8, a “Management Agreement”) and related indentures, credit agreements, collateral administration agreements, service agreements or other agreements (each such agreement as amended, modified, waived, supplemented or restated, subject in each case to the requirements of Section 8, a “Related Agreement”), in each case as set forth on Appendix A hereto, as amended from time to time, pursuant to which the Management Company has agreed to provide portfolio and/or investment management services to certain funds and accounts (any such fund or account, an “Account”, and the assets comprising the portfolio of such Account, a “Portfolio”); and

WHEREAS, the Management Company and the Sub-Advisor desire to enter into this Agreement in order to permit the Sub-Advisor to provide certain limited services to assist the Management Company in performing certain obligations under the Management Agreements and Related Agreements.

NOW, THEREFORE, in consideration of the foregoing recitals, and the receipt of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows.

1. Appointment; Limited Scope of Services.

(a) Highland is hereby appointed as Sub-Advisor to the Management Company for the purpose of assisting the Management Company in managing the Portfolios of each Account pursuant to the related Management Agreement and Related Agreements, in each case that have been included in the scope of this Agreement pursuant to the provisions of Section 8, subject to the terms set forth herein and subject to the supervision of the Management Company, and Highland hereby accepts such appointment.

(b) Without limiting the generality of the foregoing, the Sub-Advisor shall, during the term and subject to the provisions of this Agreement:

(i) make recommendations to the Management Company in its capacity as portfolio manager, investment manager or any similar capacity for any applicable Account as to the general composition and allocation of the Portfolio with respect to such Account among various types of securities, the nature and timing of the changes therein and the manner of implementing such changes,

including recommendations as to the specific assets to be purchased, retained or sold by any such Account;

(ii) place orders with respect to, and arrange for, any investment by or on behalf of such Account (including executing and delivering all documents relating to such Account's investments on behalf of such Account or the Management Company, as applicable), upon receiving a proper instruction from the Management Company;

(iii) identify, evaluate and recommend to the Management Company, in its capacity as portfolio manager, investment manager or any similar capacity for any applicable Account, and, if applicable, negotiate the structure and/or terms of investment opportunities within the specific investment strategy of the Management Company for such Account;

(iv) assist the Management Company in its capacity as portfolio manager, investment manager or any similar capacity for any applicable Account in performing due diligence on prospective Portfolio investments by such Account;

(v) provide information to the Management Company in its capacity as portfolio manager, investment manager or any similar capacity for any applicable Account regarding any investments to facilitate the monitoring and servicing of such investments and, if requested by the Management Company, provide information to assist in monitoring and servicing other investments by such Account;

(vi) assist and advise the Management Company in its capacity as portfolio manager, investment manager or any similar capacity for any applicable Account with respect to credit functions including, but not limited to, credit analysis and market research and analysis; and

(vii) assist the Management Company in performing any of its other obligations or duties as portfolio manager, investment manager or any similar capacity for any applicable Account.

The foregoing responsibilities and obligations are collectively referred to herein as the "Services."

Notwithstanding the foregoing, all investment decisions will ultimately be the responsibility of, and will be made by and at the sole discretion of, the Management Company. Furthermore, the parties acknowledge and agree that the Sub-Advisor shall be required to provide only the services expressly described in this Section 1(b), and shall have no responsibility hereunder to provide any other services to the Management Company, including, but not limited to, administrative, management or similar services.

(c) The Sub-Advisor agrees during the term hereof to furnish the Services on the terms and conditions set forth herein and subject to the limitations contained herein. The Sub-Advisor agrees that, in performing the Services, it will comply with all applicable obligations of the Management Company set forth in the Management Agreements and the Related Agreements.

In addition, with respect to any obligation that would be part of the Services but for the fact that the relevant Management Agreement or Related Agreement does not permit such obligation to be delegated by the Management Company to the Sub-Advisor, the Sub-Advisor, upon request in writing by the Management Company, shall work in good faith with the Management Company and shall use commercially reasonable efforts to assist the Management Company in satisfying all such obligations.

2. Compensation.

(a) As compensation for its performance of its obligations as Sub-Advisor under this Agreement, the Sub-Advisor will be entitled to receive a monthly fee in the amount of Two Hundred Fifty-Two Thousand and 00/100 Dollars (\$252,000.00) (the "Sub-Advisory Fee"). The Sub-Advisory Fee shall be payable monthly in advance.

(b) Each party shall bear its own expenses.

(c) Notwithstanding anything to the contrary contained herein, if on any date the Management Company determines that it would not have sufficient funds available to it to make a payment of Indebtedness, it shall have the right to defer any and all amounts payable to the Sub-Advisor pursuant to this Agreement, including any fees and expenses; *provided* that the Management Company shall promptly pay all such amounts on the first date thereafter that sufficient amounts exist to make payment thereof.

3. Representations and Warranties.

(a) Each of the Management Company and the Sub-Advisor represents and warrants, as to itself only, that:

(i) it has full power and authority to execute and deliver, and to perform its obligations under, this Agreement;

(ii) this Agreement has been duly authorized, executed and delivered by it and constitutes its valid and binding, obligation, enforceable in accordance with its terms except as the enforceability hereof may be subject to (i) bankruptcy, insolvency, reorganization moratorium, receivership, conservatorship or other similar laws now or hereafter in effect relating to creditors' rights and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding, in equity or at law);

(iii) no consent, approval, authorization or order of or declaration or filing with any government, governmental instrumentality or court or other person or entity is required for the execution of this Agreement or the performance by it of its duties hereunder, except such as have been duly made or obtained; and

(iv) neither the execution and delivery of this Agreement nor the fulfillment of the terms hereof conflicts with or results in a breach or violation of any of the terms or provisions of, or constitutes a default under, (A) its constituting and organizational documents; (B) the terms of any material indenture, contract,

lease, mortgage, deed of trust, note, agreement or other evidence of indebtedness or other material agreement, obligation, condition, covenant or instrument to which it is a party or by which it is bound; (C) any statute applicable to it; or (D) any law, decree, order, rule or regulation applicable to it of any court or regulatory, administrative or governmental agency, body of authority or arbitration having or asserting jurisdiction over it or its properties, which, in the case of clauses (B) through (D) above, would have a material adverse effect upon the performance of its duties hereunder.

(b) The Sub-Advisor represents and warrants to the Management Company that it is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

(c) The Management Company acknowledges that it has received Part 2 of the Sub-Advisor’s Form ADV filed with the Securities and Exchange Commission. The Sub-Advisor will provide to the Management Company an updated copy of Part 2 of its Form ADV promptly upon any amendment to such Form ADV being filed with the Securities and Exchange Commission.

#### 4. Standard of Care; Liability; Indemnification.

(a) Sub-Advisor Standard of Care. Subject to the terms and provisions of this Agreement, the Management Agreements and/or the Related Agreements, as applicable, the Sub-Advisor will perform its obligations hereunder and under the Management Agreements and/or the Related Agreements in good faith with reasonable care using a degree of skill and attention no less than that which the Sub-Advisor uses with respect to comparable assets that it manages for others and, without limiting the foregoing, in a manner which the Sub-Advisor reasonably believes to be consistent with the practices and procedures followed by institutional managers of national standing relating to assets of the nature and character of the Portfolios, in each case except as expressly provided otherwise under this Agreement, the Management Agreements and/or the Related Agreements. To the extent not inconsistent with the foregoing, the Sub-Advisor will follow its customary standards, policies and procedures in performing its duties hereunder, under the Management Agreements and/or under the Related Agreements.

(b) Exculpation. To the fullest extent permitted by law, none of the Sub-Advisor, any of its affiliates, and any of their respective managers, members, principals, partners, directors, officers, shareholders, employees and agents (but shall not include the Management Company, its subsidiaries or member(s) and any managers, members, principals, partners, directors, officers, shareholders, employees and agents of the Management Company or its subsidiaries or member(s) (in their capacity as such)) (each a “Covered Person”) will be liable to the Management Company, any Member, any shareholder, partner or member thereof, any Account (or any other adviser, agent or representative thereof), or to any holder of notes, securities or other indebtedness issued by any Account (collectively, the “Management Company Related Parties”), for (i) any acts or omissions by such Covered Person arising out of or in connection with the provision of the Services hereunder; for any losses that may be sustained in the purchase, holding or sale of any security or debt obligation by any Account, or as a result of any activities of the Sub-Advisor, the Management Company or any other adviser to or agent of the Account or



any other sub-advisor appointed by the Management Company to provide portfolio management services to any other delegatee of the Management Company or any other person or entity, unless it is determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, to be the result of gross negligence or to constitute fraud or willful misconduct (as interpreted under the laws of the State of Delaware) (each, a “Disabling Conduct”) on the part of such Covered Person, (ii) any mistake, gross negligence, misconduct or bad faith of any employee, broker, administrator or other agent or representative of the Sub-Advisor, *provided* that such employee, broker, administrator or agent was selected, engaged or retained by or on behalf of the Sub-Advisor with reasonable care, or (iii) any consequential (including loss of profit), indirect, special or punitive damages. To the extent that, at law or in equity, any Covered Person has duties (including fiduciary duties) and liabilities relating thereto to any Management Company Related Party, no Covered Person acting under this Agreement shall be liable to such Management Company Related Party for its good-faith reliance on the provisions of this Agreement. The exculpations set forth in this Section 4(b) shall exculpate any Covered Person regardless of such Covered Person’s sole, comparative, joint, concurrent, or subsequent negligence.

To the fullest extent permitted by law, no Covered Person shall have any personal liability to any Management Company Related Party solely by reason of any change in U.S. federal, state or local or foreign income tax laws, or in interpretations thereof, as they apply to any such Management Company Related Party, whether the change occurs through legislative, judicial or administrative action.

Any Covered Person in its sole and absolute discretion may consult legal counsel, accountants or other advisers selected by it, and any act or omission taken, or made in good faith by such Person on behalf of the Management Company or in furtherance of the business of the Management Company in good-faith reliance on and in accordance with the advice of such counsel, accountants or other advisers shall be full justification for the act or omission, and to the fullest extent permitted by applicable law, no Covered Person shall be liable to any Management Company Related Party in so acting or omitting to act if such counsel, accountants or other advisers were selected, engaged or retained with reasonable care.

(c) Indemnification. The Management Company shall and hereby does, to the fullest extent permitted by applicable law, indemnify and hold harmless any Covered Person from and against any and all claims, causes of action (including, but not limited to, strict liability, negligence, statutory violation, regulatory violation, breach of contract, and all other torts and claims arising under common law), demands, liabilities, costs, expenses, damages, losses, suits, proceedings, judgments, assessments, actions and other liabilities, whether judicial, administrative, investigative or otherwise, of whatever nature, known or unknown, liquidated or unliquidated, whether currently existing or accruing in the future (“Claims”), that may accrue to or be incurred by any Covered Person, or in which any Covered Person may become involved, as a party or otherwise, or with which any Covered Person may be threatened, relating to or arising out of the Services, the activities of the Management Company Related Parties, or activities undertaken in connection with the Management Company Related Parties, or otherwise relating to or arising out of this Agreement, any Management Agreement and/or the Related Documents, including amounts paid in satisfaction of judgments, in compromise or as fines or penalties, and attorneys’ fees and expenses incurred in connection with the preparation for or defense or disposition of any investigation, action, suit, arbitration or other proceeding (a “Proceeding”),



whether civil or criminal (all of such Claims, amounts and expenses referred to therein are referred to collectively as “Damages”), except to the extent that it shall have been determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, that such Damages arose primarily from Disabling Conduct of such Covered Person. The termination of any Proceeding by settlement, judgment, order, conviction or upon a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that any Damages relating to such settlement, judgment, order, conviction or plea of *nolo contendere* or its equivalent or otherwise relating to such Proceeding arose primarily from Disabling Conduct of any Covered Persons. Any Covered Person shall be indemnified under the terms of this Section 4(c) regardless of such Covered Person’s sole, comparative, joint, concurrent, or subsequent negligence.

Expenses (including attorneys’ fees) incurred by a Covered Person in defense or settlement of any Claim that may be subject to a right of indemnification hereunder shall be advanced by the Management Company prior to the final disposition thereof upon receipt of a written undertaking by or on behalf of the Covered Person to repay the amount advanced to the extent that it shall be determined ultimately by a court of competent jurisdiction that the Covered Person is not entitled to be indemnified hereunder. The right of any Covered Persons to the indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which the Covered Person may otherwise be entitled by contract or as a matter of law or equity and shall be extended to the Covered Person’s successors, assigns and legal representatives. Any judgments against the Management Company and/or any Covered Persons in respect of which such Covered Person is entitled to indemnification shall first be satisfied from the assets of the Management Company, including Drawdowns, before such Covered Person is responsible therefor.

Notwithstanding any provision of this Agreement to the contrary, the provisions of this Section 4(c) shall not be construed so as to provide for the indemnification of any Covered Person for any liability (including liability under Federal securities laws which, under certain circumstances, impose liability even on persons that act in good faith), to the extent (but only to the extent) that such indemnification would be in violation of applicable law, but shall be construed so as to effectuate the provisions of this Section 4(c) to the fullest extent permitted by law

(d) Other Sources of Recovery etc. The indemnification rights set forth in Section 4(c) are in addition to, and shall not exclude, limit or otherwise adversely affect, any other indemnification or similar rights to which any Covered Person may be entitled. If and to the extent that other sources of recovery (including proceeds of any applicable policies of insurance or indemnification from any Person in which any Account has an investment) are available to any Covered Person, such Covered Person shall use reasonable efforts to obtain recovery from such other sources before the Company shall be required to make any payment in respect of its indemnification obligations hereunder; *provided* that, if such other recovery is not available without delay, the Covered Person shall be entitled to such payment by the Management Company and the Management Company shall be entitled to reimbursement out of such other recovery when and if obtained

(e) Rights of Heirs, Successors and Assigns. The indemnification rights provided by Section 4(c) shall inure to the benefit of the heirs, executors, administrators, successors and assigns of each Covered Person

(f) Reliance. A Covered Person shall incur no liability to any Management Company Related Party in acting upon any signature or writing reasonably believed by him, her or it to be genuine, and may rely in good faith on a certificate signed by an officer of any Person in order to ascertain any fact with respect to such Person or within such Person's knowledge. Each Covered Person may act directly or through his, her or its agents or attorneys.

(g) Rights Under Management Agreements and Related Agreements. The Management Company will ensure that the Sub-Advisor is provided substantially similar indemnification and exculpation rights as are afforded to the Management Company in its role as portfolio manager under any future Management Agreement or Related Agreement encompassed within the Services hereunder, and it is expressly acknowledged by the Parties that the Sub-Advisor may not consent to including a Management Agreement and Related Agreements within the scope of this Agreement pursuant to Section 8 if such indemnification and exculpation rights are not reasonably acceptable to it.

5. Limitations on Employment of the Sub-Advisor; Conflicts of Interest.

(a) The services of the Sub-Advisor to the Management Company are not exclusive, and the Sub-Advisor may engage in any other business or render similar or different services to others including, without limitation, the direct or indirect sponsorship or management of other transactions, investment-based accounts or commingled pools of capital, however structured, having investment objectives similar to those of the Management Company or the Accounts. Moreover, nothing in this Agreement shall limit or restrict the right of any manager, partner, officer or employee of the Sub-Advisor to engage in any other business or to devote his or her time and attention in part to any other business, whether of a similar or dissimilar nature to the Management Company or any Account, or to receive any fees or compensation in connection therewith.

(b) So long as this Agreement or any extension, renewal or amendment of this Agreement remains in effect, the Sub-Advisor shall be the only portfolio management sub-advisor for the Management Company. The Sub-Advisor assumes no responsibility under this Agreement other than to render the services called for hereunder. It is understood that directors, officers, employees, members and managers of the Management Company are or may become interested in the Sub-Advisor and its Affiliates as directors, officers, employees, partners, stockholders, members, managers or otherwise, and that the Sub-Advisor and directors, officers, employees, partners, stockholders, members and managers of the Sub-Advisor and its Affiliates are or may become similarly interested in the Management Company as members or otherwise.

(c) The Management Company acknowledges that various potential and actual conflicts of interest may exist with respect to the Sub-Advisor as described in the Sub-Advisor's Form ADV Part 2A and as described in Appendix B hereto, and the Management Company expressly acknowledges and agrees to the provisions contained in such Appendix B, as amended from time to time with mutual consent of the Parties.

6. Termination; Survival.

(a) This Agreement may be terminated, in its entirety or with respect to any Management Agreement, at any time without payment of penalty, by the Management Company upon 30 days' prior written notice to the Sub-Advisor.

(b) This Agreement shall terminate automatically with respect to any Management Agreement on the date on which (i) such Management Agreement has been terminated (and, if required thereunder, a successor portfolio manager has been appointed and accepted) or discharged; or (ii) the Management Company is no longer acting as portfolio manager, investment manager or in a similar capacity (whether due to removal, resignation or assignment) under such Management Agreement and the Related Agreements. Upon the termination of this Agreement with respect to any Management Agreement the Management Company shall provide prompt notice thereof to the Sub-Advisor, and Appendix A hereto shall be deemed to be amended by deleting such Management Agreement and the Related Agreements related thereto.

(c) All accrued and unpaid financial and indemnification obligations with respect to any conduct or events occurring prior to the effective date of the termination of this Agreement shall survive the termination of this Agreement.

7. Cooperation with Management Company. The Sub-Advisor shall reasonably cooperate with the Management Company in connection with the Management Company's compliance with its policies and procedures relating to oversight of the Sub-Advisor. Specifically, the Sub-Advisor agrees that it will provide the Management Company with reasonable access to information relating to the performance of Sub-Advisor's obligations under this Agreement.

8. Management Agreements and Related Agreements. The Sub-Advisor's duty to provide Services in connection with any Management Agreement shall not commence until (a) Appendix A to this Agreement has been amended by mutual agreement of the Parties to include such Management Agreement and the related Account, fund and/or account and Related Agreements and (b) the Sub-Advisor acknowledges receipt of such Management Agreement and each Related Agreement. The Sub-Advisor shall not be bound to comply with any amendment, modification, supplement or waiver to any Management Agreement or any Related Agreement until it has received a copy thereof from the Management Company. No amendment, modification, supplement or waiver to any Management Agreement or Related Agreement that, when applied to the obligations and rights of the Management Company under such Management Agreement or Related Agreement, affects (i) the obligations or rights of the Sub-Advisor hereunder; (ii) the amount or priority of any fees or other amounts payable to the Sub-Advisor hereunder; or (iii) any definitions relating to the matters covered in clause (i) or (ii) above, will apply to the Sub-Advisor under this Agreement unless in each such case the Sub-Advisor has consented thereto in writing (such consent not to be unreasonably withheld or delayed unless the Sub-Advisor determines in its reasonable judgment that such amendment, modification, supplement or waiver could have a material adverse effect on the Sub-Advisor).

9. Amendments; Assignments.

(a) Neither Party may assign, pledge, grant or otherwise encumber or transfer all or any part of its rights or responsibilities under this Agreement, in whole or in part, except (i) as provided in clauses (b) and (c) of this Section 9, without the prior written consent of the other Party and (ii) in accordance with the Advisers Act and other applicable law.

(b) Except as otherwise provided in this Section 9, the Sub-Advisor may not assign its rights or responsibilities under this Agreement unless (i) the Management Company consents in writing thereto and (ii) such assignment is made in accordance with the Advisers Act and other applicable law.

(c) The Sub-Advisor may, without satisfying any of the conditions of Section 9(a) other than clause (ii) thereof (so long as such assignment does not constitute an assignment within the meaning of Section 202(a)(1) of the Advisers Act), (1) assign any of its rights or obligations under this Agreement to an affiliate; *provided* that such affiliate (i) has demonstrated ability, whether as an entity or by its principals and employees, to professionally and competently perform duties similar to those imposed upon the Sub-Advisor pursuant to this Agreement and (ii) has the legal right and capacity to act as Sub-Advisor under this Agreement, or (2) enter into (or have its parent enter into) any consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all of its assets to, another entity; *provided* that, at the time of such consolidation, merger, amalgamation or transfer the resulting, surviving or transferee entity assumes all the obligations of the Sub-Advisor under this Agreement generally (whether by operation of law or by contract) and the other entity is a continuation of the Sub-Advisor in another corporate or similar form and has substantially the same staff; *provided*, further, that the Sub-Advisor shall deliver ten (10) Business Days' prior notice to the Management Company of any assignment or combination made pursuant to this sentence. Upon the execution and delivery of any such assignment by the assignee, the Sub-Advisor will be released from further obligations pursuant to this Agreement except to the extent expressly provided herein.

10. Advisory Restrictions. This Agreement is not intended to and shall not constitute an assignment, pledge or transfer of any Management Agreement or any part thereof. It is the express intention of the parties hereto that (i) the Services are limited in scope; and (ii) this Agreement complies in all respects with all applicable (A) contractual provisions and restrictions contained in each Management Agreement and each Related Agreement and (B) laws, rules and regulations (collectively, the "Advisory Restrictions"). If any provision of this Agreement is determined to be in violation of any Advisory Restriction, then the Services to be provided under this Agreement shall automatically without action by any person or entity be limited, reduced or modified to the extent necessary and appropriate to be enforceable to the maximum extent permitted by such Advisory Restriction.

11. Records; Confidentiality.

(a) The Sub-Advisor shall maintain or cause to be maintained appropriate books of account and records relating to its services performed hereunder, and such books of account and records shall be accessible for inspection by representatives of the Management Company and its accountants and other agents at any time during normal business hours and upon



not less than three (3) Business Days' prior notice; provided, that the Sub-Advisor shall not be obligated to provide access to any non-public information if it in good faith determines that the disclosure of such information would violate any applicable law, regulation or contractual arrangement.

(b) The Sub-Advisor shall follow its customary procedures to keep confidential any and all information obtained in connection with the services rendered hereunder that is either (a) of a type that would ordinarily be considered proprietary or confidential, such as information concerning the composition of assets, rates of return, credit quality, structure or ownership of securities, or (b) designated as confidential obtained in connection with the services rendered by the Sub-Advisor hereunder and shall not disclose any such information to non-affiliated third parties except (i) with the prior written consent of the Management Company, (ii) such information as a rating agency shall reasonably request in connection with its rating of notes issued by an Account or supplying credit estimates on any obligation included in the Portfolios, (iii) in connection with establishing trading or investment accounts or otherwise in connection with effecting transactions on behalf of the Management Company or any Account for which the Management Company serves as portfolio manager, (iv) as required by (A) applicable law or (B) the rules or regulations of any self-regulating organization, body or official having jurisdiction over the Sub-Advisor or any of its affiliates, (v) to its professional advisors (including, without limitation, legal, tax and accounting advisors), (vi) such information as shall have been publicly disclosed other than in known violation of this Agreement or shall have been obtained by the Sub-Advisor on a non-confidential basis, (vii) such information as is necessary or appropriate to disclose so that the Sub-Advisor may perform its duties hereunder, (viii) as expressly permitted in the final offering memorandum or any definitive transaction documents relating to any transaction, or (ix) information relating to performance of the Portfolios as may be used by the Sub-Advisor in the ordinary course of its business. Notwithstanding the foregoing, it is agreed that the Sub-Advisor may disclose without the consent of any Person (1) that it is serving as Sub-Advisor to the Management Company and each Account, (2) the nature, aggregate principal amount and overall performance of the Portfolios, (3) the amount of earnings on the Portfolios, (4) such other information about the Management Company, the Portfolios as is customarily disclosed by Sub-Advisors to management vehicles similar to the Management Company, and (5) the United States federal income tax treatment and United States federal income tax structure of the transactions contemplated by this Agreement and the related documents and all materials of any kind (including opinions and other tax analyses) that are provided to them relating to such United States federal income tax treatment and United States income tax structure. This authorization to disclose the U.S. tax treatment and tax structure does not permit disclosure of information identifying the Sub-Advisor, the Management Company, the Accounts or any other party to the transactions contemplated by this Agreement (except to the extent such information is relevant to U.S. tax structure or tax treatment of such transactions).

12. Notice. Any notice or demand to any party to this Agreement to be given, made or served for any purposes under this Agreement shall be given, made or served by sending the same by overnight mail, facsimile or email transmission or by delivering it by hand as follows (or to such other address, email address or facsimile number as shall have been notified to the other parties hereto):

- (a) If to the Management Company:

NexPoint Advisors, L.P.  
200 Crescent Court  
Suite 700  
Dallas, TX 75201

- (b) If to the Sub-Advisor:

Highland Capital Management, L.P.  
300 Crescent Court  
Suite 700  
Dallas, TX 75201

13. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas. The parties unconditionally and irrevocably consent to the exclusive jurisdiction of the courts located in the State of Texas and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

14. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR ITS ENTERING INTO THIS AGREEMENT.

15. Severability. The provisions of this Agreement are independent of and severable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties.

16. No Waiver. The performance of any condition or obligation imposed upon any party hereunder may be waived only upon the written consent of the parties hereto. Such waiver shall be limited to the terms thereof and shall not constitute a waiver of any other condition or obligation of the other party under this Agreement. Any failure by any party to this Agreement to enforce any provision shall not constitute a waiver of that or any other provision or this Agreement.

17. Counterparts. This Agreement may be executed in any number of counterparts by facsimile or other written form of communication, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

18. Third Party Beneficiaries. Nothing in this Agreement will be construed to give any person or entity other than the parties to this Agreement, the Accounts and any person or entity with indemnification rights hereunder any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement. Except as provided in the foregoing sentence, this Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and assigns.

19. No Partnership or Joint Venture. Nothing set forth in this Agreement shall constitute, or be construed to create, an employment relationship, a partnership or a joint venture between the parties. Except as expressly provided herein or in any other written agreement between the parties, no party has any authority, express or implied, to bind or to incur liabilities on behalf of, or in the name of, any other party.

20. Entire Agreement. This Agreement, together with each Management Agreement and Related Agreement, constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, between the parties with respect to such subject matter.

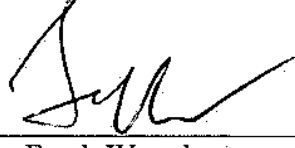
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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.


**HIGHLAND CAPITAL MANAGEMENT, L.P.,**  
as the Sub-Advisor

By: Strand Advisors, Inc., its General Partner

By:   
Name: Frank Waterhouse  
Title: Treasurer

**NEXPOINT ADVISORS, L.P.,**  
as the Management Company

By: NexPoint Advisors GP, LLC, its General  
Partner

By:   
Name: Frank Waterhouse  
Title: Treasurer

*Sub-Advisory Agreement*

**Appendix A**

<b>Fund or Account</b>	<b>Management Agreement</b>	<b>Related Agreements</b>	<b>Date of Management Agreement</b>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## APPENDIX B

### Purchase and Sale Transactions; Brokerage

The Management Company acknowledges and agrees that the Sub-Advisor or any of its affiliates may acquire or sell obligations or securities, for its own account or for the accounts of its clients, without either requiring or precluding the acquisition or sale of such obligations or securities for the account of any Account. Such investments may be the same or different from those made by or on behalf of the Management Company or the Accounts.

### Additional Activities of the Sub-Advisor

Nothing herein shall prevent the Sub-Advisor or any of its clients, its partners, its members, funds or other investment accounts managed by it or any of its affiliates, or their employees and their affiliates (collectively, the "Related Entities"), from engaging in other businesses, or from rendering services of any kind to the Management Company, its affiliates, any Account or any other Person or entity regardless of whether such business is in competition with the Management Company, its affiliates, such Account or otherwise. Without limiting the generality of the Sub-Advisor and its Related Entities may:

- (a) serve as managers or directors (whether supervisory or managing), officers, employees, partners, agents, nominees or signatories for the Management Company or any affiliate thereof, or for any obligor or issuer in respect of any of the Portfolio assets or any affiliate thereof, to the extent permitted by their respective organizational documents and underlying instruments, as from time to time amended, or by any resolutions duly adopted by the Management Company, any Account, their respective affiliates or any obligor or issuer in respect of any of the Portfolio assets (or any affiliate thereof) pursuant to their respective organizational documents;
- (b) receive fees for services of whatever nature rendered to the obligor or issuer in respect of any of the Portfolio Assets or any affiliate thereof;
- (c) be retained to provide services unrelated to this Agreement to the Management Company, any Account or their respective affiliates and be paid therefor, on an arm's-length basis;
- (d) be a secured or unsecured creditor of, or hold a debt obligation of or equity interest in, the Management Company, any Account or any affiliate thereof or any obligor or issuer of any Portfolio asset or any affiliate thereof;
- (e) sell any Portfolio asset to, or purchase or acquire any Portfolio asset from, any Account while acting in the capacity of principal or agent; *provided, however*, that any such sale or purchase effected by the Sub-Advisor shall be subject to applicable law and any applicable provisions of this Agreement, the related Management Agreement and Related Agreements, as applicable;
- (f) underwrite, arrange, structure, originate, syndicate, act as a distributor of or make a market in any Portfolio asset;

(g) serve as a member of any “creditors’ board”, “creditors’ committee” or similar creditor group with respect to any Portfolio asset; or

(h) act as portfolio manager, portfolio manager, investment manager and/or investment adviser or sub-advisor in collateralized bond obligation vehicles, collateralized loan obligation vehicles and other similar warehousing, financing or other investment vehicles.

As a result, such individuals may possess information relating to obligors and issuers of Portfolio assets that is (a) not known to or (b) known but restricted as to its use by the individuals at the Sub-Advisor responsible for monitoring the Portfolio assets and performing the Services under this Agreement. Each of such ownership and other relationships may result in securities laws restrictions on Transactions in such securities by the Management Company and/or any Account and otherwise create conflicts of interest for the Management Company and/or any Account. The Management Company acknowledges and agrees that, in all such instances, the Sub-Advisor and its affiliates may in their discretion make investment recommendations and decisions that may be the same as or different from those made by the Management Company with respect to the investments of any Account and they have no duty, in making or managing such investments, to act in a way that is favorable to any Account.

The Management Company acknowledges that there are generally no ethical screens or information barriers between the Sub-Advisor and certain of its affiliates of the type that many firms implement to separate Persons who make investment decisions from others who might possess applicable material, non-public information that could influence such decisions. The officers or affiliates of the Sub-Advisor may possess information relating to obligors or issuers of Portfolio Assets that is not known to the individuals at the Sub-Advisor responsible for providing the Services under this Agreement. As a result, the Sub-Advisor may from time to time come into possession of material nonpublic information that limits the ability of the Sub-Advisor to effect a Transaction for the Management Company and/or any Account, and the Management Company and/or such Account’s investments may be constrained as a consequence of the Sub-Advisor’s inability to use such information for advisory purposes or otherwise to effect Transactions that otherwise may have been initiated on behalf of its clients, including the Management Company and/or such Account.

Unless the Sub-Advisor determines in its sole discretion that a Portfolio investment complies with the conflicts of interest provisions set forth in the applicable Management Agreement and Related Agreements, the Sub-Advisor will not direct any Account to acquire or sell loans or securities entered into or issued by (i) Persons of which the Sub-Advisor, any of its affiliates or any of its officers, directors or employees are directors or officers, (ii) Persons of which the Sub-Advisor or any of its respective affiliates act as principal or (iii) Persons about which the Sub-Advisor or any of its affiliates have material non-public information which the Sub-Advisor deems would prohibit it from advising as to the trading of such securities in accordance with applicable law.

It is understood that the Sub-Advisor and any of its affiliates may engage in any other business and furnish investment management and advisory services to others, including Persons which may have investment policies similar to those followed by the Management Company with respect to the Portfolio assets and which may own securities or obligations of the same class, or which are of the same type, as the Portfolio assets or other securities or obligations of the obligors or issuers of the Portfolio assets. The Sub-Advisor and its affiliates will be free, in their sole discretion, to

make recommendations to others, or effect Transactions on behalf of themselves or for others, which may be the same as or different from those effected with respect to the Collateral. Nothing in this Agreement, in the Management Agreements or in the Related Agreements shall prevent the Sub-Advisor or any of its affiliates, acting either as principal or agent on behalf of others, from buying or selling, or from recommending to or directing any other account to buy or sell, at any time, securities or obligations of the same kind or class, or securities or obligations of a different kind or class of the same obligor or issuer, as those directed by the Sub-Advisor to be purchased or sold on behalf of an Account. It is understood that, to the extent permitted by applicable law, the Sub-Advisor, its Related Entities, or any of their owners, directors, managers, officers, stockholders, members, partners, partnership committee members, employees, agents or affiliates or the other Covered Persons or any member of their families or a Person or entity advised by the Sub-Advisor may have an interest in a particular transaction or in securities or obligations of the same kind or class, or securities or obligations of a different kind or class of the same issuer, as those that may be owned or acquired by an Account. The Management Company agrees that, in the course of providing the Services, the Sub-Advisor may consider its relationships with other clients (including obligors and issuers) and its affiliates.

The Management Company agrees that neither the Sub-Advisor nor any of its affiliates is under any obligation to offer any investment opportunity of which they become aware to the Management Company or any Account or to account to the Management Company or any Account for (or share with the Management Company or any Account or inform the Management Company or any Account of) any such transaction or any benefit received by them from any such transaction. The Management Company understands that the Sub-Advisor and/or its affiliates may have, for their own accounts or for the accounts of others, portfolios with substantially the same portfolio criteria as are applicable to the Accounts. Furthermore, the Sub-Advisor and/or its affiliates may make an investment on behalf of any client or on their own behalf without offering the investment opportunity or making any investment on behalf of the Management Company or any Account and, accordingly, investment opportunities may not be allocated among all such clients. The Management Company acknowledges that affirmative obligations may arise in the future, whereby the Sub-Advisor and/or its affiliates are obligated to offer certain investments to clients before or without the Sub-Advisor offering those investments to the Management Company or any Account.

The Management Company acknowledges that the Sub-Advisor and its affiliates may make and/or hold investments in an obligor's or issuer's obligations or securities that may be *pari passu*, senior or junior in ranking to an investment in such obligor's or issuer's obligations or securities made and/or held by the Management Company or any Account, or in which partners, security holders, members, officers, directors, agents or employees of the Sub-Advisor and its affiliates serve on boards of directors, or otherwise have ongoing relationships or otherwise have interests different from or adverse to those of the Management Company and the Accounts.

#### Defined Terms

For purposes of this Appendix B, the following defined terms shall have the meanings set forth below:

"Portfolio" shall mean, with respect to any Account, the assets held by or in the name of the Account or any subsidiary of the Account in respect of such Transaction, whether or not for the benefit of the related secured parties, securing the obligations of such Account.

“Transaction” shall mean any action taken by the Sub-Advisor on behalf of any Account with respect to the Portfolio, including, without limitation, (i) selecting the Portfolio assets to be acquired by the Account, (ii) investing and reinvesting the Portfolio, (iii) amending, waiving and/or taking any other action commensurate with managing the Portfolio and (iv) instructing the Account with respect to any acquisition, disposition or tender of a Portfolio asset or other assets received in respect thereof in the open market or otherwise by the Account.

## **EXHIBIT 6**



## PAYROLL REIMBURSEMENT AGREEMENT

THIS PAYROLL REIMBURSEMENT AGREEMENT (this “*Agreement*”) entered into on this 1st day of May, 2018 by and among Highland Capital Management, L.P., a Delaware limited partnership (“*HCMLP*”), and NexPoint Advisors, L.P., a Delaware limited partnership (“*NexPoint*”), and any affiliate of NexPoint that becomes a party hereto, is effective as of January 1, 2018 (the “*Effective Date*”). Each of the signatories hereto is individually a “*Party*” and collectively the “*Parties*”.

### RECITALS

A. During the Term, HCMLP will seek reimbursement from NexPoint for the cost of certain employees who are dual employees of HCMLP and NexPoint and who provide advice to registered investment companies advised by NexPoint under the direction and supervision of NexPoint as more fully described in this Agreement.

### AGREEMENT

In consideration of the foregoing recitals and the mutual covenants and conditions contained herein, the Parties agree, intending to be legally bound, as follows:

#### ARTICLE I DEFINITIONS

“*Actual Cost*” means, with respect to any period hereunder, the actual costs and expenses caused by, incurred or otherwise arising from or relating to each Dual Employee, in each case during such period. Absent any changes to employee reimbursement, as set forth in Section 2.02, such costs and expenses are equal to \$252,000 per month.

“*Affiliate*” means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person. The term “*control*” (including, with correlative meanings, the terms “*controlled by*” and “*under common control with*”) means the possession of the power to direct the management and policies of the referenced Person, whether through ownership interests, by contract or otherwise.

“*Agreement*” has the meaning set forth in the preamble.

“*Allocation Percentage*” has the meaning set forth in Section 3.01.

“*Dual Employee*” has the meaning set forth in Section 2.01.

“*Effective Date*” has the meaning set forth in the preamble.

“*Party*” or “*Parties*” has the meaning set forth in the preamble.

“*Person*” means an association, a corporation, an individual, a partnership, a limited liability company, a trust or any other entity or organization.

“*Tax*” or “*Taxes*” means: (i) all state and local sales, use, value-added, gross receipts, foreign, privilege, utility, infrastructure maintenance, property, federal excise and similar levies, duties and other similar tax-like charges lawfully levied by a duly constituted taxing authority against or upon the Shared Services and the Shared Assets; and (ii) tax-related surcharges or fees that are related to the Shared Services

and the Shared Assets identified and authorized by applicable tariffs.

## ARTICLE II EMPLOYEE REIMBURSEMENT

Section 2.01 Employee Reimbursement. During the Term, NexPoint shall reimburse HCMLP for the Actual Cost to HCMLP of certain employees who (i) are dual employees of HCMLP and NexPoint and (ii) provide advice to any investment company registered under the Investment Company Act of 1940, as amended (the “*1940 Act*”) pursuant to an investment advisory agreement between NexPoint and such investment company (each, a “*Fund*”) under the direction and supervision of NexPoint (each, a “*Dual Employee*”).

Section 2.02 Changes to Employee Reimbursement. During the Term, the Parties may agree to modify the terms and conditions of NexPoint’s reimbursement in order to reflect new procedures or processes, including modifying the Allocation Percentage (defined below) applicable to such Dual Employee to reflect the then current fair market value of such Dual Employee’s employment. The Parties will negotiate in good faith the terms of such modification.

## ARTICLE III COST ALLOCATION

Section 3.01 Actual Cost Allocation Formula. The Actual Cost of any Dual Employee relating to the investment advisory services provided to a Fund shall be allocated based on the Allocation Percentage. For purposes of this Agreement, “*Allocation Percentage*” means the Parties’ good faith determination of the percentage of each Dual Employee’s aggregate hours worked during a quarter that were spent on NexPoint matters, as listed on Exhibit A.

## ARTICLE IV PAYMENT OF COST AND REVENUE SHARE; TAXES

Section 4.01 Settlement Payments. At any time during the Term, NexPoint may make payment of the amounts that are allocable to it.

Section 4.02 Determination and Payment of Cost. NexPoint shall promptly make payment of the Actual Cost within ten (10) days of the end of each calendar month. Should either Party determine that a change to employee reimbursement is appropriate, as set forth in Section 2.02, the Party requesting the modification shall notify the other Party on or before the last business day of the calendar month.

Section 4.03 Taxes.

(a) NexPoint is responsible for and will pay all Taxes applicable to it, provided, that such payments by NexPoint to HCMLP will be made in the most tax-efficient manner and provided further, that HCMLP will not be subject to any liability for Taxes applicable to the cost of a Dual Employee of NexPoint as a result of such payment by NexPoint. HCMLP will collect such Tax from NexPoint in the same manner it collects such Taxes from other customers in the ordinary course of its business, but in no event prior to the time it invoices NexPoint for costs for which such Taxes are levied. NexPoint may provide HCMLP with a certificate evidencing its exemption from payment of or liability for such Taxes.

(b) NexPoint will reimburse HCMLP for any Taxes collected from HCMLP and refunded to NexPoint. In the event a Tax is assessed against NexPoint that is solely the responsibility of HCMLP and HCMLP desires to protest such assessment, HCMLP will submit to NexPoint a statement of



the issues and arguments requesting that NexPoint grant HCMLP the authority to prosecute the protest in NexPoint's name. NexPoint's authorization will not be unreasonably withheld. HCMLP will finance, manage, control and determine the strategy for such protest while keeping NexPoint reasonably informed of the proceedings. However, the authorization will be periodically reviewed by NexPoint to determine any adverse impact on NexPoint, and NexPoint will have the right to reasonably withdraw such authority at any time. Upon notice by NexPoint that it is so withdrawing such authority, HCMLP will expeditiously terminate all proceedings. Any adverse consequences suffered by HCMLP as a result of the withdrawal will be submitted to litigation pursuant to Section 6.14. Any contest for Taxes brought by HCMLP may not result in any lien attaching to any property or rights of NexPoint or otherwise jeopardize NexPoint's interests or rights in any of its property.

(c) The provisions of this Section 4.03 will govern the treatment of all Taxes arising as a result of or in connection with this Agreement notwithstanding any other Article of this Agreement to the contrary.

#### ARTICLE V TERM AND TERMINATION

Section 5.01 Term. The term of this Agreement will commence as of the Effective Date and will continue in full force and effect until the first anniversary of the Effective Date (the "**Term**"), unless terminated earlier in accordance with Section 5.02. The Term shall automatically renew for successive one year periods unless sooner terminated under Section 5.02.

Section 5.02 Termination. Either Party may terminate this Agreement, with or without cause, upon at least 60 days advance written notice at any time prior to the expiration of the Term.

#### ARTICLE VI MISCELLANEOUS

Section 6.01 No Partnership or Joint Venture; Independent Contractor. Nothing contained in this Agreement will constitute or be construed to be or create a partnership or joint venture between or among HCMLP or NexPoint or their respective successors or assigns. The Parties understand and agree that this Agreement does not make any of them an agent or legal representative of the other for any purpose whatsoever. Neither Party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibilities, express or implied, on behalf of or in the name of any other Party, or to bind any other Party in any manner whatsoever.

Section 6.02 Amendments; Waivers. Except as expressly provided herein, this Agreement may be amended only by agreement in writing of all Parties. No waiver of any provision nor consent to any exception to the terms of this Agreement or any agreement contemplated hereby will be effective unless in writing and signed by all of the Parties affected and then only to the specific purpose, extent and instance so provided. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 6.03 Schedules and Exhibits; Integration. Each Schedule and Exhibit delivered pursuant to the terms of this Agreement must be in writing and will constitute a part of this Agreement, although schedules need not be attached to each copy of this Agreement. This Agreement, together with such Schedules and Exhibits constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the Parties in connection therewith.

Section 6.04 Further Assurances. Each Party will take such actions as any other Party may reasonably request or as may be necessary or appropriate to consummate or implement the transactions contemplated by this Agreement or to evidence such events or matters.

Section 6.05 Governing Law. This Agreement and the legal relations between the Parties will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed in such State and without regard to conflicts of law doctrines unless certain matters are preempted by federal law.

Section 6.06 Assignment. Except as otherwise provided hereunder, neither this Agreement nor any rights or obligations hereunder are assignable by one Party without the express prior written consent of the other Parties.

Section 6.07 Headings. The descriptive headings of the Articles, Sections and subsections of this Agreement are for convenience only and do not constitute a part of this Agreement.

Section 6.08 Counterparts. This Agreement and any amendment hereto or any other agreement delivered pursuant hereto may be executed in one or more counterparts and by different Parties in separate counterparts. All counterparts will constitute one and the same agreement and will become effective when one or more counterparts have been signed by each Party and delivered to the other Parties.

Section 6.09 Successors and Assigns; No Third Party Beneficiaries. This Agreement is binding upon and will inure to the benefit of each Party and its successors or assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 6.10 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given: (i) immediately when personally delivered; (ii) when received by first class mail, return receipt requested; (iii) one day after being sent for overnight delivery by Federal Express or other overnight delivery service; or (iv) when receipt is acknowledged, either electronically or otherwise, if sent by facsimile, telecopy or other electronic transmission device. Notices, demands and communications to the other Parties will, unless another address is specified by such Parties in writing, be sent to the addresses indicated below:

**If to HCMLP, addressed to:**

Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147

**If to NexPoint, addressed to:**

NexPoint Advisors, L.P.  
200 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147



Section 6.11 Expenses. Except as otherwise provided herein, the Parties will each pay their own expenses incident to the negotiation, preparation and performance of this Agreement, including the fees, expenses and disbursements of their respective investment bankers, accountants and counsel.

Section 6.12 Waiver. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 6.13 Severability. If any provision of this Agreement is held to be unenforceable for any reason, it will be adjusted rather than voided, if possible, to achieve the intent of the Parties. All other provisions of this Agreement will be deemed valid and enforceable to the extent possible.


Section 6.14 Dispute Resolution; Jurisdiction. The Parties hereby agree that any action, claim, litigation, or proceeding of any kind whatsoever against any other Party in any way arising from or relating to this Agreement, including, but not limited to, claims sounding in contract, equity, tort, fraud and statute ("Dispute") shall be submitted exclusively to the the courts located in Dallas County, Texas, and any appellate court thereof ("Enforcement Court"). Each party irrevocably and unconditionally submits to the exclusive personal and subject matter jurisdiction of the Enforcement Court for any Dispute and agrees to bring any Dispute only in the Enforcement Court. Each Party further agrees it shall not commence any Dispute in any forum, including, but not limited to, administrative, arbitration, or litigation, other than the Enforcement Court.

Section 6.15 General Rules of Construction. For all purposes of this Agreement and the Exhibits and Schedules delivered pursuant to this Agreement: (i) the terms defined in Article I have the meanings assigned to them in Article I and include the plural as well as the singular; (ii) all accounting terms not otherwise defined herein have the meanings assigned under GAAP; (iii) all references in this Agreement to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of the body of this Agreement; (iv) pronouns of either gender or neuter will include, as appropriate, the other pronoun forms; (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; (vi) "or" is not exclusive; (vii) "including" and "includes" will be deemed to be followed by "but not limited to" and "but is not limited to, "respectively; (viii) any definition of or reference to any law, agreement, instrument or other document herein will be construed as referring to such law, agreement, instrument or other document as from time to time amended, supplemented or otherwise modified; and (ix) any definition of or reference to any statute will be construed as referring also to any rules and regulations promulgated thereunder.

IN WITNESS HEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized officers as of the day and year first above written.

**HIGHLAND CAPITAL MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its general partner

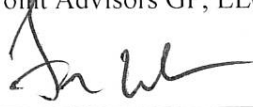
By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

000424

ACL-072624

**NEXPOINT ADVISORS, L.P.**

By: NexPoint Advisors GP, LLC, its general partner

By:  \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

000425

ACL-072625

**EXHIBIT A**EMPLOYEE ALLOCATIONS  
(AS OF JANUARY 1, 2018)

EMPLOYEE NAME	PERCENTAGE (%) ALLOCATION TO NEXPOINT ADVISORS, L.P.
Abayarathna, Sahan	9%
Baynard, Cameron	9%
Burns, Nathan	70%
Covitz, Hunter	25%
Desai, Neil	25%
Fedoryshyn, Eric	9%
Gray, Matthew	9%
Hayes, Christopher	9%
Hill, Robert	5%
McFarling, Brandon	9%
Moore, Carl	10%
Nikolayev, Yegor	9%
Okada, Mark	20%
Owens, David	9%
Parker, Trey	15%
Parmentier, Andrew	40%
Phillips, Michael	9%
Poglitsch, Jon	10%
Ryder, Phillip	5%
Sachdev, Kunal	9%
Smallwood, Allan	9%
Staltari, Mauro	9%
Tomlin, Jake	9%
Vira, Sagar	9%
Wilson, Scott	5%

000426

ACL-072626



## **EXHIBIT 7**

000427

**AMENDMENT NUMBER ONE  
TO  
PAYROLL REIMBURSEMENT AGREEMENT**

This Amendment Number One (this "*Amendment*") to the Payroll Reimbursement Agreement (the "*Agreement*") is entered into on December 14, 2018 by and among Highland Capital Management, L.P., a Delaware limited partnership ("*HCMLP*") and NexPoint Advisors, L.P., a Delaware limited partnership ("*NexPoint*"). Each of the signatories hereto is individually a "*Party*" and collectively the "*Parties*". Capitalized terms not defined herein shall have the meaning set forth in the Agreement.

**WHEREAS**, HCMLP and NexPoint entered into the Agreement on May 1, 2018 to facilitate NexPoint's reimbursement to HCMLP for the cost of certain employees who are dual employees of HCMLP and NexPoint; and

**WHEREAS**, HCMLP and NexPoint now desire to amend the Agreement to capture a one time payment of estimated additional Actual Costs owed to HCMLP for additional resources used by NexPoint during the Term of the Agreement.

In consideration of the foregoing recitals and the mutual covenants and conditions contained herein, the Parties agree, intending to be legally bound, as follows:

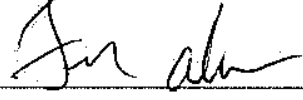
1. Payment of Additional Cost. In accordance with Section 2.02 of the Agreement (Changes to Employee Reimbursement), NexPoint hereby agrees to pay \$1,300,000.00 to HCMLP, representing an estimate of additional Actual Costs owed under the Agreement for additional resources used by NexPoint (the "*Additional Actual Cost*"). NexPoint shall make payment of the Additional Actual Cost within ten (10) days of the date of this Agreement.
2. Ratification of Agreement. Except as expressly amended and provided herein, all of the terms, conditions and provisions of the Agreement are hereby ratified and confirmed to be of full force and effect, and shall continue in full force and effect.
3. Counterparts. This Agreement and any amendment hereto or any other agreement delivered pursuant hereto may be executed in one or more counterparts and by different Parties in separate counterparts. All counterparts will constitute one and the same agreement and will become effective when one or more counterparts have been signed by each Party and delivered to the other Parties.
4. Governing Law. This Agreement and the legal relations between the Parties will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed in such State and without regard to conflicts of law doctrines unless certain matters are preempted by federal law.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS HEREOF, each of the Parties has caused this Amendment to be executed by its duly authorized officers as of the day and year first above written.

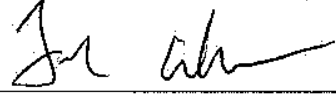
**HIGHLAND CAPITAL MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its general partner

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NEXPOINT ADVISORS, L.P.**

By: NexPoint Advisors GP, LLC, its general partner

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## **EXHIBIT 8**

000430

## PAYROLL REIMBURSEMENT AGREEMENT

THIS PAYROLL REIMBURSEMENT AGREEMENT (this “*Agreement*”) entered into on this 1st day of May, 2018 by and among Highland Capital Management, L.P., a Delaware limited partnership (“*HCMLP*”), and Highland Capital Management Fund Advisors, L.P., a Delaware limited partnership (“*HCMFA*”), and any affiliate of HCMFA that becomes a party hereto, is effective as of January 1, 2018 (the “*Effective Date*”). Each of the signatories hereto is individually a “*Party*” and collectively the “*Parties*”.

### RECITALS

A. During the Term, HCMLP will seek reimbursement from HCMFA for the cost of certain employees who are dual employees of HCMLP and HCMFA and who provide advice to registered investment companies advised by HCMFA under the direction and supervision of HCMFA as more fully described in this Agreement.

### AGREEMENT

In consideration of the foregoing recitals and the mutual covenants and conditions contained herein, the Parties agree, intending to be legally bound, as follows:

### ARTICLE I DEFINITIONS

“*Actual Cost*” means, with respect to any period hereunder, the actual costs and expenses caused by, incurred or otherwise arising from or relating to each Dual Employee, in each case during such period. Absent any changes to employee reimbursement, as set forth in Section 2.02, such costs and expenses are equal to \$416,000 per month.

“*Affiliate*” means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person. The term “*control*” (including, with correlative meanings, the terms “*controlled by*” and “*under common control with*”) means the possession of the power to direct the management and policies of the referenced Person, whether through ownership interests, by contract or otherwise.

“*Agreement*” has the meaning set forth in the preamble.

“*Allocation Percentage*” has the meaning set forth in Section 3.01.

“*Dual Employee*” has the meaning set forth in Section 2.01.

“*Effective Date*” has the meaning set forth in the preamble.

“*Party*” or “*Parties*” has the meaning set forth in the preamble.

“*Person*” means an association, a corporation, an individual, a partnership, a limited liability company, a trust or any other entity or organization.

“*Tax*” or “*Taxes*” means: (i) all state and local sales, use, value-added, gross receipts, foreign, privilege, utility, infrastructure maintenance, property, federal excise and similar levies, duties and other similar tax-like charges lawfully levied by a duly constituted taxing authority against or upon the Shared

Services and the Shared Assets; and (ii) tax-related surcharges or fees that are related to the Shared Services and the Shared Assets identified and authorized by applicable tariffs.

## ARTICLE II EMPLOYEE REIMBURSEMENT

Section 2.01 Employee Reimbursement. During the Term, HCMFA shall reimburse HCMLP for the Actual Cost to HCMLP of certain employees who (i) are dual employees of HCMLP and HCMFA and (ii) provide advice to any investment company registered under the Investment Company Act of 1940, as amended (the “*1940 Act*”) pursuant to an investment advisory agreement between HCMFA and such investment company (each, a “*Fund*”) under the direction and supervision of HCMFA (each, a “*Dual Employee*”).

Section 2.02 Changes to Employee Reimbursement. During the Term, the Parties may agree to modify the terms and conditions of HCMFA’s reimbursement in order to reflect new procedures or processes, including modifying the Allocation Percentage (defined below) applicable to such Dual Employee to reflect the then current fair market value of such Dual Employee’s employment. The Parties will negotiate in good faith the terms of such modification.

## ARTICLE III COST ALLOCATION

Section 3.01 Actual Cost Allocation Formula. The Actual Cost of any Dual Employee relating to the investment advisory services provided to a Fund shall be allocated based on the Allocation Percentage. For purposes of this Agreement, “*Allocation Percentage*” means the Parties’ good faith determination of the percentage of each Dual Employee’s aggregate hours worked during a quarter that were spent on HCMFA matters, as listed on Exhibit A.

## ARTICLE IV PAYMENT OF COST AND REVENUE SHARE; TAXES

Section 4.01 Settlement Payments. At any time during the Term, HCMFA may make payment of the amounts that are allocable to it.

Section 4.02 Determination and Payment of Cost. HCMFA shall promptly make payment of the Actual Cost within ten (10) days of the end of each calendar month. Should either Party determine that a change to employee reimbursement is appropriate, as set forth in Section 2.02, the Party requesting the modification shall notify the other Party on or before the last business day of the calendar month.

Section 4.03 Taxes.

(a) HCMFA is responsible for and will pay all Taxes applicable to it, provided, that such payments by HCMFA to HCMLP will be made in the most tax-efficient manner and provided further, that HCMLP will not be subject to any liability for Taxes applicable to the cost of a Dual Employee of HCMFA as a result of such payment by HCMFA. HCMLP will collect such Tax from HCMFA in the same manner it collects such Taxes from other customers in the ordinary course of its business, but in no event prior to the time it invoices HCMFA for costs for which such Taxes are levied. HCMFA may provide HCMLP with a certificate evidencing its exemption from payment of or liability for such Taxes.

(b) HCMFA will reimburse HCMLP for any Taxes collected from HCMLP and refunded to HCMFA. In the event a Tax is assessed against HCMFA that is solely the responsibility of



HCMLP and HCMFA desires to protest such assessment, HCMLP will submit to HCMFA a statement of the issues and arguments requesting that HCMFA grant HCMLP the authority to prosecute the protest in HCMFA's name. HCMFA's authorization will not be unreasonably withheld. HCMLP will finance, manage, control and determine the strategy for such protest while keeping HCMFA reasonably informed of the proceedings. However, the authorization will be periodically reviewed by HCMFA to determine any adverse impact on HCMFA, and HCMFA will have the right to reasonably withdraw such authority at any time. Upon notice by HCMFA that it is so withdrawing such authority, HCMLP will expeditiously terminate all proceedings. Any adverse consequences suffered by HCMLP as a result of the withdrawal will be submitted to litigation pursuant to Section 6.14. Any contest for Taxes brought by HCMLP may not result in any lien attaching to any property or rights of HCMFA or otherwise jeopardize HCMFA's interests or rights in any of its property.

(c) The provisions of this Section 4.03 will govern the treatment of all Taxes arising as a result of or in connection with this Agreement notwithstanding any other Article of this Agreement to the contrary.

#### ARTICLE V TERM AND TERMINATION

Section 5.01 Term. The term of this Agreement will commence as of the Effective Date and will continue in full force and effect until the first anniversary of the Effective Date (the "**Term**"), unless terminated earlier in accordance with Section 5.02. The Term shall automatically renew for successive one year periods unless sooner terminated under Section 5.02.

Section 5.02 Termination. Either Party may terminate this Agreement, with or without cause, upon at least 60 days advance written notice at any time prior to the expiration of the Term.

#### ARTICLE VI MISCELLANEOUS

Section 6.01 No Partnership or Joint Venture; Independent Contractor. Nothing contained in this Agreement will constitute or be construed to be or create a partnership or joint venture between or among HCMLP or HCMFA or their respective successors or assigns. The Parties understand and agree that this Agreement does not make any of them an agent or legal representative of the other for any purpose whatsoever. Neither Party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibilities, express or implied, on behalf of or in the name of any other Party, or to bind any other Party in any manner whatsoever.

Section 6.02 Amendments; Waivers. Except as expressly provided herein, this Agreement may be amended only by agreement in writing of all Parties. No waiver of any provision nor consent to any exception to the terms of this Agreement or any agreement contemplated hereby will be effective unless in writing and signed by all of the Parties affected and then only to the specific purpose, extent and instance so provided. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 6.03 Schedules and Exhibits; Integration. Each Schedule and Exhibit delivered pursuant to the terms of this Agreement must be in writing and will constitute a part of this Agreement, although schedules need not be attached to each copy of this Agreement. This Agreement, together with such Schedules and Exhibits constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the Parties in connection therewith.



Section 6.04 Further Assurances. Each Party will take such actions as any other Party may reasonably request or as may be necessary or appropriate to consummate or implement the transactions contemplated by this Agreement or to evidence such events or matters.

Section 6.05 Governing Law. This Agreement and the legal relations between the Parties will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed in such State and without regard to conflicts of law doctrines unless certain matters are preempted by federal law.

Section 6.06 Assignment. Except as otherwise provided hereunder, neither this Agreement nor any rights or obligations hereunder are assignable by one Party without the express prior written consent of the other Parties.

Section 6.07 Headings. The descriptive headings of the Articles, Sections and subsections of this Agreement are for convenience only and do not constitute a part of this Agreement.

Section 6.08 Counterparts. This Agreement and any amendment hereto or any other agreement delivered pursuant hereto may be executed in one or more counterparts and by different Parties in separate counterparts. All counterparts will constitute one and the same agreement and will become effective when one or more counterparts have been signed by each Party and delivered to the other Parties.

Section 6.09 Successors and Assigns; No Third Party Beneficiaries. This Agreement is binding upon and will inure to the benefit of each Party and its successors or assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 6.10 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given: (i) immediately when personally delivered; (ii) when received by first class mail, return receipt requested; (iii) one day after being sent for overnight delivery by Federal Express or other overnight delivery service; or (iv) when receipt is acknowledged, either electronically or otherwise, if sent by facsimile, telecopy or other electronic transmission device. Notices, demands and communications to the other Parties will, unless another address is specified by such Parties in writing, be sent to the addresses indicated below:

**If to HCMLP, addressed to:**

Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147

**If to HCMFA, addressed to:**

Highland Capital Management Fund Advisors, L.P.  
200 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147

Section 6.11 Expenses. Except as otherwise provided herein, the Parties will each pay their own expenses incident to the negotiation, preparation and performance of this Agreement, including the fees, expenses and disbursements of their respective investment bankers, accountants and counsel.

Section 6.12 Waiver. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 6.13 Severability. If any provision of this Agreement is held to be unenforceable for any reason, it will be adjusted rather than voided, if possible, to achieve the intent of the Parties. All other provisions of this Agreement will be deemed valid and enforceable to the extent possible.

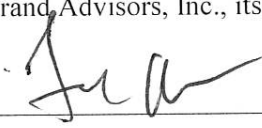
Section 6.14 Dispute Resolution; Jurisdiction. The Parties hereby agree that any action, claim, litigation, or proceeding of any kind whatsoever against any other Party in any way arising from or relating to this Agreement, including, but not limited to, claims sounding in contract, equity, tort, fraud and statute (“Dispute”) shall be submitted exclusively to the the courts located in Dallas County, Texas, and any appellate court thereof (“Enforcement Court”). Each party irrevocably and unconditionally submits to the exclusive personal and subject matter jurisdiction of the Enforcement Court for any Dispute and agrees to bring any Dispute only in the Enforcement Court. Each Party further agrees it shall not commence any Dispute in any forum, including, but not limited to, administrative, arbitration, or litigation, other than the Enforcement Court.

Section 6.15 General Rules of Construction. For all purposes of this Agreement and the Exhibits and Schedules delivered pursuant to this Agreement: (i) the terms defined in Article I have the meanings assigned to them in Article I and include the plural as well as the singular; (ii) all accounting terms not otherwise defined herein have the meanings assigned under GAAP; (iii) all references in this Agreement to designated “Articles,” “Sections” and other subdivisions are to the designated Articles, Sections and other subdivisions of the body of this Agreement; (iv) pronouns of either gender or neuter will include, as appropriate, the other pronoun forms; (v) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; (vi) “or” is not exclusive; (vii) “including” and “includes” will be deemed to be followed by “but not limited to” and “but is not limited to, “respectively; (viii) any definition of or reference to any law, agreement, instrument or other document herein will be construed as referring to such law, agreement, instrument or other document as from time to time amended, supplemented or otherwise modified; and (ix) any definition of or reference to any statute will be construed as referring also to any rules and regulations promulgated thereunder.

IN WITNESS HEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized officers as of the day and year first above written.

**HIGHLAND CAPITAL MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its general partner

By:  \_\_\_\_\_

Name: \_\_\_\_\_

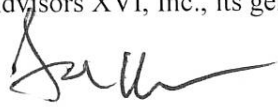
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000435

ACL-072602

**HIGHLAND CAPITAL MANAGEMENT FUND  
ADVISORS, L.P.**

By: Strand Advisors XVI, Inc., its general partner

By:  \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

000436

ACL-072603

**EXHIBIT A**EMPLOYEE ALLOCATIONS  
(AS OF JANUARY 1, 2018)

EMPLOYEE NAME	PERCENTAGE (%) ALLOCATION TO HCMFA ADVISORS, L.P.
Abayarathna, Sahan	29%
Baynard, Cameron	29%
Burns, Nathan	10%
Covitz, Hunter	5%
Desai, Neil	5%
Dondero, James	30%
Fedoryshyn, Eric	29%
Gray, Matthew	29%
Gulati, Sanjay	100%
Hayes, Christopher	29%
Hill, Robert	5%
McFarling, Brandon	29%
Moore, Carl	5%
Nikolayev, Yegor	29%
Owens, David	29%
Parker, Trey	30%
Parmentier, Andrew	40%
Phillips, Michael	29%
Poglitsch, Jon	75%
Ryder, Phillip	5%
Sachdev, Kunal	29%
Smallwood, Allan	29%
Staltari, Mauro	29%
Tomlin, Jake	29%
Vira, Sagar	29%

000437

ACL-072604

## **EXHIBIT 9**

000438



AMENDMENT NUMBER ONE  
TO  
PAYROLL REIMBURSEMENT AGREEMENT

This Amendment Number One (this "*Amendment*") to the Payroll Reimbursement Agreement (the "*Agreement*") is entered into on December 14, 2018 by and among Highland Capital Management, L.P., a Delaware limited partnership ("*HCMLP*") and Highland Capital Management Fund Advisors, L.P., a Delaware limited partnership ("*HCMFA*"). Each of the signatories hereto is individually a "*Party*" and collectively the "*Parties*". Capitalized terms not defined herein shall have the meaning set forth in the Agreement.

**WHEREAS**, HCMLP and HCMFA entered into the Agreement on May 1, 2018 to facilitate HCMFA's reimbursement to HCMLP for the cost of certain employees who are dual employees of HCMLP and HCMFA; and

**WHEREAS**, HCMLP and HCMFA now desire to amend the Agreement to capture a one time payment of estimated additional Actual Costs owed to HCMLP for additional resources used by HCMFA during the Term of the Agreement,

In consideration of the foregoing recitals and the mutual covenants and conditions contained herein, the Parties agree, intending to be legally bound, as follows:

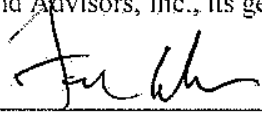
1. Payment of Additional Cost. In accordance with Section 2.02 of the Agreement (Changes to Employee Reimbursement), HCMFA hereby agrees to pay \$1,200,000.00 to HCMLP, representing an estimate of additional Actual Costs owed under the Agreement for additional resources used by HCMFA (the "*Additional Actual Cost*"). HCMFA shall make payment of the Additional Actual Cost within ten (10) days of the date of this Agreement.
2. Ratification of Agreement. Except as expressly amended and provided herein, all of the terms, conditions and provisions of the Agreement are hereby ratified and confirmed to be of full force and effect, and shall continue in full force and effect.
3. Counterparts. This Agreement and any amendment hereto or any other agreement delivered pursuant hereto may be executed in one or more counterparts and by different Parties in separate counterparts. All counterparts will constitute one and the same agreement and will become effective when one or more counterparts have been signed by each Party and delivered to the other Parties.
4. Governing Law. This Agreement and the legal relations between the Parties will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed in such State and without regard to conflicts of law doctrines unless certain matters are preempted by federal law.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the Parties has caused this Amendment to be executed by its duly authorized officers as of the day and year first above written.

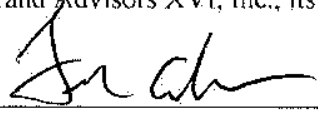
**HIGHLAND CAPITAL MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its general partner

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**HIGHLAND CAPITAL MANAGEMENT FUND  
ADVISORS, L.P.**

By: Strand Advisors XVI, Inc., its general partner

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



## **EXHIBIT 10**

000441

BLANKROME

1271 Avenue of the Americas | New York, NY 10020  
blankrome.com

*Phone:* (212) 885-5147  
*Fax:* (917) 332-3028  
*Email:* slouizos@blankrome.com

**MEMORANDUM**

TO: Dustin Norris  
Jason Post

CC: Lauren Thedford

FROM: Stacy H. Louizos

DATE: December 7, 2020

RE: Supplemental Questions Relating to HCMLP Bankruptcy Matters

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Below are follow up questions raised by the Board with respect to matters relating to the HCMLP bankruptcy. The Board would appreciate receiving written responses prior to the discussion on the agenda for the December 10-11, 2020 Board meeting to the extent practicable. If certain questions are more appropriately responded to by HCMLP, the Board requests that these be forwarded for response.

**Questions related to Termination of Shared Servicing Arrangements with HCMLP**

1. Who is responsible for putting together the plan to continue to provide/transition shared services for the retail complex?

**The senior management team of the Advisors is responsible for the transition of services, and this group is made up of Jim Dondero, D.C. Sauter, Jason Post, and Dustin Norris. This group is working with HCMLP management to ensure an orderly transition. Key representatives at HCMLP working on the transition include Frank Waterhouse, David Klos, Jim Seery, Scott Ellington, James Romey, and Fred Caruso.**

2. Please provide a matrix of current services provided and services that will be transferred.

December 7, 2020

Page 2

Please see Appendix A below, which includes the list of services provided under the shared services agreement with HCMLP. These services fall into two broader categories: 1) Employees performing services and 2) Systems, infrastructure, software and supplies/equipment. As we understand it, the bankruptcy plan of reorganization approved by the bankruptcy court (the "Approved Plan") anticipates the termination of all HCMLP employees by 1/31/21. The Advisors anticipate extending employment offers to the vast majority of HCMLP's employees such that the employees would be rehired immediately upon termination of their employment with HCMLP. This will cover all of the services under category 1 above.

In regards to category 2, the working group described in response 1 above is working on an orderly transition of all of these items. HCMLP has expressed the desire to have the employees sitting in the same seats, working on the same systems, and providing the same services on the day after the termination of the shared services either through an existing entity or a newly formed entity set up for this purpose. HCMLP and the Advisors are working toward this shared goal.

The individuals noted in number 1 above have prepared a working schedule with over 100 agreements in the name of HCMLP that include IT, HR, Accounting, Legal, Research, Valuation, and Admin functions. The Advisors and HCMLP, led by the individuals noted above, are evaluating these agreements to determine which should be accepted or rejected by HCMLP through the bankruptcy process (any agreements that are unnecessary on a go-forward basis will be rejected) and working on an orderly assignment and assumption of the relevant agreements needed to continue with all current services. Some necessary contracts may be assigned to the Advisors; alternatively, the Advisors may be better served in certain instances to enter into new agreements with the counterparty.

3. Specifically explain the personnel, equipment and facilities that will be transferred – and when.

**Please refer to the responses set forth in #2 above and #5 below**

4. Explain if there are any bankruptcy approvals required to facilitate the transfer of any personnel, equipment or facilities?

The operating protocols would require Committee approval or Bankruptcy Court approval for transfers of HCMLP "assets." Employees aren't "assets," but equipment and facilities (if owned) are. If facilities are leased, the leases could be assigned under section 365, which requires court approval.

December 7, 2020

Page 3

5. If there are bankruptcy approvals required, please explain the process and timing for obtaining these approvals.

**Please refer to response #4.**

6. In the event the approvals are not obtained, what is the alternate plan?

**If they are unable to receive requisite approvals for equipment for facilities, the Advisers will plan to enter into new license agreements with applicable providers.**

7. Please explain the risks associated with transferring the shared services on January 31, 2021.

**We are working with HCMLP management to ensure an orderly transition as noted in #1 above.**

8. Are there any software licenses, data sharing approvals that need to be modified or obtained?

**All required software licenses or data sharing approvals are set forth in #2**

9. Are there any regulatory approvals or notifications that need to be obtained to facilitate the transfer?

**No regulatory approvals required.** Please discuss what steps are being taken to ensure retention of HCMLP employees through the transition to the Highland entity that will take over the services under the Shared Services Agreement. Please address both front office as well as back office level functions.

**Representatives of the Advisors and HCMLP will be available to discuss with the Board at the Board meeting on December 10-11**

10. What happens if the transition is not able to be completed by the termination date provided by HCMLP?

**HCMLP notified all their employees on Friday, December 4<sup>th</sup> that they would like the transition to be effective on January 31, 2020, however they also communicated that they are committed to making sure it is done smoothly and may need to push it back as needed.**

**Questions Relating to Cross Holdings of Retail Complex and HCMLP through Direct or Indirect Interests**

1. On the existing cross holdings report exhibit IV.A.3 in the December Board materials, please categorize all cross holdings into three groups; 1) those positions where HCMLP

December 7, 2020

Page 4

is holding the security of a portfolio company held as collateral for the bankruptcy 2) funds or other entities advised by HTMLP (CLOs, NXRT, NHF etc...) and 3) those positions cross held by retail and institutional funds managed by HCMLP.

**Please refer to 10.31.20 Cross Holdings Summary Report**

2. On the cross holdings report please include the specific retail fund holding the position as well as the percentage of the fund that cross holding represents. Additionally, please provide total security market cap, MSCI level, trading volume or other metrics that will help us evaluate liquidity in the security as well as potential implications to an HCMLP liquidation.

**Please refer to 10.31.20 Cross Holdings Summary Report**

3. Additionally please include a list of concentrated positions held in the retail funds and comment as to whether or not those concentrated positions have a cross holding in one of the three above mentioned categories and if so provide comparable liquidity metrics (only if it is in one of the categories).

**Please refer to 10.31.20 Cross Holdings Summary Report**

December 7, 2020

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## Appendix A

### Shared Services Provided by HCMLP

#### Compliance

- General compliance
- Compliance systems

#### Facilities

- Equipment
- General Overhead
- Office Supplies
- Rent & Parking

#### Finance & Accounting

- Bookkeeping
- Cash Management
- Cash Forecasting
- Credit Facility Reporting
- Financial reporting
- Accounts payable
- Accounts receivable
- Expense reimbursement
- Vendor Management

#### HR

- Drinks/snacks
- Lunches
- Recruiting

#### IT

- General support and maintenance (OMS, development, support)
- Telecom (cell, phones, broadband)
- WSO

#### Legal

- Corporate secretarial services
- Document review and preparation
- Litigation support
- Management of outside counsel

#### Marketing and PR

- Public relations

Tax

- Tax audit support
- Tax planning
- Tax prep and filing

Investments

- Investment research on an ad hoc basis
- Valuation Committee

Trading

- Trading desk services

Operations

- Trade settlement



## **EXHIBIT 11**

K&L GATES LLP  
Artoush Varshosaz (TX Bar No. 24066234)  
1717 Main Street, Suite 2800  
Dallas, TX 75201  
Tel: (214) 939-5659  
[artoush.varshosaz@klgates.com](mailto:artoush.varshosaz@klgates.com)

Stephen G. Topetzes (*pro hac vice*)  
1601 K Street, NW  
Washington, DC 20006-1600  
Tel: (202) 778-9328  
[stephen.topetzes@klgates.com](mailto:stephen.topetzes@klgates.com)

A. Lee Hogewood, III (*pro hac vice*)  
4350 Lassiter at North Hills Ave., Suite 300  
Raleigh, NC 27609  
Tel: (919) 743-7306  
[Lee.hogewood@klgates.com](mailto:Lee.hogewood@klgates.com)

*Counsel for Highland Capital Management Fund  
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Julian P. Vasek, Esq.  
Texas Bar No. 24070790  
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500 N. Akard Street  
Dallas, Texas 75202-2790  
Telephone: (214) 855-7500  
Facsimile: (214) 978-4375  
[drukavina@munsch.com](mailto:drukavina@munsch.com)  
[jvasek@munsch.com](mailto:jvasek@munsch.com)

*Counsel for Highland Capital Management Fund  
Advisors, L.P. and NexPoint Advisors, L.P.*

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§ § Chapter 11
HIGHLAND CAPITAL MANAGEMENT, L.P.,	§ § Case No. 19-34054-sgj11
Debtor.	§ §

**APPLICATION FOR ALLOWANCE OF  
ADMINISTRATIVE EXPENSE CLAIM**

TO THE HONORABLE STACEY G.C. JERNIGAN, U.S. BANKRUPTCY JUDGE:

COME NOW Highland Capital Management Fund Advisors, L.P. ("HCMFA") and NexPoint Advisors, L.P. ("NexPoint," and with HCMFA, the "Advisors"), creditors and parties in interest in the above-captioned bankruptcy case (the "Bankruptcy Case"), and file this their *Application for Allowance of Administrative Expense Claim* (the "Application"), respectfully stating as follows:



## **I. JURISDICTION AND VENUE**

1. The Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b).

2. Venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409.

## **II. BACKGROUND**

### **A. SHARED SERVICES AGREEMENTS**

3. On or about February 8, 2013, HCMFA entered into that certain *Second Amended and Restated Shared Services Agreement* (each such agreement, a “SSA”) with Highland Capital Management, L.P. (the “Debtor”). On or about the same date, NexPoint also entered into a SSA with the Debtor.

4. Under the SSAs, the Debtor agreed to provide the Advisors with certain services, including “all of the (i) finance and accounting services, (ii) human resources services, (iii) marketing services, (iv) legal services, (v) corporate services, (vi) information technology services, and (vii) operations services ....”

5. The SSAs contain the following detailed cost allocation provisions:

The Actual Cost of any item relating to any Shared Services or Shared Assets shall be allocated based on the Allocation Percentage. For purposes of this Agreement, “Allocation Percentage” means:

(a) To the extent 100% of such item is demonstrably attributable to HCMFA, 100% of the Actual Cost of such item shall be allocated to HCMFA as agreed by HCMFA;

(b) To the extent a specific percentage of use of such item can be determined (e.g., 70% for HCMLP and 30% for HCMFA), that specific percentage of the Actual Cost of such item will be allocated to HCMLP or HCMFA, as applicable and as agreed by HCMFA; and

(c) All other portions of the Actual Cost of any item that cannot be allocated pursuant to clause (a) or (b) above shall be allocated between HCMLP and HCMFA in such proportion as is agreed in good faith between the parties.

6. “‘Actual Cost’ means, with respect to any period [under the SSA], one hundred percent (100%) of the actual costs and expenses caused by, incurred or otherwise arising from or relating to (i) the Shared Services and (ii) the Shared Assets, in each case during such period.”

7. In the event a party wishes to make changes to the shared services under the SSA, “The parties will negotiate in good faith the terms upon which a Service Provider would be willing to provide such New Shared Services to [the Advisors].”

**B. PAYROLL REIMBURSEMENT AGREEMENTS**

8. On or about May 1, 2018, HCMFA entered into that certain *Payroll Reimbursement Agreement* (each such agreement a “PRA”) with the Debtor. On or about the same date, NexPoint also entered into a PRA with the Debtor.

9. Under the PRAs, the Debtor is entitled to seek reimbursement from the Advisors “for the cost of certain employees who are dual employees of [the Debtor and the Advisors] and who provide advice to registered investment companies advised by [the Advisors] under the direction and supervision of [the Debtor] ....”

10. The amount of such reimbursement is based on an actual cost allocation formula as follows: “The Actual Cost of any Dual Employee relating to the investment advisory services provided to a Fund shall be allocated based on the Allocation Percentage. For purposes of this Agreement, “Allocation Percentage” means the Parties’ good faith determination of the percentage of each Dual Employee’s aggregate hours worked during a quarter that were spent on” certain matters set forth in the PRA.

11. “‘Actual Cost’ means, with respect to any period [under the PRA], the actual costs and expenses caused by, incurred or otherwise arising from or relating to each Dual Employee, in each case during such period. Absent any changes to employee reimbursement, as set forth in Section 2.02, such costs and expenses are equal to \$252,000 per month.”

12. Section 2.02 provides the mechanism to modify employee reimbursement and also provides, “The Parties will negotiate in good faith the terms of such modification.”

**C. BANKRUPTCY FILING AND SUBSEQUENT EVENTS**

13. On October 16, 2019 (the “Petition Date”), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code (11 U.S.C. §§ 101 *et seq.*) in the United States Bankruptcy Court for the District of Delaware, thereby initiating the Bankruptcy Case. On or about December 4, 2019, the Bankruptcy Case was transferred to this Court.

14. On January 9, 2020, the Bankruptcy Court entered its *Order Approving Settlement with Official Committee of Unsecured Creditors Regarding Governance of the Debtor and Procedures for Operations in the Ordinary Course* (Dkt. No. 339, the “Settlement Order”).

15. In connection with the Settlement Order, an independent board (the “Board”) was appointed to manage the Debtor’s general partner, Strand Advisors, Inc. (“Strand”). Its members are John S. Dubel, James P. Seery, Jr., and Russel F. Nelms. Several months later, the Board, with court approval, appointed Mr. Seery as the Debtor’s CEO and CRO.

16. As the Bankruptcy Case progressed, the Court expressed concerns about the Debtor’s employees providing certain services to the non-debtor Advisors. As a result, beginning around July 2020, Mr. Seery directed the Debtor to cease providing services to the Advisors as otherwise contemplated under the SSAs and the PRAs.

17. Nevertheless, the Advisors continued to pay for those services under the SSAs and the PRAs consistent with historical practice, despite the fact that the Debtor is not providing all the required services in return. For example, upon information and belief, the Debtor has booked net income from the SSAs of approximately \$10 million since the Petition Date. Given that the SSAs represent actual-cost sharing agreements, said net revenue represents Advisor overpayments under the SSAs—the purpose of the SSAs is not to make a profit. At the same time, the Advisors

have incurred significant additional expense obtaining services elsewhere that the Debtor was required to provide under the SSAs.

18. There have also been similar overpayments under the PRAs. There is a schedule attached to the PRAs of investment professionals whose compensation would be reimbursed by the Advisors. But this schedule is incredibly outdated. It includes many individuals, for example, who departed the Debtor before the Petition Date or during the Bankruptcy Case. As a result, the Advisors estimate that, since the Petition Date, they have overpaid under the PRA's more than \$9 million.

19. The Advisors have brought these issues to Mr. Seery's attention, and in accordance with the Debtor's obligations under the SSAs and the PRAs, the Advisors expect Mr. Seery to negotiate in good faith. Discovery will be necessary to determine the precise amount of the overpayments under the SSAs and PRAs.

### **III. ARGUMENTS AND AUTHORITIES**

20. Administrative expenses generally include "the actual, necessary costs and expenses of preserving the estate ...." 11 U.S.C. § 503(b)(1)(a). However, the list of administrative expense claims set forth in section 503(b) is not exclusive or exhaustive. *In re Imperial Bev. Group, LLC*, 457 B.R. 490, 500 (Bankr. N.D. Tex. 2011) (citing various cases for the proposition that "the administrative expenses listed in the subsections of § 503(b)—preceded by 'including'—are not exclusive"); 11 U.S.C. § 102(3) ("In this title ... 'includes' and 'including' are not limiting ....").

21. Post-petition, pre-rejection performance under an executory contract gives rise to an administrative expense claim. *See NLRB v. Bildisco & Bildisco*, 465 U.S. 513, 531 (1984) (superseded by statute on other grounds) ("If the debtor-in-possession elects to continue to receive benefits from the other party to an executory contract pending a decision to reject or assume the

contract, the debtor-in-possession is obligated to pay for the reasonable value of those services ...."); *In re MCS/Tex. Direct, Inc.*, 02-40229-DML-11, 2004 Bankr. LEXIS 379, \*11-12 (Bankr. N.D. Tex. March 30, 2004) (“Even if the contract is rejected, the contract party is entitled to payment for postpetition value received by a debtor.”).

22. Similarly, a post-petition, pre-rejection breach of contract gives rise to an administrative expense claim. *See In re United Trucking Serv.*, 851 F.2d 159, 162 (6th Cir. 1988) (“the damages under the breached lease covenant, to the extent that they occurred post-petition, provided benefits to the bankrupt estate and were properly accorded priority under § 503”); *Shapiro v. Meridian Auto. Sys. (Del.) (In re Lorro, Inc.)*, 391 B.R. 760, 766 (Bankr. E.D. Mich. 2008) (“the term ‘administrative expense’ has been construed to include claims based on tort, trademark infringement, patent infringement, and breach of contract”) (citing, *inter alia*, *Reading Co. v. Brown*, 391 U.S. 471 (1968)).

23. Here, under the SSAs and the RPAs, the Advisors have paid for services they did not receive and for salaries of employees who no longer exist. The Debtor, on the other hand, collected the Advisors’ payments without providing anything in exchange or incurring any actual costs. While the Advisors continued to perform under the SSAs and the RPAs, the Debtor breached its obligations under those same agreements. Accordingly, the Advisors are entitled to an administrative expense claim for the total overpayments, which, upon information and belief, total approximately \$14 million. Because the accounting information related to such costs and expenses are within the exclusive control of the Debtor, discovery will be necessary to determine the precise amount of the overpayments under the SSAs and PRAs.

#### IV. PRAYER

WHEREFORE, PREMISES CONSIDERED, the Funds and Advisors respectfully request that the Court enter an order granting this Application, awarding them an administrative expense



claim in an amount to be determined at trial (which is expected to be approximately \$14 million), and providing them such other and further relief to which they show themselves to be entitled, at law or in equity.

RESPECTFULLY SUBMITTED this 24th day of January, 2021.

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The undersigned hereby certifies that a true and correct copy of this document was served (A) electronically by the Court's CM/ECF system on all parties entitled to such notice on January 24, 2021; and (B) by first class U.S. mail, postage prepaid, on the attached service list on January 25, 2021.

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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:

HIGHLAND CAPITAL MANAGEMENT, L.P.,<sup>1</sup>

Debtor.

)  
) Chapter 11  
)  
) Case No. 19-34054-sgj11  
)  
)  
)  
)

**DEBTOR'S OBJECTION TO APPLICATION FOR  
ADMINISTRATIVE CLAIM OF HIGHLAND CAPITAL MANAGEMENT  
FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.**

<sup>1</sup> The Debtor's last four digits of its taxpayer identification number are (6725). The headquarters and service address for the above-captioned Debtor is 300 Crescent Court, Suite 700, Dallas, TX 75201.



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Highland Capital Management, L.P. (the “Debtor”), by and through its undersigned counsel, hereby files this objection (this “Objection”) to the *Application for Allowance of Administrative Expense Claim* [Docket No. 1826] (the “Application”) filed by Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint,” and with HCMFA, the “Claimants” or “Advisors”).<sup>1</sup> In support of this Objection, the Debtor represents as follows:

**I. PRELIMINARY STATEMENT**

1. The Application should be summarily denied on several grounds. The Claimants are owned and controlled by Mr. James Dondero (“Mr. Dondero”).<sup>2</sup> As alleged in the pending Complaints (as defined below) filed by the Debtor against Mr. Dondero, HCMFA, NexPoint, and certain other entities owned and/or controlled by Mr. Dondero (collectively, the “Dondero Entities”), Mr. Dondero and the Dondero Entities have been actively interfering with and impeding the Debtor’s business and its reorganization under the confirmed Plan and have engaged in a coordinated litigation campaign to harass the Debtor and deplete its resources,<sup>3</sup> in each case to the substantial prejudice of the Debtor’s estate and its stakeholders. The Application is another improper attempt by Dondero-controlled entities to obstruct the Debtor’s reorganization and harass the estate. The Debtor performed under the applicable Agreements, and the Advisors know that.

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<sup>1</sup> Capitalized terms not defined herein have the meanings ascribed to them below or in the Application.

<sup>2</sup> The Advisors objected to the Debtor’s Plan (as defined below) [Docket No. 1670]. In the Confirmation Order (defined below) confirming the Plan, the Court found that the Advisors were controlled by Mr. Dondero. Confirmation Order, ¶ 19.

<sup>3</sup> Confirmation Order, ¶¶ 77-78.

2. After remaining silent for more than six months<sup>4</sup> while the Debtor allegedly failed to provide services and grossly overcharged the Advisors under the parties' Agreements, and having no prepetition claims against the Debtor, the Advisors seek to manufacture a purported administrative expense priority claim by creating "facts" and rewriting the Agreements, which have been terminated by the Debtor. There will be no credible dispute that NexPoint and HCMFA stood by idly without ever (i) declaring a default under the Agreements; (ii) notifying the Debtor of any problem with the Debtor's services or billings; (iii) withholding payments under the Agreements (until notice of the termination of the Agreements); or (iv) seeking judicial relief regarding such matters. In fact, as described below, the Advisors wrote five separate letters to the Debtor in late 2020 and complained about a litany of items but made only one generalized comment about the services being provided. In short, the Advisors waived any right to dispute the sufficiency of the Debtor's services or the amounts payable to the Debtor under the Agreements.

3. Independently, the Advisors' purported overpayments to the Debtor are barred from recovery under the voluntary payment rule under Texas common law. As explained by the Texas Supreme Court, "[t]he voluntary payment rule precludes a party from 'pay[ing] out his money, leading the other party to act as though the matter were closed, and then be in the position to change his mind and invoke the aid of the courts to get it back.'"<sup>5</sup>

4. Accordingly, the Application should be denied by the Court.<sup>6</sup>

---

<sup>4</sup> The Advisors allege that in July 2020, "Mr. Seery directed the Debtor to cease providing services to the Advisors as otherwise contemplated under the" applicable agreements (Application, ¶ 16) yet the Advisors sought no relief at any time and only filed the Application on January 24, 2021, on the eve of the Debtor's confirmation hearing.

<sup>5</sup> *Miga v. Jensen*, 299 S.W.3d 98, 103 (Tex. 2009).

<sup>6</sup> In the event that the Court does not resolve this matter on the pleadings, the Debtor expects to propound discovery on the Advisors, and reserves all rights with respect thereto and any other claims, causes of action, setoffs, recoupments, and rights of the Debtor against the Advisors.

## II. JURISDICTION

5. The Court has jurisdiction to consider and determine this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. §§ 157(b)(1) and (b)(2). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

6. The Debtor confirms its consent, pursuant to Rule 7008 of the Federal Rules of Bankruptcy Procedure, to the entry of a final order.

## III. BACKGROUND

7. On October 16, 2019 (the “Petition Date”), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the Bankruptcy Court for the District of Delaware, Case No. 19-12239 (CSS) (the “Delaware Court”).

8. On October 29, 2019, the Official Committee of Unsecured Creditors (the “Committee”) was appointed by the United States Trustee in the Delaware Court.

9. On December 4, 2019, the Delaware Court entered an order transferring venue of the Debtor’s bankruptcy case to this Court [Docket No. 186].<sup>7</sup>

10. On February 22, 2021, this Court entered the *Order Confirming the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified) and (ii) Granting Related Relief* [Docket No. 1943] (the “Confirmation Order”), which confirmed the *Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified)* [Docket No. 1808] (as amended, the “Plan”).<sup>8</sup>

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<sup>7</sup> All docket numbers refer to the docket maintained by this Court.

<sup>8</sup> The confirmed Plan included certain amendments filed on February 1, 2021. *See Debtor’s Notice of Filing of Plan Supplement to the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified)*, Ex. B [Docket No. 1875].



11. The Debtor has continued in the possession of its property and has continued to operate and manage its business as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in this chapter 11 case.

12. Each of the Advisors is owned and controlled, directly or indirectly, by Mr. Dondero.

13. The Debtor and NexPoint were parties to a Shared Services Agreement (“NexPoint SSA”) and a Payroll Reimbursement Agreement (“NexPoint PRA” and together with the NexPoint SSA, the “NexPoint Agreements”), each as amended or amended and restated from time to time.<sup>9</sup>

14. Likewise, the Debtor and HCMFA were parties to a Shared Services Agreement (“HCMFA SSA”) and a Payroll Reimbursement Agreement (“HCMFA PRA” and together with the HCMFA SSA, the “HCMFA Agreements”), each as amended or amended and restated from time to time. The NexPoint Agreements and the HCMFA Agreements (collectively, the “Agreements”) were terminated by the Debtor in accordance with their terms.

15. Neither of the Advisors has a prepetition claim against the Debtor. HCMFA’s proofs of claim (Claim Nos. 95 and 119) were expunged with HCMFA’s consent [Docket No. 1233]. Similarly, NexPoint’s proofs of claim (Claim Nos. 104 and 108) were also consensually expunged [Docket No. 1233].

16. At the Debtor’s request, Mr. Dondero resigned on or around October 9, 2020. Less than a week after his ouster, Mr. Dondero and the Advisors he owns and controls initiated their campaign against the Debtor. Thus, on October 16, 2020, the Advisors wrote to the Debtor and raised three issues, contending that:

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<sup>9</sup> The Advisors assert that the Debtor and NexPoint entered into the applicable SSA on February 8, 2013, the same day the Debtor and HCMFA entered into a SSA. Application ¶3. This assertion is wrong as the Debtor and NexPoint entered into that certain *Amended and Restated Shared Services Agreement* effective as of January 1, 2018.

- the Debtor had allegedly refused to permit its “employees to work on certain [unidentified] matters that jointly affect HCMLP and the Advisors” and that allegedly caused the Advisors to unnecessarily incur third-party costs;<sup>10</sup>
- *if* the Debtor terminated employees at the end of the year, the Debtor “will no longer be able to carry out its duties and responsibilities under the Agreements” (the “Prospective Complaint”); and
- the Debtor’s contemplated sale of certain assets held in CLOs could result in the loss of value, and the Advisors asked that no such assets be sold without their prior consent.

**Morris Dec. Ex. A.**<sup>11</sup>

17. On November 24, 2020, the Advisors again wrote to the Debtor, this time only to reiterate their complaints about the Debtor’s sale of CLO assets and their demand that all such sales cease in the absence of the Advisors’ prior consent. In this letter, the Advisors registered no complaints about the services the Debtor was providing or the amounts being charged or paid under the Agreements. **Morris Dec. Ex. B.**

18. The Advisors were clearly focused on the Debtor’s sale of CLO assets because on December 8, 2020, the Advisors and other Dondero-related entities filed their *Motion for Order Imposing Temporary Restrictions on Debtor’s Ability, as Portfolio Manager, to Initiate Sales by Non-Debtor CLO Vehicles* [Docket No. 1528] (the “Advisors’ CLO Motion”). **Morris Dec. Ex. C.** The Advisors’ CLO Motion was filed on an emergency basis [Docket No. 1523] (**Morris Dec. Ex. D.**), but was later denied as “frivolous.” Notably, while the Advisors’ CLO Motion proves that the Advisors know how to seek judicial relief (on an emergency basis, no less), the Advisors

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<sup>10</sup> The Advisors have never identified any particular “matters that jointly affect[ed] HCMLP and the Advisors” and caused the Advisors to unnecessarily incur third-party costs. Upon information and belief, the “matters” referred to in the October Letter are those related to the CLO issues and other Estate-Adverse Services, none of which are “services” the Debtor was ever obligated to provide. *See infra* n. 12.

<sup>11</sup> Citations marked “Morris Dec. Ex. \_\_” refer to the *Declaration of John A. Morris in Support of Debtor’s Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.* filed contemporaneously with this Objection.

registered no complaints in the Advisors' CLO Motion or at the hearing about the services the Debtor was providing or the amounts being charged or paid under the Agreements.

19. Unchastened, on December 22, 2020, the Advisors renewed their complaints about the Debtor's CLO sales. **Morris Dec. Ex. E.** The Advisors also renewed their Prospective Complaint, contending that the anticipated termination of employees on January 31, 2021 "will result in a loss of the employees that [sic] have traditionally serviced the CLOs." Other than the renewal of their Prospective Complaint, the Advisors registered no complaints in their December 22, 2020, letter about the services the Debtor was providing or the amounts being charged or paid under the Agreements.

20. The next day, the Advisors sent the Debtor another letter, this one focused exclusively on the issue of the Debtor's management of the CLOs. In their December 23, 2020, letter, the Advisors gave notice to the Debtor that they "had no choice but to initiate HCMLP's removal as fund manager" for cause. **Morris Dec. Ex. F.** The Advisors registered no complaints in their December 23, 2020 letter about the services the Debtor was providing or the amounts being charged or paid under the Agreements.

21. Finally, on December 31, 2020, the Advisors again wrote to the Debtor, this time for the sole purpose of registering complaints about the Debtor's decision to evict Mr. Dondero from the Debtor's offices. **Morris Dec. Ex. G.** Other than as specifically related to Mr. Dondero, the Advisors registered no complaints in their December 31, 2020, letter about the services the Debtor was providing or the amounts being charged or paid under the Agreements.

22. As a result of this continued harassment and incessant interference, their failure to pay, collectively, tens of millions of dollars due and owing under a series of demand notes and other notes which were in default, and for other reasons, beginning in December 2020, the Debtor

filed a number of complaints (the “Complaints”) against Mr. Dondero (Adv. Proc. No. 20-03190, filed on December 7, 2020; Adv. Proc. No. 21-03003, filed on January 22, 2021); HCMFA, NexPoint, and certain other affiliated defendants (Adv. Proc. No. 21-03000, filed on January 6, 2021); HCMFA (Adv. Proc. No. 21-03004, filed on January 22, 2021); and NexPoint (Adv. Proc. No. 21-03005, filed on January 22, 2021), among others.

23. As set forth in the Complaints (as applicable), the Debtor has substantial claims against Mr. Dondero, the Advisors and the other affiliated entities for, *inter alia*, interference with the Debtor’s business and operations (including threatening to have the Debtor removed as the portfolio manager of certain collateralized loan obligation vehicles) and for failing to pay amounts due and owing to the Debtor under certain promissory notes. Such parties’ continued disruptive behavior caused the Debtor to notify Mr. Dondero in December 2020 that he would be evicted and all services provided by the Debtor to him would be terminated.

24. The Application was filed on January 24, 2021, obviously as retaliation for the Debtor’s filing of the Complaints and refusal to surrender to the Advisors’ demands concerning the CLOs. The Application has no merit as the Debtor fulfilled its obligations under the applicable Agreements. Assuming for the sake of argument that the Debtor failed to fully perform, the Advisors plainly waived (or should otherwise be estopped from asserting) their right to complain and are otherwise barred under Texas law from recovering anything, and any claim would be subject to substantial setoffs.

25. During the chapter 11 case and prior to the termination of the Agreements, the Debtor performed the services required under the Agreements. The Debtor anticipates that if the Advisors ever specifically identify any alleged service deficiencies or overcharges, they will likely be predicated upon incredible factual assertions or absurd or other untenable contortions of the

Agreements' provisions.<sup>12</sup> Not surprisingly, the Advisors do not identify a single service that the Debtor failed to provide, and instead make only the generalized and uncorroborated assertion that they continued to make payments "despite the fact that the Debtor [was] not providing all the required services in return." Application ¶ 17.

26. The Advisors also try to belatedly manufacture a "breach" under the Payroll Reimbursement Agreements by asserting that certain unidentified employees did not provide services for some unidentified periods of time. Specifically, the Advisors observe that there "is a schedule attached to the PRAs of investment professionals whose compensation would be reimbursed by the Advisors" that is "incredibly outdated," and complain that the list includes "many individuals . . . who departed the Debtor before or during the Bankruptcy Case." Application ¶ 18. The Advisors' complaints in this regard serve only to prove that (a) the Advisors did not care about these matters as long as Mr. Dondero was in control of both the Advisors and the Debtor (*i.e.*, at all relevant times since the Agreements were executed until no later than January 9, 2020); (b) until Mr. Dondero ceased to control both the Advisors and the Debtor, the relationship was not an arms'-length relationship, and (c) the Advisors were apparently obtaining the services they bargained for even if such services were not being provided by specified individuals, because there is no allegation (and there will be no evidence) that the Advisors ever sought an adjustment

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<sup>12</sup> For example, in or after July 2020, the Debtor's new CEO reminded the Debtor's personnel that they should not provide legal services to the Advisors and other third parties that could be adverse to the bankruptcy estate ("Estate-Adverse Services"), especially in light of the Court's particularized concerns. *Order on Motion for Clarification of Ruling [DE # 914] and Joinders thereto [DE ## 915 and 927]* [Docket No. 935 at 10] ("This could escalate to problematic territory in a hurry. ***The court trusts the Debtor's independent directors and new CEO are scrutinizing the issue of in-house lawyers potentially advising both the Debtor and Highland Non-Debtor Entity targets.***") (emphasis in original). To the extent that the Advisors may assert the Debtor's services under the Agreements were deficient because the Debtor refused to provide any Estate-Adverse Services, such assertion is patently illogical and unsupportable. It would be an absurd construction of the Agreements to have contemplated and required the Debtor to provide the Advisors with Estate-Adverse Services. *See Sojitz Energy Venture, Inc. v. Union Oil Co.*, 394 F. Supp. 3d 687, 701 (S.D. Tex. 2019) ("We will not construe contracts to produce an absurd result when a reasonable alternative construction exists.").

in the payments or even suggested to the Debtor that they were overpaying for departed employees. Moreover, as the Advisors' litany of letters proves, to the extent the Advisors *ever* registered a concern about particular employees, it was only as part of the Prospective Complaint.

27. Tellingly, during the chapter 11 case, the Advisors did not, for instance, file an emergency motion to compel the Debtor to assume or reject the Agreements, file a motion for relief from the automatic stay to terminate the Agreements, or seek any other relief with respect to the Agreements. Nor did the Advisors declare any breach or other problem with the Debtor's services and billings or the Advisors' payments under the Agreements. Furthermore, neither in their objections to Plan confirmation nor any other filing prior to the January 24, 2021, Application did the Advisors disclose their alleged multi-million dollar administrative claim.

28. It was only *after* the chapter 11 case became contentious and the Debtor began gaining traction with its asset monetization plan that the Claimants filed the Application and notified the Debtor, the Court, and the estate's other stakeholders of their purported administrative claim in an effort to create an "asset" that could be used by Mr. Dondero in his fruitless pursuit of a "pot plan." Indeed, at all times post-petition and prior to the Debtor's notice of termination of the Agreements, the Advisors continued to pay the Debtor for the applicable fees and charges under the Agreements, without complaint or objection.

29. Finally, assuming for the sake of argument only that the Advisors had a viable claim, the Debtor is entitled to offsets and has other claims against the Advisors, with respect to which the Debtor reserves all rights. Among other things, the Advisors owe approximately \$2.56 million under the Agreements, as well as approximately \$2.22 million in unpaid expense

reimbursements. And HCMFA and NexPoint owe more than \$7.68 million<sup>13</sup> and \$23 million,<sup>14</sup> respectively, under various promissory notes owed to the Debtor.

#### IV. OBJECTIONS

A. The Advisors Waived Any Alleged Breaches, Defaults and Claims Relating to the Purported Deficient Services and Overcharges and the Prior Payments Made By the Advisors Under the Agreements

30. The Advisors waited more than six months to declare that the Debtor allegedly provided deficient services and overcharged the Advisors under the Agreements (“Agreement Claims”). The Agreement Claims were made *after* the Debtor terminated the Agreements in accordance with their terms. Moreover, the Agreement Claims were asserted as part of a disingenuous plan proposal which asserted the claims for the first time and then unsuccessfully tried to convince the Debtor and its creditors that a plan waiving the Agreement Claims provided the estate with \$14 million more value than the Debtor’s Plan. As explained above, in response to such developments and as part of Mr. Dondero’s pervasive scheme to disrupt the Debtor’s business and obstruct and delay the Debtor’s reorganization under the confirmed Plan, the Advisors are attempting to invent *ex post facto* a multi-million dollar administrative claim against the estate. But the Advisors’ belated complaints are barred as a matter of law.

31. The undisputed facts prove that the Advisors waived any Agreement Claims under applicable Texas law. *See Rex Performance Prods., LLC v. Tate*, 2020 Tex. App. LEXIS 10465, at \*19 (Tex. App. Dec. 31, 2020) “Waiver is defined as ‘an intentional relinquishment of a known right or intentional conduct inconsistent with claiming that right.’” *Id.* (quoting *Sun Expl. & Prod. Co. v. Benton*, 728 S.W.2d 35, 37 (Tex. 1987)). The elements of waiver include: (1) an existing

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<sup>13</sup> As asserted in the Debtor’s Complaint against HCMFA in Adv. Proc. No. 21-03004.

<sup>14</sup> As asserted in the Debtor’s Complaint against NexPoint in Adv. Proc. No. 21-03005.



right, benefit, or advantage held by a party; (2) the party's actual knowledge of its existence; and (3) the party's actual intent to relinquish the right or intentional conduct inconsistent with the right. *Ulico Cas. Co. v. Allied Pilots Ass'n*, 262 S.W.3d 773, 778 (Tex. 2008). Being largely a matter of intent, waiver is ordinarily a question of fact, but when the surrounding facts and circumstances are undisputed, the question becomes one of law. *Motor Vehicle Bd. of Tex. Dep't of Transp. v. El Paso Indep. Auto. Dealers Ass'n, Inc.*, 1 S.W.3d 108, 111 (Tex. 1999).”).

32. As discussed above, the Advisors were evidently so unconcerned with any purported Agreement Claims that, *inter alia*, they (a) continued to pay the Debtor all amounts due without protest or even a reservation of rights (“Unconditional Payments”), (b) failed to declare a default or put the Debtor on notice of any deficiency with the Debtor's services and billings and the Advisors' payments under the Agreements (“Contractual Notice Actions”), despite sending a litany of letters in late 2020 detailing other purported concerns, and (c) failed to seek judicial relief of any kind (*e.g.*, a motion to compel the Debtor to assume or reject the Agreements or a motion for relief from stay to terminate the Agreements (“Bankruptcy Court Actions”), despite having filed the Advisors' CLO Motion on an emergency basis. *See, e.g., EM Bldg. Contrs. Servs., LLC v. Byrd Bldg. Servs., LLC*, 2020 Tex. App. LEXIS 6342, \*40 (Tex. App. Aug. 11, 2020) (“Silence or inaction, for so long a period as to show an intention to yield the known right, is . . . enough to prove waiver”) (quoting *Tenneco Inc. v. Enter. Prods. Co.*, 925 S.W.2d 640, 643 (Tex. 1996)); *In re National Steel Corp.*, 316 B.R. 287, 307 (Bankr. N.D. Ill. 2004) (“[I]t is most significant that the Creditor failed to take timely action to seek appropriate relief during the term of the executory Contract. Specifically, the Creditor failed to come before the Court to seek relief from the automatic stay under 11 U.S.C. § 362(d). Nor did the Creditor seek to compel National Steel to assume or reject the Contract pursuant to § 365(d)(2) [footnote omitted]. Instead of availing itself

of the procedures set forth in the Bankruptcy Code to compel National Steel's decision to assume or reject the Contract, the Creditor paid National Steel the higher price pursuant to the Amended Price Proposal and chose to 'reserve its rights.'"). In short, the Advisors waived any right to dispute the sufficiency of the Debtor's services or the amounts payable to the Debtor under the Agreements.

33. The Advisors cannot avoid the consequences of their inaction by relying on so-called "non-waiver provisions" in the Agreements.<sup>15</sup> Texas law provides that ostensible "non-waiver provisions" can themselves be waived by the parties. *See, e.g., United States Bank, N.A. v. Kobernick*, 454 Fed. Appx. 307, 315 (5th Cir. Dec. 16, 2011) (bank's actions were inconsistent with preserving contractual right to declare a certain default and thus, the bank had waived said right, notwithstanding non-waiver clause (citing *Straus v. Kirby Court Corp.*, 909 S.W.2d 105, 108 (Tex. App. 1995) and other cases)).<sup>16</sup>

34. Here, the Advisors' monthly Unconditional Payments, failure to take any Contractual Notice Actions, and failure to take any Bankruptcy Court Actions relating to the Agreements prove that the Advisors waived any Agreement Claims, notwithstanding any non-waiver clauses in the Agreements.

35. Any purported Agreement Claims of the Advisors were viewed and treated as non-issues by the Advisors during the chapter 11 case, and were thus not preserved for purposes of the Application or otherwise.

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<sup>15</sup> For example, the Payroll Reimbursement Agreement entered into as of May 1, 2018, by and among the Debtor and HCMFA, provides in section 6.02: "No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof ...."

<sup>16</sup> The Debtor is cognizant of the Texas Supreme Court's opinion in *Shields Limited Partnership v. Bradberry*, 526 S.W.3d 471 (Tex. 2017), wherein the court stated that "as a general proposition, nonwaiver provisions are binding and enforceable." *Id.* at 481. However, the *Shields* court also stated: "To the extent there has been any doubt up to this time, we affirm that a party's rights under a nonwaiver provision may indeed be waived expressly or impliedly." *Id.* at 482-83.

**B. The Voluntary Payment Rule Effectively Bars Any Administrative Claim**

36. Separately, the “voluntary payment rule” under applicable Texas law precludes the Advisors from recovering any alleged contractual overpayments under the guise of an administrative claim. As explained above, the Advisors voluntarily and intentionally made postpetition payments under the Agreements to the Debtor. “The voluntary payment rule precludes a party from ‘pay[ing] out his money, leading the other party to act as though the matter were closed, and then be in the position to change his mind and invoke the aid of the courts to get it back.’” *Miga v. Jensen*, 299 S.W.3d 98, 103 (Tex. 2009); accord, *BMG Direct Mktg. v. Peake*, 178 S.W.3d 763 (Tex. 2005) (applying the principle to prevent the recovery of a “late fee” paid by a customer who later claimed it was unlawful); see also *Nat’l Steel Corp.*, 316 B.R. at 307-08 (“Nor is it disputed that the Creditor made the payment voluntarily, notwithstanding the fact that it announced the reservation of its rights to later ‘evaluate the situation.’ Despite the Creditor’s fervent denials that it agreed to the price increase and that such an increase was inappropriate under the Contract, the Creditor made an affirmative, voluntary decision to pay the price increase .... The Court finds that the requirements of the voluntary payment doctrine [under Michigan law, which is similar to Texas law] have been met and that, accordingly, the Creditor cannot recover any portion of the payment at issue made to National Steel.”).

**V. RESERVATION OF RIGHTS**

37. The Debtor reserves all rights relating to NexPoint, HCMFA and/or the Agreements, including, without limitation, any claims, causes of action, setoffs, recoupments and other rights of the Debtor against the Advisors.

**VI. CONCLUSION**

The Advisors' Application for an administrative claim is part and parcel of the Advisors' and Mr. Dondero's broad strategy to subvert and hinder the Debtor's reorganization to the substantial detriment of the estate and its stakeholders. For the reasons set forth herein, the Debtor respectfully requests that the Court (i) deny the Application, (ii) disallow any asserted administrative claim of the Advisors, and (iii) grant such other and further relief as the Court deems just and proper.

Dated: May 5, 2021.

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## **EXHIBIT 13**

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UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj11
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

**RESPONSE TO DEBTOR’S OBJECTION TO APPLICATION FOR  
ADMINISTRATIVE CLAIM OF HIGHLAND CAPITAL MANAGEMENT  
FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.**

TO THE HONORABLE STACEY G.C. JERNIGAN, U.S. BANKRUPTCY JUDGE:

NOW COME Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors,  
L.P. (the “Advisors”) and file this *Response to Debtor’s Objection to Application for*





*Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.*, respectfully stating as follows:

## **I. SUMMARY**

1. In response to the Advisors' Admin Claim, the Debtor asserts only waiver and the voluntary payment rule. But neither applies. The parties' contracts contain enforceable nonwaiver provisions, and the Advisors acted promptly to assert and protect their rights after becoming aware they had overpaid the Debtor. The voluntary payment rule does not apply to statutory claims or contract claims, nor does it apply when there is a mistake of fact. Neither of these defenses bars the Admin Claim, and the Debtor's other objections amount to irrelevant *ad hominem* attacks that lack any real substance. The Court should overrule the Debtor's objection and grant the Admin Claim.

## **II. BACKGROUND**

2. On January 24, 2021, the Advisors filed their *Application for Allowance of Administrative Expense Claim* (Bankr. Dkt. No. 1826, the "Admin Claim").

3. On February 22, 2021, the Court entered its *Order (I) Confirming the Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified) and (II) Granting Related Relief* (Dkt. No. 1943, the "Confirmation Order"), pursuant to which it confirmed the *Fifth Amended Plan of Reorganization of Highland Capital Management, L.P. (as Modified)* (the "Plan").

4. Under the Plan and Confirmation Order, the Administrative Expense Claims Bar Date is forty-five days after the Plan's Effective Date. The Effective Date occurred on August 11,

2021, *see* Dkt. No. 2700, so the Administrative Expense Claims Bar Date did not occur until September 27, 2021.<sup>1</sup>

5. On May 5, 2021, Highland Capital Management, L.P. (the “Debtor”) filed its *Debtor’s Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.* (Bankr. Dkt. No. 2274, the “Objection”).

6. The Admin Claim is based on overpayments the Advisors made to the Debtor under those certain shared services agreements and payroll reimbursement agreements (collectively, the “Agreements”). In its Objection, the Debtor insinuates the Advisors were aware of the overpayments for more than six months before filing the Admin Claim. But that is not factually accurate. The issue did not crystalize until late November 2020. Upon discovering the overpayments and realizing their magnitude, the Advisors promptly ceased making payments under the Agreements. The Advisors also attempted to address the issue with the Debtor.

7. On December 1, 2021, Debtor employee David Klos acknowledged the overpayments under the payroll reimbursement agreements in particular:

These have not changed since BK, which given the changes in headcount you point out along with not paying insider bonus compensation, has increased the profitability of the contracts from HCMLP’s perspective.

Unsurprisingly, the Advisors’ attempts to negotiate with the Debtor went nowhere.

8. On or about March 1, 2021, following termination of the Agreements, the Debtor and the Advisors entered into that certain *Shared Resources Agreement*, pursuant to which they expressly preserved the Admin Claim:

For the avoidance of doubt, each Party reserves all rights it has, or may have, including all rights to pursue and defend any claims and/or causes of action, with respect to any matter, agreement, or understanding not explicitly addressed in this Agreement. The Parties expressly reserve all rights with respect to amounts asserted

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<sup>1</sup> The forty-fifth day after August 11, 2021 was Saturday September 25, 2021. Under Fed. R. Bankr. P. 9006, the Administrative Expense Claims Bar Date occurred the next business day.

in connection with the NexPoint Parties' administrative claim, including, without limitation the NexPoint Parties' right to amend such claim to assert additional or lesser amounts, including with respect to the post-petition amounts owed under the Shared Services Agreements; provided, that under no circumstances shall such claim or claims give rise to any right of offset against any amounts payable hereunder, the rights of HCMLP to object to such claim as well as all rights and defenses in connection with all pending and potential Adversary Proceedings between the Parties. All such claims and defenses are expressly preserved for future resolution by the court.

9. The shared services agreement between the Debtor and NexPoint contains the following nonwaiver clause:

The performance of any condition or obligation imposed upon any Party may be waived only upon the written consent of the Parties. Such waiver shall be, limited to the terms thereof and shall not constitute a waiver of any other condition or obligation of the other Party. Any failure by any Party to enforce any provision shall not constitute a waiver of that or any other provision or this Agreement.

10. The other three Agreements all contain the following nonwaiver clause:

No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

11. All of the Agreements contain provisions stating they are governed by and shall be interpreted under the laws of the State of Texas.

### **III. ARGUMENT & AUTHORITIES**

#### **A. THE ADVISORS HAVE NOT WAIVED THE ADMIN CLAIM**

12. The Debtor claims the Advisors waived the Admin Claim. But this is wrong for two reasons. First, the Agreements contain enforceable nonwaiver provisions. Second, even if they did not, the Advisors plainly never manifested an intent to waive their rights.

##### **i. The Agreements Contain Enforceable Nonwaiver Provisions**

13. "Given Texas's strong public policy favoring freedom of contract, there can be no doubt that, as a general proposition, nonwaiver provisions are binding and enforceable." *Shields Ltd. P'ship v. Bradberry*, 526 S.W.3d 471, 481 (Tex. 2017). True, "a party's rights under a

nonwaiver provision may indeed be waived expressly or impliedly.” *Id.* at 482-83. But in order to waive a nonwaiver provision, “there must, at a minimum, be some act inconsistent with its terms.” *Id.* at 474. More specifically, “[w]hile waiver may sometimes be established by conduct, that conduct must be unequivocally inconsistent with claiming a known right.” *Id.* at 485 (quoting *Van Indep. Sch. Dist. v. McCarty*, 165 S.W.3d 351, 353 (Tex. 2005)). Simply “engaging in the very conduct disclaimed as a basis for waiver is insufficient as a matter of law to nullify the nonwaiver provision in the parties’ ... agreement.” *Id.* at 484-85.

14. The Debtor has not identified any conduct unequivocally inconsistent with enforcing the nonwaiver provisions in the Agreements, as opposed to conduct allegedly inconsistent merely with asserting the Admin Claim itself. A recent case highlights this critical distinction. *In re United Servs. Auto. Ass’n*, No. 03-19-00292-CV, 2020 Tex. App. LEXIS 10203 (Tex. App.—Austin Dec. 23, 2020) (“*USAA*”). Insured homeowners asserted that their insurer’s delay invoking an appraisal clause “should be viewed as waving its rights under the nonwaiver provision as well as waiving its rights under the appraisal clause.” *Id.* at \*6. “However,” the Court held, “even assuming that USAA’s delay amounted to intentional conduct inconsistent with claiming its rights to enforce the appraisal agreement, it does not follow that such behavior was also ‘inconsistent with claiming the right to enforce the nonwaiver agreement.’” *Id.* at \*6-7 (quoting *Shields*, 526 S.W.3d at 485). The same is true here. None of the Advisors’ alleged conduct is unequivocally inconsistent—or even moderately inconsistent—with enforcing the Agreements’ nonwaiver provisions. Such provisions are enforceable and bar the Debtor’s waiver argument.

**ii. The Advisors Never Intended to Waive their Rights**

15. Even if the Agreements did not contain enforceable nonwaiver provisions, there is no basis for the Debtor to argue the Advisors waived the Admin Claim. Waiver has three elements:

“(1) an existing right, benefit, or advantage held by a party; (2) the party’s actual knowledge of its existence; and (3) the party’s actual intent to relinquish the right, or intentional conduct inconsistent with the right.” *Ulico Cas. Co. v. Allied Pilots Ass’n*, 262 S.W.3d 773, 778 (Tex. 2008). Waiver “is ordinarily a question of fact, dependent on things done and said, and the burden of proof is on the party relying on waiver.” *Alford, Meroney & Co. v. Rowe*, 619 S.W.2d 210, 213 (Tex. App.—Amarillo 1981) (citations omitted). Silence or inaction may be evidence of waiver, but it must be “coupled with knowledge of the known right, for such an unreasonable period of time as to indicate an intention to waive the right. *Id.*

16. The Advisors discovered the overpayments under the Agreements in late November 2020. They tried to engage the Debtor, but the Debtor refused to listen, even though at least one Debtor employee acknowledged the problem. In January, the Advisors filed the Admin Claim, eight months before the Court-ordered deadline to do so. There is simply no basis under these facts to conclude the Advisors actually intended to relinquish their rights under the Agreements. Indeed, the facts plainly show otherwise.

**B. THE VOLUNTARY PAYMENT RULE DOES NOT APPLY**

17. Next, the Debtor argues the voluntary payment rule bars the Admin Claim. But this is wrong for two reasons as well. First, the voluntary payment rule does not apply to breach of contract and other similar claims. Second, the voluntary payment rule only applies when there is a mistake of law, not a mistake of fact.

**i. The Voluntary Payment Rule Does Not Apply to Breach of Contract**

18. Historically, the voluntary payment rule was “a defense to claims asserting unjust enrichment; that is, when a plaintiff sues for restitution claiming a payment constitutes unjust enrichment, a defendant may respond with the voluntary-payment rule as a defense.” *See BMG Direct Mktg. v. Peake*, 178 S.W.3d 763, 768 (Tex. 2004). But “[a]lthough the voluntary-payment

rule has been applied, at times, in both private and public contexts, other legal and statutory remedies have evolved over time to supplant the rule's application in many of these contexts." *Id.* at 770. "Thus, although the voluntary-payment rule may have been widely used by parties and some Texas courts at one time, its scope has diminished as the rule's equitable policy concerns have been addressed through statutory or other legal remedies." *Id.* at 771. "Like other equitable claims and defenses, an adequate legal remedy may render equitable claims of unjust enrichment and equitable defenses of voluntary-payment unavailable." *Id.* at 770. While not completely abrogated, the rule today has only "limited application in Texas jurisprudence." *Id.* at 771.

19. As an initial matter, an administrative expense claim is a statutory remedy, and the statute should govern. Moreover, Courts have expressly held that the voluntary payment rule does not apply to breach of contract claims. *Lopez v. Bailon*, No. 07-14-00442-CV, 2016 Tex. App. LEXIS 8458, \*10 (Tex. App.—Amarillo Aug. 4, 2016) ("The voluntary payment defense does not apply to a simple breach of contract action."); see *BMG Direct Mktg.*, 178 S.W.3d at 775 ("It is true that, to the extent the subject matter of Peake's claim is covered by the parties' contract, the rule would not apply."). The Advisors have not submitted merely a common-law unjust enrichment claim. They have asserted a claim under the Bankruptcy Code and written contracts. Under these circumstances, the voluntary payment rule does not apply.

**ii. The Voluntary Payment Rule Does Not Apply to Mistakes of Fact**

20. Long ago, the Texas Supreme Court "stated the common-law voluntary-payment rule as follows: 'Money voluntarily paid on a claim of right, with full knowledge of all the facts, in the absence of fraud, deception, duress, or compulsion, cannot be recovered back merely because the party at the time of payment was ignorant of or mistook the law as to his liability.'" *BMG Direct Mktg.*, 178 S.W.3d at 768 (Tex. 2004) (quoting *Pennell v. United Ins. Co.*, 243 S.W.2d 572, 576 (Tex. 1951) (quoting 40 AM. JUR. § 205 (1942))) (emphasis added). The rule does not

apply to mistakes of fact. *See Central Austin Apts., LLC v. UP Austin Holdings, LP*, No. 03-13-00080-CV, 2014 Tex. App. LEXIS 10357, \*44 n.28 (Tex. App.—Austin Dec. 8, 2014. *rev'd on other grounds*) (“The voluntary-payment rule does not bar restitution based on mutual mistake of fact.”). Indeed, “for the voluntary-payment rule to apply, a person must pay ‘with full knowledge of all the facts.’” *BMG Direct Mktg.*, 178 S.W.3d at 772.

21. Here, the Advisors were not aware of all the facts until late November 2020. Upon becoming aware, they immediately ceased payments under the Agreements. Under the circumstances, the voluntary payment rule does not apply.

#### **IV. RESERVATION OF RIGHTS**

22. On December 17, 2021, the Court entered its *Order Approving Stipulation Regarding Second Amended Scheduling Order* (Adv. Dkt. No. 56, the “Stipulated Order”).

23. Under the Stipulated Order, *inter alia*, the following deadlines apply:

- a. “Responses to the Objection (‘Responses’) shall be filed on or before December 22, 2021, unless otherwise agreed in writing by the Parties.”
- b. “Depositions shall be scheduled and concluded on or before January 20, 2022, unless otherwise agreed in writing by the Parties.”
- c. “Any Party wishing to file a trial brief shall file and serve the same on or before February 1, 2022.”

24. Accordingly, considering the procedural posture of this adversary proceeding and the fact that discovery is ongoing, the Advisors reserve all their rights, including the right to file a comprehensive trial brief and to put on their case at trial consistent with applicable notice-pleading standards.

#### **V. CONCLUSION**

WHEREFORE, PREMISES CONSIDERED, the Advisors respectfully request that the Court enter an order (I) granting and allowing the Admin Claim; (II) overruling the Debtor’s



Objection; and (III) providing the Advisors such other and further relief to which they are entitled at law or in equity.

RESPECTFULLY SUBMITTED this 22nd day of December, 2021.

MUNSCH HARDT KOPF & HARR P.C.

By: /s/ Davor Rukavina

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*Counsel for the Advisors*

### **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on December 22, 2021, true and correct copies of the foregoing document were served on the following recipients via the Court's CM/ECF system.

Zachery Z. Annable on behalf of Plaintiff Highland Capital Management, L.P.  
[zannable@haywardfirm.com](mailto:zannable@haywardfirm.com)

Matthew A. Clemente on behalf of Interested Party Committee of Unsecured Creditors  
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A. Lee Hogewood, III on behalf of Defendant NexPoint Advisors, L.P.  
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/s/ Davor Rukavina  
\_\_\_\_\_  
Davor Rukavina, Esq.

## **EXHIBIT 14**

000492

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*Counsel for NexPoint Advisors, L.P. and  
Highland Capital Management Fund Advisors, L.P.*

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.,	§	
	§	Case No. 19-34054-sgj11
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010
	§	
NEXPOINT ADVISORS, L.P. AND	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P.	§	
	§	
Defendant.		

**DEFENDANTS' OBJECTIONS AND RESPONSES TO PLAINTIFF'S REQUESTS  
FOR ADMISSIONS, INTERROGATORIES, AND REQUESTS FOR PRODUCTION**

TO: Highland Capital Management, L.P. through its counsel of record, John Morris, Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 13th Floor, Los Angeles, CA 90067, [jmorris@pszjlaw.com](mailto:jmorris@pszjlaw.com); and Zachery Annable, Hayward PLLC, 10501 N. Central Expy., Ste. 106, Dallas, TX 75231, [zannable@haywardfirm.com](mailto:zannable@haywardfirm.com)

NexPoint Advisors, L.P. (“NPA”) and Highland Capital Management Fund Advisors, L.P. (“HCMFA” and collectively, the “Advisors”), the defendants in the above-styled and numbered adversary proceeding, hereby make the following objections and give the following responses to the *Debtor’s First Requests for Admissions Directed to NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P.*, the *Debtor’s First Request for Production of Documents Directed to NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P.*, and the *Debtor’s First Set of Interrogatories Directed to NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P.*, pursuant to Rules 33, 34, and 36 of the Federal Rules of Civil Procedure and Rules 7033, 7034, and 7036 of the Federal Rules of Bankruptcy Procedure.

## **I. INSTRUCTIONS**

1. The Advisors object to Interrogatory Instructions 2, 3, and 5 because they purport to impose obligations in excess of those imposed by the Federal Rules of Civil Procedure. The Advisors will provide answers consistent with the applicable rules.

2. The Advisors object to Request for Production Instruction 1 to the extent it purports to impose obligations in excess of those imposed by the Federal Rules of Civil Procedure. The Advisors will comply with the applicable rules governing privilege logs.

3. The Advisors object to Request for Production Instruction 3 because it purports to impose obligations in excess of those imposed by the Federal Rules of Civil Procedure. The Advisors will provide written responses consistent with the applicable rules.

## **II. REQUESTS FOR ADMISSIONS**

### **REQUEST FOR ADMISSION 1:**

Admit that attached as Exhibit A is a true and correct copy of the HCMFA SSA.

**RESPONSE:** The Advisors admit that Exhibit A is a true and correct copy of the document it purports to be. However, the Advisors are unable to admit or deny that Exhibit A represents the complete agreement between the parties and therefore deny the same. To the extent any related or supplemental agreements exist, for example, they would be under the Debtor's exclusive control. In fact, the Advisors have requested all iterations of the agreements in discovery. To the extent not expressly admitted, this request is denied.

**REQUEST FOR ADMISSION 2:**

Admit that attached as Exhibit B is a true and correct copy of the HCMFA Termination Notice.

**RESPONSE:** Admit.

**REQUEST FOR ADMISSION 3:**

Admit that attached as Exhibit C is a true and correct copy of the NexPoint SSA.

**RESPONSE:** The Advisors admit that Exhibit C is a true and correct copy of the document it purports to be. However, the Advisors are unable to admit or deny that Exhibit C represents the complete agreement between the parties and therefore deny the same. To the extent any related or supplemental agreements exist, for example, they would be under the Debtor's exclusive control. In fact, the Advisors have requested all iterations of the agreements in discovery. To the extent not expressly admitted, this request is denied.

**REQUEST FOR ADMISSION 4:**

Admit that attached as Exhibit D is a true and correct copy of the NexPoint Termination Notice.

**RESPONSE:** Admit.

**REQUEST FOR ADMISSION 5:**

Admit that attached as Exhibit E is a true and correct copy of the January 30, 2021 Agreement.

**RESPONSE:** Admit.

**REQUEST FOR ADMISSION 6:**

Admit that in the January 30, 2021 Agreement, the Debtor agreed to extend the termination date of the SSAs to February 14, 2021 in exchange for the Advisors agreeing to pay in advance for services to be rendered by the Debtor during that two-week period.

**RESPONSE:** The Advisors admit that the document speaks for itself regarding the so-called "Pre-Paid Fees" as defined therein. The Advisors deny that the Debtor was not

obligated to earn such fees, and the Advisors deny that the Debtor actually did earn such fees. To the extent not expressly admitted, this request is denied.

**REQUEST FOR ADMISSION 7:**

Admit that since the Petition Date, You have not paid certain amounts due and owing under the SSAs to the Debtor.

**RESPONSE:** Denied.

**REQUEST FOR ADMISSION 8:**

Admit that for the period between the Petition date and January 31, 2021, HCMFA did not pay the Debtor \$2,121,276.00 that was due and owing under the HCMFA SSA, excluding amounts owed by HCMFA to the Debtor for services provided prior to the Petition Date.

**RESPONSE:** Denied.

**REQUEST FOR ADMISSION 9:**

Admit that for the period between the Petition date and January 31, 2021, NexPoint did not pay the Debtor \$932,977.00 that was due and owing under the NexPoint SSA, excluding amounts owed by NexPoint to the Debtor for services provided prior to the Petition Date.

**RESPONSE:** Denied.

**REQUEST FOR ADMISSION 10:**

Admit that Exhibit F accurately sets forth all the payments made by the Advisors to the Debtor under the SSAs and PRAs after the Petition Date.

**RESPONSE:** The Advisors are unable to admit or deny this request. Records necessary to formulate a response are in the Debtor's possession and control, and discovery is ongoing. To the extent not expressly admitted, this request is denied.

**REQUEST FOR ADMISSION 11:**

Admit that prior to the Admin Claim Filing, You did not make a demand on the Debtor for services under the SSAs.

**RESPONSE:** Denied

**REQUEST FOR ADMISSION 12:**

Admit that prior to the Admin Claim Filing, You did not make a demand on the Debtor with respect to the PRAs.

**RESPONSE:** Denied.



**REQUEST FOR ADMISSION 13:**

Admit that prior to the Admin Claim Filing, You did not declare a default, or otherwise put the Debtor on notice, of the Debtor's breach under the Agreements.

**RESPONSE:** Denied.

**REQUEST FOR ADMISSION 14:**

Admit that prior to the Admin Claim Filing, You did not seek judicial relief in connection with the Debtor's alleged breach or nonperformance under the Agreements, including with respect to the Advisors' CLO Motion.

**RESPONSE:** Given that the automatic stay would have prevented them from doing so, the Advisors admit solely that they did not formally initiate legal proceedings against the Debtor in connection with the Debtor's breach and nonperformance under the agreements. Furthermore, the Debtor undoubtedly would have invoked the Bankruptcy Court's January 9, 2020 Order, which provided, "Mr. Dondero shall not cause any Related Entity to terminate any agreements with the Debtor." To the extent not expressly admitted, this request is denied.

**REQUEST FOR ADMISSION 15:**

Admit that prior to the Admin Claim Filing, You did not seek to terminate the Agreements with the Debtor.

**RESPONSE:** Given the reasonable expectation that the Debtor would have accused the Advisors of violating the automatic stay by doing so, the Advisors admit they did not terminate the agreements. Furthermore, the Debtor undoubtedly would have invoked the Bankruptcy Court's January 9, 2020 Order, which provided, "Mr. Dondero shall not cause any Related Entity to terminate any agreements with the Debtor." To the extent not expressly admitted, this request is denied.

**REQUEST FOR ADMISSION 16:**

Admit that the Advisors do not have a pre-Petition claim against the Debtor.

**RESPONSE:** The Advisors admit solely that they do not have a pre-petition claim against the debtor that has been *allowed* in the bankruptcy case. The Advisors deny that they do not have pre-petition claims against the Debtor. To the extent not expressly admitted, this request is denied.

**REQUEST FOR ADMISSION 17:**

Admit that attached as Exhibit G is a true and correct copy of the October 16, 2020 Letter.

**RESPONSE:** Admit.

**REQUEST FOR ADMISSION 19:<sup>1</sup>**

Admit that in the October 16, 2020 Letter, the Advisors did not lodge any complaints about, or make any demands concerning, the services the Debtor was providing under the Agreements at that time, or the amounts being charged or paid under the Agreements at that time.

**RESPONSE:** Denied.

**REQUEST FOR ADMISSION 20:**

Admit that attached as Exhibit H is a true and correct copy of the November 24, 2020 Letter.

**RESPONSE:** Admit.

**REQUEST FOR ADMISSION 21:**

Admit that in the November 24, 2020 Letter, the Advisors did not lodge any complaints about, or make any demands concerning, the services the Debtor was providing under the Agreements at that time, or the amounts being charged or paid under the Agreements at that time.

**RESPONSE:** Admit.

**REQUEST FOR ADMISSION 22:**

Admit that attached as Exhibit I is a true and correct copy of the December 22, 2020 Letter.

**RESPONSE:** Admit.

**REQUEST FOR ADMISSION 23:**

Admit that in the December 22, 2020 Letter, the Advisors did not lodge any complaints about, or make any demands concerning, the services the Debtor was providing under the Agreements at that time, or the amounts being charged or paid under the Agreements at that time.

**RESPONSE:** Admit.

**REQUEST FOR ADMISSION 24:**

Admit that attached as Exhibit J is a true and correct copy of the December 23, 2020 Letter.

**RESPONSE:** Admit.

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<sup>1</sup> There was no Request for Admission 18 included in the Debtors' requests for admissions.

**REQUEST FOR ADMISSION 25:**

Admit that in the December 23, 2020 Letter, the Advisors did not lodge any complaints about, or make any demands concerning, the services the Debtor was providing under the Agreements at that time, or the amounts being charged or paid under the Agreements at that time.

**RESPONSE:** Admit.

**REQUEST FOR ADMISSION 26:**

Admit that attached as Exhibit K is a true and correct copy of the December 31, 2020 Letter.

**RESPONSE:** Admit.

**REQUEST FOR ADMISSION 27:**

Admit that in the December 31, 2020 Letter, the Advisors did not lodge any complaints about, or make any demands concerning, the services the Debtor was providing under the Agreements at that time, or the amounts being charged or paid under the Agreements at that time.

**RESPONSE:** Denied.

**REQUEST FOR ADMISSION 28:**

Admit that attached as Exhibit L is a true and correct copy of the HCMFA PRA.

**RESPONSE:** The Advisors admit that Exhibit L is a true and correct copy of the document it purports to be. However, the Advisors are unable to admit or deny that Exhibit L represents the complete agreement between the parties and therefore deny the same. To the extent any related or supplemental agreements exist, for example, they would be under the Debtor's exclusive control. In fact, the Advisors have requested all iterations of the agreements in discovery. To the extent not expressly admitted, this request is denied.

**REQUEST FOR ADMISSION 29:**

Admit that attached as Exhibit M is a true and correct copy of the NexPoint PRA.

**RESPONSE:** The Advisors admit that Exhibit M is a true and correct copy of the document it purports to be. However, the Advisors are unable to admit or deny that Exhibit M represents the complete agreement between the parties and therefore deny the same. To the extent any related or supplemental agreements exist, for example, they would be under the Debtor's exclusive control. In fact, the Advisors have requested all iterations of the agreements in discovery. To the extent not expressly admitted, this request is denied.

### **III. REQUESTS FOR PRODUCTION**

#### **REQUEST FOR PRODUCTION 1:**

All Documents and Communications Concerning any payments You made to the Debtor under the SSAs or PRAs.

**RESPONSE:** The Advisors will produce non-privileged, responsive documents that are within their possession, custody, or control. However, the Advisors note that responsive documents are more likely to be in the Debtor's possession, custody, or control.

#### **REQUEST FOR PRODUCTION 2:**

All Documents and Communications Concerning any amounts due and owing by You to the Debtor under the SSAs or PRAs.

**RESPONSE:** The Advisors object to this request to the extent it suggests amounts are due and owing by them to the Debtor under the agreements. The Advisors' position is that no amounts are due and owing. The Advisors do not, therefore, expect to find any responsive documents. Nevertheless, the Advisors will search for non-privileged, responsive documents and, to the extent any are found in their possession, custody, or control, such documents will be produced.

#### **REQUEST FOR PRODUCTION 3:**

All Documents and Communications Concerning any decision by You to withhold or not to make payments due and owing under the SSAs or PRAs.

**RESPONSE:** The Advisors will produce non-privileged, responsive documents that are within their possession, custody, or control. However, the Advisors note that responsive documents are more likely to be in the Debtor's possession, custody, or control.

#### **REQUEST FOR PRODUCTION 4:**

All Communications between You and James Dondero Concerning any payments You made to the Debtor under the SSAs or PRAs.

**RESPONSE:** The Advisors will produce non-privileged, responsive documents that are within their possession, custody, or control. However, the Advisors note that responsive documents are more likely to be in the Debtor's possession, custody, or control.

#### **REQUEST FOR PRODUCTION 5:**

All Communications between You and James Dondero Concerning any amounts due and owing by You to the Debtor under the SSAs or PRAs.

**RESPONSE:** The Advisors object to this request to the extent it suggests amounts are due and owing by them to the Debtor under the agreements. The Advisors' position is that no

amounts are due and owing. The Advisors do not, therefore, expect to find any responsive documents. Nevertheless, the Advisors will search for non-privileged, responsive documents and, to the extent any are found in their possession, custody, or control, such documents will be produced.

**REQUEST FOR PRODUCTION 6:**

All Communications between You and James Dondero Concerning any decision by You to withhold or not to make payments due and owing under the SSAs or PRAs.

**RESPONSE:** The Advisors object to this request to the extent it suggests amounts are due and owing by them to the Debtor under the agreements. The Advisors' position is that no amounts are due and owing. The Advisors do not, therefore, expect to find any responsive documents. Nevertheless, the Advisors will search for non-privileged, responsive documents and, to the extent any are found in their possession, custody, or control, such documents will be produced.

**REQUEST FOR PRODUCTION 7:**

All Communications between You and the Debtor Concerning any payments You made to the Debtor under the SSAs or PRAs.

**RESPONSE:** The Advisors will produce non-privileged, responsive documents that are within their possession, custody, or control. However, the Advisors note that responsive documents are more likely to be in the Debtor's possession, custody, or control.

**REQUEST FOR PRODUCTION 8:**

All Communications between You and the Debtor Concerning any amounts due and owing by You to the Debtor under the SSAs or PRAs.

**RESPONSE:** The Advisors object to this request to the extent it suggests amounts are due and owing by them to the Debtor under the agreements. The Advisors' position is that no amounts are due and owing. The Advisors do not, therefore, expect to find any responsive documents. Nevertheless, the Advisors will search for non-privileged, responsive documents and, to the extent any are found in their possession, custody, or control, such documents will be produced.

**REQUEST FOR PRODUCTION 9:**

All Communications between You and the Debtor Concerning any decision by You to withhold or not to make payments due and owing under the SSAs or PRAs.

**RESPONSE:** The Advisors object to this request to the extent it suggests amounts are due and owing by them to the Debtor under the agreements. The Advisors' position is that no amounts are due and owing. The Advisors do not, therefore, expect to find any responsive documents. Nevertheless, the Advisors will search for non-privileged, responsive

documents and, to the extent any are found in their possession, custody, or control, such documents will be produced.

**REQUEST FOR PRODUCTION 10:**

All Documents and Communications Concerning Your allegation that, “around July 2020, Mr. Seery directed the Debtor to cease providing services to the Advisors as otherwise contemplated under the SSAs and the PRAs.” Advisors’ Admin Claim ¶16.

**RESPONSE:** The Advisors will produce non-privileged, responsive documents that are within their possession, custody, or control. However, the Advisors note that responsive documents are more likely to be in the Debtor’s possession, custody, or control.

**REQUEST FOR PRODUCTION 11:**

All Documents and Communications Concerning Your allegation that “the Advisors continued to pay for those services under the SSAs and PSAs consistent with historical practice, despite the fact that the Debtor [was] not providing all the required services in return.” Advisors’ Admin Claim ¶17.

**RESPONSE:** The Advisors will produce non-privileged, responsive documents that are within their possession, custody, or control. However, the Advisors note that responsive documents are more likely to be in the Debtor’s possession, custody, or control.

**REQUEST FOR PRODUCTION 12:**

All Documents and Communications Concerning Your allegation that “[t]here have also been similar overpayments under the PRAs . . . [and that] the Advisors estimate that, since the Petition Date, they have overpaid under the PRA’s more than \$9 million.” Advisors’ Admin Claim ¶18.

**RESPONSE:** The Advisors will produce non-privileged, responsive documents that are within their possession, custody, or control. However, the Advisors note that responsive documents are more likely to be in the Debtor’s possession, custody, or control.

**REQUEST FOR PRODUCTION 13:**

All Documents and Communications Concerning Your allegation that the “Advisors have brought these issues to Mr. Seery’s attention.” Advisors’ Admin Claim ¶19.

**RESPONSE:** The Advisors will produce non-privileged, responsive documents that are within their possession, custody, or control. However, the Advisors note that responsive documents are more likely to be in the Debtor’s possession, custody, or control.

**REQUEST FOR PRODUCTION 14:**

All Communications in which You notified the Debtor that (a) the Debtor was in breach of the SSAs, or (b) the Debtor was in breach of the PRAs, or (c) the Debtor was failing to provide

any of the services required under the SSAs, or (d) there were individuals whose compensation the Advisors were paying for under the PRAs but who departed the Debtor before the Petition Date or during the Bankruptcy Case.

**RESPONSE:** The Advisors will produce non-privileged, responsive documents that are within their possession, custody, or control. However, the Advisors note that responsive documents are more likely to be in the Debtor's possession, custody, or control.

**REQUEST FOR PRODUCTION 15:**

All Documents and Communications Concerning the Advisors' Admin Claim.

**RESPONSE:** The Advisors object to this request. To the extent it seeks documents covered by the previous requests for production, it is duplicative. To the extent it seeks documents non covered by the previous requests for production, it is overbroad on its face.

**REQUEST FOR PRODUCTION 16:**

All Documents You intend to introduce at Trial.

**RESPONSE:** The Advisors object to this request to the extent it seeks to impose obligations that exceed those imposed by applicable law. The Advisors are still in the process of identifying documents and communications they will offer into evidence, and the local rules govern exhibit lists. For the avoidance of doubt, documents responsive to this request will likely be responsive to other requests, in which case they will not be withheld elsewhere based on this objection.

**IV. INTERROGATORIES**

**INTERROGATORY NO. 1:**

Identify all individuals likely to have personal knowledge or information Concerning payments You made to the Debtor under the SSAs after the Petition Date.

**RESPONSE:** People with personal knowledge or information relevant to the parties' dispute include Jim Seery, James Romey, Fred Caruso, David Klos, Kristin Hendrix, Frank Waterhouse, Brian Collins, Dustin Norris, Lauren Thedford, Jason Post, Hayley Eliason, Joe Sowin, and Thomas Surgent, James Dondero, John Dubel, Hon. Russell Nelms, Gregory Demo, D.C. Sauter (with respect to non-privileged matters only, including communications with the Debtor's counsel), and employees of DSI, HCMLP, NPA and HCMFA.

**INTERROGATORY NO. 2:**

Identify all individuals likely to have personal knowledge or information Concerning any decision by You to withhold or not to make payments due and owing under the SSAs or PRAs.



**RESPONSE:** The Advisors object to this interrogatory to the extent it suggests payments are due and owing under the agreements. The Advisors' position is that no amounts are due and owing. People with personal knowledge or information relevant to the parties' dispute include Jim Seery, James Romey, Fred Caruso, David Klos, Kristin Hendrix, Frank Waterhouse, Brian Collins, Dustin Norris, Lauren Thedford, Jason Post, Hayley Eliason, Joe Sowin, and Thomas Sargent, James Dondero, John Dubel, Hon. Russell Nelms, Gregory Demo, D.C. Sauter (with respect to non-privileged matters only, including communications with the Debtor's counsel), and employees of DSI, HCMLP, NPA and HCMFA.

### **INTERROGATORY NO. 3:**

Identify the date on which You believe each of the Former Dual Employees identified on the exhibits annexed to the PRAs, attached hereto as Exhibit A, "departed the Debtor." See Advisors' Admin Claim ¶18.

**RESPONSE:** James Dondero ceased being a paid employee of the Debtor on or about January 9, 2020 pursuant to the Bankruptcy Court's order of the same date. Mr. Dondero later resigned on or about October 9, 2020. Additionally:

Abayarathna, Sahan	2/28/2021
Baynard, Cameron	3/1/2021
Burns, Nathan	3/1/2021
Covitz, Hunter	2/28/2021
Desai, Neil	6/24/2019
Dondero, James	10/9/2020
Fedoryshyn, Eric	5/23/2018
Gray, Matthew	3/1/2021
Gulati, Sanjay	3/22/2018
Hayes, Christopher	10/26/2018
Hill, Robert	8/3/2018
McFarling, Brandon	2/27/2019
Moore, Carl	11/21/2018
Nikolayev, Yegor	2/28/2021
Owens, David	1/6/2021
Parker, Trey	2/28/2020
Parmentier, Andrew	5/17/2019
Phillips, Michael	2/20/2018
Poglitsch, Jon	9/22/2020
Ryder, Phillip	4/13/2018
Sachdev, Kunal	2/28/2021
Smallwood, Allan	4/8/2019
Staltari, Mauro	12/30/2020
Tomlin, Jake	2/20/2018
Vira, Sagar	9/13/2019

Wilson, Scott

9/19/2018

**INTERROGATORY NO. 4:**

Identify the date on which You learned that each Former Dual Employee identified on Exhibit A “departed the Debtor.” See Advisors’ Admin Claim ¶18.

**RESPONSE:** The Advisors were generally aware of the employees’ terminations and departures as they occurred.

**INTERROGATORY NO. 5:**

Identify the date on which You learned that the Debtor was failing to provide any of the services under the SSAs.

**RESPONSE:** There is no exact date on which the Advisors realized the Debtor was failing to provide services under the SSAs. The Debtor’s failure to provide support under the SSAs began around the time that Judge Jernigan expressed concern in court regarding potential conflicts of interest, in or around July or August 2020, and the Advisors were aware of the problem as it evolved.

**INTERROGATORY NO. 6:**

Identify the date on which You learned the Debtor was allegedly in breach of the PRAs.

**RESPONSE:** There is not a specific date on which the Advisors became aware that the Debtor was breaching the PRAs. Historically, the Debtor and the Advisors would perform a year-end reconciliation of the PRAs. However, due to the Debtor’s bankruptcy filing, this reconciliation was not performed in 2019 or 2020.

**INTERROGATORY NO. 7:**

Identify all individuals likely to have personal knowledge or information Concerning Your allegation that, “around July 2020, Mr. Seery directed the Debtor to cease providing services to the Advisors as otherwise contemplated under the SSAs and the PRAs.” Advisors’ Admin Claim ¶16.

**RESPONSE:** People with personal knowledge or information relevant to the parties’ dispute include Jim Seery, James Romey, Fred Caruso, David Klos, Kristin Hendrix, Frank Waterhouse, Brian Collins, Dustin Norris, Lauren Thedford, Jason Post, Hayley Eliason, Joe Sowin, and Thomas Sargent, James Dondero, John Dubel, Hon. Russell Nelms, Gregory Demo, D.C. Sauter (with respect to non-privileged matters only, including communications with the Debtor’s counsel), and employees of DSI, HCMLP, NPA and HCMFA.

**INTERROGATORY NO. 8:**

Identify all individuals likely to have personal knowledge or information Concerning any failure by the Debtor to provide any of the services under the SSAs.

**RESPONSE:** People with personal knowledge or information relevant to the parties' dispute include Jim Seery, James Romey, Fred Caruso, David Klos, Kristin Hendrix, Frank Waterhouse, Brian Collins, Dustin Norris, Lauren Thedford, Jason Post, Hayley Eliason, Joe Sowin, and Thomas Surgent, James Dondero, John Dubel, Hon. Russell Nelms, Gregory Demo, D.C. Sauter (with respect to non-privileged matters only, including communications with the Debtor's counsel), and employees of DSI, HCMLP, NPA and HCMFA.

**INTERROGATORY NO. 9:**

Identify all individuals likely to have personal knowledge or information Concerning the Debtor's alleged breach under the PRAs.

**RESPONSE:** People with personal knowledge or information relevant to the parties' dispute include Jim Seery, James Romey, Fred Caruso, David Klos, Kristin Hendrix, Frank Waterhouse, Brian Collins, Dustin Norris, Lauren Thedford, Jason Post, Hayley Eliason, Joe Sowin, and Thomas Surgent, James Dondero, John Dubel, Hon. Russell Nelms, Gregory Demo, D.C. Sauter (with respect to non-privileged matters only, including communications with the Debtor's counsel), and employees of DSI, HCMLP, NPA and HCMFA.

**INTERROGATORY NO. 10:**

Identify each "employee[] who no longer exist[s]." Advisors' Admin Claim ¶23.

**RESPONSE:** See the Advisors' response to Interrogatory No. 3.

**INTERROGATORY NO. 11:**

For each "employee[] who no longer exist[s]," identify (a) the date such employee ceased to "exist" and (b) the date You learned such employee ceased to "exist." See Advisors' Admin Claim No. ¶23.

**RESPONSE:** See the Advisors' responses to Interrogatory Nos. 3 and 4.

**INTERROGATORY NO. 12:**

Identify the payments that You contend constitute "overpayments," including the date and amount of each payment. See Advisors' Admin Claim ¶23.

**RESPONSE:** The term "overpayments" as used in the application refers to the total amount by which the payments the Advisors made to the Debtor under the shared services agreements and payroll reimbursement agreements exceeded the value of what the Debtor

provided in return. “Overpayments” include, but are not necessarily limited to, instances where the Advisors paid for services the Debtor did not render and/or instances where the Advisors paid amounts attributable to the compensation of individuals whom the Debtor no longer employed. In other words, the term “overpayments” refers to the Advisors total damages. It is too soon for the Advisors to be able to quantify their damages definitively, as discovery is ongoing, and the Debtor has exclusive possession, custody, and/or control of relevant documentation.

**INTERROGATORY NO. 13:**

Identify each witness that You intend to call at Trial.

**RESPONSE:** The Advisors object to this request to the extent it seeks to impose obligations that exceed those imposed by applicable law. The Advisors are still in the process of identifying witnesses it will call at trial, and the local rules govern exhibit lists. For the avoidance of doubt, individuals responsive to this request will likely be responsive to other interrogatories, in which case their identities will not be withheld elsewhere based on this objection.

**IV. RESERVATION OF RIGHTS**

The Advisors reserve the right to amend or supplement these written objections and responses at any time, consistent with the applicable Federal Rules of Civil Procedure.

[Remainder of page intentionally blank]

RESPECTFULLY SUBMITTED this 27th day of August, 2021.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Julian P. Vasek

Davor Rukavina, Esq.  
Texas Bar No. 24030781  
Thomas D. Berghman, Esq.  
Texas Bar No. 24082683  
Julian P. Vasek, Esq.  
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500 N. Akard Street, Suite 3800  
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[drukavina@munsch.com](mailto:drukavina@munsch.com)  
[tberghman@munsch.com](mailto:tberghman@munsch.com)  
[jvasek@munsch.com](mailto:jvasek@munsch.com)

**COUNSEL FOR NEXPOINT  
ADVISORS, L.P. AND HIGHLAND  
CAPITAL MANAGEMENT FUND  
ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 27th day of August, 2021, a true and correct copy of this document was served via email on counsel for the Debtor ([jmorris@pszjlaw.com](mailto:jmorris@pszjlaw.com); [zannable@haywardfirm.com](mailto:zannable@haywardfirm.com)).

/s/ Julian P. Vasek

Julian P. Vasek, Esq.

Verification

STATE OF TEXAS       §  
                                  §  
COUNTY OF DALLAS   §

Before me, the undersigned notary, on this day personally appeared \_\_\_\_\_, the affiant, whose identity is known to me. After I administered an oath, affiant testified as follows:

“My name is \_\_\_\_\_. I am capable of making this Verification. I have read the foregoing document. The facts stated in the answers to the interrogatories are within my personal knowledge and/or are based on information I obtained from other persons, and are true and correct.”

NexPoint Advisors, L.P.

By: \_\_\_\_\_

Title: \_\_\_\_\_

SUBSCRIBED AND SWORN TO BEFORE ME on this the \_\_\_\_ day of August, 2021.

\_\_\_\_\_  
Notary Public, State of Texas  
My Commission Expires: \_\_\_\_\_

Verification

STATE OF TEXAS       §  
                                  §  
COUNTY OF DALLAS   §

Before me, the undersigned notary, on this day personally appeared \_\_\_\_\_, the affiant, whose identity is known to me. After I administered an oath, affiant testified as follows:

“My name is \_\_\_\_\_. I am capable of making this Verification. I have read the foregoing document. The facts stated in the answers to the interrogatories are within my personal knowledge and/or are based on information I obtained from other persons, and are true and correct.”

Highland Capital Management Fund Advisors, L.P.

By: \_\_\_\_\_

Title: \_\_\_\_\_

SUBSCRIBED AND SWORN TO BEFORE ME on this the \_\_\_\_ day of August, 2021.

\_\_\_\_\_  
Notary Public, State of Texas

My Commission Expires: \_\_\_\_\_



## **EXHIBIT 15**

000511

**From:** Ethan Powell <[ethanpowell@impactshares.org](mailto:ethanpowell@impactshares.org)>

**Date:** Tuesday, June 30, 2020 at 6:37 PM

**To:** James Seery <[jseeryjr@gmail.com](mailto:jseeryjr@gmail.com)>

**Subject:** HCMLP update

Jim,

I hope you are well and are out of the city for a breather. The Retail Fund Board had a meeting recently and had questions related to shared services contract in light of our 15C consideration later this summer. That combined with the recently proposal naming you as CEO/CRO I thought it would make sense for us to have a quick catch up call and possibly, if you are up to it, have a call where you can address the full board. Wanted to get your thoughts and we can push to next week if you happen to be enjoying a "long holiday weekend".

Best,  
Ethan

--

Ethan Powell CFA

Founder



O: 469-442-8424

[ethanpowell@impactshares.org](mailto:ethanpowell@impactshares.org)

[www.impactshares.org](http://www.impactshares.org)

## **EXHIBIT 16**

000513

**From:** Jason Post  
**Sent:** Tuesday, December 1, 2020 5:47 PM CST  
**To:** Louizos, Stacy; 'Ethan Powell'; 'Robert Froehlich'; 'bward2299@gmail.com'; John Honis; 'Edward Constantino'  
**CC:** Dustin Norris; Lauren Thedford; DC Sauter; Miller, Charles; Dupuy, Jon-Luc; Jason Post  
**Subject:** RE: 11/19/20 Bi-Weekly Update: Highland Capital Management, L.P. ("HCMPLP")  
**Attachments:** DOCS\_NY-#41547-v2-Highland\_-\_NextPoint\_SSA.pdf, DOCS\_NY-#41549-v2-Highland\_-\_HCMFA\_SSA.pdf

Stacy – as a follow up to your conversation with Chuck please note the attached termination notices which were received late last night. Please also note the below revised disclosure which plans to be included in the disclosure documents for the Funds.

On November 13, 2020, HCMPLP filed an amended plan of reorganization and disclosure statement with the Court (the "Amended Plan"), which was subsequently accepted by the Creditors and approved by the Court. On November 30, 2020, HCMPLP provided notice of termination of the Shared Services Agreement to HCMFA/NPA, effective January 31, 2021. However, based upon on-going discussions with HCMPLP, HCMFA/NPA expects to be able to continue to receive these services through a transfer of personnel, equipment and facilities from HCMPLP either to HCMFA/NPA or to a third-party service provider.

**From:** Jason Post  
**Sent:** Monday, November 23, 2020 5:40 PM  
**To:** 'Louizos, Stacy' <SLouizos@BlankRome.com>; 'Ethan Powell' <ethanpowell@impactshares.org>; 'Robert Froehlich' <drbobf@gmail.com>; 'bward2299@gmail.com' <bward2299@gmail.com>; John Honis <jhonis@RandAdvisors.com>; 'Edward Constantino' <enconstantino@gmail.com>  
**Cc:** Dustin Norris <DNorris@Nexpointsecurities.com>; Lauren Thedford <LThedford@HighlandCapital.com>; DC Sauter <DSauter@NexPointadvisors.com>; 'Miller, Charles' <Charles.Miller@kligates.com>; 'Dupuy, Jon-Luc' <Jon-Luc.Dupuy@kligates.com>  
**Subject:** RE: 11/19/20 Bi-Weekly Update: Highland Capital Management, L.P. ("HCMPLP")

There's currently an agenda item for HCMPLP BK update at the upcoming December 10/11 meeting where the below can be covered. Also adding DC.

**From:** Louizos, Stacy <SLouizos@BlankRome.com>  
**Sent:** Monday, November 23, 2020 1:14 PM  
**To:** Jason Post <JPost@NexpointAdvisors.com>; 'Ethan Powell' <ethanpowell@impactshares.org>; 'Robert Froehlich' <drbobf@gmail.com>; 'bward2299@gmail.com' <bward2299@gmail.com>; John Honis <jhonis@RandAdvisors.com>; 'Edward Constantino' <enconstantino@gmail.com>  
**Cc:** Dustin Norris <DNorris@NexPointSecurities.com>; Lauren Thedford <LThedford@HighlandCapital.com>  
**Subject:** RE: 11/19/20 Bi-Weekly Update: Highland Capital Management, L.P. ("HCMPLP")

Hi Jason— Thanks for the update information. With respect to the recent action relating to the Shared Services Agreement, the Board would appreciate an update on this on the agenda at the December quarterly meeting. If there is anything of a more time sensitive nature regarding the status of the Agreement that would require an earlier discussion than that, please let us know.

Best,  
 Stacy

**Stacy H. Louizos** | BLANKROME  
 1271 Avenue of the Americas | New York, NY 10020

O: 212.885.5147 | F: 917.332.3028 | slouizos@blankrome.com  
M: 203.918.3666

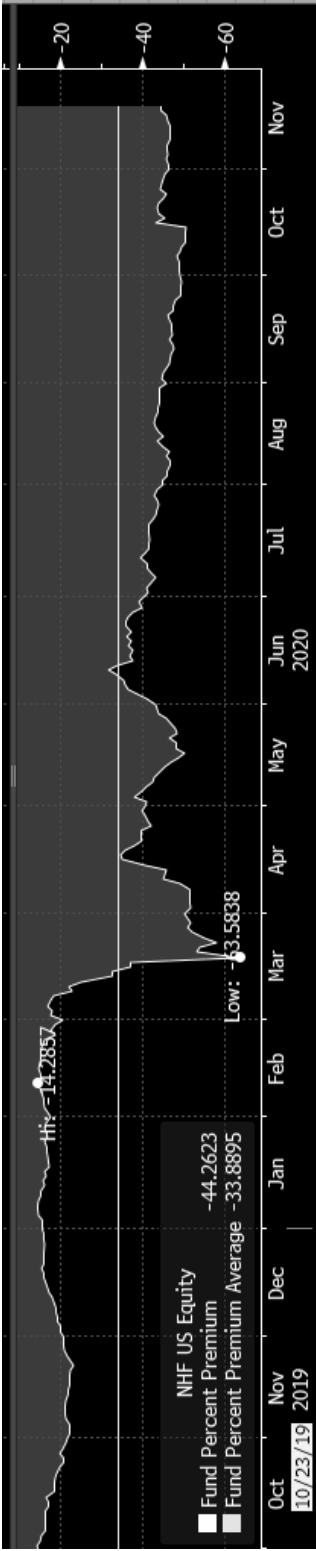
**From:** Jason Post <JPost@NexpointAdvisors.com>  
**Sent:** Thursday, November 19, 2020 6:27 PM  
**To:** 'Ethan Powell' <ethanpowell@impactshares.org>; 'Robert Froehlich' <drbobf@gmail.com>; 'bward22299@gmail.com' <bward22299@gmail.com>; John Honis <Jhonis@RandAdvisors.com>; 'Edward Constantino' <enconstantino@gmail.com>  
**Cc:** Louizos, Stacy <SLouizos@BlankRome.com>; 'Zornada, George' <George.Zornada@klgates.com>; 'Dupuy, Jon-Luc' <Jon-Luc.Dupuy@klgates.com>; Thomas Surgent <TSurgent@HighlandCapital.com>; Frank Waterhouse <FWaterhouse@HighlandCapital.com>; Lucy Bannon <LBannon@HighlandCapital.com>; Joe Sowin <JSowin@HighlandCapital.com>; Kevin Fullmer <Kfullmer@NexPointSecurities.com>; Will Mabry <WMabry@HighlandCapital.com>; Brian Collins <BCollins@HighlandCapital.com>; Lauren Thedford <LThedford@HighlandCapital.com>; Isaac Leventon <ILeventon@HighlandCapital.com>; Stephanie Vitiello <SVitiello@HighlandCapital.com>; Dustin Norris <DNorris@NexPointSecurities.com>; Jason Post <JPost@NexpointAdvisors.com>; Lauren Short <LShort@HighlandCapital.com>; Matt Pearson <MPearson@HighlandCapital.com>; DC Sauter <DSauter@NexPointadvisors.com>  
**Subject:** 11/19/20 Bi-Weekly Update: Highland Capital Management, L.P. ("HCM LP")

- i. Capital activity for all open-end Funds and SNLN (including showing net sales and net redemptions).  
*Retail Operations will bi-weekly provide the summary level information of capital activity since the filing*

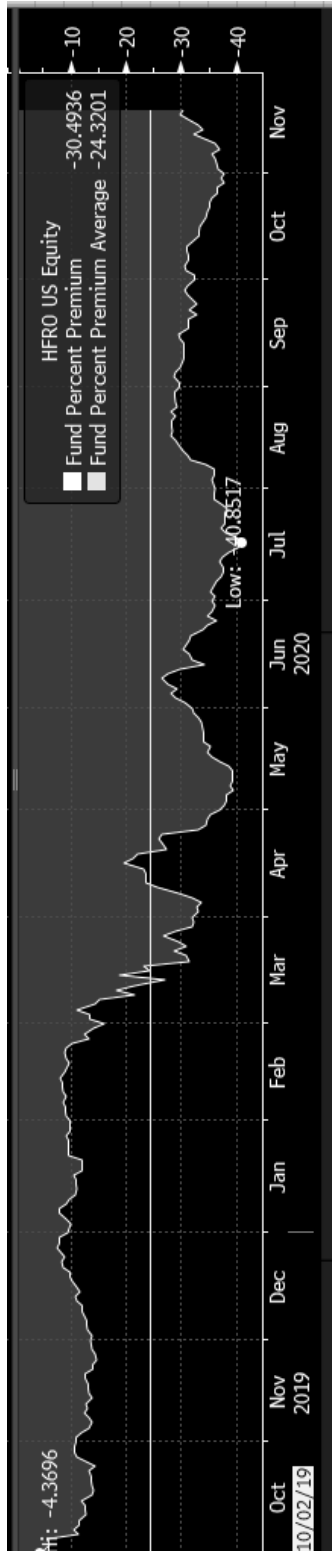
ii. Closed-end funds returns and premium/discount information

Fund	Current Discount	Prior 2 Weeks Discount	2 Week NAV Return	2 Week Market Return	1 Month NAV Return	1 Month Market Return
NHF	-43.0%	-46.0%	0.6%	4.0%	0.5%	2.9%
HFRO	-30.3%	-36.2%	0.2%	9.1%	0.5%	6.3%
HGLB	-40.9%	-45.8%	4.6%	12.1%	3.6%	-3.8%

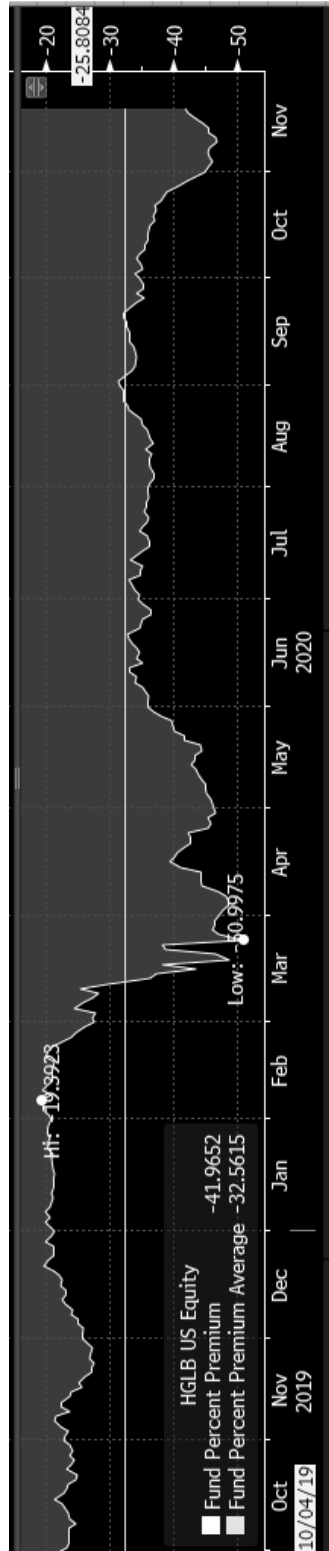
NHF Discount – 9/30/19 – 11/18/20



HFRO Discount – 9/30/19 – 11/18/20



HGLB Discount – 9/30/19 – 11/18/20

**Repurchase update –**

Open:

a. HFR0: 4/24/20 fund announced repurchase of up to 10% of its stock over 1-year period

i. Amount completed: \$4mm

No longer in effect:

b. HGLB: 3/3/20 fund announced repurchase extension of up to \$18mm (**repurchase period expired 9/3/20**)

ii. Amount completed since 3/3/20: ~\$6.5mm

c. NHF: 4/24/20 fund announced repurchase of up to 10% of its stock over 1-year period (**superseded by Exchange Offer publicly announced 10/15/20**)

iii. Amount completed: \$1mm

iii. **Updates on outreach and responses from administrators/custodians and any other material services providers to the Funds, including lenders under credit facilities**No updates at this timeiv. **Updates on trading relationships and lending counterparties**Credit—GS, WF, and RBC all not permitted for trading subject to further review by Legal/Risk/Compliance Group. No eta on resolution. All other counterparties are eligible for trading.

Equities – all counterparties eligible for trading.

**v. Update on intermediaries and platforms**

No updates at this time.

**vi. Litigation update**

HCMLP litigation is stayed pursuant to bankruptcy filing.

Retail Funds litigation (not stayed in connection with the HCMLP filing).

**vii. Media coverage update – No coverage update.**

**viii. Any other material developments.** To the extent there is a material development, update will be provided below or separately by a member of Highland's Legal team under separate cover.

On November 13, 2020, HCMLP filed an amended plan of reorganization and disclosure statement with the Court (the "Amended Plan"). Under the Amended Plan, if accepted by the Creditors and approved by the Court, HCMLP intends to terminate the Shared Services Agreement with the Investment Adviser. However, based upon ongoing discussions with HCMLP, the Investment Adviser expects to be able to continue to receive these services through a transfer of personnel, equipment and facilities from HCMLP either to the Investment Adviser or to a third-party service provider. There can be no assurance that the Amended Plan will be accepted by the Creditors or approved by the Court.

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## **EXHIBIT 17**

HIGHLAND CAPITAL  
MANAGEMENT  
FUND ADVISORS

**NEXPOINT**  
ADVISORS

**TO:** Board of Trustees or Board of Directors (as the case may be) (collectively, the “Board”) of Highland Funds I, Highland Funds II, Highland Income Fund, Highland Global Allocation Fund, NexPoint Strategic Opportunities Fund, NexPoint Real Estate Strategies Fund and NexPoint Capital, Inc.

**FROM:** Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. and NexPoint Securities, Inc.

**RE:** 15(c) Information Request

**DATE:** August 13, 2020

---

Pursuant to your request dated June 30, 2020, Highland Capital Management Fund Advisors, L.P. (“HCMFA”), NexPoint Advisors, L.P. (“NexPoint”, and with HCMFA, each, an “Adviser”, and together, the “Advisers”) and NexPoint Securities, Inc. (“NSI” the “Distributor”) submit the following information to the Board in order to assist the Board in fulfilling its obligations under Section 15(c) of the Investment Company Act of 1940, as amended (the “1940 Act”), and to assist in the Board’s consideration of the investment advisory, and other contractual arrangements, for the funds listed on Appendix A (each, a Fund and, collectively, the “Funds”).

Your requests have been noted below, each of which is followed by our response. Unless otherwise specified, reference documents are located on Director’s Desk at the following location: Home > Documents > Corporate Documents > 15c Reference Documents.

**Advisory Contracts**

Provide the following information in connection with the Advisory Agreements:

**A. Description of each Adviser’s Business**

1. Provide financial statements for the last fiscal year of each Adviser (audited, if available). References to each Adviser throughout this letter are meant to include, where appropriate, its affiliates that are registered investment advisers. Please describe any significant adverse changes in the financial condition of each Adviser in the past year or if such a change is anticipated.

**Response:** Financial statements as of June 30, 2020 are provided in the 15(c) materials. There have been no significant adverse changes in the past year in the financial condition of either Adviser, and no such change is anticipated.

The Advisers have entered into a Shared Services agreement with Highland Capital Management, L.P. (“HCMLP”) to utilize HCMLP personnel alongside Adviser personnel to perform services including Legal and Compliance, Finance

and Accounting, IT, Tax, Investment Research, Trading and Operations functions.

On October 16, 2019, HCMLP filed for Chapter 11 bankruptcy protection with the United States Bankruptcy Court for the District of Delaware. The case was subsequently transferred to the United States Bankruptcy Court for the Northern District of Texas. On January 9, 2020, the bankruptcy court approved a change of control of HCMLP, which involved the resignation of James Dondero as the sole director of, and the appointment of an independent board to, HCMLP's general partner. Mr. Dondero remains an employee of HCMLP and as portfolio manager for all funds and vehicles for which he currently holds such titles. Nevertheless, given Mr. Dondero's historic role with HCMLP and his continued ownership interest and roles with respect to the investment platform as a whole, as well as the Shared Services Agreements, we continue to treat HCMLP and its affiliates as the Advisers' affiliates for purposes of discussions with the Board.

The Adviser has provided substantive updates to the Board regarding the HCMLP bankruptcy throughout the process. In addition, the Advisers have ensured the Chairman of the Board of the Retail Funds has the contact information for Jim Seery, independent trustee of HCMLP and, as of July 14, 2020, Chief Executive Officer and Chief Restructuring Officer of HCMLP, in the event the Board of the Retail Funds require further information regarding the continuation of these services. Mr. Seery will join the August 2020 meeting to provide an update to the Board.

We feel that the Advisers can provide services, the nature and quality of which are at least equal to those provided by others offering the same or similar services, and that the fees for such services are fair and within industry standards. Please see the response in D.4 for additional detail regarding the Funds' fees and expenses. Additionally, the Adviser has agreed to cap fees in various Funds when a Fund has de minimus assets under management, for example. Nonetheless, we periodically evaluate alternatives to the services offered and if we feel an alternative solution may be warranted in the future, we will present those options to the Board.

2. State (a) each Adviser's total assets under management, and (b) the amount of assets in each strategy employed by the Funds. State the net change in each amount since the prior year and, if such change is significant, describe the nature of the change and state whether the change has led to operational or staffing changes.

**Response:** (a) HCMFA's assets under management as of June 30, 2020 were approximately \$2.1 billion compared to \$2.9 billion as of June 30, 2019 (net decrease of \$0.8 billion). NexPoint's assets under management as of June 30, 2020 were approximately \$1.0 billion compared to \$1.3 billion as of June 30, 2019 (net decrease of \$0.3 billion).

(b) Please see the “AUM by Strategy” report provided with the 15(c) materials.

3. Provide a copy of each Adviser’s most recent Form ADV (Parts I and II). Please note any material changes made to the Form over the year.

**Response:** Copies of the Advisers’ most recent Form ADV (Part I) have been provided on Director’s Desk >Home > Documents > Corporate Documents > Form ADVs. The Advisers do not file Part 2A of Form ADV. There have not been any material changes to either Adviser’s Form ADV during the year.

4. Describe any significant changes that have occurred or are anticipated in each Adviser’s principal activities, other than its services provided to a Fund. Discuss any changes which may reasonably be viewed to bear on each Adviser’s performance of services for a Fund or otherwise to have an effect on a Fund. Indicate if any director or portfolio manager of an Adviser is a director of any company that has outside investors (regardless of whether the company is public or private).

**Response:** No significant changes have occurred or are anticipated in either Adviser’s principal activities. Additionally, there have been no changes that may reasonably be viewed to bear on an Adviser’s performance of services for a Fund or otherwise to have an effect on a Fund. The following portfolio managers serve on the board of companies with outside investors:

James Dondero:

- SeaOne Holdings, LLC
- Cornerstone Healthcare Group Holding, Inc.
- Jernigan Capital, Inc. (JCAP)
- Metro-Goldwyn-Mayer Inc.
- NexBank Capital, Inc.
- NexBank SSB
- Texmark Timber Treasury, L.P.
- NexPoint Residential Trust, Inc.
- NexPoint Real Estate Finance, Inc.
- NexPoint Hospitality Trust

Nate Burns:

- Oasis I Limited
- Tandem Hospital Partners, LLC

Matt McGraner:

- LLV HoldCo, LLC
- NexPoint Residential Trust, Inc. (Officer)
- IQHQ (Creative Science) Properties, L.P.

Brian Mitts:

- LLV HoldCo, LLC
- NexPoint Residential Trust, Inc.
- NexPoint Real Estate Finance, Inc.

Eric Speron (FFA Sub-Adviser)

- Pico Holdings Inc.

The following individuals are not portfolio managers of the Funds; however, they serve on the boards of issuers invested in by the Funds and provide periodic updates regarding such issuers.

Scott Ellington

- TerreStar Corporation

Cameron Baynard

- CCS Medical, Inc.
- JHT Holdings, Inc.
- OmniMax Holdings, Inc. (fka Euramax International, Inc.)
- SSP Holdings LLC
- Trussway Holdings, LLC
- Trussway, LLC

JP Sevilla

- CCS Medical, Inc.
- Cornerstone Healthcare Group Holding, Inc.
- SSP Holdings LLC
- LLV HoldCo, LLC

Tim Cournoyer

- Carey Holdings, Inc.
- Trussway Holdings, LLC
- Trussway, LLC
- TW Company, Inc.

Sean Fox

- CCS Medical, Inc.
- SSP Holdings LLC

5. Describe any changes during the past year in senior management of each Adviser and/or its affiliates and the anticipated effect of these changes on the applicable Fund and such Adviser in the short term and over the longer term. Discuss the succession and/or contingency plans in place to respond to the possible departure or prolonged absence of any portfolio manager or other senior employee of an Adviser who has decision-making authority that impacts the

Funds, including James Dondero. Provide a copy of any referenced succession and/or contingency plan.

**Response:** During the past year, management has made certain changes to senior management and the portfolio management teams of certain Funds, including in connection with the fund rationalization review, each of which has been discussed with the Board at previous Board meetings.

These changes include:

Additions:

- An independent board was appointed to the general partner of HCMLP, an affiliate of the Advisers and shared services agreement counterparty. Please refer to the response to Question 1.A for more information.

Departures:

- Mark Okada departed HCMLP on 9/30/19.
- Trey Parker left the employment of HCMLP in 2/28/20 (Mr. Stoops was Assistant Treasurer to the Fund and to the Advisers).
- Cliff Stoops, Chief Accounting Officer, departed HCMLP on 4/3/20. Dave Klos assumed Cliff Stoops former role.

Representatives of the Adviser will be available at the Board Meeting to discuss the Succession Plan.

Please see “**Portfolio Manager Table**” provided with the 15(c) materials. The Advisers continue to develop their employees and future leaders so that they will be ready and available to help lead and manage in the event that current portfolio managers or other senior employees leave. The Advisers and affiliates also employ dedicated recruiting resources so that they can attract the best talent now and in the future.

6. Discuss any actual or pending change in control (including changes in ownership, capital structure, form of organization or domicile) of each Adviser and the potential impact on such Adviser’s personnel and operations of a change in control.

**Response:** No change in control is currently anticipated.

7. Describe the business operations of each Adviser, including the percentage of assets managed in private funds and other separate accounts as compared with the Funds, and provide a simple organizational structure chart showing each Adviser and its affiliated companies, including any overlapping employees or positions.

**Response:** Please see the “**Highland Firm Biographies**” and “**Highland Firm Organization Chart**” reports provided with the 15(c) materials. Please also see the “**AUM by Strategy**” report provided with the 15(c) materials for detail on percentage of assets managed. Personnel of the Advisers will be available at the Board meeting to discuss the business operations of each Adviser in detail. The Advisers do not advise any private funds or other separate accounts.

8. Discuss any future plans regarding the growth of the Advisers, such as plans for an initial public offering, sale of an Adviser or growth by acquisition.

**Response:** The Advisers do not currently plan to conduct an initial public offering or sale; however the acquisition of another investment adviser may be considered in the context of expanding the registered fund complex. The Advisers continue to evaluate potential opportunities for growth of the Fund complex by acquisition, including through reviewing registered funds seeking strategic alternatives and activist investments in underperforming registered funds. Due to the smaller assets of certain open-end Funds, HCMFA is evaluating potential merger opportunities of such Funds. HCMFA will provide the Board with more detail on such proposals once determined. Please refer to the Board Materials regarding HCMFA’s proposal to assign the Sub-Advisory Agreements for the Highland Total Return Fund and the Highland Income Fund to Brookmont Capital LLC (the “Brookmont Proposal”) in the Board Book.

9. Describe, if applicable, any advantages that might be available to a Fund due to an Adviser’s involvement in other activities. Describe, if applicable, any advantages that might be available to an Adviser, in the conduct of its other activities, that arise because of the relationship with the Funds.

**Response:** The Advisers may benefit from so-called “fall-out benefits” such as reputational value derived from serving as adviser to the Funds and as described elsewhere within this response letter (see section titled Fees, Expenses, Profitability and Other Benefits). Potential fall-out benefits may also be derived in connection with the merger, acquisition, or management of funds in which the Funds may have had a previous investment. In addition, certain of the Funds may invest in collateralized loan obligations (“CLOs”), real estate investment trusts (“REITs”), and closed-end funds (“CEFs”) advised by the Advisers or their affiliates, the purchases of which are completed on the secondary market. Such investments may indirectly benefit the Advisers by encouraging subscriptions or sales by outside investors in such investments (i.e. due to size), which in turn may increase fees paid to such Advisers.

The Funds may indirectly benefit from the Advisers’ reputation, AUM and market contacts. The Advisers execute their respective investment strategies alongside their affiliates using a single platform. As a result of this arrangement, the Funds may have access to more sophisticated service providers, including more experienced portfolio management personnel, and may enjoy more efficient trading relationships than each Fund would otherwise have had as a



standalone fund. Additionally, other entities advised by affiliates of the Advisers may benefit from trading relationships and other market contacts established in connection with the operation of the Funds (for example, a large, sophisticated bank may be willing to extend credit to a Fund, a private fund or a REIT due to the aggregate level of business).

**B. Description of each Adviser's Personnel and Services Provided to a Fund**

1. Provide a copy of the current Advisory Agreements and Subadvisory Agreement, and discuss any changes that are proposed, including proposed changes in the services to be performed or fees to be imposed.

**Response:** Copies of current Advisory and Sub-advisory Agreements are permanently posted on the Directors Desk internet portal. No changes to the Advisory or Sub-Advisory agreements are proposed at the meeting other than those noted in the Brookmont Proposal.

2. (a) Identify the professional personnel (i.e., executives, economists, statisticians, lawyers, investment analysts, and portfolio managers, etc.), including education, experience, and professional affiliation, who perform services for a Fund. Describe any significant personnel changes that have taken place. Note any hirings, departures, or transfers of professional persons, particularly of senior personnel that have occurred in the past year or are anticipated in the next year, and the reason for such actions. With respect to new or anticipated personnel, include a summary of each person's education, experience, affiliation, and various responsibilities.

**Response:** Please see the "Highland Firm Biographies" reports provided with the 15(c) materials. Changes to the portfolio management teams of certain Funds are noted in Section A(5), above. Notwithstanding those changes, all other portfolio managers remain with the Advisers.

(b) (i) For each portfolio manager or portfolio management team of a Fund, provide the total number of Funds and non-Funds managed and the total amount of assets (Fund and non-Fund) for which the portfolio manager is responsible. Identify whether the Adviser and each portfolio manager is responsible for multiple strategies, and how each Fund fits into the mix. Note whether the manager also manages a hedge fund or other account having performance or other incentive fees.

**Response:** Please see the "Portfolio Manager Table" provided with the 15(c) materials.

(b) (ii) Discuss how each Adviser monitors for and addresses conflicts of interest in these circumstances and note any changes made during the year to an Adviser's policies with respect to managing such conflicts. Your response

should address, without limitation: (a) material conflicts arising because the investment strategy of a Fund and the investment strategy of the other accounts managed by the Adviser differ; and (b) material conflicts in the allocation of investment opportunities (including the purchase of IPOs and limited offerings and the sale of securities that are rapidly declining in value) between a Fund and other accounts managed by the Adviser, especially where a Fund and other accounts are charged different fees.

**Response:** The Advisers have built a professional working environment, a firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. The Advisers have adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, the Advisers furnishes advisory services to numerous clients in addition to the Funds, and the Advisers may, consistent with applicable law, make investment recommendations to other clients or accounts (including accounts that are hedge funds or have performance or higher fees paid to the Advisers or in which portfolio managers have a personal interest in the receipt of such fees) that may be the same as or different from those made to the Funds. In addition, the Advisers, their affiliates and any of their partners, directors, officers, stockholders or employees may or may not have an interest in the securities whose purchase and sale an Adviser recommends to the Funds. Actions with respect to securities of the same kind may be the same as or different from the action that an Adviser, or any of its affiliates, or any of their partners, directors, officers, stockholders or employees or any member of their families may take with respect to the same securities. Moreover, an Adviser may refrain from rendering any advice or services concerning securities of companies of which any of an Adviser's (or its affiliates') partners, directors, officers or employees are directors or officers (for example portfolio companies), or companies as to which an Adviser or any of its affiliates or partners, directors, officers and employees of any of them has any substantial economic interest or possesses material non-public information. In addition to its various policies and procedures designed to address these issues, the Advisers include disclosure regarding these matters to their clients in both their Form ADV, offering documents, and investment advisory agreements.

Given a portion of the Funds' assets are invested in REITs, registered investment companies ("RICS"), asset-backed securities and/or collateralized loan obligations sponsored, organized and/or managed by the Advisers and their affiliates, including HCMLP, the Advisers monitor for conflicts of interest in accordance with their fiduciary duties and their written compliance procedures. The Advisers provide the independent trustees of the Trust with an opportunity to periodically review the Trust's investments in such REITs, RICs, asset backed securities and/or CLOs and assure themselves that continued investment in such securities remains in the best interests of the Trust and its shareholders. For

example, the Adviser provided memorandums prior to the Funds' investments in affiliated rights offerings and co-investments.

The Advisers plan to make the following changes to the conflicts of interest disclosure for the Funds' registration statements since the Capital Structure Conflicts Committee is no longer convened. The institutional accounts advised by HCMLP are now overseen by an independent board, which makes determinations on a course of action if more than one part of an issuer's capital structure is held. As has traditionally been the case for the Funds, the applicable portfolio manager will separately and independently make his or her decision on suitability as to the course of action for the applicable Fund.

Disclosure: Conflicts may arise in cases when clients invest in different parts of an issuer's capital structure, including circumstances in which one or more clients own private securities or obligations of an issuer and other clients may own public securities of the same issuer. In addition, one or more clients may invest in securities, or other financial instruments, of an issuer that are senior or junior to securities, or financial instruments, of the same issuer that are held by or acquired for, one or more other clients. For example, if such issuer encounters financial problems, decisions related to such securities (such as over the terms of any workout or proposed waivers and amendments to debt covenants) may raise conflicts of interests. In such a distressed situation, a client holding debt securities of the issuer may be better served by a liquidation of the issuer in which it may be paid in full, whereas a client holding equity securities of the issuer might prefer a reorganization that holds the potential to create value for the equity holders. In the event of conflicting interests within an issuer's capital structure, Highland will generally pursue the strategy that Highland believes best reflects what would be expected to be negotiated in an arm's length transaction with due consideration being given to Highland's fiduciary duties to each of its accounts (without regard to the nature of the accounts involved or fees received from such accounts).

This strategy may be recommended by one or more Highland investment professionals. A single person may make decisions with respect to represent more than one part of an issuer's capital structure. ~~The recommended course of action will be presented to the conflicts committee for final determination as to how to proceed. Highland may elect, but is not required, to assign different teams to make recommendations for different parts of the capital structure as the conflicts committee determines in its discretion. In the event any Highland personnel serve on the board of the subject company, they generally recuse themselves from voting on any board matter with respect to a transaction that has an asymmetrical impact on the capital structure. Highland personnel board members may still make recommendations to the conflicts committee applicable investment professional(s). If any such persons are also on the conflicts committee, they may recuse themselves from the committee's determination. A portfolio manager with respect to any applicable Highland registered investment company clients ("Retail Accounts") participates in such discussions, but will~~

makes an independent determination as to which course of action he or she determines is in the best interest of the applicable Retail Accounts. Highland may use external counsel for guidance and assistance.

(iii) Describe each Adviser's policy regarding portfolio manager investment in the Funds they manage and provide information on the amount of portfolio manager investment in the Funds they manage. If none, please explain why it may not be applicable.

**Response:** The Adviser encourages, but does not require, investment by portfolio managers in the Funds they manage. Information relating to each portfolio manager's investment in the Funds they manage is available in the respective Fund's offering documents and are updated on an annual basis. Additionally, the Advisers provide for long-term alignment of interests through the issuance of deferred awards in shares of managed Funds.

3. Discuss the ability of each Adviser to attract and retain high-caliber professionals. For personnel providing advisory services, describe each person's level and area of responsibility, and percentage spent on Fund matters relative to other matters of an Adviser. Provide information regarding the basis on which compensation is paid to those persons, including any current or planned "incentive" arrangements. If a substantial portion of the portfolio manager(s) compensation is tied to a Fund's performance, describe the oversight mechanisms used to prevent the portfolio manager(s) from taking undue risks when Fund performance is lagging. Please also describe any differences between the methods used to determine portfolio manager compensation with respect to a Fund versus other accounts of the applicable Adviser. Explain how each Adviser monitors and resolves conflicts of interest that may arise from its compensation system (*i.e.*, favoring investment strategies for non-Fund clients over a Fund or favoring short- over long-term investment results).

**Response:** The value placed by senior management of each of HCMFA and NexPoint on developing and maintaining key resources is reflected in the financial arrangements each Adviser has with its portfolio managers, its competitive compensation and its career path emphasis at all levels. Compensation may include a variety of components and may vary from year to year based on a number of pre-tax measurements, including the relative risk adjusted performance of a portfolio manager's underlying account, the combined performance of the portfolio manager's underlying accounts, and the relative performance of the portfolio manager's underlying accounts measured against other portfolio managers. The principal components of compensation include a base salary, a discretionary bonus, various retirement benefits and one or more of the incentive compensation programs established by HCMFA or NexPoint, as applicable. Due in part to the discretionary nature of the bonus, which is typically a substantial portion of portfolio manager's total compensation, the manner in which a portfolio manager achieves their return is considered. In the event performance was achieved through excessive risk

taking, the relative risk adjusted return is used and reflected in their discretionary bonus.

Because each person's compensation is based on his or her individual performance, neither HCMFA nor NexPoint has a typical percentage split among base salary, bonus and other compensation. Senior portfolio managers who perform additional management functions may receive additional compensation in these other capacities. Compensation is structured such that key professionals benefit from remaining with HCMFA or NexPoint, as applicable. The same methods are utilized to determine compensation with respect to Funds versus other accounts.

Executive management of the firm has an overarching perspective on the firm and all investment activities. They review compensation to help ensure all Funds and investment accounts are appropriately and fairly considered during the compensation process.

To incentivize long-term investment results, performance bonuses are paid out in up to four equal installments over the eighteen (18) months following the grant rather than a single lump sum. In addition, PMs are typically awarded deferred compensation with a three-year cliff vest. The employee must be employed with the firm on the bonus installment date or the deferred compensation vesting date, as applicable, in order to receive each payment.

In light of the HCMLP bankruptcy, the Adviser's recruiting approach has remained consistent in targeting top tier talent for any opening. The Adviser's HR personnel have fielded questions from candidates regarding the bankruptcy, which we address candidly and with as much transparency as possible. HCMLP has had six offers of employment accepted by highly qualified candidates since filing for bankruptcy in October 2019. This number does not include hires by affiliated entities such as the Advisers.

With respect to retaining talent, we have focused on continuing to deliver a very competitive level of compensation and benefits to our employees, with little to no disruption. Executing on this has helped retain employees and reduce the stress associated with the bankruptcy. In addition, HCMLP provides bankruptcy updates to employees when there is new information to share and openly answers any questions proposed about the bankruptcy.

For advisory services personnel, the percentage of mutual fund assets to total assets managed is an approximate of the percentage of time spent on Fund matters. Please see the "Portfolio Manager Table" provided with the 15(c) materials.

4. Describe how each Adviser monitors and evaluates the performance of portfolio managers.

**Response:** The portfolio managers are evaluated based on the alpha generated by their portfolio versus their bogey. On a regular basis, investment performance is evaluated both versus an index return (bogey) and also compared to the returns of their peers within the firm. Other qualitative attributes considered in the evaluation process are communication, teamwork, attitude and leadership.

5. Describe separately the advisory, administrative and any other material services, as applicable, rendered by an Adviser to a Fund, emphasizing any significant changes or anticipated changes to the nature or amount of these services. Include in this description each Adviser's investment decision-making process and the sources of information upon which it generally relies in providing portfolio management—including risk management—services for a Fund.

**Response:** The Advisers provide the investment program for the Funds. This includes researching and analyzing the macro financial environment and developing strategies to enable the Funds to meet their investment objectives. The Advisers utilize their employees to source ideas for portfolio investments, research specific investment opportunities, purchase the investments, provide ongoing monitoring of the investments, make sell decisions and finally execute the sell order.

Both of the Advisers bring institutional quality strategies and investment managers to the Funds, where applicable and subject to a Fund's applicable liquidity portfolio and investment objective. Macro themes are set by James Dondero and the Funds' Co-CIOs and are implemented through top-down thematic development and bottom-up fundamental execution. The Advisers and their affiliates are a 25 year, privately held pioneer in global alternative strategies, including credit and equity management, and generally target securities that appear undervalued relative to the market, their peers, historical valuations or growth rates.

The Advisers have entered into a Shared Services agreement with HCMLP to utilize HCMLP personnel alongside Adviser personnel to provide or oversee the provision of all operational services to the Funds (some of which are covered under the administrative fee). These services include accounting for a Fund's income and expenses, calculating a daily NAV for certain Funds, daily portfolio pricing, cash management, interaction with portfolio managers, reporting information to reporting services, expense monitoring, accrual management (for both income and expenses), invoice processing, account receivable management, monitoring leverage, monitoring prospectus compliance, compiling holdings reports and financial statements, managing audits, vendor management, monitoring short selling, securities lending, and derivatives and compliance with applicable rules and regulations, settling trades, compliance functions, preparing board materials, tax management, interaction with fund counsel, distribution management, preparation and filing of certain SEC reports, etc. Additionally, as a business development company, NexPoint Capital, Inc. (the "**BDC**") is required to offer and provide significant management assistance



to portfolio companies in which the BDC is invested, if so requested by the company's management team. To the extent managerial assistance is provided by NexPoint, the costs of providing such services will be passed through to the BDC.

For example, the Advisers have outsourced some of the day-to-day functions related to these services to third party service providers such as:

- State Street Bank and Trust Company ("SSB") as administrator/sub-administrator and custodian to the BDC;
- SEI Investments Global Funds Services ("SEI") as Fund administrator/sub-administrator to all Funds except for the BDC;
- DST Systems, Inc. ("DST") as transfer agent for the open-end Funds and BDC, excluding Highland/iBoxx Senior Loan ETF (the "ETF") and NRESF;
- Bank of New York Mellon ("BNY") as custodian to the Funds (ex-BDC and HFRO) as transfer agent to the ETF; and
- American Stock and Transfer Agent ("AST") as transfer agent for the closed-end Funds. AST also provides proxy solicitation services to the closed-end Funds and the BDC for general and special meetings.

Given the recent significant changes in the Funds' custodian (from SSB to BNY, except for the BDC) and the transition to SEI as administrator, the Advisers do not anticipate additional changes at this time. We believe the Advisers provide a high level of service because of the greater regulatory requirements applicable to registered funds, interval funds and a continuously offered business development company, the need to price the portfolio daily and to calculate a NAV daily, the need to manage leverage and derivatives, and the nature of the shareholder base (e.g., the Advisers are responsible for responding to telephonic inquiries from retail investors, preparing investor reports, interacting with the Funds' transfer agents, speaking with analysts, etc.). For example, with respect to the BDC, because it is treated more like an operating company with a requirement to file Form 10-Q, Forms 10-K and 8-K, and Schedule TO, there is far more time involved in the administrative and reporting process than a typical 1940 Act registered fund or institutional fund. Additionally, NRESF conducts quarterly repurchases, which require additional oversight by administrative, reporting and legal teams.

Given the quality of the Advisers' and their affiliates' back office (many functions are provided by affiliates of the Advisers through a shared services agreement), the Advisers feel the quality of services provided to the Funds is



very high. Many of the firms' CPAs also have advanced degrees in their areas of specialty.

Below is a description of the Advisers' retail product group's senior leadership, legal and compliance, fund marketing and distribution and fund operations capabilities.

### ***Senior Leadership***

The Funds are supported by an experienced team of investment professionals and executive management, whose biographies are detailed in the "**Highland Firm Biographies**" document included with the 15(c) materials.

### ***Legal and Compliance***

The Advisers have a dedicated CCO who focuses on compliance issues related to the 1940 Act funds. Additionally, he is supported by HCMLP's seven-member legal and compliance department, which includes four compliance (one of whom is also an attorney), three legal and one support personnel. The group is responsible for all legal and compliance matters, including the development of compliance policies and procedures, monitoring adherence to those procedures and fostering a culture of compliance throughout the firm.

The legal and compliance group's responsibilities include the updating of Form ADV, performing risk assessments, coordinating state and federal regulatory reporting and interfacing with each respective party in regards to investigative inquiries, and maintaining the Advisers' and Funds' compliance manuals. The Advisers' compliance manual addresses the handling of complaints, monitoring and mitigating conflicts of interests and reviewing of marketing materials. The group is involved in reviewing trading activities, including compliance with the firm's soft dollar, brokerage, trade errors and trade allocation policies. Members of the group are consulted on the design and implementation of procedural controls related to trade entry and authorization.

The group conducts new hire training and teach-ins to provide refreshers of the firm's procedures and topical updates. In an effort to continue to develop their professional expertise, members of the legal and compliance department attend seminars, receive compliance-related subscriptions and utilize the services of external compliance consultants. The compliance function, however, is not outsourced.

### ***Fund Marketing and Distribution***

The Advisers and the Distributor have a proven track record of raising assets in the 1940 Act space. Gross sales by the Distributor during 2019 total \$1,716.9

million and 2020 year-to-date gross sales through June 30, 2020 total \$352.0 million. The break down by fund type is as follows.

Gross Sales - YTD 6/30/20:

- Mutual Funds \$16 million
- Interval Funds \$2 million
- ETF \$206 million
- Reg D \$127 million

Gross Sales - Full Year 2019

- Mutual Funds \$65 million
- Closed-End Funds \$243 million
- Interval Funds \$6 million
- ETF \$1.1 billion
- Reg D \$288 million

This was accomplished through the effective deployment and management of a national wholesaler team which, as of June 30, 2020, consists of 30 professionals.

***Fund Operations***

The retail operations group is responsible for bridging communications from the responsible investment teams to the investors and to the Funds' various service providers. The retail operations group's duties include monitoring of the sub-advisory relationship with First Foundation, Inc. ("FFA" or the "Sub-Adviser"). This includes acting as the primary point of contact for communications with the Sub-Adviser of the Funds. In addition to any day-to-day contact, the operations group and the compliance group coordinate the review or preparation of monthly and quarterly Sub-Adviser compliance reporting documents.

Marketing support is part of the retail operation group's responsibilities. This requires interfacing directly with the National Accounts Director and the Retail Product Strategy team to ensure they are provided with accurate and effective marketing materials. This includes working with portfolio managers (both internal and at the Sub-Adviser) and compliance personnel on preparing marketing materials including monthly write-ups, quarterly webcasts and up-to-date presentations (based on market conditions).

Additionally, this group is responsible for ensuring portfolio managers have meaningful, accurate and timely portfolio level data available to make appropriate investment decisions on behalf of the Funds. In this capacity the group is also responsible for the management of data integrity for both internal

and external portfolio data sources including the Funds' financial statements and other regulatory filings. This includes the management of external audits.

As part of the operations role this group provides day-to-day operational support of trade settlement, performance of reconciliation processes, management of prime brokerage relationships, sourcing and maintaining credit facilities, measuring and explaining Fund performance and positioning, providing portfolio monitoring for compliance limitations and portfolio positioning goals. This monitoring combined with the reporting from service providers allows the Advisers to oversee each Fund's compliance with its investment objectives, the 1940 Act and prospectus investment restrictions, policies and requirements.

### Risk Management

The Advisers' risk management function is overseen by Jim Dondero, with the assistance of Joe Sowin, additional employees and automated reporting. The Adviser is currently in the process of automating the risk management function as the platforms assets have shifted from open-end, liquid equity funds to more real estate and investments in tangible products. An in-depth discussion of the process used to monitor risks in the Funds is provided in response to question B.18. Mr. Sowin will be available at the September 2020 Board meeting to discuss.

Separately, the Advisers employee code of conduct requires employees to bring any issues reasonably believed to place the Advisers or Funds at risk to the attention of the CCO. On at least an annual basis, HCMLP's Director of IT conducts a cyber-security risk assessment. The Director of IT provides the CCO with a summary of any moderate or high-risk vulnerabilities that are identified, as well as a plan to remediate such risks

6. Discuss how the Adviser's role with respect to any sub-advised Fund is different from the Sub-Adviser's role. To the extent possible, describe with respect to each sub-advised Fund the specific services that are provided by the Adviser under the Advisory Agreement that will not be provided by the Subadviser under the Subadvisory Agreement.

**Response:** The Sub-Adviser is principally involved in the day-to-day investment management of the sub-advised Funds' portfolios, as well as any data needs associated with trades made and positions held in the portfolios that are not maintained by BNY (the sub-advised Funds' custodian). The Sub-Adviser works with the Adviser for cash management as well as for compliance testing and regulatory maintenance.

The Advisers are responsible for all other aspects of Fund management/administration described above, including the following: calculating a daily NAV for certain Funds, daily portfolio pricing, cash

management, reporting information to reporting services, expense monitoring, accrual management (for both income and expenses), invoice processing, account receivable management, monitoring leverage, monitoring prospectus compliance, compiling holdings reports and financial statements, managing audits, vendor management, monitoring short selling, securities lending, and derivatives and compliance with applicable rules and regulations, settling trades, compliance functions, preparing board materials, tax management, interaction with fund counsel, distribution management, preparation and filing of certain SEC reports, etc. HCMFA utilizes the services of SEI to assist in certain of the administrative tasks above pursuant to a separate Administration Agreement.

7. Describe the process by which the Advisers engage to review and monitor the Subadviser, including fee negotiation, the nature and quality of the Sub-Adviser's services, compliance monitoring, investment oversight, risk oversight and on-site due diligence. Please note any material changes in an Adviser's processes for supervising the Subadviser within the past year or that are anticipated in the coming year. Describe any material business arrangement that may exist between an Adviser or any of its affiliates and the Subadviser. Provide a recommendation for the continuation of the Subadvisory Agreement.

**Response:** The Advisers monitor daily, monthly, and quarterly performance reporting for the Sub-Adviser's Fund-specific performance as well as performance compared to the relevant benchmarks. Additionally, the Adviser negotiates the sub-advisory fee at execution of the initial contract and monitors the fee level in connection with its review of the Advisers' profitability (for example, whether the Advisers are able to cover expenses given the fee split between an Adviser and the Sub-Adviser). The Advisers have regular calls with the Sub-Adviser to discuss the management and portfolio construction of the Funds, performance, and capital activity.

From a compliance perspective, the Advisers are copied along with FFA on daily compliance and liquidity reporting distributed to the Sub-Adviser and discuss with the Sub-Adviser any exceptions which require further review, have an open dialogue with the Sub-Adviser's CCO and portfolio management team, and receive a quarterly compliance certification from the Sub-Adviser which is also furnished to the Board. The CCO conducted an on-site due diligence with the Sub-Adviser in Q3 2019. Regarding the continuation of the Subadvisory Agreements with FFA, please refer to the response set forth in B.1.

While there is no arrangement in place: (i) we note that FFA is an investor in Highland Opportunistic Credit Fund, (ii) one of the principals of the parent company of FFA, First Foundation Inc., serves as an independent Board member of two of the Advisers affiliated exchange listed REITs, NXRT and NREF, unlisted affiliated REIT, VineBrook, and (iii) NexBank from time to time may enter into lending arrangements with affiliated entities or employees of FFA.

8. List the key unaffiliated third parties that the Advisers use to perform critical services (*i.e.* necessary for day-to-day fund operations) under their agreements with the Funds, including services performed by such third parties. Please evaluate the performance of the service providers, specifying whether you believe that the services provided are satisfactory and that the costs are in line with those of competitors. Describe any financial or other benefits received by the Advisers or their affiliates directly or indirectly from any such service provider. Discuss how the Advisers plan to continue and/or promptly resume providing services in the event of a significant business disruption of these third parties.

**Response:** The Advisers have outsourced some of the day-to-day functions related to these services to third party service providers such as:

- State Street Bank and Trust Company (“SSB”) as administrator/sub-administrator and custodian to the BDC;
- SEI Investments Global Funds Services (“SEI”) as Fund administrator/sub-administrator to all Funds except for the BDC;
- DST Systems, Inc. (“DST”) as transfer agent for the open-end Funds and BDC, excluding Highland/iBoxx Senior Loan ETF (the “ETF”) and NRESF;
- BNY as custodian to the Funds (ex-BDC) and as transfer agent to the ETF; and
- American Stock and Transfer Agent (“AST”) as transfer agent for NHF, HFRO and GAF. AST also provides proxy solicitation services to NHF, HFRO, GAF and the BDC for general and special meetings.

The Adviser believes these third-party service providers are industry leaders in their respective fields. The Adviser feels the quality of services provided to the Funds by these service providers is high, and the overall costs are in line with the competitors. The Adviser does not receive any financial or other benefits directly or indirectly from any such service provider. The Adviser has experience updating service providers and performing due diligence on key unaffiliated third parties to ensure the highest quality of standards at market rates. This was demonstrated as a part of the 2018 Request for Proposal process, in which several service provider’s functions were updated, as well as the 2019 and 2020 auditor updates. The Adviser would reference the BCP, to the extent there was a disruption to any of the service providers’ key services.

9. Provide annualized investment performance of each Fund over the one-year, three-year, five-year and since-inception periods as of June 30, 2020. Include

comparative performance information for (a) other clients of the applicable Adviser with similar investment objectives and strategies, (b) a peer group, including peer funds having similar investment objectives and strategies, and (c) appropriate benchmark indices and how they are monitored for ongoing appropriateness. Describe the basis for the selection of the peer group and the benchmark indices. Indicate whether performance information provided is gross or net of fees and expenses. Comment on any significant differences between the performance of each Fund and that of other clients of the applicable Adviser with similar investment objectives and strategies

**Response:** Please see the “Fuse” report, the “BDC Industry Review” report, and the “NexPoint Capital Performance vs. Peers” report provided with the 15(c) materials. Indices were selected based on the Fund’s prospectus and the peers were selected based on Fuse peers.

Regarding performance differences between Funds and other entities advised by the Adviser with overlapping investment objectives and strategies, the Adviser believes the investment strategies of the Funds are sufficiently different from an investment and stylistic basis that performance is not correlated. For example, NHF and NRESF both have significant exposure to real estate, but still exhibit different return profiles due to the type of real estate exposure. NHF has approximately 67% of its assets invested in real estate securities and has exposure to other credit and diversified equities. This real estate exposure is related to office and development properties while NRESF’s has more exposure to multifamily.

10. For a Fund that is an exchange-traded fund, evaluate how the Fund has performed as an exchange-traded product, including:
  - a. its bid/ask spreads;
  - b. the difference between its share price and its net asset value per share;
  - c. transaction costs of rebalances and awareness of third-party investors front-running rebalancing trades; and
  - d. tracking error (if available).

**Response:** Please see the “SNLN Bid Ask Spread” report, the “SNLN Premium and Discounts (as of 06.30.20)” report, and the “SNLN Tracking Error” report provided with the 15(c) materials. Regarding (c), the portfolio manager and operations team are in direct communication with the bank loan trade desk to determine the appropriate trades for the rebalance. Once determined, the trades related to rebalances are executed using best execution practices. The Adviser has not seen third-party trade activity that is consistent with investors potentially front-running a monthly rebalance.



11. If a Fund has or is expected to engage in foreign currency transactions, describe whether an Adviser plans to actively trade foreign currency for the Fund or to delegate some or all of the trading to the Fund's custodian. Comment on the quality of execution of currency transactions that you believe the Funds receive and describe the policies and procedures for the oversight of currency transactions.

**Response:** The Adviser generally does not trade in foreign currencies directly, rather may have residual balances in connection with realization of trades and has delegated most of the foreign currency transactions to the Fund's custodian, BNY. BNY is consistently an industry leader in expertise and volume in the foreign exchange markets. The Advisers' fund accounting teams oversee the instruction and review foreign currency transactions to ensure they are in line with current market rates. The custodian receives automatically, electronic FX file. This file contains foreign trade details executed by the Highland trade desk. A test copy of the FX file is generated and reviewed, and once confirmed, the file is sent to the custodian via FTP. The file is electronically received at the custodian and automatically processed as a trade pending executing.

12. If applicable, provide information regarding the premium or discount at which a Fund's shares have traded since inception on a monthly basis through June 30, 2020, or a shorter period if since inception is not practicable. Please also show the current yields of any such Funds based on current market values as of a recent date. If possible, please provide comparable information for Fund peers.

**Response:** Please see the "Premium/Discount" reports provided with the 15(c) materials.

13. With respect to each Fund's performance relative to its benchmark index and peer group over the one-year, three-year, five-year and since-inception periods for the fiscal year ended June 30, 2020, please discuss the factors that you believe accounted for the underperformance or outperformance. If a Fund has underperformed, also discuss what steps are being taken to create an environment in which the performance of the Fund can be expected to improve. Please also discuss the impact of Fund performance on asset flows and asset levels of each Fund.

**Response:** Please refer to Exhibit A attached hereto for the performance chart.

**Highland Income Fund** – In May 2019 the Fund changed its name to the Highland Income Fund. The Fund's investment objective (to provide a high level of current income consistent with preservation of capital) did not change, but the Fund expanded its investment strategy and removed the policy of investing at least 80% of net assets in floating rate securities. Under the new strategy the Fund will expand upon its focus on floating rate investments to also include investments in securities or related instruments directly or indirectly secured by real estate. The Fund's differentiated portfolio construction and



HCMFA's ability to manage a more concentrated, opportunistic portfolio are large contributors to the Fund's short-term and solid long-term performance versus peers. The Fund's drawdown in late 2015 and early 2016 contributed to the underperformance over the five-year period. During this period, several of the Fund's larger positions included investments in loans to undervalued energy-related companies that significantly underperformed due to the continued stress felt by falling commodity prices. Much of the underperformance over the last year is due to the CLO' bucket, energy exposure and certain real estate securities. The Fund's largest investment, Creek Pine Holdings has been one of the top contributors to performance over the last year. As part of the investment changes we expect to see more highly attractive real estate investments such as the Freddie Mac K Deals which bring a favorable risk/return to the Fund. Over the last one year and three-year period the Fund has outperformed its peers. Performance has not impacted asset flows since this Fund is a listed Closed-end Fund.

**Highland Merger Arbitrage Fund** – Since its January 2015 inception the Fund has significantly outperformed its peers and benchmark, the Barclays U.S. Aggregate Bond Index. In addition to its strong absolute performance, the Fund also provides minimal volatility and low correlation to other asset classes. It is the #1 performing Merger Arbitrage and Market Neutral fund since inception and along with the Fund's high risk adjusted returns it maintains a 5-star rating on Morningstar. The Fund's focus on low risk deals has led to outperformance over nearly all time periods. Performance has not materially impacted asset flows, however we believe the added scale from the merger with the Long/Short Equity Fund will help to increase exposure and raise additional assets on the back of the solid performance of the fund.

We believe the merger arbitrage strategy presents an attractive long-term investment opportunity. Historically, merger arbitrage has demonstrated superior risk-adjusted returns compared to stocks and bonds. The strategy has low correlation to stocks and bonds which can enhance portfolio diversification. The Fund current has a correlation of 0.20 to the S&P and 0.04 to the Barclays Aggregate Bond Index. The Fund continues to boast impressive risk adjusted returns with a Sharpe Ratio of 1.47 which is the highest Sharpe ratio of all US liquid alternative funds.

**Highland Small Cap Equity Fund** – The Fund has underperformed its peers and benchmark over the one, three and five-year periods primarily due to underperformance in 2020. While the Fund had very strong performance in 2016 and 2018 it gave up most of the gains in the first half of 2020. Several of Fund's top performing themes in previous years have underperformed over the last year. Additionally, the Fund has been underweight in tech stocks, overweight in value, financials, and biotech, and had some single name shorts that have had been up on the year, which has created a loss for the portfolio YTD. Performance has materially impacted asset flows relative to the category.

**Highland Healthcare Opportunities Fund** – Looking over the long-term, the healthcare sector has faced performance challenges. The healthcare sector was the worst performing sector of the S&P 500 in 2016, while the NASDAQ biotech index was down 21%. Additionally, the healthcare sector experienced a drawdown from July 2015 to February 2016, which was a larger sell off than that the sector experienced during the 2008 financial crisis. The sector yet again entered correction territory in late 2016 when it experienced a 12.38% drawdown stretching from August through November. This persistent volatility has made it challenging to provide strong long-term risk-adjusted returns given the Highland Healthcare Opportunities Fund's beta to the healthcare sector. Although the sector rebounded in 2018 it was the second the worst performing sector in the S&P 500 in 2019. The Highland Healthcare Opportunities Fund has not kept pace with the S&P 500 due to security selection, it's exposure to the healthcare sector, and the fact that the Fund historically operated a short portfolio which limited the Fund's potential for returns in up markets. On November 20, 2019 the Fund changed its name to the Highland Healthcare Opportunities Fund and changed its strategy to focus more on long only and across healthcare debt and equity. Over the last year the Fund has outperformed its benchmark. Over the last 1 year and 3-year periods the Fund has outperformed its peers. Asset flows are attributed to a combination of net outflows in the Long/Short Equity Category and portfolio manager departure.

**Highland Socially Responsible Equity Fund** – On December 1, 2018 Michael Hurley replaced Michael McLochlin as Portfolio Manager and on July 16, 2019 the Fund changed its name to the Highland Socially Responsible Equity Fund. The investment objective did not change but the strategy now invests in equities securities of socially responsible companies contained in the MSCI KLD 400 Social Index. The Fund has significantly underperformed its peers and benchmark over the last 1-year, 3-year and 5-year time periods, and since PM inception on 12/1/18. Underperformance has been driven by both sector and security selection, and detailed analysis of performance has been provided by Mike Hurley at each of the past three Board meetings. The underperformance has negatively impacted asset flows.

**Highland Total Return Fund and Highland Fixed Income Fund**– Following the termination of GE Asset Management, Incorporated, HCMFA appointed FFA as sub-adviser to the Highland Fixed Income Fund on August 1, 2014 and the Highland Total Return Fund on February 1, 2015. Since then, FFA has cleaned up portfolio construction and improved performance across the Funds relative to its respective Morningstar category. The Highland Total Return Fund allocates to both equity and fixed income securities in a balanced manner and therefore has two prospectus benchmarks. Given its balanced portfolio, it has underperformed the S&P 500 and the Barclays U.S. Aggregate Bond Index. The Fund also underperformed its peers. The Highland Fixed Income Fund has underperformed its benchmark over the one, three and five-year periods.

Through June 30, 2020, the Highland Fixed Income Fund has only slightly underperformed its Morningstar category over the five-year periods and since FFA took over as sub-adviser. Performance has not materially impacted asset flows.

**NexPoint Strategic Opportunities Fund** – The Fund has dual benchmarks and has underperformed the HFRX Global Hedge Fund Index and the DJ CS Hedge Fund index over the one- year period while only slightly underperforming over the three and five-year periods. However, the Fund has significantly outperformed its Morningstar peers and over 90% of all listed Closed-end Funds since Jim Dondero took over the Fund in 2012. The Fund experienced a large drawdown during the second half of 2015 and early part of 2016. The Fund’s exposure to energy-related credits and equities, such as Ocean Rig/Sea Drill and NRG, was a significant detractor to performance. Credit markets experienced a great deal of carnage during this time period that we believe put unwarranted technical pressure on below investment grade credits. This highly correlated ‘risk-off’ sentiment also led to CLOs trading down significantly and which, as one of the largest asset allocations within the portfolio, caused the Fund’s performance to suffer during this period. To provide context, CLO prices fell as much as 37% and 25% on B and BB rated CLO debt, respectively, in which tranches the Fund largely invests. Lastly, the Fund’s sizeable position in TXU, which eventually reorganized into Vistra Energy, provided a great deal of negative performance as a result of the company’s bankruptcy. However, many of these large detractors, such as CLOs and TXU/Vistra Energy, rebounded nicely in 2016 and 2017.

The Fund significantly outperformed its benchmarks in 2018 due to stability in some of the largest real estate interments including the private REIT, Jernigan Capital and the Freddie Mac K Deals. However, the Fund underperformed its benchmarks and peers in 2019. While broad markets significantly rallied in 2019 the Fund was defensive with hedges in place that detracted from performance. Through the first half of 2020 the Fund has slightly underperformed its peers and has underperformed its benchmarks. While many of the Fund’s top themes including TerreStar, Jernigan Capital and the private REIT have been positive performers it has been offset by weakness in CLO equity, and the Fund’s hospitality REIT and mortgage REIT due to the challenges of COVID-19. The Fund’s concentration and outsized exposure within real estate offer access to Highland’s premier real estate platform and significant upside potential. Recent underperformance has not impacted asset flows since this Fund is a listed Closed-end Fund, however the longer term outperformance had a meaningfully positive impact on fundraising, bringing in \$590 million in three rights offerings.

**NexPoint Capital, Inc.** – Although the BDC had historically outperformed its peers it experienced a significant drawdown in 2020 which is the primary reason it has underperformed over the last one year, three year and five-year periods. The BDC significantly outperformed in 2016, 2017 and 2019. The drawdown in

2020 was due to sectors that were significantly impacted by the COVID-19 Pandemic such as mortgage and hospitality REITs. Since the drawdown in March 2020 the BDC has rebounded and has returned approximately 23%. The portfolio management team continues to believe in the long-term growth trajectory of the healthcare market due to demographic trends, increasing healthcare costs and consumer utilization trends. The healthcare sector already benefits from experiencing one of the lowest default rates, and HCMFA believes that these and other positive factors will help maintain stability in healthcare credit markets moving forward. Performance has impacted asset flows.

**NexPoint Real Estate Strategies** – Although the Fund has slightly outperformed its peers and the MSCI US REIT index since inception it has underperformed both its peers and the MSCI US REIT index over the last one- and three-year periods. Underperformance is primarily due to the Fund's drawdown in Q1 2020 where the Fund was down 31.5%. The Fund had exposure to hospitality REITs including Ashford and Braemar which experienced significant volatility during the COVID 19 pandemic as hospitality was one of the hardest hit real estate sectors. In addition, the fund had significant exposure to the NREF IPO, which dropped significantly in the first quarter in the COVID related liquidity driven selloff. Top themes such as Creek Pine Holdings and Jernigan Capital continue to perform well and have been positive contributors to performance.

**Highland/iBoxx Senior Loan ETF** – The investment objective of the Highland/iBoxx Senior Loan ETF is to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the Markit iBoxx USD Liquid Leveraged Loan Index. Before fees the Fund underperformed its index over the one- and three-year periods and has only slightly underperformed over the last 5 years. The Morningstar ETF Bank Loan category consists of both index and actively managed products resulting in different investment objectives and fee structures among constituents. These differences make the Morningstar ETF Bank Loan category an inappropriate performance benchmark. Over the first six years of the ETF, the fund experienced very little tracking error – actually achieving negative tracking error, however over the past two years tracking error has increased significantly as trading activity as a percentage of the fund's size has increased significantly. Performance and recent, increased tracking error has negatively impacted asset flows.

**Highland Global Allocation Fund** – The Global Allocation Fund benchmark is the FTSE All World which is a long only equity index while the Fund is unconstrained and takes positions in fixed income and other assets, including structured products. As a result, we believe the Fund's performance relative to its Morningstar category is more relevant.

Since the strategy inception in April 2013, the Fund has outperformed the world allocation category. The long term positive performance was led by many of the high conviction positions/themes, including Argentina, American Airlines, and Vistra energy. While the fund has outperformed its category YTD and since inception, the fund has underperformed over the last three, and five year periods. Underperformance in these periods is primarily driven by returns in 2019 as the fund was down -8.5% while world allocation peers returned 28.3%. Underperformance was driven by the hedge book, including market shorts and short positions in Netflix and Zillow which were up significantly during the year, and underperformance in the fund's largest themes including Terrestar, MLPs, Vistra, and Argentina. Vistra returned 2.5% in 2019 while Argentina and MLPs did not keep pace with the broader equity markets, and Terrestar was down on the year as its pricing incorporated the updated valuation model. Year to date through 6/30/2020 however the Fund has outperformed its Morningstar peers by 1.2%. Outperformance was driven by broad market hedges and a positive development in TerreStar. In April the FCC granted TerreStar a conditional waiver for the 1.4 Ghz band of spectrum.

We continue to maintain our exposure and are bullish on Vistra and Terrestar, while reducing our exposure to Argentina and MLPs. We believe there are two near term catalysts with Vistra: 1) we expect positive earnings to be announced in August, and 2) we are very encouraged by their execution on their plan to reduce debt. In regard to Terrestar, we believe in management's ability to meet the milestones laid out by the FCC, which we believe will create significant long term value for the Terrestar spectrum.

14. If a Fund has experienced a significant decline or increase in assets since the Trustees last approved the Advisory Agreements, please discuss the impact to the Fund of such a decline or increase, including the impact on performance and the reason(s) for the decline or increase. Identify any Fund as to which an Adviser believes the size, growth or decline of assets under management may negatively impact portfolio management in its current style. Does an Adviser believe that a Fund may need to be fully or partially, closed, merged or liquidated, and if so, why?

**Response:** Following the initial approval of the Advisory Agreements between HCMFA and each of the Small Cap Equity and Highland/iBoxx Senior Loan ETF, we have seen a significant decrease in assets. The Highland Small Cap Equity Fund is invested in liquid securities and as of June 30, 2020 has net assets of \$17.9 million.

The Highland/iBoxx Senior Loan ETF has also seen a decrease in assets proportionate to the category, though the Fund maintains asset above \$75 million and is able to continually track its index with no anticipated detriment to performance. Since the Funds are not adversely affected the Adviser does not believe any Fund should be fully or partially, closed, merged or liquidated.



As previously discussed with the Board, the Advisers continue to monitor smaller open-end funds with portfolios comprised of less liquid assets to determine whether such Fund is a candidate for a closed-end fund conversion or a merger with a closed-end interval fund.

15. Please comment on the strategies employed by each Fund as compared to those available under the Fund's investment objectives and policies. State whether there have been any material changes in a Fund's investment strategy or techniques or portfolio composition in the past year or whether any material changes are anticipated in the next year. If applicable, describe generally the circumstances that led to any change in a Fund's investment risk profile during the year. Identify any Funds that an Adviser believes have faced difficulties in implementing their investment strategies, policies or goals and the strategies that the Adviser is using or proposes to use to resolve such difficulties.

**Response:** The strategies employed by each Fund are compliant with each such Fund's investment objectives and policies stated in its prospectus. There have been no changes to the underlying Funds' investment objectives except for:

- Highland Merger Arbitrage and Highland Long/Short Equity Merger – On June 29, 2020, Highland Long/Short Equity successfully merged into Highland Merger Arbitrage. The merger was approved by shareholders in November 2019. There has been no change to the Highland Merger Arbitrage's investment strategy as a result of the merger.
- The proposed conversion of NHF into a diversified REIT, as discussed with the Board during the first half of 2020

There have been no other material changes in investment strategy or risk profile requiring shareholder approval and no changes in portfolio composition.

Fund Fact Sheets are available on Directors Desk at Home > Documents > Corporate Documents > Fund Fact Sheets.

16. Identify any Fund that has failed to comply with its investment objectives or investment restrictions during the past two years. Explain generally how the failure occurred and what steps were taken to correct the violation.

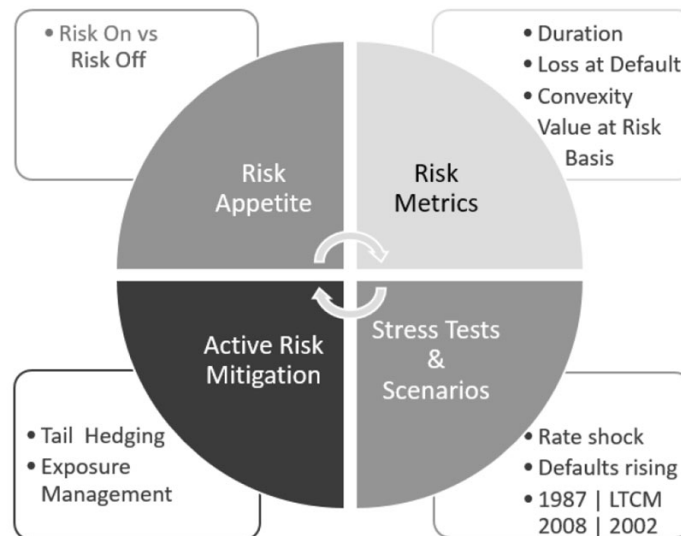
**Response:** To the extent a Fund deviated from its investment restriction it was reported to the Board via customary Board reporting deliverables, for example by a trade error form, reallocation form, or compliance memo, and if necessary, included as part of the annual compliance review. Also, if a Fund is outside of its prospectus limitations, the Fund is monitored until it is back in accordance with its registration statement.

17. Do the Advisers periodically review reports to monitor for style drift, portfolio pumping and window dressing?

**Response:** Historically, there have not been issues with style drift, portfolio pumping, and window dressing in the Funds. The Adviser separately review reports for each Fund to monitor for artificial inflation of a Fund's portfolio. they analyze prospectus limitations (for example, a Fund's 80% test) and whether such Fund has stayed within its mandated investment range. On a daily basis, the Advisers receive an email detailing each Fund's sector and industry concentration, liquidity, capital activity and performance to relative benchmarks. Additionally, the Advisers receive a daily trade blotter and review prior days trades for any abnormal trading activity.

18. Describe how each Adviser controls the risks (*e.g.*, concentration on sectors, issuers, investment types, geography) taken by the investment personnel providing services to the Funds and in other accounts that it manages.

**Response:** The Adviser has an institutionalized framework for risk management. The goal of risk management is to balance risk taking to optimize return on invested capital for the level of risk.



Sector, issuer, investment type and geographic concentration are measured using a variety of metrics described here (see diagram 'Sample process for risk management (for a hypothetical fund)'). These metrics include Value at Risk, Marginal Contribution to Risk, exposure as percent of portfolio, scenario and stresses applied to position level exposures. These risks are highlighted on a regular basis via the risk reports and upon material deviation against key comparable concentration levels in benchmarks.

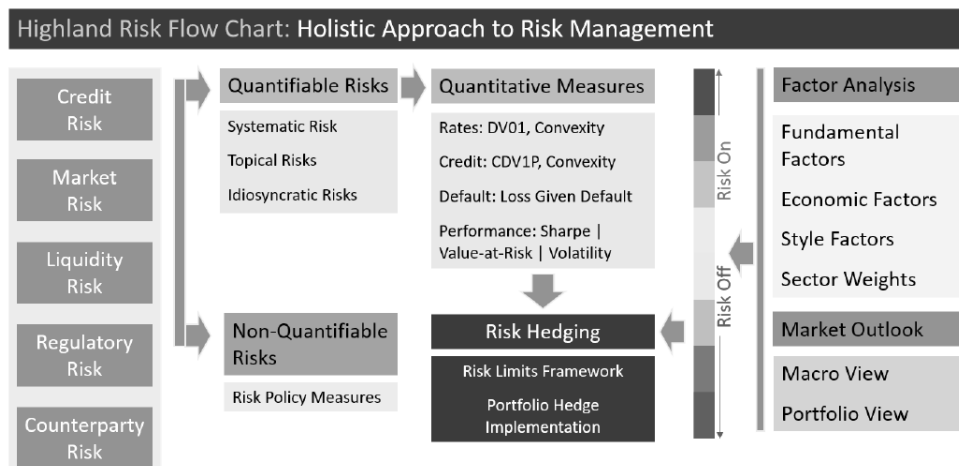
The risk strategy is executed under the supervision of a 'Risk Governance' framework for centralized determination of risk policies, limits and risk appetite:

- Risk appetite is defined by Portfolio Managers and is influenced by the Risk Group. The risk appetite drives investments and hedge allocations.



- A number of risk metrics are developed by the Risk Group, as applicable for various portfolios, and are monitored for dynamic positioning and investment allocation.
- The Risk Group regularly conducts stress tests and scenario analyses to assess portfolio exposure to various market factors and tail risks.
- The inferences drawn from evaluation of risk metrics, scenarios, stress tests and overall risk appetite, drive active risk mitigation strategy. The active risk mitigation strategy involves investment 're-positioning', 're-scaling' and hedging.

### Risk Strategy Implementation Process



**Development of Risk Appetite:** The investment team and risk group may independently analyze markets from multiple dimensions:

- Fundamental factors: These refer to valuations, earning
- Economic factors: These refer to broad based economic indicators such as GDP growth, productivity, unemployment rate and inflation.
- Style factors
- Sector rotations
- Volatility

Based on these analyses, overall market outlook is informed and applied to the existing portfolio.

**Risk Measurement:** Appropriate classification and accurate measurement of risk is the key to favorable positioning. Some of the key risks measured and monitored (as they apply and are relevant to investments) are:

- **Market Risk:** the risk of decline in value of investments due to movements in broad market prices. Some of the metrics used to assess market risk are:
  - Broad market CDS Index levels
  - Broad market Index levels

- Volatility Index levels
  - Difference between implied volatility and realized volatility across various market indices
  - Value at Risk (VaR) at 95% and 99% confidence levels
  - Expected Shortfall (ES) at 95% confidence level
  - Interest rate DV01 (change in price due to 1 basis point change in interest rates)
- **Exposure and leverage Risk:** the risk arising due to gross leverage, net leverage and unanticipated concentrated exposure to a single issuer, sector, region or risk factor. Some of the metrics used to assess single investment exposure are:
    - Marginal contribution to Risk (MCR)
    - Exposure as a percent of the portfolio
    - Volatility contribution to the portfolio
    - Style factor contribution to the portfolio
    - Time series analysis of gross and net exposure of portfolio to identify patterns
    - Gross and net exposures of each sector in the portfolio are measured and benchmarked against corresponding sector exposures in key indices that may be applicable for each portfolio
    - Leverage, not only in the form of exposure, but also in the form of contribution to risk and volatility is quantified
    - The leverage as measured above is benchmarked to assess the ‘excess’ or ‘under’ exposure to key indices that may be applicable for each portfolio
  - **Derivatives and hedging risk:** Derivative instruments may be employed by investment professionals and risk group from time to time to implement an investment or hedge proposal. Derivative instruments by design offer convex non-linear payouts that increase in magnitude for each corresponding unit move in the underlying security. The convexity in derivatives and the nature of the instruments require separate level of monitoring for risk and operational controls.

The risks in derivatives are measured using some of the following metrics (Greeks):

- Delta
- Gamma
- Vega
- Theta
- Rho
- dGamma/dSpot
- dGamma/dVol
- dVega/dVol
- dVega/dSpot

- Expiration risk

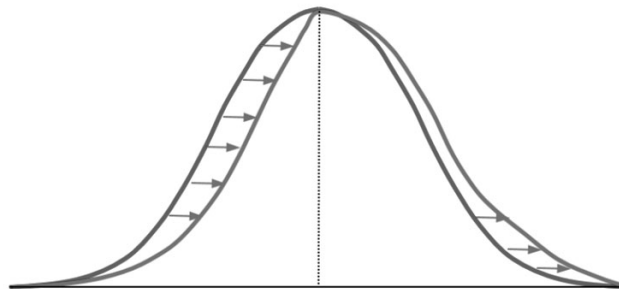
The portfolio risks are appropriate and as needed, aggregated to measure beta and delta adjusted exposures. These exposures are then measured and monitored on a sector level, issuer level and portfolio level. Further, scenario analyses are created to capture the potential impact on the portfolio due to exposure to these derivative instruments under various market scenarios. These scenarios may be updated real-time and provided to portfolio managers, investment professionals and senior management on an as-needed basis to inform them.

Generally, derivative instruments are employed only on a 'net long' basis to hedge investment risks and therefore their risks may be limited to initial premium allocated to them. The exposures to derivative instruments are managed (as applicable) using:

- Automated daily trading summaries that show firm and fund portfolio level changes in derivative exposures
- Daily summaries of option expiries that inform of upcoming exercises and assignments in order to inform fund level cash allocations
- Real time derivative portfolio exposures using Greeks
- Real time aggregate scenario exposures (by including derivatives and investments)
- On days of large market volatility (+/- 2% move in S&P 500) real time derivatives exposure reports may be generated to assess intra-day exposure analysis of portfolios
- Position level reports are run independently by the Risk Group, Operations group and via an automated process set up with the help of Siepe. These are monitored and reconciled daily and act as independent and exclusive layers of checks.
- Automated execution level checks have been implemented to notify traders of position direction and size mismatches at the time of execution.
- In addition, daily trading reconciliation email processes have been set up with each counterparty which act as an additional layer of check for reconciliation of trades at the end of the day.
- As appropriate, there are separate and independent daily trading reports directed to Operations group, Risk group and investment professionals – creating multiple layers of checks. The final reconciliation of trade exercise is performed by Operations team. The final reconciliation of exposures and risk exercise is performed by the Risk group. These exercises are substantially automated at this point

Graph below demonstrates a possible effect of employing non-linear instruments (options primarily) for hedging on the distribution of returns of a hypothetical portfolio

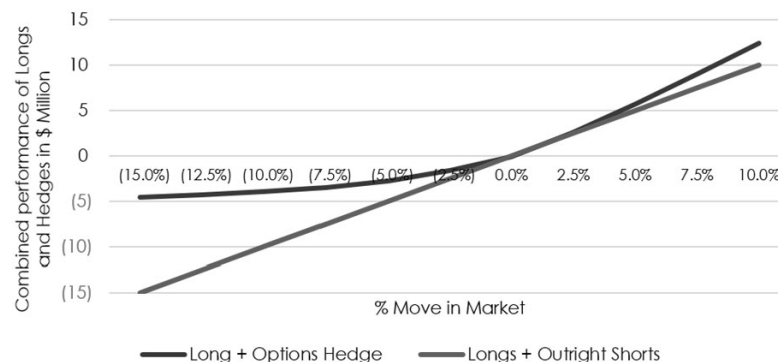
Hedge book with options may reduce downside risk and may facilitate greater upside participation



The graph above shows hypothetical distribution of returns of a 2:1 long-short equity portfolio (in red) and the potential change in distribution of returns that may be articulated using thoughtful implementation of options based hedge book

Graph below demonstrates a possible effect of employing non-linear instruments (options primarily) for hedging on the payouts of a hypothetical portfolio under various market moves

Performance of long book combined with options and shorts respectively



The graph above shows hypothetical performance of a \$200million notional long book combined with \$100 million notional systematic options hedge and \$100 million notional outright systematic short respectively.

Table below demonstrates hypothetical scenario payout of a portfolio using derivative instruments (example of a real time scenario created and used at Highland)

Scenarios	Scenario Payouts											
	-15%	-10%	-5%	-3%	-2%	-1%	1%	2%	3%	5%	10%	15%
Payouts	(6.6%)	(4.8%)	(2.7%)	(1.9%)	(1.2%)	(0.6%)	0.6%	1.2%	1.9%	3.2%	6.2%	10.6%
Sector	-15%	-10%	-5%	-3%	-2%	-1%	1%	2%	3%	5%	10%	15%
Business Services	(0.4%)	(0.3%)	(0.2%)	(0.1%)	(0.1%)	(0.0%)	0.0%	0.1%	0.1%	0.2%	0.4%	0.6%
Communication Services	(1.3%)	(0.9%)	(0.5%)	(0.3%)	(0.2%)	(0.1%)	0.1%	0.2%	0.3%	0.6%	1.1%	1.9%
Consumer Discretionary	(1.3%)	(0.9%)	(0.5%)	(0.3%)	(0.2%)	(0.1%)	0.1%	0.2%	0.3%	0.6%	1.1%	1.9%
Energy	(0.2%)	(0.1%)	(0.1%)	(0.0%)	(0.0%)	(0.0%)	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%
Financial Technology	(0.8%)	(0.6%)	(0.3%)	(0.2%)	(0.1%)	(0.1%)	0.1%	0.1%	0.2%	0.3%	0.7%	1.0%
Financials	(1.2%)	(0.8%)	(0.4%)	(0.3%)	(0.2%)	(0.1%)	0.1%	0.2%	0.3%	0.5%	1.0%	1.7%
Health Care	(0.4%)	(0.3%)	(0.1%)	(0.1%)	(0.1%)	(0.0%)	0.0%	0.1%	0.1%	0.2%	0.3%	0.5%
Industrials	0.2%	0.1%	0.0%	(0.0%)	(0.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Information Technology	(1.9%)	(1.4%)	(0.8%)	(0.5%)	(0.3%)	(0.2%)	0.2%	0.3%	0.5%	0.9%	1.7%	2.9%
Materials	(0.4%)	(0.3%)	(0.1%)	(0.1%)	(0.1%)	(0.0%)	0.0%	0.1%	0.1%	0.1%	0.3%	0.4%
Other	1.2%	0.7%	0.3%	0.2%	0.1%	0.1%	(0.1%)	(0.1%)	(0.2%)	(0.2%)	(0.5%)	(0.7%)

- **Under-diversification Risk:** refers to the risk of material decline in value of a portfolio due to concentrated exposure to a single issuer, country, sector or

industry. Highland includes ‘under-dispersion risk’ which refers to high internal correlation of portfolio constituents within this classification. One of the measures used to assess diversification are: Efficient frontier analysis (if applicable), Sharpe Ratio, Sortino Ratio, Cross-sector, cross-region, cross-industry and cross-security correlations and Security concentration as a percentage of overall portfolio.

- **Counterparty Risk:** refers to the risk of default of a counterparty of the Adviser (on bilateral agreements), result in losses to the Adviser or Funds. Some of the measures of counterparty risk are:
  - Traded CDS levels of counterparties
  - Stock price of publicly traded stock of counterparties
  - Implied volatility of options on the stock of counterparties
  - Terms of agreement that Highland maintains across its various legal documents vs. trading counterparties

For instance, the Adviser has actively avoided increasing trading exposure to certain counterparties and avoided execution of trading agreements with others when the counterparty risk (or going concern risk of a certain business line of a counterparty) was assessed to be high.

- **Credit Risk:** refers to the risk of default arising from a borrower’s inability to make principal or interest payments or both, when due. Credit risk in the portfolio is measured using a combination of metrics, as they apply to various portfolios. Some of the metrics used are:
  - Traded CDS Levels on underlying securities in a portfolio or CLO
  - Credit DV01 (change in price due to 1 basis point decline in credit spreads)
  - Credit DV1P (change in price due to 1% decline in credit spreads)
  - Probability of default implied by the ratings of a security
  - Altman Z score for prediction of bankruptcy
  - Loss Given Default, calculated by taking into consideration potential recovery value and default risk of an investment
  - Fundamental analysis of a security to assess deterioration of credit quality (performed by Credit Analysis or CLO specialists within the firm)
- **Liquidity Risk:** Market liquidity depends essentially on the presence of a sufficient number of counterparties and their willingness to trade in sufficient volume at any given time. The Adviser monitors the open-end Funds’ liquidity through the LRMP discussed in response B. 20. The Adviser has operated through periods of liquidity crisis, defined by market’s inability to absorb order flows without prompting irrational price movements unrelated to the fundamental valuation of securities.

While liquidity risk is certainly difficult to forecast, it is possible to make educated judgement about potential liquidity constraints under various market conditions. We attempt to subjectively and objectively identify the probabilities associated with potential liquidity risk catalysts.

In our experience, the greater the ‘systematic risk’ at any point in time, the greater the possibility of occurrence of a liquidity crisis in the market. Liquidity risk would be managed by monitoring and controlling following risk measures:

- Estimated market impact due to liquidation of a security in 1 day, 5 days, 10 days, 15 days and 30 days. The market impact may be assessed using a combination of bid-offer spread, market depth and slippage measures.
- Market resilience: the rate of reversion of prices to their equilibrium level following an external shock to transactional flow.
- Security concentration in a portfolio as % of outstanding notional of the tranche
- Security concentration in a portfolio as % of daily or weekly traded volume (as applicable)
- Liquidity gap arising due to movement in interest rates, currencies or maturity mismatch
- Liquidity adjusted Value at Risk, defined as the sum of Value at Risk and Exogenous Liquidity Cost (ELC) where ELC is the worst expected half spread at a particular confidence interval (assessed on an as needed basis)

In addition to these measures, we also apply a number of stress tests to estimate liquidity risk under various hypothetical market conditions.

- **Regulatory Risk:** refers to the risk of an existing or new regulation adversely impacting the value of securities held in the portfolio or, the business model of fund(s) managed by Highland. Measurement of regulatory risk is always subjective, but requires close monitoring of major upcoming regulatory changes and discussion with Compliance and Legal groups to stay prepared.

Each of the aforementioned risks are monitored regularly. The Risk Group develops risk guidelines around various relevant risk measures in active discussion with investment professionals and in alignment with the investment mandate of each portfolio. Risk Group proactively engages in discussion with PMs to discuss management of risk exposures and portfolio guidelines to meet the goal of achieve optimal risk-adjusted returns.

## Sample process for risk management (for a hypothetical fund)

What is it?	What does it mean?	Concern Guideline	Action Guideline
1d 99% VaR	99 out of 100 days portfolio may not lose > this number in a single day	2.0%	2.5%
Portfolio 1d99% VaR Benchmark 1d99% VaR	Portfolio may have higher (>1) or lower (<1) risk relative to the benchmark	1.5x	2.0x
Sector Risk Contribution	Single Sector contribution to total portfolio risk	45% for 1 sector 55% for 2 sectors	50% for 1 sector 60% for 2 sectors
Portfolio Sector Risk Benchmark Sector Risk	Sector exposure in portfolio may be higher (>1) or lower (<1) relative to the benchmark	1.5x @ contr. > 10% 2.0x @ contr. < 10%	2.0x @ contr. > 10% 2.5x @ contr. < 10%
Position Risk Contribution	Single position contribution to total portfolio risk	10% for 1 position 30% for 5 positions	12.5% for 1 position 40% for 5 positions
Scenario Drawdown	Estimated loss should a historical scenario repeat	7.5% in 2015 scenario	10% in 2015 scenario
Portfolio SF 'Z' score (Momentum, Growth)	How many standard deviations is the style factor exposure of portfolio away from the mean?	0.5	0.7
Portfolio Altman 'Z' score	May indicate deterioration or improvement in overall default risk of the portfolio	One point deterioration	< 0.1



## Sample risk summary (for a hypothetical fund)

RISK REPORT										as of	7/15/2019
Risk Guidelines											
1 day 99% VaR	Threshold 1	Threshold 2									
As % of S&P 500 1d 99% VaR	1.5x	2.0x									
Absolute level	2.0%	2.5%									
Risk Contribution by Sectors	Threshold 1	Threshold 2									
Single sector	45.0%	50.0%									
Top two sectors	55.0%	60.0%									
Risk Contribution by Positions	Threshold 1	Threshold 2									
Single position	10.0%	12.5%									
Top 5 positions	30.0%	40.0%									
Portfolio SF 'Z' Score	Threshold 1	Threshold 2									
Momentum	0.5	0.7									
Growth	0.5	0.7									
Risk Report Summary											
	1day 99%	S&P 500 1day 99%	10 day 95%								
Portfolio Risk	2.33%	2.00%	5.12%								
VaR Implied vol	15.50%	15.14%	15.72%								
Sector Risk	Risk Contribution	S&P 500 Risk Contribution	Risk Contr./Risk	Gross Exposure	Net Exposure	S&P 500 Sector Wt					
Communications	25.0%	11.4%	1.54	17.5%	16.4%	10.4%					
Consumer Discretionary	12.1%	11.5%	1.12	14.4%	10.5%	10.3%					
Consumer Staples	0.0%	4.0%	0.00	0.3%	(0.3%)	7.3%					
Energy	2.4%	4.7%	1.05	7.3%	2.3%	4.8%					
Financials	35.0%	11.8%	0.80	25.4%	10.7%	12.9%					
Government	0.0%	-	0.00	7.0%	1.8%	-					
Health Care	7.7%	12.9%	1.52	7.5%	5.1%	13.8%					
Industrials	4.4%	9.6%	1.09	11.5%	4.0%	9.2%					
Materials	2.5%	2.2%	0.60	2.0%	2.8%	3.2%					
Real Estate	0.0%	1.5%	0.00	0.1%	(0.1%)	3.0%					
Technology	25.0%	28.0%	1.32	50.0%	21.4%	21.6%					
Utilities	-	-	-	-	-	-					
Others	1.0%	0.0%	0.15	5.2%	5.2%	3.5%					
Derivatives	0.0%	-	0.00	4.2%	0.6%	-					
ABS											
Portfolio	Risk Contribution	Exposure in % of Portfolio	Long Portfolio	Risk Contribution	Exposure in % of Long	Short Portfolio	Risk Contribution	Exposure in % of Short			
AMZN	7.0%	4.0%	AMZN	0.1%	4.0%	MSFT/INTL	11.0%	1.7%			
FB	7.0%	5.0%	FB	5.0%	5.0%	MSFT/INTL	11.0%	1.7%			
I	5.7%	2.9%	I	4.5%	2.9%	TSIA	1.7%	1.7%			
V	4.1%	4.0%	V	3.5%	4.0%	ORCL	3.5%	1.9%			
MSFT	4.1%	3.4%	MSFT	3.4%	3.4%	SPH	1.4%	1.1%			
CRM	4.1%	2.7%	CRM	3.4%	2.7%	MS Health Care	1.3%	1.2%			
GDS	4.1%	1.8%	GDS	3.2%	1.8%	XU	1.2%	1.1%			
AVGO	3.9%	3.2%	ROP	3.1%	4.5%	EBAY	0.9%	1.1%			
GOO	3.7%	4.5%	GOO	1.1%	3.2%	BH	0.9%	1.1%			
BABA	3.9%	2.4%	BABA	3.0%	2.4%	ST	0.9%	0.9%			
Style Factor											
Profitability	Relative	Z Score									
Momentum	44.3%	(0.05)									
Growth	87.3%	0.15									
Size	10.7%	(0.00)									
Dividend	(74.1%)	(0.63)									
Value	34.0%	(0.30)									
Volatility, net of hedges	0.0%	-									
Risk Factor											
2y Rates	Relative	Z Score									
3y Rates	(8.1%)										
5y Rates	6.1%										
S&P 500	96.8%										
HY Spreads	(1.9%)										
USD	2.0%										
Oil	(2.1%)										
Gold	(0.4%)										
Real 3M Fed. 3M Inflation	2.2%										
Volatility, net of hedges	0.0%										
Securities with < 1 Altman Z Score											
Instrument	Name	Z Score									
PTLA	PORTOLA PHARMACEUTICAL	(3.53)									
I	INTELLI SA	(0.51)									
COLL	COLLEGIUM PHARMACEUT	0.68									

**Stress Tests and Scenarios:** The Advisers' risk group has developed and continues to enhance stress testing and scenario analyses frameworks for its various funds. There is never a 'one size fits all' model and we customize stress tests and scenario analytics with respect to the characteristics of each portfolio and construct these on an as-needed basis. Generally, the following stress testing frameworks may be applied to the portfolios:



- Historical market moves based simulations: these tests assess historical price movements across asset classes and apply relevant shocks to the portfolio to assess impact of such shocks to portfolio value.
- Assumptions based, futuristic Monte-Carlo simulations: these tests are based on assumptions of anticipated future price movements and apply pre-defined criteria to simulate portfolio performance under futuristic shocks.

The stress tests are applied to the following variables:

- Internal portfolio correlation
- Downside correlations positive and muted upside correlations
- Interest rate shocks
  - Short term rates up or down 50 bps
  - Short term rates up or down 100 bps
  - Long term rates up or down 50 bps
  - Long term rates up or down 100 bps
  - Steepening of the yield curve
  - Flattening of the yield curve
- Credit spread shocks
  - Short term spreads up or down 50 bps to 500 bps in increments of 50
  - Steepening of the credit curve (if applicable)
  - Flattening of the credit curve (if applicable)
- Price shocks
  - 5-day decline in security prices of 5% to 40% (in increments of 5%)
- Volatility shocks
  - 5-day increase in implied volatility across markets of 20% to 100% (in increments of 20%)
- Some of the scenarios analyzed may be the 1987 crash, LTCM crisis, IT Bubble burst, 2008 Credit crisis, Flash Crash, Greece exit stress, EU sovereign credit crisis, Brexit, Russian crisis, Argentina default, EM sovereign default, 2014 Oil price drop. We expect that the current pandemic-related stress will also be considered in the future.

**Risk Systems:** Risk Group employs a wide variety of tools to assess, monitor and manage risks of various portfolios. The group engages closely with various investment teams to access tools employed by them in addition. These systems can be classified into internal and external systems. Internal systems are in-house developed tools that have been customized for the specific needs of risk management of Highland's funds. Given the firm's specialized nature of investments and our standards, we find it best to develop our own tools to measure and monitor risks. In addition, we employ external tools as necessary, to provide us context and assess the competence of our internally developed tools.

**Tools:**

- Bloomberg based risk measurement and monitoring tools to create custom portfolio tools and MARS
- In-house developed risk reports using: MS Excel, Visual Basic, SQL, R and BERT
- Stress testing and simulation tools developed in-house, employing MS Excel, Visual Basic, SQL and Risk Analytics Platforms
- Statistical market data analytics developed in-house, utilizing R Programming language, Visual Basic and MS Excel

The following Funds regularly use hedging derivatives:

- Highland Global Allocation Fund
- Highland Income Fund
- NexPoint Strategic Opportunities Fund
- Highland Small-Cap Equity Fund
- Highland Healthcare Opportunities Fund

Please refer to Exhibit B for types of operational reports reviewed by the Adviser.

19. Describe the extent to which the Advisers intend to employ derivatives for the Funds. Describe the risks associated with such investments and any techniques that the Advisers intend to employ to monitor these risks on an investment or portfolio level. Specifically, describe the process for oversight of operational risks associated with derivatives (rather than investment risk), including the types of oversight, who performs the oversight and how often, and to whom they report. Also describe any controls and compliance policies that the Advisers have with respect to derivatives usage. Describe the process for managing leverage assumed by a Fund and the process for monitoring counterparty risk. Discuss any plans to change or enhance these processes.

**Response:** Please refer to the response to Question B.18, above. The Advisers do not have formal compliance policies related to derivatives use other than pursuant to asset segregation requirements under Section 18. To the extent the SEC puts forth new rules related to derivatives regulation, the Adviser will review and modify its policies as necessary.

20. Discuss each Fund's liquidity status and any actual or potential problems in meeting shareholder redemptions or other liquidity-related issues. Comment on any other significant portfolio management compliance issues that have arisen in the past year. Please comment specifically on the liquidity impact of recent market developments (including any difficulties in meeting redemption requests for any funds managed by the Advisers) and whether the Advisers believe any changes should be made to the liquidity risk management program to reflect those developments.

**Response:** The open-end Funds are currently positioned to meet any redemptions with a cash bucket, liquid securities and/or drawing upon credit facilities or prime brokerage borrowing accounts entered into by certain funds and/or a fund specific expedited loan settlement program entered into by certain funds with Bank of America and Barclays.

Open-end Funds will also limit their investments in illiquid securities to 15% of NAV. Determinations to conclude if a security is liquid are set forth in further detail in the Fund's Liquidity Risk Management Program ("LRMP") policy which the Board formally approved in May 2019.

HCMFA, as program administrator to the LRMP, will notify the Board within one business day if there are valid breaches on the 15% limit of illiquid investments or if a Fund falls below its established Highly Liquid Investment Minimum ("HLIM") for a period of more than seven consecutive calendar days. These notifications will be supplemental to the customary Fund reporting (LRMP, fund illiquid holdings, and capital activity) the Board receives in connection with each quarterly Board meeting.

Based upon the Adviser's Liquidity Risk Management Committee (the "Committee") review of the LRMP during the most recent period, the Committee has determined that the LRMP of the Funds is operating adequately and effectively in promoting effective liquidity risk management for the Funds.

21. Describe generally the Funds' liquidity risk management program, including the process for assessing the liquidity of individual Fund investments and of the Funds' ability to meet redemptions. Summarize the testing, monitoring and controls of the Advisers that assess each Fund's liquidity (e.g., liquidity stress testing) and the results of such testing. Please provide information as to the percentage of each Fund's net assets that is illiquid as of the most recent date practicable.

**Response:** See response as set forth in B.20. Also, as set forth in the Adviser's LRMP, open-end Funds are subject to asset classification into four liquidity categories of highly liquid, moderately liquid, less liquid and illiquid, subject to a determination if a fund is deemed primarily highly liquid, if an open-end fund is not deemed primarily highly liquid, determining its HLIM and monitoring any breaches to its HLIM threshold. The program administrator, HCMFA, has engaged MSCI to assist with the daily LRMP liquidity classification, HLIM threshold monitoring, and reporting. At the June 2020 Board meeting, HCMFA presented its annual review of the LRMP Program and noted that the LRMP of the Funds is operating adequately and effectively in promoting effective liquidity risk management for the Funds. The annual review also provided details on recent market volatility related to COVID-19.

Fund	Illiquid Assets as % of Net Assets
<b>HIGHLAND FUNDS I</b>	
Highland Opportunistic Credit Fund	25.63%
Highland Merger Arbitrage Fund	0.44%
Highland/iBoxx Senior Loan Fund	0.00%
Highland Healthcare Opportunities Fund	0.08%
<b>HIGHLAND FUNDS I</b>	
Highland Small-Cap Equity Fund	0.00%
Highland Socially Responsible Equity Fund	0.00%
Highland Total Return Fund	13.63%
Highland Fixed Income Fund	0.30%

\*As of June 30, 2020.

22. Identify any Funds that have unusual patterns of shareholder sales or redemptions that may indicate shareholders pursuing an investment purpose other than long-term investment. Identify any Funds that do not restrict exchanges or redemptions.

**Response:** Short term trading within all open-end funds is monitored with the assistance of the transfer agent, DST. Any 3 changes in direction (ex. buy, sell, buy) is flagged if it occurs within a 90-day period and exceeds a threshold of \$10,000. If this excessive trading is identified, the account may be restricted for 90 days from trading. Please also see a more detailed explanation as set for in D.10. HCMFA has noted atypical patterns of sales and/or redemptions in the ETF, however the Adviser learned that certain bank trading desks were using the ETF as a hedging vehicle for certain of their swap derivatives. The ETF separately imposes a variable fee on creation or redemption units in excess of 10 units by a single Authorized Participant on a given day, which has been used to address this issue. The Advisers have not observed unusual patterns in any of the other open-end Funds. This activity is not applicable for closed-end funds.

23. If an Adviser uses expert networks, please describe the policies and procedures with respect to such networks.

**Response:** The Advisers use one expert network, GuidePoint. If utilized, employees are subject to the Policy Regarding Use of Industry Experts or Similar Consultants (a copy has been provided for reference). The policy features include prohibiting employees from contacting experts who are working on clinical trial which has not been made public, if information is received which could potentially be considered material non-public information, notifying the CCO or his designee, and restrictions on utilization of experts who may have been employed by public or private company within the previous six months. Experts must acknowledge certain statements prior to speaking to employees of the Advisers and employees of the Advisers must complete a form following communication with the expert. Employees of the Advisers may

arrange to consult with other expert networks in the future so long as they are an approved provider.

24. Describe how each Fund manages its cash, including any use of registered or unregistered money market funds as cash management vehicles.

**Response:** Daily cash reports are provided to the respective Fund's portfolio manager for review and monitoring. All Funds are currently enrolled in a daily money market sweep vehicle where the Fund's custodian sweeps excess cash into a registered money market fund.

25. Please comment on how the applicable Adviser has responded to the current market environment in managing each Fund.

**Response:** Please see the "Quarterly Fund Commentary" reports provided on the Directors Desk internet portal. In addition, the Advisers and the appropriate persons will be available to discuss at the August 2020 meeting.

26. To the extent that any Fund employs leverage, please comment on the Fund's use of leverage, including the impact of leverage on each closed-end Fund's total return. Does leverage remain beneficial to common shareholders? Compare the Funds' use of leverage with the extent of leverage of peer funds. Please describe the consideration given to alternative sources of leverage.

**Response:** 6/30 Quarter-End Leverage Balances:

Fund	Leverage \$ Amount (in millions)	\$ of Total Assets	Lender
<b>HFRO</b>	\$486.4	35.2%	BAML, Preferred, Mizuho Repo
<b>NHF</b>	\$153.0	16.0%	Mizuho Repo, KeyBank
<b>NRES</b>	\$1.2	7.6%	Mizuho Repo
<b>GAF</b>	-	0.0%	None
<b>BDC</b>	-	0.0%	None

As noted above, the Funds utilize conventional borrowings on credit facilities through Bank of America, N.A. ("**BAML**") and KeyBank, N.A. ("**KeyBank**"), but also utilize other sources of leverage such as margin and derivatives (such as reverse repurchase agreements and total return swaps) to minimize costs and maximize flexibility and utility to the Funds. The Funds intend to use leverage opportunistically so that it remains beneficial to common shareholders.

In addition to traditional leverage, the closed-end Funds may use leverage in the form of preferred shares in an amount up to 50% of the Fund's total assets (including the amount borrowed). HFRO is currently the only closed-end Fund that has preferred shares outstanding, but the Advisers may look to establish

shelf registration statements for NHF or GAF which would include preferred shares. The decision on whether to issue preferred shares will be dependent on the Fund's rating and available market pricing.

Peers of HFRO, GAF, NHF, NRESF and the BDC currently have leverage ratios on average of 31%, 26%, 26%, 5% and 39%, respectively.

Leverage ratios for Open-end Mutual Funds are not readily available since leverage is less common in open-end mutual funds and is not a commonly reported field in publicly available databases such as Morningstar direct. Since Jim Dondero took over management of NHF, NHF has outperformed its peers and therefore the Adviser believes leverage has been beneficial to enhancing returns. HFRO and GAF are relatively new closed-end funds and are now being compared to peers that have used leverage for much longer periods.

### **C. Brokerage and Trading Issues**

**We understand that with respect to certain Funds, the Adviser hires the Subadviser to directly manage the Funds' portfolios and, therefore, certain items below may not be applicable to the Adviser. In this regard, please discuss any policies utilized with respect to monitoring the Subadviser.**

1. Describe each Adviser's procedures in selecting brokers to execute portfolio transactions on behalf of a Fund, including any soft-dollar or directed brokerage arrangements. Describe what each Adviser does to assure "best execution" with respect to such transactions and to evaluate and monitor execution quality. Describe each Adviser's procedures for allocating between brokers and allocating brokerage between the Funds and other accounts managed by the Advisers. Describe each Adviser's policy with regard to paying for Fund services with brokerage fees. Explain whether the commission rates on Fund transactions are consistent across all of each Adviser's managed accounts. If the answer is "no," please explain. Describe any change to an Adviser's brokerage-related policies and procedures that made during the past year.

**Response:** The Advisers have an obligation to obtain "best execution" for client transactions considering the execution price, overall commission costs paid, and certain other factors. Our trading desk routes orders to various broker-dealers for execution at their discretion. Where possible, we deal directly with the dealers who make a market in the securities involved, except in those circumstances where it believes better prices and execution are available elsewhere. Soft dollars are used to obtain eligible research within the safe harbor of Section 28(e) of the Exchange Act. All soft dollar usage is within the 28(e) Safe Harbor provision.

Through quarterly meetings of a Brokerage Committee, the Adviser's review compensation paid to broker-dealers. The meetings include an in-depth review of "best execution reports" which are third party reports that show how



Adviser's execution compared to its peers. The reports also include information regarding the most used broker-dealers, lowest and highest cost broker-dealers, and additional other information that may be useful in ensuring broker-dealer selection and compensation during the review period was reasonable.

A majority of trades are pre-allocated to specific funds and client accounts by the respective portfolio manager. The amount of the allocation is governed by a number of factors, including industry/sector concentrations, credit quality limits and asset class weightings. For those trades that are not pre-allocated, the Allocations Group will then allocate the trade to the funds it is suitable for and in accordance with a "fairness over time" standard.

With respect to the Sub-Adviser, HCMFA receives quarterly a certification from the Sub-Adviser's CCO and which is also provided to the Board. The Sub-Adviser CCO certifies that brokerage transactions executed in the quarter are done in compliance with best execution and if soft dollars are utilized, certifies that soft dollar utilization was within the safe harbor of Section 28(e). If there are deviations to either of these, the Sub-Adviser CCO will provide further details and HCMFA will discuss further with the Sub-Adviser CCO.

Broker list selection is based on a number of factors, including: execution capabilities, research product, sector focus, analyst access, and firm relationships. Potential additions to the broker list must go through an internal approval process and are confirmed by the brokerage committee on a quarterly basis. We have 3 "low-touch" brokers with which we generate soft dollars: BAML, JPM, and ITG (ITG is our CSA aggregator). Commission rates are consistent across all Funds as orders are directed from the Adviser level to the execution brokers so the aggregated order on behalf of the Funds benefit from the same commission rate.

The following list presents the Funds' top 20 brokers:

<b>Broker</b>	<b>Total Commissions</b>
Societe Generale	\$672,256
RBC Capital Markets	\$635,435
JPMorgan Chase Bank, N.A.	\$514,076
Bank of America Merrill Lynch	\$196,372
Newedge USA LLC	\$171,699
Cantor Fitzgerald & Co.	\$164,958
BNP Paribas	\$140,815
Goldman Sachs	\$120,747
ITG Inc. / Virtu Inc.	\$114,521
Jefferies & Company, Inc.	\$113,619
Stifel Nicolaus	\$66,652
Tradebook	\$66,468



Jones and Associates Inc.	\$61,060
Wolfe Research	\$59,519
Morgan Stanley & Co, Inc.	\$52,164
Oppenheimer & Co., Inc.	\$49,780
Barclays Capital Inc.	\$44,904
Raymond James and Associates	\$42,683
KeyBanc Capital Markets Inc.	\$39,882
SG Cowen & Co., LLC	\$39,728
	<b>3,367,337</b>

2. Identify any Fund that has “paid” for services for the Funds (such as custodial, transfer agency or fund accounting) with brokerage dollars during the last two calendar years. Identify the broker-dealers used, the commission rates paid, the services provided and the rate of payment for such services.

**Response:** None

3. Identify any correlations between allocation of Fund brokerage and sales of Fund shares. Set forth in tabular format the top 20 brokers for each Fund for its last fiscal year, the amount of brokerage commissions paid to each broker, the amount of benefits other than execution services received from each broker, and the sales of Fund shares of each broker during the period.

**Response:** The sale of Fund shares is not considered when allocating Fund brokerage. Please refer to the top 20 Brokers table provided in response to C.1 for the requested information that is available. From 2015 to 2017, the Advisers utilized a process to manage and track the consumption of services from brokers, including research, analyst and corporate access, conferences, etc. During that time, the Advisers compiled and communicated its broker scorecard to its top ten brokers. Since 2018, front office headcount and assets under management have decreased to present levels, so the decision was made to reduce the Funds’ consumption from the street. For example, the healthcare team decreased from a 15-member multi-asset team to two members. The front office headcount was reduced by approximately 30 people. Joe Sowin, Co-CIO and Head Equity Trader will be available at the September in-person meeting to discuss any questions on this topic.

4. Indicate whether there is a target (or suggested minimum) level of transactions to be placed with any particular broker, and if so, the factors used in establishing such a level.

**Response:** No target level of transactions exists.

5. Describe the manner in which, and the extent to which, the Advisers use electronic communications networks (“ECNs”), dark pools or other alternative trading systems to execute portfolio transactions.

**Response:** ECN and other alternate venues comprise less than 1% of the Advisers’ trading activity, but are used in certain circumstances to source liquidity.

6. For any Funds for which an Adviser receives research or services other than execution services provided by broker-dealers that effect transactions on behalf of the Funds, describe such research or other services, set forth the amount of brokerage allocated and commissions paid for such services during the one-year period ended as of a recent date, and set forth the cost that an Adviser or the Funds would otherwise have paid to obtain each service separately, and whether such services or products comply with the requirements for safe harbor under Section 28(e) of the Securities Exchange Act of 1934 and applicable SEC guidelines.

**Response:** The Advisor receives research and brokerage services as defined in Section 28(e) of the Securities Exchange Act of 1934. Such services include analyses and reports regarding issuers, industries, economic trends, portfolio strategy including advice concerning the advisability of investing in, purchasing or selling securities and the availability of particular securities or buyers or sellers of securities. The Advisor obtains research and brokerage services in accordance with the safe harbor of Section 28(e) of the Securities Exchange Act of 1934 and applicable SEC guidelines.

If the Funds were unable utilize the soft dollar credits to obtain the research, the Advisers would bear the cost of the research. If the Advisers are unable to obtain the research, it could put the Advisers at a disadvantage in performing their decision-making responsibilities. The research obtained complies with Section 28(e) of the Securities Exchange Act of 1934 as it provides lawful and appropriate assistance to the Advisers in the performance of their investment decision-making responsibilities.

When executing trades for soft dollar credit, the Advisor pays a gross commission rate of .0238 cent per share. Of this gross amount, .02 cents are retained by the Advisers as soft dollar credit to purchase research and .0038 cents is retained by the broker for execution services. The total equity commissions were \$3,562,730 of which \$994,442 were for soft dollars and \$2,568,308 were for execution only. Please see below for a breakdown by Fund:

<b>Fund</b>	<b>Gross Commissions</b>	<b>CSA Commissions</b>
Highland Energy MLP Fund	12,648	-
Highland Global Allocation Fund	288,701	78,998
Highland Income Fund	53,860	4,240
Highland Long/Short Equity Fund	1,594,311	462,045

Highland Long/Short Healthcare Fund	170,057	94,041
Highland Merger Arbitrage Fund	227,043	3,569
Highland Multi Strategy Credit Fund	7,674	-
Highland Opportunistic Credit Fund	2,551	-
Highland Small-Cap Equity Fund	20,190	7,364
Highland Socially Responsible Equity Fund	805,786	254,865
NexPoint Strategic Opportunities Fund	379,908	89,301
Grand Total	3,562,730	994,422
	<b>Execution (net)</b>	<b>2,568,308</b>

7. Describe any “mixed use” arrangements involving soft dollars, and the basis of any allocation of costs.

**Response:** The Funds have not had any mixed-use research or brokerage services in the past year.

8. Describe each Adviser’s policies concerning soft dollar arrangements and confirm that they are consistent with Fund policies and SEC guidelines. Please describe any material changes in the trading process since the last renewal of the Agreements, including as a consequence of compliance with the European Union’s revised Markets in Financial Instruments Directive (MiFID II). Disclose the percentage of Fund trades that generate soft dollars and compare the percentage of trades for the Funds that generate soft dollars to the percentage of trades for other clients of an Adviser that generate soft dollars.

**Response:** The Advisers may only use soft dollars to pay for eligible “research” or “brokerage” services under the safe harbor of Section 28(e), which is consistent with Fund policies and procedures. For the year ending June 30, 2019, 39% of trades or 26% of shares were executed with soft dollar generating brokers. Soft dollar fees are generated for the Funds and are not generated for other clients under the Adviser.

The Advisers have an obligation to obtain “best execution” for Fund transactions under the circumstances of the particular investment transaction. When more than one broker-dealer is able to satisfy the Advisers’ obligation to obtain best execution, the Advisers may place a trade order on behalf of the Funds with a broker-dealer that charges more than the lowest available commission cost or price in exchange for certain brokerage and research services provided either directly from the broker-dealer or through a third party (soft dollar arrangements), provided that each of the following is met:

(i) the Advisers determine (a) the research or brokerage product or service constitutes an eligible brokerage or research service; (b) the product or service provides lawful and appropriate assistance in the performance of the Advisers’ investment decision making responsibilities; and (c) in good faith that the

amount of Fund commissions paid is reasonable in light of the value of the products or services provided;

(ii) the brokerage or research is “provided by” a broker-dealer who participates in effecting the trade that generates the commission. The Advisers may not incur a direct obligation for research with a third-party vendor and then arrange to have a broker-dealer pay for that research in exchange for brokerage commissions, although research and brokerage services may be received from a third party other than the broker-dealer with whom commissions are generated provided that the broker-dealer has directly made arrangements with the third party to pay for the services provided to the Advisers;

(iii) the Advisers may only generate soft dollars with commissions in agency transactions;

(iv) the Advisers may not use dealer markups in principal transactions to generate soft dollars. In addition, a trade for a fixed income security or OTC security shall be done on an agency basis only if the trader determines that it would not result in a broker-dealer unnecessarily being inserted between the Advisers and the market for that security;

(v) No soft dollars are generated on accounts for which (i) investment discretion resides with the client (i.e. non-discretionary accounts), (ii) client mandates restrict or prohibit the generation of soft dollar commissions, or (iii) the client has a directed brokerage arrangement; and

(vi) The brokerage trade placed is for “securities” transactions (and not, for example, futures transactions).

There have been no material changes in the trading process since renewal of last agreements, including as a consequence of compliance with the European Union’s revised Markets in Financial Instruments Directive (MiFID II).

9. Describe any affiliated brokerage arrangements including the amount of brokerage commissions paid by each Fund to an affiliated broker. Provide a description of each Adviser’s controls for the purposes of meeting the requirements of Rule 17e-1 under the 1940 Act.

**Response:** The Funds have not executed any trades with any affiliated broker and do not intend to do so in the future, therefore no additional controls have been implemented.

10. Please state whether there is a commission recapture arrangement in place relating to the Funds’ brokerage. Provide an estimate of the amount recaptured for the Funds for the past year.

**Response:** The Funds have not engaged any commission recapture arrangements.

11. Describe any significant trends in an Adviser's trading strategy or trading costs incurred in implementing its investment strategy.

**Response:** There has been an increase in derivative related hedging. See response below B. 18 for further discussion.

**D. Fees, Expenses, Profitability and Other Benefits**

1. For each Fund, please describe the applicable Adviser's management philosophy for setting fees for the Trustees' approval, its profitability goals, and the rationale for setting the Fund's advisory fee level.

**Response:** The Adviser intends to keep each Fund competitive relative to its peer set in regards to setting fees. The Adviser will look at each Fund's peers to determine a competitive management fee while also taking into account factors such as asset type and industry trends. With a focus on capital raising the Advisers intend to have reach profitability once a Fund achieves scale. Further analysis of each Fund's management fees can be seen in the "FUSE" report.

2. (a) Provide information regarding the current advisory fee payable by each Fund to its Adviser and any proposals for changes in the terms or amount of compensation to be paid under such Advisory Agreement. Please indicate where relevant when fee waivers are expected to be reduced or eliminated pursuant to the Advisory Agreement or otherwise.

**Response:** Please see the "FUSE" report and the "BDC Industry Review" report provided with the 15(c) materials, which itemizes and describes the fees and other payments received by the Adviser. These fees and other payments are comprised of advisory fees, administration fees, and incentive/carried interest fees. At this time, the Advisers do not anticipate any changes to the fee waivers.

- (b) Disclose the aggregate dollar amount of fees paid to each Adviser for each of the past two years ended June 30, 2020 and 2019, including any applicable fee waivers or reimbursements.

**Response:** The accompanying report for each Fund entitled "Advisory Fee Analysis" discloses the actual fees paid to each Adviser for each of the past two years ended June 30, 2020 and 2019, including any applicable fee waivers or reimbursements.

- (c) Compare the advisory fees paid to the Adviser with the advisory fees paid to the investment advisers of other peer funds having similar investment objectives. Please explain the rationale for the selection of the peer group if different from that used in response to item B.9 above. Compare the advisory

fees paid to an Adviser by a Fund with the advisory (or subadvisory) fees paid to such Adviser by other types of clients (including, without limitation, both public and private institutional separate accounts, registered and unregistered investment companies, offshore investment vehicles and hedge funds) having similar investment objectives. State whether an Adviser charges lower fees to any other client for which it provides similar investment advice. Discuss the reasons for the difference, if any, in the fees charged to these clients as compared to those charged to a Fund, including any differences in the types of services provided. Please also include in this discussion any actively managed ETFs advised or sub-advised by the Adviser.

**Response:** Please see the “FUSE” report and the “BDC Industry Review” report provided with the 15(c) materials, which compares the advisory fees paid to the Adviser with the advisory fees paid to the investment advisers of other peer funds having similar investment objectives. Also, there are no actively managed ETFs advised or sub-advised by the Advisers, nor are there any private or separately managed accounts that are advised by the Advisers.

3. For all items or resources shared among Funds or allocated between the Funds and non-Fund investment activities, explain what items are treated as Fund expenses, including any allocations of overhead, legal or accounting expenses, or secretarial or clerical expenses, or other resources.

**Response:** The treatment of these expenses is governed by the Advisory Agreements in place with each of the Funds. Unless the services are directly attributable to a specific Fund, the expenses are invoiced pro rata based on Fund assets under management. If a non-recurring expense arises and there is a question whether that item is properly allocable to a Fund, the Adviser’s accounting, legal and compliance professionals review the relevant advisory agreement in relation to the expense and make an allocation determination.

4. Compare each Fund’s expenses with expenses of other peer funds having similar investment objectives.

**Response:** Please see the “FUSE” report and the “BDC Industry Review” report provided with the 15(c) materials which compares each Fund’s expenses with expenses of other peer funds having similar investment objectives.

5. Provide information in reasonable detail regarding the profitability for the year ended June 30, 2020, to each Adviser from relationship with a Fund, including identification of the estimated direct and indirect costs to the Adviser of providing services to such Fund. Please provide such profitability information both before and after distribution-related expenses. Please also provide this information on a Fund-by-Fund, as well as an aggregate basis for the Advisers and their affiliates. Describe the cost structure of each Adviser’s operations and



the methodology used for allocating expenses, including any changes from the prior year. Please compare profitability over two years and explain any material increase or decrease. Provide all reasonably available information that might assist the Trustees in determining the profitability of an Adviser from its relationship with a Fund. Provide a comparison of each Adviser's profitability from its relationship with a Fund to the Adviser's profitability from managing other accounts for which it provides similar services. Please also provide a profitability comparison with other fund managers, to the extent that such information is publicly available.

**Response:** The accompanying report entitled "**Profitability Analysis**" presents the profitability to the Adviser of each Advisory Agreement. The Adviser will not have insight into other fund managers' profitability. The best comparison to other fund managers is through fee rates and expense loads on the funds, which is detailed in the FUSE Report. The Profitability Analysis will be posted to to the Board Book prior to the August Meeting.

6. Please explain the reasons for any significant changes in an Adviser's expenses in the past year and whether each Adviser expects to experience increased expenses in servicing the Funds in the coming year.

**Response:** The nature of HCMFA and NexPoint expenses were generally the same as of June 30, 2020, compared to expenses as of June 30, 2019. In the aggregate, total expenses of NexPoint have increased with additional headcount and activity, whereas expenses of HCMFA have declined with decreased headcount related to front office personnel and decrease in assets under management.

Additionally, HCMFA had material extraordinary expenses during the year ended June 30, 2019 related to Highland Global Allocation Fund which were not incurred during the year ended June 30, 2020.

7. Discuss whether each Adviser anticipates that the assets of the Fund(s) it manages will grow in size. Also discuss whether each Adviser believes it has in the past or is likely in the future to experience economies of scale in connection with the operation of such Fund(s). In this connection, discuss whether the Adviser believes that the imposition or modification of breakpoints in any of its fee schedules is appropriate.

**Response:** The Advisers anticipate that the assets of the Funds will grow in size over time. However, actively managed funds and liquid alternatives have been facing significant outflows over the last 5 years and we expect this trend to continue over the next few years. As such, it is difficult to generalize as to when economies of scale develop and are realizable. However, we do believe we have compelling strategies that will gain additional benefits of scale over time. While



breakpoints are one means of sharing economies of scale, each Adviser believes that its reinvestment in its business and its ability to establish expense caps for certain Funds are additional ways in which the Adviser seeks to keep costs down and share with the Funds and their shareholders benefits that arise from economies of scale. We believe NRESF will provide institutional quality investments for retail investors, and believe such investment will help NRESF to (i) reach economies of scale necessary for expense ratios to normalize and (ii) be added to large brokerage and banking platforms.

Other than the Highland Income Fund (formerly, Highland Floating Rate Opportunities Fund), the Funds do not have breakpoints in their advisory fee. Nevertheless, some of the Funds benefit from a waiver of a portion of their advisory and administration fees, which each Adviser believes can be more effective than breakpoints at controlling overall costs borne by shareholders. In light of the Funds' assets and current fee structure, including the ongoing fee waivers, the Advisers do not recommend any new breakpoints for the Funds at this time.

8. Identify the type and amount of any insurance coverage (including deductible) carried by the Advisers that may benefit the Funds, even if the Funds are not a covered party. Discuss any recent or proposed changes to such insurance coverage.

**Response:** In addition to the coverage that the Advisers share jointly with the Funds, the Advisers have additional insurance coverage as shown below:

Bond: \$3,000,000 Limit / \$50,000 Deductible

D&O: \$10,000,000 Limit, \$3,500,000 Retention

9. Describe all indirect "fall-out" benefits that an Adviser or its affiliates may derive from its relationship with a Fund (e.g., enhanced reputation, ability to cross-sell, etc.). In this regard, identify the brokers and dealers that provide research or other services to the Adviser, the types of services provided, the amount of brokerage allocated for those services, and whether such services are useful to the Adviser or reduce the cost to it of providing advice to such Fund. Identify the ten broker-dealers that receive the greatest amounts of commissions for Fund transactions. Indicate whether each Adviser has, with respect to any Fund, received other compensation not described above, including any payment for order flow, from any broker-dealer executing transactions. If so, describe the arrangements and quantify the benefit obtained.

**Response:** The Advisers execute their respective investment strategies alongside their affiliates using a single platform. As a result of this arrangement, the Funds may have access to more sophisticated service providers, including more experienced portfolio management personnel, and may enjoy more

efficient trading relationships than each fund would otherwise have had as a standalone fund. The Advisers make use of soft dollars generated by commissions paid by the Funds to access research or brokerage services allowable under the safe harbor of Section 28(e) of the Securities Exchange Act of 1934. Each quarter the Board receives a report from the CCO detailing the soft dollar transactions. Additionally, the Advisers may benefit from so-called “fall-out benefits” such as reputational value derived from serving as adviser to the Funds. Affiliates of the Advisers (e.g., NexBank and NexBank Securities, Inc.) may receive fees from the Funds or portfolio companies of the Funds for services provided. Information regarding these services and fees are presented to the Board for approval prior to engagement and a report is presented to the Board on a quarterly basis.

The ten broker-dealers that receive the greatest amounts of commissions for Fund transactions are as follows:

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**Broker**

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Societe Generale  
RBC Capital Markets  
JPMorgan Chase Bank, N.A.  
Bank of America Merrill Lynch  
Newedge USA LLC  
Cantor Fitzgerald & Co.  
BNP Paribas  
Goldman Sachs  
ITG Inc. / Virtu Inc.

Last, as noted in the Funds’ offering documents, there may be investments in affiliated investment vehicles, such as CLOs, REITs and closed-end funds. Although this results in more assets under management for the respective Adviser, fees are generally waived so that a Fund does not pay duplicative fees. A Fund may only invest in an affiliated CLO on a secondary basis and to the extent the Advisers are not in possession of material, non-public information.

10. If a Fund has a redemption fee, state why the fee continues to be necessary for the Fund. If present, discuss whether the redemption fee is adequately protecting the Fund from the costs that come with short-term trading. If there is no redemption fee, discuss whether such a fee should be implemented in the future.

**Response:** We do not have redemption fees for our Funds. However, we have undertaken measures to monitor and address short term trading activity. The Funds’ transfer agent monitors transactions for short-term trading. On a periodic basis, the Adviser will receive transaction history reports from the Funds’ transfer agent, identifying any round-trip transactions (i.e., purchases followed by redemptions or redemptions followed by purchases) that occur three times

within a period of 90 days in the same account(s) in the Funds or in multiple accounts that are known to be under common control for amounts in excess of \$10,000. The Adviser shall review the trading history for any such account to determine if there is evidence that the account could be engaging in market timing activities. In addition, the Adviser will compare the entity involved against a list of entities known to have previously engaged in such activities.

If the Adviser determines that an account shows a pattern of excessive trading and/or excessive exchanging among the Funds, then the account shall be flagged as belonging to a potential market timer (a “PMT”) and shall undergo further review, which may include (a) contacting the PMT or relevant Financial Intermediary to determine the legitimacy of the trading activity in the account and (b) seeking to determine if the PMT or Financial Intermediary controls other accounts of the Funds and whether the PMT or Financial Intermediary may be using such other accounts to engage in excessive trading. The Adviser may use the systems or services of a third party to assist in the review of Fund accounts and/or further review of PMT or a Financial Intermediary’s accounts.

If after further review, it is determined that a PMT has engaged in market timing, the Adviser may take one or more of the following actions with respect to some or all accounts controlled by the PMT or introduced by the Financial Intermediary:

1. Issue a warning to the PMT (or relevant Financial Intermediary) and thereafter monitor subsequent trading activity of accounts controlled by the PMT (or relevant Financial Intermediary) to determine compliance with the Funds’ policies;
2. Reject, delay, limit for a time period of 90 days, or impose other conditions on additional purchase or exchange orders in the PMT account and some or all related accounts (or accounts controlled by the PMT’s Financial Intermediary, if applicable);
3. Take action to restrict further purchases or close the PMT’s accounts; and/or
4. Take measures to address the frequent trading activity with the Financial Intermediary or intermediaries through which the PMT’s frequent trading is affected, which may include termination of any selling agreement with such Financial Intermediary.

In addition, certain investments in Class A and Class C Shares are subject to a CDSC. Shareholders will pay the CDSC only on shares they redeem within the prescribed period after purchase. The CDSC is applied to the NAV at the time of purchase or redemption, whichever is lower. For purposes of calculating the CDSC, the start of the holding period is the date on which the purchase is made.

Shares purchased with reinvested dividends or capital gains are not subject to a CDSC. Generally, for Class A Shares of series of Highland Funds I bought without an initial sales charge in accounts aggregating \$500,000 or more at the time of purchase are subject to a 1.00% CDSC if the shares are sold within 18 months of purchase. For Class A Shares of series of Highland Funds II bought without an initial sales charge in accounts aggregating \$1 million or more at the time of purchase are subject to a 0.50% CDSC if the shares are sold within one year of purchase. Highland Funds I and II Class C shares are subject to 1% CDSC for redemption within one-year purchase.

We believe the procedures outlined above are sufficient to mitigate the risks of costs associated with short term trading and at this time do not believe a redemption fee is necessary.

11. Please provide an update regarding any litigation involving portfolio companies and/or class action lawsuits that may result in recoveries to the Funds.

**Response:** Highland Income Fund is the 82% beneficiary and NexPoint Strategic Opportunities Fund is the 18% beneficiary of a \$287.5 million judgment against Credit Suisse, AG Cayman Islands' Branch and Credit Suisse Securities (USA), LLC issued on September 4, 2015 by the courts of Dallas, Texas. Credit Suisse appealed the decision and the Funds filed a cross appeal for an additional \$77.5 million against Credit Suisse. On April 24, 2020 the Texas Supreme Court released an opinion on the case noting that it did not uphold the \$288 million verdict in favor of the Funds, although it upheld the fraud verdict and remanded back to the trial court for a determination of damages.

The case currently is subject to a motion to reconsider at the Texas Supreme Court, and then will be remanded to the trial court for further rulings on damages. Additionally, the Funds are the beneficiaries of a claim filed against Credit Suisse in the matter of Allenby, LLC and Haygood, LLC v. Credit Suisse Securities (USA), LLC et al. pending in the Courts of New York, New York.

Highland Income Fund holds 299,032 shares of stock in MPM Holdings, Inc. ("Momentive"). Momentive's equity sponsors sold the company for what the Fund believes to be too low a price. On July 3, 2019, the Fund filed an appraisal rights action in Delaware Chancery Court to determine the appropriate value that the Fund should have received for its shares in the sales process. The matter is on-going.

#### **E. Compliance and Regulatory Matters**

1. Please provide a brief description of each Adviser's chief compliance officer's experience and credentials.

**Response:** Mr. Post is Chief Compliance Officer, to the Advisers and the Funds since September 2015. Prior to his current role, Mr. Post was a Deputy Chief Compliance Officer, Director of Compliance, Director of Operations where he oversaw the Settlement and Treasury groups for Highland's Institutional funds, and a Senior Portfolio Operations Analyst where he handled the review and documentation of financing facilities. Before joining Highland in July 2008, Mr. Post was a Treasury Manager and Trader at K Capital Management, LLC from 2005 to 2008, where he was responsible for negotiation and maintenance of financing facilities and was responsible for execution of all equity trades. From 2001 to 2005, he was a Treasury Analyst and Treasury Manager at HBK Investments assisting and overseeing multiple aspects of the firms financing initiatives. Mr. Post received a BBA in Finance and International Business from Baylor University.

2. Describe any material (actual or currently contemplated) changes or enhancements to the compliance policies and procedures under (a) Rule 38a-1 under the 1940 Act and (b) Rule 206(4)-7 under the Investment Advisers Act of 1940, as amended. Indicate particular persons within your organization responsible for Fund compliance. Please also describe: (a) the Advisers' oversight of Fund investment objectives, policies and restrictions, compliance with applicable federal securities laws, state laws, anti-money laundering laws, the Internal Revenue Code and Subchapter M requirements; (b) the adequacy and effectiveness of the compliance policies and procedures for the Funds; and (c) the adequacy of compliance resources.

**Response:** All changes or enhancements to the policies and procedures have been communicated to the Board at the regularly scheduled Board meetings and were also summarized in the presentation of the annual compliance review provided in June 2020. Fund Compliance is overseen by multiple groups within the organization including portfolio management, operations and compliance. In addition, the Advisers also utilize the Funds' administrators to perform compliance testing of both statutory and prospectus limitations. The supporting groups are described in greater detail below. The CCO has previously communicated to the Board that the compliance program is reasonably designed to prevent violations of the federal securities laws (as defined for purposes of Rule 38a-1 under the 1940 Act).

The Advisers believe its policies and procedures are adequate and effective for the Funds. If any inefficiencies or enhancements are identified for its policies and procedures, they will be promptly reviewed and updated. Separately, if there are any changes as a result of recently passed/updated regulations or deficiencies identified in regulatory examinations these will be evaluated and incorporated into the program's policies and procedures accordingly. At this time, the Advisers feel they have adequate external and internal compliance resources and, in the future, if additional resources need to be sourced, the management team of the Advisers would permit such resources.

### ***Compliance***

The Advisers have a dedicated CCO who focuses on compliance issues related to the 1940 Act funds. Additionally, he is supported by HCMLP's seven-member legal and compliance department. The group is responsible for all legal and compliance matters, including the development of compliance policies and procedures, monitoring adherence to those procedures and fostering a culture of compliance throughout the firm.

The legal and compliance group's responsibilities include the updating of Form ADV, performing risk assessments, coordinating state and federal regulatory reporting and interfacing with each respective party in regards to investigative inquiries and maintaining the Advisers' and Funds' compliance manuals. The Advisers' compliance manual addresses the handling of complaints, monitoring and mitigating conflicts of interests and reviewing of marketing materials. The group is involved in reviewing trading activities, including compliance with the firm's soft dollar, brokerage, trade errors and trade allocation policies. Members of the group are consulted on the design and implementation of procedural controls related to trade entry and authorization.

The group conducts new hire training and teach-ins to provide refreshers of the firm's procedures and topical updates. In an effort to continue to develop their professional expertise members of the legal and compliance department attend seminars, receive compliance-related subscriptions and utilize the service of external compliance consultants, but noting the compliance function is not outsourced.

### ***Fund Operations***

The retail operations group is responsible for bridging communications from the responsible investment teams to the investors and to the Funds' various service providers. The retail operations group's duties include monitoring of sub-advisory relationships. This includes acting as the primary point of contact for communications with sub-advisers of the Funds. In addition to any day-to-day contact, the operations group coordinates the review or preparation of monthly and quarterly sub-adviser compliance reporting documents.

Marketing support is part of the retail operation group's responsibilities. This requires interfacing directly with retail sales and the regional wholesalers to ensure they are provided with accurate and effective marketing materials. This includes working with portfolio managers (both internal and at the sub-advisers) and compliance personnel on preparing marketing materials including monthly write-ups, quarterly webcasts and up-to-date presentations (based on market conditions).



Additionally, this group is responsible for ensuring portfolio managers have meaningful, accurate and timely portfolio level data available to make appropriate investment decisions on behalf of the Funds. In this capacity the group is also responsible for the management of data integrity for both internal and external portfolio data sources including the Funds' financial statements and other regulatory filings. This includes the management of external audits.

As part of the operations role this group provides day-to-day operational support of trade settlement, performance of reconciliation processes, management of prime brokerage relationships, sourcing and maintaining credit facilities, measuring and explaining fund performance and positioning, providing portfolio monitoring for compliance limitations and portfolio positioning goals. This monitoring combined with the reporting from service providers allows the Advisers to oversee each Fund's compliance with its investment objectives, the 1940 Act and prospectus investment restrictions, policies and requirements.

3. Describe any measures taken or anticipated to be taken to prepare for the effective date of any new SEC rules that could impact the Funds that have been promulgated since the last renewal of the Agreements.

**Response:** The Adviser is currently implementing updates with the Fund Admin, SEI, to address the new SEC Rule 6c-11 and NSCC PCF Enhancements for ETFs. The objective of Rule 6c-11 is to increase consistent, transparency and enhance the regulatory framework for most ETFs to facilitate greater competition and innovation among ETFs. The majority of the enhancements will result in additional data being presented on the Advisers website. Eligible ETFs must be compliant with the requirements under the Rule as of December 22, 2020.

Please also refer to E.21.

4. Identify and describe the process used to monitor code of ethics compliance and maintain records. Describe any changes to an Adviser's codes of ethics in the past year. If there have been any changes, provide a copy of the current codes of ethics. State whether there have been any material violations of such codes of ethics in the past year and, if so, describe the violations and any remedial actions taken. Certify that each Adviser has adopted procedures reasonably necessary to prevent Access Persons (as defined in Rule 17j-1 under the 1940 Act) from violating the Funds' and Advisers' codes of ethics.

**Response:** There have been no updates to the Fund's Code of Ethics previously approved by the Board aside from those which were administrative in nature (such as Fund name changes). There have been no material violations to the



Code of Ethics. The Rule 17j-1 Adviser, Fund, and Sub-Adviser certifications were provided to the Board in June 2020.

Pursuant to Rule 17j-1 under the 1940 Act, the Advisers and the Funds have adopted a code of ethics pursuant to which reports are required to be made by Access Persons and records are maintained in the manner and to the extent set out below. The Adviser distributes the Code of Ethics, and any amendments, to each employee, and each employee is required to sign either electronically or in writing an acknowledgement (upon hire and quarterly thereafter), indicating that they have received a copy of the Code of Ethics and will comply with its provisions. Maintenance and retention of Code of Ethics records is outlined in further detail below

- A copy of each code of ethics for the organization that is in effect, or at any time within the past five years was in effect, must be maintained in an easily accessible place;
  - A record of any violation of the code of ethics, and of any action taken as a result of the violation, must be maintained in an easily accessible place for at least five years after the end of the fiscal year in which the violation occurs;
  - A copy of each report made by an Access Person as required by this section, including any information provided in lieu of the reports under 17j-1(d)(2)(v), must be maintained for at least five years after the end of the fiscal year in which the report is made or the information is provided, the first two years in an easily accessible place;
  - A record of all persons, currently or within the past five years, who are or were required to make reports under 17j-1(d), or who are or were responsible for reviewing these reports, must be maintained in an easily accessible place; and
  - A copy of each report required by 17j-1(c)(2)(ii) must be maintained for at least five years after the end of the fiscal year in which it is made, the first two years in an easily accessible place.
5. Describe all material developments relating to regulatory and compliance matters that have arisen in the past year. This would include: (a) reports, inquiries, or examinations undertaken by the SEC, FINRA, or other regulators of the operations and/or books and records of each Adviser, together with any responses thereto; (b) a description of any pending or reasonably likely anticipated litigation, subpoena, formal or informal investigation or administrative proceeding that may have a significant effect on the ability of an Adviser to provide services to a Fund; (c) a summary of any internal or third-party audit or review of the operations of an Adviser, including a description of any recommendations resulting from, or deficiencies noted by, such review,

together with all actions taken in response; and (d) “material compliance matters” (as defined in Rule 38a-1 under the 1940 Act) that have not previously been disclosed to the Trustees. Identify any deficiencies with respect to which remedial action has not yet been fully implemented.

**Response:**

(a) An update on the examinations with SEC were set forth in the annual compliance review provided to Board during the June 2020 Board meeting. There were no examinations conducted by FINRA or other regulators during the period which have not been reported to the Board. Additionally, the Funds’ CCO provides updates to the board regarding SEC, FINRA or other regulatory requirements in his quarterly reports and the annual review presented in June 2020.

(b) None

(c) None - No deficiencies were noted in the operations of the Advisers for the audited periods ending December 31, 2019.

(d) No deficiencies were noted with respect to compliance matters.

6. To the extent not previously provided to the Trustees, provide copies of any deficiency letters and the Adviser’s responses thereto with respect to any SEC inquiry, inspection or examination.

**Response:** The Trustees and their counsel have been provided or given updates on all SEC correspondence and responses with respect to any SEC inquiry, inspection or examination.

7. Describe any significant communications “not in the regular course of business” with federal and state authorities, including the SEC, state attorneys general or securities commissions and FINRA, that are not described in response to questions E.5 or E.6 above.

**Response:** None

8. Describe generally each Adviser’s disclosure controls and procedures and internal controls over financial reporting, and methods used for testing them.

**Response:** The Adviser employs SEI as administrator/sub-administrator to prepare the financial reports for all Funds except the BDC. For the BDC, SSB acts as administrator and prepares the BDC’s financial reports. The two administrators have dedicated Financial Reporting teams that take a lead role in preparing and drafting the Funds’ reports. This includes all SEC and Regulatory

reporting requirements for the Funds. The Advisers ultimately review and approve the final filings.

At the on-set of each financial reporting cycle, the administrators' respective Financial Reporting teams circulate a financial reporting calendar for the Adviser to review and approve. These calendars detail when support and financial drafts will be provided to the Adviser for comments and approval. The Adviser independently reviews these deliverables and reconciles material variances using independent data. Within the Advisers review process, there are various preparer and reviewer levels of review on financial drafts. Shadow financial work books are utilized as a method of testing the administrators' reports, and HOME financial data is an independent source of data to help reconcile the administrator's data.

Various inputs and review are performed across multiple teams at the Adviser, including Fund Accounting, Tax, Valuation, Portfolio Management, and Legal. External legal counsel also reviews the Regulatory filings before being filed.

As previously reviewed with the Board, the Adviser recognized a material weakness in its controls relating to the Funds with fair valuations of certain level three real estate holdings as of the December 31, 2019 year-end. Since that time, the Adviser has enhanced its controls consistent with its plan for remediation. While these controls have been initiated, the Adviser remains in process of evaluating their effectiveness. The Adviser expects that during the third quarter 2020, the Fund's Valuation policy will be amended to appropriately reflect the enhancements already undertaken. While the material weakness relates to valuations of level three real estate holdings, the material weakness did not have broader implications on other areas of the financial statements or internal controls over financial reporting (i.e. neither the Adviser nor the independent registered accounting firm identified broader control implications as a result of the material weakness other than Level 3 real estate holdings).

9. Identify known violations of a Fund's policies on market timing, late trading or disclosure of portfolio holdings that occurred since the Trustees last approved the Advisory Agreements and that have not previously been reported to the Trustees.

**Response:** None

10. Describe each Adviser's policies on giving or receiving gifts or entertainment, providing a brief description of the policy. Have there been any known violations of the policy? If so, please describe.

**Response:** Employees are prohibited from accepting all gifts regardless of market value, other than unsolicited perishable gifts. If a non-perishable gift is received, the employee must return the gift to the grantor or donate the gift to a

local charity including evidence of the donation (charitable tax deduction cannot be taken in connection with the donation).

Gifts and entertainment may not be solicited. Entertainment and perishable gifts received above \$200 in value must be approved by Compliance. Gifts or entertainment provided by an employee of the Advisers should generally be limited to \$150 (employees of affiliated broker-dealers are subject to lower limits). There have been no violations of the policy.

11. Describe each Adviser's training and education programs to ensure that employees are aware of their duties and responsibilities under such compliance programs and federal securities laws.

**Response:** All new employees of the Advisers are required to attend the "New Employee Compliance Training" program. In addition, all employees are required to attend an "Annual Compliance Training" held in the fourth quarter of each year. These training sessions cover AML compliance and the Advisers' Code of Ethics, among other topics, and are led by members of the Compliance Team to set an appropriate "tone at the top" and emphasize the importance of the Funds and Advisers' overall culture of compliance. At the time of hire and annually, employees also receive a cybersecurity questionnaire to gauge knowledge on basic computer security, safe browsing and email usage.

12. Discuss the extent to which the Advisers utilize third-party compliance service providers, the services provided and the oversight of such service providers by personnel of the Advisers.

**Response:** The Advisers do not outsource the compliance function, but they do utilize third party service providers/technology to assist with certain compliance matters. Details regarding the service providers utilized are described below:

**ACA Compliance Group:** Assist with regulatory filing support, primarily quarterly 13F reports.

**Greyline Solutions, LLC:** Conduct several different compliance tests, including conflicting positions; allocations; dispersion; front running; cross trading; insider trading; social media clearance and recordkeeping.

**ComplySci f/k/a Financial Tracking:** The Advisers use ComplySci, a third party software provider, to automate the approval and monitoring of employee trading and to track gifts and entertainment, political contribution pre-clearing and quarterly and annual compliance certifications.

**Bloomberg, Elkins McSherry and MarkIt:** The Advisers use Bloomberg's BTCA program, Elkins McSherry and MarkIt to assist in the monitoring of best execution. BTCA is integrated within each Adviser's Order Management System ("OMS") and provides same-day metrics to traders and PMs. Elkins

McSherry provides quarterly reporting of select fixed-income trading. MarkIt provides quarterly reporting on select leveraged loan trading. The reports generated by each of these entities are reviewed at the Advisers' quarterly Brokerage Committee Meetings.

**Money Media (hosts Board IQ and Ignites) and Fund Directions** – The Firm subscribes to Money Media and Fund Directions regulatory and industry news services. These services are tools for the Compliance team and the Board to stay abreast of current regulatory information and developments. The services each include a daily email and an alert email anytime there is breaking regulatory news. The services also provide the ability to search archives for past stories on any regulatory topic.

The Advisers also subscribe to and regularly review periodic industry alerts and other regulatory updates from outside legal counsel.

13. Provide an overview of the Advisers' implementation of the Funds' valuation policies and procedures. Describe any issues that have arisen under the Funds' valuation policies and procedures in the past year and any deficiencies in such policies and procedures that have been identified. State whether the Advisers have ceased to use any particular pricing services in the past year and the reason for no longer using each pricing service. Identify the financial instruments that each Adviser is likely to direct a Fund to purchase in the coming year for which market quotations are not readily available on a routine basis. Please also discuss current and proposed practices for valuing and updating the prices of foreign securities, if any. Please address specifically whether the Advisers encountered any issues in pricing securities with respect to any funds they manage during market upheavals resulting from the COVID-19 pandemic.

**Response:** As previously reviewed with the Board, the Adviser recognized a material weakness in its controls relating to the Funds with fair valuations of certain level three real estate holdings as of the December 31, 2019 year-end. Since that time, the Adviser has enhanced its controls consistent with its plan for remediation. While these controls have been initiated, the Adviser remains in process of evaluating their effectiveness. The Adviser expects that during the third quarter 2020, the Fund's Valuation policy will be amended to appropriately reflect the enhancements already undertaken.

Foreign securities are priced via pricing service (ICE). For foreign equities, the exchange close price is utilized. In instances with multiple exchanges in the same country, in general the primary exchange is selected based on volume of trading but in other situations it is based on primary listing.

The Advisers continuously monitor investment opportunities that may arise and often must respond to opportunities quickly without significant advanced notice. As a result, identifying instruments in advance for which market quotations are not readily available is not generally practicable. Notwithstanding the foregoing,

we expect to continue to invest in (i) real estate assets, for which broker opinions of value are available, (ii) private equity-like investments that do not trade and may require fair valuation; and (iii) credit obligations which may restructure into reorganized, non-listed equity.

During the market upheavals resulting from the COVID-19 pandemic, the Advisers observed that while there was an overall decline in asset values and widening of bid-ask spreads, pricing sources remained fairly consistent (in other words, the population of assets requiring fair valuation due to a lack of market activity or available market pricing sources remained largely the same). However, with respect to NHF's holding of the shares of the NexPoint Hospitality Trust, the Adviser observed a lack of activity compared to other hospitality REIT's and coordinated with Houlihan Lokey to obtain a fair valuation for the holding. The Adviser also normally obtains broker quotes for CLO debt and equity holdings on a monthly basis as of each month end, but given the volatility that occurred during March 2020, these holdings were fair valued for an interim period until broker quotes could be obtained in the normal course at the end of the month.

We continue to monitor security valuations during the pandemic, and may adjust the frequency of valuations if warranted similar to the manner as previously described.

14. Provide an overview of each Adviser's business continuity and/or disaster recovery plans and any material changes made since the last 15(c) requests in 2018. State when such plans were last tested and summarize the results of any testing done in the past year. Discuss the interrelationship of each Adviser's business continuity and/or disaster recovery plans with those of the Funds' other service providers, and the Funds' programs and internal and external communication plans in the event of a business disruption.

**Response:** The Advisers have established a written disaster recovery, business continuity and cybersecurity plan for the Advisers' business (the "BCP" or "Plan"). This will allow the Company to meet its duties to clients as a fiduciary in managing client assets, among other things, should any disaster, significant business disruption or cybersecurity threat occur. It also allows the Advisers to meet its regulatory requirements in the event of any kind of disaster, such as a bombing, fire, flood, earthquake, power failure or any other event that may limit or disable the Advisers' operations or prevent access to its office(s). To that end, the Advisers have adopted a policy to provide for: (i) procedures for protecting systems and detecting cybersecurity issues; (ii) the rapid recovery and timely resumption of critical operations following a cybersecurity breach or the interruption of key infrastructure or internal components, or the inaccessibility of staff at the Advisers office(s); (iii) the rapid recovery and timely resumption of critical operations following a wide scale disruption; and (iv) robust testing to ensure that critical internal and external continuity arrangements are effective and compatible.



The Advisers are currently in the process of performing an annual update for the year 2020, but none of the changes are deemed material to the Plan that was in place during the prior year. The Plan was most recently tested in March 2020. There were no material issues or deficiencies in the last DR test. All systems were functional and accessible. The Plan also includes key internal contacts along with key external business and vendor contacts which may be contacted during an event. Key vendors have incident response plans in place, which are vendor specific, but may include notification to clients in a timely manner if a formal incident does occur and the Advisers are impacted.

Regarding COVID-19, the Advisers have enabled employees to effectively work remotely by utilizing previously implemented and tested technology solutions to enable remote work. Employees are able to remotely and securely connect to their computers via their personal computers with the same functionality as if they were actually sitting at their workstation in the office. Employees are able to remotely access all email, programs, electronic files, the Intranet, and shared drives. Microsoft Teams, an instant messaging and virtual collaboration tool, has been rolled out to employees to further enhance remote work capabilities. Also, WebEx is available for conference calls and video calls. WebEx is used given the enhanced security of such application. Call forwarding is enabled to transfer calls to employees' office phones to their cell phones.

In order to address the extended work from home situation related to COVID-19 shutdowns and the need to expand the security perimeter to include a greater amount of remote devices, the Advisers are in the midst of deploying Web security and DLP (Zscaler ZPA) to remote and/or non-Adviser owned devices to protect against remote malware and data exfiltration. The Adviser has also implemented a SIEM solution to better correlate hacking attempts and further restricted web filters against "unknown" website categories to mitigate zero day phishing attempts.

Since the remote work protocol was initiated in March 2020, there have not been any material operational or technology issues resulting from employees working remotely. To date, the Advisers have also not experienced any material impacts or issues among the Funds service providers or FFA from COVID-19.

15. Provide an overview of each Adviser's cybersecurity policies and procedures and measures taken to ensure the cybersecurity of the Funds' data, including personal identifying information of shareholders. Please specifically address security measures for protecting against an outside attack on an Adviser's technological systems. Describe any modifications to such policies and procedures, and any cybersecurity incidents, that have taken place in the past year. Discuss the manner and time period in which material cybersecurity incidents are (or would be) communicated to the Trustees. Describe each Adviser's oversight and monitoring of cybersecurity programs of the Funds' other service providers, including the Subadviser, and vendors and any changes in the oversight process in the past year. Please include a description of how



each Adviser evaluates cybersecurity controls and the process for escalation of issues. Discuss any material technology problems experienced in the past year that were not previously reported to the Trustees. Please state whether each Adviser has conducted penetration or other testing of the effectiveness of its cybersecurity defenses in the past year and discuss the results of any testing. Also, describe the amount and type of any cyber security insurance coverage maintained by the Advisers, and whether such coverage applies to the Funds as additional insureds. Please also comment on any significant cybersecurity incidents in the past year and whether they resulted in any disruption of operations, loss of data or other adverse effects on an Adviser or its affiliates or on any fund managed by an Adviser. Please also discuss how the Advisers have changed their regular operations in response to the COVID-19 pandemic, and comment on the impact (if any) that such changes had on the Advisers' conduct of their operations. In that connection, please comment on the effectiveness of each Adviser's business continuity plan and any changes made or anticipated to be made in the plan as a result of this experience.

**Response:** The Advisers will provide the Board with an annual update to their cybersecurity program in September 2020.

Annually, a cybersecurity questionnaire is transmitted to key service providers of the Funds. Summary results of those questionnaires will also be provided to Board at the September 2020 meeting, consistent with prior years. Key service providers to Funds have generally undertaken to notify the Advisers in the event there is a breach with the Fund's data being compromised. The Board would be promptly notified of any material cybersecurity event impacting the Funds. There were no material technology problems within the past year that were not reported to the Board. We do not have any coverage specific to cyber security at this time.

Please also see the response as set forth in E.14 regarding COVID-19.

16. Describe each Adviser's own investments and possible conflicts with a Fund.

**Response:** As a result of the broad range of activities and the multiple accounts managed by the Advisers together with their affiliates, certain conflicts of interest may arise regarding the allocation of investment opportunities, investments in different parts of an issuer's capital structure, and other matters. Ultimately determinations for Funds advised by the Advisers are made independent of private funds and done in the best interest of the Funds in the event a capital structure conflict arises. Additionally, pursuant to exemptive relief obtained in April 2016, private funds advised by registered investment advisers affiliated with the Advisers have the ability to co-invest alongside the closed-end funds advised by the Advisers in transactions where the Advisers have the ability to negotiate terms other than price, so long as certain conditions of the order are satisfied. The Advisers have adopted additional policies and procedures related to such co-investments. In addition, the CCO will be

available to speak about potential conflicts of interest at the September 2020 meeting.

HCMFA does not currently hold shares of any of the Funds. NexPoint holds the following investments in the Funds:

Investment	Quantity	FV
NexPoint Capital, Inc	2,549,002.29	14,962,643.45
NexPoint Real Estate Strategies Fund	12,622.03	188,573.10

17. Describe the functioning and effectiveness of each Adviser's proxy voting practices. In particular, discuss any possible or actual conflicts of interest in the voting of shares and any material changes to an Adviser's proxy voting policies and procedures since they were last provided to the Trustees.

**Response:** The Advisers have adopted policies and procedures in order to ensure compliance with proxy voting. The proxy policy is included as support and contains a section which addresses conflicts of interest. In the event of a conflict, it may choose to address such conflict by: (i) voting in accordance with the proxy advisor's recommendation; (ii) CCO determining how to vote the proxy (if the CCO approves deviation from the proxy advisor's recommendation, then the rationale shall be documented); (iii) "echo voting" or "mirror voting" the proxy in the same proportion as the votes of other proxy holders that are not advised accounts. If a conflict does arise for the Funds, the conflict and the rationale for the vote taken shall be disclosed to the Board at the next regularly scheduled quarterly meeting via the quarterly Report on Proxy Voting.

The Highland Socially Responsible Equity Fund has adopted additional measures using Glass Lewis data to vote its shares in accordance with Glass Lewis' socially responsible measures.

18. Describe any significant shareholder complaints and communications during the last year not previously disclosed to the Trustees. Describe the policies followed and actions taken in response to such complaints. Describe any complaints received under an Adviser's whistleblower procedures, if not previously reported to the Trustees.

**Response:** All significant shareholder complaints and communications are promptly provided to the Trustees and Trustee Counsel. There have been no complaints received under the Advisers' whistleblower procedures.

19. Discuss each Adviser's risk management program, including its process of identifying, assessing and controlling enterprise, operational, portfolio management and other risks for itself and the applicable Funds. Discuss the mechanisms and structures in place to monitor and mitigate operational and

investment risk. Describe any needed enhancements in these areas that have been identified in the past year, or any enhancements that otherwise are planned. Comment on the adequacy of each Adviser's resources and infrastructure to assess and manage risk.

**Response:** An annual review is conducted to ensure the Advisers' compliance program is reasonably designed to prevent violations of federal securities laws. In connection with the annual review, the Advisers' Risk and Control Matrix is also reviewed to ensure all appropriate risks are identified and monitored accordingly. The annual review and supporting documentation were provided at the June 2020 Board Meeting.

### ***Operational Risks***

Our operations group provides day-to-day operational support of trade settlement, performance of reconciliation processes, management of prime brokerage relationships, sourcing and maintaining credit facilities, measuring and explaining Fund performance and positioning, providing portfolio monitoring for compliance limitations and portfolio positioning goals. This monitoring combined with the reporting from service providers allows the Advisers to oversee each Fund's compliance with its investment objectives, the 1940 Act and prospectus investment restrictions, policies and requirements. A total of 20 professionals support the Fund through the operations, accounting, tax, valuation, and finance functions. Overall staffing levels for the Funds have remained relatively consistent over the past year and an additional two heads are expected to be hired in the third quarter 2020.

### ***Investing Risks***

#### ***Credit***

Our investment philosophy in credit is to produce consistent, above average returns by applying time-tested principles of investing and maintaining discipline around capital preservation while targeting an appropriate risk/return balance in our portfolios.

This philosophy is rooted in a value-oriented, long-term approach, which combines bottom-up research from our deep research group with top-down technical market analysis. The Advisers' sourcing advantage and robust information and research expertise allows each Adviser to comprehensively analyze and monitor a higher percentage of the credit universe. The Advisers follow a rigorous and time-tested process of credit analysis.

#### ***Equity***

The overarching investment philosophy is to generate strong risk-adjusted returns over an equity market cycle, deliver solid capital appreciation while

minimizing volatility and drawdowns compared to traditional equity markets. The investment style is a combination of both value and growth investments, with a multi-cap philosophy. On the value side, we are looking for situations where the downside is limited, due to asset value or free cash flow generation, but that the company is temporarily having fundamental issues which we believe will be overcome, or the market is overly discounting the issues, leading to undervaluation of the stock. On the growth side, we are looking for companies with strong barriers to entry, visibility to sales and/or earnings, reasonable valuations for the growth being generated, high incremental margins, low capital intensity, and recurring revenue. These are attributes we are interested in seeing in companies we invest in, but not all growth investments have these characteristics. We also invest in companies where we believe the growth rates will be higher or more sustainable than the street believes, even if the business itself does not have all the above characteristics. We find companies to invest in through fundamental value and growth screens, technical screens, short-selling boutique research firms, conversations with management teams of public companies, industry conferences, and other buy-side contacts. Please see the prospectus posted on the Directors Desk internet portal for additional information on the Funds' objective and investment philosophy.

#### *Real Estate*

Certain of the Funds are significantly invested in real estate and are therefore exposed to economic, market and regulatory changes that impact the real estate market generally. A number of factors may prevent a Fund or its respective REIT Subsidiary's properties and other real estate-related investments from generating sufficient net cash flow or may adversely affect their value, or both, resulting in less cash available for distribution, or a loss, to us. These factors include: national, regional and local economic conditions; changing demographics; the ability of property managers to provide capable management and adequate maintenance; the quality of a property's construction and design; increases in costs of maintenance, insurance, and operations (including energy costs and real estate taxes); potential environmental and other legal liabilities; the level of financing used by the REIT Subsidiary and the availability and cost of refinancing; potential instability, default or bankruptcy of tenants in the properties owned by the REIT Subsidiary; the relative illiquidity of real estate investments in general, which may make it difficult to sell a property at an attractive price or within a reasonable time frame. The Advisers continue to recruit additional talent in the real estate sector to support these investments.

#### *Risk Management*

20. An in-depth discussion of the process used to monitor risks in the Funds is provided in response to question B.18. Provide a list of exemptive orders that the Advisers and/or Funds have relied upon in the past year. Include a list of the conditions of each such order and confirm that the Advisers have complied with such conditions.

**Response:** The Advisers and/or Funds have relied on and complied with the following exemptive orders such conditions in the past year:

1) **The ETF Passive Relief Order (812-13478)**, which permits (a) certain open-end management investment companies or series thereof to issue shares (“Shares”) redeemable in large aggregations only (“Creation Unit Aggregations”); (b) secondary market transactions in Shares to occur at negotiated market prices; (c) certain series to pay redemption proceeds, under certain circumstances, more than seven days from the tender of Shares for redemption; (d) certain affiliated persons of the series to deposit securities into, and receive securities from, the series in connection with the purchase and redemption of Creation Unit Aggregations; and (e) certain registered management investment companies and unit investment trusts outside of the same group of investment companies as the series to acquire Shares.

2) **The Fund of Funds (Order 812-13890)**, which permits the open-end funds to invest in derivatives, shares of other registered open-end management investment companies that are part of the same fund complex, and other securities.

3) **The Manager of Managers Relief (Order 812-13770)**, which provides an exemption from Section 15(a) of the 1940 Act and Rule 18f-2 under the 1940 Act, as well as from certain disclosure requirements. This relief permits the Adviser, subject to Board approval, to select certain Sub-Advisers to manage all or a portion of the assets of a Series pursuant to a Sub-Advisory Agreement and materially amend Sub-Advisory Agreements without obtaining shareholder approval.

4) **Co-Investment Order (Order #812-14430)**, which provides an exemption from sections 17(d) and 57(i) of the 1940 Act and rule 17d-1 under the 1940 Act that permits certain joint transactions otherwise prohibited by sections 17(d) and 57(a)(4) of the Act and rule 17d-1 under the 1940 Act. This relief permits certain registered closed-end funds and/or private funds advised by the Advisers or their affiliated advisers to jointly invest in privately place transactions where terms other than price are negotiated.

5) **Multiple Share Class Order (Order #812-13221)**, which provides an exemption from sections 18(c) and 18(i) of the Act, under sections 6(c) and 23(c)(3) of the Act granting an exemption from rule 23c-3 under the Act and pursuant to section 17(d) of the Act and rule 17d-1 under the Act, that permits certain registered closed-end management investment companies to issue multiple classes of shares and to impose asset-based distribution fees and early withdrawal charges. NRESF utilizes this relief.

6) **Timely Filing Relief Related to COVID-19 Relief (IC-33824)**, which on March 13, 2020 and March 25, 2020 granted exemptions extending the filing periods for (i) Forms N-CEN and N-PORT, subject to certain conditions; and

(ii) Transmittal of Annual and Semi-Annual Repots to Investors, subject to certain conditions.

**7) In-Person Board Meeting Relief Due to COVID-19 (IC-33824),** which provided temporary exemptive relief for registered management investment companies, BDCs, and any investment adviser or principal underwriter of such companies, in circumstances related to the current or potential effects of COVID-19, from the requirements imposed under sections 15(c) and 32(a) of the Investment Company Act and Rules 12b-1(b)(2) and 15a-4(b)(2)(ii) under the Investment Company Act that votes of the board of directors of either the registered management investment company or BDC be cast in person.

The Funds did not rely on exemptive relief obtained for active ETFs (Order 812-13489 and 812-13489-01).

Please see the “**Exemptive Order Conditions**” report permanently posted on the Directors Desk internet portal.

21. Discuss the impact on the Adviser, any of its affiliates, or the Funds, of any new regulation or taxation of financial services organizations in the past year.

**Response:**

**Regulation Best Interest (“Reg BI”) and Form CRS** – In June 2019, the SEC approved a set of rules and interpretations for standards of conduct that broker-dealers and registered investment advisers would be held to. This included Reg BI and Form CRS Relationship Summary. Reg BI clarifies that broker-dealers may not place their own financial interests ahead of retail clients they advised and broker dealers are required to establish and maintain policies and procedures designed to comply with Reg BI. Form CRS will require broker-dealers and registered investment advisers to provide their clients with (i) services the firm offers, (ii) fees, (iii) costs, (iv) conflicts of interest, (v) legal standard of conduct, and (vi) disciplinary history of its employees. The effective date of each is June 30, 2020. We continue to assess the impact and application of Reg BI and Form CRS with K&L Gates, but believe that neither is applicable to the Advisers and their clients, the Funds, as the Advisers are not providing investment advice directly to retail customers.

**Rule 6c-11 ETF rules** – rescinds existing exemptive relief for eligible ETF’s effective December 23, 2019 and subject to a one-year implementation period. Highlights of the rule permit use of custom baskets with implementation of written policies and procedures, requires full daily portfolio transparency via enhanced web-site disclosures, and amended reporting detail on Form N1-A specifically around fees. The Advisers are working with SEI, distributor for the ETF, and K&L in implementation of the rule prior to December 22, 2020.



**Valuation** – the SEC has voted to propose a new rule which would establish a framework for fund valuation practices, the Board’s obligation for fair value determination, and the Board’s ability to assign the determination of fair value to the Advisers subject to certain conditions and reporting. The comment period is set to close at the end of July 2020 and we continue to work with K&L to assess the impact, if and when the rule is formalized.

**Optional Internet Availability of Investment Company Shareholder Reports Rules (30e-3 disclosures)** – On June 5, 2018, the SEC adopted new rule 30e-3 and rule amendments that provide funds with an optional method to transmit shareholder reports by making such reports and other materials accessible at a website address specified in a notice to investors, subject to certain conditions. One condition requires prominent disclosures on the cover page or beginning of a Fund’s summary prospectus, statutory prospectus, and annual and semiannual reports for two years during the three-year period between January 1, 2019 and December 31, 2021.

Pursuant to a no-action letter issued by the staff of the SEC to Mutual Fund Directors Forum, dated October 12, 2018 with respect to Investment Company Act of 1940 – Sections 10(f), 17(a), and 17(e) and Rules 10f-3, 17a-7 and 17e-1, the Board may rely on written representation from the Advisers’ CCO confirming transactions contemplated pursuant to Rules 10f-3, 17a-7, and 17e-1, where applicable, were effected in accordance with 10f-3, 17a-7, and 17e-1 procedures adopted by the Board pursuant to the Fund’s compliance manual.

**The CARES Act** – The Adviser is closely monitoring the rollout of the programs provided for under The Coronavirus Aid, Relief, and Economic Security Act (commonly referred to as the “CARES Act”) and determining the applicability and availability of CARES Act relief in the Fund’s underlying investments, but there is still significant uncertainty with respect to how the CARES Act will be implemented and what relief may be available for passive real estate investors. The CARES Act was enacted by the U.S. government on March 27, 2020, to combat the economic impact of the COVID-19 pandemic on businesses, individuals and families. The CARES Act contains certain key provisions that will afford relief to the real estate industry from the wide-ranging effects of the pandemic, including two loan programs intended to provide liquidity to businesses in the United States from which certain eligible real estate businesses may benefit. The CARES Act also provides mortgage relief for single family and multi-family property owners with federally backed mortgages who agree to not evict tenants from their property for non-payment of rent.

22. Provide a summary of access persons’ holdings in the Funds as of the most recent month available.

**Response:** Please see the “**Summary of Access Persons**” Holdings” included on the Directors Desk internet portal.



23. Please provide a schedule setting forth the portfolio turnover rate of each Fund during its most recently completed fiscal year and discuss the reasons for any material (25% or greater) change a Fund's portfolio turnover since the last contract renewal.

**Response:** Please see the “**Portfolio Turnover Rates**” document included with the 15(c) materials.

**F. Third-Party Service Providers**

1. Comment on the quality of services provided to each Fund by its administrator, custodian, transfer agent, accountants, servicing agent and any other service providers. Summarize how each Adviser oversees and monitors these service providers. Discuss any proposed changes in service providers or the nature of the services provided. Discuss whether the fees charged by the service providers are reasonable when compared to other providers of similar nature and quality.

**Response:** The Advisers believe the quality of services provided by SSB (for the BDC), SEI, BNY, NSI, DST and AST are sufficient for successful management of the Funds. The Advisers believe that issues related to NAV errors in Funds have been primarily resolved with the transition to SEI as the main administrator to the Funds (other than the BDC). If and when NAV errors have occurred at SEI, the administrator has enhanced and remediated processes and procedures to avoid occurrences going forward. Fees of these service providers are comparable to those of others in the industry.

The Advisers utilize multiple service providers, as were described in more detail during the CCO's June 2020 Annual Review. For certain service providers where activity occurs more frequently, such as SEI and DST, weekly calls (or calls on some other regular basis) occur to discuss current reporting deliverables along with ad hoc requests.

The Advisers have solicited proposals from a number of other service providers in the last year with regards to custody and financing services.

After review of both the Funds' expenses and fees charged by competitors, we generally feel that the fees charged by the service providers are reasonable when compared to other providers of similar nature and quality.

2. Describe any financial or other benefits received by the Adviser or its affiliates directly or indirectly from any third-party service provider. Discuss any conflicts of interest that may arise as a result of any such relationship with the Adviser or its affiliates, including in connection with the negotiation of service provider arrangements on behalf of the Funds.

**Response:** The Advisers and its affiliates do not generally derive benefits from third-party service providers, but may benefit for example in the event a Fund's (or multiple Funds') lending relationship with a counterparty provides for

increased AUM, which indirectly results in increased fees to the Adviser (for example, a large, sophisticated bank may be willing to extend credit to a Fund due to the aggregate level of business across the Adviser and its affiliates).

3. Discuss any material compliance matters involving the third-party service providers, and whether such matters might have an adverse impact on a Fund.

**Response:** None. Any other matters with third-party service providers were discussed in detail with the Board during the delivery of the annual compliance in June 2020.

4. State whether third-party service providers are required to comply with any of the Advisers' or Funds' compliance policies and procedures, such as insider trading policies.

**Response:** While we assess our counterparties adherence to their compliance policies and procedures via questionnaires and onsite visits, we do not formally require such providers to comply with our policies and procedures.

5. Discuss the measures taken by such third-party service providers to ensure the cybersecurity of the Funds' data, including personal identifying information of shareholders.

**Response:** DST, the open-end funds, BDC, and NRESF transfer agent, has security measures that are utilized around all data processing and storage. Backup data for DST Systems, Inc. processing are produced on a daily, weekly, monthly, and annual basis and written electronically to offsite servers. Annual training is conducted to re-emphasize the importance of privacy and security throughout the organization. Also at least annually, a cyber-security risk assessment is conducted to perform full penetration and vulnerability testing on the network and infrastructure. Other service providers employ similar mechanisms and procedures as outlined above.

6. Please state whether an Adviser (or any of its affiliates) currently receives payments from the Fund's third-party service providers to cover marketing or other expenses relating to the Funds.

**Response:** The Advisers or any of its affiliated broker-dealers do not receive payments from third-party service providers.

#### **G. Other**

1. a. Describe any arrangements, written or oral, between an Adviser or NSI, or any of their affiliates, and any entity that provides, directly or indirectly, services to any Fund or its shareholders (i) as to how any fees paid by or on behalf of a Fund or its shareholders will be used, or (ii) that are characterized as a "partnership," "alliance" or "joint venture."

**Response:** The open-end Funds and NRESF have, upon Board approval, entered into 12b-1 Plans with NSI. Copies of these materials are available on Director's Desk under Documents > Corporate Documents > Rule 12b-1 Plan.

NSI enters into selling agreements with third parties who sell shares of the Funds to their respective clients and receive a 12b-1 fee for servicing shareholders. Separate arrangements are entered into by NSI or the Adviser on a case by case basis for sub-transfer agency fees (where Fund assets may be used to pay for the services) and revenue sharing arrangements (where the Adviser pays for such services). In the event fees under a 12b-1 Plan are not sufficient to cover a Fund's distribution agreements, the Adviser pays the difference. Please refer to the 12b-1 Distribution Expenses report on Director's Desk.

b. Solely with respect to services provided, directly or indirectly, to or on behalf of a Fund or its shareholders, describe any arrangements under which an Adviser or the Distributor, or any of their affiliates, receive any sub-servicing fee from any entity that provides, directly or indirectly, services to a Fund or its shareholders.

**Response:** Neither the Advisers nor NSI receive a fee for providing sub-transfer agency or other servicing arrangements from an entity that provides such services to a Fund.

2. a. Please indicate whether the Funds are serviced pursuant to any sub-transfer agency, recordkeeping or similar arrangements. If so, please provide information concerning such arrangements for the Funds, as applicable. Describe the services provided pursuant to such arrangements and identify whether any of the services under such agreements are for distribution or marketing. Describe how each Adviser ensures that assets of the Funds, including fees paid to affiliated or unaffiliated service providers, are not used for distribution purposes in contravention of Section 12(b) and Rule 12b-1 under the 1940 Act.

**Response:** The Funds utilize the recordkeeping services of DST and AST as the respective Fund's transfer agent. Additionally, the open-end Funds and NRESF utilize sub-transfer agency services from various third parties which are reported to the Board on a quarterly basis (see "**Quarterly Supermarket Reporting**" in each in-person meeting book). Detail regarding the arrangements in place with these providers is included therein. Additionally, the Sub-TA Payments and Oversight Policy approved by the Board in October 2016 is available on Director's Desk (Documents > Corporate Documents > Sub-TA Policy) and details the Adviser's review process to ensure that Fund assets are not used to pay for distribution outside of the 12b-1 Plan.

b. Identify, with respect to each intermediary that collected fees pursuant to a sub-transfer agency, recordkeeping or similar arrangement during the 12-month period ended June 30, 2020, total fees paid to each intermediary for assets

held during the period, Fund assets related to such intermediary (total and by share class) and the fee details (including, with respect to asset-based fees, networking fees and/or 12b-1 fees, the fee schedule, actual amount and basis points), identifying amounts paid by the Fund and not paid by the Fund, as applicable.

**Response:** This information will be provided in the Q2 2020 Quarterly Supermarket Reporting at the September in-person meeting. The Q1 2020 Quarterly Supermarket Reporting provided to the Board at the June in-person Board meeting details 2018 and 2019 year to date fees paid the Funds. Furthermore, DST's June 2020 report for the open-end Funds and NRESF is available on Director's Desk at Home > Documents > Corporate Documents > 15c Reference Documents and provides share class level detail.

c. Please explain whether the portion of any sub-transfer agency, recordkeeping or similar fee that is for non-distribution services is reasonable in relation to (i) the value of those services and the benefits received by the Funds and their shareholders and (ii) the payments that the Funds (directly or indirectly) would be required to make to another entity to perform the same services.

**Response:** Based on the Adviser's quarterly review of the sub-TA and 12b-1 fees paid by the Funds in relation to industry comparisons received through participation in the PwC/ICI sub-transfer agency survey, we believe the non-distribution services are reasonable in relation to the services provided, are a necessary component to efficiently servicing the Funds, and are reasonable in relation to payments a Fund would be required to pay another entity to perform the same services. The Adviser will also provide an update regarding the 2019 ICI Mutual Fund Transfer Agency upon receipt (expected August 2020).

d. Explain any trends in sub-transfer agency, recordkeeping or similar arrangements. Describe how such arrangements are overseen.

**Response:** Industry trends are generally shared with the Board on an ad-hoc basis through review of Board IQ, Ignites and Fund Directions articles on the topics and through participation in the PwC/ICI survey every other year. Separately, Board counsel and Fund counsel provide regulatory updates at each quarterly meeting. Sub-transfer agency fees seem to be declining in response to certain industry changes related to the Department of Labor Fiduciary Rule (the "Fiduciary Rule"). Certain intermediaries requested amendments to sub-transfer agency agreements for omnibus accounts which were intended to coincide with the anticipated effectiveness of the Fiduciary Rule (which has since been delayed). In one instance, the arrangement (i) modified the fee from a flat per account fee to a basis point billing arrangement and (ii) expanded the billable asset base to include advisory accounts (excluding money market funds and ERISA accounts).

As discussed above, the Advisers review 12b-1 payments and fees paid for sub-ta services by the Funds on a quarterly basis in connection with preparation of the Quarterly Supermarket Policy. An operations analyst reviews every invoice prior to payment to confirm accuracy and to note any irregularities.

The Advisers have also experienced the effects of fee compression in the overall market, for example service provider turnover or cutbacks and offshoring, as experienced with SSB. In response, the Advisers have implemented several shadow checks to authenticate and/or ensure the accuracy of data received from third parties.

3. Describe any improvements or changes in technology or systems in the past year that you expect to be of benefit to the Funds. In particular, describe any significant changes to investment technology, including automation or artificial intelligence, in connection with services provided by the Advisers to the Funds.

**Response:** In order to address the extended work from home situation related to COVID-19 shutdowns and the need to expand the security perimeter to include a greater amount of remote devices, the Advisers are in the midst of deploying Web security and DLP (Zscaler ZPA) to remote and/or non-Adviser owned devices to protect against remote malware and data exfiltration. The Adviser has also implemented a SIEM solution to better correlate hacking attempts and further restricted web filters against “unknown” website categories to mitigate zero day phishing attempts.

4. Discuss the Adviser’s relationship with the Funds’ key service providers, including the Subadviser. Describe any issues that arose with such providers in the past year and explain how such issues were resolved.

**Response:** There were no material issues that arose between the Funds' service providers/Sub-Adviser and the Advisers aside from those previously disclosed above or previously communicated to the Board. As noted in response to question A1, the Advisers continue to monitor the services provided to the Funds pursuant to the Shared Services Agreement with HCMLP as HCMLP’s bankruptcy progresses. Additionally, HCMFA is evaluating the Brookmont Proposal, but notes that such assignment of advisory contracts is not the result of issues with the Sub-Adviser and that it expects FFA to continue to sub-advise the Total Return Fund and Fixed Income Fund.

As discussed during each Board meeting, when errors or issues related to a Fund occur, the Advisers’ compliance and operations personnel work with the service provider to resolve the issues and document the error accordingly. These memos are provided to the Board on a quarterly basis and discussed during the CCO’s quarterly review. The CCO will be available to speak about any particular service providers about which you may have additional questions.

5. Discuss any other facts and provide other information not requested above that may assist the Trustees in evaluating each Adviser's services or which may otherwise be relevant.

**Response:** We are not aware of any additional information that will be relevant to the Trustees' consideration of this matter. Personnel of the Advisers will be available at the Board meeting to address any questions from the Trustees or Board counsel.

6. Please represent whether you believe you have provided all information within your control that may be reasonably necessary for the Trustees to receive in order to fulfill their responsibilities under section 15(c) of the 1940 Act.

**Response:** We believe the Trustees have been provided with all information within our control that may be reasonably necessary for the Trustees to receive in order to fulfill their responsibilities under section 15(c) of the 1940 Act.

\* \* \* \* \*

#### **H. Administration Services**

1. Provide a copy of the current Administration Services Agreements, and discuss any changes that are proposed, including proposed changes in the services to be performed.

**Response:** The Administration Service Agreements are available on Director's Desk (Home > Documents > Corporate Documents > Agreements > Administration Agreements). Following the transition to SEI as Administrator (all Funds except the BDC), no changes in the services are contemplated.

2. Describe the services provided to the Funds under the Administration Services Agreements. Please describe how you monitor the quality of services provided, including with respect to the oversight of the sub-administrator. Discuss any material changes in the nature, quantity or quality of such services in the past year.

**Response:** Below is a detailed description of the compliance, legal, and operational administrative services provided by the Advisers to the Funds, either directly or indirectly via a shared services agreement with HCMLP and a sub-administration agreement with SSB and/or SEI. The Advisers may engage additional service providers for certain alternative investment strategies executed by the Funds. For example, a Fund that employ short sales requires collateral management services and a Fund investing in senior bank loans requires additional cash, amendment management and settlement services that are not required with DTC traded securities. Further, there have been no material changes in the services provided in the last year.



### ***Compliance & Legal***

The CCO of the Advisers is a dedicated compliance manager who focuses on compliance issues related to the Funds. The CCO has access to HCMLP's legal and compliance department (the "Legal Group"). The Legal Group is responsible for all legal and compliance matters, including the development of compliance policies and procedures, monitoring adherence to those procedures and fostering a culture of compliance throughout the firm.

The Legal Group's responsibilities with respect to the Funds include performing risk assessments, conducting annual compliance reviews, coordinating state and federal regulatory reporting and maintaining the Funds' compliance manuals. The Legal Group is involved in reviewing trading activities, including compliance with the Funds' soft dollar, brokerage, trade errors and trade allocation policies. Members of the Legal Group are consulted on the design and implementation of procedural controls related to trade entry and authorization.

Additionally, members of the Legal Group are active participants at board meetings and at various committees including brokerage and valuation committees. They conduct new hire training and teach-ins to provide refreshers of the Funds' procedures and topical updates. In an effort to continue to develop their professional expertise, members of the Legal Group attend seminars, receive compliance-related subscriptions and consult external advisers.

### ***Fund Operations***

The retail operations group is responsible for bridging communications from the responsible investment teams to the investors and to the Funds' various service providers. The retail operations group's duties include monitoring of sub-advisory relationships. This includes acting as the primary point of contact for communications with sub-advisers of the Funds. In addition to any day-to-day contact, the operations group coordinates the review or preparation of monthly and quarterly sub-adviser compliance reporting documents.

Marketing support is part of the retail operation group's responsibilities. This requires interfacing directly with President of the Distributor, the Product Strategy Team and the regional wholesalers to ensure they are provided with accurate and effective marketing materials. This includes working with portfolio managers (both internal and at the sub-advisers) and compliance personnel on preparing marketing materials including monthly write-ups, quarterly webcasts and up-to-date presentations (based on market conditions).

Additionally, this group is responsible for ensuring portfolio managers have meaningful, accurate and timely portfolio level data available to make appropriate investment decisions on behalf of the Funds. In this capacity the



group is also responsible for the management of data integrity for both internal and external portfolio data sources including the Funds' financial statements and other regulatory filings. This includes the management of external audits.

As part of the operations role this group provides day-to-day operational support of trade settlement, performance of reconciliation processes, management of prime brokerage relationships, sourcing and maintaining credit facilities, measuring and explaining Fund performance and positioning, providing portfolio monitoring for compliance limitations and portfolio positioning goals. This monitoring combined with the reporting from service providers allows the Advisers to oversee each Fund's compliance with its investment objectives, the 1940 Act and prospectus investment restrictions, policies and requirements.

### ***Monitoring***

The Advisers monitor the quality of services provided by the administrator or sub-administrator, as the case may be, through quarterly reviews conducted by SEI pursuant to a Quarterly Scorecard and by monitoring the number of administrator-related error reports (such as NAV Error summary reports) created on a quarterly basis.

3. Please identify the relevant personnel comprising the team responsible for providing these services to each of the Funds, and their qualifications to provide such services.

**Response:** Please refer to the Accounting Structure Chart in the “**Highland Firm Organization Chart**” provided in the 15c materials. The Advisers operations team oversees the Administration Services provided to the Funds along with the assistance of Jason Post, CCO, and Lauren Thedford, Secretary of the Funds.

4. State: (a) the aggregate dollar amount of services fees received under the Administration Services Agreements in the past year; (b) the amounts, if any, reallocated to other parties; and (c) the extent to which such service fees exceeded the Adviser's costs in providing services under the Administration Services Agreement for each Fund.

**Response:** The Adviser is entitled to receive an annual administration services fee equal to 0.20% of the average daily managed assets of the Healthcare Opportunities Fund, Income Fund, and NexPoint Strategic Opportunities Fund. For its services pursuant to separate sub-administration agreements for each entity, SEI receives a fee from the Adviser (and not the Fund) of 0.01% of the Fund's managed assets (calculated in the same manner as the associated administration services agreement), plus fixed amounts for certain services. The service fees paid by the Funds did not exceed the Adviser's costs for any of the Funds (i.e. the minimal service fees paid by the Funds do not offset the Adviser's

costs of running the Funds). Please refer to the “Advisory Fee Analysis” provided on the Directors Desk internet portal.

5. Comment upon the following factors identified in SEC guidance in connection with the Trustees consideration of each Administration Services Agreement: (a) whether the agreement is in the best interest of the applicable Funds; (b) whether the services to be performed pursuant to the agreement are required for the operation of the applicable Funds; (c) whether Highland Capital Management Fund Advisors, L.P. or NexPoint Advisors, L.P., as applicable, can provide services the nature and quality of which are at least equal to those provided by others offering the same or similar services; and (d) whether the fees for such services are fair and reasonable in light of the usual and customary charges made by others for services of the same nature and quality.

**Response:** All Funds (except for the BDC) have successfully transitioned administrative services to SEI as of the date of this letter.

NexPoint believes the engagement of SSB as administrator to the BDC is in the best interest of the BDC since the SSB team responsible for the BDC’s services are separate from the other SSB teams, and have provided a higher level of service than the other SSB teams. Additionally, they have niche experience for the BDC investment type and their BDC experience improves the overall service level of the BDC. These services are pivotal to the operation of the BDC.

The Advisers believe that the engagement of SEI is in the best interest of the Funds and necessary for the Funds to meet regulatory and back office requirements. In addition to closing the daily NAV, SEI runs a myriad of daily compliance tests on the Funds (ex-BDC). The testing guidelines include frequencies and warning thresholds. Although the Advisers internally monitor prospectus limitations using a proprietary in-house model and OMS rules, SEI also tests for prospectus and SAI investment limits, Internal Revenue Code restrictions, 1940 Act limitations and fund specific rules. SSB performs similar functions as described above for the BDC.

As discussed on page one of this response, the Advisers have entered into a Shared Services agreement with HCMLP to utilize HCMLP personnel alongside Adviser personnel to perform services including Legal and Compliance, Finance and Accounting, IT, Tax, Investment Research, Trading and Operations functions.

We feel that the Advisers can provide services, the nature and quality of which are at least equal to those provided by others offering the same or similar services, and that the fees for such services are fair and within industry standards. Please refer to the FUSE Report provided in the meeting materials, which provides more information regarding each Fund’s fees relative to its peers.

\* \* \* \* \*

**I. Distribution**

1. Provide a copy of the current Distribution Agreements, and discuss any changes that are proposed, including proposed changes in the services to be performed or fees to be imposed.

**Response:** These documents are available on Director's Desk (Documents > Corporate Documents > Rule 12b-1 Plan). No changes to the services or fees are contemplated.

2. Provide a copy of the most recent financial statements for the Distributor.

**Response:** Please see the redacted financial statements as of June 30, 2020 provided with the 15(c) materials. Detailed line items of the balance sheet have been removed per prior practice when financials are provided to external parties, such that only summary line items remain included. Assets consist primarily of unrestricted cash, restricted cash to be disbursed for marketing and distribution costs of the 12b-1 plan, in its role as administrator of the plan, and marketable investments. Liabilities consist primarily of payables and other accruals incurred in the normal course of business, Payroll Protection Plan loan payable, income taxes payable, and amounts payable on behalf of the 12b-1 plan.

3. Describe the organizational structure of the Distributor and its affiliated companies, including any overlapping employees or positions.

**Response:** Please see the "**Highland Firm Organizational Chart 2020**" report provided with the 15(c) materials.

4. Discuss the positions and responsibilities of any employee of the Distributor who is involved in providing services to the Funds.

**Response:** Please see the "**Highland Firm Biographies**" and the "**Highland Firm Organizational Chart**" reports provided with the 15(c) materials.

5. Describe any marketing activities by the Distributor, each Adviser or their affiliates on behalf of the Funds during the past year, and describe any plans for marketing in the upcoming year.

**Response:** As of June 30, 2020, there were a total of 30 internal and external wholesalers stationed throughout the U.S. marketing the Funds, which is a considerable amount of expansion from the prior year. With the projected growth in the platform the Distributor plans to grow the marketing team in the coming year. The Distributor and other appropriate persons will be available to discuss during the meeting.

6. Summarize the costs and expenses of the Distributor's marketing and sales activities and plans, including any "shelf space" or revenue sharing arrangements. Identify any Funds that require unique or above-average expenditures for marketing activities.

**Response:** The primary cost and expense NSI incurs is during the marketing of the Funds and relates to sales person travel, meals and entertainment. NSI does not pay for self-space and does not plan on entering into new revenue sharing arrangements, but may if it determines it is in the best interest of the Funds.

7. Discuss the Distributor's compliance policies and procedures related to: (a) assuring compliance of advertising and sales literature with applicable rules and regulations; (b) determining investor suitability for the Funds' various share classes; and (c) monitoring broker-dealers involved in selling Fund shares.

**Response:** A copy of "NSI's Communications with the Public" procedures has been provided with the 15(c) materials.

The CCO and/or a designated supervisory principal of NSI is responsible for reviewing and approving all retail and institutional communications. All retail and institutional communications with the public are uploaded in the Underwriter's review/approval system. The CCO or an appropriately licensed designee then reviews the submission and either approves or sends the document back for required revisions. Once the document is approved, the appropriate individuals are notified that the document can be used.

If the document is required to be filed with FINRA, the CCO or designee files the document with FINRA by uploading it to the Advertising Review portal in the FINRA Gateway system.

NSI distributes the Funds through external financial advisers who are responsible for determining investor suitability for the various share classes. NSI does track which share classes are being sold by broker-dealers and their financial advisers, but NSI does not directly make the suitability determination. By rule, the broker dealers are responsible for making the suitability determinations for their respective clients.

All broker-dealers selling the Funds' shares are required to execute a selling agreement with the Underwriter that includes representations by the broker-dealers regarding their compliance with the Funds' policies relating to market-timing and order handling. As part of the due diligence process all broker-dealers are also required to complete a "New Broker-Dealer Questionnaire" which includes a review of the broker-dealers CRD record. Any noted disclosures related to the above matters will result in additional due diligence prior to executing a selling agreement. In addition, HCMFA utilizes DST to provide monitoring and reporting services to help ensure compliance with Rule 22c-2 under the 1940 Act.

8. Please identify and describe all arrangements that either are in place or are intended to be implemented in the near-term for the Funds pursuant to which an Adviser and/or its affiliates (including the underwriter) will pay a third party, as a consequence of the third party's efforts to sell shares or service the Funds (including, without limitation, revenue sharing, payments for marketing support, networking fees, subservicing fees and subaccounting fees). Please include information on any fees paid by an Adviser, or any affiliate of an Adviser, to the Distributor for distribution services.

**Response:** As discussed above, the Advisers review 12b-1 payments and fees paid for sub-transfer agency services by the Funds with the Board on a quarterly basis in connection with preparation of the Quarterly Supermarket Policy. Revenue sharing arrangements are also disclosed in this presentation.

9. Describe the types of advertising and sales materials used to promote the Funds. Discuss any internal standards regarding such materials.

**Response:** Please see examples on the Directors Desk internet portal of the types of marketing materials, which include Fund Factsheets, Fund Presentations and Educational Guides. All material will be based on principles of fair dealing and good faith, must be fair and balanced, and provide a sound basis for evaluating the particular Fund.

10. Provide information concerning net inflows and outflows for each Fund, including exchanges.

**Response:** Please refer to table below with net inflows/ (outflows) for each Fund YTD and over the last one, three- and five-year periods.

Fund Name	YTD	1 Year	3 Year	5 Year
Highland Healthcare Opportunities Fund	(12,435,422)	(20,910,670)	(95,004,320)	(461,833,927)
Highland Income Fund	-	-	181,788,986	245,379,064
Highland Merger Arbitrage	(2,278,718)	(2,391,950)	(5,826,198)	551,726
Highland Small Cap Equity Fund	(4,663,102)	(9,455,878)	(37,242,874)	(24,433,837)
Highland Socially Responsible Fund	(6,758,728)	(30,660,529)	(92,337,665)	(215,296,208)
Highland Global Allocation Fund	-	-	(441,039,048)	(1,428,993,637)
Highland Total Return Fund	(8,715,970)	(7,087,412)	(5,246,187)	(16,986,087)
Highland Fixed Income Fund	(7,683,379)	(12,095,701)	31,274,424	14,290,701
NexPoint Strategic Opportunities Fund	-	-	442,000,000	582,000,000
NexPoint Real Estate Strategies Fund	458,451	4,455,797	11,834,018	18,978,430
Highland/iBoxx Senior Loan ETF	(181,354,327)	(235,603,980)	(452,224,694)	(177,889,050)
NexPoint Capital	(1,613,093)	(2,703,842)	6,792,605	61,229,117

11. Provide information concerning shares purchased because of the reinvestment of dividends and capital gains distributions.

**Response:** Please see the “DST Dividend Reinvestment Summary” report provided with the 15(c) materials.

12. State whether the Distributor will derive any benefits from its possession and use of monies paid to it for the purchase of Fund shares, or representing the proceeds of share redemptions, prior to the transmission of such monies to the Funds.

**Response:** NSI is a limited purpose broker-dealer that has elected to not receive or hold any customer funds or securities. The monies received from purchases and redemptions of Fund shares are transmitted through the transfer agent and are never in the possession or control of NSI. Therefore, no benefits will be gained from these transactions.

13. State whether the Distributor currently has, or within the past year has had, any financial arrangements with any of the Funds’ Advisers or sub-advisers. If so, describe such arrangements.

**Response:** As the 100% owner of NexPoint Securities, Inc. ("NPSI"), HCMFA has committed to capitalize NPSI. This capitalization occurs primarily through transfer pricing which requires HCMFA to reimburse NPSI (plus an additional 5% charge) for certain expenses of NPSI that benefit HCMFA. Similarly, NexPoint reimburses NPSI (plus an additional 5% charge) certain expenses that benefit NexPoint. In addition to transfer pricing, there is also a shared services agreement between HCMFA and NPSI whereby NPSI is charged an allocation of certain expenses for services provided by HCMFA, such as back office salaries, rent, IT, phones, storage, recordkeeping, operations, etc.

14. Describe any shareholder communications received by the Distributor in the past year.

**Response:** The Distributor receives occasional shareholder communication that is administrative in nature. These requests are typically for redemptions, change of address, name changes, etc. These requests are forwarded to the transfer agent, DST, for resolution. The Distributor is not aware of any other material communication.

15. Discuss any material compliance issues experienced by the Distributor in the past year. If the Distributor has been examined, audited or received any material communications from any governmental or regulatory body in the past year, please provide any relevant details.

**Response:** The Distributor has not experienced any material compliance issues in the past year nor has it been examined, audited or received material communications from any regulatory body in the past year other than a routine FINRA cycle exam (approximately every four years), which began on June 16, 2020



16. Provide an overview of the Distributor's business continuity and/or disaster recovery plan and any material changes made to that plan since the last 15(c) requests in 2018. Describe the Distributor's cyber risk/data security programs as applicable to the Funds. Please specifically address security measures for protecting against an outside attack on the Distributor's technological systems and platforms and process for communications to the Board in the event of a material breach. State when such plans were last tested and summarize the results of any testing done in the past year. Please also discuss how the Distributor has changed its regular operations in response to the COVID-19 pandemic, and comment on the impact (if any) that such changes had on the Distributor's conduct of its operations. In that connection, please comment on the effectiveness of the Distributor's business continuity plan and any changes made or anticipated to be made in the plan as a result of this experience.

**Response:** The Advisers have a BCP which is a function of the entire organization. Highland will update the BCP whenever there is a material change to the operations, structure, business or location. In addition, Highland will review this BCP annually to determine the adequacy and the effectiveness of its policies and procedures. The review considers any compliance matters that arose during the previous year, any changes in the business activities of Highland, and any regulatory developments that might suggest a need to revise the BCP. As part of the BCP, there is a disaster recovery plan which ensures that a significant business disruption does not result in a loss of any data or interrupt normal business functions. Highland maintains a co-location facility in Richardson, TX and a Disaster Recovery Center in Allen, TX. The co-location facility has not been tier rated but it is designed for concurrent maintainability and fault tolerance which are the qualifications for Tier III and Tier IV facilities. In the event of a disaster all employees will have the ability to work remotely without any material disruption to business. The Firm also maintains its electronic records and other records subject to retention requirements of the SEC offsite at Iron Mountain, a nationwide backup and disaster recovery service provider. This office is located in Lewisville, TX.

Please refer to the response to question E.14 for more information about adjustments related to BCP due to COVID-19.

17. Comment upon the following factors identified in SEC guidance in connection with the Trustees consideration of each Distribution Agreement: (a) whether the agreement is in the best interest of the applicable Funds; (b) whether the services to be performed pursuant to the agreement are required for the operation of the applicable Funds; (c) whether the Distributor can provide services the nature and quality of which are at least equal to those provided by others offering the same or similar services; and (d) whether the fees for such services are fair and reasonable in light of the usual and customary charges made by others for services of the same nature and quality.



**Response:** We believe the Distribution Agreement is in the best interest of the Funds and that it is required for the operation of the Funds. The Distributor, NSI, serves as the principal underwriter of each Fund for which Shares are offered for sale on a continuous basis. We believe NSI will use all reasonable efforts in connection with distribution of shares of the Funds. NSI will also undertake all marketing, advertising and promotional activities it believes reasonable with the sale of Fund Shares. NSI will also enter into written agreements with such sub-agents, including one or more participating brokers or introducing brokers or other financial intermediaries for the purposes of selling shares of the Funds. The Advisers believe that (i) NSI provides services that are equal to or similar to other providers in nature and quality and (ii) the fees for such services are fair and reasonable in light of the usual and customary charges made by others for services of the same nature and quality.

\* \* \* \* \*

***J. Rule 12b-1 Plans***

Provide the following information in connection with the Rule 12b-1 plans:

1. Comment upon each of the following factors identified by the SEC in Investment Company Act Releases Nos. 10862 and 11414 in connection with the Trustees' consideration of each Fund's Rule 12b-1 plan: (a) the need for independent counsel or experts to assist the directors in evaluating the plan; (b) the nature of the problems or circumstances which purportedly make implementation or continuation of the plan necessary or appropriate; (c) the causes of such problems or circumstances; (d) the way in which the plan addresses these problems or circumstances and how it resolves or alleviates them, including the nature and approximate amount of the expenditures; the relationship of such expenditures to the overall cost structure of the Fund; the nature of the anticipated benefits, and the time it would take for those benefits to be achieved; (e) the merits of possible alternative plans; (f) the interrelationship between the plan and the activities of any other person who finances or has financed distribution of Fund shares, including whether any payments by the company to such other person are made in such a manner as to constitute the indirect financing of distribution by the Fund; (g) the possible benefits of the plan to any other person relative to those expected to inure to the Fund; (h) the effect of the plan on existing shareholders; and (i) whether the plan has in fact produced the anticipated benefits for the Fund and its shareholders.

**Response:**

- a. Independent counsel assists the Trustees in reaching this determination.
- b. The Adviser believes the continuation of the Plans is necessary and appropriate to help the Funds achieve economies of scale by raising assets, and retaining accounts. Trail commissions payable from or reimbursed by 12b-1 fees are

prevalent in the Fund industry and the Funds would be at a competitive disadvantage vis-à-vis other investment products that might be offered by the same registered representatives if they did not provide a competitive service and distribution fee to registered representatives. For example, without appropriate compensation, registered representatives would not sell shares of the Funds as aggressively as is required to encourage growth and may, in fact, have an incentive to cause existing shareholders to redeem their shares in the Funds in favor of other investment products. In addition, the Plans are used to provide compensation for ongoing shareholder servicing by registered representatives. The provision of these services is important to the Funds' efforts to maintain a stable asset base, as the registered representatives are able to educate investors as to the benefits of the Funds and provide high-quality shareholder services, which is increasingly important during periods of financial uncertainty for many investors.

- c. The sales of fund products and the retention of assets in a Fund continue to be very competitive and challenging. Two trends that will significantly affect the distribution of the Funds are (i) financial intermediaries are limiting the number of distributors that have unlimited access to their financial consultants and (ii) financial intermediaries are demanding an increase in the amounts they receive for mutual funds that are allowed to be sold in their platforms (e.g., 12b-1 fees, sub-transfer agency payments, asset-based and sales-based payments and other one-time payments). Competition and the costs of selling funds in the financial intermediary channel are increasing.
- d. The amount and rate of the 12b-1 fees borne by each share class, and the relationship of this fee to the overall cost structure of the Funds, are set forth in Item 1.h below. As described above, we believe the Plans provide competitive compensation to registered representatives, and therefore help avoid barriers to the Funds' distribution that would result if the Funds were not able to provide competitive compensation. In addition, we believe the Plans have, in fact, helped the Funds to increase sales and minimize redemptions, which benefits the Funds by contributing to economies of scale, allowing the Funds to achieve greater diversification and improved trade execution, and potentially resulting in reduced total expense ratios.
- e. HCMFA is not aware of viable alternative plans that would permit the successful offering of shares of the Funds.
- f. No payments to be made by the Funds will constitute indirect financing of distribution by the Funds.
- g. HCMFA benefits from the Plans in that it receives incremental advisory and administration fees on any new assets that the Plans help facilitate in raising. The Board receives reports quarterly with information regarding expenditures under the Plans.

- h. Existing shareholders bear the expense of the shareholder distribution and service fees incurred in connection with the Plans. An example of the Funds' fees under the 12b-1 Plans are as follows along with an explanation of each, the entire listing of all funds and fees by share class can be found in Appendix A of this document:

**Highland Healthcare Opportunities Fund**

Class A	0.35%
Class C	1.00%

As described above, the Funds' shareholders also benefit from the Plans as increased assets allow the Funds to achieve greater diversification and improved trade execution and may allow the Funds to realize reduced total expense ratios due to economies of scale. The Adviser believes this is in the best interest of all shareholders.

**Highland Healthcare Opportunities Fund**

	<b>Class A</b>	<b>Class C</b>
Maximum Sales Load Imposed (as a percentage of offering price)	5.50%	0.00%
Maximum Contingent Deferred Sales Charge	1.00%(a)	1.00% (b)
Distribution & Service Fee	0.35%	1.00%

(a) Class A shares bought without an initial sales charge in accounts aggregating \$500,000 or more are subject to a 1.00% CDSC if the shares are sold within 18 months from each purchase. The 18-month period begins on the day on which the purchase is made.

(b) The CDSC is 1.00% within the first year after each purchase. There is no CDSC thereafter.

- i. HCMFA believes the Plans have produced the anticipated benefits for the Funds and their shareholders. The Adviser believes the Plans help to minimize redemptions and to make possible increased sales.

In addition, payments under the Plans enable the Funds to offer retail shareholders four options (Class A, Class C, Class H and Class L shares) with respect to the sales financing method that best suits a shareholder's particular circumstances -- namely, whether to choose to pay a front-end sales load or higher ongoing expenses. Class H shares are not yet effective for any of the Funds. Class L shares are only available for NRESF, and have not yet commenced operations

2. Summarize the actual services provided to Fund shareholders by the recipients of Rule 12b-1 plan payments, the value of such services to investors and the extent to which payments under the Rule 12b-1 plans help to defray costs that would otherwise be borne by the Funds. If there are Funds that are closed to new investors that also charge 12b-1 fees, please discuss how this money is used to benefit shareholders.

**Response:** The actual services provided to each Fund's shareholders include: assisting shareholders in establishing accounts; maintaining Fund shareholders' accounts; transaction processing (e.g., assistance with purchase, redemption and exchange orders); shareholder reporting; monitoring dividend payments from the Funds on behalf of an intermediary's customers; forwarding certain shareholder communications from the Funds to an intermediary's customers; providing advice and education to shareholders; and maintaining sales platforms. We believe that these services are valuable to the Funds' shareholders because they help shareholders to understand and manage their investments. During periods of financial uncertainty, however, these services take on particular importance as shareholders evaluate their investments and consider their exposure to the financial markets. Certain of these services (e.g., recordkeeping and shareholder servicing) provided by intermediaries might otherwise be expenses of a Fund or its shareholders. There are currently no Funds closed to new investors that charge a 12b-1 fee.

3. State the current level of each Fund's payments under its Rule 12b-1 plan and the extent to which related payments by a Fund and its affiliates have exceeded the amounts reimbursable under the Rule 12b-1 plans.

**Response:** Please see the "12b-1 Summary" report provided with the 15(c) materials.

4. Analyze the profitability of the Distributor under the 12b-1 Plan and, if the Distributor shows a profit under the 12b-1 Plan, discuss why this is appropriate.

**Response:** The Distributor does not realize a profit under the 12b-1 Plan. All 12b-1 payments are reserved for and used for distribution related expenses. HCMFA incurs excess expenses for distribution above and beyond what is collected from the Funds under the 12b-1 Plan.

**UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF  
TEXAS, DALLAS DIVISION**

**In Re: Highland Capital Management, L.P.** § Case No. **19-34054-SGJ-11**  
**NexPoint Advisors, L.P. et al** §

Appellant § 21-03010  
vs. §  
**Highland Capital Management, L.P.** §

Appellee § **3:22-CV-02170-S**

**[126] Judgment (final). Entered on 9/14/2022**

**APPELLANT RECORD  
VOLUME 5**

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UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj11
	§	
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

INDEX

**AMENDED DESIGNATION OF ITEMS FOR THE RECORD ON APPEAL  
BY NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this *Amended Designation of Items for the Record on Appeal*, designating the following items for the record of said appeal:

<u>Item</u>	<u>Docket No.</u>	<u>Description</u>
<b>ADVERSARY PROCEEDING (21-03010-sgj)</b>		
1	128	Joint Notice of Appeal
2	126	Judgment
3		Docket Sheet
4	1	Plaintiff Highland Capital Management, L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief
5	33	Original Answer
6	37	Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters
7	49	Response to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
8	56	Highland Capital Management, L.P.'s Reply In Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
9	90	Advisors' Trial Brief
10	91	Highland's Proposed Findings of Fact and Conclusions of Law
11	96	Joint Pretrial Order
12	124	Findings of Fact and Conclusions of Law
<b>BANKRUPTCY CASE (19-34054-sgj-11)</b>		
13	1826	Application for Allowance of Administrative Expense Claim
14	2274	Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
<b>EVIDENCE AND TRANSCRIPTS (21-03010-SGJ)</b>		
15	115	All exhibits admitted into evidence at trial on April 12, 2022 and April 13, 2022 Thru Vol. 12
16	113	Transcript of April 12, 2022 trial
17	116	Transcript of April 13, 2022 trial
18	122	Transcript of April 27, 2022 closing arguments



RESPECTFULLY SUBMITTED this 4th day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina

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**ATTORNEYS FOR NEXPOINT ADVISORS,  
L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 4th day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

Davor Rukavina, Esq.

Exhibit AQUESTION B.13 PERFORMANCE TABLE

	Fund Performance Compared to the Prospectus Benchmark (recognized market index)			Fund Performance Compared to Morningstar Category			
	1 Year	3 Year	5 Year	1 Year	3 Year	5 Year	Strategy/Advisor Inception
Highland Healthcare Opportunities Z	Over	Under	Under	Over	Over	Under	Over
Highland Income Fund	Under	Under	Under	Over	Over	Under	Over
Highland Merger Arbitrage Z	Under	Over	Over	Over	Over	Over	Over
Highland Small-Cap Equity Y	Under	Under	Under	Under	Under	Under	Under
Highland Socially Responsible Equity Y	Under/Under	Under/Under	Under/Under	Under	Under	Under	Under
Highland Global Allocation	Under	Under	Under	Under	Under	Under	Over
Highland Total Return Y	Under/Under	Under/Under	Under/Under	Under	Under	Under	Under
Highland Fixed Income Y	Under	Under	Under	Under	Under	Under	Under
NexPoint Strategic Opportunities Fund	Under/Under	Under/Under	Under/Under	Under	Under	Under	Over
NexPoint Real Estate Strategies Z*	Under	Under	N/A	Under	Under	N/A	Over
Highland/iBoxx Senior Loan ETF**	Under	Under	Under	Under	Under	Under	Under
* No stated prospectus benchmark. Comparison is to the MSCI US REIT							

**Exhibit B****Operational Risk Reports**

Trading summary report as of July 10, 2020

Security	Amount Entered	Working + Filled	Portname	Status	Price (USD)	Market Value
WHLR 9 PERP B NASDAQ/NCM	360,000	0	Highland Income Fund	Assign	0.00	0
PSTH/U US	4,000,000	0	Highland Merger Arbitrage Fund	New	-	0
AACQU US	3,000,000	0	Highland Merger Arbitrage Fund	New	-	0
TECTON V9 PERP B NASDAQ/NCM	(40,000)	(771)	Highland Merger Arbitrage Fund	Part-filled	0.00	0
8028 JP	2,000	0	Highland Merger Arbitrage Fund	Assign	20.08	0
8692 JP	2,500	200	Highland Merger Arbitrage Fund	Part-filled	8.56	1,712

Working Trades:-

Security	Amount Entered	Working	Portname	Status	Price (USD)	Market Value
LOGM US	18,000	18,000	Highland Merger Arbitrage Fund	Working	85.51	1,539,180
LGVW/U US	100,000	76,659	Highland Merger Arbitrage Fund	Working	10.17	780,029
NGHC US	18,000	18,000	Highland Merger Arbitrage Fund	Working	33.86	609,390
LOAK US	60,000	60,000	Highland Merger Arbitrage Fund	Working	9.84	590,400
MS US	13,249	10,000	Highland Merger Arbitrage Fund	Working	49.59	495,900
VSLR US	19,632	19,632	Highland Merger Arbitrage Fund	Working	15.33	300,959
HCCO US	30,000	29,816	Highland Merger Arbitrage Fund	Working	10.05	299,651
GIK US	25,000	25,000	Highland Merger Arbitrage Fund	Working	9.90	247,500
CHPM US	30,000	22,299	Highland Merger Arbitrage Fund	Working	10.00	222,990
ALUS US	22,000	22,000	Highland Merger Arbitrage Fund	Working	9.94	218,680
CZR US	10,000	10,000	Highland Merger Arbitrage Fund	Working	12.29	122,850
AMD US	15,000	979	Highland Socially Responsible Equity Fund	Working	56.19	55,013
SOAC US	30,000	5,034	Highland Merger Arbitrage Fund	Working	9.90	49,853
FNUN US	20,000	19,100	Highland Merger Arbitrage Fund	Working	1.54	29,414
FVAC/WS US	(7,366)	(7,366)	Highland Merger Arbitrage Fund	Working	1.28	(9,428)
HYACW US	(8,000)	(7,700)	Highland Merger Arbitrage Fund	Working	1.72	(13,244)
ERI US	(899)	(899)	Highland Merger Arbitrage Fund	Working	40.94	(36,805)
JIH US	(15,000)	(7,637)	Highland Merger Arbitrage Fund	Working	10.07	(76,905)
HYAC US	(24,000)	(8,628)	Highland Merger Arbitrage Fund	Working	10.45	(90,163)
RUN US	(10,874)	(10,874)	Highland Merger Arbitrage Fund	Working	27.95	(303,924)
ETFC US	(12,700)	(9,289)	Highland Merger Arbitrage Fund	Working	51.25	(476,061)

## Fund Exposure Report

Please see some suggestions and notes below ahead of the summary which is pasted under:

**Suggestions:**

- Review net exposure of GAF portfolio and tail risks.
- Add portfolio hedges that provide higher convexity downside exposure
- Add idiosyncratic hedges (important to include upside hedges for shorts in this fund) against single name common stock positions, again to offer high convexity downside protection

207,331,141 GA Fund Exposure Summary									
% of NAV	Δ	Δ Long	Δ Short	Beta Adj. Delta	Beta Adj. Δ Long	Beta Adj. Δ Short			
<b>Total</b>	<b>46.3%</b>	<b>60.7%</b>	<b>(14.3%)</b>	<b>49.6%</b>	<b>62.3%</b>	<b>(15.6%)</b>			
Common Stock	43.9%	50.8%	(7.0%)	49.0%	54.8%	(15.8%)			
Private Placement Equity	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Index Future	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Equity	(0.5%)	3.0%	(3.5%)	(2.1%)	5.3%	(3.2%)			
Options	(1.8%)	0.0%	0.0%	(1.4%)	0.0%	(1.4%)			
Preferred Interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Preferred Stocks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
ADR	0.1%	0.1%	0.0%	0.1%	0.1%	0.0%			
Ltd Partnership	4.8%	0.0%	0.0%	5.1%	5.1%	0.0%			
Equity Warrants	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			

Estimated Scenarios									
Beta Delta Adj. P&L	Δ	Δ Long	Δ Short	Beta Adj. Delta	Beta Adj. Δ Long	Beta Adj. Δ Short	1.0%	2.0%	4.0%
<b>Total</b>	<b>96,043,241</b>	<b>125,775,075</b>	<b>(29,731,834)</b>	<b>102,532,022</b>	<b>137,345,340</b>	<b>(34,413,318)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>8.0%</b>
Common Stock	90,998,987	105,350,351	(14,420,364)	101,339,151	115,355,193	(12,056,042)	0.0%	0.0%	0.0%
Private Placement Equity	0	0	0	0	0	0	0.0%	0.0%	0.0%
Index Future	0	0	0	0	0	0	0.0%	0.0%	0.0%
Equity	(1,281,567)	10,342,544	(11,624,111)	(6,557,793)	12,956,690	(19,534,484)	0.0%	0.0%	0.0%
Options	(3,658,339)	0	(3,658,339)	(2,822,791)	0	(2,822,791)	0.0%	0.0%	0.0%
Preferred Interest	0	0	0	0	0	0	0.0%	0.0%	0.0%
Preferred Stocks	0	0	0	0	0	0	0.0%	0.0%	0.0%
ADR	180,086	180,086	0	174,232	174,232	0	0.0%	0.0%	0.0%
Ltd Partnership	9,852,096	9,852,096	0	10,579,223	10,579,223	0	0.0%	0.0%	0.0%
Equity Warrants	0	0	0	0	0	0	0.0%	0.0%	0.0%

Estimated Scenarios									
Beta Delta Adj. P&L	Δ	Δ Long	Δ Short	Beta Adj. Delta	Beta Adj. Δ Long	Beta Adj. Δ Short	1.0%	2.0%	4.0%
<b>Total</b>	<b>(8.0%)</b>	<b>(6.0%)</b>	<b>(4.0%)</b>	<b>(2.0%)</b>	<b>(1.0%)</b>	<b>0.0%</b>	<b>1.0%</b>	<b>2.0%</b>	<b>4.0%</b>
Common Stock	(4.0%)	(3.0%)	(2.0%)	(1.0%)	(0.5%)	(0.5%)	0.5%	1.0%	2.0%
Private Placement Equity	(3.9%)	(2.9%)	(2.0%)	(1.0%)	(0.5%)	(0.5%)	0.5%	1.0%	2.0%
Index Future	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Options	0.3%	0.2%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Preferred Interest	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Preferred Stocks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ADR	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	0.0%	0.0%	0.0%
Ltd Partnership	(0.4%)	(0.3%)	(0.2%)	(0.1%)	(0.1%)	(0.1%)	0.1%	0.1%	0.2%
Equity Warrants	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## Derivatives exposure report

Fund	Inst Type	Inst Name	Underlying Security	Expiration Date	BOD Quantity	Today's Trades	EOD Quantity	EOD Cost Basis	Sell/Cover Price	Comments	Most Recent Broker	Ro Du
Highland Global Allocation Fund	Options	COUP US 08/21/20 C260	COUP	08/21/20	-55			21.38			JPMS	
	Options	COUP US 08/21/20 P240	COUP	08/21/20	75			15.59			JPMS	
	Options	GILD US 08/21/20 P82.5	GILD	08/21/20	240			9.58			BARC	
	Options	PFPT US 08/21/20 P120	PFPT	08/21/20	85			10.54			JPMS	
	Options	PFPT US 08/21/20 P125	PFPT	08/21/20	37			12.09			JPMS	
Highland Income Fund												
	FX Option	USD/CNH 10/29/2020 C7.7	CNH Ccy	10/29/20	200,000,000			0.65			BNPS	07/30
	Index Future	ESU0	ESU0	09/18/20	-887			3,086.94			NWDG	
	Index Future	RTYU0	RTYU0	09/18/20	-787			1,418.52			NWDG	
Highland Merger Arbitrage Fund												
	Options	ARMK US 07/17/20 P19	ARMK	07/17/20	18			4.23			OPCO	
	Options	BJRI US 07/17/20 P12.5	BJRI	07/17/20	33			2.63			OPCO	
	Options	GNW US 01/15/21 P3.5	GNW	01/15/21	255			1.10			CANT	
	Options	TSLA US 08/21/20 P1100	TSLA	08/21/20	1			57.03			OPCO	
	Options	TSLA US 09/18/20 P1100	TSLA	09/18/20	1			82.23			OPCO	
Highland Prometheus Master Fund, L.P.												
	Currency Future	JYU0	JYU0	09/14/20	91			93.32			NWDG	
Highland Socially Responsible Equity Fund												
	Options	NVDA US 07/17/20 C390	NVDA	07/17/20	-30			9.29			MLCO	

## Appendix A

### **Open-End Funds**

#### Highland Funds I:

1. Highland Healthcare Opportunities Fund
2. Highland/iBoxx Senior Loan ETF
3. Highland Opportunistic Credit Fund (*in liquidation*)
4. Highland Merger Arbitrage Fund

#### Highland Funds II:

5. Highland Small-Cap Equity Fund
6. Highland Socially Responsible Equity Fund
7. Highland Fixed Income Fund (*sub-advised*)
8. Highland Total Return Fund (*sub-advised*)

### **Closed-End Funds**

9. NexPoint Capital, Inc.
  - a. BDC REIT Sub, LLC (*REIT Subsidiary*)
10. NexPoint Strategic Opportunities Fund
  - a. NexPoint Real Estate Opportunities, LLC (*REIT Subsidiary*)
  - b. NexPoint Real Estate Capital, LLC (*REIT Subsidiary*)
11. Highland Income Fund
  - a. HFRO Sub, LLC (*Credit Subsidiary*)
  - b. NFRO REIT Sub, LLC (*REIT Subsidiary*)
12. Highland Global Allocation Fund
  - a. GAF REIT, LLC (*REIT Subsidiary*)

### **Interval Funds:**

13. NexPoint Real Estate Strategies Fund
  - a. NRESF REIT Sub, LLC (*REIT Subsidiary*)

**FUND EXPENSE SUMMARY**

<b><u>Fund Name (and share class)</u></b>	<b><u>Distribution &amp; Service Fee</u></b>	<b><u>Maximum CDSC</u></b>	<b><u>Maximum Sales Load</u></b>
Highland Fixed Income A	0.25		4.25
Highland Fixed Income C	1.00	1.00	
Highland Fixed Income Y	0.00		
Highland Income Fund (HFRO)	0.0		
Highland Healthcare Opps A	0.35		5.50
Highland Healthcare Opps C	1.00	1.00	
Highland Healthcare Opps Z	0.00		
Highland Socially Responsible Equity A	0.25		5.75
Highland Socially Responsible Equity C	1.00	1.00	
Highland Socially Responsible Equity Y	0.00		
Highland Small-Cap Equity A	0.25		5.75
Highland Small-Cap Equity C	1.00	1.00	
Highland Small-Cap Equity Y	0.00		
Highland Total Return A	0.25		5.75
Highland Total Return C	1.00	1.00	
Highland Total Return Y	0.00		
Highland Global Allocation	0.00		
Highland/iBoxx Senior Loan ETF	0.00		
Highland Opportunistic Credit Fund A	0.35		3.50
Highland Opportunistic Credit Fund C	0.85	1.00	
Highland Opportunistic Credit Fund Z	0.00		
Highland Merger Arbitrage Fund A	0.35		5.50
Highland Merger Arbitrage Fund C	1.00	1.00	
Highland Merger Arbitrage Fund Z	0.00		
NexPoint Capital, Inc.	0.00		8.00
NexPoint Strategic Opportunities Fund	0.00		
NexPoint Real Estate Strategies Fund A	0.25		5.75
NexPoint Real Estate Strategies Fund C	1.00	1.00	
NexPoint Real Estate Strategies Fund L	0.50		4.25
NexPoint Real Estate Strategies Fund Z	0.00		



AUM by Strategy				
USD (in thousands)				
Advisor	Fund	NAV 6/30/2020	NAV 6/30/2019	% Change
<b>Energy MLP Strategy</b>				
HCMFA	Highland Energy MLP Fund	N/A	24,949	-100%
<b>Investment Grade Strategy</b>				
HCMFA	Highland Fixed Income Fund	191,786	194,831	-2%
<b>Bank Loans Strategy</b>				
HCMLP	Highland Dynamic Income Fund	N/A	89,678	-100%
HCMFA	Highland Floating Rate Opportunities Fund	894,246	1,042,848	-14%
	<b>Total</b>	<b>894,246</b>	<b>1,132,526</b>	<b>-21%</b>
<b>Global Allocation Strategy</b>				
HCMFA	Highland Global Allocation Fund	212,876	320,722	-34%
<b>Long/Short Equity Strategy</b>				
HCMFA	Highland Long/Short Healthcare Fund	24,636	43,518	-43%
HCMFA	Highland Merger Arbitrage Fund	65,275	29,310	123%
HCMFA	Highland Long/Short Equity Fund	N/A	157,724	-100%
	<b>Total</b>	<b>89,911</b>	<b>230,552</b>	<b>-61%</b>
<b>Opportunistic Credit Strategy</b>				
HCMFA	Highland Opportunistic Credit Fund	10,905	41,360	-74%
<b>Domestic Large Cap Equity Strategy</b>				
HCMFA	Highland Premier Growth Equity Fund	67,692	106,153	-36%
<b>Domestic Small-Cap Equity Strategy</b>				
HCMFA	Highland Small-Cap Equity Fund	17,788	46,636	-62%
<b>Total Return Strategy</b>				
HCMFA	Highland Total Return Fund	67,254	78,041	-14%
<b>Index Loan Strategy</b>				
HCMFA	Highland /iBoxx Senior Loan Fund	77,237	263,522	-71%
<b>Multi-Strategy</b>				
HCMLP	Highland Multi-Strategy Credit Fund	742	36,423	-98%
NexPoint	NexPoint Strategic Opportunities Fund	801,017	1,208,302	-34%
	<b>Total</b>	<b>801,759</b>	<b>1,244,725</b>	<b>-36%</b>
<b>Interval Real Estate Strategy</b>				
HCMFA	NexPoint Real Estate Strategies Fund	15,258	16,602	-8%
<b>Interval Healthcare Strategy</b>				
HCMFA	NexPoint Healthcare Opportunities Fund	N/A	122	N/A
<b>Healthcare Business Development Strategy</b>				
NexPoint	NexPoint Capital, Inc.	61,027	98,982	-38%
<b>Totals</b>		<b>2,507,740</b>	<b>3,799,723</b>	<b>-34%</b>

	Direct Advised					Socially Responsible			Subadvised	
	Income	Global Allocation	iBoxx Senior Loan ETF	Long/Short Equity	Long/Short Healthcare	Opportunistic Credit	Equity	Merger Arbitrage	Small Cap Equity	Total Return
Management fee income: <sup>(3)</sup>										
Adviser fees	9,260,357	1,078,715	283,880	613,662	335,607	56,774	404,272	122,994	82,412	355,619
Admin fees	2,975,229	-	-	152,723	67,121	-	-	-	-	-
Total management fee income	12,235,586	1,078,715	283,880	766,385	402,728	56,774	404,272	122,994	82,412	355,619
Direct expenses:										
Sub-advisory fees	-	-	-	-	-	-	-	-	-	(189,666)
Investment professional compensation & benefits <sup>(4)</sup>	(5,335,865)	(953,862)	(360,399)	(296,200)	(102,936)	(102,936)	(293,055)	(110,410)	(127,712)	-
Total direct expenses	(5,335,865)	(953,862)	(360,399)	(296,200)	(102,936)	(102,936)	(293,055)	(110,410)	(127,712)	(189,666)
Profit/(loss) before indirect costs	6,899,721	124,853	(76,519)	470,185	299,792	(46,162)	111,217	12,584	(45,300)	165,953
Indirect expenses:										
Shared services <sup>(5)</sup>	(2,368,440)	(423,393)	(159,971)	(131,475)	(45,690)	(45,690)	(130,079)	(49,008)	(56,688)	(92,860)
Product strategy, management and admin compensation & benefits <sup>(6)</sup>	(193,346)	(34,563)	(13,059)	(10,733)	(3,730)	(3,730)	(10,619)	(4,001)	(4,628)	(7,581)
Professional services (legal, audit, etc) <sup>(7)</sup>	(525,309)	(93,907)	(35,481)	(29,161)	(10,134)	(10,134)	(28,851)	(10,870)	(12,573)	(20,596)
Depreciation	(2,018)	(541)	(409)	(168)	(58)	(58)	(166)	(63)	(72)	(158)
Other miscellaneous office overhead	(1,225,357)	(328,575)	(248,292)	(102,032)	(35,458)	(35,458)	(100,948)	(38,033)	(43,993)	-
Total indirect expenses	(4,314,471)	(880,979)	(457,212)	(273,568)	(95,071)	(95,071)	(270,663)	(101,973)	(117,954)	(121,195)
Other income and gains/(losses):										
Corporate taxes	(16,661)	(4,468)	(3,376)	(1,387)	(482)	(482)	(1,373)	(517)	(598)	(1,306)
Interest expense	(125,898)	(33,759)	(25,510)	(10,483)	(3,643)	(3,643)	(10,372)	(3,908)	(4,520)	(9,872)
Total other income and gains/(losses)	(142,559)	(38,227)	(28,886)	(11,870)	(4,125)	(4,125)	(11,744)	(4,425)	(5,118)	(11,179)
Pre-distributions profit/(loss)	2,442,690	(794,353)	(562,617)	184,747	200,596	(145,358)	(171,191)	(93,814)	(168,372)	33,579
% of management fee income	20%	-74%	-198%	24%	50%	-256%	-42%	-76%	-204%	9%
Distribution-related costs:										
Distribution professional compensation & benefits <sup>(8)</sup>	-	-	-	(189,548)	(65,872)	(65,872)	(187,536)	(70,655)	(81,727)	-
12b-1, net <sup>(9)</sup>	-	-	-	(35,353)	(12,286)	(12,286)	(34,978)	(13,178)	(15,243)	(33,293)
Advanced broker commissions <sup>(10)</sup>	-	-	-	(4,295)	(1,493)	(1,493)	(4,249)	(1,601)	(1,852)	-
Total distribution-related costs	-	-	-	(229,196)	(79,651)	(79,651)	(226,763)	(85,434)	(98,822)	(33,293)
Net profit/(loss) after distribution costs	2,442,690	(794,353)	(562,617)	(44,450)	120,946	(225,008)	(397,954)	(179,248)	(267,194)	286
% of gross revenue	20%	-74%	-198%	-6%	30%	-396%	-98%	-146%	-324%	0%
Supplemental information:										
Average NAV	963,011,146	258,228,072	195,133,171	80,186,823	27,866,594	27,866,594	79,335,446	29,889,934	34,573,958	75,514,303

Footnotes included on the subsequent page.

Footnotes

- (1) Includes the operating results of NexPoint Securities, Inc. the wholly-owned subsidiary of Highland Capital Management Fund Advisors, LP.
- (2) Unaudited and non-US GAAP presentation, prepared in conjunction with the quarterly subadvisor profitability analysis intended for Board discussion purposes only. Excludes non-operating items as well as revenues and expenses attributable to Highland's clients that are not registered investment companies. Amounts presented represent management estimates. In particular, fund by fund expense amounts are estimated using various allocation methodologies that are intended to allocate costs reasonably. Furthermore, a material component of the costs of the adviser are in the form of cash bonuses earned over the course of each year, but not awarded until February of the following year. Consequently, for the twelve months ended June 30, 2020, the bonus expense reflected is an amount equal to 50% of the awards for 2019 (awarded February, 2020) and 50% of an estimate of total awards for 2020 (to be awarded in February, 2021). Since these February, 2021 award amounts are not known at this time, this estimate is subject to change materially.
- (3) Management fees reflected are net of any fee waivers and/or reimbursement of fund expenses assumed by the adviser that are above applicable expense caps.
- (4) Investment professionals ("Investment Professionals") are those employees involved in direct investment management activities (portfolio managers, investment research staff, traders, etc.). The amounts presented are comprised primarily of salary, bonuses, other deferred compensation, employee benefits (health insurance, 401k matching, etc.), and employer FICA taxes (social security and medicare). Allocation by fund is pro-rata based upon a fund's average net asset value. Additionally, compensation of such investment professionals who perform advisory services for clients other than the Highland Funds has been prorated to reflect support of the Highland Funds.
- (5) Shared services expenses are those expenses charged by Highland Capital Management, LP for reimbursement of costs incurred on behalf of Highland Capital Management Fund Advisors, LP. These expenses include allocations of employee time in support of the platform but not borne by the Highland Funds including, but not limited to the following departments (retail fund accounting, retail operations including trade settlement, tax, valuation corporate accounting, human resources, legal, compliance, public relations, and IT infrastructure). These expenses also include allocations of general office overhead such as rent, parking, phones, office supplies, etc. These expenses have been allocated on a fund by fund basis by average NAV.
- (6) Includes employees OTHER THAN Investment Professionals or direct selling employees (internal/external wholesalers, national accounts personnel, etc.). This group includes the Product Strategy department and certain other administrative and clerical employees. This line item is comprised primarily of salary, bonuses, other deferred compensation, employee benefits (health insurance, 401k matching, etc.), and employer FICA taxes (social security and medicare). Allocation by fund is pro-rata based upon a fund's average net asset value. Additionally, for such employees who perform services for other Highland clients, total compensation has been prorated to reflect support of Highland Funds.
- (7) Professional services amounts reflected consists of costs of external service providers including legal counsel, external audit, and other assorted consulting services the expenses of which are borne by the adviser and not the Highland Funds. An example of such an expense is the annual audit of the adviser, which is completely borne by the adviser, but for purposes of this analysis, is allocated on a fund by fund basis by average NAV.
- (8) Distribution employees are made up of employees involved in direct selling of funds advised by Highland Capital Management Fund Advisors, LP and employed by NexPoint Securities, Inc. (internal/external wholesalers, national accounts personnel, etc.). The line item is comprised primarily of salary, bonuses, other deferred compensation, employee benefits (health insurance, 401k matching, etc.), and employer FICA taxes (social security and medicare). Allocation by fund is diminutis with respect to the subsidised funds and Highland Income Fund.
- (9) As marketing and advertising expenses exceed amounts available within 12b-1 plans, Highland Capital Management Fund Advisors, LP pays for any shortfalls of the plans where sufficient funds are not available to cover qualified marketing and advertising expenses. This line item represents the excess distribution costs absorbed by the adviser. Allocation is on a fund by fund basis is by average NAV, excluding ETFs, Highland Global Allocation Fund and Highland Income Fund.
- (10) Class A shares advised by Highland Capital Management Fund Advisors, LP are subject to an initial sales charge. Dispositions of class A shares that were purchased as part of an order aggregating \$1 million or more at time of purchase are subject to a contingent deferred sales charge ("CDSC") if sold within a year of purchase. Class C shares are offered without an initial sales charge, but are also subject to a CDSC within a year of purchase. The upfront charges on both A and C class shares on new sales of its funds are borne by Highland Capital Management Fund Advisors, LP. Accordingly the advanced broker commissions line item represents those initial sales charges funded by the adviser which are no longer subject to the CDSC charge. These charges may be recoupable by individual fund 12b-1 plans. Allocation by fund is pro-rata based upon a fund's average net asset value, excluding ETFs, Highland Global Allocation Fund and Highland Income Fund.

**Highland Capital Management Fund Advisors, LP**  
**Unaudited Balance Sheet**  
**As of June 30, 2020**  
**(in thousands)**

**Assets**

Cash and cash equivalents	\$ 517
Management and admin fee receivable	1,138
Investment in Highland Capital Funds Distributor, Inc.	1,095
Prepays	169
Reimbursable expenses	1,778
Investment management contracts	4,275
<b>Total assets</b>	<b>\$ 8,974</b>

**Liabilities and partners' capital**

Accounts payable	1,084
Accrued bonus	1,580
Due to HCMLP	12,286
Accrued expenses and other liabilities	1,129
Partners' capital/(deficit)	(7,105)
<b>Total liabilities and partners' capital</b>	<b>\$ 8,974</b>

Highland Capital Management Fund Advisors, LP  
Unaudited Statement of Income  
Twelve Months Ended June 30, 2020  
(in thousands)

	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	LTM	YTD
<b>Revenue:</b>														
Advisory fees	\$ 1,302	\$ 1,180	\$ 450	\$ 1,187	\$ 1,133	\$ 1,133	\$ 1,164	\$ 1,025	\$ 1,044	\$ 919	\$ 922	\$ 911	\$ 13,146	\$ 4,883
Administration fees	283	272	1,032	285	272	(447)	282	257	263	231	236	228	3,195	1,216
Other income	57	57	59	58	56	58	61	60	60	63	62	60	710	323
<b>Total operating revenue</b>	<b>1,642</b>	<b>1,510</b>	<b>1,540</b>	<b>1,530</b>	<b>1,461</b>	<b>1,521</b>	<b>1,507</b>	<b>1,342</b>	<b>1,367</b>	<b>1,213</b>	<b>1,220</b>	<b>1,199</b>	<b>17,051</b>	<b>6,420</b>
<b>Operating expenses:</b>														
Compensation and benefits	310	323	290	283	241	(35)	300	273	224	254	256	273	2,990	1,229
Broker dealer	-	-	-	-	-	476	-	-	-	-	-	149	625	106
Subadvisor fees	416	499	416	456	499	458	459	456	455	453	454	416	5,438	2,274
Shared services	296	298	297	296	295	298	301	296	306	308	307	305	3,603	1,522
Advanced broker commissions	-	-	-	-	-	29	-	-	-	-	-	-	29	-
12b-1 fees, net	(14)	91	(66)	75	19	130	86	26	57	(145)	27	(44)	243	(9)
Other operating expenses	42	56	75	120	181	387	29	49	30	71	58	163	1,263	300
<b>Total operating expenses</b>	<b>1,051</b>	<b>1,267</b>	<b>1,012</b>	<b>1,231</b>	<b>1,235</b>	<b>1,744</b>	<b>1,175</b>	<b>1,100</b>	<b>1,072</b>	<b>941</b>	<b>1,102</b>	<b>1,262</b>	<b>14,192</b>	<b>5,477</b>
<b>Operating income</b>	<b>591</b>	<b>243</b>	<b>529</b>	<b>299</b>	<b>226</b>	<b>(223)</b>	<b>332</b>	<b>242</b>	<b>295</b>	<b>271</b>	<b>118</b>	<b>(63)</b>	<b>2,860</b>	<b>843</b>
<b>Other income/(expense):</b>														
Losses reimbursable to managed funds	-	-	(84)	-	-	-	-	-	-	-	-	-	(84)	-
Other income/(expense)	(22)	(22)	(21)	(21)	(20)	(39)	(21)	(19)	(278)	(14)	(23)	(23)	(523)	(359)
Earnings from equity method investees	(558)	(115)	(274)	169	(654)	437	(389)	343	-	(1,223)	(255)	(699)	(3,218)	(1,801)
<b>Total other income/(expense)</b>	<b>(580)</b>	<b>(137)</b>	<b>(378)</b>	<b>148</b>	<b>(674)</b>	<b>398</b>	<b>(409)</b>	<b>324</b>	<b>(278)</b>	<b>(1,238)</b>	<b>(278)</b>	<b>(721)</b>	<b>(3,825)</b>	<b>(2,192)</b>
<b>Net income/(loss)</b>	<b>\$ 11</b>	<b>\$ 105</b>	<b>\$ 150</b>	<b>\$ 447</b>	<b>\$ (448)</b>	<b>\$ 175</b>	<b>\$ (78)</b>	<b>\$ 566</b>	<b>\$ 17</b>	<b>\$ (966)</b>	<b>\$ (161)</b>	<b>\$ (784)</b>	<b>\$ (965)</b>	<b>\$ (1,339)</b>

Portfolio Manager - Funds and Assets as of 6/30/2020						
Portfolio Manager	# of Accounts Managed	Total Assets Managed (in millions)	# of Accounts Managed with Performance Based Advisory Fee	Total Assets Managed with Performance Based Advisory Fee (in millions)	By Manager - % of Manager Retail Assets to Total Assets Managed	Funds Managed by PM
James Dondero	11	\$4,083	2	\$1,974	53%	Highland Global Allocation Fund Highland Income Fund Highland Healthcare Opportunities Fund Highland Merger Arbitrage Fund Highland Opportunistic Credit Fund Highland Socially Responsible Equity Fund Highland Small-Cap Equity Fund NexPoint Capital, Inc. NexPoint Real Estate Strategies Fund NexPoint Residential Trust, Inc. <sup>(b)</sup> NexPoint Strategic Opportunities Fund
Jon Poglitsch	6	\$1,006	3	\$24	98%	Highland / iBoxx Senior Loan ETF Highland Dynamic Income Fund <sup>(a)</sup> Highland Multi Strategy Credit Fund <sup>(a)</sup> Highland Prometheus Master Fund, L.P. <sup>(a)</sup> Highland Income Fund Highland Opportunistic Credit Fund
Matthew McGraner	2	\$1,927	1	\$1,912	1%	NexPoint Residential Trust, Inc. <sup>(b)</sup> NexPoint Real Estate Strategies Fund
Matthew Goetz	1	\$15	0	\$0	100%	NexPoint Real Estate Strategies Fund
Nate Burns	2	\$87	1	\$62	100%	Highland Healthcare Opportunities Fund NexPoint Capital, Inc.
Eric Fritz	1	\$65	0	\$0	100%	Highland Merger Arbitrage Fund
John Hakopian	2	\$259	0	\$0	100%	Total Return Fund Fixed Income Fund
Jim Garrison	1	\$67	0	\$0	100%	Total Return Fund
Eric Sponer	1	\$67	0	\$0	100%	Total Return Fund
Mike Hurley	1	\$68	0	\$0	100%	Highland Socially Responsible Equity Fund

(a) Institutional Fund

(b) REIT

HIGHLAND CAPITAL  
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# Biographies

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# Institutional Executives / Front Office Partners

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# Biographies of Key Personnel

**James Dondero, CFA**

**Co-Founder, President**

James Dondero is Co-founder and President of Highland Capital Management, LP (an alternative asset manager specializing in high-yield fixed income investments). Jim has over 25 years of experience in the credit markets. Prior to founding Highland in 1993, Jim served as Chief Investment Officer of Protective Life's GIC subsidiary and helped grow the business from concept to over \$2 billion between 1989 and 1993. His portfolio management experience includes mortgage-backed securities, investment grade corporates, leveraged bank loans, high-yield bonds, emerging market debt, derivatives, preferred stocks and common stocks. From 1985 to 1989, he managed approximately \$1 billion in fixed income funds for American Express. Prior to American Express, he completed the financial training program at JP Morgan. Jim received a BS in Commerce (Accounting and Finance) from the University of Virginia. Jim is a Certified Management Accountant and a Chartered Financial Analyst charterholder. He currently serves as Chairman for Cornerstone Healthcare Group, NexBank Capital, Inc. and Nexbank SSB, and serves on the board of directors of Metro-Goldwyn-Mayer, Jernigan Capital, Inc., Texmark Timber Treasury, L.P., and SeaOne Holdings, LLC.

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# Biographies of Key Personnel

**Thomas J. Surgent**

**Partner and Chief Compliance Officer**

Mr. Surgent is Partner, Chief Compliance Officer, and Deputy General Counsel at Highland Capital Management, L.P. Prior to joining Highland in September 2007, Mr. Surgent practiced corporate and securities law at Greenberg Traurig, LLP, in Dallas, Texas and Palm Beach County, Florida and earlier at Weil, Gotshal & Manges, LLP in London, United Kingdom and Dallas, Texas. Mr. Surgent's practice has consisted of advising funds, sponsors, corporations and other issuers with respect to formation, finance, mergers and acquisitions, private equity, joint ventures, compliance, corporate governance and restructurings with respect to both domestic and cross-border transactions. Mr. Surgent received a JD, magna cum laude, from the Florida State University College of Law and a BS in Finance from Florida State University. Mr. Surgent's professional certifications include membership in the Texas and Florida Bar Associations.

**Frank Waterhouse, CPA**

**Partner and Chief Financial Officer**

Mr. Waterhouse is Partner Chief Financial Officer at Highland Capital Management, L.P. Prior to joining Highland in October 2006, Mr. Waterhouse was employed with PricewaterhouseCoopers in its Technology Assurance practice. Mr. Waterhouse has had a diverse career spanning cancer research with M.D. Anderson Cancer Center to financial consulting with Salomon Smith Barney. He received an MPA from the University of Texas at Austin, an MBA from the University of Houston and a BS in Microbiology and a BS in Molecular Biology from the University of Texas at Austin. Mr. Waterhouse is a licensed Certified Public Accountant.

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# Structured Products

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# Biographies of Key Personnel

## Hunter Covitz, CPA

### Head of Structured Products, Managing Director

Mr. Covitz is Head of Structured Products and Portfolio Manager at Highland Capital Management, L.P. He is responsible for all CLOs and CLO investments managed by Highland. Mr. Covitz serves on Highland's investment committee and leads the structured products investment team. Since joining Highland in 2003, Mr. Covitz has been instrumental in the structuring, warehousing, ramping, and ongoing portfolio management of over 30 Highland-originated CLOs. Prior to joining Highland, Mr. Covitz served as a tax consultant at Deloitte & Touche and KBA Group LLP, where he focused on high-net worth individuals and middle-market companies. He received both his MS and BBA in Accounting from the University of Oklahoma, where he played baseball. Mr. Covitz is a licensed Certified Public Accountant.

## David Owens

### Sr. Trading & Structured Products Analyst

Mr. Owens is a Sr. Trading and Structured Products Analyst at Highland Capital Management, L.P. He is responsible for supporting transactions in Highland's CLO structures and working closely with various groups throughout the firm to optimize CLO performance. Mr. Owens is also involved in structuring, analyzing, and marketing new CLOs and other structured products transactions. Prior to joining Highland in September 2015, Mr. Owens served as a Senior Financial Analyst at Bank of America in the Corporate Investments group and the Enterprise Capital Management group. He received a BS in Commerce with concentrations in Finance and Management from the University of Virginia. Mr. Owens has passed all three levels of the CFA Program and may be awarded the charter upon completion of the required work experience.

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# Risk Management

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# Biographies of Key Personnel

## Ajit Jain

### Director, Risk and Financial Engineering

Mr. Jain is the Director of Risk and Financial Engineering at Highland Capital of New York, Inc. Prior to joining Highland in April 2016, he was a Risk Analyst at Ionic Capital, a volatility focused hedge fund, where he got experience in the development of hedging strategies, financial engineering of structured products and risk management of hedge funds. In his role at Ionic, Mr. Jain managed risk reporting for the firm's Volatility and Event Driven strategies, developed risk assessment models and computational analytics for volatility based hedging strategies. Previously, he was a Vice President in the Hedge Funds Credit Risk group at Deutsche Bank. In this role, Mr. Jain managed the bank's credit risk exposure to hedge funds, with a special focus on complex trades and strategies. He received degrees from the Birla Institute of Technology and the Indian Institute of Technology, and completed the Executive MBA program with Dean's Honors from Columbia Business School.

## Bhawika Jain

### Risk Analyst

Ms. Jain is the Risk Analyst at Highland Capital of New York, Inc. Prior to joining Highland in January 2017, she was an Econometric Intern with Prattle Analytics, a Fin-tech startup which provides tradable sentiment data to predict market impact of central banks. While there, Ms. Jain built economic and financial models to support on-going research using statistical and machine learning tools. Prior to that, she worked as a Business Analyst for Credit Suisse Services India Private Limited for almost two years. In this role, Ms. Jain designed business process maps and flows based on interaction with the users from Rates, Foreign Exchange, Equity, Commodity and Emerging Market businesses. She also evaluated and analyzed risk exposure, drop/surge in Value at Risk and assisted in market and credit risk reporting. Ms. Jain received a MS (Tech.) in Finance degree from Birla Institute of Technology and Science, Pilani and a MS in Operations Research degree from Columbia University.

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# Institutional Marketing/Investor Relations

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# Biographies of Key Personnel

**Paul Adkins**

**Managing Director, Institutional Fundraising and Client Service**

Mr. Adkins is a Managing Director of Business Development at Highland Capital Management (Singapore) Pte Ltd. He is responsible for business operations in the Asia Pacific Region. Prior to joining Highland in February 2007, Mr. Adkins worked in the private equity business as an investor (lead partner of a TMT Fund) and manager of portfolio companies. He has previously served as a member of an investment committee responsible for three pan-Asian private equity funds with \$1.4 billion AUM. During his career as a senior executive, he managed significant business operations, product sales and consulting services divisions of leading information technology and global telecommunications companies. His experience includes more than 20 years of assignments in Latin America and Asia. Earlier in his career, Mr. Adkins was a Senior Manager at PwC and Manager at Ernst & Whinney in their financial services industry consulting practices where he led numerous engagements associated with merger-related restructuring. He started his career at Morgan Guaranty Trust Co. in New York City. He received a BA in Computer Science Engineering at Columbia University. While working in the securities industry, he was a registered representative with series 7 and series 63 licenses.

**Jun Park**

**Director of Business Development**

Jun Park is a Director of Business Development at Highland Capital, Korea. Prior to joining Highland's Seoul office, Mr. Park worked in the global alternative investments area for the past eleven years. He started his career in New York City at Salomon Brothers Asset Management and then moved to The Blackstone Group. Most recently, Mr. Park was working at Woori Financial Principal Investment in Seoul where he was responsible for establishing fund structures and managing over \$1 billion in private equity assets in a range of categories including mezzanine debt, buy-outs, real estate, and infrastructure investments in the UK, US and Korea. Mr. Park received a BA in Accounting from Syracuse University.

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# Biographies of Key Personnel

**Laura Jocoy**

**Marketing Manager**

Ms. Jocoy is a Marketing Manager at NexPoint Advisors, L.P. Prior to March 2019, she was employed under Highland Capital Management Fund Advisors, L.P., an affiliate of NexPoint. Prior to joining Highland in January 2016, she had over 18 years of marketing and communications experience within the financial services industry. Most recently, Ms. Jocoy was a Marketing Manager for the independent broker-dealer HD Vest Financial Services, where she partnered with the sales team to create revenue-generating campaigns, developed multi-channel content and collateral for the firm, and assisted advisors with marketing and brand-building strategies to enhance their business. Ms. Jocoy is currently pursuing a graduate-level marketing certification through Southern Methodist University's Cox School of Business. She received a BS in Journalism with a minor in Marketing from the University of North Texas.

**Tess Trahern**

**Marketing Manager**

Ms. Trahern is a Marketing Manager at NexPoint Advisors, L.P. She brings eight years of B2B marketing experience with an emphasis on digital media to NexPoint. Prior to joining NexPoint in May 2020, Ms. Trahern worked for Sphere, a highly secure credit card payment solution for small businesses and Independent Software Vendors (ISVs). There, she managed the international B2B marketing efforts for the US, Canada, and Australia through email, events, social media, videos, content creation and much more. Prior to that, Ms. Trahern worked for HD Vest Financial Services as a Marketing Manager helping financial advisors market their practice and obtain new clients. Previously, she also worked for Lennar Homes helping to implement a new national website, 12 social media channels, and several community grand openings. Ms. Trahern received a Bachelor's degree in Marketing from the University of Oklahoma, and an MBA in Digital Media Management from St. Edward's University in Austin, Texas.

**Justin Webb**

**Digital Marketing Specialist**

Mr. Webb is a Digital Marketing Specialist at NexPoint Securities, Inc. Prior to his current role, he was a Regional Sales Consultant with NexPoint. Prior to joining NexPoint in November 2018, he worked as a Financial Planning Analyst at Maplewood Investments in Dallas. Additionally, Mr. Webb served in both the U.S. Marine Corps, and US Navy (Special Operation Command) prior to pursuing his education. He received a Bachelor's degree from Southern Methodist University, and an MBA and Master of Finance degree from Tulane University in New Orleans. Mr. Webb holds FINRA series 7, 63, and 65 licenses.

**Phoebe Stewart**

**Marketing and Investor Relations Assistant**

Ms. Stewart is a Marketing and Investor Relations Assistant at Highland Capital Management, L.P. Prior to her current role, she was the Receptionist at Highland. Ms. Stewart received her Bachelor's degree in Anthropology and Arabic Studies, magna cum laude, from Texas A&M University.

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# Public Relations/SEO

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ACL-080304

# Biographies of Key Personnel

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## **Lucy Bannon**

### **Director of Public Relations and Communications**

Ms. Bannon is the Director of Public Relations and Communications at Highland Capital Management, L.P. In her role, Ms. Bannon is responsible for managing a wide range of public relations and communications activities. Previously at Highland, she was a Public Relations Associate. Prior to joining Highland in October 2015, she spent three years at Pierpont Communications, a public relations and marketing firm, where she served clients in a number of industries including health care, energy, venture capital/private equity, and professional services. Ms. Bannon received a Bachelor of Arts degree from Princeton University, and is currently the Communications Chair and a member of the leadership committee of the Princeton Club of Dallas-Fort. She currently serves on the Board of Directors of Harvest Exchange.

## **Lauren Baker**

### **Public Relations & Communications Associate**

Ms. Baker is a Public Relations and Communication Associate at Highland Capital Management, L.P. Prior to her current role, she was an Administrative Assistant/Receptionist at Highland. Prior to joining Highland in December 2014, she worked in retail in the clothing and jewelry industries. Prior to that, Ms. Baker was involved in various organizations while in college, such as the University of Oklahoma Drumline, Alpha Phi Sorority, and Sigma Alpha Iota music sorority. She is currently on the executive board for the Young Executive Program. Ms. Baker received a Bachelor's degree in Public Affairs and Administration from the University of Oklahoma.

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# Healthcare/Private Equity

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# Biographies of Key Personnel

## Cameron Baynard, CFA Managing Director

Mr. Baynard is a Managing Director at Highland Capital Management, L.P. Prior to joining Highland in February 2014, Mr. Baynard was a Senior Associate with Rockland Capital, LLC, where he was involved in all aspects of the origination, structuring, execution, and management of private equity investments. Prior to Rockland Capital, Mr. Baynard was an investment banking analyst with Wells Fargo Securities. He received a BBA in Finance, a BS in Economics, and a BA in Public Policy from Southern Methodist University. Mr. Baynard is a holder of the right to use the Chartered Financial Analyst designation. He currently serves on the Boards of CCS Medical, Inc., OmniMax Holdings, Inc., SSP Holdings LLC, and Trussway, LLC.

## Nate Burns Managing Director

Mr. Burns is a Managing Director at Highland Capital Management, L.P. Prior to joining Highland, Mr. Burns was an Associate at Ripplewood Holdings, a global private equity firm focused on control-oriented buyout, distressed and special situations investments across a variety of industries. At Ripplewood, Mr. Burns was responsible for sourcing and executing investment transactions, as well as actively leading portfolio company operational and financial restructuring initiatives. Prior to joining Ripplewood, Mr. Burns was an Analyst in the Global Technology Mergers & Acquisitions group at Lehman Brothers. Mr. Burns received a B.S. in Analytical Finance and Economics, summa cum laude and Phi Beta Kappa, from Wake Forest University and an MBA, with Dean's Honors and Distinction, from Columbia Business School. Mr. Burns is a CFA charterholder. He currently serves on the Board of Directors of Oasis I Limited and Tandem Hospital Partners, LLC.

## Sean Fox Director, Private Equity

Mr. Fox is a Director at Highland Capital Management, L.P. where he focuses on the firm's private equity investments. Previously, he was a Senior Manager of Finance where he had responsibilities over cash flow forecasting, modeling, and valuation. Mr. Fox joined Highland in 2013 as a Senior Valuation Analyst, supporting the marking of investment instruments throughout the firm. Prior to joining Highland, Mr. Fox was employed by GearingStone, a special servicer of commercial real estate assets, and Stone Advisors, a buyout and turnaround firm. He was responsible for underwriting and managing distressed debt, investor reporting, and managing the receivership business. Mr. Fox has a BS from Texas A&M University and an MBA from Southern Methodist University. He currently serves on the Board of Directors of CCS Medical Holdings, Inc., and Structural and Steel Products Inc.

## Han Su Yoo Director (Korea)

Mr. Yoo is a Director in the Private Equity Group at Highland Capital Management Korea Ltd. He has six years of investment experience in the private equity sector. Prior to joining Highland, Mr. Yoo was a Senior Manager at Wonik Investment Company in Korea, where he managed a local growth private equity fund. There, his role ranged from deal sourcing, deal execution, post-investment management and exit strategy planning. Mr. Yoo received a BA in International Studies from Korea University.

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# Argentina

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# Biographies of Key Personnel

**Mauro Staltari**  
**Financial Analyst**

Mr. Staltari is a Financial Analyst on the Trading and Structured Products team at Highland Capital Management, LP. Prior to joining Highland full time in August 2015, he worked at Highland as an intern on the same team. Prior to Highland, Mr. Staltari worked as an intern at Carlson Capital L.P. where he worked with the Risk Arbitrage, Credit, and Macro Event Driven teams. He received his Bachelor's degree in Economics from the University of Texas at Dallas. Prior to college, he played professional tennis, mainly in Europe and the U.S. Mr. Staltari is studying for the CFA Level 1 exam.

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# Credit Research

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# Biographies of Key Personnel

**Jon Poglitsch, CFA**  
**Head of Credit Research**

Mr. Poglitsch is Head of Credit Research at Highland Capital Management, L.P. His previous roles at Highland include Managing Director, Director on both the Institutional and Retail research teams, and Senior Portfolio Analyst. Prior to joining Highland in September 2007, Mr. Poglitsch was a consultant for Muse Stancil and Co., where he provided mergers & acquisition, valuation, and strategic advisory services to a variety of clients in the energy sector, including integrated oil, pipeline, power, and renewable fuel companies. Prior to Muse, Mr. Poglitsch was a senior financial analyst for American Airlines. He received an MBA with a concentration in Finance from the University of Texas at Austin and a BS in Chemical Engineering from the University of Oklahoma. Mr. Poglitsch is a holder of the right to use the Chartered Financial Analyst designation.

**Matthew Gray, CFA**  
**Managing Director**

Mr. Gray is a Managing Director at Highland Capital Management, L.P. Mr. Gray covers the Merchant Power, Chemicals, and Metals and Mining sectors in addition to serving as a Co-Portfolio Manager of the Highland Energy MLP Fund. He has been an investment professional at Highland Capital since 2007, when he joined as a Portfolio Analyst. Prior to joining Highland in July 2007, Mr. Gray was employed by GW Equity as an Associate in Mergers & Acquisitions. He was responsible for issuing private company valuation analysis and performing extensive financial analysis of client companies. Prior to that, Mr. Gray was a Credit Analyst for Reich & Tang Asset Management. He received a BA in Economics and History from Vanderbilt University. He is a holder of the right to use the Chartered Financial Analyst designation.

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# Biographies of Key Personnel

**Yegor Nikolayev**  
**Par Credit Analyst**

Mr. Nikolayev is a Par Credit Analyst at Highland Capital Management, L.P. Prior to joining Highland in July 2017, he was an Analyst at Wells Fargo Securities, LLC's Leveraged Finance group where he executed transactions across debt products and covered companies in various industries such as Technology, Consumer & Retail, Industrials, Gaming, and Energy. Mr. Nikolayev received a Bachelor of Science degree in Business Administration with focus in Finance and Economics from the University of Southern California and studied Economics at the London School of Economics under the General Course program.

**Kunal Sachdev**  
**Par Credit Analyst**

Mr. Sachdev is a Par Credit Analyst at Highland Capital Management, L.P. Prior to joining Highland in July 2017, he was an Associate at Gauge Capital, a middle market private equity firm. Prior to that, Mr. Sachdev was an Associate in Houlihan Lokey's Healthcare Group and an Analyst in Oppenheimer's Mergers & Acquisitions Group. He received a BS in Finance with a minor in Economics from The Rutgers Business School.

**Sahan Abayarathna**  
**Par Credit Analyst**

Mr. Abayarathna is a Par Credit Analyst at Highland Capital Management, L.P. Prior to joining Highland in October 2017, he was an Associate at BBVA with a focus on credit research and origination, covering investment grade and high yield bonds in the E&P and Midstream subsectors within the energy space. Prior to BBVA, Mr. Abayarathna was an Analyst at Pine River Capital Management, L.P, covering the E&P subsector in their Long / Short Energy Equity fund. He began his career at Simmons & Co International as an Investment Banking Analyst with a focus on mergers & acquisitions in the Oilfield Services industry. He received a Bachelor's of Business Administration with a concentration in finance from the University of Texas at Austin McCombs School of Business.

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# Equity

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# Biographies of Key Personnel

## Bradford Heiss

### Managing Director

Mr. Heiss is a Managing Director at Highland Capital Management Fund Advisors. Prior to joining Highland in July 2013, Mr. Heiss spent three years as a Senior Analyst and Partner at Varna Capital where he was a Generalist covering multiple sectors for the long/short equity hedge fund. Prior to Varna, Mr. Heiss spent three years as an Analyst at Maverick Capital where he covered the U.S. Financial Services sector for the \$10 billion long/short equity hedge fund. Mr. Heiss began his career at Goldman Sachs in New York, first as a Senior Analyst in the Finance Division and later as an Investment Banking Analyst in the Financial Institutions Group. Mr. Heiss holds a BBA in Finance from the University of Miami and is a holder of the right to use the Chartered Financial Analyst designation.

## Eric Fritz

### Director

Mr. Fritz is an Equity Director at Highland Capital Management Fund Advisors. Prior to joining Highland in July 2013, Mr. Fritz worked as an investment banking analyst for Citigroup Global Markets Inc. While at Citi, Mr. Fritz advised on and executed capital markets and M&A transactions in the metals & mining, heavy equipment and diversified industrials sectors. Mr. Fritz received a BBA in Finance and Mathematics from the University of Notre Dame.

## Michael Jeong

### Director, Healthcare

Dr. Jeong is a Director in Healthcare at Highland Capital Management, L.P. Prior to joining Highland in July 2019, he was an Associate at Suntrust Robinson Humphrey, doing biotech equity research focused on liver disease, rare disease, and neurology. Prior to Suntrust, Dr. Jeong was an Associate at Seaport Global Securities, doing biotech and specialty pharmaceutical equity research focused on ophthalmology, rare disease, and neurology. Before that, he was an Analyst at Samsung Asset Management covering equity investments in all sectors of healthcare including therapeutics, medical devices, and managed care. Prior to Samsung, Dr. Jeong completed medical residency and worked as a faculty researcher at Yale Medical School. He received a B.S. in Molecular, Cellular, and Developmental Biology from Yale University and an M.D., with Honors in Biostatistics and Epidemiology, from Tufts Medical School.

## Alex Gifford

### Corporate Strategy Associate

Mr. Gifford is a Corporate Strategy Associate at Highland Capital Management Fund Advisors, LP. Prior to joining Highland in December 2019, Mr. Gifford was an Analyst at Wells Capital Management where he covered the U.S. Financial Services sector for an equity mutual fund. Prior to joining Wells, he was an Associate at J.P. Morgan Asset Management where he covered the Global Financial Services sector. Mr. Gifford started his career at Citigroup where he was a Senior Associate covering Property & Casualty Insurers. He received a MS in Finance from the University of Rochester, a BS in Business Administration in Finance from Ithaca College, and is a holder of the right to use the Chartered Financial Analyst designation.

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# Insurance

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# Biographies of Key Personnel

**Andy Williams**

**Managing Director**

Mr. Williams is Managing Director of Eagle Equity Advisors, LLC, the distribution platform for NexAnnuity, a Highland Capital affiliate. He has also served as Managing Director, Specialty Finance at Highland Capital Management, L.P. Prior to joining Highland in May, 2017, he was the Managing Partner and Co-Founder of W Capital Partners, a boutique private equity firm with a primary focus on structured financial products and insurance derivatives. Mr Williams has over 20 years of industry specific experience in insurance and insurance derivative products. Through W Capital Partners, he has created multiple life settlement and other insurance-linked platforms for independent and institutional investors with cumulative assets managed over \$500 million. He also served as a Managing Director of Hyperion Capital where he helped bring life settlement product offerings to market. Mr. Williams started his career in insurance derivatives on Wall Street where his team created longevity and mortality platforms for firms such as Credit Suisse, Deutsche Bank, Dresdner Bank, and KBC FP. He received a Bachelor's degree from Angelo State University, where he graduated Summa Cum Laude.

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# Trading

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# Biographies of Key Personnel

**Joe Sowin, CMT**

**Co-CIO and Head of Global Equity Trading**

Joe Sowin is co-chief investment officer (co-CIO) and head of global equity trading for Highland Capital Management, L.P. In his role, he oversees investment activities for Highland’s multibillion-dollar alternative investment platform with a focus on driving information flow across investment teams and with the firm’s counterparties. He also manages all aspects of equity and listed derivative trading and serves as the firm’s lead broker liaison. Prior to joining Highland in 2010, Mr. Sowin held various trading positions at New York- and Connecticut-based hedge funds, including Catapult Capital Management, L.P., Scopus Asset Management, and DKR Capital. Mr. Sowin received a B.S. in accounting from the University of Connecticut and has earned the right to use both the Chartered Market Technician (CMT) and Chartered Alternative Investment Analyst (CAIA) designations. He currently serves on the board of directors for Capital for Kids.

**Matt Pearson  
Trader**

Mr. Pearson is a Trader at Highland Capital Management Fund Advisors, L.P. Previously at Highland, he was an Assistant Trader and a Senior Operations Analyst. Prior to joining Highland in June 2012, he was a Junior Associate for Chapwood Investments. He received a BS in Economics with Financial Applications from Southern Methodist University, and is a holder of the right to use the Chartered Financial Analyst designation.

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MANAGEMENT, L.P.

# Finance

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# Biographies of Key Personnel

## David Klos, CPA

### Chief Accounting Officer

Mr. Klos is the Chief Accounting Officer at Highland Capital Management, L.P. and FinOp NexPoint Securities, Inc. Since joining Highland in 2009, Mr. Klos has served in various roles within the Corporate Accounting, Fund Accounting, and Valuation departments. Prior to joining Highland, Mr. Klos was an audit senior with Deloitte & Touche LLP in its Boston and Dallas offices. Mr. Klos received an MBA with a concentration in Strategic Leadership and an MS in Accounting from Southern Methodist University. He also received a BS in Business Administration with a dual concentration in Accounting and Finance from Boston College. He is a licensed Certified Public Accountant in the state of Texas.

## James Mills

### Manager, Valuation

Mr. Mills is a Manager, Valuation at Highland Capital Management, L.P. He is responsible for supporting the valuation process throughout the firm. Prior to joining Highland in May 2017, Mr. Mills was a Senior Associate with Duff & Phelps. During his three years with the firm, he performed numerous valuation analyses for both public and private companies for tax and financial reporting purposes. Mr. Mills received a BBA in Finance from The University of Texas at Austin.

## Brendan Flaherty

### Valuation Analyst

Mr. Flaherty is a Valuation Analyst at Highland Capital Management, L.P. Prior to joining Highland in June 2020, he worked for PwC as a Senior Associate in the Financial Due Diligence practice advising clients on acquisitions and divestitures. Furthermore, Mr. Flaherty has experience auditing financial services clients with the PwC Dallas Assurance practice. He earned both a BBA and Masters of Accountancy degree from Baylor University and is a Certified Public Accountant in the state of Texas. Mr. Flaherty will be sitting for the Level III CFA exam this December.

## Kristin Hendrix, CPA

### Senior Manager, Corporate Accounting

Ms. Hendrix is a Senior Manager of Corporate Accounting at Highland Capital Management, L.P. Prior to her current role, Ms. Hendrix worked as an Accounting Analyst focusing on payables and receivables for the Management Company. Prior to joining Highland in December 2004, Ms. Hendrix was an Account Representative for Compass Bank from 2002-2004. She received an MBA from Southern Methodist University's Cox School of Business and a BBA in Finance from the University of North Texas. She is a licensed Certified Public Accountant.

## Hayley Eliason

### Corporate Accountant

Ms. Eliason is a Corporate Accountant at Highland Capital Management, L.P. Prior to joining Highland in November 2018, she worked as a Senior Audit Associate at KPMG, L.L.C in Seattle, WA. Ms. Eliason received a BBA in Accounting, with a minor in General Engineering from Washington State University. She has passed all four sections of the CPA exam.

## Blair Roeber

### Accounts Payable Analyst

Ms. Roeber is an Accounts Payable Analyst at Highland Capital Management, L.P. Prior to joining Highland in September 2015, she worked as an Accounts Payable Specialist for Carlson Capital, L.P. for several years. Ms. Roeber received a BBA in Management from Baylor University.   
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## Biographies of Key Personnel

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### **Will Mabry, CPA**

#### **Senior Manager, Fund Analysis**

Mr. Mabry is a Senior Manager of Fund Analysis at Highland Capital Management L.P. Prior to joining Highland in August 2012, Mr. Mabry was employed by Ernst & Young LLP as an Experienced Staff in the Assurance practice. Mr. Mabry received an MPA and BBA in Accounting from the University of Texas at Austin. He is a licensed Certified Public Accountant.

### **Charlie Hoedebeck, CPA**

#### **Manager, Fund Analysis**

Mr. Hoedebeck is a Manager, Fund Analysis at Highland Capital Management L.P. Previously at Highland, he was a Fund Analyst. Prior to joining Highland in October 2014, he was employed by KPMG LLP as an Audit Associate assessing financial statements & controls for clients in various industries. Mr. Hoedebeck received a Bachelor of Business Administration and a Master's of Accountancy from Baylor University. He is a licensed Certified Public Accountant.

### **Michael Throckmorton, CPA**

#### **Manager, Fund Analysis**

Mr. Throckmorton is a Manager, Fund Analysis at Highland Capital Management L.P. Prior to joining Highland in January 2018, he was employed by KPMG LLP as a Senior Audit Associate in the Alternative Investment Group. Mr. Throckmorton received an MS and a BBA in Accounting from the Cox School of Business at Southern Methodist University, and is a licensed Certified Public Accountant.

### **Chris Rice, CPA**

#### **Fund Analyst**

Mr. Rice is a Fund Analyst at Highland Capital Management L.P. Prior to joining Highland in January of 2019, he was employed at PricewaterhouseCoopers LLP as a Senior Tax Associate specializing in hedge funds, private equity, and fund of funds. Mr. Rice received both his Master's and Bachelor's of Science in Accountancy from Brigham Young University, and is a licensed Certified Public Accountant.

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# Biographies of Key Personnel

## **Austin Cotton, CPA**

### **Fund Analyst**

Mr. Cotton is a Fund Analyst at Highland Capital Management L.P. Prior to joining Highland in September 2019, he was employed by PricewaterhouseCoopers LLP as an Assurance Associate specializing in asset management, private equity, and fund of funds. Mr. Cotton received a Bachelor's of Business Administration and a Master's of Accountancy from Abilene Christian University. He is a licensed Certified Public Accountant.

## **Joye Luu**

### **Fund Analyst**

Mr. Luu is a Fund Analyst at Highland Capital Management L.P. Previously, he was an Operations Analyst, working with the Operations Team on the closing of bank loans, bonds, and equities. Prior to joining Highland in May 2019, he was an analyst at IHS Markit, where he worked in Syndicated Loan Operations. Mr. Luu received a BBA in Finance from the University of Oklahoma.

## **Camilo Zuluaga, CPA**

### **Senior SOX/Fund Analyst**

Mr. Zuluaga is a Senior SOX/Fund Analyst at Highland Capital Management L.P. Prior to joining Highland in September 2019, he was in the audit practice at Deloitte & Touche LLP. As a Senior auditor, Mr. Zuluaga worked in multiple industries obtaining attestation of their financial reporting and internal control over financial reporting (ICFR). Prior to Deloitte, he was an auditor at Waldron H. Rand & Co. and Ernst and Young LLP. Mr. Zuluaga received a B.S. in Accounting and a minor in statistics from Bryant University. He is a licensed Certified Public Accountant.

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# Tax

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MANAGEMENT, L.P.

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# Biographies of Key Personnel

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## **Mark Patrick Tax Counsel**

Mr. Patrick is Tax Counsel at Highland Capital Management, L.P. Prior to joining Highland in January 2008, Mr. Patrick was a Tax Associate at Jones Day for seven years where he worked on corporate mergers and acquisitions, commercial real estate acquisitions, tax credit monetizations, advised various private and public investment funds with respect to their financial products, and managed several complex tax audits under section 45K. He received JD, cum laude, from Boston University School of Law, an LL.M. in Taxation, from New York University, and a BBA in Finance, cum laude, from The University of Miami.

## **Rick Swadley, CPA Director of Tax Compliance**

Mr. Swadley is Director of Tax Compliance at Highland Capital Management, L.P. Prior to joining Highland in August 2008, Mr. Swadley was a Senior Tax Manager in the Dallas real estate practice of Ernst & Young, LLP for eleven years where he was responsible for the tax compliance for several real estate opportunity funds, REITs and partnerships. Prior to that, Mr. Swadley was a tax manager for Crow Holdings for seven years overseeing all aspects of the tax compliance for its commercial real estate operations. Mr. Swadley received both an MS in Taxation and a BBA from Baylor University. He is a licensed Certified Public Accountant.

## **Paul Broaddus, CPA Senior Manager, Tax**

Mr. Broaddus is a Senior Manager of Tax at Highland Capital Management, L.P. Prior to joining Highland in August 2014, Mr. Broaddus was a Tax Analyst at Carlson Capital, L.P. and was responsible for overseeing the tax compliance for oil and gas private equity funds and assisting with tax planning matters for Carlson Capital LP's hedge funds. Prior to that, he was a Tax Manager in the Dallas alternative investment practice of KPMG, LLP for close to five years where he was responsible for the tax compliance and consulting for private equity funds, real estate opportunity funds, and upstream oil and gas ventures. Mr. Broaddus received a BBA from Baylor University and is a licensed Certified Public Accountant.

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Management, L.P.

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## Biographies of Key Personnel

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### **Heriberto Rios, CPA**

#### **Senior Tax Analyst**

Mr. Rios is a Senior Tax Analyst at Highland Capital Management, L.P. Prior to joining Highland in September 2019, he was an Experienced Tax Associate in the Dallas Financial Service practice of PricewaterhouseCoopers, L.L.P. There, he was primarily responsible for the Federal tax compliance of various private equity funds including fund of funds, structured credit, and oil & gas funds. He received a BBA with concentrations in Accounting & Finance and an MS in Taxation from University of North Texas, and is a licensed Certified Public Accountant.

### **Tina Thottichira, CPA**

#### **Senior Tax Analyst**

Ms. Thottichira is a Senior Tax Analyst, Real Estate at Highland Capital Management, L.P. Prior to joining Highland in June 2020, she worked in multiple tax roles at Blackstone affiliated companies—Equity Office and Revantage Corporate Services—in Chicago, Illinois. There, Ms. Thottichira was primarily responsible for the federal, state, and local tax compliance for Blackstone's real estate investments. She received a BS from Purdue University with majors in Accounting and Business Management and a minor in Psychology. She is a licensed Certified Public Accountant.

### **Sarah Jimenez, CPA**

#### **Senior Tax Analyst**

Ms. Jimenez is a Senior Tax Analyst at Highland Capital Management, L.P. Prior to joining Highland in June 2020, she was a Tax Senior at Sanders & Company, LLC for three years, gaining tax experience in various industries. Prior to that, she served as a Tax Associate/Transaction Tax Associate at Ernst & Young, LP, working with their Tax Compliance and Transaction Tax groups. She received a Bachelor's degree in Business Administration, Cum Laude, and a Master's in Accounting from Texas Tech University. She is a Certified Public Accountant.

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Management, L.P.

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# Operations

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MANAGEMENT, L.P.

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# Biographies of Key Personnel

## **Vishal Patel**

### **Director of Operations**

Mr. Patel is a Director of Operations at Highland Capital Management L.P., working with the Operations Team on the closing of bank loans, bonds, and equities. He was previously a Senior Operations Analyst and Operations Analyst at Highland. Prior to joining Highland in December 2013, Mr. Patel worked as a Loan Analyst at Nationstar Mortgage where his reconciliation and research skills enabled him to consult and train at offshore sites. He received a BA in Economics from the University of Texas at Austin.

## **Steven Haltom**

### **Manager, Analyst**

Mr. Haltom is a Manager, Operations at Highland Capital Management L.P. Prior to joining Highland in February 2017, he worked at Fidelity Investments for two years as a Brokerage Operations Representative in Trade Services. Mr. Haltom received a B.S. in Economics with a minor in Business Administration from Texas A&M University.

## **Stetson Clark**

### **Senior Operations Analyst**

Mr. Clark is a Senior Operations Analyst at Highland Capital Management L.P., specializing in the closing of Bank Loans, Bonds and Equities. Prior to joining Highland in May 2018, he worked for Goldman Sachs as an Analyst specializing in Credit Derivatives and Bank Loans. Mr. Clark received a B.S. in Economics from the University of Texas at Austin.

## **Brad McKay**

### **Operations Analyst**

Mr. McKay is an Operations Analyst at Highland Capital Management L.P., working with the Operations Team on the closing of bank loans, bonds, and equities. Prior to joining Highland in August 2019, he was an Analyst at IHS Markit, where he worked in Syndicated Loan Operations. Mr. McKay received a BBA in Finance from the Neeley School of Business at Texas Christian University.

## **Kristen Thomas**

### **Operations Analyst**

Ms. Thomas is an Operations Analyst at Highland Capital Management L.P., specializing in the closing of Bank Loans, Bonds and Equities. Prior to joining Highland in March 2020, she was a Senior Analyst at Goldman Sachs specializing in Bank Loans and investments. Ms. Thomas received a BBA in Finance from Texas Christian University.

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# Executive Accounting / Security / Facilities

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ACL-080328

# Biographies of Key Personnel

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## **Melissa Schroth**

### **Executive Accountant**

Ms. Schroth is an Executive Accountant at Highland Capital Management, L.P. Prior to joining Highland in March 2011, Ms. Schroth was employed at Q&A Recruiting/SNI Companies as the Director of Operations for Texas. She was responsible for managing all administrative staff and functions, including HR, payroll, benefits and compensation, financial review and facilities management. Prior to Q&A, Melissa worked as a Senior Reporting Accountant at Dave and Busters' corporate offices. The first 12 years of her career were in the relocation industry as a Controller at North American Van Lines and Corporate Relocation, Inc. Ms. Schroth received a BS in Business Administration from the University of North Texas.

## **Scott Groff**

### **Director of Corporate Security**

Mr. Groff is the Director of Corporate Security at Highland Capital Management, L.P. Prior to joining Highland Capital in August 2005, Mr. Groff worked as an Executive Protection and Security Specialist. Prior to 1992, Mr. Groff spent six years overseas managing his own martial arts school while actively fighting on the Japanese, Brazilian and American MMA circuits. He is an actively trained member of The Royal Bahamian Police Academy, and The Royal Bahamian Defense Force as well as specialized drug units. Mr. Groff holds black belts in Taekwondo, Yong Bi Kwon Hapkido, and Combative Fighting Systems under Robert Bussey. Mr. Groff attended Oral Roberts University.

## **Kent Gatzki**

### **Facilities Manager**

Mr. Gatzki is a Facilities Manager at NexPoint Advisors, Inc. Prior to joining Highland in July 2011, Mr. Gatzki was a Facilities Manager for Andrew Merrick Homes. He was responsible for the 9th floor buildout of Highland Funds in 2009 and he manages a variety of construction projects in Park Cities.

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# Legal / Compliance

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MANAGEMENT, L.P.

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ACL-080330

# Biographies of Key Personnel

## Scott Ellington

### Head of Distressed, Chief Legal Officer and General Counsel

Mr. Ellington is Head of Distressed, Chief Legal Officer and General Counsel at Highland Capital Management, L.P. Prior to joining Highland in May 2007, Mr. Ellington worked as a Real Estate Counsel for Wells Fargo Bank in its Commercial Real Estate Group. Mr. Ellington primarily focused on the due diligence and documentation of commercial real estate credits. Formerly, Mr. Ellington worked from 2002-2004 as Bankruptcy Counsel to Countrywide Financial Corporation. He received a JD from Pepperdine University and a BA in History from The University of Texas at Dallas. Mr. Ellington is on the board of Terrestar.

## Isaac Leventon

### Managing Director, Distressed, and Assistant General Counsel

Mr. Leventon is a Managing Director, Distressed, and Assistant General Counsel at Highland Capital Management, L.P. Prior to joining Highland in September 2009, he worked as an Associate at Hartline, Dacus, Barger, Dreyer & Kern, LLP in Dallas where he coordinated discovery trial preparation, drafted primary position briefs and motions. Isaac received a JD from the University of Texas at Austin and a BA in Political Science from Emory University.

## Jean-Paul Sevilla

### Co-Head of Private Equity and Assistant General Counsel

Mr. Sevilla is Co-Head of Private Equity and Assistant General Counsel at Highland Capital Management, L.P. Prior to joining Highland in February 2012, Mr. Sevilla practiced corporate and securities law at Cravath, Swaine & Moore LLP and at Shearman & Sterling LLP, both in New York. Mr. Sevilla's practice focused on both domestic and cross-border leveraged finance transactions as well as mergers and acquisitions and corporate governance matters. Prior to his practice of law, Mr. Sevilla was a Surface Warfare Officer in the U.S. Navy. Mr. Sevilla received a JD, with honors, from the University of North Carolina at Chapel Hill and a BS from the United States Naval Academy. Mr. Sevilla is admitted to the bar in New York, California and Texas. He is Chairman of the Board for LLV Holdco, Chairman of the Board for CCS Medical, a Director on the board of Cornerstone Healthcare Group Holding, Inc., and a member of the board of Structural & Steel Products.

## Tim Cournoyer

### Co-Head of Private Equity and Assistant General Counsel

Mr. Cournoyer is Co-Head of Private Equity and Assistant General Counsel at Highland Capital Management, L.P. Prior to joining Highland in April 2016, he practiced corporate and securities law at Thompson & Knight LLP in Dallas and Paul, Weiss, Rifkind, Wharton & Garrison LLP in New York. Mr. Cournoyer's practice focused on both domestic and cross-border mergers and acquisitions, joint ventures and corporate governance matters. He received a JD from New York University School of Law and a BA in Economics from Emory University. Mr. Cournoyer is admitted to the bars of the State of New York and the State of Texas. He currently serves on the board of Carey Holdings, Inc., Trussway Holdings, and Trussway.

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HIGHLAND CAPITAL  
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# Biographies of Key Personnel

## Jason Post

### Chief Compliance Officer, Highland Funds

Mr. Post is Chief Compliance Officer, Highland Funds at Highland Capital Management, L.P. Prior to his current role, Mr. Post was a Deputy Chief Compliance Officer, Director of Compliance, Director of Operations where he oversaw the Settlement and Treasury groups for Highland's Institutional funds, and a Senior Portfolio Operations Analyst where he handled the review and documentation of financing facilities. Before joining Highland in July 2008, Mr. Post was a Treasury Manager and Trader at K Capital Management, LLC from 2005 to 2008, where he was responsible for negotiation and maintenance of financing facilities and was responsible for execution of all equity trades. From 2001 to 2005, he was a Treasury Analyst and Treasury Manager at HBK Investments assisting and overseeing multiple aspects of the firms financing initiatives. Mr. Post received a BBA in Finance and International Business from Baylor University.

## Eric Holt

### Chief Compliance Officer

Mr. Holt is Chief Compliance Officer at Highland Capital Funds Distributor, Inc. and NexBank Securities, Inc. Prior to joining Highland in October 2014, he served as Managing Member of RGH Compliance Solutions providing consulting services to broker-dealers. Mr. Holt started his career in the financial services industry in 1993 with Fidelity Investments. He has since served as Chief Compliance Officer for two of the leading financial services firms in the Dallas/Fort Worth area, First Southwest Company and Capital Institutional Services, Inc. (CAPIS), where he was responsible for the overall compliance of the firms, including sales and trading, clearing and operations. He has firsthand knowledge of creating and managing processes and controls to ensure compliance with developing and existing rules and regulations, enabling firms to grow in a compliant and profitable manner. Mr. Holt is a graduate of Baylor University with a BBA in Marketing. Mr. Holt currently maintains FINRA Series 7, 24, 4, 53, 63 and 99 registrations.

## Lauren Thedford

### Associate General Counsel

Ms. Thedford is Associate General Counsel at Highland and Secretary of the Retail Advisers and the Retail Funds. Prior to joining Highland as an Intern in January 2014, Ms. Thedford worked as an Extern for Summit Midstream Partners, LP, where she focused on midstream regulatory issues and legal research concerning the energy industry. While at Highland her practice has consisted of advising registered investment products, investment advisors, sponsors and other issuers with respect to launches, mergers, reorganizations and general corporate governance; regulatory compliance; and corporate transactional matters. Ms. Thedford is a member of the AT&T Performance Arts Center, Education and Community Committee. She received her B.A. summa cum laude in political science, with a Spanish minor, from West Texas A&M University, and her J.D. cum laude from Southern Methodist University's Dedman School of Law. She is a member of the State Bar of Texas.

## Stephanie Vitiello

### Managing Director, Distressed, and Assistant General Counsel

Ms. Vitiello is Managing Director, Distressed, and Assistant General Counsel at Highland Capital Management, L.P. Prior to joining Highland in October 2014, Ms. Vitiello worked as an accountant in the financial services industry at Citigroup in New York City and TPG in Texas. She earned a B.S. in Finance from Rutgers University and a J.D. cum laude from Southern Methodist University's Dedman School of Law. Ms. Vitiello is a member of the State Bar of Texas. She currently serves on the Board of Trustees of Voice of Hope.

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ACL-080332

# Biographies of Key Personnel

## **Katie Irving**

### **Managing Director, Distressed**

Katie Irving is a Managing Director, Distressed at Highland Capital Management, L.P. Prior to joining Highland in March 2013, Ms. Irving worked in the restructuring practice at Ernst & Young, with a focus on distressed companies, in and out of court debt restructuring, and corporate bankruptcy. Prior to Ernst & Young, Ms. Irving worked at FTI Consulting in the Corporate Finance practice and gained experience in the sub-prime bankruptcy space, preserving asset value for both debtors and creditors. Ms. Irving has a MS in Finance and a BBA in Accounting from Texas A&M University. She is a licensed Certified Public Accountant and a Certified Insolvency and Restructuring Advisor.

## **Matt DiOrio**

### **Managing Director, Private Equity**

Mr. DiOrio is a Managing Director, Private Equity at Highland Capital Management, L.P. Prior to joining Highland in March 2017, he was an Analysis Manager at Constellation Brands, where he focused on process improvement as well as financial modeling and forecasting. Since relocating to Texas from his home state of Massachusetts, Mr. DiOrio has worked in the finance departments of Central Market, Greyhound Lines and Dean Foods. He received an MBA from the McCombs School of Business at the University of Texas at Austin and a BA in Financial Economics from Saint Anselm College.

## **Cyrus Eftekhari**

### **Senior Compliance Analyst**

Mr. Eftekhari is a Senior Compliance Analyst at Highland Capital Management, L.P. Prior to joining Highland in April 2017, he worked for HD Vest as a Compliance Consultant primarily focusing on principal review and approval of communications with the public. While in this role, Mr. Eftekhari also provided support for Non-Cash compensation, OBA disclosures and annual CE requirements. Prior to HD Vest, Mr. Eftekhari was an Associate with Behringer Securities LP where he was responsible for supervision of registered representatives of the firm. Mr. Eftekhari received a Bachelor of Science in Business Administration from the University of Texas at Dallas and currently holds FINRA Series 7, 24 and 63 registrations.

## **Helen Kim**

### **Paralegal**

Ms. Kim is a Paralegal at Highland Capital Management, L.P. Prior to joining Highland in July 2007, she was with Greenberg Traurig, LLP in Dallas as a legal secretary supporting corporate attorneys in all aspects of corporate law. Prior to Greenberg Traurig, Helen was at Munsch Hardt Kopf & Harr, P.C. in Dallas as a legal secretary supporting corporate attorneys, including the head equity shareholder of the corporate department. Prior to Munsch Hardt, she was with Paul, Weiss, Rifkind, Wharton & Garrison, LLP in New York as a corporate legal secretary. Ms. Kim received a BA in Biology from University of California San Diego.

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ACL-080333

# Real Estate

HIGHLAND CAPITAL  
MANAGEMENT, L.P.

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ACL-080334



# Biographies of Key Personnel

## **Matt McGraner**

### **Managing Director**

Mr. McGraner is Chief Investment Officer and Executive Vice President of NexPoint Residential Trust, Inc. and Managing Director at Highland Capital Management, L.P. Previously, he was Corporate Counsel at Highland. Prior to joining Highland in May 2013, Mr. McGraner was an Associate with Jones Day in Dallas. While at Jones Day, he focused on domestic and international mergers and acquisitions for public and private companies, corporate finance, general corporate governance issues, and the formation and structuring of business entities. During law school, Mr. McGraner cofounded a real estate company focused on making investments in hotels and apartments. He received a JD from Washington University School of Law and a BS From Vanderbilt University. Mr. McGraner serves on the Board of Directors of LLV HoldCo, LLC.

## **Brian Mitts, CPA**

### **Chief Financial Officer, NREA**

Mr. Mitts is Chief Financial Officer at NexPoint Real Estate Advisors, L.P. Prior to his current role, he was the Chief Operations Officer of Highland Capital Management Fund Advisors, L.P. In this role he was responsible for monitoring the performance and compliance of Highland's registered funds business. Prior to joining Highland in February 2007, Mr. Mitts was the Manager of Financial Reporting for HBK Investments, a Dallas-based hedge fund. Mr. Mitts also founded and was President of his own business for ten years. Previously, Mr. Mitts was a Senior Accountant with Arthur Andersen, LLP. He received a MPA and a BBA from the University of Texas at Austin. Mr. Mitts is a licensed Certified Public Accountant. He currently serves on the Board of LLV HoldCo, LLC.

## **Matthew Goetz**

### **Director, Real Estate**

Mr. Goetz is a Director, Real Estate at NexPoint Advisors, L.P. Previously, he was a Senior Real Estate Analyst at Highland Capital Management, L.P. Prior to joining Highland in June 2014, he was a Senior Analyst with CBRE's Debt and Structured Finance group. Mr. Goetz has underwritten over \$7 billion and more than 30 million square feet of multifamily, office, and retail commercial real estate. Since May 2011, Mr. Goetz and his team closed over \$2.5 billion in debt financing. Prior to joining the Debt & Structured Finance group, he held roles as an Analyst and Senior Analyst for CBRE's FDIC account where he assisted in the asset management and disposition of over 3,000 REO assets valued at more than \$750 million. He also worked with the Recovery and Restructuring Services ("RRS") group where he provided commercial real estate consulting services to banks, special servicers, hedge funds, and private equity groups. Mr. Goetz graduated from St. Edward's University with a BBA in Finance.

## **Bonner McDermett**

### **Director, Real Estate**

Mr. McDermett serves as Director, Real Estate for NexPoint Advisors, L.P. and Senior Vice President - Asset Management for NXRT. His primary responsibilities are to source, evaluate and conduct due diligence on all new multifamily investment opportunities, lead the strategic direction and reporting on NexPoint's multifamily investment and asset management division, monitor and manage investments in the existing portfolio, and provide broad industry support for NexPoint's Real Estate Team. During his time at Highland/NexPoint, Mr. McDermett has played an integral role in the acquisition of \$3.2 billion of multifamily product across the US. Prior to joining the firm in March 2015, Mr. McDermett was a Financial Analyst with ARA's (nka Newmark Knight Frank) Dallas multifamily brokerage group. During his time at ARA, he evaluated over \$8.1 billion of multifamily and mixed-use commercial real estate, and his team closed over \$2.4 billion in multifamily and mixed-use product, single and multifamily land development opportunities, and equity investments. Mr. McDermett earned a B.A. from The University of Texas at Austin.

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HIGHLAND CAPITAL  
Management, L.P.

000661

ACL-080335

# Biographies of Key Personnel

## Paul Richards, CPA

### Director, Real Estate

Mr. Richards is a Director in Real Estate at Highland Capital Management, L.P. His primary responsibilities are to research and conduct due diligence on new investment ideas, perform valuation and benchmark analysis, monitor and manage investments in the existing real estate portfolio, and provide industry support for Highland's Real Estate Team. He was previously a Product Strategy Associate at Highland, where he was responsible for evaluating and optimizing the registered product lineup. He also held positions at Highland as Senior Fund Analyst and Financial Analyst. Prior to joining Highland Capital in January 2014, Mr. Richards was employed with Deloitte, LLP's state and local tax practice where he served as a Tax Consultant specializing in state strategic tax reviews, voluntary disclosure agreements, state tax exposure research, and overall state tax compliance. Mr. Richards received an MS in Finance and a BS in Accounting, magna cum laude, from Texas A&M University. He is a licensed Certified Public Accountant in the state of Texas.

## Jesse Blair

### Director & Executive Vice President – Head of Hospitality and Leisure

Mr. Blair is the Director and Executive Vice President, Head of Hospitality and Leisure for NexPoint Advisors, LP. Prior to joining NexPoint in May 2020, he led, arranged, and has been directly involved in over \$3 billion of capital markets and hospitality specific acquisitions and development. Mr. Blair led the strategic expansion and diversification of an operating platform acquired from Goldman Sachs, which oversaw more than 220 hospitality assets, and annually oversaw \$100 million of renovation capital. The platform was successfully merged to help create what is, today, the largest independent operating platform in North America. He received a BBA and MBA from University of Louisiana Monroe, where he was also a full time student-athlete, and subsequently a graduate assistant football coach.

## Evan Breault

### Financial Analyst, Real Estate

Mr. Breault is a Financial Analyst in Real Estate at NexPoint Advisors, L.P. His primary responsibilities are to research and conduct due diligence on new investment ideas, perform valuation and benchmark analysis, monitor and manage investments in the existing real estate portfolio, and provide support for Highland's Real Estate Team. Prior to joining Highland in September 2015, Mr. Breault was a Franchise Consultant at MosquitoNix, the national leader in mosquito control. During his time at MosquitoNix he was in charge of overseeing and analyzing seventeen franchises' business operations. Mr. Breault received a B.B.A. in Finance from The University of Oklahoma.

## Cody Morton

### Financial Analyst, Real Estate

Mr. Morton is a Financial Analyst in Real Estate at NexPoint Advisors, L.P. Prior to joining NexPoint in September of 2018, he was a Senior Associate with Stoneleigh Companies, an opportunistic real estate investment firm. During his time at Stoneleigh, Mr. Morton evaluated over \$3B of commercial real estate, and his team transacted on \$1.2B in acquisitions and development. He also interned at Hillwood Development. Prior to his professional career, Mr. Morton served in the military with multiple combat deployments overseas, where he was awarded the Purple Heart Medal, Navy & Marine Corps Commendation Medal, and the Combat Action Ribbon. He earned a B.A. and MBA from Southern Methodist University and is pursuing an MPS in Real Estate from Georgetown University.

## Taylor Colbert, CPA, CFA

### Financial Analyst, Real Estate

Mr. Colbert is a Financial Analyst, Real Estate at NexPoint Advisors, LP. Previously, he was an Associate, Private Equity and Senior Fund Analyst with Highland Capital Management, LP. Prior to joining Highland in July 2015, he was employed by KPMG LLP as a Senior Audit Associate in the Alternative Investment Group. Mr. Colbert received an MS in Accounting and BS in Financial Consulting from the Cox School of Business at Southern Methodist University, and is a licensed Certified Public Accountant in the state of Texas. He is also a Chartered Financial Analyst (CFA) and a Registered Investment Advisor (RIA) for NexPoint Funds. Board Meeting 8/13/2020

# Biographies of Key Personnel

## **William Larkin**

### **Revenue Manager, Real Estate**

Mr. Larkin is a Revenue Manager, Real Estate at NexPoint Advisors, L.P. Prior to joining NexPoint in July 2019, he worked as a Revenue Manager at U.S. Residential Group, where he oversaw twenty-two multifamily assets and was responsible for their rate strategies. Prior to that, Mr. Larkin worked as a Revenue Manager at Hilton Worldwide. Mr. Larkin received a B.S. from The University of Oklahoma.

## **David Willmore**

### **Senior Manager, Fund Analysis**

Mr. Willmore is a Senior Manager, Real Estate Operations at NexPoint Residential Trust, Inc. During his time at Highland, he has worked his way up from a Fund Accountant, to Senior Manager, to his current role. Prior to joining Highland in October 2011, Mr. Willmore began his career at Deloitte & Touche LLP as an Audit Senior Assistant in the Audit and Enterprise Risk Services Group. Mr. Willmore received an MS and BS in accounting from Brigham Young University. He is a licensed Certified Public Accountant.

## **Tom Chapline**

### **Senior Financial Accountant (REIT)**

Mr. Chapline is a Senior Financial Accountant (REIT) at NexPoint Residential Trust, Inc. Prior to joining NexPoint in October 2017, he was a Senior Associate within the audit practice at KPMG, LLP, involved in supervising financial statement audits of various entities in the asset management industry. Mr. Chapline received his MS and BBA in Accounting from Southern Methodist University. He is a licensed Certified Public Accountant (CPA) in Texas.

## **Craig Emert**

### **Financial Accountant**

Mr. Emert is a Financial Accountant at NexPoint Residential Trust, Inc. Prior to joining NexPoint in August 2019, he interned with Standish Management, where he was responsible for preparing financial reporting packages for private equity and venture capital funds. Mr. Emert also previously interned with Highland Capital Management in their Back Office and Real Estate accounting teams. He received his MS and BBA in Accounting from Southern Methodist University.

## **Matt Haselroth**

### **Real Estate Fund Analyst**

Mr. Haselroth is a Real Estate Fund Analyst at NexPoint Residential Trust, Inc. Prior to joining NexPoint in July of 2019, he handled the accounting and operational development at Labora Group as an Operations Accountant. Mr. Haselroth received a BS and MS in accounting from the University of Missouri, and is a Certified Public Accountant.

## **Kaitlin Nelson**

### **Real Estate Fund Analyst**

Ms. Nelson is a Real Estate Fund Analyst at NexPoint Advisors, L.P. Prior to joining NexPoint in July 2019, she was a Fund Accounting Intern at Oak Hill Advisors in Fort Worth. Ms. Nelson received a BS in Accounting with Magna Cum Laude honors and an MS in Accounting from the University of Texas at Arlington. She is currently studying to become a Certified Public Accountant and hopes to attain this designation in July 2019.

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## Biographies of Key Personnel

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### **Jackie Graham**

#### **Investor Relations Manager**

Ms. Graham is an Investor Relations Manager at NexPoint Advisors, L.P. Prior to March 2019, she was employed under Highland Capital Management Fund Advisors, L.P., an affiliate of NexPoint. Prior to her current role, she was a Marketing Manager supporting the Retail arm at Highland. Prior to joining Highland in November 2016, she worked as a marketing consultant at The Nautilus Group, a service of New York Life Insurance Company. At the Nautilus Group, Ms. Graham consulted with agents who work in the high net worth market. She was responsible for event planning, creating custom marketing collateral, and developing continuing education programs for attorneys, accountants, and other financial planning professionals. Ms. Graham received a BS in Political Science with a pre-law emphasis and a minor in Communications from Santa Clara University. She also completed considerable credits at the American College in estate planning coursework.

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HIGHLAND  CAPITAL  
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# Human Resources/ Recruiting

HIGHLAND CAPITAL  
MANAGEMENT, L.P.

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ACL-080339

# Biographies of Key Personnel

## **Brian Collins**

### **Director of Human Resources**

Mr. Collins is the Director of Human Resources at Highland Capital Management, L.P. Previously at Highland, Mr. Collins was a Senior Manager on the Internal Strategy team. Prior to joining Highland in April 2008, Brian spent six years at Ernst & Young in the Finance & Performance Management consulting group. He focused on operational effectiveness, business process improvement, and financial transformation across a wide array of industries. Earlier in his career, Brian was a senior consultant with Arthur Andersen in the Technology Risk Consulting practice. Mr. Collins received a BBA in Accounting and Information Systems, summa cum laude, from Baylor University, where he graduated as valedictorian of Baylor's Hankamer School of Business.

## **Kellie Stevens**

### **Human Resources Manager**

Ms. Stevens is a Human Resources Manager at Highland Capital Management, L.P. Prior to joining Highland, she worked in Human Resources for PepsiCo for four and a half years. During her tenure there, Ms. Stevens worked as an HR Business Partner at two manufacturing facilities before transferring to the Frito-Lay corporate headquarters in Plano two years ago. In her time at headquarters, she supported various functions such as Finance, Procurement, and Go To Market. Ms. Stevens earned a Bachelor's degree in Finance and a Master's degree in Human Resources and Industrial Relations from the University of Illinois - Urbana-Champaign, where she was a member of the NCAA swim team.

## **Kari Kovelan**

### **Recruiting Manager**

Ms. Kovelan is a Recruiting Manager at Highland Capital Management, L.P. Prior to joining Highland in November 2016, she worked in Human Resources at ACTIVE Network. At ACTIVE, Ms. Kovelan was initially hired as a Recruiter supporting various departments including: Finance, Sales, Legal, Marketing, IT, and Design. She was promoted to a Senior Recruiter where she supported C-Suite talent acquisition, and then elevated to lead internal Human Resource projects and communications as a Senior Program Manager. Ms. Kovelan earned a Bachelor's Degree in Communication Studies with a minor in German from Central College in Pella, Iowa. During her time at Central College, Ms. Kovelan was a member of the track and field team and earned a spot on the US Track and Field Academic All-American Team.

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# Administration

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MANAGEMENT, L.P.

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# Biographies of Key Personnel

## **Tara Loiben**

### **Executive Assistant**

Ms. Loiben is an Executive Assistant at Highland Capital Management, L.P. Prior to joining Highland, Ms. Loiben was employed at Klemchuk Kubasta LLP, an Intellectual Property law firm. As a certified paralegal with administrative experience, she served as the Trial Department Coordinator, Lead Litigation Paralegal, and Executive Assistant. Ms. Loiben received a BA in Political Science from Baylor University.

## **Kellie Richardson**

### **Executive Assistant to the Office of the President**

Ms. Richardson is an Executive Assistant at Highland Capital Management, L.P. Prior to joining Highland in June 2019, she was employed at Conference Event Management as an Events and Promotions Coordinator. In addition to her work as an events coordinator, Ms. Richardson opened a new premium food and beverage department consisting of suites, bars, clubs, and catering at a football and basketball arena with Levy Restaurants. She received a BS in Event Management and Hospitality Management from Iowa State University.

## **Naomi Chisum**

### **Executive Assistant**

Ms. Chisum is an Executive Assistant at Highland Capital Management. Prior to joining Highland in December 2014, Ms. Chisum was employed at McCathern Law Firm as the Human Resources Manager and Assistant to the Founding Partner and Managing Partner. She has a combined seven years experience in the legal and financial industry. Ms. Chisum received a B.A. in Journalism with a focus in Public Relations from the University of North Texas.

## **Sarah Goldsmith**

### **Executive Assistant**

Ms. Bell is an Executive Assistant at Highland Capital Management, L.P. Prior to joining Highland in April 2013, she worked for Alice+Olivia and was the Texas coordinator for the Neiman Marcus and Saks Fifth Avenue accounts. Ms. Bell received a BS in Retail Management from University of Texas Austin and has a Graduate Marketing Certificate from Southern Methodist University. She is an active member of the Junior Associates of the Dallas Museum of Art and a Friend of Klyde Warren Park.

## **Hailey Soto**

### **Executive Assistant**

Mrs. Soto is the Executive Assistant to the President at Highland Capital Management Fund Advisors%2c L.P. Prior to joining Highland in May 2015%2c she was employed at Carlson Capital%2c L.P. as Administrative Associate to the Investor Relations team. Additionally%2c Mrs. Soto has held Executive Administrative positions in the Real Estate and Healthcare industries. She received her BA in Communication Studies with a Minor in Marketing from the University of North Texas.

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Management, L.P.

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## Biographies of Key Personnel

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### **Jennifer Grant**

#### **Executive Assistant**

Ms. Grant is an Executive Assistant at NexPoint Advisors, L.P. Prior to joining NexPoint in May 2017, she was the Front Office Manager at ExamWorks. Ms. Grant received a Bachelor of Science in Health and Exercise Science from the University of Oklahoma.

### **Jenny School**

#### **Executive Assistant**

Ms. School is an Executive Assistant at NexPoint Advisors, LP. Prior to joining NexPoint in June 2019, she worked as an Office Administrator at Phalanx International (USA), Inc. She received a Bachelor's degree from Ole Miss, where she double majored in Sociology and Psychology.

### **Brigid Brewer**

#### **Receptionist**

Ms. Brewer is the Receptionist at Highland Capital Management, L.P. Prior to joining Highland in June 2020, she interned with Jones Lang La Salle, where she was responsible for preparing comparative market analyses for specific retail and industrial properties. Ms. Brewer also interned with PlainsCapital Bank as a credit analyst. She received a BS in Financial Economics from Spring Hill College.

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# Information Technology

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HIGHLAND CAPITAL  
MANAGEMENT, L P

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ACL-080344

# Biographies of Key Personnel

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## **Jason Rothstein**

### **Director, IT Infrastructure**

Mr. Rothstein is Director, IT Infrastructure at Highland Capital Management, L.P. Prior to joining Highland in July 2007, Mr. Rothstein was the Global Technology Manager at Penson Financial Services in Dallas where he was responsible for Penson's global IT architecture and inter-office IT coordination. From 2003-2005, he was the IT Domain Manager at Penson Financial in Montreal, Canada, where he managed network operations and the helpdesk. Mr. Rothstein received a BSc from Concordia University in Montreal. He holds the Microsoft MCSE 2003 certification.

## **Jerome Carter**

### **Junior Network Engineer**

Mr. Carter is a Junior Network Engineer at Highland Capital Management, L.P., working in the Information Technology group. Previously at Highland he was a Support Engineer. Prior to joining Highland in December 2006, Mr. Carter was a Helpdesk Analyst for Northrop Grumman in the Information Technology Sector where he assisted in supporting end users from Northrop Grumman and Vought Aircraft. Before moving to Northrop he worked as a Software Support Tech for MCI working as a part of the MCI Technical Training Center, where he tested and supported MCI technical training applications. Mr. Carter received a BBA from Texas Tech University in Management Information Systems and he is also a Microsoft Certified System Administrator.

## **Boyd Gosserand**

### **Senior Systems and Network Engineer**

Mr. Gosserand is a Senior Systems and Network Engineer at HCMLP and is responsible for the firm's data and telephone network and servers. Prior to joining Highland in March 2005, Mr. Gosserand was a Senior Systems Engineer at Student Insurance and The Staubach Company where he performed enterprise AD implementation/migrations and Lotus Notes to Microsoft Exchange conversions. He has been in the IT industry for over 15 years. He received a BS in Radiology from Northwestern State University. He is a Microsoft Certified Systems Engineer and a registered Radiographer.

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ACL-080345

# Product Strategy/Corporate Development

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MANAGEMENT, L.P.

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# Biographies of Key Personnel

**Dustin Norris, CPA**

**Chief Product Strategist, Liquid Alternatives, Highland Capital Management Fund Advisors, L.P.**

Mr. Norris is Head of Distribution and Chief Product Strategist at NexPoint Advisors, L.P. Prior to March 2019, he was employed under Highland Capital Management Fund Advisors, L.P., an affiliate of NexPoint. In his current role, he oversees the distribution team focused on closed-end funds, interval funds, private placements, DST 1031 Exchange offerings, and open-end mutual funds. Mr. Norris oversees a team including external and internal sales, national accounts, product development, and marketing/investor relations. As Chief Product Strategist, he works on evaluating and optimizing the product lineup offered on Highland's investment platform. Additionally, Mr. Norris works with portfolio managers and sales and marketing teams on appropriate positioning of strategies in the marketplace. He joined Highland in June 2010 and was previously employed by Deloitte & Touche LLP in the Audit and Enterprise Risk Services Group working primarily in the financial services and energy industries. Mr. Norris received a Master and Bachelor degree in accounting from Brigham Young University. He is a licensed Certified Public Accountant.

**Kevin Fullmer**

**Director, Product Strategy**

Mr. Fullmer is a Director, Product Strategy at NexPoint Advisors, L.P. Prior to March 2019, he was employed under Highland Capital Management Fund Advisors, L.P., an affiliate of NexPoint. Prior to his current role, he was a Client Portfolio Manager for the Long/Short Merger Arb fund. Prior to joining Highland in March 2017 he worked as an analyst within the Investment Management Division of Goldman Sachs for three years, focusing on Private Equity manager selection for large institutional clients. Prior to that, Mr. Fullmer was an analyst at Grandeur Peak Global Advisors, a micro to mid-cap global equities investment firm. He received a BS in Finance from The University of Utah.

**Scott Simon**

**Director, Product Strategy**

Mr. Simon is a Director, Product Strategy at NexPoint Advisors, L.P. He has over 17 years of experience in the real estate investment and securities industry. Prior to joining NexPoint in October 2019, Mr. Simon was a Senior Investment Associate with Greysteel, a prominent multifamily brokerage and advisory company. Prior to that, he has held Vice President positions with some of the industry's leading Real Estate Investment firms. Mr. Simon received a BS in Finance from The University of Maryland and currently holds his FINRA series 7 and 66 licenses, along with his Texas Real Estate Sales Person license.

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MANAGEMENT, L.P.

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# Highland Capital Management Funds

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000674  
ACL-080348



# Biographies of Key Personnel

**Brian Fuentes**

**Director of Shareholder Services**

Mr. Fuentes is the Director of Shareholder Services at NexPoint Securities, Inc. In this capacity, he is responsible for directing the day-to-day operations surrounding shareholder service related matters for NexPoint's existing and expanding product portfolio. Prior to joining NexPoint in August 2016, Mr. Fuentes was the Director of Operations at Provasi Capital Partners. Prior to that role, he was a Premier Service Associate at H.D. Vest Financial Services. Mr. Fuentes received a Bachelor of Business Administration Degree in Finance from West Texas A&M University. He also holds FINRA Series 7 and 65 securities licenses.

**Angela Brumley**

**Business Analyst**

Ms. Brumley is a Business Analyst at NexPoint Advisors, L.P. Prior to March 2019, she was employed under Highland Capital Management Fund Advisors, L.P., an affiliate of NexPoint. Prior to joining Highland in February 2014, she was at Behringer Harvard as a member of the technical operations team focusing on the development and administration of Salesforce.com. While there, Ms. Brumley served as the Salesforce trainer and liaison to sales, marketing, due diligence, compliance, project management, shareholder services, and information technology. Previously, she was a Project Manager at Sullivan, Cotter and Associates working on their CRM implementation. Ms. Brumley received a BS in Education and English from Southwestern Assemblies of God University and a Master of Divinity from the Assemblies of God Theological Seminary.

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# NexBank Wealth Management

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ACL-080350

# Biographies of Key Personnel

## Mike Hurley

### Chief Market Strategist

Mike Hurley, CMT is Chief Market Strategist for Highland Capital Management Fund Advisors, L.P. He joined the firm in 2011 as a sub-advisor to the Highland Trend Following Fund, and prior to that served as a Portfolio Manager with Fusion Asset Management, LLC, where he managed the Fusion Global Long/Short Fund (FGLSX) from its inception in September 2007 to November 2008. That fund posted a positive return in 2008 and won the Lipper Performance Achieve Award in the Long/Short category (ranked #1 of 90). Prior to launching FGLSX he served as Chief Technical Strategist for several boutique research firms, including: M.S. Howells & Co., Sound View Technology Group and E\*Offering (The Investment Bank of E\*TRADE). From 1986 to 1994 he served as a commissioned officer in the United States Navy, where he flew over 50 combat missions during Operation Desert Storm, earning two Air Medals. Mr. Hurley is a graduate of the University of California, Santa Barbara where he received B.A. degrees in both Business Economics and Chemistry. He is Series 7, 63 & 65 licensed and is a Chartered Market Technician (CMT).

## Svetlana Kouzmenko

### Director of Operations

Ms. Kouzmenko is a Director of Operations at Highland Capital Management Fund Advisors, L.P. Prior to joining Highland in July 2017, she was a Portfolio Analyst for five years at True North Advisors. In her role there, Ms. Kouzmenko was responsible for managing over \$400MM in assets, improvement of the firm’s internal processes, and implementation of the Envestnet Tamarac Advisor Xi Platform, which enables efficient and nearly automated portfolio management. Previously at True North Advisors, she served as a Data and Financial Analyst, auditing key financial projects and improving the firm’s revenue collection process. Ms. Kouzmenko received a BBA in Finance, BS in Economics with Financial Applications, and MA in Applied Economics from Southern Methodist University.

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# NSI National Accounts

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MANAGEMENT, L P

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# Biographies of Key Personnel

## Angela Barbera

### MD, National Accounts

Ms. Barbera is a Managing Director, National Accounts at NexPoint Securities, Inc., where she is responsible for leading the company's national accounts and business development initiatives, and growing the selling group for NexPoint's investment products. She has over 15 years of experience in the financial services industry, much of which was spent establishing distribution partnerships and launching new investments and initiatives across various product lines—including REITs, private placements, annuities, and '40 Act funds. Prior to joining NexPoint in July 2019, Ms. Barbera was Executive Vice President at Steadfast Capital Markets Group, where she led the team that developed and maintained relationships, and set selling strategies with over 300 hundred broker-dealers and RIAs for Steadfast Companies, Alcentra, and Voya Annuity & Asset Sales. She received her Bachelor of Science degree in business communication from Cornell University, and holds her FINRA Series 6, 7, 63 and 79 licenses and California Life & Health. Ms. Barbera serves on the board at The Center of Investment & Wealth Management at University of California, Irvine.

## Micah Jordan

### National Accounts Director

Mr. Jordan is a National Accounts Director at NexPoint Securities, Inc. Prior to joining NexPoint in April 2018, he spent the last eight years of his career in the wholesale distribution space focusing on alternative investments. Mr. Jordan has been responsible for managing and developing key business relationships with home offices within the independent broker-dealer channel as well as expanding the network of investment offerings within those relationships for non-traded Closed-end Funds, Interval Funds, Open-end Funds, REITs and DST 1031 offerings. He most recently was Vice President, National Accounts at Provasi Capital Partners from 2016-2018. Mr. Jordan joined Provasi in 2010 as a Broker-Dealer Due Diligence Project Specialist. In 2012, he was brought on to the National Accounts team as a Product and Strategic Account Associate, and later served as both Key Accounts Manager and Director of Account Development. At Provasi, Mr. Jordan was an integral part of the sales team that launched their new product platform and secured hundreds of selling agreements, raising equity of over \$500 million. He received a Bachelor of Science degree in Sports Management and Business Administration from Texas A&M University. Mr. Jordan also holds FINRA Series 7 and 63 securities licenses.

## Madeline Frizell

### National Accounts Director

Ms. Frizell is a National Accounts Director at NexPoint Securities, Inc. Prior to joining NexPoint in May 2018, she was a member of Jefferies' Capital Intelligence team, where she provided business consulting and capital introduction services to hedge fund clients and institutional investors in Texas and the Southwest region. Ms. Frizell is on the TXWSW Networking Committee connecting women in finance in the Texas area. She received her Bachelor's degree from Southern Methodist University in Dallas, Texas, and holds Series 7 and Series 63 securities licenses.

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# NSI External Wholesalers (Regional Sales Directors) & Client Portfolio Managers

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# Biographies of Key Personnel

## **Brian Sanborn**

### **Real Estate Client Portfolio Manager**

Mr. Sanborn is the Real Estate Client Portfolio Manager with NexPoint Securities, Inc. In this capacity, he provides product and marketing support for the company's line of Real Estate Investment Funds. Mr. Sanborn has extensive experience with marketing real estate products built to meet the demands of individual investors. He has performed various roles related to the distribution of these products through the independent broker dealer network. Prior to joining Highland in February 2017, Mr. Sanborn was associated with Merrill Lynch, Southwest Securities, and Provasi Capital. During his 25-year career, he has filled leadership roles in management, sales and compliance. Mr. Sanborn received a Bachelor of Science degree in Marketing and Management from Siena College in Loudonville, New York. He also holds FINRA Series 7 and 63 securities licenses.

## **Kirby Noel**

### **National Sales Manager, Managing Director**

Mr. Noel is the National Sales Manager, Managing Director at NexPoint Securities, Inc. Prior to joining NexPoint in July 2019, he worked in the financial services industry for over two decades, holding positions such as external wholesaler, Divisional Sales Manager and National Sales Manager. Mr. Noel led wholesaling teams in both the alternative investment asset class as well as in the variable annuity asset class. His direct teams have raised over \$10 billion in total assets. Mr. Noel's previous employers include Lincoln Financial Distributors, AXA Distributors and Realty Capital Securities. He has also been a main stage speaker at Broker Dealer conferences. Mr. Noel received his BA from Tufts University, and holds FINRA series 7, 24 and 63 licenses.

## **Mike Hollister**

### **Senior Regional Sales Director**

Mr. Hollister is a Senior Regional Sales Director at NexPoint Securities, Inc. Prior to joining NexPoint in August 2015, he spent the last decade wholesaling alternative investments to independent broker dealers in the Pacific Northwest region. Mr. Hollister began his career in financial services as a CPA and became a registered rep with Pacific West Securities. He earned a BA in Accounting from Western Washington University and holds FINRA Series 7 and 66 licenses.

## **Michael Jones**

### **Regional Sales Director**

Mr. Jones is a Regional Sales Regional Sales Director at NexPoint Securities, Inc. Prior to NexxPoint in January of 2016, he spent over 5 years at Realty Capital Securities as a Regional Vice President covering the NYC Metro territory. During this time, Mr. Jones raised over 250 million in capital across Realty Capital Securities' multiple programs. In addition to his achievements in the alternative investment space, Mr. Jones also enjoyed success as a financial advisor at Morgan Stanley, and a wholesaler in both the variable annuity and mutual fund industry. Mr. Jones received a BA in History at Allegheny College.

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ACL-080355



# Biographies of Key Personnel

## John Dunn

### Senior Regional Sales Director

Mr. Dunn is a Sales Regional Sales Director at NexPoint Securities, Inc. Prior to joining NexPoint in September of 2018, he was a Senior Vice President at Cantor Fitzgerald, after a previous stint with Highland Capital Funds Distributor, Inc. (an affiliate of NexPoint) as an IBD Regional Sales Director. Preceding that, he was a Regional Sales Director representing AEI Capital Corporation. Earlier in his career, Mr. Dunn worked as a Regional Vice President for Hartman Income REIT and also spent over eight years as an Associate Regional Director and Sr. Internal Sales Consultant with Hines Securities marketing commercial real estate investments that included both the Hines REIT and Hines Global REIT. He earned a BBA in Marketing from Texas Christian University and holds FINRA Series 7 and 63 licenses.

## Keith Cawley

### Regional Sales Director

Mr. Cawley is a Regional Sales Director at NexPoint Securities, Inc. Prior to joining NexPoint in April 2017, he was an Internal Wholesaler with MetLife where he specialized in retirement planning and income generation. Mr. Cawley received his Bachelor of Science degree in finance from the University of South Carolina and holds FINRA Series 7 and 63 licenses.

## Steve Brodeur

### Regional Sales Director

Mr. Brodeur is the Regional Sales Director for the Florida region at NexPoint Securities, Inc. Prior to joining NexPoint in September 2018, he was a Regional Sales Director with Arrow Funds where he successfully raised assets for a variety of alternative investment strategies including managed futures, tactical fixed income, and multi-asset class global macro. In 2010, Mr. Brodeur co-founded and was Managing Partner of Infinity Capital Partners, a third-party marketing, consulting and distribution firm offering affordable, professional and customizable sales and marketing solutions to asset managers. He has also held wholesaling positions with Fidelity Investments, Rydex Investments, John Hancock and Northern Trust. Mr. Brodeur received a Bachelor of Arts in Financial Economics from St. Anselm College, and is FINRA Series 7, 24 and 65 licensed.

## Mark Dillon

### Regional Sales Director

Mr. Dillon is the Regional Sales Director in the Four Corners Region at NexPoint Securities, Inc. Prior to joining NexPoint in December 2019, Mr. Dillon spent the last decade at Cantor Fitzgerald, LLC, and Realty Capital Securities as Senior Vice President, responsible for wholesaling alternative investments to the Independent Broker Dealer & RIA Channels. Mr. Dillon received a BBA in Finance from Temple University Fox School of Business, and holds FINRA Series 7 and 63 licenses.

## Mike Brennan

### Regional Sales Director

Mr. Brennan is an IBD Regional Sales Director at NexPoint Securities, Inc. Prior to joining NexPoint in June 2018, he worked for Bluerock Capital as an Internal Wholesaler for two and a half years in New York, NY. While at Bluerock, Mr. Brennan and his external partner were the top wholesaling team for interval funds. Prior to Bluerock, he began his career in wholesaling with RC Securities, LLC as an Internal Wholesaler. Mr. Brennan received a Bachelor of Business Administration degree from Roanoke College, where he was a member of the Men's Lacrosse team. He holds FINRA 7, 62 & 24 licenses.

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ACL-080356

# Biographies of Key Personnel

## Scott Belval

### Regional Sales Director

Mr. Belval is a Regional Sales Director for the New England and Upstate New York regions at NexPoint Securities, Inc. Prior to joining Nexpoint in January 2020, he spent the last 20 years as a Regional Vice President, raising 3.5 billion dollars for some of the largest financial service companies in the United States such as Franklin Templeton, Cole Capital, CNL, and most recently, Foresters Financial. Mr. Belval has extensive knowledge of alternative investments and a deep understanding of real estate-related investment products. He earned a BA in Business Management from Bryant University, and holds FINRA Series 6, 7, 63, and 65 licenses.

## Luke Castanien

### Regional Sales Director

Mr. Castanien is a Regional Sales Director at NexPoint Securities, Inc. He brings over 15 years of experience in the financial services industry to his role at NexPoint, where he is responsible for assisting Financial Advisors and RIAs through the sales process of Nexpoint's Real Estate offerings in Kansas, Missouri, Iowa, and Nebraska. Prior to joining NexPoint in January 2020, Mr. Castanien worked at Direct 1031 Exchange assisting clients and RIAs across the country with DST and Opportunity Zone investments. Prior to that, he spent 10 years with Black Creek/Dividend Capital and raised over 300 million into their Real Estate offerings, helping to break the first DST into a major wirehouse, Morgan Stanley. Mr. Castanien also spent time wholesaling Mutual Funds at Janus, and Annuities with Jackson. He holds a Bachelor of Arts Degree in Business Administration and a Bachelor of Arts in Resort Management from Western University of Colorado, and holds FINRA series 6, 7, and 63 licenses.

## Kyle Castle

### Regional Sales Director

Mr. Castle is a Regional Sales Director for the Midwest region of NexPoint Securities, Inc. In this role, he manages NexPoint's sales efforts, supports registered reps and advisors, and cultivates broker-dealer channel throughout Illinois, Indiana and Michigan. Mr. Castle has worked in the financial service industry for over eight years. Prior to joining NexPoint in January 2020, he acted as Managing Director for S2K Financial in the Midwest region. Prior to S2K, Mr. Castle acted as Regional Vice President for Steadfast Capital Markets Group in the Midwest region, where he was responsible for raising capital for non-traded Multi-family REITs. While there, he was consistently in the top third for sales and new producers. Mr. Castle got his start in the financial world as a Personal Banker at Bank of America. He received a Bachelor's degree in Business Administration from California State University Fullerton's Mihaylo College of Business and Economics, and holds FINRA series 7 and 63 licenses.

## Sean Parvin

### Senior Regional Sales Director

Mr. Parvin is a Senior Regional Sales Director in the SoCal region for NexPoint Securities, Inc. Prior to joining NexPoint in February 2020, he was with SC Distributors for over six years, first serving as an Internal Sales Associate before becoming a Regional Vice President. During his time at SC Distributors, Mr. Parvin covered the Midwest territory, the LA/Central California territory, and most recently, the West Coast territory. Mr. Parvin received a Bachelor of Arts degree from Pennsylvania State University, where he was a member of the men's Division 1 baseball team. He holds FINRA series 7 and 63 licenses.

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# Biographies of Key Personnel

## **Gaston Escudero Jr.**

### **Regional Sales Director**

Mr. Escudero Jr. is a Regional Sales Director in the Mid-Atlantic region at NexPoint Securities, Inc. Prior to joining NexPoint in January 2019, he worked for BlueRock as an Internal Wholesaler for 18 months. At BlueRock, Mr. Escudero had a key role in building out a new territory, which lead to 122% year over year growth in sales. Before BlueRock, he spent 3 years in New York City working as an internal wholesaler for American Realty Capital, followed by Cantor Fitzgerald. Prior to working in New York City, Mr. Escudero began his career interning for his family's Financial Planning Practice in Orange, CA. He played Division I Baseball at Penn State, where he received a Bachelor's degree in Interpersonal Communications and a Minor in Business. He holds FINRA series 7 and 63 licenses.

## **Austin Sims**

### **Regional Sales Director**

Mr. Sims is a Regional Sales Director at NexPoint Securities, Inc. Prior to joining NexPoint in August 2016, he worked as an Investment Solutions Representative at Fidelity Investments where he discussed retirement planning, developed client investment strategies and uncovered outside assets to consolidate to Fidelity. He received a Bachelor of Arts in Communication from the University of Arkansas and holds the FINRA 7 & 66 licenses.

## **Ian Howle**

### **Regional Sales Director**

Mr. Howle is a Regional Sales Director at NexPoint Securities, Inc. Prior to joining NexPoint in May 2017, he worked as a Financial Advisor at Ameriprise Financial. During his time at Ameriprise, Mr. Howle provided comprehensive financial planning advice for individuals, families, and small businesses. His areas of focus included retirement planning solutions, wealth accumulation, estate planning, college education funding, and wealth preservation strategies. Mr. Howle received his Bachelor of Science degree in finance with a minor in economics from the University of Arkansas. He holds FINRA series 7 and 66 licenses.

## **Josef Yehia**

### **Regional Sales Director**

Mr. Yehia is a Regional Sales Director in the Upper Midwest region at NexPoint Securities, Inc. Prior to joining NexPoint in February 2019, he worked as a Wholesaler for 3 years at Ascendant Capital. There, Mr. Yehia distributed alternative investments for the Midwest and Great Lakes region and was responsible for raising over 150 million in new capital. Before Ascendant Capital, he spent 3 years in Dallas working as an internal wholesaler for Behringer Harvard and then Realty Capital Securities. Prior to working in Dallas, Mr. Yehia began his career working for Northwestern Mutual as a financial representative in Orlando, FL. He played Collegiate Soccer at Montreat College, where he received a Bachelor's degree in Marketing and a Minor in Business. He holds FINRA series 7 and 63 licenses.

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Management, L.P.

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# NSI Internal Wholesalers

## (Regional Sales Consultants)

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ACL-080359

# Biographies of Key Personnel

## Clayton Coleman

### Business Development Associate, Real Estate

Mr. Coleman is a Business Development Associate, Real Estate at NexPoint Securities, Inc. Prior to his current role, he was a Regional Sales Consultant with Highland Capital Funds Distributor, Inc., an affiliate of NexPoint. Prior to joining Highland in August 2016, he worked at Fidelity Investments. During his time at Fidelity, Mr. Coleman worked in the Investments Solutions department in a sales and consulting role. He received his Bachelor's degree in Corporate Communications from the University of Kentucky and holds the FINRA 7 and 66 licenses.

## Cameron Urano

### Regional Sales Consultant

Mr. Urano is a Regional Sales Consultant at NexPoint Securities, Inc. Prior to joining NexPoint in July 2018, he spent the last seven years as a Director, Retirement Planner at Fidelity Investments. During his time at Fidelity, Mr. Urano provided a wide variety of financial planning guidance to institutions, individuals and other financial advisors. He worked primarily with not-for-profit organizations, including several state university school systems and large healthcare organizations. Mr. Urano's areas of focus included retirement plan design, wealth accumulation, wealth preservation and Social Security solutions. Having worked in Dallas, New Orleans and San Diego, he brings a diverse background and set of experiences to Highland. Mr. Urano received his Bachelor of Science degree in Business Administration from the University of Texas at Dallas. He currently holds FINRA series 7, 63, and 65 licenses, as well as a CRPC designation.

## Daniel Hitchcock

### Regional Sales Consultant

Mr. Hitchcock is a Regional Sales Consultant at NexPoint Securities, Inc. Prior to joining NexPoint in October 2018, he was a District Sales Representative with Mackenzie Investments in Toronto, Canada, where he specialized in Mutual Funds, ETFs and Private Foundations. Prior to that, Mr. Hitchcock was a Sales Analyst at PIMCO and a Sales Coordinator at Manulife Investments. Mr. Hitchcock received a Bachelor of Business Administration degree from Laurentian University in Kingston, Canada.

## James Connolly

### Regional Sales Consultant

Mr. Connolly is a Regional Sales Consultant at NexPoint Securities, Inc. Prior to joining NexPoint in June 2019, he was a Regional Sales Consultant with Fidelity Investments where he specialized in Retirement Plans. Mr. Connolly received a Bachelor of Science degree in Business Administration from California University of Pennsylvania, followed by a Master of Science degree in Personal Financial Planning from Texas Tech University. He holds FINRA Series 66 and 7 Licenses.

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Management, L.P.

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ACL-080360



# Biographies of Key Personnel

## Jeff Jardine

### Regional Sales Consultant

Mr. Jardine is a Regional Sales Consultant for NexPoint Securities Inc. Prior to joining NexPoint in August 2019, he was an Investment Consultant with TD Ameritrade and a Loan Officer for the US Small Business Administration - Office of Disaster Assistance. Mr. Jardine received his Bachelor of Science in Economics with Financial Applications from Southern Methodist University.

## Jordan Roberts

### Regional Sales Consultant

Ms. Roberts is a Regional Sales Consultant at NexPoint Securities, Inc. Prior to joining NexPoint in September 2019, she was a financial advisor with Merrill Lynch. Prior to that, Ms. Roberts worked for Vontobel Swiss Wealth Advisors. She served as The Art of Music Gala chair supporting the Warren Center for three years and now sits on the board of The Alliance in Reconstructive Surgery Foundation (AIRS). Ms. Roberts received a Bachelor of Arts in International Studies from Southern Methodist University.

## Evan Hannan

### Regional Sales Consultant

Mr. Hannan is a Regional Sales Consultant at NexPoint Securities Inc. Prior to joining NexPoint in November 2019, he was a Sales Representative with US Energy Solutions, Inc. Mr. Hannan received his Bachelor of Science in Exercise Science from State University of New York at Fredonia.

## Anthony Moss

### Regional Sales Consultant

Mr. Moss is a Regional Sales Consultant at NexPoint Securities, Inc. Prior to joining NexPoint in December 2019, he spent eight years at JPMorgan as an Investment Advisor in their Private Banking division, working with clients that held assets greater than five million dollars with the firm. Mr. Moss also worked for Merrill Lynch in a similar capacity. He is a military veteran, having served in both the Air Force as Security Forces / SRT member and the Army as a Combat Medic. Mr. Moss has deployed in support of Operation Iraqi Freedom, Operation Northern Watch and Operation Enduring Freedom. He received an MBA with a concentration in Finance from Florida Institute of Technology and a Bachelor's degree in Social Sciences from Grand Canyon University. Mr. Moss currently holds FINRA series 6, 7, 63 and 66 licenses, as well as a certificate in financial planning.

## Patrick Young

### Regional Sales Consultant

Mr. Young is a Regional Sales Consultant with NexPoint Securities, Inc. Prior to joining NexPoint in June 2020, he worked as a Client Success Consultant at a software company providing integrated communication services in the automotive industry. Mr. Young also offers periodic support to a charter school that serves underprivileged children in New York City. He received his Bachelor of Arts in Cognitive Sciences with a minor in Business from Rice University.

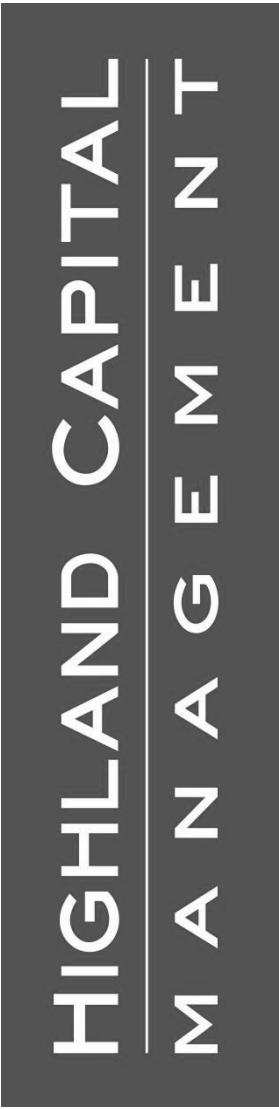
*Confidential*

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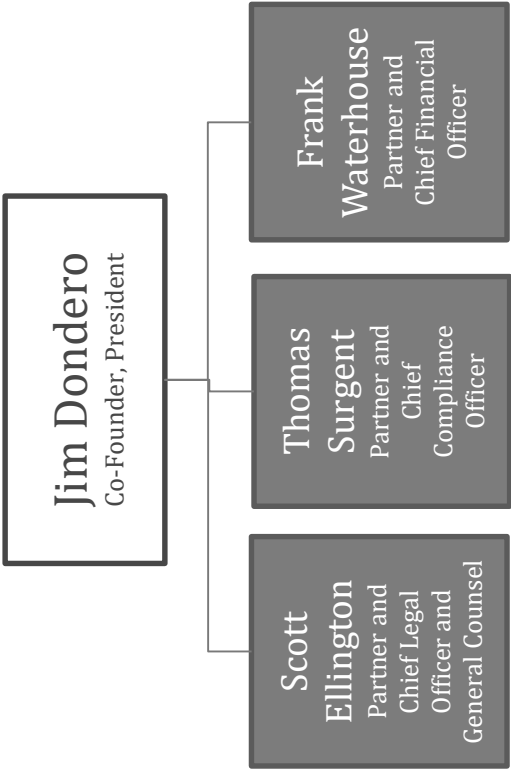
Organization Charts



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# Partners

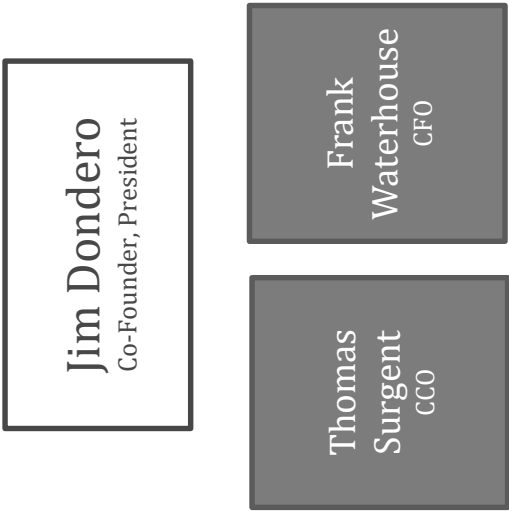


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MANAGEMENT

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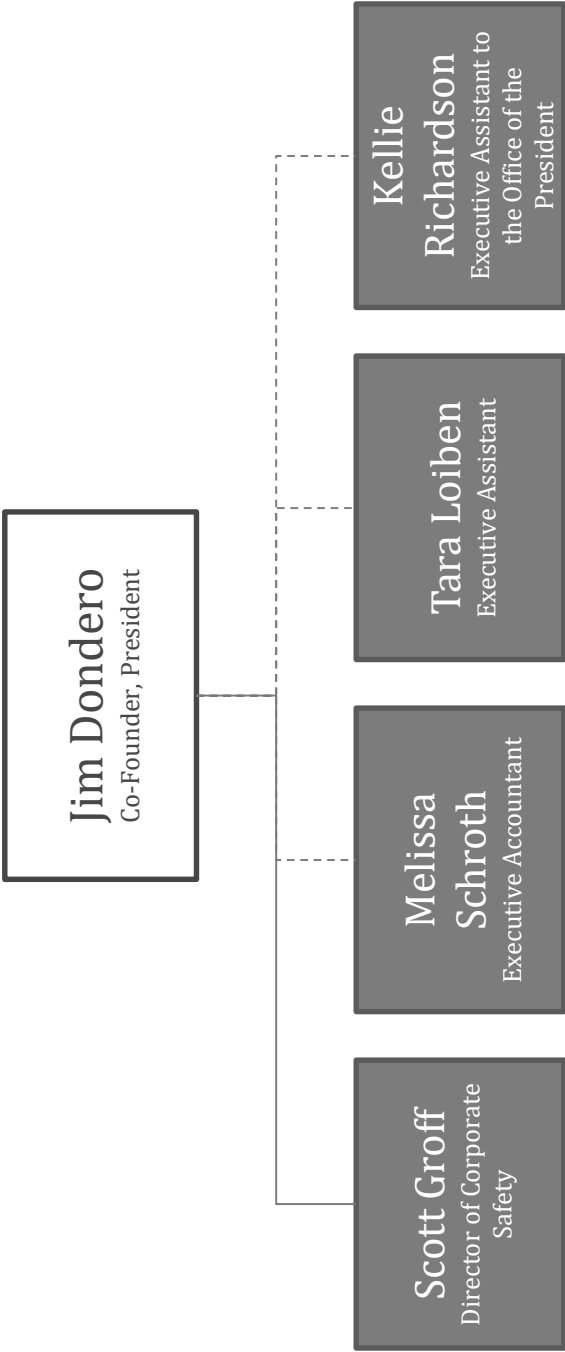
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# Executive Committee



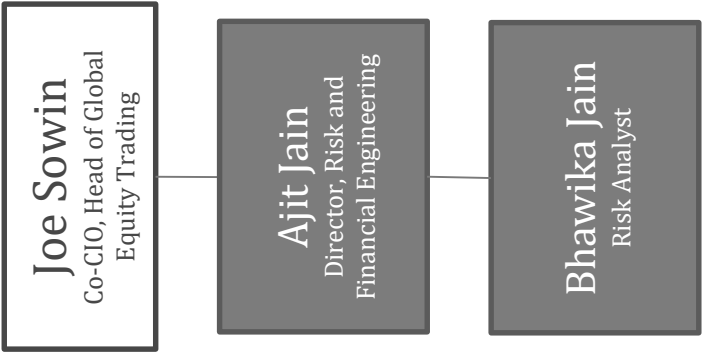
HIGHLAND CAPITAL  
MANAGEMENT

# Executive



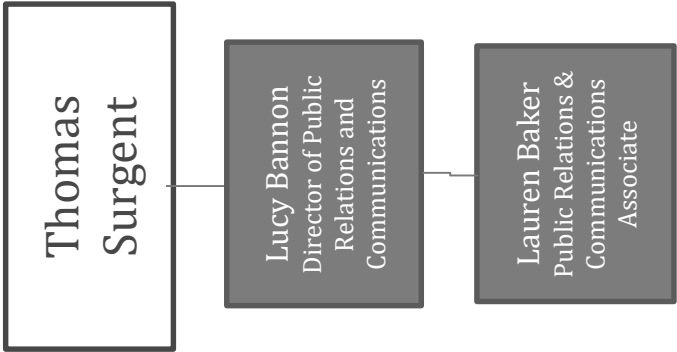
HIGHLAND CAPITAL  
MANAGEMENT

# Risk Management



HIGHLAND CAPITAL  
MANAGEMENT

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HIGHLAND CAPITAL  
MANAGEMENT

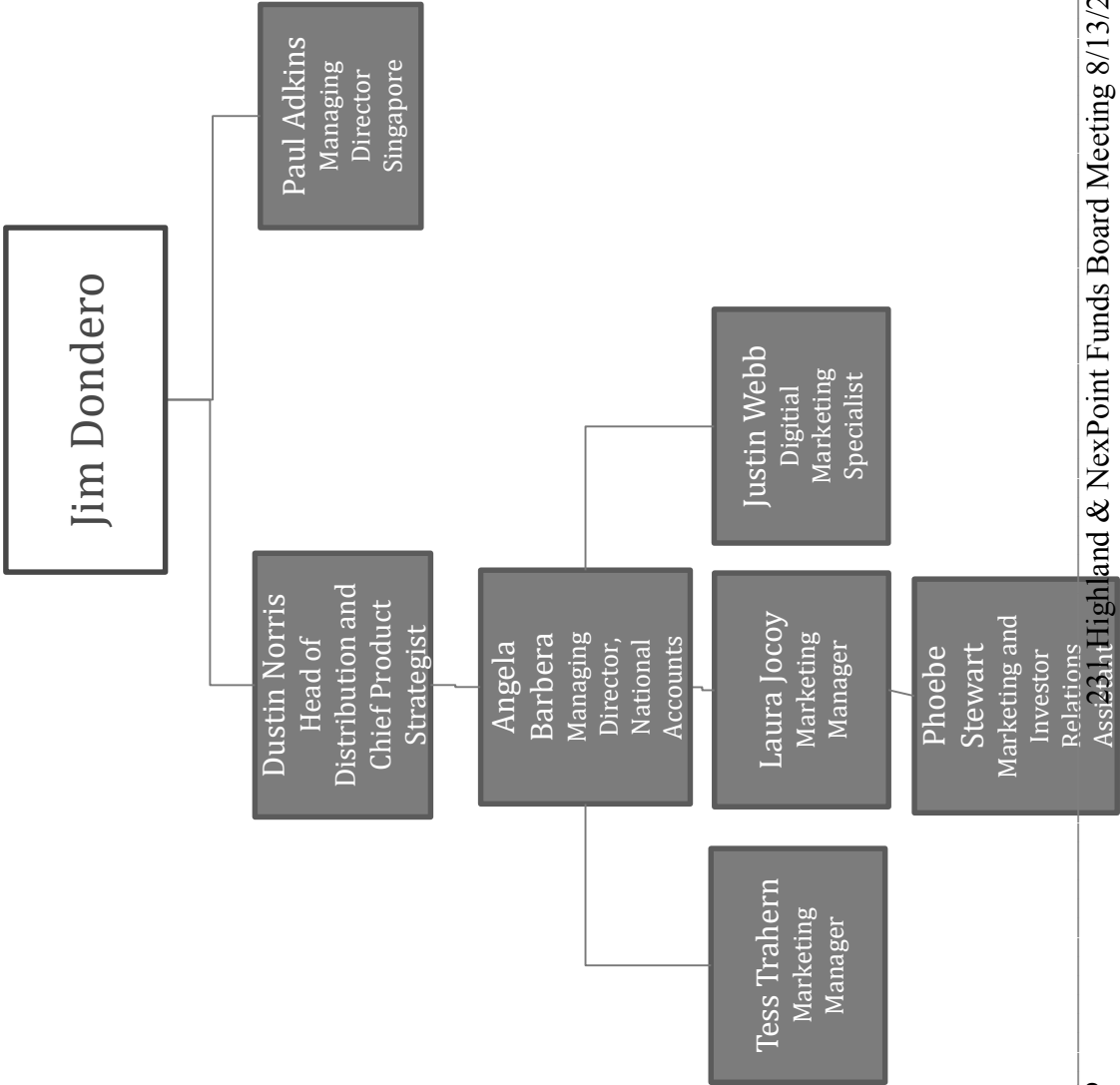
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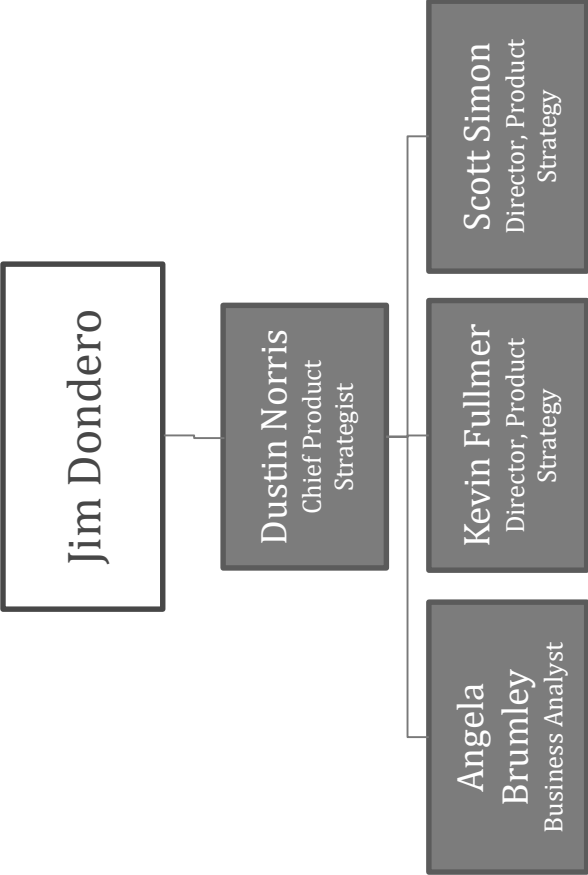
# Marketing



Total = 6  
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MANAGEMENT

# Product Strategy/Corporate Development



Total = 4

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MANAGEMENT

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# Health Care/Private Equity



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MANAGEMENT

# Structured Products Investments

Reports to Dondero

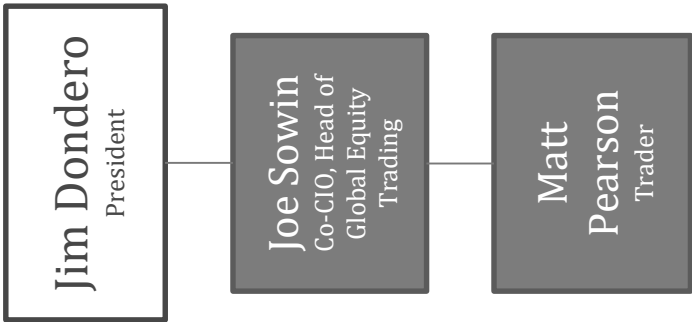
Hunter  
Covitz  
Managing Director

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MANAGEMENT

Total = 1  
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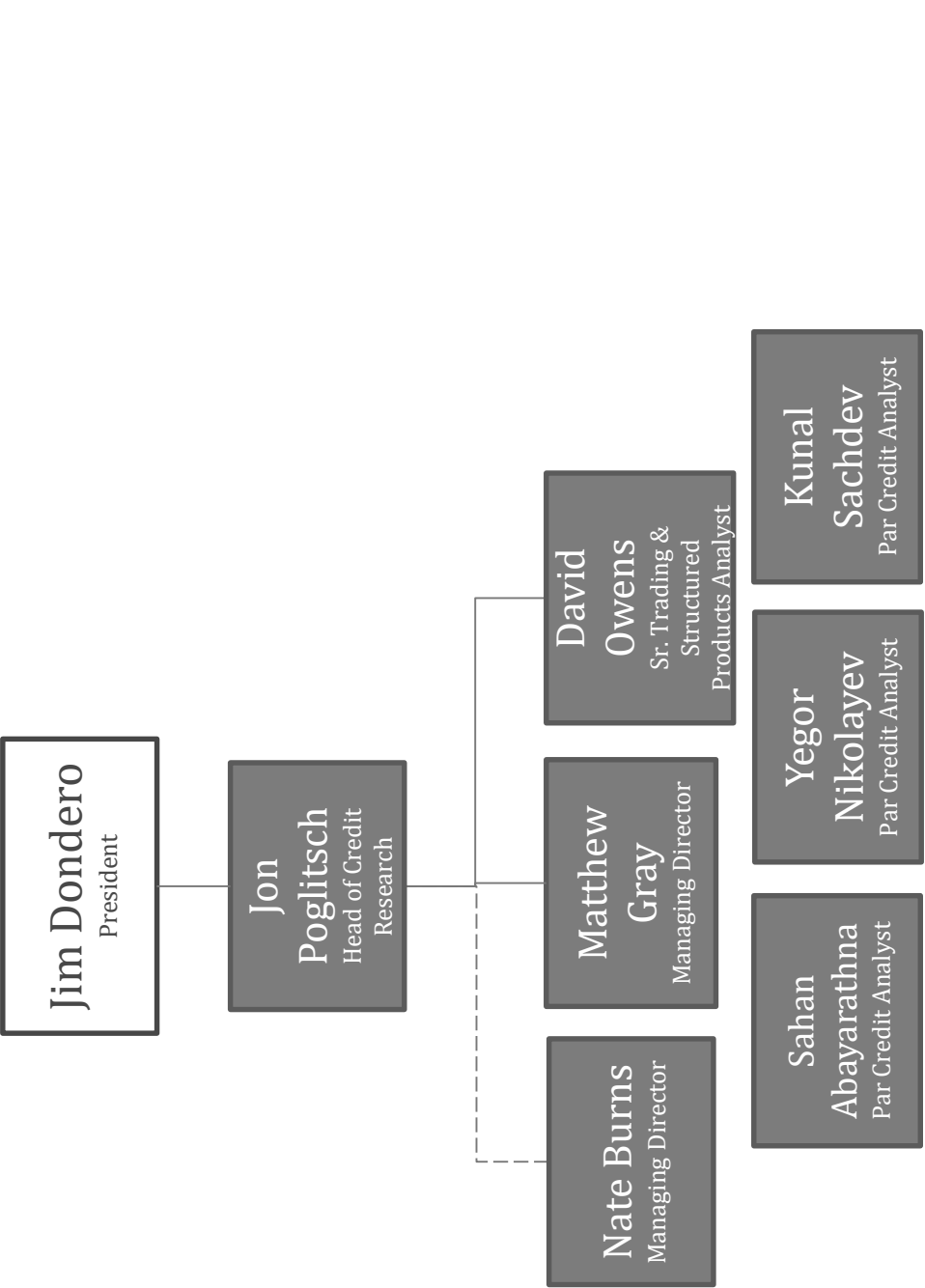
000697  
ACL-080371

# Trading



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MANAGEMENT

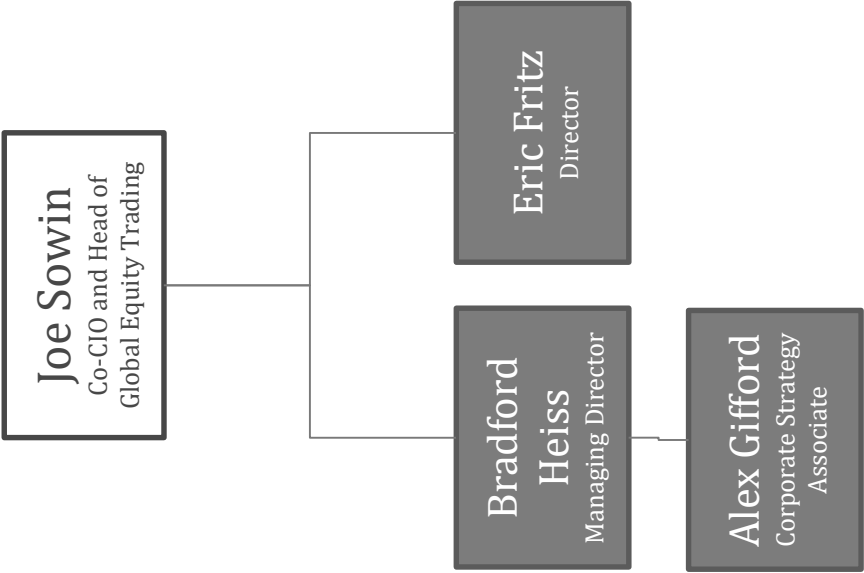
# Research



HIGHLAND CAPITAL  
MANAGEMENT

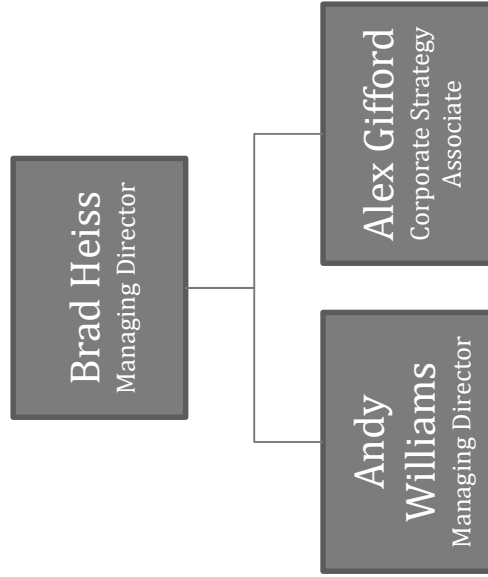
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# Equity Team



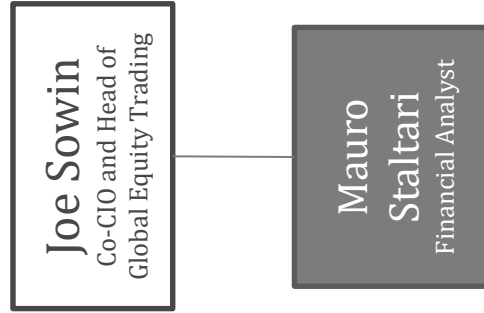
HIGHLAND CAPITAL  
MANAGEMENT

# Insurance Products



HIGHLAND CAPITAL  
MANAGEMENT

# Argentina



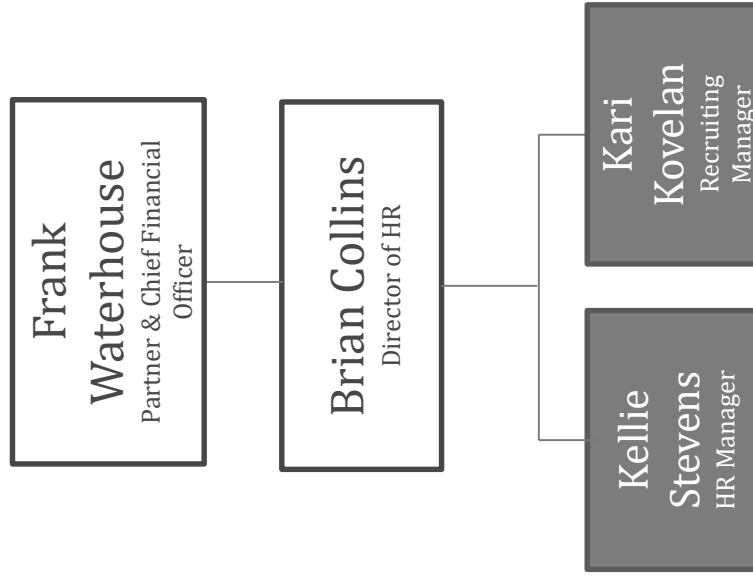
HIGHLAND CAPITAL  
MANAGEMENT

Total = 1  
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000702<sup>ACL-080376</sup>



# Human Resources / Recruiting



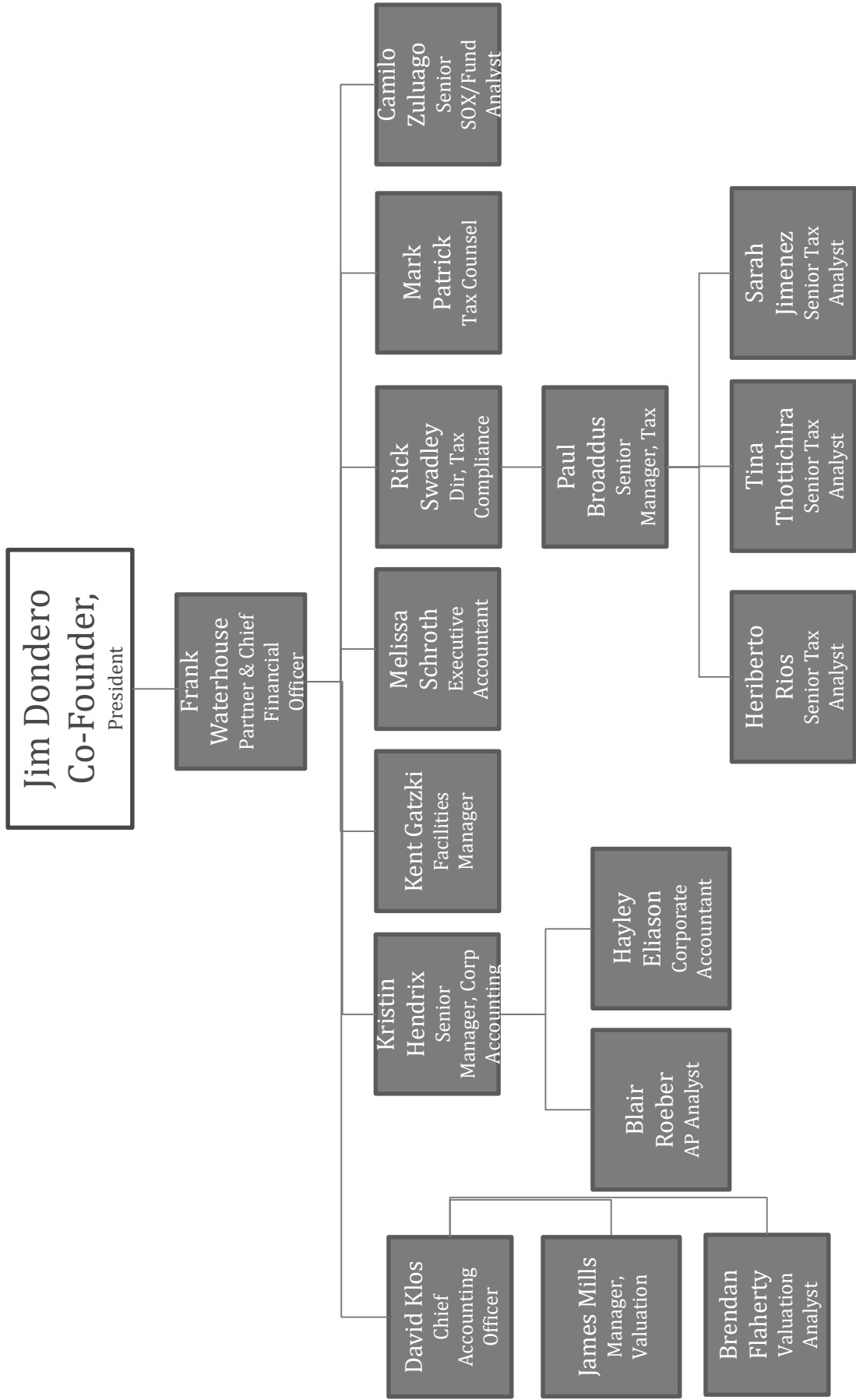
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HIGHLAND CAPITAL  
MANAGEMENT

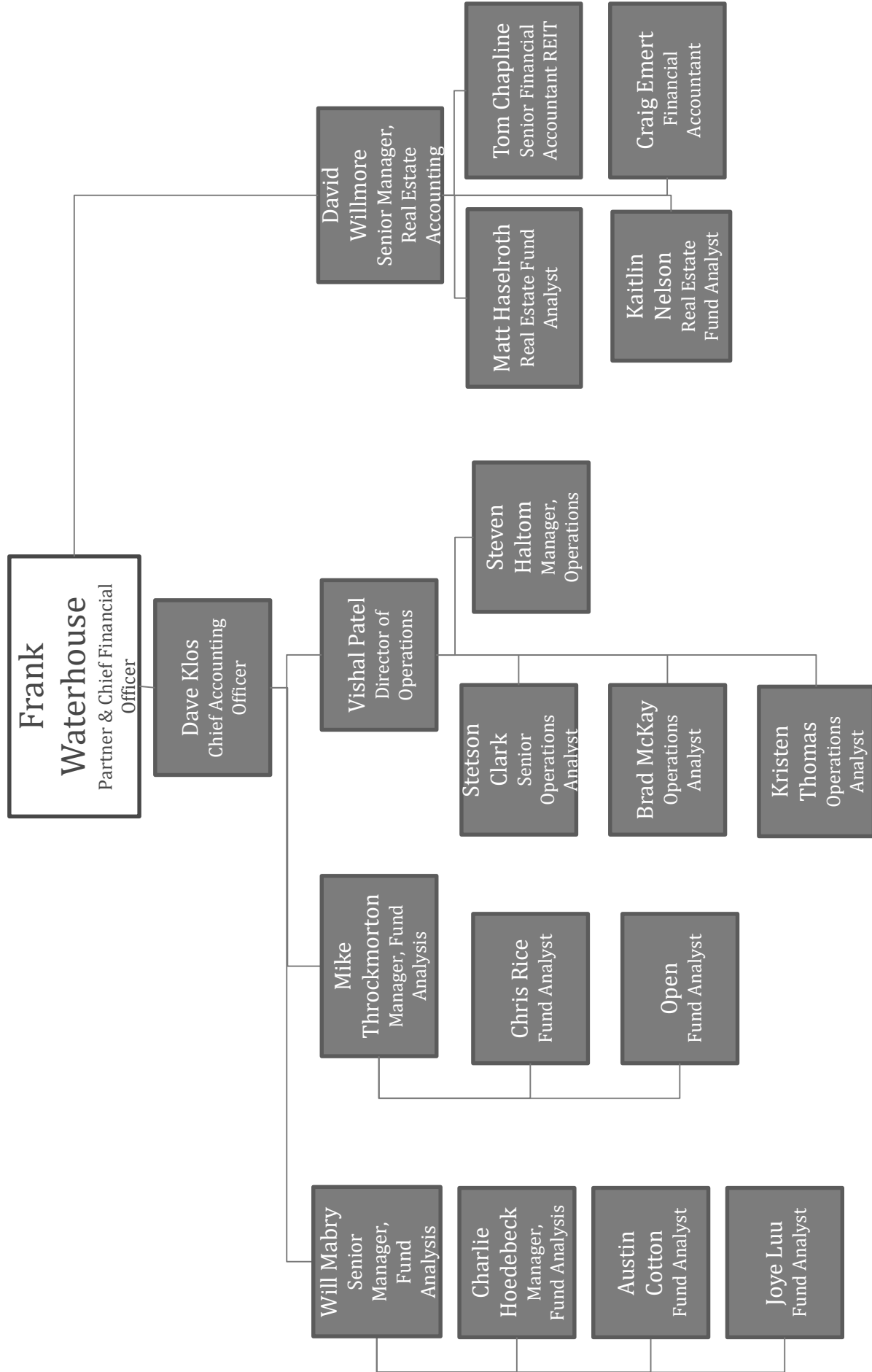
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ACL-080377

# Finance



HIGHLAND CAPITAL  
MANAGEMENT

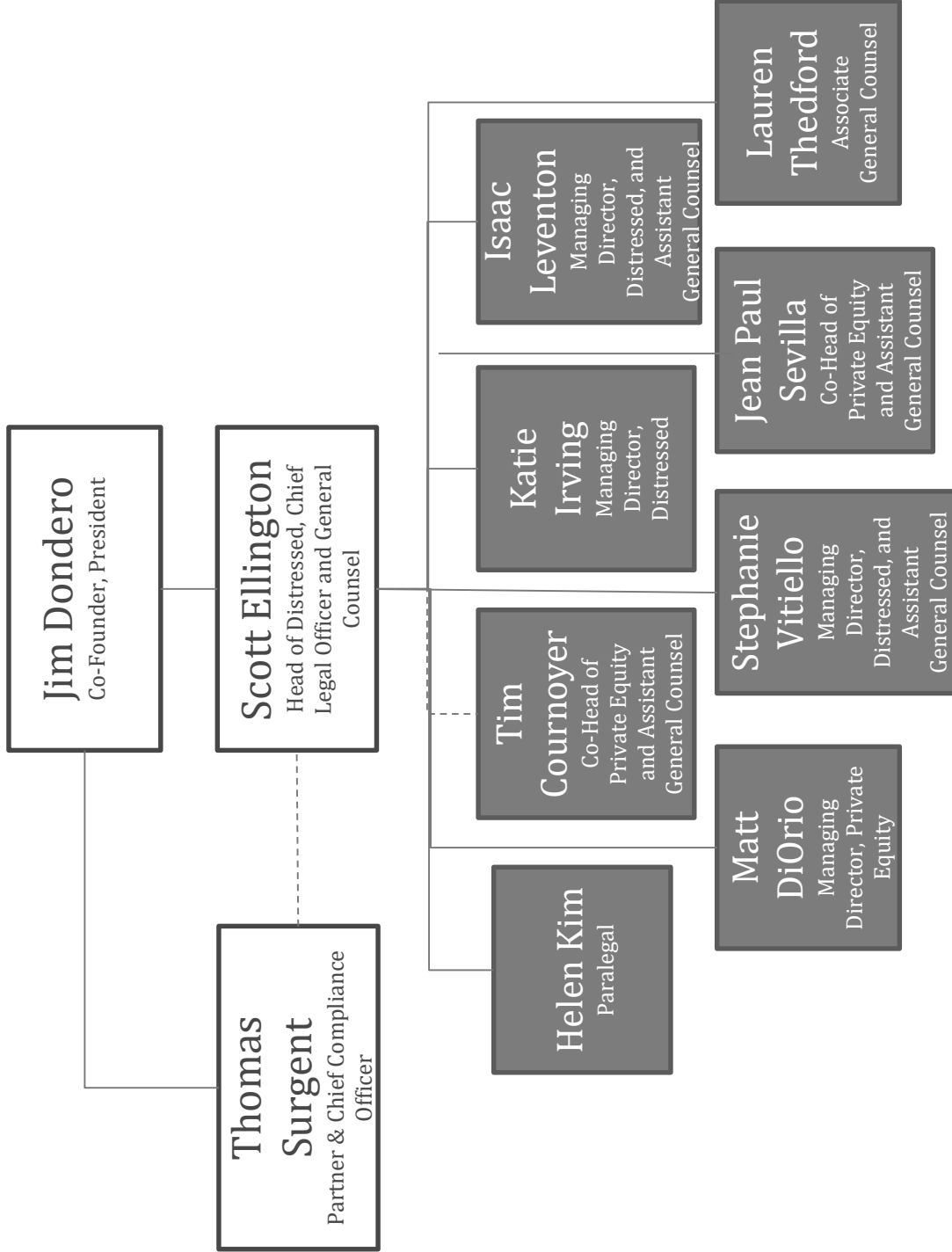
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HIGHLAND CAPITAL  
MANAGEMENT

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242 Highland & NexPoint Funds Board Meeting 8/13/2020

# Legal



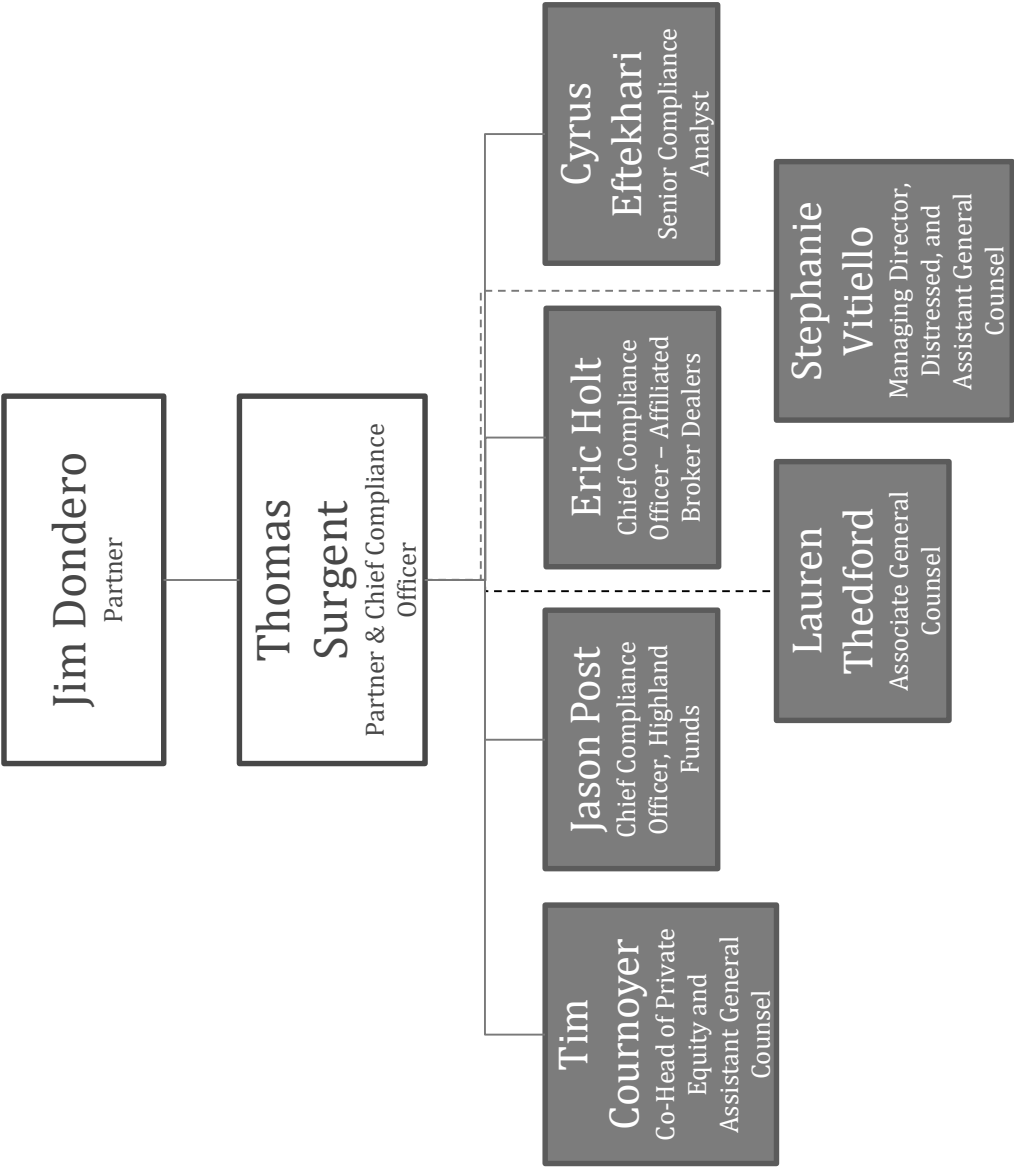
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243 Highland & NexPoint Funds Board Meeting 8/13/2020

HIGHLAND CAPITAL  
MANAGEMENT

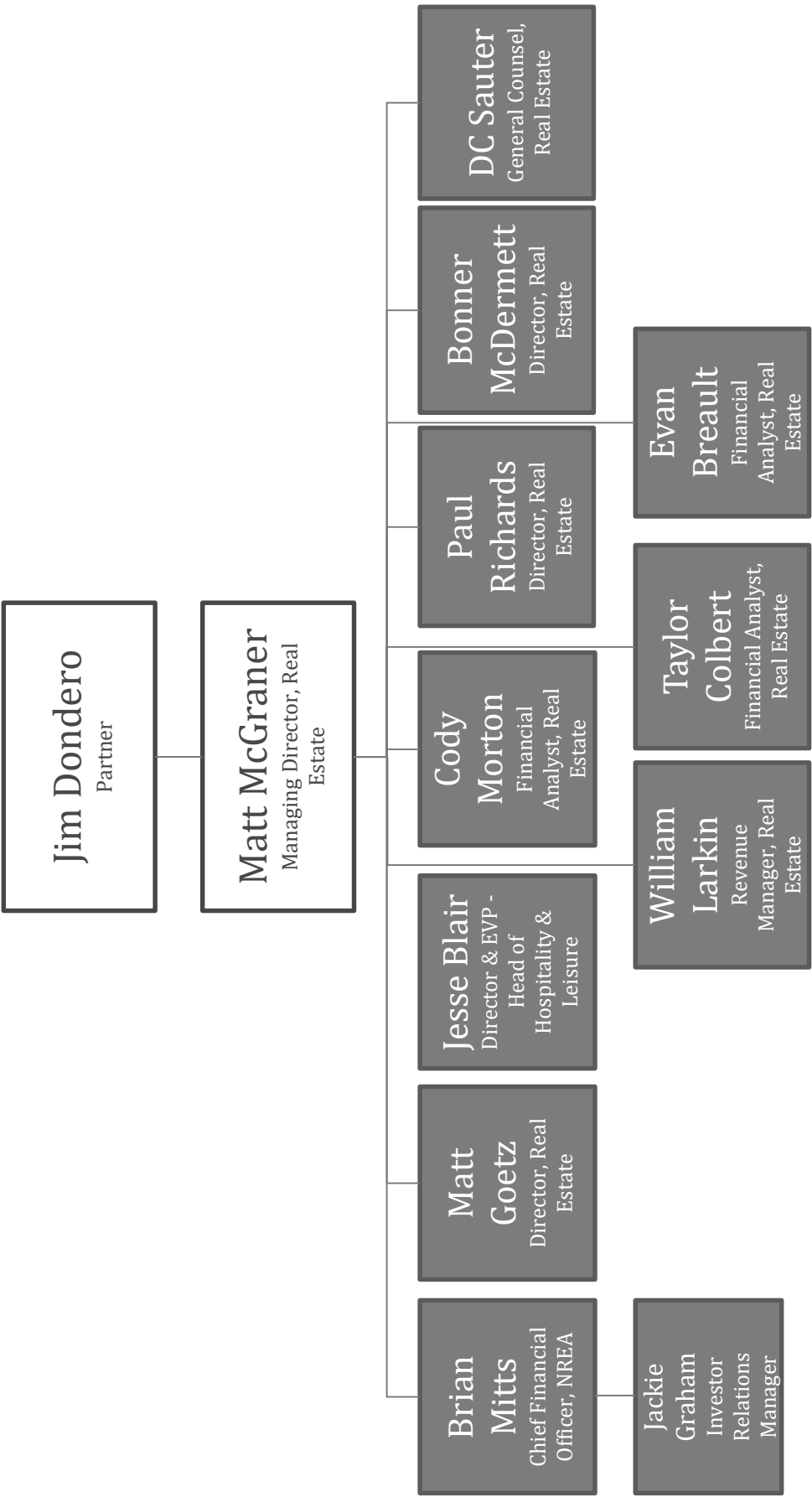
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# Compliance



HIGHLAND CAPITAL  
MANAGEMENT

# Real Estate



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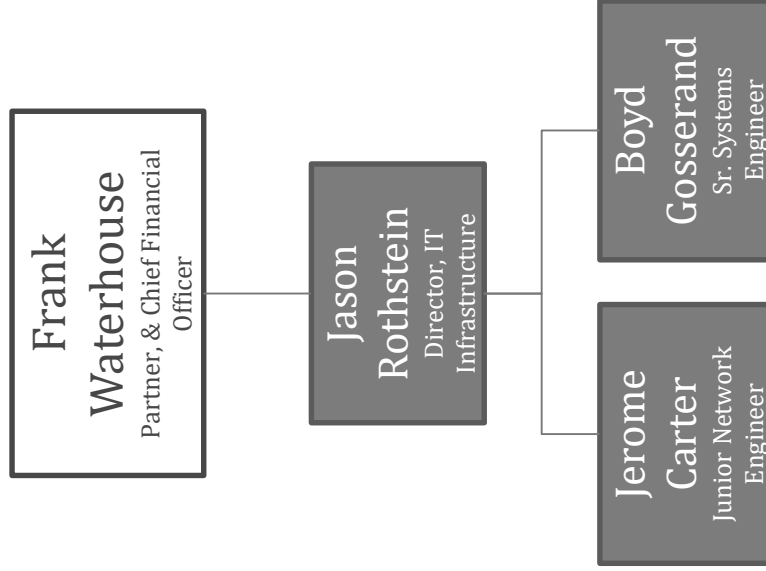
245 Highland & NexPoint Funds Board Meeting 8/13/2020

HIGHLAND CAPITAL  
MANAGEMENT

000708

ACL-080382

# Information Technology



Total = 3

246 Highland & NexPoint Funds Board Meeting 8/13/2020

HIGHLAND CAPITAL  
MANAGEMENT

000709  
ACL-080383



# Office Administration

Brian Collins  
Director of HR

Tara Loiben  
Executive Assistant

Kellie  
Richardson  
Executive Assistant  
to the Office of the  
President

Hailey Soto  
Executive Assistant

Jennifer  
Grant  
Executive Assistant

Sarah  
Goldsmith  
Executive Assistant

Naomi  
Chisum  
Executive Assistant

Jenny  
School  
Executive Assistant

Brigid  
Brewer  
Receptionist

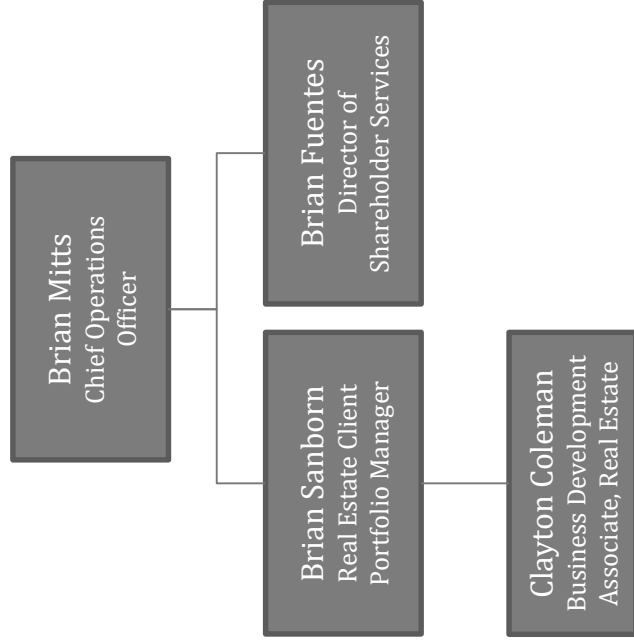
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247 Highland & NexPoint Funds Board Meeting 8/13/2020

HIGHLAND CAPITAL  
MANAGEMENT

000710  
ACL-080384

# Highland Distributors

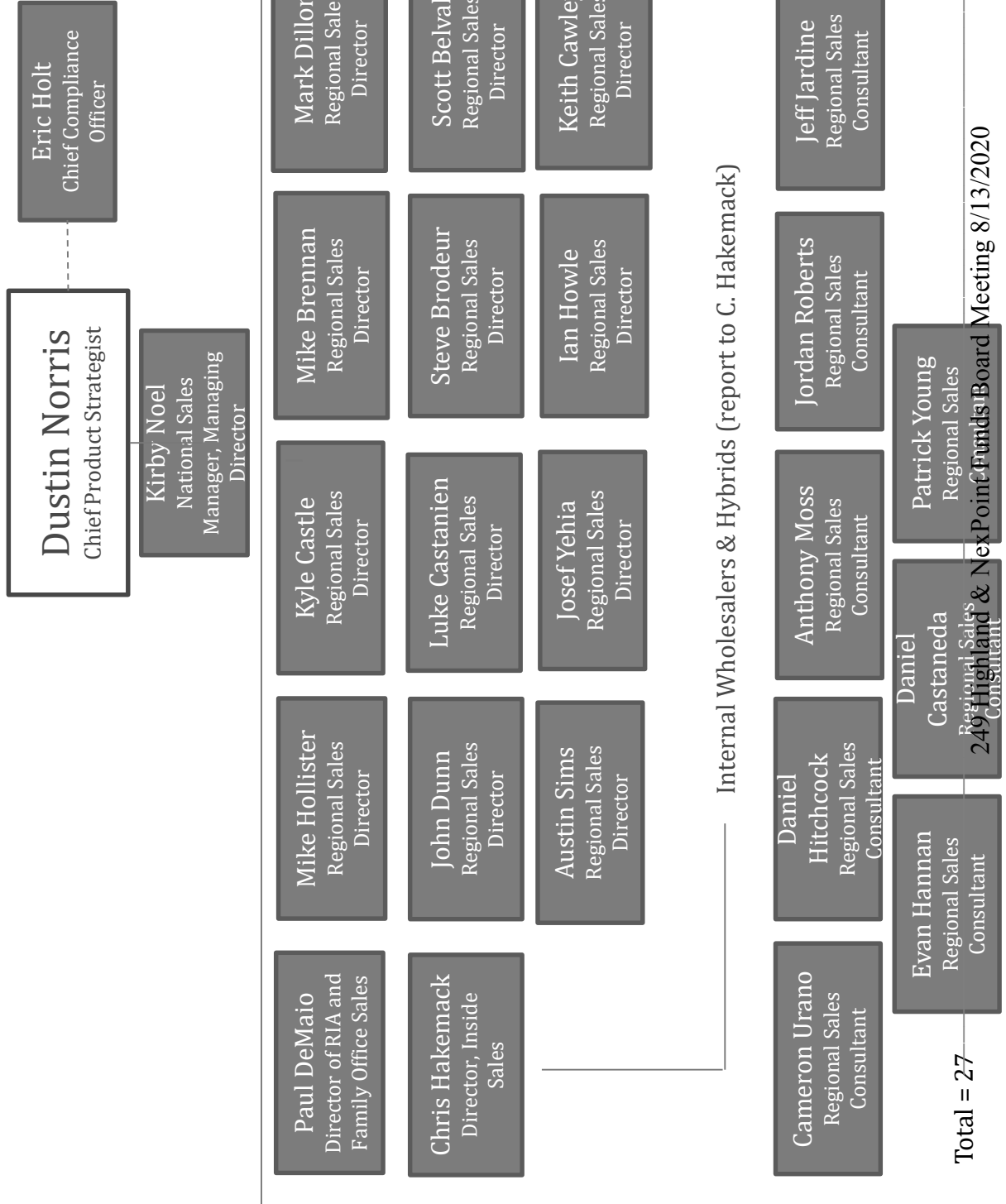


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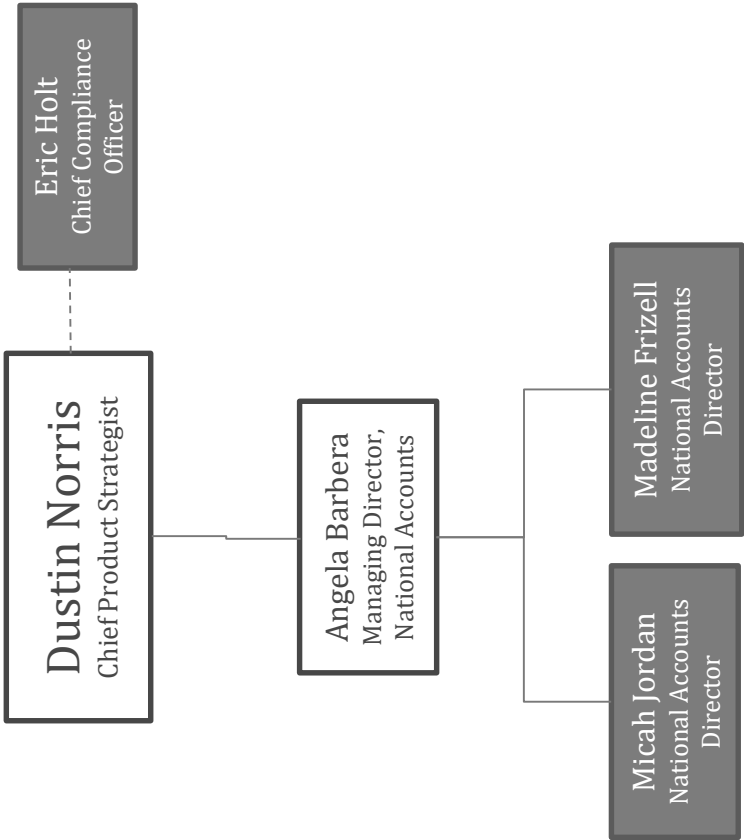
248 Highland & NexPoint Funds Board Meeting 8/13/2020

HIGHLAND CAPITAL  
MANAGEMENT

# Retail - Wholesalers

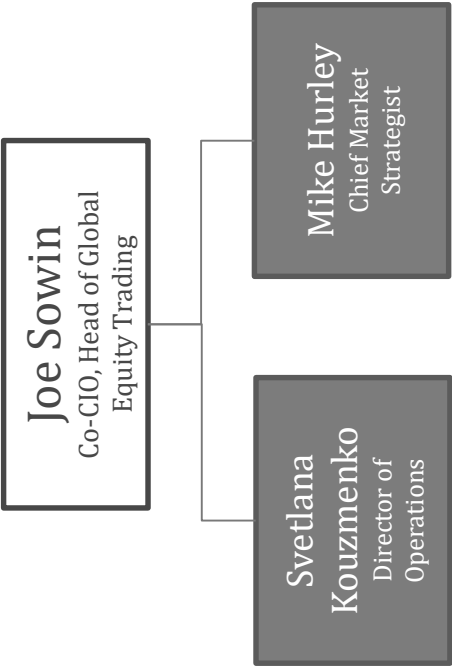


# National Accounts



HIGHLAND CAPITAL  
MANAGEMENT

# NexBank Wealth Management



HIGHLAND CAPITAL  
MANAGEMENT

251 Highland & NexPoint Funds Board Meeting 8/13/2020

Total = 2

## 15(c) Report

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Confidential Report to Trustees

### **Highland Funds & Nexpoint Funds**

August 13, 2020

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Advisory Contract Renewal Reporting  
Pursuant to Section 15(c) of the  
Investment Company Act of 1940



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## Introduction

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FUSE Research Network LLC, has been contracted to provide the following advisory contract renewal 15(c) materials. The report contained herein was specifically designed to provide the Board of Trustees with fee, expense, and performance information to help fulfill their advisory contract renewal responsibilities under Section 15(c) of the Investment Company Act of 1940.

Our goal in preparing this report is to provide a package of fund analysis that is informative and comprehensive, as well as organized and readable for the user. With this objective in mind, we have designed the 15(c) report to include the following sections:

- Executive Summary
  - Advisory Fee, Total Net Expense, and Total Return Summary
- Individual Fund 15(c) Reports
  - Fund Summary
  - Detailed Expense Analysis
  - Total Return Comparison
  - Contractual Fee Comparison

### Executive Summary

**Advisory Fee, Total Net Expense, and Total Return Summary:** The Advisory Fee, Total Net Expense, and Total Return Summary exhibit presents summary-level relative results for each subject fund against its peer group and/or universe. Results are color-coded and designed so that board members can use the exhibit to quickly identify aspects of individual funds that may warrant closer examination.

### Individual Fund 15(c) Reports

**Fund Summary:** The Fund Summary provides a brief description of peer group and universe characteristics. The peer group is a small hand-selected group of “peer funds” and the universe typically consists of a broader set of funds within the same investment classification as the subject fund.

While this can be customized, the Fund Summary expense comparison typically shows Total Net Expense and the Gross and Net Management Fee of the subject fund relative to the peer group and universe.

The Fund Summary performance comparison shows total return data for several time periods versus the subject fund’s universe as well as versus the fund’s primary benchmark.

For index funds, there is also a Fund vs. Index Performance comparison included that looks at tracking error and excess return results versus the index it seeks to track.



## Introduction

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**Detailed Expense Analysis:** The Detailed Expense Analysis is designed to provide an in-depth look at the various fee components of the fund relative to its peer group. There are three sections to this page:

1. *Total Net Expense Ratio Comparison:* This section provides a view of each peer fund's total net operating expense and its major components (Gross Management Fee, Other Operating Expenses, 12b-1 Fees, and any Waivers and/or Reimbursements).
2. *Net Management Fee Comparison:* This section provides a comparison of each peer fund's Net Management Fee and the components contributing to these results (Gross Advisory Fees, Gross Administrative Fees, and any Waivers and/or Reimbursements.)
3. *Other Operating Expense Comparison:* This section provides detail on some of the major components being combined into Other Operating Expenses, including Transfer Agency Expenses, Custodian Expenses, and Accounting Expenses.

**Total Return Comparison:** The Total Return Comparison generally provides return data for 3 month, 1-, 3-, 5-, 10-year, and since inception periods for the subject fund and peers as well as peer group summary data.

- For open-end and variable funds, the table includes a total return calculation for each time period.
- For closed-end funds, performance NAV-based and Market Price total returns are presented. In addition, each fund's leverage percentage and distribution rate are included on this exhibit.
- For index funds, the table includes a total return calculation for each time period and tracking error results for 1-year, 3-year, and 5-year time periods.

**Risk/Return Summary:** The Risk/Return Summary provides a graphical view of total returns vs. standard deviation for the 1-, 3-, 5-, 10-year periods for the subject fund and peers as well as the benchmark and the peer group and universe averages.

**Contractual Fee Comparisons:** The Contractual Fee Comparisons analysis has two sections:

**Advisory Fee Schedule:** This table provides the details of each peer fund's advisory fee contract (basis points charged) and AUM breakpoints associated with each fee level. The Contractual Advisory Fee calculated at a common asset level is also presented in this table.

**Hypothetical Gross Management Fee Ratio at Different Asset Levels:** This chart provides a view of contractual management fees (advisory + admin) across all funds in the universe calculated at a number of asset levels.

## Introduction

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### Data

**Source of Data:** Our 15(c) reports are built using data from Morningstar, Inc. We have access to extensive information on a range of registered investments including open-end mutual funds, closed-end funds, and exchange-traded funds.

**Actual Expenses:** With the exception of Contractual Advisory and Contractual Management Fees, all expense data shown is calculated using audited fiscal data from each fund's most recent annual report. Ratios are calculated based on estimated average net assets except in the case of closed-end funds where certain fees are also calculated based on estimated average managed assets.

**Contractual Advisory & Management Fees:** Data presented on the Contractual Fee Comparisons pages show effective advisory and management fees calculated using a common asset level and then applying each fund's contractual fee schedule at that asset level. For the Advisory Fee Schedule table each of the peer funds effective advisory fee rate is calculated at the subject fund's average asset level. For closed-end funds, the subject fund's average managed assets are used as the common asset level for the contractual advisory fee calculation for each peer.

Please note that contractual fee calculations may include various and different contractual fee structures, including schedules with asset-tiered breakpoints, flat fee schedules, and schedules that may be based on complex or a particular group of fund's assets. In addition, fulcrum fee schedules (schedules that consist of a base fee plus or minus an additional fee based on a performance incentive) are calculated at the base-fee level with no reward or penalty included in the contractual fee calculations.

**Total Expense Ratios:** Unless otherwise noted, Total Gross Expense and Total Net Expense are as of each fund's latest available audited annual report. Total Net Expense is presented after any fee waivers or reimbursements, and does not include non-operating or investment-related expenses (e.g. interest expense, auction fees and other costs of leverage, and acquired fund fees and expenses). Our view is that these expenses do not reflect the underlying operating structure of the fund and are instead investment management decisions. For closed-end funds, we consider the costs associated with leverage to be more closely aligned to operating expenses and therefore we present both Total Gross Expense and Total Net Expense with and without any applicable expenses associated with leverage.

**Fee Waivers & Expense Reimbursements:** Generally, waivers and/or reimbursements are not specifically attributed to a particular expense in annual report filings. In addition, it is typically the fund's advisor that waives a portion of its fee or reimburses the fund for some or all of its operating expenses. In light of these two generalities, FUSE applies any waivers and/or expense reimbursements against each fund's management (advisory + administrative) fee. This can result in negative net management fees. For ranking purposes any negative net management fees are treated equally as zeros.

## Introduction

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**Performance Data:** Morningstar's calculation of total return is determined each month by taking the change in monthly net asset value, reinvesting all income and capital-gains distributions during that month, and dividing by the starting NAV. Reinvestments are made using the actual reinvestment NAV, and daily payoffs are reinvested monthly. There is no adjustment to total returns for sales charges (such as front-end loads, deferred loads and redemption fees). The total returns do account for management, administrative, 12b-1 fees and other costs taken out of fund assets. Total returns for periods longer than one year are expressed in terms of compounded average annual returns (e.g. annualized total returns).

For closed-end funds, total return based on market prices and total return based on NAV are presented. For this, Morningstar calculates the market-price return by taking the change in the fund's market price, reinvesting all income and capital-gains distributions during the period, and dividing by the starting market price.

Since inception performance begins with the first full month following the subject fund's stated inception date. The exception to this is for exchange traded funds where the Fund vs. Index section on each Fund Summary page is based on daily performance and thus begins as of the subject fund's actual inception date.

**Contractual vs. Actual Management Fee Variances:** In the reports that follow we present contractual and actual management fees. On occasion, there will be discrepancies between contractual and actual management fees. While there are a number of reasons for these discrepancies including changes in fees since the last fiscal year end, performance fees, the use of wholly-owned foreign subsidiaries, leverage, etc., one of the primary reasons for such discrepancies is how actual management fees are calculated.

In most instances, our data provider, Morningstar, uses an estimated average net asset calculation to calculate the actual management fee from the actual management fee dollars reported in the annual report. In general, the estimated average net assets allows for reliable and accurate expense calculations, but there are certain products and situations when this method results in an average net asset calculation that can result in significantly distorted fee and expense calculations (funds with small asset levels are more significantly affected). As such, some actual management fees can vary significantly from what would be expected based on the contractual fee. In such instances, we recommend that more weight and consideration be placed on contractual advisory or management fees for comparison to peer funds. This anomaly does not affect total gross or total net expense ratios and also does not affect contractual advisory or contractual management fee calculations.

Within the detailed fee comparison, FUSE typically includes a column representing "Other Operating Expenses". This figure represents all fees that are not broken out individually in this section, and is calculated by FUSE such that all of the fee components displayed (including Other Expenses) sum to the Audited Gross Expense Ratio of the fund [*numbers may not tie due to rounding or due to the exclusion of non-operating or extraordinary expenses*].

## Introduction

Please note again, due to discrepancies at the actual “Advisor Fee” level, “Other Expenses” gets thrown off by an equivalent amount. For example, in a fund that should have an Advisory fee of 50 bps and no other fees, but where the actual advisory fee calculation is resulting in 51 bps, the results would appear as follows:

Fund	Advisory Fee	Other Expenses	Total Net Expenses
Fund ABC	51	-1	50

Additional sources of Contractual vs. Actual Management Fee Variances can include:

- Different asset levels of the actual fee calculation and the contractual fee calculation (which is performed for all funds at the asset level of the subject fund in question). [*Common, generally does not result in extremely wide discrepancies*]
- Changes to the contractual fee schedule during or after the FY period being used for the actual fee calculations. [*Common, generally does not result in extremely wide discrepancies*]
- Funds with composite contractual schedules:
  - Funds/Firms that feature both a fund level schedule and firm level schedule (e.g. Nuveen). [*Rare, may result in wide discrepancies*]
  - Funds with a base fee and a performance adjustment (e.g. Fidelity). [*Rare, may result in wide discrepancies*]
- One-off events that effect the calculation of actual advisory fee calculations: [*All rare, but may result in wide discrepancies*]
  - Funds that change their fiscal year period during the period being looked at may end up showing the results only for the stub period instead of being annualized.
  - Rarely, Morningstar may accidentally pick up the results from a semi-annual report in which case results will reflect only the stub period instead of being annualized.
  - Merger of funds which result in a change to the FY period during the period being looked at may end up showing the results only for the stub period instead of being annualized.
  - Morningstar’s current process does not include the assets of liquidated share classes in its average asset calculation. In cases of liquidated share classes that represent a significant percentage of total portfolio assets, actual advisory fees presented may reflect a number higher than the contractual level.

In all of these cases, any problematic data that is identified is thoroughly researched and corrected.

**Incorporation of External Data:** There are a number of cases where data provided by the fund management company or unaffiliated administrator may be incorporated into our 15(c) process:

## Introduction

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### Requested by FUSE:

- Data unavailable to us through our relationship with Morningstar. If we do not have access to data needed to produce elements of our reports, we will request them from fund management. A common example of this is index returns for an index that we do not have access to through Morningstar.
- Data to be used for reconciliation efforts. For certain fund families, fees associated with different services (e.g. administrative, TA, accounting, etc.), or certain class-level expenses may be captured by Morningstar in a manner inconsistent with how FUSE and/or fund management believes they should be presented. In these cases FUSE will adjust the underlying data, but will generally require data from management or its unaffiliated administrator that we can use as we reconcile the particular issue.

### Requested by Fund Management:

- Pro forma fee & expense data.
- Updated fee & expense data. Depending on the timing of the board meeting relative to the fiscal year end of the subject funds, fee and expense data using the latest available annual report data can feel stale. In some cases, this is unavoidable, but in others we may be able to take updated audited data directly from fund management or its unaffiliated service providers ahead of when it would be available to us directly through Morningstar.
- Non-standard or proprietary data. Fund management may like to incorporate proprietary data (e.g. profitability metrics) or non-standard data (e.g. custom calculated tracking error) into the reports. FUSE is generally able to accommodate these requests provided we have the time to make any necessary adjustments to our templates and/or associated processes.

The use of data provided by fund management or its unaffiliated service providers that affect what is being presented in the reports, or deviates from what we would view to be our standard processes, will be noted in our special methodology notes as well as in footnotes to each individual fund report as applicable.

### Peer Group and Universe Methodology

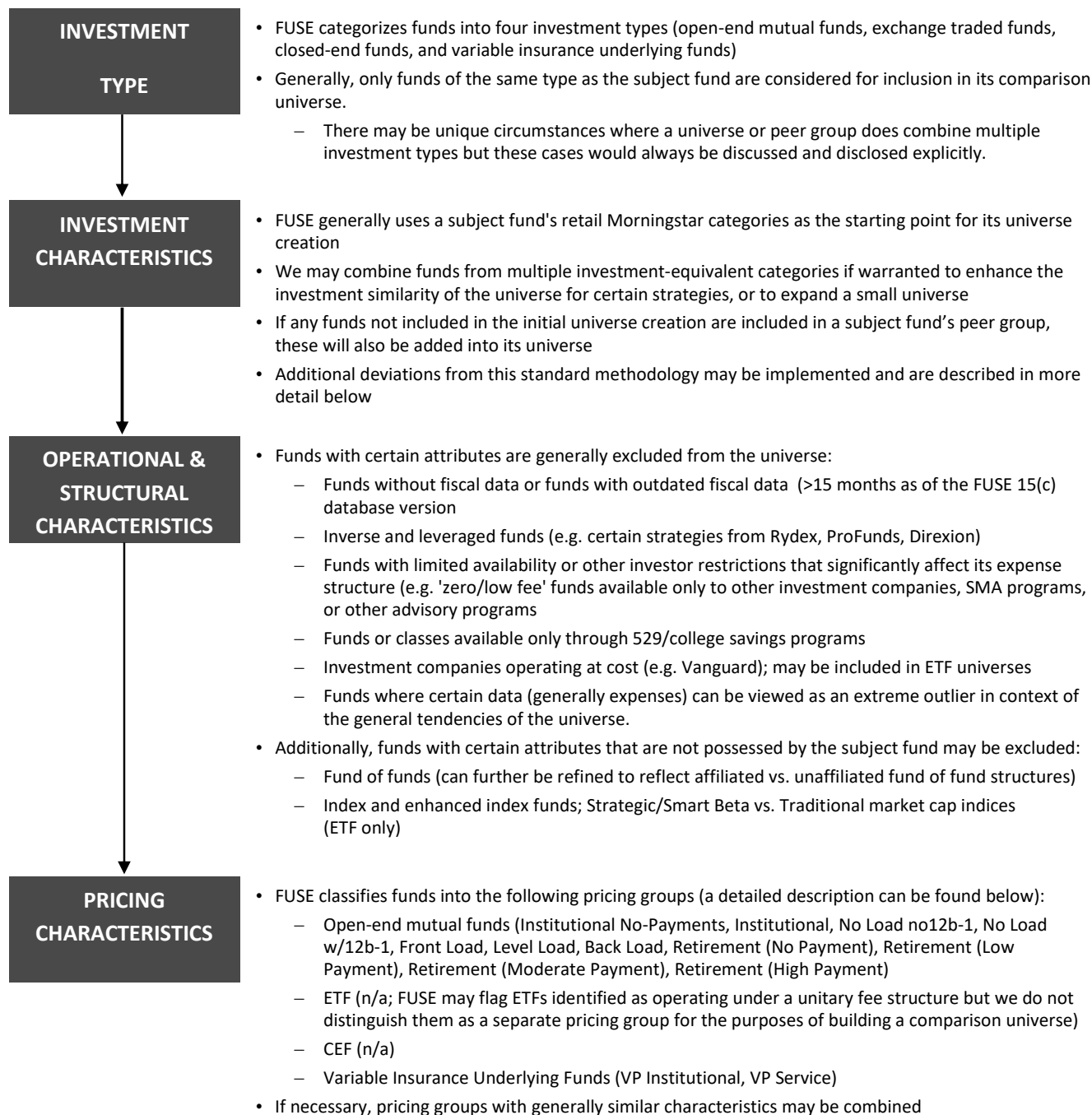
Our ultimate objective in peer group selection is to develop universe comparisons and peer groups that allow for the relevant evaluations and enable directors/trustees to ask informed questions when reviewing and negotiating management fee contracts. This process requires expertise, insight, and flexibility. FUSE's judgement as a third-party expert will be applied throughout the selection process and may take into account input from the board of

# Introduction

directors/trustees, fund management, or counsel. Any input from parties other than FUSE will be disclosed in our special methodology notes section.

The following is an introduction to FUSE's universe creation process:

## Standard Universe Creation Process



## Introduction

Our peer group process begins by building a broad range of funds that share similar investment, operational, and pricing characteristics. We refer to this broad group of funds as the comparison universe (universe). Generally, the universe will be the same for our analysis of a subject fund's results on both the fee & expense and performance dimensions.

Once a universe of comparable funds has been identified, the peer group is selected from within this universe based primarily on investment strategy similarity, but selection will also include dimensions of comparable asset levels and diversification of the peer group by advisor. FUSE does not target a specific number of funds when selecting peers and the size of the peer group may vary significantly from fund to fund, but will generally be in a range from 7 – 18 funds. The final size of the peer group will be influenced by a number of factors:

- The number of funds in the universe from which to select peers
- The similarity of a subject fund's investment strategy relative to category (for example selecting a peer group for a micro-cap strategy from within a broader small-cap universe)
- The distribution of universe funds around a subject fund's asset size
- Other unique investment or operational circumstances

Generally, the peer group will be the same for our analysis of a subject fund's results on both the fee & expense and performance dimensions. A representation of our peer selection process follows:



### INVESTMENT CHARACTERISTICS

- While the universe from which peers are being selected from will already feature funds with generally similar investment styles, additional considerations are applied to arrive at a peer group that is as highly comparable from an investment strategy perspective as possible. These may include investment strategy descriptions, allocation of assets on appropriate dimensions (i.e., asset class, capitalization, sector, etc.), market benchmark, or other relevant portfolio characteristics.



### ASSET SIZE COMPARABILITY

- Portfolio average net assets of the subject fund is used to the extent possible to select a number of peer funds that are larger and smaller than the subject fund.



### ADDITIONAL CONSIDERATIONS

- In order to reduce the potential for overweighting a particular fee structure, we will generally only select one fund from an advisor for the peer group.
- Additionally, if multiple share classes of a single fund fall into the same pricing group, only one class will be selected for use in the peer group
- Unique circumstances



## Introduction

Depending on overall size of the available universe, and in some cases the nature of a fund's investment strategy relative to its universe, the asset level and one-fund per advisor constraints are relaxed as needed. For instance, size comparability may be relaxed or removed to include a product from an additional advisor into a small peer group, or multiple products from the same advisor may be included to present additional comparable funds for a small peer group.

### Pricing Groups:

Name	Notes
Institutional (No Payments)	Institutional designation (limited availability); no 12b-1; Direct minimums, if applicable, typically \$1M or more; typically do not pay 3 <sup>rd</sup> party payments of any kind through the fund; includes both 'clean shares' designated for 3 <sup>rd</sup> party channels as well as truly institutional designated classes.
Institutional	Institutional designation (limited availability); typically no 12b-1; Direct minimums if applicable typically \$1M or less; ability to pay limited 3 <sup>rd</sup> party payments (shr svc/admin/sub ta) (typically in the range of 5bps – 15bps)
No Load no 12b-1	Typically available through retail channels (<10k minimums), however some classes may have limited availability; no 12b-1; ability to pay moderate 3 <sup>rd</sup> party payments (shr svc/admin/sub ta) (typically in the range of 15bps – 25bps)
No Load with 12b-1	Typically available through retail channels (<10k minimums), however some classes may have limited availability; 12b-1 (usually 25bps but may range a little); ability to pay moderate 3 <sup>rd</sup> party payments (shr svc/admin/sub TA) (typically in the range of 10bps – 25bps)
Front Load	Mostly class A shares, but may be others. Class T are separated from this group
Level Load	Mostly class C, buy may be others.
Back Load	Class B
Retirement Zero Pay	Retirement designated but may be available in other channels and/or direct. No 12b-1 or any other shareholder svc, admin, sub-TA payments run through the fund. Typical class name is "R6"
Retirement >0<25	Retirement designated; typically no 12b-1; shareholder svc, admin, sub-ta present at level estimated to be >0bps 25bps
Retirement >=25<50	Retirement designated; Combined 12b-1 and other payments estimated to total at least 25bps but less than 50bps.
Retirement >=50<75	Retirement designated; Combined 12b-1 and other payments estimated to total at least 50bps but less than 75bps.
Retirement >=75<100	Retirement designated; Combined 12b-1 and other payments estimated to total at least 75bps but less than 100bps.
Retirement 100+	Retirement designated; Combined 12b-1 and other payments estimated to total at least 100bps.
VP Institutional	Specific to funds offered as underlying funds of variable annuity and life products. Typically no 12b-1; Direct minimums if applicable typically \$1M or less; ability to pay limited 3 <sup>rd</sup> party payments (shr svc/admin/sub ta)
VP Service	Specific to funds offered as underlying funds of variable annuity and life products. 12b-1 (usually 25bps but may range a little); ability to pay moderate 3 <sup>rd</sup> party payments (shr svc/admin/sub ta) (typically in the range of 10bps – 25bps)



## Introduction

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As noted above, in some cases it may be necessary to combine multiple pricing groups to create a large enough group of reviewable funds. Only groups with similar pricing characteristics will be combined. For example, it is common for us to combine Front Load share classes with No Load w/12b-1 classes as they are highly similar in structure, overall fee level metrics, and distribution focus. When pricing groups are combined, we prioritize the primary pricing group share class for inclusion in our universe and peer group in cases where the combination results in multiple classes of a single portfolio being brought into our review.

### Other Important Notes on Universe and Peer Group Creation

While the above description describes our standard methodology, it is not uncommon for subject funds to have strategies for which our standard methodology will not create a sufficiently meaningful comparison universe and/or peer group. This is most common in the ETF universe where exposures may be highly or truly unique. In these cases, we will propose the creation of a custom peer group, in some cases this custom peer group will be used for both fee & expense and performance comparisons, and in others we may create a unique custom peer group for fee & expense comparisons as well as a separate peer group for performance comparisons. A summary description of these alternative methodologies is below:

**Standard:** In the standard peer grouping approach, a broadly inclusive universe is created based on the investment, pricing, and operational characteristics of the subject fund. For FUSE this broad universe creation generally starts using the retail Morningstar Category of the subject fund. However, we will refine this where we feel it is appropriate. Once the universe is created, a smaller subset of peers is chosen based on a more refined view of the subject fund's investment characteristics, as well as comparable asset levels. Relative comparisons for fees and performance are made and presented versus both the universe and peer group.

**Unique Strategy:** In the unique strategy approach, FUSE has determined that the strategy of the subject fund is too specialized to allow for the construction of a sufficiently similar universe that would be larger than the more refined peer group. In these cases, the peer grouping effort is to identify as many comparable strategies as possible to serve as a peer group. From a technical standpoint the peer group and universe are synonymous in these cases.

**Separate Fee and Performance:** In some cases, it is deemed impossible to identify any peers under the previous two methodologies and untethering the requirement of offering comparability on both fee & expense, and performance dimensions allows for more flexibility. For these subject funds, two custom peer groups are created; one to offer a fee & expense comparison, and a second distinct peer group for performance comparison purposes. In some cases, there may be some funds that reside in both groups, but in others the two peer groups will be completely distinct. Under this methodology, there is no broader universe comparison at the fee or performance level.

## Introduction

### Grouping Methodology Summary Characteristics

Grouping Type	Breadth of Comparables	Comparability Confidence	
		Fee & Expense	Performance
Standard			
Peers	Flexible	High	High
Universe	Broad	Moderate	Moderate
Unique Strategy			
Peers	Narrow	High	High
Universe	n/a	n/a	n/a
Separate Fee/Performance			
Peers (Fees)	Narrow	High	High
Peers (Performance)	Narrow	High	High
Universe (Fees)	n/a	n/a	n/a
Universe (Performance)	n/a	n/a	n/a

### Project Specific Methodology Notes:

#### Peer & Universe Notes:

- Socially Responsible Equity: Effective July 16, 2019, the Highland Premier Growth Equity Fund changed its name to the Highland Socially Responsible Equity Fund. The peer group for this fund includes ESG and socially responsible funds from within the large growth and large core universe.
- Healthcare Opportunities Fund: Effective 11/20/19, the Highland Long Short Healthcare Fund was renamed the Highland Healthcare Opportunities Fund. The Fund no longer pursues a long/short strategy and has increased its exposure to fixed-income securities of any credit quality. Relative performance results should be reviewed with this context in mind. The peer group and universe for this fund are Health sector funds.
- NexPoint Real Estate Strategies Fund: The peers for this fund are all unlisted closed-end interval funds identified by FUSE as having a real estate strategy.
- Highland/iBoxx Senior Loan ETF: There is only 1 other passive ETF in the Bank Loan category (Invesco Senior Loan ETF [BKLN]). Because of this, the peer group for the Highland/iBoxx Senior Loan ETF includes a number of actively managed peers.
- NexPoint Strategic Opportunities Fund (NHF): In light of a pending proposal to change the strategy from one invests primarily in debt and equity securities to a diversified real estate investment trust ("REIT") we have added RMR Real Estate Income Fund (RIF) to the peer group, which would closely resemble the proposed new strategy for NHF.

## Introduction

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### Additional Notes:

- Morningstar shows the inception date for the Merger Arbitrage Fund as 8/19/16 (the day it was converted to an open-end fund. FUSE has updated the inception date manually and the five year and since inception performance for the Merger Arbitrage Fund were taken by FUSE from the Fund's 2Q20 factsheet.

# Executive Summary

## [Open-end Funds]

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Confidential Report to Trustees



# Executive Summary

## Net Management Fee, Total Net Expense, and Total Return vs. Peer Group and Universe

Group(1)	Fund	Avg. AUM (\$M)(2)	Net Management Fee vs. Peers (3)			Total Net Expense vs. Peers(4)			Total Net Expense vs. Universe(4)			Total Return Rank vs. Universe			
			Target Fund	50%	Rank	Target Fund	50%	Rank	Target Fund	50%	Rank	1 Yr	3 Yr	5 Yr	10 Yr
Intermediate Core-Plus Bond	Fixed Income Y	\$193.7	0.24	0.38	14%	0.65	0.57	79%	0.65	0.50	84%	91%	95%	85%	94%
Health	Healthcare Opportunities Z	\$51.0	1.20	0.87	90%	1.80	1.12	90%	1.80	0.85	95%	89%	67%	100%	100%
Merger Arbitrage	Merger Arbitrage Z	\$32.6	0.46	1.04	14%	1.51	1.50	71%	1.51	1.50	71%	1%	1%	1%	N/A
Small Blend	Small-Cap Equity Y	\$45.5	0.10	0.65	7%	1.12	1.10	57%	1.12	0.99	77%	100%	100%	100%	100%
Socially Responsible Large Growth & Large Core/Large Growth	Socially Resp. Eqty.	\$111.3	0.53	0.36	57%	1.13	0.90	100%	1.13	0.83	93%	100%	100%	98%	95%
Allocation--50% to 70% Equity	Total Return Y	\$79.7	0.47	0.64	14%	0.95	1.00	36%	0.95	0.78	75%	92%	97%	92%	92%

50th Percentile or Better | 51st - 75th Percentiles | 76th - 100th Percentiles

### Notes:

Performance data is as of June 30, 2020. Annualized if over 1 year.

1. If present, "/" denotes that the peer group and universe are different investment styles. The peer group is listed first followed by the universe.

2. Average AUM as of each fund's most recent annual report date.

3. Net Management Fee is the actual advisory fee plus the actual administrative fee (if applicable) after any waivers and/or reimbursements. Detailed advisory and management fee data is found on page 2 of each individual fund report.

4. Total net expenses are after any waivers and/or reimbursements, and exclude any non-operating and/or extraordinary expenses where applicable.

# Executive Summary

## [Exchange-Traded Funds]

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Confidential Report to Trustees



Executive Summary

Net Management Fee, Total Net Expense, and Total Return vs. Peer Group and Universe

Group(1)	Fund	Avg. AUM (\$M)(2)	Net Management Fee vs. Peers (3)			Total Net Expense vs. Peers(4)		Total Net Expense vs. Universe(4)		Total Return Rank vs. Universe					
			Target Fund	50%	Rank	Target Fund	50%	Rank	Target Fund	50%	Rank	1 Yr	3 Yr	5 Yr	10 Yr
Bank Loan	iBoxx Senior Loan ETF	\$469.4	0.31	0.42	17%	0.61	0.64	33%	0.61	0.64	33%	100%	100%	100%	N/A

50th Percentile or Better | 51st - 75th Percentiles | 76th - 100th Percentiles

Notes:

Performance data is as of June 30, 2020. Annualized if over 1 year.

1. If present, "/" denotes that the peer group and universe are different investment styles. The peer group is listed first followed by the universe.
2. Average AUM as of each fund's most recent annual report date.
3. Net Management Fee is the actual advisory fee plus the actual administrative fee (if applicable) after any waivers and/or reimbursements. Detailed advisory and management fee data is found on page 2 of each individual fund report.
4. Total net expenses are after any waivers and/or reimbursements, and exclude any non-operating and/or extraordinary expenses where applicable.

# Executive Summary

## [Closed-end Funds]

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Confidential Report to Trustees





# Executive Summary

## Net Management Fee, Total Net Expense, and Total Return vs. Peer Group and Universe

Group(1)	Fund	Avg. AUM (\$M)(2)	Net Management Fee vs. Peers (3)			Total Net Expense vs. Peers(4)			Total Net Expense vs. Universe(4)			Total Return Rank vs. Universe				
			Target Fund	50%	Rank	Target Fund	50%	Rank	Target Fund	50%	Rank	1 Yr	3 Yr	5 Yr	10 Yr	
Global Allocation	Global Allocation	\$259.9	0.54	1.23	1%	1.07	1.39	1%	1.07	1.39	1%	100%	100%	100%	89%	
Bank Loan	Income Fund	\$1,024.9	1.23	1.20	55%	1.80	1.40	82%	1.80	1.40	82%	36%	45%	82%	75%	
Real Estate	NexPoint Real Estate Strategies Z	\$20.3	-0.37	1.23	1%	1.54	1.68	20%	1.54	1.68	20%	100%	100%	N/A	N/A	
Flexible Allocation	NexPoint Strategic Opportunities Fund	\$896.1	1.56	1.50	67%	2.00	1.75	78%	2.00	1.75	78%	78%	78%	100%	29%	

50th Percentile or Better | 51st - 75th Percentiles | 76th - 100th Percentiles

### Notes:

Performance data is as of June 30, 2020. Annualized if over 1 year.

1. If present, "/" denotes that the peer group and universe are different investment styles. The peer group is listed first followed by the universe.

2. Average AUM as of each fund's most recent annual report date.

3. Net Management Fee is the actual advisory fee plus the actual administrative fee (if applicable) after any waivers and/or reimbursements. Detailed advisory and management fee data is found on page 2 of each individual fund report.

4. Total net expenses are after any waivers and/or reimbursements, and exclude any non-operating and/or extraordinary expenses where applicable.

# Individual 15(c) Reports [Open-end Funds]

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Confidential Report to Trustees



## Highland Fixed Income Y (HFBYX)

### Peer Group\*

The Peer Group consists of the Highland Fixed Income Y and 14 other Intermediate Core-Plus Bond funds identified by FUSE. Only funds with similar pricing characteristics were considered for inclusion in the Peer Group.

Average net assets of the 15 funds in the peer group, including all classes of shares, range from \$78M to \$334M, based on each fund's latest fiscal year end.

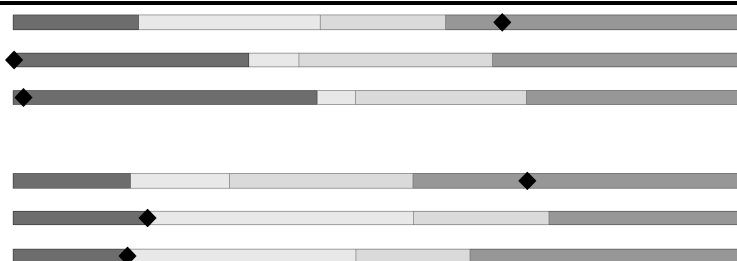
### Universe\*

The Universe consists of the Highland Fixed Income Y, the other funds of the peer group, and all other Intermediate Core-Plus Bond funds with similar pricing features, excluding outliers.

Expense Summary (Peer Group)	Fund	Rank*	%ile	Med.
Total Net Expense	0.65	12/15	79%	0.57
Gross Advisory Fee**	0.30	2/15	7%	0.40
Contractual Advisory Fee**	0.30	1/15(2)	1%	0.40

Expense Summary (Universe)	Fund	Rank*	%ile	Med.
Total Net Expense	0.65	94/112(2)	84%	0.50
Gross Advisory Fee**	0.30	25/112	22%	0.40
Contractual Advisory Fee**	0.30	18/113(14)	15%	0.40

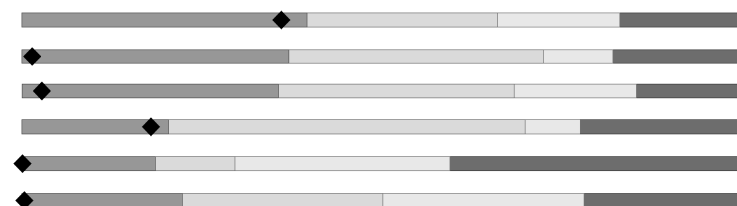
Charts represent Peer Group or Universe quartiles and where the target fund is within the grouping. The top and bottom represent the 95th and 5th percentiles.



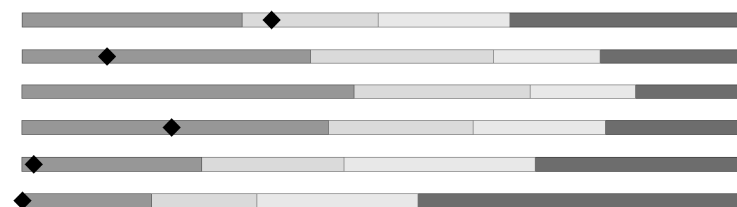
\*If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

\*\*Gross Advisory Fee is the actual Advisor Fee as reported in the Fund's most recent annual report; Contractual Advisory Fee is calculated using each fund's advisory fee contract schedule at the average asset level of the target fund.

Performance Summary (Peer Group)	Fund	Rank	%ile	Med.
3 Months	5.01	12/15	79%	6.61
One Year	4.03	14/15	93%	7.50
Three Years	3.23	12/13	92%	4.71
Five Years	3.52	11/13	83%	4.30
Ten Years	3.69	8/8	100%	4.06
Since Inception (11/29/1993)^	4.82	2/2	100%	4.83



Performance Summary (Universe)	Fund	Rank	%ile	Med.
3 Months	5.01	81/113	71%	5.83
One Year	4.03	102/112	91%	7.38
Three Years	3.23	96/101	95%	4.96
Five Years	3.52	77/90	85%	4.28
Ten Years	3.69	68/72	94%	4.43
Since Inception (11/29/1993)^	4.82	11/11	100%	5.50



Returns as of 6/30/20, annualized if over 1 year.

^ Inception to date performance for "Performance Summary" begins with the first full month following the Fund's stated inception date.

## Total Net Expense Ratio Comparison:

Fund	FY End	Net. Avg. AUM (\$Mil)	Gross Mgmt. Fee*	Operating Expenses	12b-1	Waiver/ Reimb.	Total Net Expenses^
Weitz Core Plus Income Institutional	3/31/20	103	0.562	0.238		0.400	0.400
Macquarie Pooled Core Plus Bond	10/31/19	224	0.430	0.160		0.140	0.450
Parnassus Fixed Income Institutional	12/31/19	223	0.526	-0.026		0.050	0.450
Eaton Vance Core Bond I	12/31/19	192	0.487	0.113		0.110	0.490
Brown Advisory Total Return Instl	6/30/19	182	0.362	0.128		0.000	0.490
Brandes Core Plus Fixed Income I	9/30/19	84	0.390	0.340		0.230	0.500
BBH Income I	10/31/19	301	0.399	0.121		0.020	0.500
Touchstone Active Bond Institutional	9/30/19	334	0.540	0.120		0.090	0.570
Great Lakes Bond Institutional	3/31/20	125	0.471	0.099		0.000	0.570
Victory INCORE Total Return Bond Y	6/30/19	81	0.462	0.168		0.030	0.600
Virtus Newfleet Core Plus Bond I	9/30/19	78	0.564	0.256		0.220	0.600
<b>Highland Fixed Income Y</b>	<b>9/30/19</b>	<b>194</b>	<b>0.300</b>	<b>0.410</b>		<b>0.060</b>	<b>0.650</b>
ALPS/Smith Total Return Bond I	10/31/19	142	0.662	0.098		0.090	0.670
MassMutual Premier Diversified Bond Svc	9/30/19	214	0.520	0.230		0.000	0.750
MFS Income I	10/31/19	285	0.606	0.234		0.070	0.770
<b>Peer Group Average</b>	-----	184	0.485	0.179	N/A	0.101	0.564
<b>Peer Group Median</b>	-----	192	0.487	0.160	N/A	0.070	0.570
<b>Fund Rank^^</b>	-----	-----	1/15	15/15	-----	-----	12/15

Fund	Avg. Net AUM (\$Mil)*	Net Management Fee Comparison					Other Operating Expense Comparison				
		Gross Advisory	Gross Admin.	Gross Mgmt. *	Waiver/ Reimb.	Net Mgmt. Exp.	Transfer Agent Exp.	Custodian Exp.	Acct. Exp	Other Op. Exp.	Net Op Exp
Brandes Core Plus Fixed Income I	84	0.350	0.040	0.390	0.230	0.160	0.111	0.014	0.070	0.145	0.340
Weitz Core Plus Income Institutional	103	0.400	0.162	0.562	0.400	0.162	0.045	0.095		0.098	0.238
<b>Highland Fixed Income Y</b>	<b>194</b>	<b>0.300</b>		<b>0.300</b>	<b>0.060</b>	<b>0.240</b>	<b>0.105</b>	<b>0.043</b>	<b>0.076</b>	<b>0.185</b>	<b>0.410</b>
Macquarie Pooled Core Plus Bond	224	0.430		0.430	0.140	0.290		0.011	0.037	0.113	0.160
Virtus Newfleet Core Plus Bond I	78	0.449	0.115	0.564	0.220	0.344	0.105	0.003		0.148	0.256
Brown Advisory Total Return Instl	182	0.300	0.063	0.362	0.000	0.362		0.007		0.121	0.128
Eaton Vance Core Bond I	192	0.487		0.487	0.110	0.377	0.030	0.012		0.071	0.113
BBH Income I	301	0.399		0.399	0.020	0.379	0.010	0.032		0.078	0.121
Victory INCORE Total Return Bond Y	81	0.400	0.062	0.462	0.030	0.432	0.054	0.014		0.101	0.168
Touchstone Active Bond Institutional	334	0.395	0.145	0.540	0.090	0.450	0.007	0.015	0.020	0.078	0.120
Great Lakes Bond Institutional	125	0.400	0.071	0.471	0.000	0.471	0.017	0.010		0.072	0.099
Parnassus Fixed Income Institutional	223	0.495	0.032	0.526	0.050	0.476	0.005	0.003	0.004	-0.038	-0.026
MassMutual Premier Diversified Bond Svc	214	0.370	0.150	0.520	0.000	0.520	0.051	0.035	0.049	0.095	0.230
MFS Income I	285	0.589	0.017	0.606	0.070	0.536	0.129	0.014		0.091	0.234
ALPS/Smith Total Return Bond I	142	0.542	0.120	0.662	0.090	0.572	0.004	0.013		0.082	0.098
<b>Peer Group Average</b>	184	0.420	0.089	0.485	0.101	0.385	0.052	0.021	0.043	0.096	0.179
<b>Peer Group Median</b>	192	0.400	0.071	0.487	0.070	0.379	0.045	0.014	0.043	0.095	0.160
<b>Fund Rank^^</b>	-----	2/15	N/A	1/15	-----	3/15	11/13	14/15	6/6	15/15	15/15

\* Gross Management Fee is the sum of Advisor and Administrative Fees where applicable.

^ Total net expenses are after any waivers and/or reimbursements, and exclude any non-operating and/or extraordinary expenses where applicable.

^^ If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

Fund	3 mo	1 Yr	3 Yr	5 Yr	10 Yr	SI ^
Parnassus Fixed Income Institutional	3.31	8.99	5.46	4.41	N/A	N/A
ALPS/Smith Total Return Bond I	5.68	8.82	N/A	N/A	N/A	N/A
Macquarie Pooled Core Plus Bond	6.97	8.56	5.39	4.38	4.39	N/A
Touchstone Active Bond Institutional	7.82	8.03	5.08	4.41	N/A	N/A
Victory INCORE Total Return Bond Y	4.15	7.92	4.54	3.67	3.99	4.85
Brown Advisory Total Return Instl	8.29	7.90	5.41	4.68	N/A	N/A
BBH Income I	6.61	7.84	N/A	N/A	N/A	N/A
Weitz Core Plus Income Institutional	8.50	7.50	5.09	4.69	N/A	N/A
MFS Income I	8.42	6.92	4.92	4.86	5.10	N/A
Virtus Newfleet Core Plus Bond I	6.81	6.35	4.71	4.30	4.48	N/A
Brandes Core Plus Fixed Income I	2.54	5.79	3.68	3.32	4.12	N/A
Eaton Vance Core Bond I	6.12	5.77	4.50	3.70	3.78	N/A
MassMutual Premier Diversified Bond Svc	7.22	4.44	3.97	3.55	4.01	N/A
<b>Highland Fixed Income Y</b>	<b>5.01</b>	<b>4.03</b>	<b>3.23</b>	<b>3.52</b>	<b>3.69</b>	<b>4.82</b>
Great Lakes Bond Institutional	5.39	3.80	3.07	3.14	N/A	N/A
<b>BBgBarc US Agg Bond TR USD</b>	<b>2.90</b>	<b>8.74</b>	<b>5.32</b>	<b>4.30</b>	<b>3.82</b>	<b>5.41</b>
<b>Peer Group Average</b>	<b>6.19</b>	<b>6.84</b>	<b>4.54</b>	<b>4.05</b>	<b>4.19</b>	<b>4.83</b>
<b>Peer Group Median</b>	<b>6.61</b>	<b>7.50</b>	<b>4.71</b>	<b>4.30</b>	<b>4.06</b>	<b>4.83</b>
<b>Fund Rank^^</b>	<b>12/15</b>	<b>14/15</b>	<b>12/13</b>	<b>11/13</b>	<b>8/8</b>	<b>2/2</b>

^ Inception to date performance begins with the first full month following the Fund's stated inception date: (11/29/1993)

^^ If present "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

## Advisory Fee Schedule (Breakpoint levels in millions)

Peer Group

Fund	Contractual Advisory Fee*	Fee 1	Up To	Fee 2	Next	Fee 3	Next	Fee 4	Next	Fee 5	Next	Fee 6	Next	Fee 7	Next^
Brown Advisory Total Return Instl	0.300	0.300	All												
<b>Highland Fixed Income Y</b>	<b>0.300</b>	<b>0.300</b>	<b>All</b>												
Brandes Core Plus Fixed Income I	0.350	0.350	All												
MassMutual Premier Diversified Bond Svc	0.377	0.400	150	0.300	All										
BBH Income I	0.400	0.400	All												
Great Lakes Bond Institutional	0.400	0.400	All												
Touchstone Active Bond Institutional	0.400	0.400	300	0.350	All										
Victory INCORE Total Return Bond Y	0.400	0.400	All												
Weitz Core Plus Income Institutional	0.400	0.400	All												
Macquarie Pooled Core Plus Bond	0.430	0.430	All												
Eaton Vance Core Bond I	0.450	0.450	1,000	0.425	1,000	0.415	3,000	0.405	All						
Virtus Newfleet Core Plus Bond I	0.450	0.450	1,000	0.400	All										
MFS Income I	0.500	0.500	1,000	0.450	1,500	0.400	All								
Parnassus Fixed Income Institutional	0.500	0.500	200	0.450	200	0.400	All								
ALPS/Smith Total Return Bond I	0.545	0.545	All												

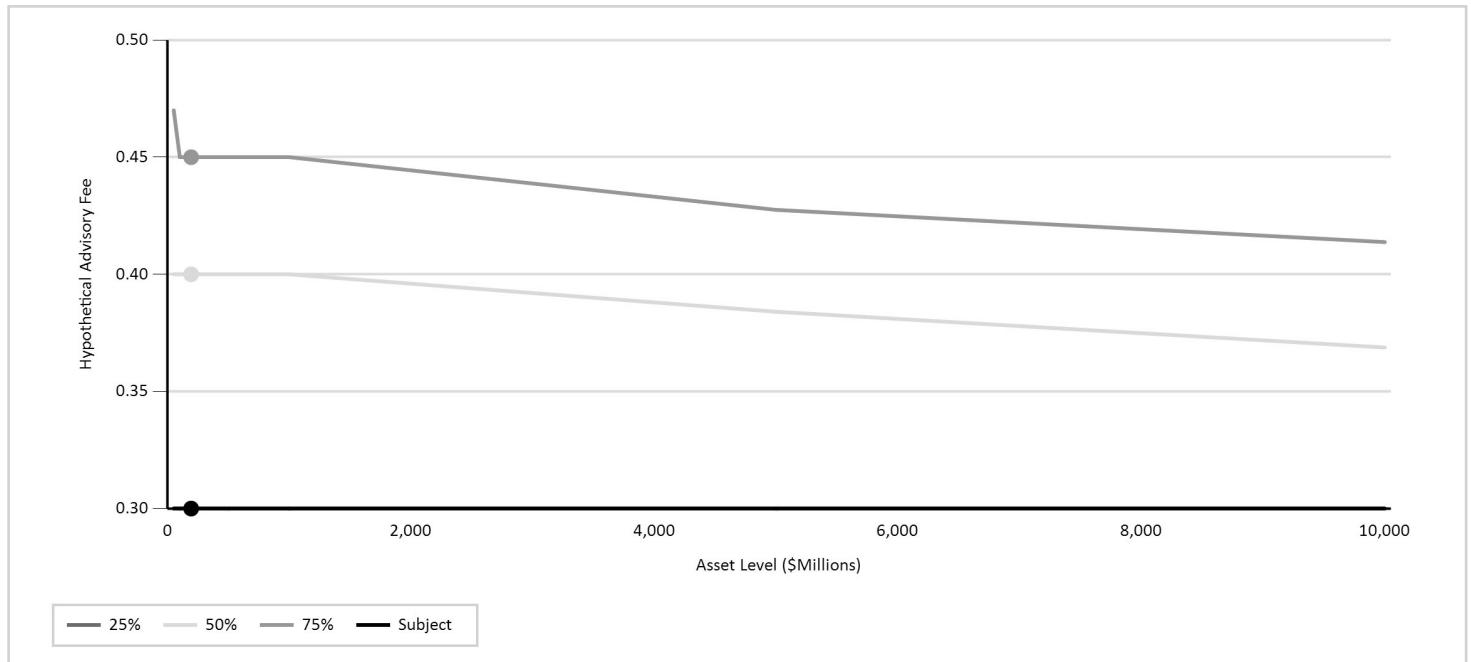
^Schedules with an asset level associated with "Fee 7" have additional fee levels and breakpoints not displayed due to allowable space.

\* Contractual advisory fee calculated at target fund's average net asset level. (\$194M)

## Hypothetical Contractual Advisory Fee Ratio at Different Asset Levels

Universe

**Description:** The chart includes all funds in the target fund's universe and is intended to provide a perspective of contractual advisory fees within the broader universe of peers, as well as assist in evaluating the target fund's contractual advisory fee schedule at various asset levels. A descending line indicates lower advisory fees resulting from the use of breakpoints.



## Highland Healthcare Opportunities Z (HHCZX)

### Peer Group\*

The Peer Group consists of the Highland Healthcare Opportunities Z and 10 other Health funds identified by FUSE. Only funds with similar pricing characteristics were considered for inclusion in the Peer Group.

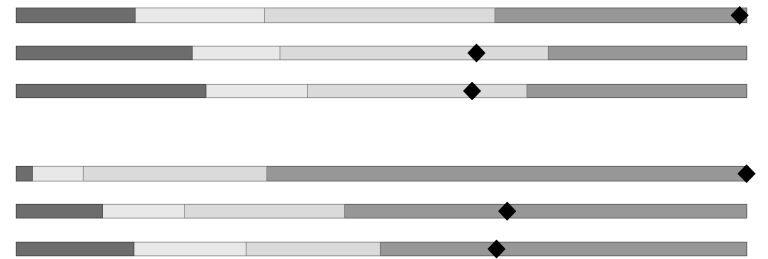
Average net assets of the 11 funds in the peer group, including all classes of shares, range from \$0M to \$984M, based on each fund's latest fiscal year end.

### Universe\*

The Universe consists of the Highland Healthcare Opportunities Z, the other funds of the peer group, and all other Health funds with similar pricing features, excluding outliers.

Expense Summary (Peer Group)	Fund	Rank*	%ile	Med.
Total Net Expense	1.80	10/11	90%	1.12
Gross Advisory Fee**	1.00	7/11	60%	0.83
Contractual Advisory Fee**	1.00	7/11(2)	60%	0.85
Expense Summary (Universe)	Fund	Rank*	%ile	Med.
Total Net Expense	1.80	21/22	95%	0.84
Gross Advisory Fee**	1.00	18/22	81%	0.70
Contractual Advisory Fee**	1.00	18/22(2)	81%	0.76

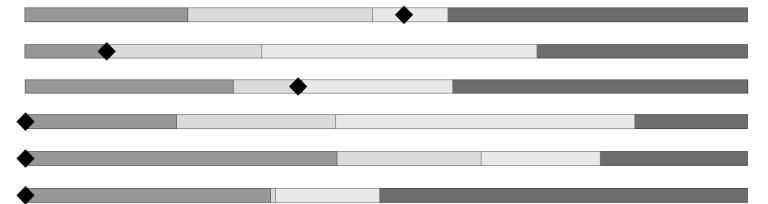
Charts represent Peer Group or Universe quartiles and where the target fund is within the grouping. The top and bottom represent the 95th and 5th percentiles.



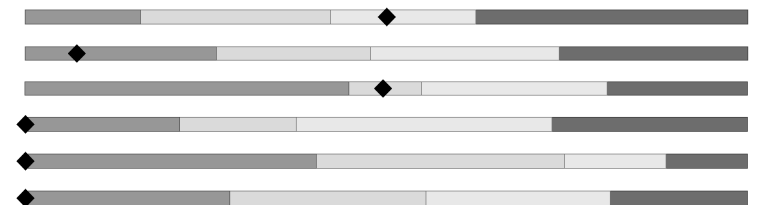
\*If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

\*\*Gross Advisory Fee is the actual Advisor Fee as reported in the Fund's most recent annual report; Contractual Advisory Fee is calculated using each fund's advisory fee contract schedule at the average asset level of the target fund.

Performance Summary (Peer Group)	Fund	Rank	%ile	Med.
3 Months	22.31	4/11	30%	21.50
One Year	10.11	7/9	75%	13.76
Three Years	10.67	5/8	57%	10.79
Five Years	0.39	8/8	100%	6.28
Ten Years	6.05	5/5	100%	13.58
Since Inception (5/5/2008)^	6.31	5/5	100%	10.25



Performance Summary (Universe)	Fund	Rank	%ile	Med.
3 Months	22.31	8/22	33%	21.05
One Year	10.11	18/20	89%	16.87
Three Years	10.67	13/19	67%	11.29
Five Years	0.39	18/18	100%	5.65
Ten Years	6.05	15/15	100%	17.09
Since Inception (5/5/2008)^	6.31	11/11	100%	12.91



Returns as of 6/30/20, annualized if over 1 year.

^ Inception to date performance for "Performance Summary" begins with the first full month following the Fund's stated inception date.

Highland Healthcare Opportunities: Effective 11/20/19, the Highland Long Short Healthcare Fund was renamed the Highland Healthcare Opportunities Fund. The Fund no longer pursues a long/short strategy and has increased its exposure to fixed-income securities of any credit quality.

## Total Net Expense Ratio Comparison:

Fund	FY End	Net. Avg. AUM (\$Mil)	Gross Mgmt. Fee*	Operating Expenses	12b-1	Waiver/ Reimb.	Total Net Expenses^
Alger Health Sciences Z	10/31/19	207	0.592	0.198		0.040	0.750
Lord Abbett Health Care I	10/31/19	1	0.674	8.176		8.070	0.780
Baron Health Care Instl	12/31/19	12	1.112	1.278		1.540	0.850
Delaware Healthcare I	3/31/20	984	0.825	0.195		0.000	1.020
DWS Health and Wellness Inst	5/31/19	294	0.865	0.195		0.000	1.060
AllianzGI Health Sciences Institutional	6/30/19	154	0.899	0.221		0.000	1.120
Eventide Healthcare & Life Sciences I	6/30/19	855	1.163	0.127		0.000	1.290
AlphaCentric LifeSci Healthcare I	3/31/20	0	2.830	21.310		22.740	1.400
ICON Healthcare S	9/30/19	69	1.051	0.459		0.010	1.500
<b>Highland Healthcare Opportunities Z</b>	<b>6/30/19</b>	<b>51</b>	<b>1.201</b>	<b>0.599</b>		<b>0.000</b>	<b>1.800</b>
Saratoga Health & Biotechnology I	8/31/19	15	1.418	0.402		0.000	1.820
<b>Peer Group Average</b>	-----	240	1.148	3.015	N/A	2.945	1.217
<b>Peer Group Median</b>	-----	69	1.051	0.402	N/A	0.000	1.120
<b>Fund Rank^^</b>	-----	-----	9/11	8/11	-----	-----	10/11

Fund	Avg. Net AUM (\$Mil)*	Net Management Fee Comparison					Other Operating Expense Comparison				
		Gross Advisory	Gross Admin.	Gross Mgmt. *	Waiver/ Reimb.	Net Mgmt. Exp.	Transfer Agent Exp.	Custodian Exp.	Acct. Exp	Other Op. Exp.	Net Op Exp
AlphaCentric LifeSci Healthcare I	0	1.229	1.601	2.830	22.740	-19.910	0.057	0.931		20.322	21.310
Lord Abbett Health Care I	1	0.633	0.041	0.674	8.070	-7.396	0.090	0.064		8.022	8.176
Baron Health Care Instl	12	0.730	0.381	1.112	1.540	-0.428	0.161	0.180		0.938	1.278
Alger Health Sciences Z	207	0.550	0.042	0.592	0.040	0.552	0.073	0.032	0.020	0.074	0.198
Delaware Healthcare I	984	0.825		0.825	0.000	0.825	0.104	0.030	0.021	0.040	0.195
DWS Health and Wellness Inst	294	0.765	0.100	0.865	0.000	0.865	0.110	0.003		0.082	0.195
AllianzGI Health Sciences Institutional	154	0.799	0.100	0.899	0.000	0.899				0.221	0.221
ICON Healthcare S	69	1.001	0.050	1.051	0.010	1.041	0.223	0.006	0.051	0.179	0.459
Eventide Healthcare & Life Sciences I	855	1.126	0.037	1.163	0.000	1.163	0.095	0.005		0.026	0.127
<b>Highland Healthcare Opportunities Z</b>	<b>51</b>	<b>1.000</b>	<b>0.201</b>	<b>1.201</b>	<b>0.000</b>	<b>1.201</b>	<b>0.118</b>	<b>0.137</b>	<b>0.106</b>	<b>0.239</b>	<b>0.599</b>
Saratoga Health & Biotechnology I	15	1.251	0.168	1.418	0.000	1.418	0.072	0.031		0.298	0.402
<b>Peer Group Average</b>	240	0.901	0.272	1.148	2.945	0.724	0.110	0.142	0.049	2.767	3.015
<b>Peer Group Median</b>	69	0.825	0.100	1.051	0.000	0.865	0.100	0.032	0.036	0.221	0.402
<b>Fund Rank^^</b>	-----	7/11	8/10	9/11	-----	10/11	8/10	8/10	4/4	7/11	8/11

\* Gross Management Fee is the sum of Advisor and Administrative Fees where applicable.

^ Total net expenses are after any waivers and/or reimbursements, and exclude any non-operating and/or extraordinary expenses where applicable.

^^ If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.



Fund	3 mo	1 Yr	3 Yr	5 Yr	10 Yr	SI ^
Baron Health Care Instl	24.68	25.32	N/A	N/A	N/A	N/A
Eventide Healthcare & Life Sciences I	37.65	24.97	27.45	13.50	N/A	N/A
Delaware Healthcare I	21.65	20.23	14.85	10.85	17.85	17.37
Alger Health Sciences Z	24.55	14.49	15.35	11.13	N/A	N/A
AllianzGI Health Sciences Institutional	15.13	13.76	10.90	6.88	N/A	N/A
DWS Health and Wellness Inst	17.19	13.37	10.09	5.69	15.26	11.56
<b>Highland Healthcare Opportunities Z</b>	<b>22.31</b>	<b>10.11</b>	<b>10.67</b>	<b>0.39</b>	<b>6.05</b>	<b>6.31</b>
Saratoga Health & Biotechnology I	9.92	8.99	1.90	3.46	11.55	10.25
ICON Healthcare S	16.27	7.65	5.21	3.94	13.58	10.18
AlphaCentric LifeSci Healthcare I	18.01	N/A	N/A	N/A	N/A	N/A
Lord Abbett Health Care I	21.50	N/A	N/A	N/A	N/A	N/A
<b>S&amp;P 500 TR USD</b>	<b>20.54</b>	<b>7.51</b>	<b>10.73</b>	<b>10.73</b>	<b>13.99</b>	<b>10.37</b>
<b>Peer Group Average</b>	<b>20.81</b>	<b>15.43</b>	<b>12.05</b>	<b>6.98</b>	<b>12.86</b>	<b>11.13</b>
<b>Peer Group Median</b>	<b>21.50</b>	<b>13.76</b>	<b>10.79</b>	<b>6.28</b>	<b>13.58</b>	<b>10.25</b>
<b>Fund Rank^^</b>	<b>4/11</b>	<b>7/9</b>	<b>5/8</b>	<b>8/8</b>	<b>5/5</b>	<b>5/5</b>

^ Inception to date performance begins with the first full month following the Fund's stated inception date: (5/5/2008)

^^ If present "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

*Highland Healthcare Opportunities: Effective 11/20/19, the Highland Long Short Healthcare Fund was renamed the Highland Healthcare Opportunities Fund. The Fund no longer pursues a long/short strategy and has increased its exposure to fixed-income securities of any credit quality.*

## Advisory Fee Schedule (Breakpoint levels in millions)

Peer Group

Fund	Contractual Advisory Fee*	Fee 1	Up To	Fee 2	Next	Fee 3	Next	Fee 4	Next	Fee 5	Next	Fee 6	Next	Fee 7	Next^
Alger Health Sciences Z	0.550	0.550	All												
Lord Abbett Health Care I	0.620	0.620	1,000	0.510	All										
Baron Health Care Instl	0.750	0.750	All												
DWS Health and Wellness Inst	0.765	0.765	500	0.715	All										
AllianzGI Health Sciences Institutional	0.800	0.800	All												
Delaware Healthcare I	0.850	0.850	500	0.800	500	0.750	1,500	0.700	All						
<b>Highland Healthcare Opportunities Z</b>	<b>1.000</b>	<b>1.000</b>	<b>All</b>												
ICON Healthcare S	1.000	1.000	500	0.950	250	0.925	750	0.900	3,500	0.875	All				
Eventide Healthcare & Life Sciences I	1.100	1.100	All												
AlphaCentric LifeSci Healthcare I	1.250	1.250	All												
Saratoga Health & Biotechnology I	1.250	1.250	All												

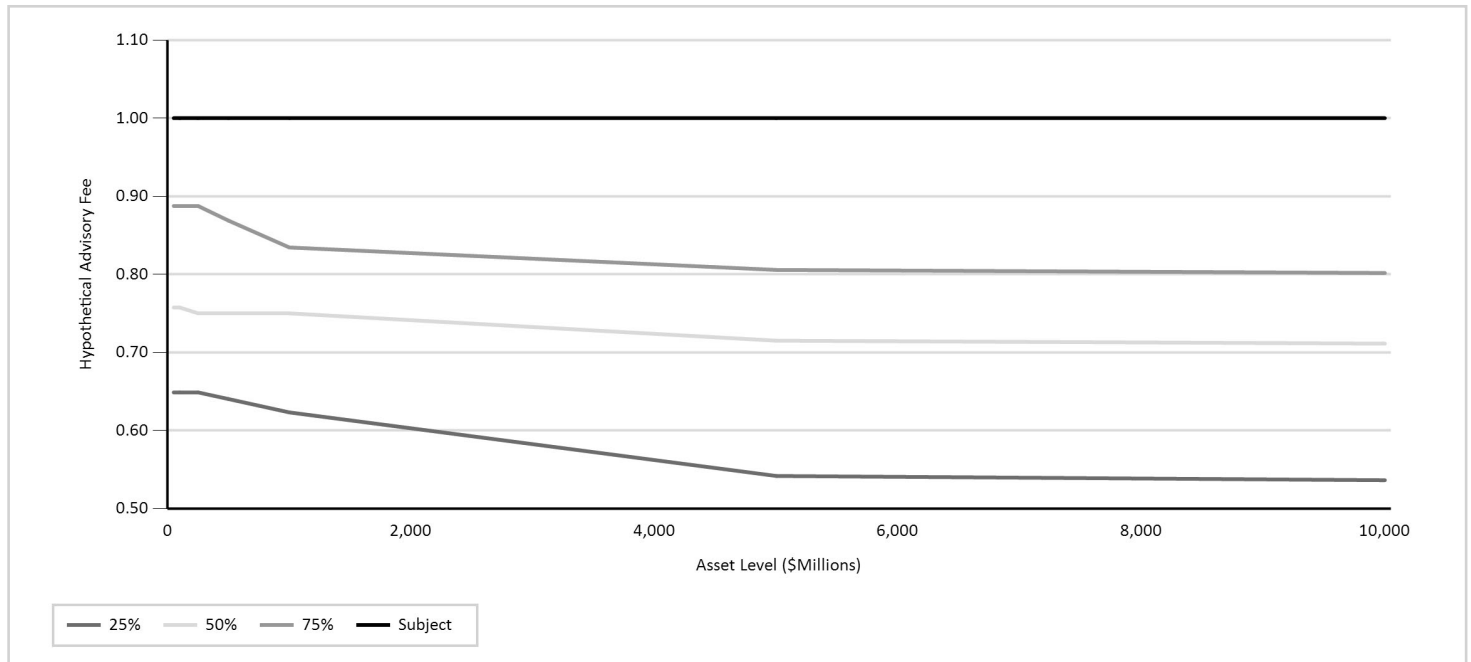
^Schedules with an asset level associated with "Fee 7" have additional fee levels and breakpoints not displayed due to allowable space.

\* Contractual advisory fee calculated at target fund's average net asset level. (\$51M)

## Hypothetical Contractual Advisory Fee Ratio at Different Asset Levels

Universe

Description: The chart includes all funds in the target fund's universe and is intended to provide a perspective of contractual advisory fees within the broader universe of peers, as well as assist in evaluating the target fund's contractual advisory fee schedule at various asset levels. A descending line indicates lower advisory fees resulting from the use of breakpoints.



## Highland Merger Arbitrage Z (HMEZX)

### Peer Group\*

The Peer Group consists of the Highland Merger Arbitrage Z and 7 other Merger Arbitrage funds identified by FUSE. Only funds with similar pricing characteristics were considered for inclusion in the Peer Group.

Average net assets of the 8 funds in the peer group, including all classes of shares, range from \$2M to \$3,040M, based on each fund's latest fiscal year end.

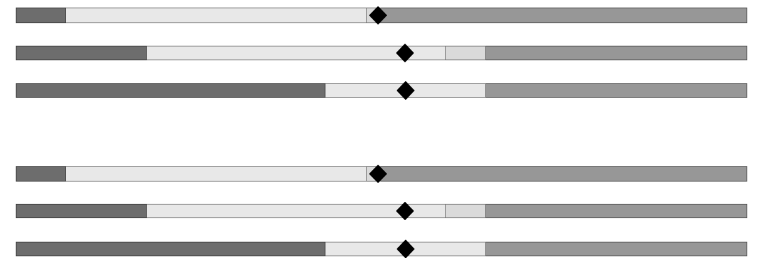
### Universe\*

The Universe consists of the Highland Merger Arbitrage Z, the other funds of the peer group, and all other Merger Arbitrage funds with similar pricing features, excluding outliers.

Expense Summary (Peer Group)	Fund	Rank*	%ile	Med.
Total Net Expense	1.51	6/8	71%	1.50
Gross Advisory Fee**	1.20	4/8	43%	1.22
Contractual Advisory Fee**	1.20	3/8	29%	1.25

Expense Summary (Universe)	Fund	Rank*	%ile	Med.
Total Net Expense	1.51	6/8	71%	1.50
Gross Advisory Fee**	1.20	4/8	43%	1.22
Contractual Advisory Fee**	1.20	3/8	29%	1.25

Charts represent Peer Group or Universe quartiles and where the target fund is within the grouping. The top and bottom represent the 95th and 5th percentiles.

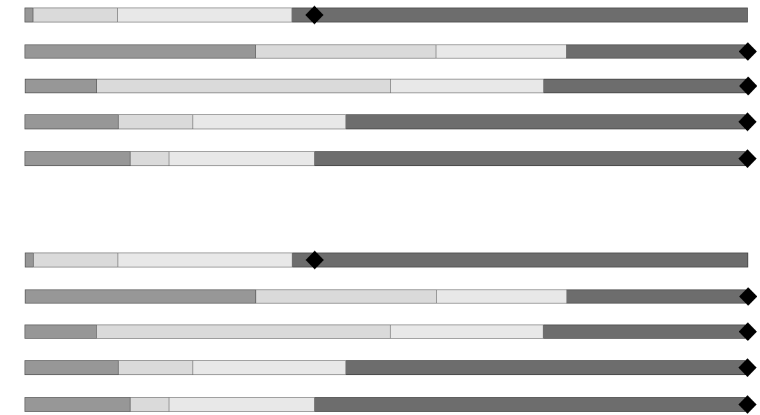


\*If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

\*\*Gross Advisory Fee is the actual Advisor Fee as reported in the Fund's most recent annual report; Contractual Advisory Fee is calculated using each fund's advisory fee contract schedule at the average asset level of the target fund.

Performance Summary (Peer Group)	Fund	Rank	%ile	Med.
3 Months	3.99	2/8	14%	2.07
One Year	8.02	1/8	1%	1.13
Three Years	5.52	1/7	1%	2.44
Five Years	7.25	1/6	1%	2.34
Since Inception (1/21/2015)^	6.81	1/6	1%	2.46

Performance Summary (Universe)	Fund	Rank	%ile	Med.
3 Months	3.99	2/8	14%	2.07
One Year	8.02	1/8	1%	1.13
Three Years	5.52	1/7	1%	2.44
Five Years	7.25	1/6	1%	2.34
Since Inception (1/21/2015)^	6.81	1/6	1%	2.46



Returns as of 6/30/20, annualized if over 1 year.

^ Inception to date performance for "Performance Summary" begins with the first full month following the Fund's stated inception date.

HMEZX: The inception date for the Highland Merger Arbitrage Fund has been updated to reflect its inception as a strategy. Five year and since inception results are taken by FUSE from the published 2Q20 Factsheet.

## Total Net Expense Ratio Comparison:

Fund	FY End	Net. Avg. AUM (\$Mil)	Gross Mgmt. Fee*	Operating Expenses	12b-1	Waiver/ Reimb.	Total Net Expenses^
Merger Institutional	12/31/19	3,040	1.033	0.177		0.020	1.190
Arbitrage I	5/31/19	1,761	1.073	0.157		0.010	1.220
Gabelli Entpr Mergers & Acquisitions Y	10/31/19	149	0.935	0.315		0.000	1.250
MProved Systematic Merger Arbitrage Instl	12/31/19	2	3.134	6.986		8.620	1.500
Kellner Merger Institutional	12/31/19	169	1.364	0.136		0.000	1.500
<b>Highland Merger Arbitrage Z</b>	<b>6/30/19</b>	<b>33</b>	<b>1.200</b>	<b>1.050</b>		<b>0.740</b>	<b>1.510</b>
Vivaldi Merger Arbitrage I	9/30/19	582	1.250	0.270		0.000	1.520
SilverPepper Merger Arbitrage Instl	6/30/19	70	1.593	0.427		0.030	1.990
<b>Peer Group Average</b>	-----	726	1.448	1.190	N/A	1.178	1.460
<b>Peer Group Median</b>	-----	159	1.225	0.293	N/A	0.015	1.500
<b>Fund Rank^^</b>	-----	-----	4/8	7/8	-----	-----	6/8

Fund	Avg. Net AUM (\$Mil)*	Net Management Fee Comparison					Other Operating Expense Comparison				
		Gross Advisory	Gross Admin.	Gross Mgmt. *	Waiver/ Reimb.	Net Mgmt. Exp.	Transfer Agent Exp.	Custodian Exp.	Acct. Exp	Other Op. Exp.	Net Op Exp
MProved Systematic Merger Arbitrage Instl	2	1.250	1.884	3.134	8.620	-5.486	1.657	0.205		5.124	6.986
<b>Highland Merger Arbitrage Z</b>	<b>33</b>	<b>1.200</b>		<b>1.200</b>	<b>0.740</b>	<b>0.460</b>	<b>0.042</b>	<b>0.419</b>	<b>0.264</b>	<b>0.325</b>	<b>1.050</b>
Gabelli Entpr Mergers & Acquisitions Y	149	0.935		0.935	0.000	0.935	0.085	0.018	0.030	0.181	0.315
Merger Institutional	3,040	1.000	0.033	1.033	0.020	1.013	0.096	0.009	0.010	0.062	0.177
Arbitrage I	1,761	1.052	0.021	1.073	0.010	1.063	0.075	0.024		0.058	0.157
Vivaldi Merger Arbitrage I	582	1.250		1.250	0.000	1.250	0.093			0.177	0.270
Kellner Merger Institutional	169	1.250	0.114	1.364	0.000	1.364	0.036	0.014		0.086	0.136
SilverPepper Merger Arbitrage Instl	70	1.500	0.093	1.593	0.030	1.563	0.139	0.017	0.096	0.175	0.427
<b>Peer Group Average</b>	726	1.180	0.429	1.448	1.178	0.956	0.278	0.101	0.100	0.774	1.190
<b>Peer Group Median</b>	159	1.225	0.093	1.225	0.015	1.038	0.089	0.018	0.063	0.176	0.293
<b>Fund Rank^^</b>	-----	4/8	N/A	4/8	-----	2/8	2/8	7/7	4/4	7/8	7/8

\* Gross Management Fee is the sum of Advisor and Administrative Fees where applicable.

^ Total net expenses are after any waivers and/or reimbursements, and exclude any non-operating and/or extraordinary expenses where applicable.

^^ If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

Fund	3 mo	1 Yr	3 Yr	5 Yr	10 Yr	SI ^
<b>Highland Merger Arbitrage Z</b>	<b>3.99</b>	<b>8.02</b>	<b>5.52</b>	<b>7.25</b>	<b>N/A</b>	<b>6.81</b>
Merger Institutional	2.40	3.65	4.85	3.67	N/A	3.61
Arbitrage I	3.70	3.27	2.49	2.76	2.46	2.59
Vivaldi Merger Arbitrage I	1.17	1.65	2.44	N/A	N/A	N/A
MProved Systematic Merger Arbitrage Instl	1.75	0.60	N/A	N/A	N/A	N/A
Kellner Merger Institutional	1.17	-1.32	0.58	0.90	N/A	1.37
SilverPepper Merger Arbitrage Instl	1.27	-3.96	-0.43	1.91	N/A	2.19
Gabelli Entpr Mergers & Acquisitions Y	10.48	-7.02	-0.54	1.76	4.47	2.33
<b>BBgBarc US Agg Bond TR USD</b>	<b>2.90</b>	<b>8.74</b>	<b>5.32</b>	<b>4.30</b>	<b>N/A</b>	<b>3.73</b>
<b>Peer Group Average</b>	<b>3.24</b>	<b>0.61</b>	<b>2.13</b>	<b>3.04</b>	<b>3.46</b>	<b>3.15</b>
<b>Peer Group Median</b>	<b>2.07</b>	<b>1.13</b>	<b>2.44</b>	<b>2.34</b>	<b>3.46</b>	<b>2.46</b>
<b>Fund Rank^^</b>	<b>2/8</b>	<b>1/8</b>	<b>1/7</b>	<b>1/6</b>	<b>N/A</b>	<b>1/6</b>

^ Inception to date performance begins with the first full month following the Fund's stated inception date: (1/21/2015)

^^ If present "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

HMEZX: The inception date for the Highland Merger Arbitrage Fund has been updated to reflect its inception as a strategy. Five year and since inception results are take by FUSE from the published 2Q20 Factsheet.

## Advisory Fee Schedule (Breakpoint levels in millions)

Peer Group

Fund	Contractual Advisory Fee*	Fee 1	Up To	Fee 2	Next	Fee 3	Next	Fee 4	Next	Fee 5	Next	Fee 6	Next	Fee 7	Next^
Gabelli Entpr Mergers & Acquisitions Y	0.935	0.935	1,000	0.910	1,000	0.885	3,000	0.860	5,000	0.835	All				
Merger Institutional	1.000	1.000	All												
<b>Highland Merger Arbitrage Z</b>	<b>1.200</b>	<b>1.200</b>	<b>All</b>												
Arbitrage I	1.250	1.250	250	1.200	50	1.150	50	1.100	75	1.050	75	1.000	All		
Kellner Merger Institutional	1.250	1.250	2,000	1.125	2,000	1.000	All								
MProved Systematic Merger Arbitrage Instl	1.250	1.250	All												
Vivaldi Merger Arbitrage I	1.250	1.250	All												
SilverPepper Merger Arbitrage Instl	1.500	1.500	All												

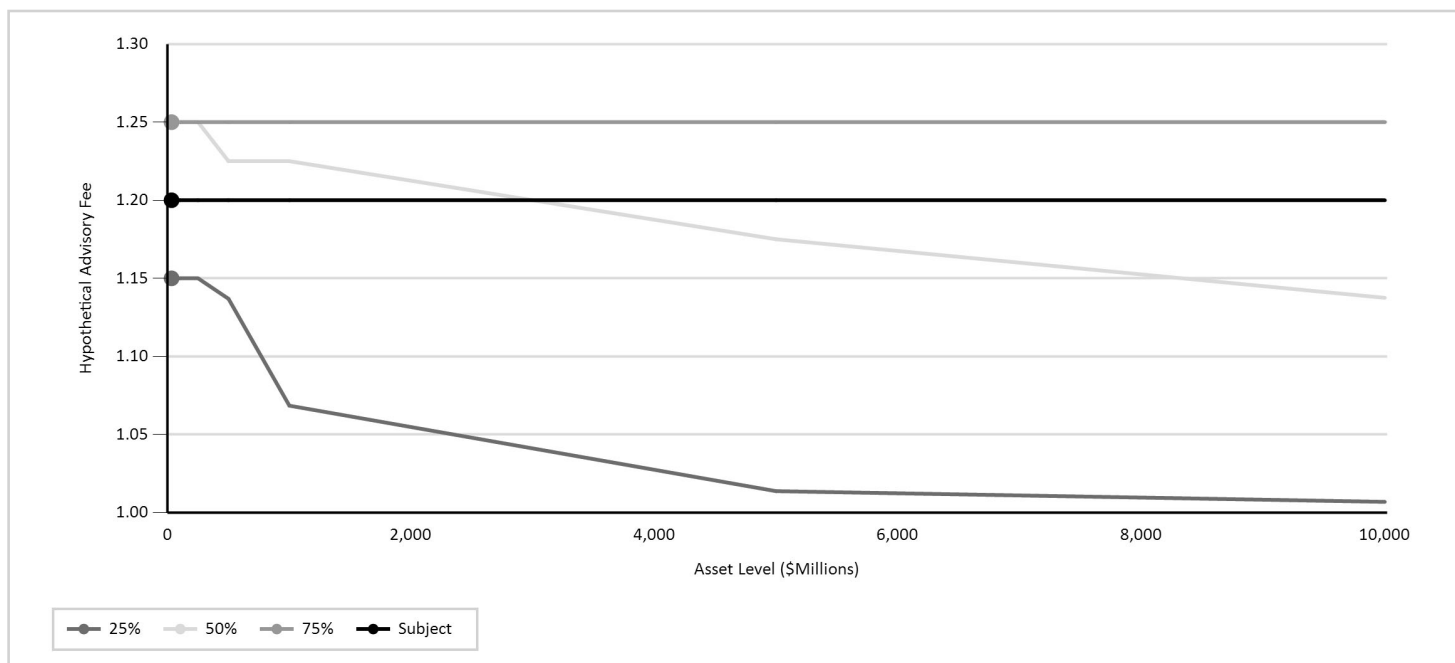
^Schedules with an asset level associated with "Fee 7" have additional fee levels and breakpoints not displayed due to allowable space.

\* Contractual advisory fee calculated at target fund's average net asset level. (\$33M)

## Hypothetical Contractual Advisory Fee Ratio at Different Asset Levels

Universe

**Description:** The chart includes all funds in the target fund's universe and is intended to provide a perspective of contractual advisory fees within the broader universe of peers, as well as assist in evaluating the target fund's contractual advisory fee schedule at various asset levels. A descending line indicates lower advisory fees resulting from the use of breakpoints.



## Highland Small-Cap Equity Y (HSZYX)

### Peer Group\*

The Peer Group consists of the Highland Small-Cap Equity Y and 14 other Small Blend funds identified by FUSE. Only funds with similar pricing characteristics were considered for inclusion in the Peer Group.

Average net assets of the 15 funds in the peer group, including all classes of shares, range from \$22M to \$385M, based on each fund's latest fiscal year end.

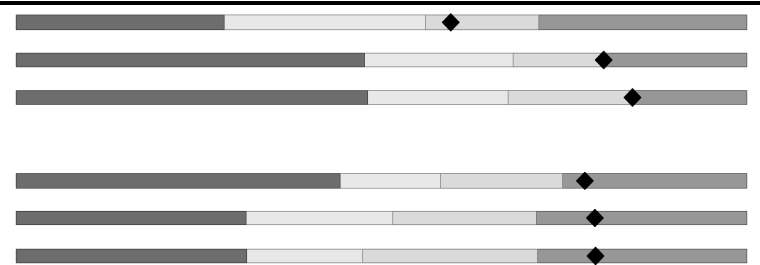
### Universe\*

The Universe consists of the Highland Small-Cap Equity Y, the other funds of the peer group, and all other Small Blend funds with similar pricing features, excluding outliers.

Expense Summary (Peer Group)	Fund	Rank*	%ile	Med.
Total Net Expense	1.12	9/15	57%	1.10
Gross Advisory Fee**	0.95	12/15	79%	0.89
Contractual Advisory Fee**	0.95	11/15(2)	71%	0.85

Expense Summary (Universe)	Fund	Rank*	%ile	Med.
Total Net Expense	1.12	96/125(4)	77%	0.99
Gross Advisory Fee**	0.95	107/125	85%	0.78
Contractual Advisory Fee**	0.95	100/125(4)	80%	0.75

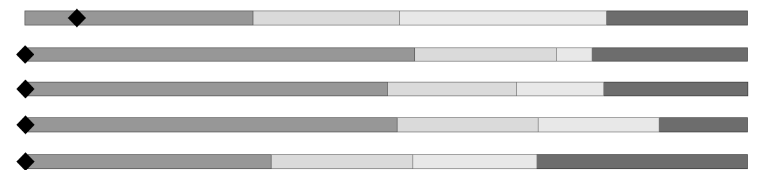
Charts represent Peer Group or Universe quartiles and where the target fund is within the grouping. The top and bottom represent the 95th and 5th percentiles.



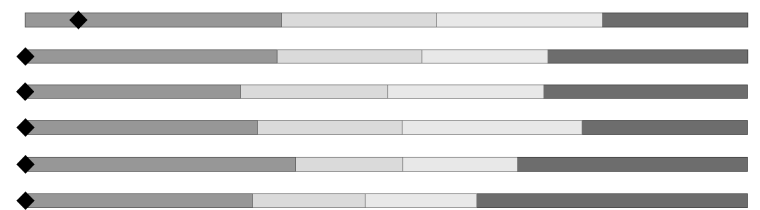
\*If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

\*\*Gross Advisory Fee is the actual Advisor Fee as reported in the Fund's most recent annual report; Contractual Advisory Fee is calculated using each fund's advisory fee contract schedule at the average asset level of the target fund.

Performance Summary (Peer Group)	Fund	Rank	%ile	Med.
3 Months	14.50	14/15	93%	20.90
One Year	-48.92	15/15	100%	-12.32
Three Years	-16.17	15/15	100%	-0.74
Five Years	-4.98	12/12	100%	2.22
Ten Years	5.64	10/10	100%	8.98
Since Inception (9/30/1998)^	6.74	1/1	1%	6.74



Performance Summary (Universe)	Fund	Rank	%ile	Med.
3 Months	14.50	117/125	94%	22.39
One Year	-48.92	125/125	100%	-12.20
Three Years	-16.17	118/118	100%	-1.02
Five Years	-4.98	98/98	100%	2.37
Ten Years	5.64	70/70	100%	9.27
Since Inception (9/30/1998)^	6.74	20/20	100%	8.71



Returns as of 6/30/20, annualized if over 1 year.

^ Inception to date performance for "Performance Summary" begins with the first full month following the Fund's stated inception date.

## Total Net Expense Ratio Comparison:

Fund	FY End	Net. Avg. AUM (\$Mil)	Gross Mgmt. Fee*	Operating Expenses	12b-1	Waiver/ Reimb.	Total Net Expenses^
Wells Fargo Disciplined Small Cap Inst	3/31/20	55	0.630	0.310		0.340	0.600
State Street Dynamic Small Cap I	8/31/19	22	0.801	0.819		0.770	0.850
Great Lakes Small Cap Opportunity Instl	3/31/20	72	0.700	0.180		0.000	0.880
Ivy Small Cap Core I	3/31/20	385	0.850	0.240		0.200	0.890
American Beacon Zebra Small Cap Eq Y	8/31/19	73	0.892	0.348		0.250	0.990
TETON Westwood SmallCap Equity I	9/30/19	40	1.000	0.390		0.390	1.000
Touchstone Small Cap Institutional	9/30/19	92	0.997	0.203		0.140	1.060
Private Capital Management Value I	4/30/19	57	1.018	0.462		0.380	1.100
<b>Highland Small-Cap Equity Y</b>	<b>9/30/19</b>	<b>46</b>	<b>0.950</b>	<b>1.020</b>		<b>0.850</b>	<b>1.120</b>
Knights of Columbus Small Cap S	10/31/19	84	0.902	0.338		0.090	1.150
North Square Dynamic Small Cap I	5/31/19	25	1.200	0.820		0.870	1.150
SGI US Small Cap Equity I	8/31/19	36	1.019	0.381		0.170	1.230
Bogle Investment Mgmt Sm Cp Gr Instl	8/31/19	76	1.090	0.280		0.120	1.250
Nationwide WCM Focused Sm Cp Instl Svc	10/31/19	56	1.121	0.249		0.060	1.310
Litman Gregory Masters Smlr Coms Instl	12/31/19	29	1.188	0.692		0.420	1.460
<b>Peer Group Average</b>	-----	77	0.957	0.449	N/A	0.337	1.069
<b>Peer Group Median</b>	-----	56	0.997	0.348	N/A	0.250	1.100
<b>Fund Rank^^</b>	-----	-----	7/15	15/15	-----	-----	9/15

		Net Management Fee Comparison					Other Operating Expense Comparison				
Fund	Avg. Net AUM (\$Mil)*	Gross Advisory	Gross Admin.	Gross Mgmt. *	Waiver/ Reimb.	Net Mgmt. Exp.	Transfer Agent Exp.	Custodian Exp.	Acct. Exp	Other Op. Exp.	Net Op Exp
State Street Dynamic Small Cap I	22	0.751	0.050	0.801	0.770	0.031	0.085	0.123		0.610	0.819
<b>Highland Small-Cap Equity Y</b>	<b>46</b>	<b>0.950</b>		<b>0.950</b>	<b>0.850</b>	<b>0.100</b>	<b>0.199</b>	<b>0.114</b>	<b>0.091</b>	<b>0.616</b>	<b>1.020</b>
Wells Fargo Disciplined Small Cap Inst	55	0.501	0.130	0.630	0.340	0.290		0.048		0.262	0.310
North Square Dynamic Small Cap I	25	0.939	0.260	1.200	0.870	0.330	0.311	0.052	0.035	0.422	0.820
TETON Westwood SmallCap Equity I	40	1.000		1.000	0.390	0.610	0.038	0.029		0.322	0.390
Private Capital Management Value I	57	0.900	0.118	1.018	0.380	0.638	0.171	0.025		0.266	0.462
American Beacon Zebra Small Cap Eq Y	73	0.892		0.892	0.250	0.642	0.073	0.048		0.228	0.348
Ivy Small Cap Core I	385	0.850		0.850	0.200	0.650				0.240	0.240
Great Lakes Small Cap Opportunity Instl	72	0.601	0.099	0.700	0.000	0.700	0.045	0.009		0.126	0.180
Litman Gregory Masters Smlr Coms Instl	29	1.140	0.048	1.188	0.420	0.768	0.175	0.029	0.117	0.372	0.692
Knights of Columbus Small Cap S	84	0.725	0.177	0.902	0.090	0.812	0.186	0.004	0.003	0.145	0.338
SGI US Small Cap Equity I	36	0.950	0.069	1.019	0.170	0.849	0.063	0.023		0.295	0.381
Touchstone Small Cap Institutional	92	0.852	0.145	0.997	0.140	0.857	0.025	0.012	0.001	0.163	0.203
Bogle Investment Mgmt Sm Cp Gr Instl	76	1.000	0.090	1.090	0.120	0.970	0.077	0.035		0.168	0.280
Nationwide WCM Focused Sm Cp Instl Svc	56	0.841	0.280	1.121	0.060	1.061		0.008	0.021	0.220	0.249
<b>Peer Group Average</b>	77	0.860	0.133	0.957	0.337	0.621	0.121	0.040	0.045	0.297	0.449
<b>Peer Group Median</b>	56	0.892	0.118	0.997	0.250	0.650	0.081	0.029	0.028	0.262	0.348
<b>Fund Rank^^</b>	-----	12/15	N/A	7/15	-----	2/15	11/12	13/14	5/6	15/15	15/15

\* Gross Management Fee is the sum of Advisor and Administrative Fees where applicable.

^ Total net expenses are after any waivers and/or reimbursements, and exclude any non-operating and/or extraordinary expenses where applicable.

^^ If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.



Fund	3 mo	1 Yr	3 Yr	5 Yr	10 Yr	SI ^
Bogle Investment Mgmt Sm Cp Gr Instl	29.38	-4.63	2.05	3.09	11.42	N/A
North Square Dynamic Small Cap I	25.65	-5.32	5.38	N/A	N/A	N/A
State Street Dynamic Small Cap I	20.33	-8.63	-0.74	2.89	N/A	N/A
Nationwide WCM Focused Sm Cp Instl Svc	22.39	-10.68	1.01	4.49	11.61	N/A
Touchstone Small Cap Institutional	15.99	-11.27	1.07	-0.60	8.70	N/A
Wells Fargo Disciplined Small Cap Inst	23.77	-11.49	-3.70	1.55	N/A	N/A
TETON Westwood SmallCap Equity I	24.96	-12.23	0.22	4.54	9.25	N/A
American Beacon Zebra Small Cap Eq Y	18.75	-12.32	-0.92	3.44	10.03	N/A
Knights of Columbus Small Cap S	25.03	-12.60	-1.13	N/A	N/A	N/A
Ivy Small Cap Core I	17.23	-13.39	0.36	5.11	9.58	N/A
Litman Gregory Masters SmIrr Coms Instl	27.11	-17.04	-0.13	0.85	7.68	N/A
S&P US Small Cap Equity I	11.05	-18.28	-4.04	N/A	N/A	N/A
Great Lakes Small Cap Opportunity Instl	19.15	-19.92	-2.00	1.08	8.53	N/A
Private Capital Management Value I	20.90	-25.30	-5.61	-3.37	6.50	N/A
<b>Highland Small-Cap Equity Y</b>	<b>14.50</b>	<b>-48.92</b>	<b>-16.17</b>	<b>-4.98</b>	<b>5.64</b>	<b>6.74</b>
<b>S&amp;P SmallCap 600 TR USD</b>	<b>-32.64</b>	<b>-25.89</b>	<b>-5.34</b>	<b>0.45</b>	<b>8.06</b>	<b>9.39</b>
<b>Peer Group Average</b>	<b>21.08</b>	<b>-15.47</b>	<b>-1.62</b>	<b>1.51</b>	<b>8.89</b>	<b>6.74</b>
<b>Peer Group Median</b>	<b>20.90</b>	<b>-12.32</b>	<b>-0.74</b>	<b>2.22</b>	<b>8.98</b>	<b>6.74</b>
<b>Fund Rank^^</b>	<b>14/15</b>	<b>15/15</b>	<b>15/15</b>	<b>12/12</b>	<b>10/10</b>	<b>1/1</b>

^ Inception to date performance begins with the first full month following the Fund's stated inception date: (9/30/1998)

^^ If present "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

## Advisory Fee Schedule (Breakpoint levels in millions)

Peer Group

Fund	Contractual Advisory Fee*	Fee 1	Up To	Fee 2	Next	Fee 3	Next	Fee 4	Next	Fee 5	Next	Fee 6	Next	Fee 7	Next^
American Beacon Zebra Small Cap Eq Y	0.350	0.350	5,000	0.325	5,000	0.300	10,000	0.275	All						
Wells Fargo Disciplined Small Cap Inst	0.500	0.500	1,000	0.475	4,000	0.440	5,000	0.430	All						
Great Lakes Small Cap Opportunity Instl	0.600	0.600	All												
Knights of Columbus Small Cap S	0.725	0.725	All												
Nationwide WCM Focused Sm Cp Instl Svc	0.750	0.750	500	0.700	All										
State Street Dynamic Small Cap I	0.750	0.750	All												
Ivy Small Cap Core I	0.850	0.850	1,000	0.830	1,000	0.800	1,000	0.760	2,000	0.730	5,000	0.720	All		
Touchstone Small Cap Institutional	0.850	0.850	250	0.800	250	0.700	All								
North Square Dynamic Small Cap I	0.900	0.900	All												
Private Capital Management Value I	0.900	0.900	All												
<b>Highland Small-Cap Equity Y</b>	<b>0.950</b>	<b>0.950</b>	<b>All</b>												
SGI US Small Cap Equity I	0.950	0.950	All												
Bogle Investment Mgmt Sm Cp Gr Instl	1.000	1.000	All												
TETON Westwood SmallCap Equity I	1.000	1.000	All												
Litman Gregory Masters Smlr Coms Instl	1.140	1.140	450	1.040	All										

^Schedules with an asset level associated with "Fee 7" have additional fee levels and breakpoints not displayed due to allowable space.

\* Contractual advisory fee calculated at target fund's average net asset level. (\$46M)

## Hypothetical Contractual Advisory Fee Ratio at Different Asset Levels

Universe

**Description:** The chart includes all funds in the target fund's universe and is intended to provide a perspective of contractual advisory fees within the broader universe of peers, as well as assist in evaluating the target fund's contractual advisory fee schedule at various asset levels. A descending line indicates lower advisory fees resulting from the use of breakpoints.



## Highland Socially Responsible Equity Y (HPEYX)

### Peer Group\*

The Peer Group consists of the Highland Socially Responsible Equity Y and 14 other Socially Responsible Large Growth & Large Core funds identified by FUSE. Only funds with similar pricing characteristics were considered for inclusion in the Peer Group.

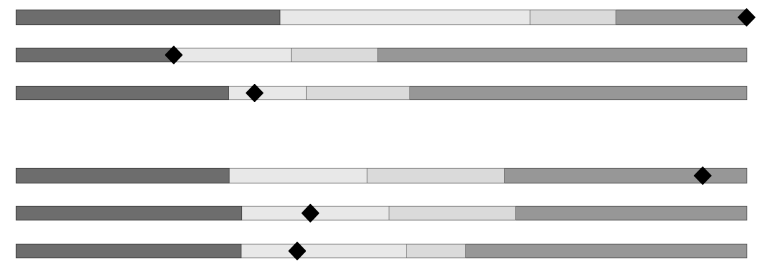
Average net assets of the 15 funds in the peer group, including all classes of shares, range from \$5M to \$303M, based on each fund's latest fiscal year end.

### Universe\*

The Universe consists of the Highland Socially Responsible Equity Y, the other funds of the peer group, and all other Large Growth funds with similar pricing features, excluding outliers.

Expense Summary (Peer Group)	Fund	Rank*	%ile	Med.
Total Net Expense	1.13	15/15	100%	0.90
Gross Advisory Fee**	0.60	4/15	21%	0.70
Contractual Advisory Fee**	0.60	5/15(2)	29%	0.65
Expense Summary (Universe)	Fund	Rank*	%ile	Med.
Total Net Expense	1.13	218/234(2)	93%	0.82
Gross Advisory Fee**	0.60	80/234	34%	0.66
Contractual Advisory Fee**	0.60	65/238(14)	27%	0.70

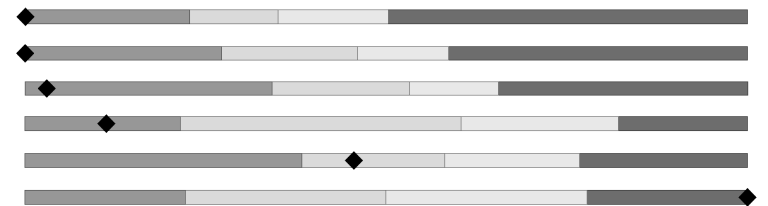
Charts represent Peer Group or Universe quartiles and where the target fund is within the grouping. The top and bottom represent the 95th and 5th percentiles.



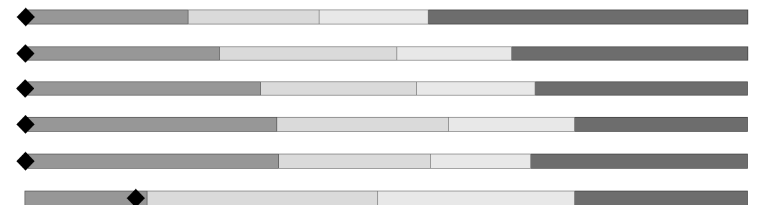
\*If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

\*\*Gross Advisory Fee is the actual Advisor Fee as reported in the Fund's most recent annual report; Contractual Advisory Fee is calculated using each fund's advisory fee contract schedule at the average asset level of the target fund.

Performance Summary (Peer Group)	Fund	Rank	%ile	Med.
3 Months	14.73	15/15	100%	20.49
One Year	-5.73	15/15	100%	6.47
Three Years	1.80	14/15	93%	9.10
Five Years	4.02	8/10	78%	7.94
Ten Years	11.03	5/8	57%	11.66
Since Inception (12/31/1996)^	7.80	1/2	1%	7.60



Performance Summary (Universe)	Fund	Rank	%ile	Med.
3 Months	14.73	235/238	99%	26.59
One Year	-5.73	236/236	100%	17.62
Three Years	1.80	222/223	100%	16.34
Five Years	4.02	188/191	98%	13.22
Ten Years	11.03	137/144	95%	15.59
Since Inception (12/31/1996)^	7.80	24/31	77%	8.78



Returns as of 6/30/20, annualized if over 1 year.

^ Inception to date performance for "Performance Summary" begins with the first full month following the Fund's stated inception date.

Highland Socially Responsible Equity: Effective 7/16/19, the Highland Premier Growth Equity Fund was named the Highland Socially Responsible Equity Fund. The Fund's investment strategies were revised and the Fund now invest at least 80% of its net assets in equity securities of socially responsible companies as defined in the MSCI KLD 400 Social Index.

## Total Net Expense Ratio Comparison:

Fund	FY End	Net. Avg. AUM (\$Mil)	Gross Mgmt. Fee*	Operating Expenses	12b-1	Waiver/ Reimb.	Total Net Expenses^
BlackRock Advantage ESG US Eq Instl Shrs	5/31/19	64	0.463	0.487		0.400	0.550
JPMorgan Intrepid Sustainable Equity I	6/30/19	26	0.576	0.874		0.870	0.580
UBS US Sustainable Equity P	6/30/19	28	0.788	1.062		1.150	0.700
BNY Mellon Sust US Equity I	5/31/19	303	0.600	0.140		0.040	0.700
ClearBridge Sustainability Leaders I	10/31/19	10	0.650	2.090		1.960	0.780
Lateef Focused Sustainable Growth CL I	4/30/19	52	0.950	0.490		0.590	0.850
Dana Epiphany ESG Equity Inst	10/31/19	5	0.874	1.256		1.230	0.900
Glenmede Responsible ESG US Equity	10/31/19	23	0.751	0.319		0.170	0.900
DWS ESG Core Equity Institutional	11/30/19	200	0.697	0.263		0.050	0.910
JHancock ESG All Cap Core I	10/31/19	25	0.750	0.810		0.630	0.930
Alger Responsible Investing Z	10/31/19	60	0.751	0.369		0.180	0.940
Gabelli ESG I	3/31/20	41	1.001	0.669		0.700	0.970
Sit ESG Growth I	6/30/19	6	1.249	0.001		0.250	1.000
Boston Common ESG Impact US Equity	9/30/19	35	0.926	0.324		0.250	1.000
Highland Socially Responsible Equity Y	9/30/19	111	0.600	0.600		0.070	1.130
Peer Group Average	-----	66	0.775	0.650	N/A	0.569	0.856
Peer Group Median	-----	35	0.751	0.490	N/A	0.400	0.900
Fund Rank^^	-----	-----	3/15	9/15	-----	-----	15/15

		Net Management Fee Comparison					Other Operating Expense Comparison				
Fund	Avg. Net AUM (\$Mil)*	Gross Advisory	Gross Admin.	Gross Mgmt. *	Waiver/ Reimb.	Net Mgmt. Exp.	Transfer Agent Exp.	Custodian Exp.	Acct. Exp	Other Op. Exp.	Net Op Exp
ClearBridge Sustainability Leaders I	10	0.650		0.650	1.960	-1.310	0.032	0.014	0.676	1.368	2.090
UBS US Sustainable Equity P	28	0.788		0.788	1.150	-0.362	0.010	0.045		1.007	1.062
Dana Epiphany ESG Equity Inst	5	0.657	0.217	0.874	1.230	-0.356	0.167	0.040	0.159	0.890	1.256
JPMorgan Intrepid Sustainable Equity I	26	0.498	0.078	0.576	0.870	-0.294	0.257	0.109		0.507	0.874
BlackRock Advantage ESG US Eq Instl Shrs	64	0.400	0.063	0.463	0.400	0.063	0.043	0.055	0.036	0.354	0.487
JHancock ESG All Cap Core I	25	0.750		0.750	0.630	0.120	0.124	0.089	0.022	0.575	0.810
Gabelli ESG I	41	1.001		1.001	0.700	0.301	0.072	0.026		0.570	0.669
Lateef Focused Sustainable Growth CL I	52	0.850	0.100	0.950	0.590	0.360	0.215	0.031		0.245	0.490
Highland Socially Responsible Equity Y	111	0.600		0.600	0.070	0.530	0.160	0.087	0.078	0.275	0.600
BNY Mellon Sust US Equity I	303	0.600		0.600	0.040	0.560	0.052	0.002		0.086	0.140
Alger Responsible Investing Z	60	0.710	0.041	0.751	0.180	0.571	0.089	0.076	0.037	0.167	0.369
Glenmede Responsible ESG US Equity	23	0.550	0.202	0.751	0.170	0.581	0.200			0.119	0.319
DWS ESG Core Equity Institutional	200	0.697		0.697	0.050	0.647	0.118	0.019		0.126	0.263
Boston Common ESG Impact US Equity	35	0.750	0.176	0.926	0.250	0.676	0.056	0.019		0.249	0.324
Sit ESG Growth I	6	1.249		1.249	0.250	0.999				0.001	0.001
Peer Group Average	66	0.717	0.125	0.775	0.569	0.361	0.114	0.047	0.168	0.436	0.650
Peer Group Median	35	0.697	0.100	0.751	0.400	0.360	0.103	0.040	0.058	0.275	0.490
Fund Rank^^	-----	4/15	N/A	3/15	-----	9/15	10/14	11/13	4/6	8/15	9/15

\* Gross Management Fee is the sum of Advisor and Administrative Fees where applicable.

^ Total net expenses are after any waivers and/or reimbursements, and exclude any non-operating and/or extraordinary expenses where applicable.

^^ If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

Fund	3 mo	1 Yr	3 Yr	5 Yr	10 Yr	SI ^
Alger Responsible Investing Z	27.70	24.49	18.11	N/A	N/A	N/A
ClearBridge Sustainability Leaders I	19.81	15.73	14.97	11.89	N/A	N/A
BNY Mellon Sust US Equity I	21.87	14.17	11.99	10.03	13.07	N/A
JPMorgan Intrepid Sustainable Equity I	20.49	9.86	10.73	10.14	14.14	N/A
BlackRock Advantage ESG US Eq Instl Shrs	23.80	8.61	11.04	N/A	N/A	N/A
Boston Common ESG Impact US Equity	20.10	7.66	7.97	8.44	N/A	N/A
DWS ESG Core Equity Institutional	18.95	7.12	3.42	3.49	10.67	N/A
Sit ESG Growth I	18.99	6.47	8.44	N/A	N/A	N/A
Dana Epiphany ESG Equity Inst	21.91	5.19	9.16	7.44	10.66	N/A
JHancock ESG All Cap Core I	22.25	4.19	9.10	N/A	N/A	N/A
UBS US Sustainable Equity P	30.59	2.48	6.86	7.30	12.30	7.40
Lateef Focused Sustainable Growth CL I	16.74	2.16	10.42	8.62	12.44	N/A
Glenmede Responsible ESG US Equity	22.52	-0.98	5.79	N/A	N/A	N/A
Gabelli ESG I	16.73	-2.80	0.34	2.82	7.71	N/A
<b>Highland Socially Responsible Equity Y</b>	<b>14.73</b>	<b>-5.73</b>	<b>1.80</b>	<b>4.02</b>	<b>11.03</b>	<b>7.80</b>
<b>MSCI KLD 400 Social NR USD</b>	<b>21.42</b>	<b>9.47</b>	<b>11.27</b>	<b>10.69</b>	<b>N/A</b>	<b>N/A</b>
<b>Peer Group Average</b>	<b>21.15</b>	<b>6.57</b>	<b>8.68</b>	<b>7.42</b>	<b>11.50</b>	<b>7.60</b>
<b>Peer Group Median</b>	<b>20.49</b>	<b>6.47</b>	<b>9.10</b>	<b>7.94</b>	<b>11.66</b>	<b>7.60</b>
<b>Fund Rank^^</b>	<b>15/15</b>	<b>15/15</b>	<b>14/15</b>	<b>8/10</b>	<b>5/8</b>	<b>1/2</b>

^ Inception to date performance begins with the first full month following the Fund's stated inception date: (12/31/1996)

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Highland Socially Responsible Equity: Effective 7/16/19, the Highland Premier Growth Equity Fund was named the Highland Socially Responsible Equity Fund. The Fund's investment strategies were revised and the Fund now invest at least 80% of its net assets in equity securities of socially responsible companies as defined in the MSCI KLD 400 Social Index.

## Advisory Fee Schedule (Breakpoint levels in millions)

Peer Group

Fund	Contractual Advisory Fee*	Fee 1	Up To	Fee 2	Next	Fee 3	Next	Fee 4	Next	Fee 5	Next	Fee 6	Next	Fee 7	Next^
JPMorgan Intrepid Sustainable Equity I	0.300	0.300	All												
BlackRock Advantage ESG US Eq Instl Shrs	0.400	0.400	1,000	0.380	2,000	0.360	2,000	0.350	5,000	0.340	All				
DWS ESG Core Equity Institutional	0.465	0.465	250	0.460	750	0.455	1,500	0.445	5,000	0.435	5,000	0.425	5000	0.400	All
Glenmede Responsible ESG US Equity	0.550	0.550	All												
BNY Mellon Sust US Equity I	0.600	0.600	All												
<b>Highland Socially Responsible Equity Y</b>	<b>0.600</b>	<b>0.600</b>	<b>All</b>												
ClearBridge Sustainability Leaders I	0.650	0.650	1,000	0.625	1,000	0.600	All								
Dana Epiphany ESG Equity Inst	0.650	0.650	All												
UBS US Sustainable Equity P	0.700	0.700	500	0.650	500	0.600	500	0.575	500	0.550	All				
Alger Responsible Investing Z	0.710	0.710	1,000	0.650	All										
Boston Common ESG Impact US Equity	0.750	0.750	All												
JHancock ESG All Cap Core I	0.750	0.750	250	0.725	250	0.700	All								
Lateef Focused Sustainable Growth CL I	0.850	0.850	All												
Gabelli ESG I	1.000	1.000	All												
Sit ESG Growth I	1.250	1.250	All												

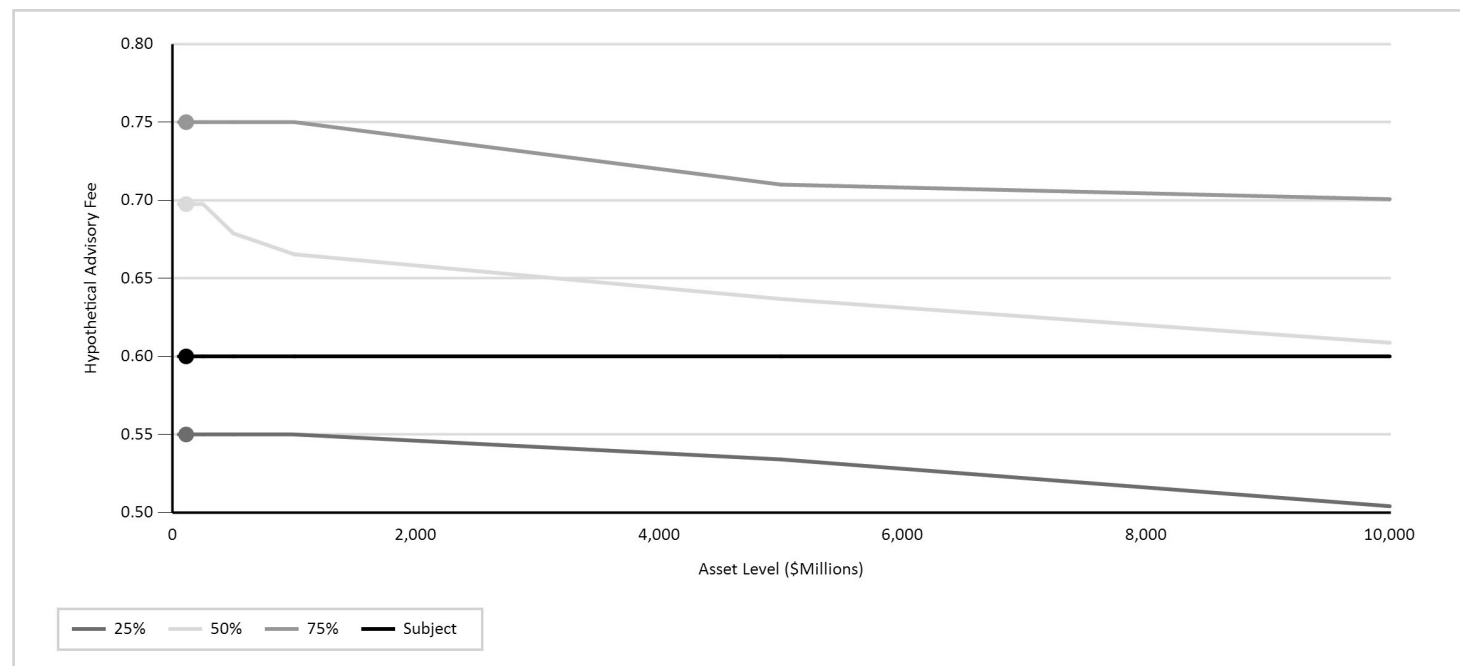
^Schedules with an asset level associated with "Fee 7" have additional fee levels and breakpoints not displayed due to allowable space.

\* Contractual advisory fee calculated at target fund's average net asset level. (\$111M)

## Hypothetical Contractual Advisory Fee Ratio at Different Asset Levels

Universe

**Description:** The chart includes all funds in the target fund's universe and is intended to provide a perspective of contractual advisory fees within the broader universe of peers, as well as assist in evaluating the target fund's contractual advisory fee schedule at various asset levels. A descending line indicates lower advisory fees resulting from the use of breakpoints.



## Highland Total Return Y (HTAYX)

### Peer Group\*

The Peer Group consists of the Highland Total Return Y and 14 other Allocation--50% to 70% Equity funds identified by FUSE. Only funds with similar pricing characteristics were considered for inclusion in the Peer Group.

Average net assets of the 15 funds in the peer group, including all classes of shares, range from \$28M to \$262M, based on each fund's latest fiscal year end.

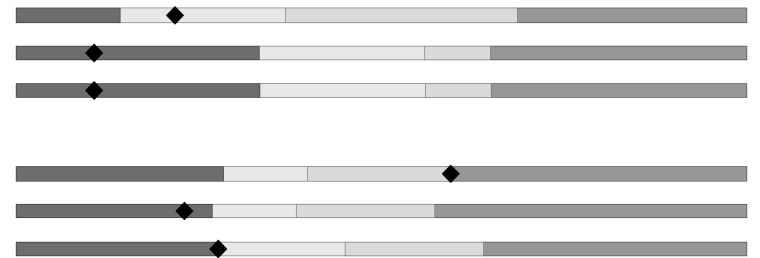
### Universe\*

The Universe consists of the Highland Total Return Y, the other funds of the peer group, and all other Allocation--50% to 70% Equity funds with similar pricing features, excluding outliers.

Expense Summary (Peer Group)	Fund	Rank*	%ile	Med.
Total Net Expense	0.95	6/15	36%	1.00
Gross Advisory Fee**	0.50	3/15	14%	0.75
Contractual Advisory Fee**	0.50	3/15	14%	0.75

Expense Summary (Universe)	Fund	Rank*	%ile	Med.
Total Net Expense	0.95	49/65(3)	75%	0.78
Gross Advisory Fee**	0.50	13/65	19%	0.60
Contractual Advisory Fee**	0.50	16/65(5)	23%	0.62

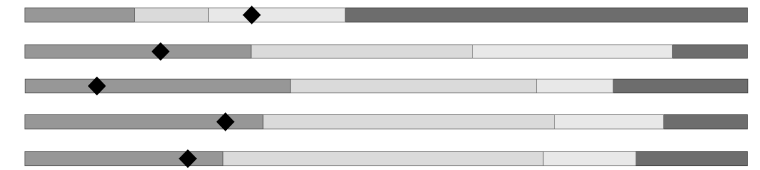
Charts represent Peer Group or Universe quartiles and where the target fund is within the grouping. The top and bottom represent the 95th and 5th percentiles.



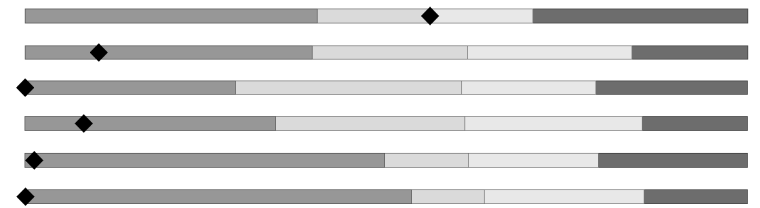
\*If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

\*\*Gross Advisory Fee is the actual Advisor Fee as reported in the Fund's most recent annual report; Contractual Advisory Fee is calculated using each fund's advisory fee contract schedule at the average asset level of the target fund.

Performance Summary (Peer Group)	Fund	Rank	%ile	Med.
3 Months	13.93	7/15	43%	13.14
One Year	-5.24	12/15	79%	0.82
Three Years	-1.11	13/15	86%	5.10
Five Years	2.49	13/15	86%	4.97
Ten Years	5.73	8/10	78%	7.98
Since Inception (11/29/1993)^	6.28	1/1	1%	6.28



Performance Summary (Universe)	Fund	Rank	%ile	Med.
3 Months	13.93	33/65	50%	13.93
One Year	-5.24	58/63	92%	3.64
Three Years	-1.11	59/61	97%	6.26
Five Years	2.49	50/54	92%	5.80
Ten Years	5.73	37/40	92%	8.68
Since Inception (11/29/1993)^	6.28	9/9	100%	7.55



Returns as of 6/30/20, annualized if over 1 year.

^ Inception to date performance for "Performance Summary" begins with the first full month following the Fund's stated inception date.

## Total Net Expense Ratio Comparison:

Fund	FY End	Net. Avg. AUM (\$Mil)	Gross Mgmt. Fee*	Operating Expenses	12b-1	Waiver/ Reimb.	Total Net Expenses^
Cavanal Hill Active Core Institutional	8/31/19	48	0.430	0.680		0.260	<b>0.850</b>
Delaware Strategic Allocation Ins	3/31/20	256	0.650	0.290		0.050	<b>0.890</b>
Poplar Forest Cornerstone Institutional	9/30/19	28	1.134	0.507		0.740	<b>0.900</b>
MassMutual Premier Balanced Svc	9/30/19	118	0.630	0.330		0.040	<b>0.920</b>
AMG GW&K Global Allocation Fund Class I	12/31/19	262	0.750	0.260		0.080	<b>0.930</b>
<b>Highland Total Return Y</b>	<b>9/30/19</b>	<b>80</b>	<b>0.500</b>	<b>0.480</b>		<b>0.030</b>	<b>0.950</b>
Scharf Multi-Asset Opportunity Instl	9/30/19	52	1.099	0.351		0.470	<b>0.980</b>
LK Balanced Institutional	6/30/19	28	0.998	0.362		0.360	<b>1.000</b>
Tributary Balanced Instl	3/31/20	37	0.982	0.298		0.240	<b>1.040</b>
Federated Hermes MDT Balanced IS	7/31/19	154	0.830	0.310		0.080	<b>1.060</b>
Hennessy Equity and Income Institutional	10/31/19	190	0.905	0.185		0.000	<b>1.090</b>
TETON Westwood Balanced I	9/30/19	60	0.750	0.370		0.000	<b>1.120</b>
Intrepid Capital Institutional	9/30/19	185	1.082	0.198		0.130	<b>1.150</b>
ICON Risk-Managed Balanced S	9/30/19	28	0.800	0.710		0.310	<b>1.200</b>
Roumell Opportunistic Value Instl	8/31/19	75	1.020	0.280		0.070	<b>1.230</b>
<b>Peer Group Average</b>	-----	107	0.837	0.374	N/A	0.191	1.021
<b>Peer Group Median</b>	-----	75	0.830	0.330	N/A	0.080	1.000
<b>Fund Rank^^</b>	-----	-----	2/15	12/15	-----	-----	6/15

Net Management Fee Comparison							Other Operating Expense Comparison				
Fund	Avg. Net AUM (\$Mil)*	Gross Advisory	Gross Admin.	Gross Mgmt. *	Waiver/ Reimb.	Net Mgmt. Exp.	Transfer Agent Exp.	Custodian Exp.	Acct. Exp	Other Op. Exp.	Net Op Exp
Cavanal Hill Active Core Institutional	48	0.350	0.080	0.430	0.260	<b>0.170</b>	0.408	0.010	0.083	0.179	0.680
Poplar Forest Cornerstone Institutional	28	0.800	0.333	1.134	0.740	<b>0.394</b>	0.134	0.021		0.351	0.507
<b>Highland Total Return Y</b>	<b>80</b>	<b>0.500</b>		<b>0.500</b>	<b>0.030</b>	<b>0.470</b>	<b>0.125</b>	<b>0.103</b>	<b>0.084</b>	<b>0.168</b>	<b>0.480</b>
ICON Risk-Managed Balanced S	28	0.750	0.050	0.800	0.310	<b>0.490</b>	0.269	0.016	0.066	0.358	0.710
MassMutual Premier Balanced Svc	118	0.480	0.150	0.630	0.040	<b>0.590</b>	0.053	0.054	0.071	0.153	0.330
Delaware Strategic Allocation Ins	256	0.650		0.650	0.050	<b>0.600</b>		0.025	0.033	0.232	0.290
Scharf Multi-Asset Opportunity Instl	52	0.990	0.108	1.099	0.470	<b>0.629</b>	0.134	0.023		0.195	0.351
LK Balanced Institutional	28	0.750	0.249	0.998	0.360	<b>0.638</b>	0.103	0.019		0.240	0.362
AMG GW&K Global Allocation Fund Class I	262	0.600	0.150	0.750	0.080	<b>0.670</b>	0.109	0.069		0.082	0.260
Tributary Balanced Instl	37	0.750	0.232	0.982	0.240	<b>0.742</b>	0.325	0.018		-0.045	0.298
Federated Hermes MDT Balanced IS	154	0.750	0.080	0.830	0.080	<b>0.750</b>	0.085	0.045	0.064	0.116	0.310
TETON Westwood Balanced I	60	0.750		0.750	0.000	<b>0.750</b>	0.063	0.022	0.075	0.210	0.370
Hennessy Equity and Income Institutional	190	0.800	0.105	0.905	0.000	<b>0.905</b>	0.106			0.079	0.185
Roumell Opportunistic Value Instl	75	0.920	0.100	1.020	0.070	<b>0.950</b>	0.028	0.029	0.051	0.172	0.280
Intrepid Capital Institutional	185	1.003	0.079	1.082	0.130	<b>0.952</b>	0.042	0.016	0.063	0.076	0.198
<b>Peer Group Average</b>	107	0.723	0.143	0.837	0.191	0.647	0.142	0.033	0.066	0.171	0.374
<b>Peer Group Median</b>	75	0.750	0.107	0.830	0.080	0.638	0.107	0.022	0.066	0.172	0.330
<b>Fund Rank^^</b>	-----	3/15	N/A	2/15	-----	3/15	9/14	14/14	9/9	7/15	12/15

\* Gross Management Fee is the sum of Advisor and Administrative Fees where applicable.

^ Total net expenses are after any waivers and/or reimbursements, and exclude any non-operating and/or extraordinary expenses where applicable.

^^ If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.



Fund	3 mo	1 Yr	3 Yr	5 Yr	10 Yr	SI ^
Tributary Balanced Instl	13.13	7.73	8.17	6.42	9.47	N/A
Scharf Multi-Asset Opportunity Instl	10.39	5.52	5.73	5.37	N/A	N/A
Federated Hermes MDT Balanced IS	17.57	4.89	8.04	6.47	9.02	N/A
Cavanal Hill Active Core Institutional	11.26	4.72	6.04	5.56	7.98	N/A
MassMutual Premier Balanced Svc	14.56	4.71	6.31	6.39	8.61	N/A
AMG GW&K Global Allocation Fund Class I	15.22	3.03	6.33	6.04	N/A	N/A
Hennessy Equity and Income Institutional	12.69	1.71	5.10	4.97	8.41	N/A
Delaware Strategic Allocation Ins	13.14	0.82	3.31	3.92	6.62	N/A
TETON Westwood Balanced I	8.45	-0.04	5.19	5.39	7.98	N/A
ICON Risk-Managed Balanced S	21.50	-1.19	1.51	2.50	5.31	N/A
Roumell Opportunistic Value Instl	26.23	-1.72	1.75	3.05	N/A	N/A
<b>Highland Total Return Y</b>	<b>13.93</b>	<b>-5.24</b>	<b>-1.11</b>	<b>2.49</b>	<b>5.73</b>	<b>6.28</b>
LK Balanced Institutional	10.87	-7.12	4.47	4.47	N/A	N/A
Poplar Forest Cornerstone Institutional	16.02	-7.40	-1.13	1.75	N/A	N/A
Intrepid Capital Institutional	12.32	-9.01	-4.42	-0.84	4.18	N/A
<b>S&amp;P 500 TR USD</b>	<b>20.54</b>	<b>7.51</b>	<b>10.73</b>	<b>10.73</b>	<b>13.99</b>	<b>10.14</b>
<b>Peer Group Average</b>	<b>14.49</b>	<b>0.09</b>	<b>3.69</b>	<b>4.26</b>	<b>7.33</b>	<b>6.28</b>
<b>Peer Group Median</b>	<b>13.14</b>	<b>0.82</b>	<b>5.10</b>	<b>4.97</b>	<b>7.98</b>	<b>6.28</b>
<b>Fund Rank^^</b>	<b>7/15</b>	<b>12/15</b>	<b>13/15</b>	<b>13/15</b>	<b>8/10</b>	<b>1/1</b>

^ Inception to date performance begins with the first full month following the Fund's stated inception date: (11/29/1993)

^^ If present "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

## Advisory Fee Schedule (Breakpoint levels in millions)

Peer Group

Fund	Contractual Advisory Fee*	Fee 1	Up To	Fee 2	Next	Fee 3	Next	Fee 4	Next	Fee 5	Next	Fee 6	Next	Fee 7	Next^
Cavalan Hill Active Core Institutional	0.350	0.350	All												
MassMutual Premier Balanced Svc	0.480	0.480	300	0.430	All										
<b>Highland Total Return Y</b>	<b>0.500</b>	<b>0.500</b>	<b>All</b>												
AMG GW&K Global Allocation Fund Class I	0.600	0.600	All												
Delaware Strategic Allocation Ins	0.650	0.650	500	0.600	500	0.550	1,500	0.500	All						
Federated Hermes MDT Balanced IS	0.750	0.750	All												
ICON Risk-Managed Balanced S	0.750	0.750	All												
LK Balanced Institutional	0.750	0.750	All												
TETON Westwood Balanced I	0.750	0.750	All												
Tributary Balanced Instl	0.750	0.750	All												
Hennessy Equity and Income Institutional	0.800	0.800	All												
Poplar Forest Cornerstone Institutional	0.800	0.800	250	0.700	750	0.600	All								
Roumell Opportunistic Value Instl	0.920	0.920	All												
Scharf Multi-Asset Opportunity Instl	0.990	0.990	All												
Intrepid Capital Institutional	1.000	1.000	500	0.800	All										

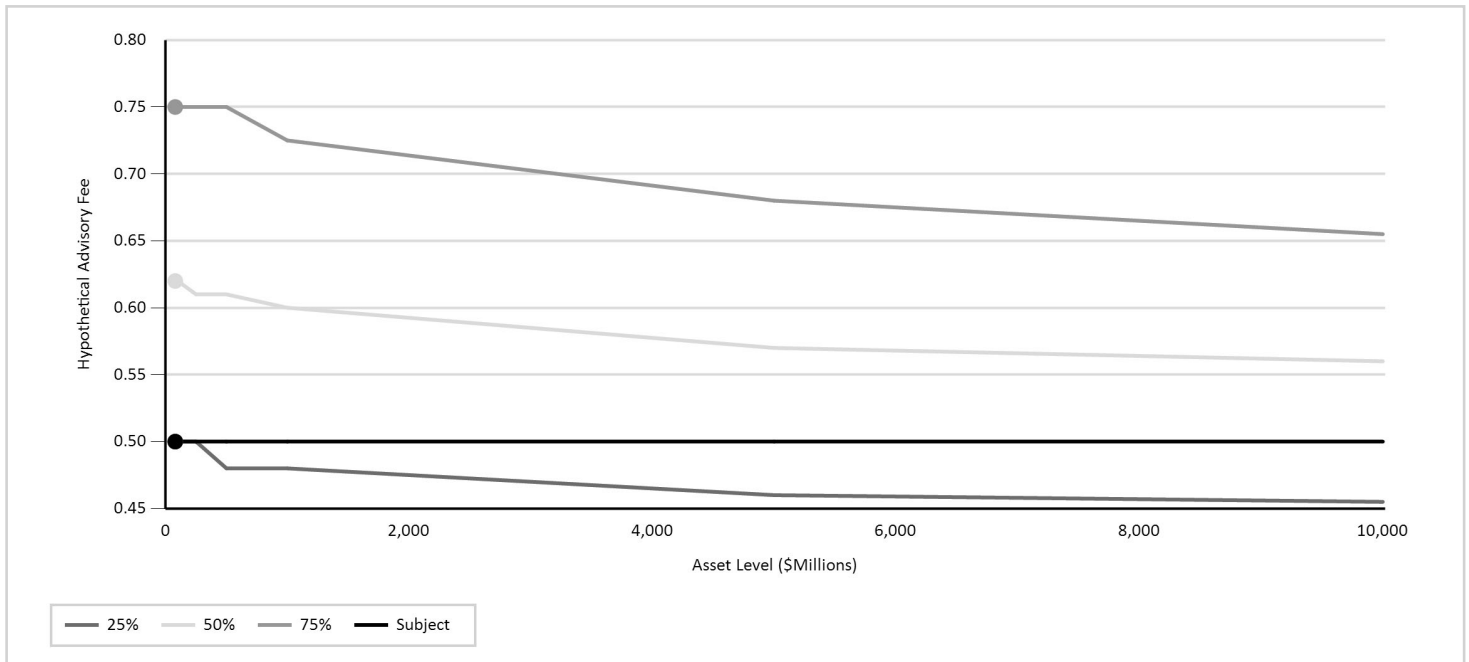
^Schedules with an asset level associated with "Fee 7" have additional fee levels and breakpoints not displayed due to allowable space.

\* Contractual advisory fee calculated at target fund's average net asset level. (\$80M)

## Hypothetical Contractual Advisory Fee Ratio at Different Asset Levels

Universe

**Description:** The chart includes all funds in the target fund's universe and is intended to provide a perspective of contractual advisory fees within the broader universe of peers, as well as assist in evaluating the target fund's contractual advisory fee schedule at various asset levels. A descending line indicates lower advisory fees resulting from the use of breakpoints.



# Individual 15(c) Reports [Exchange-Traded Funds]

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Confidential Report to Trustees



## Highland/iBoxx Senior Loan ETF (SNLN)

### Peer Group

The Peer Group consists of the Highland/iBoxx Senior Loan ETF and 6 other Bank Loan funds identified by FUSE. Only funds with similar pricing characteristics were considered for inclusion in the Peer Group.

Average net assets of the 7 funds in the peer group, including all classes of shares, range from \$1M to \$5,538M, based on each fund's latest fiscal year end.

### Universe

The Universe consists of the Highland/iBoxx Senior Loan ETF, the other Funds of the Peer Group, and all other Bank Loan funds with similar pricing features, excluding outliers.

				Group Statistics					Fund Ranking w/in Peer or Universe Quartiles. Top and bottom represent the 95th and 5th percentiles.
Expense Summary (Peer Group)	Fund	Rank*	%ile	5th	25th	50th	75th	95th	
Total Net Expense	0.61	3/7	33%	0.49	0.59	0.64	0.77	1.02	
Gross Advisory Fee**	0.45	2/7	17%	0.42	0.51	0.65	0.75	0.92	
Contractual Advisory Fee**	0.45	1/7	1%	0.49	0.61	0.65	0.69	0.81	
Expense Summary (Universe)	Fund	Rank*	%ile	5th	25th	50th	75th	95th	
Total Net Expense	0.61	3/7	33%	0.49	0.59	0.64	0.77	1.02	
Gross Advisory Fee**	0.45	2/7	17%	0.42	0.51	0.65	0.75	0.92	
Contractual Advisory Fee**	0.45	1/7	1%	0.49	0.61	0.65	0.69	0.81	

\*If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

\*\*Gross Advisory Fee is the actual Advisor Fee as reported in the Fund's most recent annual report; Contractual Advisory Fee is calculated using each fund's advisory fee contract schedule at the average asset level of the Target Fund.

					Group Statistics					Fund Ranking w/in Univ. Quartiles. Top and bottom are the 5th and 95th percentiles.
Performance Summary (Universe)	Fund	Index	Rank	%ile	95th	75th	50th	25th	5th	
3 Months	2.67	5.76	7/7	100%	3.12	4.58	5.83	6.62	7.46	
One Year	-6.57	-3.08	7/7	100%	-5.14	-1.50	-1.18	-0.56	0.77	
Three Years	-0.60	1.23	5/5	100%	-0.16	1.59	1.90	1.91	1.93	
Five Years	0.58	1.72	5/5	100%	0.87	2.05	2.07	2.41	2.42	
Since Inception (11/6/2012)^	1.53	3.73	2/2	100%	1.57	1.72	1.91	2.10	2.25	
Fund vs. Index Performance (%)	Fund	Index	Excess Rtn.		Tracking Error					
3 Months	2.67	5.76	-3.09		0.16					
One Year	-6.57	-3.08	-3.50		3.40					
Three Years	-0.60	1.23	-1.84		2.03					
Five Years	0.58	1.72	-1.14		1.60					
Since Inception (11/6/2012)^	1.45	2.26	-0.81		N/A					

Benchmark: Markit iBoxx USD Liquid Levged Loan TR

Returns as of 6/30/20, annualized if over 1 year.

^ Inception to date performance for "Performance Summary" begins with the first full month following the Fund's stated inception date; for "Fund vs. Index Performance" it is a 'day-to-day' calculation.

## Total Net Expense Ratio Comparison:

Fund	FY End	Net. Avg. AUM (\$Mil)	Advisory Fee	Other Operating Expenses	Waiver/ Reimb.	Total Net Expenses^
Franklin Liberty Senior Loan ETF (FLBL)	3/31/20	58	0.650	0.320	0.520	0.450
Virtus Seix Senior Loan ETF (SEIX) !	7/31/19	2	0.570		0.000	0.570
<b>Highland/iBoxx Senior Loan ETF (SNLN)</b>	<b>6/30/19</b>	<b>469</b>	<b>0.450</b>	<b>0.370</b>	<b>0.210</b>	<b>0.610</b>
Invesco Senior Loan ETF (BKLN)	8/31/19	5,539	0.650		0.010	0.640
SPDR- Blackstone / GSO Senior Loan ETF (SRLN) !	6/30/19	2,754	0.400	0.300	0.000	0.700
First Trust Senior Loan ETF (FTSL) !	10/31/19	1,645	0.850		0.000	0.850
Pacific Global Senior Loan ETF (FLRT)	6/30/19	29	0.950	0.680	0.530	1.100
<b>Peer Group Average</b>	-----	1,499	0.646	0.417	0.181	0.703
<b>Peer Group Median</b>	-----	469	0.650	0.345	0.010	0.640
<b>Fund Rank^^</b>	-----	-----	2/7	3/4	-----	3/7

! Indicates that the fund has a unitary fee structure where by the advisor is paid a single fee and is responsible for providing or obtaining all of the services that are necessary for fund operations, including, but not limited to, investment advisory, custody, audit, administrative, compliance, recordkeeping, and shareholder services.

^ Total net expenses are after any waivers and/or reimbursements, and exclude any non-operating and/or extraordinary expenses where applicable.

^^ If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

Fund	Total Return						Tracking Error*			
	3 mo	1 Yr	3 Yr	5 Yr	10 Yr	SI ^	1 Yr	3 Yr	5 Yr	10 Yr
Virtus Seix Senior Loan ETF (SEIX)	6.81	<b>1.28</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
First Trust Senior Loan ETF (FTSL)	6.43	<b>-0.42</b>	1.91	2.41	N/A	N/A	1.42	1.00	0.95	N/A
Pacific Global Senior Loan ETF (FLRT)	5.83	<b>-0.70</b>	1.90	2.43	N/A	N/A	24.24	16.72	14.62	N/A
Franklin Liberty Senior Loan ETF (FLBL)	4.15	<b>-1.18</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SPDR- Blackstone / GSO Senior Loan ETF (SRLN)	7.73	<b>-1.22</b>	1.94	2.07	N/A	N/A	3.37	2.03	1.67	N/A
Invesco Senior Loan ETF (BKLN)	5.01	<b>-1.78</b>	1.59	2.05	N/A	2.29	1.77	1.13	1.01	N/A
<b>Highland/iBoxx Senior Loan ETF (SNLN)</b>	<b>2.67</b>	<b>-6.57</b>	<b>-0.60</b>	<b>0.58</b>	<b>N/A</b>	<b>1.53</b>	<b>3.40</b>	<b>2.03</b>	<b>1.60</b>	<b>N/A</b>
Markit iBoxx USD Liquid Levged Loan TR	5.76	-3.08	1.23	1.72	N/A	3.73	-----	-----	-----	-----
<b>Peer Group Average</b>	5.52	-1.51	1.35	1.90	N/A	1.91	6.84	4.58	3.97	N/A
<b>Peer Group Median</b>	5.83	-1.18	1.90	2.07	N/A	1.91	3.37	2.03	1.60	N/A
<b>Fund Rank^^</b>	7/7	7/7	5/5	5/5	N/A	2/2	4/5	3/5	3/5	N/A

^ Inception to date performance begins with the first full month following the Fund's stated inception date: (11/6/2012)

\* Tracking error values are based on daily returns for all funds. Where available, values for the Target Fund and peers were calculated using fund and benchmark returns from Morningstar which are rounded to five decimal places for fund returns and two decimal places for indices.

^^ ( ) indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

## Advisory Fee Schedule (Breakpoint levels in millions)

Peer Group

Fund	Contractual Advisory Fee*	Fee 1	Up To	Fee 2	Next	Fee 3	Next	Fee 4	Next	Fee 5	Next	Fee 6	Next^
Highland/iBoxx Senior Loan ETF (SNLN)	0.45	0.450	All										
Virtus Seix Senior Loan ETF (SEIX) !	0.57	0.570	All										
Franklin Liberty Senior Loan ETF (FLBL)	0.65	0.650	All										
Invesco Senior Loan ETF (BKLN)	0.65	0.650	All										
Pacific Global Senior Loan ETF (FLRT)	0.68	0.680	All										
SPDR- Blackstone / GSO Senior Loan ETF (SRLN) !	0.70	0.700	All										
First Trust Senior Loan ETF (FTSL) !	0.85	0.850	All										

^ Schedules with an asset level associated with "Fee 6" have additional fee levels and breakpoints not displayed due to allowable space.

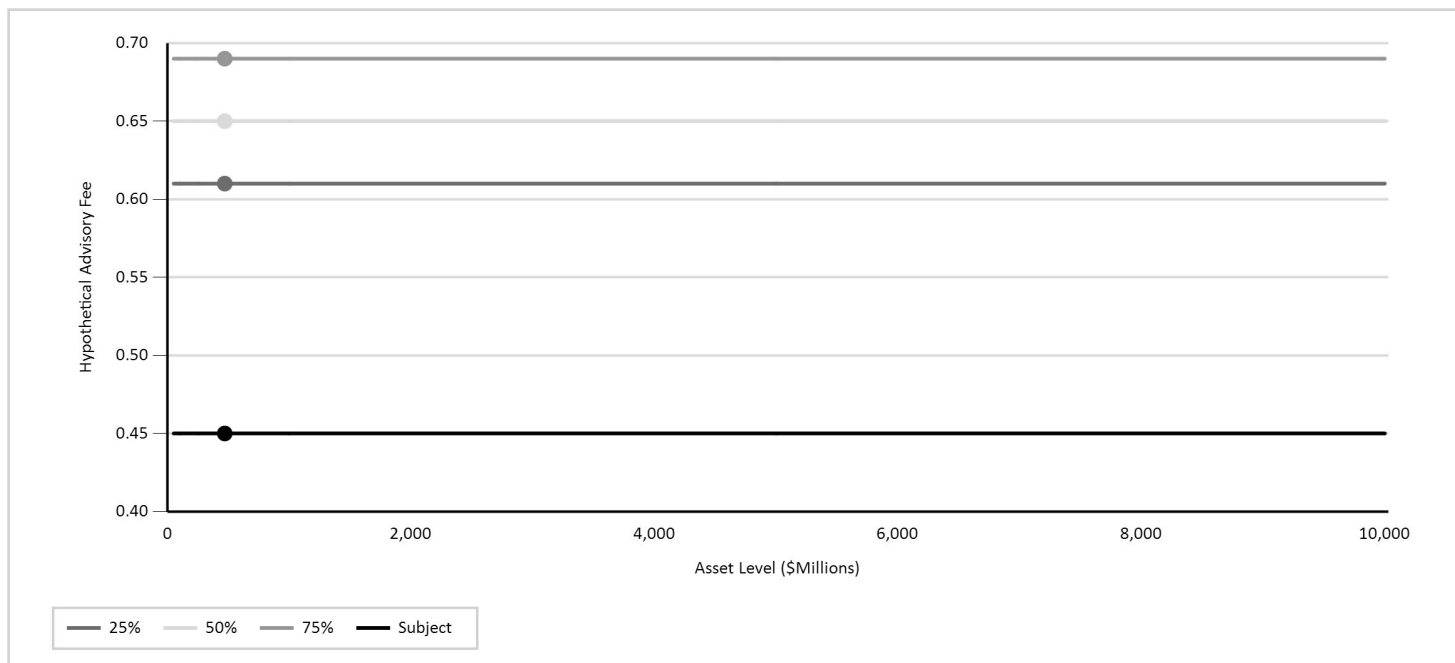
! Indicates that the fund has a unitary fee structure where by the advisor is paid a single fee and is responsible for providing or obtaining all of the services that are necessary for fund operations, including, but not limited to, investment advisory, custody, audit, administrative, compliance, recordkeeping, and shareholder services.

\* Contractual advisory fee calculated at the subject fund's average net asset level. (\$469M)

## Hypothetical Contractual Advisory Fee Ratio at Different Asset Levels

Universe

Description: The chart includes all funds in the target fund's universe and is intended to provide a perspective of contractual advisory fees within the broader universe of peers, as well as assist in evaluating the target fund's contractual advisory fee schedule at various asset levels. A descending line indicates lower advisory fees resulting from the use of breakpoints.



# Individual 15(c) Reports [Closed-end Funds]

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Confidential Report to Trustees





Highland Global Allocation Fund (HGLB)

Peer Group\*

The Peer Group consists of the Highland Global Allocation Fund and 9 other Global Allocation funds identified by FUSE.

Average net assets of the 10 funds in the peer group, including all classes of shares, range from \$100M to \$1,284M, based on each fund's latest fiscal year end.

Expense Summary (Peer Group)	Fund	Rank*	%ile	Group Statistics					Fund Ranking w/in Peer Group Quartiles. Top and bottom represent the 95th and 5th percentiles.
				5th	25th	50th	75th	95th	
Total Net Expense**	1.07	1/10	1%	1.14	1.29	1.39	1.62	1.93	
Contractual Advisory Fee***	0.40	1/10	1%	0.60	0.85	0.85	0.93	1.00	

\*If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.  
 \*\*Total Net Expense is presented as percentage of each funds average net assets as of their last FY end, and includes the results of any waivers and/or caps. The result excludes interest expenses and deferred income tax expense/benefit if applicable. Other costs of leverage may be included.  
 \*\*\*Contractual advisory fee for all funds calculated at target fund's net asset value. Fee shown includes waivers.

Based on NAV					Group Statistics					Fund Ranking w/in Peer Quartiles. Top and bottom are the 5th and 95th percentiles.
Performance Summary (Peer Group)	Fund	Index	Rank	%ile	95th	75th	50th	25th	5th	
3 Months	22.64	19.33	5/10	44%	13.05	16.13	20.93	26.19	31.43	
One Year	-22.78	2.64	10/10	100%	-20.64	-13.02	-7.48	0.46	3.20	
Three Years	-6.22	6.59	10/10	100%	-5.82	-2.07	-0.10	4.74	6.14	
Five Years	-4.59	6.99	10/10	100%	-2.98	0.46	3.29	5.41	6.58	
Ten Years	4.56	9.71	9/10	89%	4.18	6.42	7.13	9.54	10.34	
Since Inception (1/5/1998)^	4.06	7.10	1/1	1%	4.06	4.06	4.06	4.06	4.06	

Based on Market Price					Group Statistics					Fund Ranking w/in Peer Quartiles. Top and bottom are the 5th and 95th percentiles.
Performance Summary (Peer Group)	Fund	Index	Rank	%ile	95th	75th	50th	25th	5th	
3 Months	54.64	19.33	1/10	1%	11.79	17.27	20.28	27.02	44.23	
One Year	-33.88	2.64	10/10	100%	-28.72	-17.86	-7.93	-4.10	-0.13	

Returns as of 06/30/20, annualized if over 1 year.  
 ^ Inception to date performance for "Performance Summary" begins with the first full month following the Fund's stated inception date.  
 Benchmark: FTSE All World TR USD

					Total Expense Ratio Comparisons:					
					As % of Average Net Assets			As % of Average Managed Assets		
Fund	FY End	Avg. Net AUM (\$Mil)	Avg. Mgd. AUM (\$Mil)	Leverage Percent	Gross Exp. Incl. Int. Expense	Gross Exp. Ex. Int. Expense	Total Net Exp. Ex. Int. Expense^	Gross Exp. Incl. Int. Expense	Gross Exp. Ex. Int. Expense	Total Net Exp. Ex. Int. Expense^
Highland Global Allocation Fund (HGLB)	3/31/20	260	352	7	2.450	1.176	1.071	1.809	0.869	0.791
EV Tax Adv Global Dividend Inc (ETG)	10/31/19	1,284	1,706	25	2.230	1.220	1.220	1.678	0.918	0.918
EV Tax Adv Global Div Opps (ETO)	10/31/19	339	458	26	2.340	1.279	1.279	1.734	0.948	0.948
Wells Fargo Global Dividend Opportunity (EOD)	10/31/19	257	304	16	1.890	1.315	1.315	1.594	1.109	1.109
Nuveen Tax-Adv Total Return (JTA)	12/31/19	165	238	31	2.660	1.379	1.379	1.843	0.955	0.955
Nuveen Diversified Div & Income (JDD)	12/31/19	227	325	30	2.750	1.394	1.394	1.917	0.972	0.972
Virtus Total Return Fund Inc. (ZTR)	11/30/19	247	340	27	2.700	1.633	1.544	1.964	1.188	1.123
Calamos Global Dynamic Income (CHW)	10/31/19	469	712	34	3.410	1.647	1.647	2.245	1.084	1.084
Calamos Global Total Return (CGO)	10/31/19	101	151	34	3.420	1.745	1.745	2.273	1.160	1.160
Delaware Enhanced Gbl Div & Income (DEX)	11/30/19	135	196	31	3.520	2.073	2.073	2.426	1.429	1.429
Peer Group Average	-----	348	478	26	2.737	1.486	1.467	1.948	1.063	1.049
Peer Group Median	-----	252	333	29	2.680	1.386	1.386	1.880	1.028	1.028
Fund Rank^^	-----	-----	-----	-----	4/10	1/10	1/10	4/10	1/10	1/10

		Net Mgmt. Fee Comparison (as % of Net AUM)					Other Operating Expenses (As % of Net AUM)				
Fund	Avg. Net AUM (\$Mil)*	Gross Advisory	Gross Admin.	Gross Mgmt. **	Waiver/ Reimb.	Net Mgmt. Exp.	Transfer Agent Exp.	Custodian Exp.	Acct. Exp	Other Op. Exp.	Net Op Exp
Highland Global Allocation Fund (HGLB)	260	0.542		0.542		0.542	0.043	0.036	0.086	1.744	1.908
EV Tax Adv Global Dividend Inc (ETG)	1,284	1.126		1.126		1.126	0.001	0.034		1.068	1.104
EV Tax Adv Global Div Opps (ETO)	339	1.147		1.147		1.147	0.006	0.048		1.141	1.194
Wells Fargo Global Dividend Opportunity (EOD)	257	1.123	0.059	1.182		1.182	0.015	0.024		0.668	0.708
Nuveen Tax-Adv Total Return (JTA)	165	1.236		1.236		1.236	0.011	0.070		1.343	1.424
Nuveen Diversified Div & Income (JDD)	227	1.228		1.228		1.228	0.013	0.093		1.416	1.522
Virtus Total Return Fund Inc. (ZTR)	247	1.169	0.152	1.320		1.320	0.026	0.009		2.501	2.536
Calamos Global Dynamic Income (CHW)	469	1.519	0.014	1.532		1.532	0.007	0.011	0.014	1.846	1.878
Calamos Global Total Return (CGO)	101	1.505	0.013	1.518		1.518	0.032	0.015	0.025	1.830	1.902
Delaware Enhanced Gbl Div & Income (DEX)	135	1.378		1.378		1.378	0.072	0.023	0.057	1.990	2.142
Peer Group Average	348	1.197	0.060	1.221	N/A	1.221	0.023	0.036	0.045	1.555	1.632
Peer Group Median	252	1.197	0.036	1.232	N/A	1.232	0.014	0.029	0.041	1.580	1.700
Fund Rank^^	-----	1/10	N/A	1/10	-----	1/10	9/10	7/10	4/4	6/10	8/10

\*\* Gross Management Fee is the sum of Advisor and Administrative Fees where applicable.

^ Total net expenses are after any waivers and/or reimbursements, and exclude any non-operating and/or extraordinary expenses where applicable.

^^ If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

## NAV Total Returns

Fund	12mo Prem/Disc	3 mo	1 Yr	3 Yr	5 Yr	10 Yr	SI ^
Calamos Global Dynamic Income (CHW)	0.2	30.09	3.22	5.34	5.66	8.98	N/A
Calamos Global Total Return (CGO)	5.0	32.53	3.18	5.93	5.75	7.55	N/A
EV Tax Adv Global Div Opps (ETO)	3.5	27.28	1.50	6.31	7.26	10.54	N/A
EV Tax Adv Global Dividend Inc (ETG)	-5.8	22.91	-2.66	2.94	4.67	10.09	N/A
Delaware Enhanced Gbl Div & Income (DEX)	-10.5	12.30	-6.45	-0.80	2.29	6.56	N/A
Virtus Total Return Fund Inc. (ZTR)	0.7	15.64	-8.50	-0.34	4.30	9.73	N/A
Wells Fargo Global Dividend Opportunity (EOD)	-7.7	19.22	-9.29	0.15	0.06	3.86	N/A
Nuveen Diversified Div & Income (JDD)	-9.3	13.97	-14.27	-2.49	1.65	6.70	N/A
Nuveen Tax-Adv Total Return (JTA)	-6.0	17.58	-18.03	-5.33	-1.02	6.37	N/A
<b>Highland Global Allocation Fund (HGLB)</b>	<b>-28.9</b>	<b>22.64</b>	<b>-22.78</b>	<b>-6.22</b>	<b>-4.59</b>	<b>4.56</b>	<b>4.06</b>
<b>FTSE All World TR USD</b>	<b>-----</b>	<b>19.33</b>	<b>2.64</b>	<b>6.59</b>	<b>6.99</b>	<b>9.71</b>	<b>7.10</b>
<b>Peer Group Average</b>	<b>-5.9</b>	<b>21.42</b>	<b>-7.41</b>	<b>0.55</b>	<b>2.60</b>	<b>7.49</b>	<b>4.06</b>
<b>Peer Group Median</b>	<b>-5.9</b>	<b>20.93</b>	<b>-7.48</b>	<b>-0.10</b>	<b>3.29</b>	<b>7.13</b>	<b>4.06</b>
<b>Fund Rank^^</b>	<b>-----</b>	<b>5/10</b>	<b>10/10</b>	<b>10/10</b>	<b>10/10</b>	<b>9/10</b>	<b>1/1</b>

^ Inception to date performance begins with the first full month following the Fund's stated inception date: (1/5/1998)

## Market Price Total Returns &amp; Distribution Rate

Fund	Mkt. Price Dist. Rate	3 mo	1 Yr	3 Yr	5 Yr	10 Yr
Calamos Global Dynamic Income (CHW)	11.10	31.51	1.11	5.43	8.11	10.95
Calamos Global Total Return (CGO)	9.77	28.60	-1.66	5.00	7.01	8.18
EV Tax Adv Global Dividend Inc (ETG)	8.58	22.28	-3.46	1.78	4.65	10.34
EV Tax Adv Global Div Opps (ETO)	8.16	19.71	-6.05	4.03	7.39	11.55
Virtus Total Return Fund Inc. (ZTR)	11.68	18.01	-7.04	1.66	6.41	12.78
Delaware Enhanced Gbl Div & Income (DEX)	7.42	11.16	-8.82	-1.62	3.35	5.89
Wells Fargo Global Dividend Opportunity (EOD)	13.11	20.85	-10.60	0.05	1.67	3.91
Nuveen Diversified Div & Income (JDD)	10.33	12.55	-20.28	-6.74	1.71	6.95
Nuveen Tax-Adv Total Return (JTA)	9.43	17.02	-22.41	-6.76	-0.87	6.21
<b>Highland Global Allocation Fund (HGLB)</b>	<b>16.31</b>	<b>54.64</b>	<b>-33.88</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Peer Group Average</b>	<b>10.59</b>	<b>23.63</b>	<b>-11.31</b>	<b>0.31</b>	<b>4.38</b>	<b>8.53</b>
<b>Peer Group Median</b>	<b>10.05</b>	<b>20.28</b>	<b>-7.93</b>	<b>1.66</b>	<b>4.65</b>	<b>8.18</b>
<b>Fund Rank^^</b>	<b>1/10</b>	<b>1/10</b>	<b>10/10</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

^^ If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

## Advisory Fee Schedule (Breakpoint levels in millions)

Peer Group

Fund	Contractual Advisory Fee*	Fee 1	Up To	Fee 2	Next	Fee 3	Next	Fee 4	Next	Fee 5	Next	Fee 6	Next	Fee 7	Next^
Highland Global Allocation Fund (HGLB)	0.40	0.400	All												
EV Tax Adv Global Div Opps (ETO)	0.85	0.850	All												
EV Tax Adv Global Dividend Inc (ETG)	0.85	0.850	1,500	0.830	1,500	0.810	2,000	0.790	All						
Virtus Total Return Fund Inc. (ZTR)	0.85	0.850	All												
Wells Fargo Global Dividend Opportunity (EOD)	0.85	0.850	All												
Nuveen Diversified Div & Income (JDD)	0.86	0.856	500	0.831	500	0.806	500	0.781	500	0.756	All				
Nuveen Tax-Adv Total Return (JTA)	0.86	0.856	500	0.831	500	0.806	500	0.781	500	0.756	All				
Delaware Enhanced Gbl Div & Income (DEX)	0.95	0.950	All												
Calamos Global Dynamic Income (CHW)	1.00	1.000	All												
Calamos Global Total Return (CGO)	1.00	1.000	All												

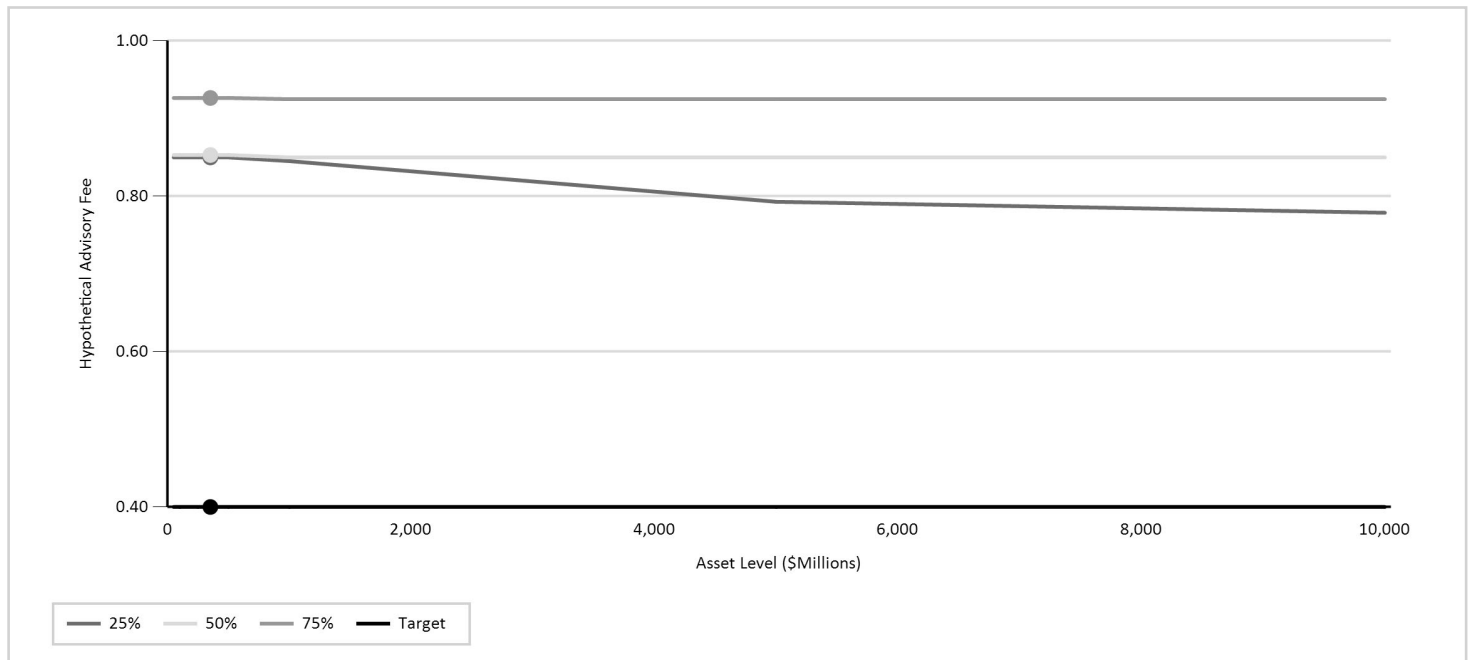
^Schedules with an asset level associated with "Fee 7" have additional fee levels and breakpoints not displayed due to allowable space.

\* Contractual advisory fee calculated at target fund's average managed asset level. (\$352M)

## Hypothetical Contractual Advisory Fee Ratio at Different Asset Levels

Universe

**Description:** The chart includes all funds in the target fund's universe and is intended to provide a perspective of contractual advisory fees within the broader universe of peers, as well as assist in evaluating the target fund's contractual advisory fee schedule at various asset levels. A descending line indicates lower advisory fees resulting from the use of breakpoints.



Highland Income Fund (HFRO)

Peer Group\*

The Peer Group consists of the Highland Income Fund and 11 other Bank Loan funds identified by FUSE.

Average net assets of the 12 funds in the peer group, including all classes of shares, range from \$109M to \$1,024M, based on each fund's latest fiscal year end.

				Group Statistics					Fund Ranking w/in Peer Group Quartiles. Top and bottom represent the 95th and 5th percentiles.
Expense Summary (Peer Group)	Fund	Rank*	%ile	5th	25th	50th	75th	95th	
Total Net Expense**	1.80	10/12	82%	1.20	1.29	1.40	1.69	2.24	
Contractual Advisory Fee***	0.65	1/12	1%	0.68	0.75	0.80	0.89	1.14	

\*If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.  
 \*\*Total Net Expense is presented as percentage of each funds average net assets as of their last FY end, and includes the results of any waivers and/or caps. The result excludes interest expenses and deferred income tax expense/benefit if applicable. Other costs of leverage may be included.  
 \*\*\*Contractual advisory fee for all funds calculated at target fund's net asset value. Fee shown includes waivers.

Based on NAV					Group Statistics					Fund Ranking w/in Peer Quartiles. Top and bottom are the 5th and 95th percentiles.
Performance Summary (Peer Group)	Fund	Index	Rank	%ile	95th	75th	50th	25th	5th	
3 Months	1.77	9.71	12/12	100%	4.22	9.08	10.83	13.13	21.53	
One Year	-6.96	-2.27	5/12	36%	-12.52	-10.65	-7.83	-6.16	-3.94	
Three Years	-0.03	2.13	6/12	45%	-2.99	-1.40	-0.06	0.43	1.19	
Five Years	0.77	2.94	10/12	82%	0.60	0.80	1.52	2.41	3.04	
Ten Years	4.70	4.34	7/9	75%	4.05	4.70	4.93	5.15	5.54	
Since Inception (1/13/2000)^	3.37	5.04	2/4	33%	2.71	3.14	3.35	3.57	4.03	

Based on Market Price					Group Statistics					Fund Ranking w/in Peer Quartiles. Top and bottom are the 5th and 95th percentiles.
Performance Summary (Peer Group)	Fund	Index	Rank	%ile	95th	75th	50th	25th	5th	
3 Months	-2.96	9.71	12/12	100%	2.41	8.93	12.61	19.03	27.04	
One Year	-36.63	-2.27	12/12	100%	-25.53	-13.37	-9.66	-5.55	-2.42	

Returns as of 06/30/20, annualized if over 1 year.  
 ^ Inception to date performance for "Performance Summary" begins with the first full month following the Fund's stated inception date.  
 Benchmark: Credit Suisse Leveraged Loan USD

					Total Expense Ratio Comparisons:					
					As % of Average Net Assets			As % of Average Managed Assets		
Fund	FY End	Avg. Net AUM (\$Mil)	Avg. Mgd. AUM (\$Mil)	Leverage Percent	Gross Exp. Incl. Int. Expense	Gross Exp. Ex. Int. Expense	Total Net Exp. Ex. Int. Expense^	Gross Exp. Incl. Int. Expense	Gross Exp. Ex. Int. Expense	Total Net Exp. Ex. Int. Expense^
BlackRock Float Rate Strat (FRA)	8/31/19	537	754	29	2.450	1.155	1.155	1.745	0.823	0.822
First Trust Senior FR Income II (FCT)	5/31/19	368	517	29	2.530	1.243	1.243	1.803	0.886	0.886
EV Senior Floating Rate (EFR)	10/31/19	548	847	35	2.680	1.268	1.268	1.734	0.820	0.820
Pioneer Floating Rate Trust (PHD)	11/30/19	296	436	32	2.900	1.296	1.296	1.970	0.880	0.880
Western Asset Corporate Loan Fund (TLI)	9/30/19	109	161	32	2.910	1.412	1.339	1.979	0.960	0.910
Nuveen Floating Rate Income (JFR)	7/31/19	634	1,015	38	3.430	1.357	1.357	2.143	0.848	0.848
First Eagle Senior Loan Fund (FSLF)	12/31/19	136	175	22	2.850	1.629	1.448	2.213	1.265	1.125
Voya Prime Rate Trust (PPR)	2/29/20	804	1,118	28	2.860	1.619	1.619	2.057	1.165	1.165
Invesco Senior Income Trust (VVR)	2/29/20	825	1,202	31	3.170	1.659	1.657	2.176	1.139	1.137
<b>Highland Income Fund (HFRO)</b>	<b>12/31/19</b>	<b>1,025</b>	<b>1,511</b>	<b>32</b>	<b>3.390</b>	<b>1.804</b>	<b>1.804</b>	<b>2.300</b>	<b>1.224</b>	<b>1.224</b>
Apollo Senior Floating Rate (AFT)	12/31/19	262	403	35	4.010	2.209	2.209	2.606	1.436	1.436
Aberdeen Income Credit Strategies Fund (ACP)	10/31/19	167	241	31	4.050	2.431	2.271	2.811	1.687	1.576
<b>Peer Group Average</b>	-----	476	698	31	3.102	1.590	1.555	2.128	1.094	1.069
<b>Peer Group Median</b>	-----	452	635	32	2.905	1.516	1.403	2.100	1.050	1.018
<b>Fund Rank^^</b>	-----	-----	-----	-----	9/12	10/12	10/12	10/12	9/12	10/12

		Net Mgmt. Fee Comparison (as % of Net AUM)					Other Operating Expenses (As % of Net AUM)				
Fund	Avg. Net AUM (\$Mil)*	Gross Advisory	Gross Admin.	Gross Mgmt. **	Waiver/ Reimb.	Net Mgmt. Exp.	Transfer Agent Exp.	Custodian Exp.	Acct. Exp.	Other Op. Exp.	Net Op Exp
BlackRock Float Rate Strat (FRA)	537	1.053		1.053		1.053	0.011	0.007	0.021	1.394	1.432
First Trust Senior FR Income II (FCT)	368	1.053	0.094	1.147		1.147	0.007	0.020		1.357	1.383
EV Senior Floating Rate (EFR)	548	1.159		1.159		1.159	0.004	0.048		1.469	1.521
Pioneer Floating Rate Trust (PHD)	296	1.031	0.068	1.099		1.099	0.005	0.026	0.019	1.751	1.801
Western Asset Corporate Loan Fund (TLI)	109	1.177		1.177		1.177	0.030	0.014	0.020	1.670	1.733
Nuveen Floating Rate Income (JFR)	634	1.273		1.273		1.273	0.003	0.037		2.118	2.157
First Eagle Senior Loan Fund (FSLF)	136	1.030	0.091	1.121		1.121	0.017	0.018		1.694	1.729
Voya Prime Rate Trust (PPR)	804	1.460		1.460		1.460	0.011	0.072		1.319	1.401
Invesco Senior Income Trust (VVR)	825	1.238	0.291	1.530		1.530	0.002	0.039		1.602	1.644
<b>Highland Income Fund (HFRO)</b>	<b>1,025</b>	<b>0.933</b>	<b>0.301</b>	<b>1.233</b>		<b>1.233</b>	<b>0.029</b>	<b>0.038</b>	<b>0.075</b>	<b>2.015</b>	<b>2.157</b>
Apollo Senior Floating Rate (AFT)	262	1.539	0.308	1.847		1.847			0.066	2.096	2.163
Aberdeen Income Credit Strategies Fund (ACP)	167	1.801	0.180	1.981		1.981	0.005	0.050		2.014	2.069
<b>Peer Group Average</b>	476	1.229	0.190	1.340	N/A	1.340	0.011	0.034	0.040	1.708	1.766
<b>Peer Group Median</b>	452	1.229	0.180	1.205	N/A	1.205	0.007	0.037	0.021	1.682	1.731
<b>Fund Rank^^</b>	-----	1/12	6/7	7/12	-----	7/12	10/11	7/11	5/5	10/12	10/12

\*\* Gross Management Fee is the sum of Advisor and Administrative Fees where applicable.

^ Total net expenses are after any waivers and/or reimbursements, and exclude any non-operating and/or extraordinary expenses where applicable.

^^ If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

## NAV Total Returns

Fund	12mo Prem/Disc	3 mo	1 Yr	3 Yr	5 Yr	10 Yr	SI ^
First Trust Senior FR Income II (FCT)	-11.9	9.30	-3.43	1.07	2.60	4.93	N/A
BlackRock Float Rate Strat (FRA)	-12.1	11.59	-4.36	1.10	2.62	5.12	N/A
EV Senior Floating Rate (EFR)	-11.3	15.60	-5.62	1.29	3.55	5.76	N/A
Apollo Senior Floating Rate (AFT)	-12.5	12.90	-6.34	0.21	2.35	N/A	N/A
<b>Highland Income Fund (HFRO)</b>	<b>-17.9</b>	<b>1.77</b>	<b>-6.96</b>	<b>-0.03</b>	<b>0.77</b>	<b>4.70</b>	<b>3.37</b>
Pioneer Floating Rate Trust (PHD)	-11.8	13.84	-7.28	0.01	1.83	5.22	N/A
Invesco Senior Income Trust (VVR)	-12.3	8.72	-8.39	-0.10	1.98	5.15	2.60
Western Asset Corporate Loan Fund (TLI)	-10.0	12.17	-9.66	-1.00	0.81	4.33	4.15
Nuveen Floating Rate Income (JFR)	-11.4	10.07	-10.53	-1.26	1.20	4.81	N/A
Voya Prime Rate Trust (PPR)	-10.8	9.19	-11.02	-1.81	0.47	3.86	3.32
Aberdeen Income Credit Strategies Fund (ACP)	-6.4	28.79	-11.90	-3.21	0.71	N/A	N/A
First Eagle Senior Loan Fund (FSLF)	-12.2	6.22	-13.27	-2.80	1.09	N/A	N/A
<b>Credit Suisse Leveraged Loan USD</b>	<b>-----</b>	<b>9.71</b>	<b>-2.27</b>	<b>2.13</b>	<b>2.94</b>	<b>4.34</b>	<b>5.04</b>
<b>Peer Group Average</b>	<b>-11.7</b>	<b>11.68</b>	<b>-8.23</b>	<b>-0.54</b>	<b>1.66</b>	<b>4.87</b>	<b>3.36</b>
<b>Peer Group Median</b>	<b>-11.9</b>	<b>10.83</b>	<b>-7.83</b>	<b>-0.06</b>	<b>1.52</b>	<b>4.93</b>	<b>3.35</b>
<b>Fund Rank^^</b>	<b>-----</b>	<b>12/12</b>	<b>5/12</b>	<b>6/12</b>	<b>10/12</b>	<b>7/9</b>	<b>2/4</b>

^ Inception to date performance begins with the first full month following the Fund's stated inception date: (1/13/2000)

## Market Price Total Returns &amp; Distribution Rate

Fund	Mkt. Price Dist. Rate	3 mo	1 Yr	3 Yr	5 Yr	10 Yr
First Trust Senior FR Income II (FCT)	11.81	17.58	-2.29	-0.17	2.75	5.11
Western Asset Corporate Loan Fund (TLI)	8.90	23.36	-2.53	-1.47	2.61	4.68
Pioneer Floating Rate Trust (PHD)	7.56	26.89	-4.10	-0.65	2.97	4.32
BlackRock Float Rate Strat (FRA)	8.54	14.14	-6.03	-1.23	2.44	3.81
EV Senior Floating Rate (EFR)	7.00	16.64	-6.26	-2.12	3.10	4.29
Voya Prime Rate Trust (PPR)	4.28	11.09	-9.36	-3.35	0.92	3.23
Apollo Senior Floating Rate (AFT)	6.49	9.10	-9.97	-2.29	0.37	N/A
First Eagle Senior Loan Fund (FSLF)	10.08	8.44	-12.35	-4.57	1.42	N/A
Nuveen Floating Rate Income (JFR)	7.02	6.80	-13.22	-5.95	1.12	4.08
Invesco Senior Income Trust (VVR)	7.08	9.75	-13.80	-2.76	1.54	4.30
Aberdeen Income Credit Strategies Fund (ACP)	15.42	27.22	-16.46	-2.71	2.55	N/A
<b>Highland Income Fund (HFRO)</b>	<b>12.02</b>	<b>-2.96</b>	<b>-36.63</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Peer Group Average</b>	<b>8.85</b>	<b>14.00</b>	<b>-11.08</b>	<b>-2.48</b>	<b>1.98</b>	<b>4.23</b>
<b>Peer Group Median</b>	<b>8.05</b>	<b>12.61</b>	<b>-9.66</b>	<b>-2.29</b>	<b>2.44</b>	<b>4.30</b>
<b>Fund Rank^^</b>	<b>2/12</b>	<b>12/12</b>	<b>12/12</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

^^ If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

## Advisory Fee Schedule (Breakpoint levels in millions)

Peer Group

Fund	Contractual Advisory Fee*	Fee 1	Up To	Fee 2	Next	Fee 3	Next	Fee 4	Next	Fee 5	Next	Fee 6	Next	Fee 7	Next^
Highland Income Fund (HFRO)	0.63	0.650	1,000	0.600	1,000	0.550	All								
Pioneer Floating Rate Trust (PHD)	0.70	0.700	All												
BlackRock Float Rate Strat (FRA)	0.75	0.750	All												
EV Senior Floating Rate (EFR)	0.75	0.750	All												
First Trust Senior FR Income II (FCT)	0.75	0.750	All												
Nuveen Floating Rate Income (JFR)	0.78	0.807	500	0.782	500	0.757	500	0.732	500	0.707	All				
First Eagle Senior Loan Fund (FSLF)	0.80	0.800	All												
Western Asset Corporate Loan Fund (TLI)	0.80	0.800	All												
Invesco Senior Income Trust (VVR)	0.85	0.850	All												
Apollo Senior Floating Rate (AFT)	1.00	1.000	All												
Voya Prime Rate Trust (PPR)	1.05	1.050	All												
Aberdeen Income Credit Strategies Fund (ACP)	1.25	1.250	All												

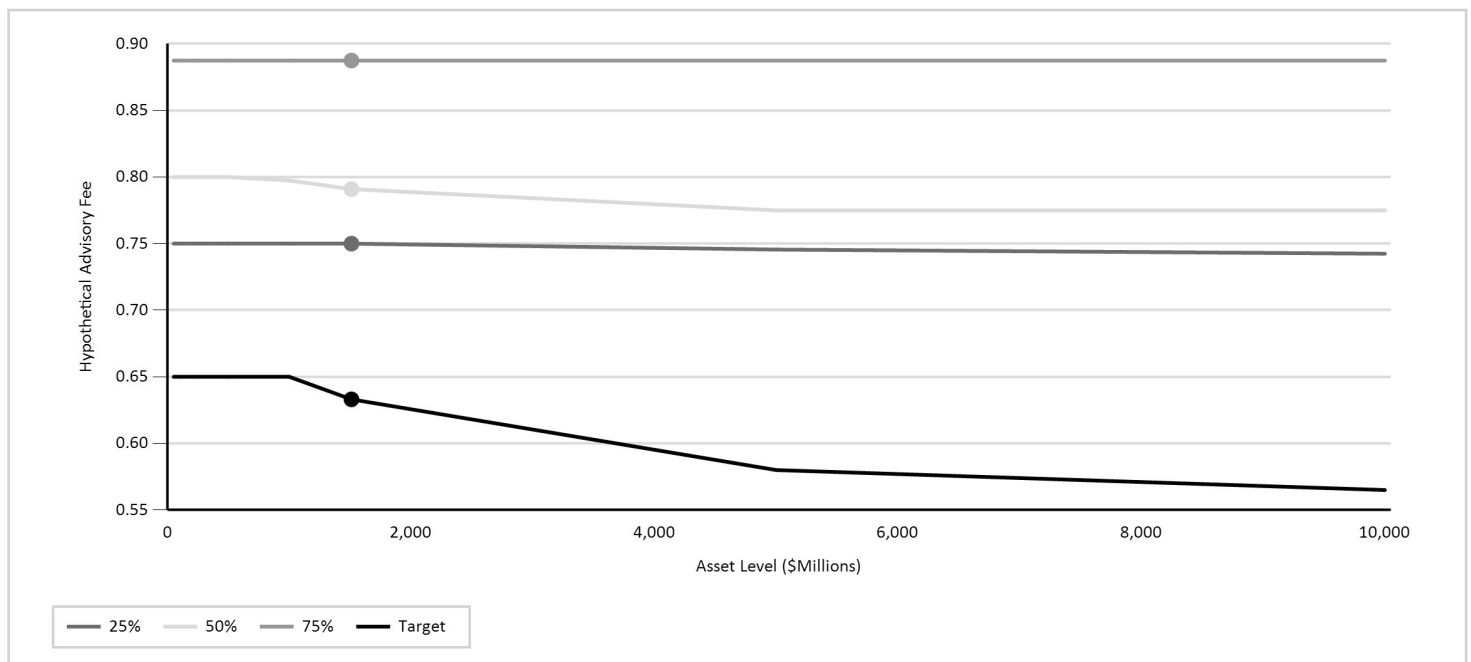
^Schedules with an asset level associated with "Fee 7" have additional fee levels and breakpoints not displayed due to allowable space.

\* Contractual advisory fee calculated at target fund's average managed asset level. (\$1,511M)

## Hypothetical Contractual Advisory Fee Ratio at Different Asset Levels

Universe

**Description:** The chart includes all funds in the target fund's universe and is intended to provide a perspective of contractual advisory fees within the broader universe of peers, as well as assist in evaluating the target fund's contractual advisory fee schedule at various asset levels. A descending line indicates lower advisory fees resulting from the use of breakpoints.





## NexPoint Real Estate Strategies Z (NRSZX)

### Peer Group\*

The Peer Group consists of the NexPoint Real Estate Strategies Z and 5 other Real Estate funds identified by FUSE. Only funds with similar pricing characteristics were considered for inclusion in the Peer Group.

Average net assets of the 6 funds in the peer group, including all classes of shares, range from \$20M to \$3,158M, based on each fund's latest fiscal year end.

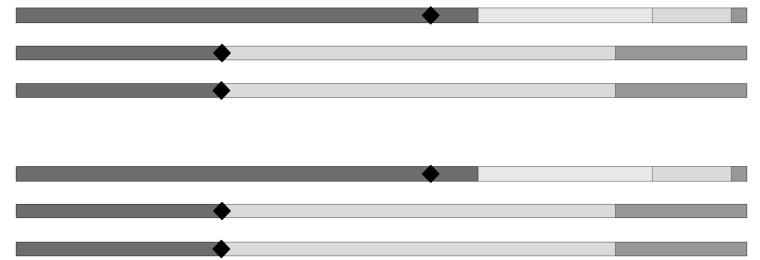
### Universe\*

The Universe consists of the NexPoint Real Estate Strategies Z, the other funds of the peer group, and all other Real Estate funds with similar pricing features, excluding outliers.

Expense Summary (Peer Group)	Fund	Rank*	%ile	Med.
Total Net Expense	1.54	2/6	20%	1.68
Gross Advisory Fee**	1.25	3/6(2)	40%	1.25
Contractual Advisory Fee**	1.25	2/6(3)	20%	1.25

Expense Summary (Universe)	Fund	Rank*	%ile	Med.
Total Net Expense	1.54	2/6	20%	1.68
Gross Advisory Fee**	1.25	3/6(2)	40%	1.25
Contractual Advisory Fee**	1.25	2/6(3)	20%	1.25

Charts represent Peer Group or Universe quartiles and where the target fund is within the grouping. The top and bottom represent the 95th and 5th percentiles.

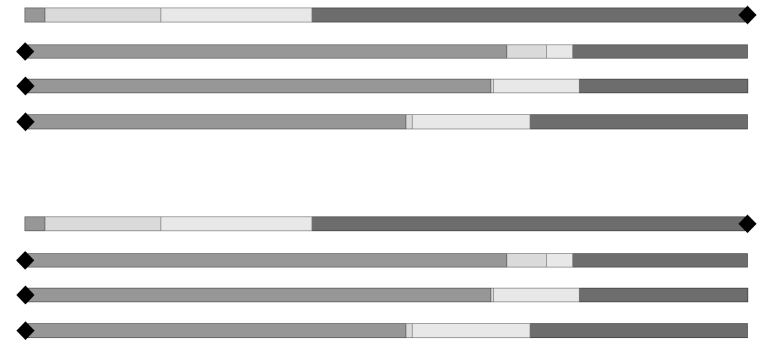


\*If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

\*\*Gross Advisory Fee is the actual Advisor Fee as reported in the Fund's most recent annual report; Contractual Advisory Fee is calculated using each fund's advisory fee contract schedule at the average asset level of the target fund.

Performance Summary (Peer Group)	Fund	Rank	%ile	Med.
3 Months	16.58	1/6	1%	1.45
One Year	-19.37	6/6	100%	-2.45
Three Years	-2.28	5/5	100%	3.28
Since Inception (7/1/2016)^	0.53	5/5	100%	3.65

Performance Summary (Universe)	Fund	Rank	%ile	Med.
3 Months	16.58	1/6	1%	1.45
One Year	-19.37	6/6	100%	-2.45
Three Years	-2.28	5/5	100%	3.28
Since Inception (7/1/2016)^	0.53	5/5	100%	3.65



Returns as of 6/30/20, annualized if over 1 year.

^ Inception to date performance for "Performance Summary" begins with the first full month following the Fund's stated inception date.

## Total Net Expense Ratio Comparison:

Fund	FY End	Net. Avg. AUM (\$Mil)	Gross Mgmt. Fee*	Operating Expenses	12b-1	Waiver/ Reimb.	Total Net Expenses^
Versus Capital Multi-Mgr Real Est Inc I	3/31/20	2,872	1.151	0.039		0.000	1.190
<b>NexPoint Real Estate Strategies Z</b>	<b>12/31/19</b>	<b>20</b>	<b>1.422</b>	<b>1.908</b>		<b>1.790</b>	<b>1.540</b>
Griffin Institutional Access Real Estt I	9/30/19	3,158	1.534	0.126		0.000	1.660
Bluerock Total Income+ Real Estate I	9/30/19	1,582	1.546	0.154		0.000	1.700
Goldman Sachs Real Est Div Inc I	9/30/19	281	1.354	0.436		0.050	1.740
Broadstone Real Estate Access I	9/30/19	34	1.754	3.266		3.280	1.740
<b>Peer Group Average</b>	-----	1,325	1.460	0.988	N/A	0.853	1.595
<b>Peer Group Median</b>	-----	931	1.478	0.295	N/A	0.025	1.680
<b>Fund Rank^^</b>	-----	-----	3/6	5/6	-----	-----	2/6

		Net Management Fee Comparison					Other Operating Expense Comparison				
Fund	Avg. Net AUM (\$Mil)*	Gross Advisory	Gross Admin.	Gross Mgmt. *	Waiver/ Reimb.	Net Mgmt. Exp.	Transfer Agent Exp.	Custodian Exp.	Acct. Exp	Other Op. Exp.	Net Op Exp
Broadstone Real Estate Access I	34	1.250	0.504	1.754	3.280	-1.526	0.190	0.141		2.935	3.266
<b>NexPoint Real Estate Strategies Z</b>	<b>20</b>	<b>1.250</b>	<b>0.172</b>	<b>1.422</b>	<b>1.790</b>	<b>-0.368</b>	<b>0.552</b>	<b>0.102</b>	<b>0.007</b>	<b>1.247</b>	<b>1.908</b>
Versus Capital Multi-Mgr Real Est Inc I	2,872	1.120	0.031	1.151	0.000	1.151	0.011	0.011		0.017	0.039
Goldman Sachs Real Est Div Inc I	281	1.249	0.105	1.354	0.050	1.304	0.119	0.037		0.281	0.436
Griffin Institutional Access Real Estt I	3,158	1.500	0.034	1.534	0.000	1.534	0.037	0.001		0.088	0.126
Bluerock Total Income+ Real Estate I	1,582	1.500	0.046	1.546	0.000	1.546	0.056	0.004		0.093	0.154
<b>Peer Group Average</b>	1,325	1.311	0.149	1.460	0.853	0.922	0.161	0.049	0.007	0.777	0.988
<b>Peer Group Median</b>	931	1.250	0.075	1.478	0.025	1.227	0.088	0.024	0.007	0.187	0.295
<b>Fund Rank^^</b>	-----	3/6(2)	5/6	3/6	-----	1/6(2)	6/6	5/6	1/1	5/6	5/6

\* Gross Management Fee is the sum of Advisor and Administrative Fees where applicable.

^ Total net expenses are after any waivers and/or reimbursements, and exclude any non-operating and/or extraordinary expenses where applicable.

^^ If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

Fund	3 mo	1 Yr	3 Yr	5 Yr	10 Yr	SI ^
Bluerock Total Income+ Real Estate I	-1.43	3.98	6.09	6.90	N/A	6.17
Versus Capital Multi-Mgr Real Est Inc I	0.00	-1.60	3.25	5.02	N/A	3.61
Goldman Sachs Real Est Div Inc I	5.19	-2.33	4.09	5.34	N/A	4.41
Broadstone Real Estate Access I	2.89	-2.57	N/A	N/A	N/A	N/A
Griffin Institutional Access Real Estt I	-1.31	-3.72	3.28	N/A	N/A	3.65
<b>NexPoint Real Estate Strategies Z</b>	<b>16.58</b>	<b>-19.37</b>	<b>-2.28</b>	<b>N/A</b>	<b>N/A</b>	<b>0.53</b>
<b>MSCI US REIT NR USD</b>	11.39	-13.92	-1.19	N/A	N/A	3.67
<b>Peer Group Average</b>	3.66	-4.27	2.89	5.75	N/A	3.67
<b>Peer Group Median</b>	1.45	-2.45	3.28	5.34	N/A	3.65
<b>Fund Rank^^</b>	1/6	6/6	5/5	N/A	N/A	5/5

^ Inception to date performance begins with the first full month following the Fund's stated inception date: (7/1/2016)

^^ If present "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

## Advisory Fee Schedule (Breakpoint levels in millions)

Peer Group

Fund	Contractual Advisory Fee*	Fee 1	Up To	Fee 2	Next	Fee 3	Next	Fee 4	Next	Fee 5	Next	Fee 6	Next	Fee 7	Next^
Versus Capital Multi-Mgr Real Est Inc I	1.120	1.120	All												
Broadstone Real Estate Access I	1.250	1.250	All												
Goldman Sachs Real Est Div Inc I	1.250	1.250	All												
<b>NexPoint Real Estate Strategies Z</b>	<b>1.250</b>	<b>1.250</b>	<b>All</b>												
Bluerock Total Income+ Real Estate I	1.500	1.500	All												
Griffin Institutional Access Real Estt I	1.500	1.500	All												

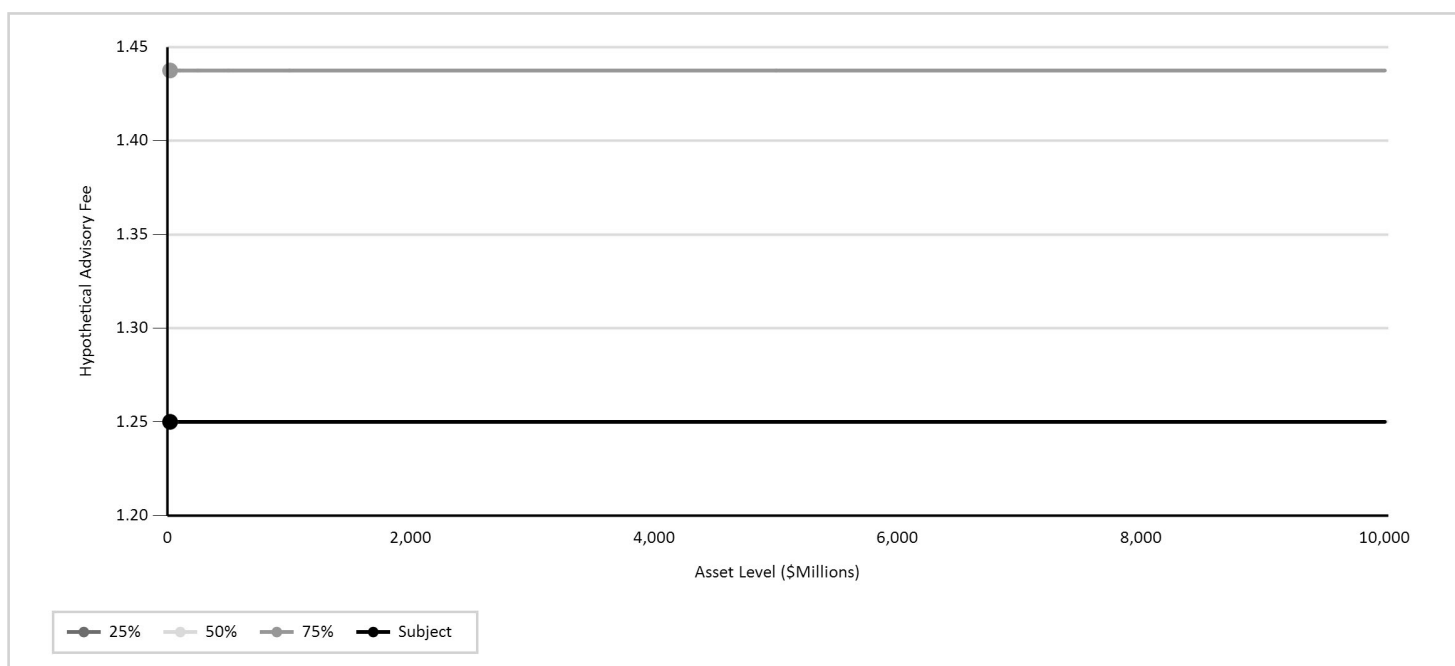
^Schedules with an asset level associated with "Fee 7" have additional fee levels and breakpoints not displayed due to allowable space.

\* Contractual advisory fee calculated at target fund's average net asset level. (\$20M)

## Hypothetical Contractual Advisory Fee Ratio at Different Asset Levels

Universe

Description: The chart includes all funds in the target fund's universe and is intended to provide a perspective of contractual advisory fees within the broader universe of peers, as well as assist in evaluating the target fund's contractual advisory fee schedule at various asset levels. A descending line indicates lower advisory fees resulting from the use of breakpoints.





## NexPoint Strategic Opportunities Fund (NHF)

### Peer Group\*

The Peer Group consists of the NexPoint Strategic Opportunities Fund and 9 other Flexible Allocation funds identified by FUSE.







Average net assets of the 10 funds in the peer group, including all classes of shares, range from \$27M to \$1,931M, based on each fund's latest fiscal year end.






Expense Summary (Peer Group)	Fund	Rank*	%ile	Group Statistics					Fund Ranking w/in Peer Group Quartiles. Top and bottom represent the 95th and 5th percentiles.
				5th	25th	50th	75th	95th	
Total Net Expense**	2.00	8/10	78%	1.18	1.55	1.75	2.00	2.65	
Contractual Advisory Fee***	1.00	5/10(6)	44%	0.77	0.95	1.00	1.00	1.00	

\*If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

\*\*Total Net Expense is presented as percentage of each funds average net assets as of their last FY end, and includes the results of any waivers and/or caps. The result excludes interest expenses and deferred income tax expense/benefit if applicable. Other costs of leverage may be included.

\*\*\*Contractual advisory fee for all funds calculated at target fund's net asset value. Fee shown includes waivers.

Based on NAV					Group Statistics					Fund Ranking w/in Peer Quartiles. Top and bottom are the 5th and 95th percentiles.
Performance Summary (Peer Group)	Fund	Index	Rank	%ile	95th	75th	50th	25th	5th	
3 Months	7.30	6.20	10/10	100%	8.35	15.53	22.62	27.86	30.39	
One Year	-11.35	-0.73	8/10	78%	-28.93	-10.88	-8.87	-3.59	6.40	
Three Years	-1.75	2.13	8/10	78%	-10.23	-1.74	0.63	3.05	8.05	
Five Years	-1.49	1.55	8/8	100%	-1.09	0.57	3.20	3.99	7.69	
Ten Years	8.74	3.83	3/8	29%	5.46	6.63	7.55	8.79	10.96	
Since Inception (6/29/2006)^	3.59	4.34	4/7	50%	1.52	3.34	3.59	4.96	6.66	

Based on Market Price					Group Statistics					Fund Ranking w/in Peer Quartiles. Top and bottom are the 5th and 95th percentiles.
Performance Summary (Peer Group)	Fund	Index	Rank	%ile	95th	75th	50th	25th	5th	
3 Months	31.30	6.20	1/10	1%	9.67	14.50	20.29	25.26	30.90	
One Year	-36.37	-0.73	10/10	100%	-36.25	-26.51	-9.32	-0.94	5.71	
Three Years	-11.81	2.13	9/10	89%	-12.46	-9.55	0.39	3.77	8.12	
Five Years	-7.85	1.55	8/8	100%	-5.62	-0.10	2.15	5.30	10.01	
Ten Years	5.04	3.83	8/8	100%	5.22	6.60	7.64	7.96	11.97	

Returns as of 06/30/20, annualized if over 1 year.

^ Inception to date performance for "Performance Summary" begins with the first full month following the Fund's stated inception date.

Benchmark: Credit Suisse Hedge Fund USD

					Total Expense Ratio Comparisons:					
					As % of Average Net Assets			As % of Average Managed Assets		
Fund	FY End	Avg. Net AUM (\$Mil)	Avg. Mgd. AUM (\$Mil)	Leverage Percent	Gross Exp. Incl. Int. Expense	Gross Exp. Ex. Int. Expense	Total Net Exp. Ex. Int. Expense^	Gross Exp. Incl. Int. Expense	Gross Exp. Ex. Int. Expense	Total Net Exp. Ex. Int. Expense^
Cohen & Steers Closed-End Opp (FOF)	12/31/19	355	357	0	0.960	0.960	0.954	0.956	0.956	0.950
Dividend and Income Fund (DNI)	12/31/19	186	209	11	1.910	1.465	1.463	1.707	1.310	1.308
Calamos Strategic Total Return (CSQ)	10/31/19	1,932	2,842	32	3.050	1.548	1.548	2.073	1.052	1.052
RiverNorth Opportunities (RIV)	7/31/19	118	122	4	2.170	1.557	1.557	2.087	1.498	1.498
RMR Real Estate Income Fund (RIF)	12/31/19	243	348	30	2.860	1.648	1.648	1.998	1.152	1.152
Clough Global Dividend and Income (GLV)	10/31/19	89	151	41	3.660	1.852	1.852	2.156	1.091	1.091
Special Opportunities Fund (SPE)	12/31/19	130	186	30	1.990	1.990	1.990	1.393	1.393	1.393
<b>NexPoint Strategic Opportunities Fund (NHF)</b>	<b>12/31/19</b>	<b>896</b>	<b>1,173</b>	<b>25</b>	<b>3.250</b>	<b>2.009</b>	<b>1.998</b>	<b>2.484</b>	<b>1.535</b>	<b>1.527</b>
Clough Global Opportunities (GLO)	10/31/19	338	580	42	4.140	2.326	2.326	2.414	1.356	1.356
Gabelli Go Anywhere Trust (GGO)	12/31/19	28	49	44	2.910	2.910	2.910	1.643	1.643	1.643
<b>Peer Group Average</b>	-----	432	602	26	2.690	1.826	1.825	1.891	1.298	1.297
<b>Peer Group Median</b>	-----	215	278	30	2.885	1.750	1.750	2.036	1.333	1.332
<b>Fund Rank^^</b>	-----	-----	-----	-----	8/10	8/10	8/10	10/10	9/10	9/10

		Net Mgmt. Fee Comparison (as % of Net AUM)					Other Operating Expenses (As % of Net AUM)				
Fund	Avg. Net AUM (\$Mil)*	Gross Advisory	Gross Admin.	Gross Mgmt. **	Waiver/ Reimb.	Net Mgmt. Exp.	Transfer Agent Exp.	Custodian Exp.	Acct. Exp	Other Op. Exp.	Net Op Exp
Cohen & Steers Closed-End Opp (FOF)	355	0.954		0.954		0.954				0.006	0.006
Dividend and Income Fund (DNI)	186	1.063	0.113	1.175	0.002	1.173	0.009	0.017	0.053	0.656	0.735
Calamos Strategic Total Return (CSQ)	1,932	1.471	0.013	1.484		1.484	0.002	0.002	0.009	1.553	1.566
RiverNorth Opportunities (RIV)	118	1.040	0.173	1.213		1.213	0.021	0.025		0.911	0.957
RMR Real Estate Income Fund (RIF)	243	1.217	0.042	1.258		1.258		0.042		1.560	1.602
Clough Global Dividend and Income (GLV)	89	1.188	0.496	1.684		1.684				1.976	1.976
Special Opportunities Fund (SPE)	130	1.429	0.083	1.512		1.512	0.018	0.014	0.035	0.411	0.478
<b>NexPoint Strategic Opportunities Fund (NHF)</b>	<b>896</b>	<b>1.308</b>	<b>0.262</b>	<b>1.571</b>	<b>0.010</b>	<b>1.561</b>	<b>0.027</b>	<b>0.047</b>	<b>0.070</b>	<b>1.535</b>	<b>1.679</b>
Clough Global Opportunities (GLO)	338	1.715	0.552	2.267		2.267				1.877	1.877
Gabelli Go Anywhere Trust (GGO)	28	1.771	0.164	1.935		1.935	0.120	0.045	0.027	0.783	0.975
<b>Peer Group Average</b>	432	1.316	0.211	1.505	0.006	1.504	0.033	0.027	0.039	1.127	1.185
<b>Peer Group Median</b>	215	1.316	0.164	1.498	0.006	1.498	0.020	0.025	0.035	1.223	1.270
<b>Fund Rank^^</b>	-----	6/10	7/9	7/10	-----	7/10	5/6	7/7	5/5	6/10	8/10

\*\* Gross Management Fee is the sum of Advisor and Administrative Fees where applicable.

^ Total net expenses are after any waivers and/or reimbursements, and exclude any non-operating and/or extraordinary expenses where applicable.

^^ If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

## NAV Total Returns

Fund	12mo Prem/Disc	3 mo	1 Yr	3 Yr	5 Yr	10 Yr	SI ^
Calamos Strategic Total Return (CSQ)	-1.1	28.55	6.72	9.57	9.68	12.05	7.15
Clough Global Opportunities (GLO)	-12.8	25.70	6.00	6.19	3.78	6.86	4.41
RiverNorth Opportunities (RIV)	-2.6	16.64	-2.92	2.44	N/A	N/A	N/A
Dividend and Income Fund (DNI)	-19.8	30.09	-5.61	3.26	3.99	8.94	3.58
Special Opportunities Fund (SPE)	-10.0	25.81	-8.42	0.51	2.61	6.53	5.52
Cohen & Steers Closed-End Opp (FOF)	-2.1	15.16	-9.31	0.75	4.00	6.66	N/A
Clough Global Dividend and Income (GLV)	-11.2	9.64	-9.47	-1.74	-0.34	4.89	3.10
<b>NexPoint Strategic Opportunities Fund (NHF)</b>	<b>-26.3</b>	<b>7.30</b>	<b>-11.35</b>	<b>-1.75</b>	<b>-1.49</b>	<b>8.74</b>	<b>3.59</b>
RMR Real Estate Income Fund (RIF)	-21.6	30.64	-22.85	-5.45	0.87	8.25	0.84
Gabelli Go Anywhere Trust (GGO)	-10.0	19.53	-33.91	-14.13	N/A	N/A	N/A
<b>Credit Suisse Hedge Fund USD</b>	<b>-----</b>	<b>6.20</b>	<b>-0.73</b>	<b>2.13</b>	<b>1.55</b>	<b>3.83</b>	<b>4.34</b>
<b>Peer Group Average</b>	<b>-11.8</b>	<b>20.91</b>	<b>-9.11</b>	<b>-0.04</b>	<b>2.89</b>	<b>7.86</b>	<b>4.03</b>
<b>Peer Group Median</b>	<b>-10.6</b>	<b>22.62</b>	<b>-8.87</b>	<b>0.63</b>	<b>3.20</b>	<b>7.55</b>	<b>3.59</b>
<b>Fund Rank^^</b>	<b>-----</b>	<b>10/10</b>	<b>8/10</b>	<b>8/10</b>	<b>8/8</b>	<b>3/8</b>	<b>4/7</b>

^ Inception to date performance begins with the first full month following the Fund's stated inception date: (6/29/2006)

## Market Price Total Returns &amp; Distribution Rate

Fund	Mkt. Price Dist. Rate	3 mo	1 Yr	3 Yr	5 Yr	10 Yr
Calamos Strategic Total Return (CSQ)	8.69	30.42	6.09	10.70	12.01	14.11
Clough Global Opportunities (GLO)	11.66	25.54	5.24	4.97	4.97	7.98
RiverNorth Opportunities (RIV)	14.27	24.41	-0.04	4.42	N/A	N/A
Dividend and Income Fund (DNI)	9.82	18.65	-3.64	-0.09	0.93	7.96
Cohen & Steers Closed-End Opp (FOF)	9.74	13.73	-9.09	1.82	6.29	7.92
Special Opportunities Fund (SPE)	9.84	21.92	-9.55	0.86	3.38	6.95
Clough Global Dividend and Income (GLV)	13.50	6.35	-13.14	-3.30	0.35	5.56
RMR Real Estate Income Fund (RIF)	3.48	15.80	-30.96	-11.63	-1.47	7.36
Gabelli Go Anywhere Trust (GGO)	1.90	14.07	-36.11	-12.99	N/A	N/A
<b>NexPoint Strategic Opportunities Fund (NHF)</b>	<b>11.83</b>	<b>31.30</b>	<b>-36.37</b>	<b>-11.81</b>	<b>-7.85</b>	<b>5.04</b>
<b>Peer Group Average</b>	<b>9.47</b>	<b>20.22</b>	<b>-12.76</b>	<b>-1.70</b>	<b>2.32</b>	<b>7.86</b>
<b>Peer Group Median</b>	<b>9.83</b>	<b>20.29</b>	<b>-9.32</b>	<b>0.39</b>	<b>2.15</b>	<b>7.64</b>
<b>Fund Rank^^</b>	<b>3/10</b>	<b>1/10</b>	<b>10/10</b>	<b>9/10</b>	<b>8/8</b>	<b>8/8</b>

^^ If present, "(#)" indicates a tie at the Fund's position in the ranking. The number in parenthesis indicates the number of tying results at the position.

## Advisory Fee Schedule (Breakpoint levels in millions)

Peer Group

Fund	Contractual Advisory Fee*	Fee 1	Up To	Fee 2	Next	Fee 3	Next	Fee 4	Next	Fee 5	Next	Fee 6	Next	Fee 7	Next^
Clough Global Dividend and Income (GLV)	0.70	0.700	All												
RMR Real Estate Income Fund (RIF)	0.85	0.850	All												
Cohen & Steers Closed-End Opp (FOF)	0.95	0.950	All												
Dividend and Income Fund (DNI)	0.95	0.950	All												
Calamos Strategic Total Return (CSQ)	1.00	1.000	All												
Clough Global Opportunities (GLO)	1.00	1.000	All												
Gabelli Go Anywhere Trust (GGO)	1.00	1.000	All												
<b>NexPoint Strategic Opportunities Fund (NHF)</b>	<b>1.00</b>	<b>1.000</b>	<b>All</b>												
RiverNorth Opportunities (RIV)	1.00	1.000	All												
Special Opportunities Fund (SPE)	1.00	1.000	All												

^Schedules with an asset level associated with "Fee 7" have additional fee levels and breakpoints not displayed due to allowable space.

\* Contractual advisory fee calculated at target fund's average managed asset level. (\$1,173M)

## Hypothetical Contractual Advisory Fee Ratio at Different Asset Levels

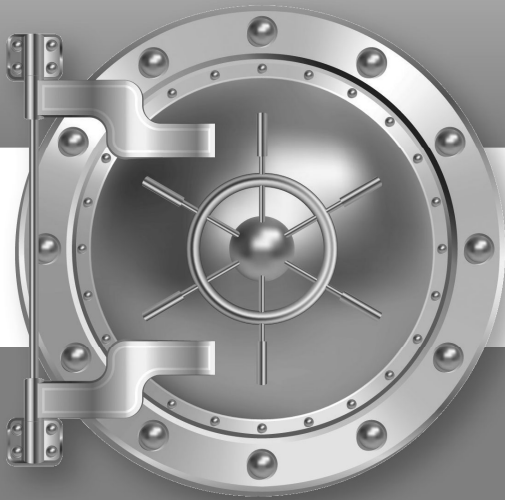
Universe

**Description:** The chart includes all funds in the target fund's universe and is intended to provide a perspective of contractual advisory fees within the broader universe of peers, as well as assist in evaluating the target fund's contractual advisory fee schedule at various asset levels. A descending line indicates lower advisory fees resulting from the use of breakpoints.





# BLUE VAULT™



## Nontraded BDC Industry Review First Quarter 2020

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## BDC Industry Review: First Quarter 2020

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## BDC Industry Review: First Quarter 2020

June 19, 2020

We are excited to release our first quarter 2020 Nontraded BDC Industry Review. As a firm that strives to provide independent, valuable, transparent and useful research, we will continue expanding our research and education efforts for the alternative investment community. We thank our subscribers for their support of Blue Vault.

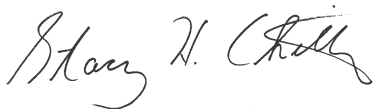
Inside this report, you will find an overview as it relates to BDCs and the investments BDCs make. Additionally, you will find useful capital markets data summarizing capital raising, performance and new issuance of BDCs. Every covered BDC with significant operations has its own page of performance metrics and analysis.

The nontraded BDC industry now has \$19.5 billion in assets under management, while raising \$186.4 million in the first quarter of 2020. Largely due to the coronavirus pandemic, every nontraded BDC covered in the report posted a negative return in the first quarter of 2020. While uncertainty still exists surrounding the virus, returns are expected to recover somewhat in the second quarter of 2020 and beyond. The average distribution yield for the industry was 6.56%.

The industry has begun to experience some contraction due to several mergers and consolidations. The largest impact has come from FS Investments. The firm merged four of its BDCs in late 2019 and publicly listed their shares on the New York Stock Exchange on June 17.

As always, we appreciate your support and welcome any comments, suggestions or questions on this report. Our goal is that Blue Vault will educate you and help you make informed investment decisions. We are always looking for new ways to improve the reports and add value to our subscribers.

Our Best Regards,



Stacy Chitty  
Managing Partner



James Sprow  
Director of Research

**BDC Industry Review: First Quarter 2020**

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## BDC Industry Review: First Quarter 2020

## 2020 Publication Schedule

	Second Quarter 2020 (10-Q)	Third Quarter 2020 (10-Q)	Fourth Quarter 2020 (10-K)
SEC 10-Q/10-K Deadline	August 14, 2020	November 16, 2020	March 31, 2021
Individual BDC Pages Begin Posting Online	August 24, 2020	November 26, 2020	April 9, 2021

**NOTE:**

The SEC deadlines for quarterly financial report filings are listed above. Blue Vault begins processing BDC data immediately and preparing individual reports for each BDC as filings become available. As individual BDC reports are completed, they will be released prior to the release of the full Quarterly Review. In these instances, Blue Vault will notify our subscribers via a "Special Announcement" email. These individual BDC reports may be accessed electronically via our website at that time.

To receive your "Special Announcement," go to [www.bluevaultpartners.com](http://www.bluevaultpartners.com) and sign up to receive our NewsWire. The NewsWire is delivered by email three times weekly. You can also follow us on [Twitter](#) and [Facebook](#) for important and timely industry notifications.

## BDC Industry Review: First Quarter 2020

# Metric Definitions and Explanations

## A Portfolio Details

Includes a summary of the portfolio holdings for the current period as reported on the BDC's balance sheet. Items categorized as investments include debt investments, preferred equity, common equity and other short-term investments. Cash and Cash Equivalents include cash on the balance sheet and other cash-like liquid assets.

This section also includes a current overview of the BDC's investment strategy as it relates to the types of investments it makes, the industries the fund is focused on and the size of companies the fund plans to invest in. Specifics found in this section include the number of portfolio companies and the investment management advisor. Also included is whether the fund employs a Total Return Swap (TRS) and the value of the assets in the TRS.

The initial offering date is defined as the date the BDC was considered "effective" by the SEC and began raising money in its public offering. The number of months effective indicates how long the BDC has been raising capital, while the anticipated close date is the date the BDC anticipates closing the BDC to new investments. The public offering price and reinvestment price per share are based on prices as of the end of the quarter being reported.

## B Net Asset Value (NAV) Per Share

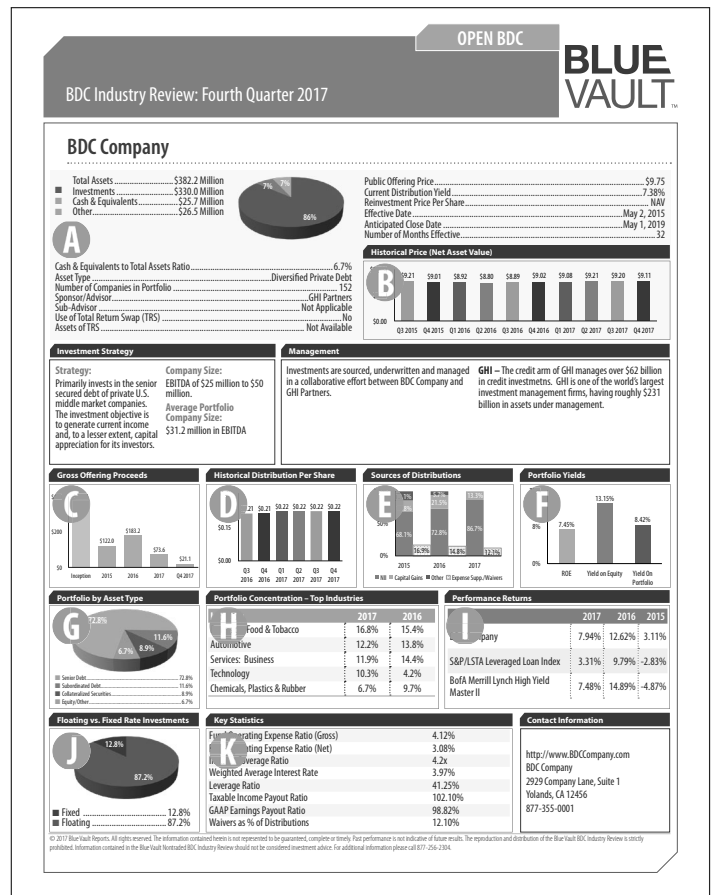
The result of the fair value of total assets less total liabilities divided by the total number of shares outstanding. This figure is reported publicly by the BDC at least every quarter.

## C Gross Offering Proceeds

Defined as the sales of nontraded BDC shares plus shares purchased through dividend reinvestment plans during the public offering.

## D Current Distribution Rate and Historical Distributions

The current distribution rate is calculated based on annualized distributions and the public offering price as of quarter-end. Historical distributions show the actual distributions paid per share in dollars over the past six quarters.



## E Sources of Distributions

*Note – Comparisons may differ due to some funds using GAAP numbers while others use tax numbers when showing sources of distributions. In funds showing taxable income sources of distributions, unpaid incentive fees and other fees may show as "Other" for sources of distributions.*

**Net Investment Income** – Income earned from investments during the quarter or year less investment and operating expenses. Expense support or the reimbursement of expense support may be subtracted from or added, respectively, to operating expenses. This portion of income is the recurring portion and should represent a majority of distributions.

**Capital Gains** – Gains or losses from investments that were sold in the quarter or year. Although it is an important component of income to the fund, capital gains can be unpredictable and may not be consistent from quarter to quarter.

## BDC Industry Review: First Quarter 2020

# Metric Definitions and Explanations

**Expense Support/Waivers** – Expenses paid for by the advisor, sponsor or affiliated holding company during the quarter or year. Typically, expense support is given at the beginning of the fund's lifecycle and tapers off as the fund begins to make investments and generate income and capital gains. These expenses are typically reimbursed to the sponsor or advisor over time. This number may also include fee waivers by the fund.

## F Portfolio Yields

**Return on Equity (ROE)** – Calculated as the annualized Net Change in Assets from Operations (GAAP earnings measure), a line item that includes net investment income, realized and unrealized gains/losses, divided by average equity year-to-date.

**Yield on Equity** – Calculated as the annualized total investment income for the quarter divided by average equity for the period.

**Yield on Portfolio** – Calculated as the annualized total investment income for the quarter divided by the average total dollar amount of investments for the period.

## G Portfolio by Asset Type

The percentage of investments in the portfolio allocated by asset class as reported by the fund.

## H Portfolio Concentration

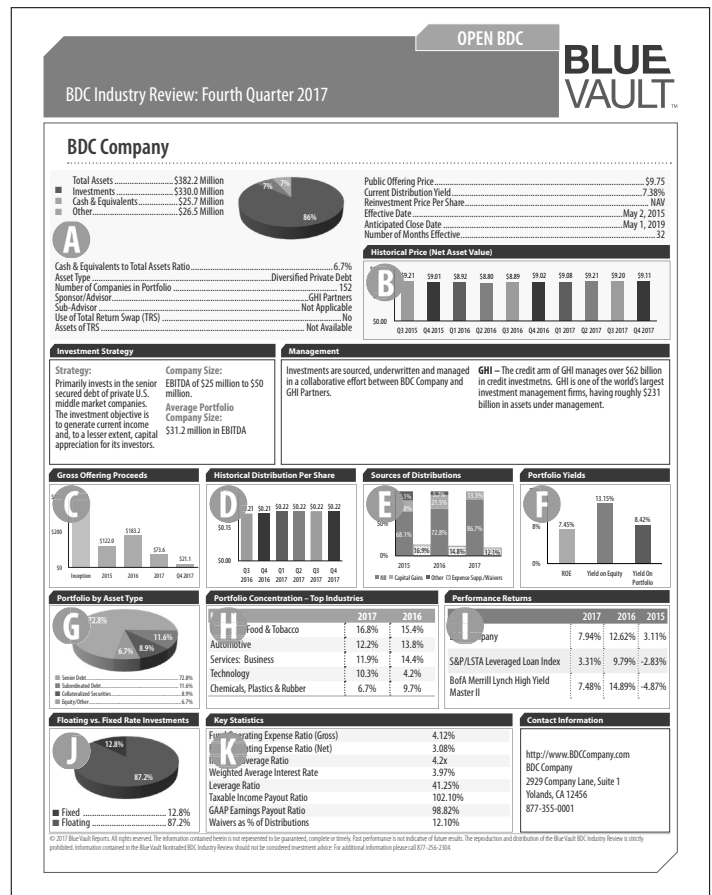
The top industry holdings of the fund shown as a percentage of total investments.

## I Performance Returns

**Fund Total Return** – The GAAP reported total return year-to-date. For full year total returns, the number is the annual return. Quarterly and year-to-date returns are not annualized.

**S&P/LSTA U.S. Leveraged Loan Index** – Capitalization-weighted syndicated loan index based upon market weightings, spreads and interest payments. The index seeks to mirror the market-weighted performance of the largest institutional leveraged loans. This index can be used to compare floating rate debt performance.

**Bank of America Merrill Lynch High Yield Index** – A commonly used benchmark index for high yield corporate bonds. It is administered by Merrill Lynch. The index is a measure of the broad high yield market, unlike the Merrill



Lynch BB/B Index, which excludes lower-rated securities. This index can be used to compare fixed rate/high yield debt performance.

## J Floating and Fixed Rate Investments

Calculated as the total dollar amount of floating rate debt investments divided by the total dollar amount of all debt investments. The same calculation is done for fixed rate debt investments. Generally, for debt investors, fixed rate debt is preferred during times of falling interest rates and floating rate debt is preferred during times of rising interest rates. This section does not cover equity and other securities.

**Floating Rate Debt** – Debt that has a variable rate changes based on changes in key interest rate indicators such as LIBOR, Fed Funds rate, Prime rate, Treasury yields, etc. Many times, the debt will be quoted as the indicator plus a spread amount. An example would be LIBOR + 250, which means the current LIBOR rate plus 2.50% is the current interest rate. Additionally,



## BDC Industry Review: First Quarter 2020

# Metric Definitions and Explanations

many floating rate loans have a floor, which indicates the lowest possible interest rate.

**Fixed Rate Debt** – Debt that has a fixed interest rate for a set period of time.

## K Key Statistics

**Fund Operating Expense Ratio (Gross)** – Calculated as the annualized year-to-date total operating expenses (less interest expense) divided by average equity for the period. This ratio measures operational efficiency and the impact of management fees and administrative expenses on the fund. This ratio does not take into account any expense support or fee waivers provided by the sponsor.

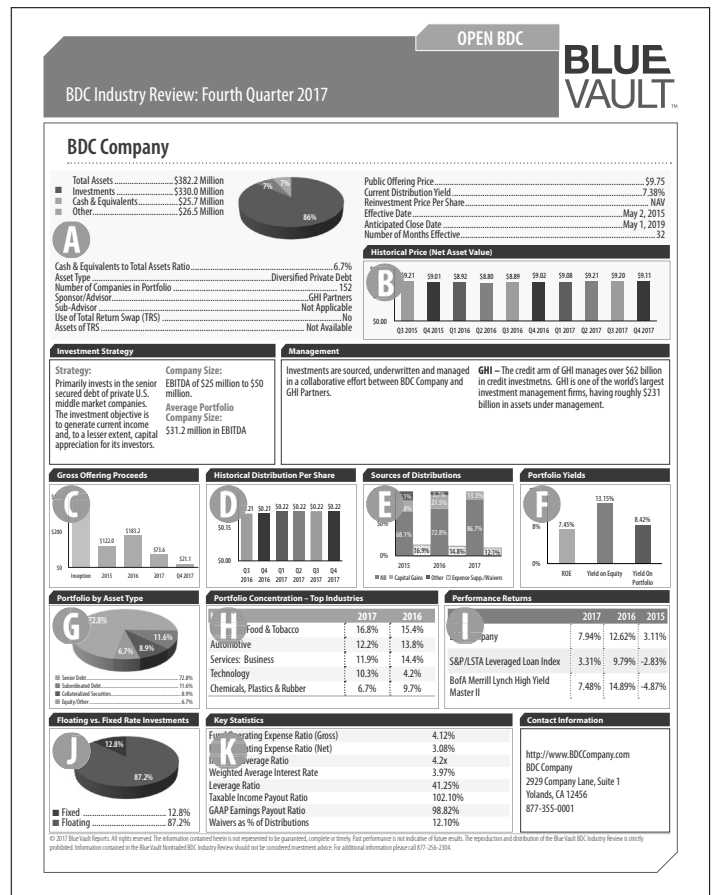
**Fund Operating Expense Ratio (Net)** – Calculated in the same way as the Gross ratio but takes into account expense support and fee waivers by the sponsor. As a result, it is calculated as the annualized year-to-date net operating expenses (excluding interest expense) divided by average equity for the period.

**Interest Coverage Ratio** – Calculated as the sum of net investment income, realized capital gains and interest expense divided by total interest expense. This measures the ability of the fund to pay ongoing interest expenses from operations. This is a year-to-date metric that is not annualized.

**Weighted Average Interest Rate** – Calculated as the annualized current period interest expense divided by average borrowings for the period. This measure does not precisely evaluate the go-forward interest rate the fund pays, as new borrowings may not be reflected in interest payments for a given period. If the fund provides this number in their financial statements, we use the figure provided by the fund.

**Leverage Ratio** – Calculated as the total borrowings divided by total assets. This number also includes off-balance sheet net TRS borrowings (TRS notional value minus cash collateral divided by TRS notional value).

**Taxable Income Payout Ratio** – Calculated as the year-to-date total distributions divided by estimated year-to-date net taxable income. Net taxable income includes net investment income and realized capital gains. This metric is designed to determine how much of the distribution is derived from taxable



income. Beyond the beginning stages of the fund, the ratio should be below or close to 100%.

**GAAP Earnings Payout Ratio** – Calculated as the year-to-date total distributions divided by the year-to-date net change in net assets. This metric is designed to determine how much of the distribution is derived from the net change in assets, or GAAP-related earnings. Beyond the beginning stages of the fund, the ratio should be below or close to 100%.

**Waivers as % of Distributions** – Calculated as the year-to-date total expense support divided by the year-to-date distributions. This measures the percentage of distributions being funded through fee waivers and expense support.



**BDC Industry Review: First Quarter 2020**

## The History of Business Development Companies (BDCs)

A business development company (BDC) is an SEC-registered investment company that invests in primarily private U.S.-based businesses. This type of company was created by Congress in 1980 as amendments to the Investment Company Act of 1940. BDCs are typically taxed as regulated investment companies (RICs). Similar to REITs, BDCs are required to distribute at least 90% of taxable income as dividends to investors, and the company itself has to pay little or no corporate income tax.

Although the regulation for BDCs was passed in 1980, the creation of these companies did not come until the late 1990s and early 2000s. Furthermore, they did not begin to gain popularity until Apollo Investment Corporation raised \$930 million in a period of three months in 2004. This ignited a stream of BDC IPOs over the following years. Still the BDC industry remains relatively small when compared to mutual funds, REITs and other investments. Total BDC assets in the traded and nontraded segments are estimated to be close to \$60 billion.

### Investments of BDCs

BDCs primarily invest in private companies. They are required to invest 70% or more of their assets in U.S.-based private companies. This is an investment type that was previously limited to institutional and wealthy individuals through private equity and private debt funds. Retail investors now have access to private equity and debt investments through these SEC reporting funds.

Many times, BDCs will invest in smaller or medium sized businesses. BDCs may be diversified in the industries they invest in or have a specific industry specialization (i.e., energy, technology, healthcare). Additionally, they may focus on equity investments in companies, debt investments in companies or a hybrid of the two. BDCs utilize management teams and advisors to underwrite investments and make loans or equity investments into companies. So far, nontraded BDCs have primarily been focused on the debt side of businesses.

Additionally, BDCs are required to offer operational or management assistance to the companies in which they invest. This provides a layer of support not previously available to the companies. Many times, the managers of BDCs are very experienced at improving companies' operations and profitability.

### Traded and Nontraded BDCs

Historically, BDCs have been traded on public exchanges. Mirroring what happened about a decade ago in the REIT industry, nontraded BDCs have been available over the past few years. The first nontraded BDC, FS Investment Corporation, became effective in January 2009. Another nontraded BDC did not become effective until 2011 with Corporate Capital Trust.

There are a few reasons that the nontraded structure has come about. One reason is that it allows the BDC to raise capital continuously. There are two parts to this. It allows the BDC to have access to capital across economic cycles rather than only when the capital markets are up. Also, the continuous capital raise allows time for underwriting and investing in assets, rather than having to deploy a very large amount of capital immediately. Another reason is that the liquidity restrictions allow the BDC to be long-term focused. Additionally, the value of the investor's investment is based on the Net Asset Value (NAV) of the asset and is not subject to the same volatility and pricing as the stock market. However, these investments are not for all investors. They cannot be bought and sold on the public markets and have limited liquidity provisions. Typically, the investor will have to wait five to ten years until a "liquidity event" takes place.

### External and Internal Management

Similar to REITs, BDCs can be externally or internally managed. External management is a structure where an advisor makes investments and manages the portfolio for the BDC. The BDC itself has no employees. Instead, the BDC pays a management fee to the advisor. Internal management means that the BDC has employees and overhead that are normal operating expenses to the BDC. However, most BDCs, both traded and nontraded, are externally managed. The reason is that many BDCs are advised or sub-advised by experienced private equity or investment management companies. This allows those investment companies to use resources from across their organization to underwrite, manage and handle the administration of the BDC.

## BDC Industry Review: First Quarter 2020

# Nontraded BDC Industry Highlights and Capital Market Overview

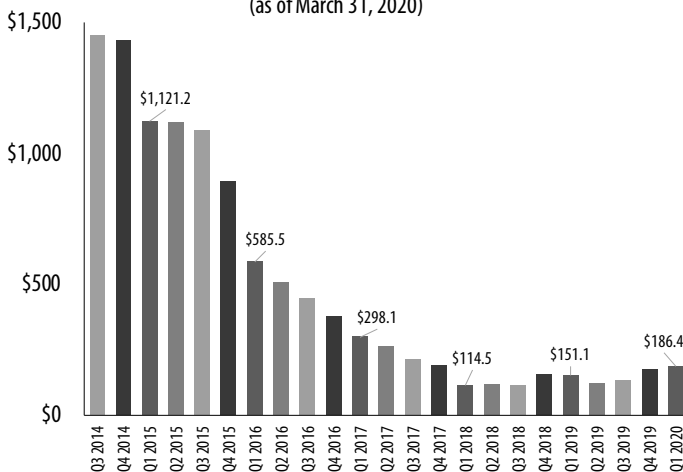
### Nontraded BDC Industry Facts (as of March 31, 2020)

- \$19.5 billion in assets under management
- Average distribution yield of 6.56%
- Industry capital raise of approximately \$186.4 million in the first quarter of 2020 compared to \$151.1 million in the first quarter of 2019
- The top fund raised 92.8% of total industry new capital in the first quarter with the top-2 funds raising 96.7%
- Five open funds currently raising capital
- Nine closed funds

### Capital Markets Update

Capital raise was again light in the first quarter with approximately \$186.4 million raised, including DRIP proceeds, up from \$175.3 million raised in the fourth quarter of 2019 and \$151.1 million in the first quarter of 2019.

BDC Capital Raise By Quarter (in \$Millions)  
(as of March 31, 2020)



This is not much of a surprise with low capital raise in all public nontraded industries due to regulatory changes and BDCs closing their public offerings. However, we may see increased capital raise later in 2020 as fund fee structures continue to adjust and approved legislation is put into action, particularly as it relates to their ability to increase leverage. Potential tightening in lending policies from commercial banks may also present an opportunity for the industry.

### Returns Down Significantly in 1Q20

Each nontraded BDC covered in this report posted a negative return in the first quarter of 2020. The poor returns can be largely attributed to the coronavirus pandemic that began to impact the United States in the first quarter. The uncertainty surrounding the pandemic put the repayment of some of the investments into doubt, driving down the fair value of the investments, resulting in negative returns. Barring a second wave of the virus, returns are expected to bounce back in the second quarter of 2020 and beyond. However, BDCs are expected to experience some level of defaults and continued uncertainty as to whether some of their portfolio companies are able to survive.

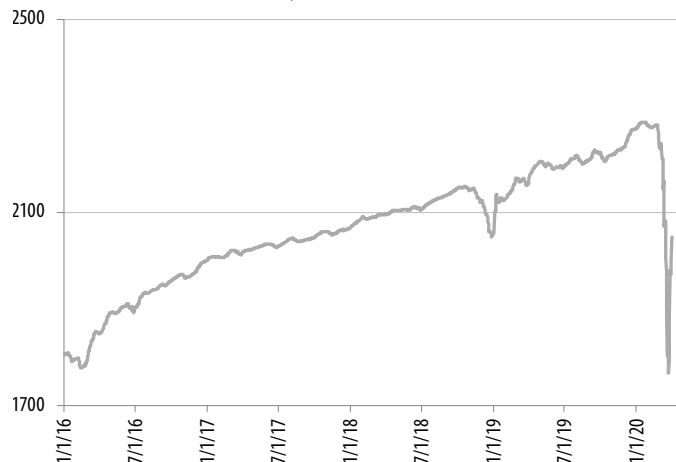
For the three-month period ending March 31, 2020, the S&P/LSTA Leveraged Loan Index posted a return of -9.88%, and the BofA Merrill Lynch High Yield Index posted a -13.12% return.

#### Index Total Returns - Q1 2020

Median Non-traded BDC Returns	-14.13%
S&P/LSTA Leveraged Loan Index	-9.88%
BofA Merrill Lynch High Yield Index	-13.12%

The total return of the senior loan market, tracked by the S&P/LSTA Leveraged Loan Index, was -9.88% for the three-month period ending March 31, 2020.

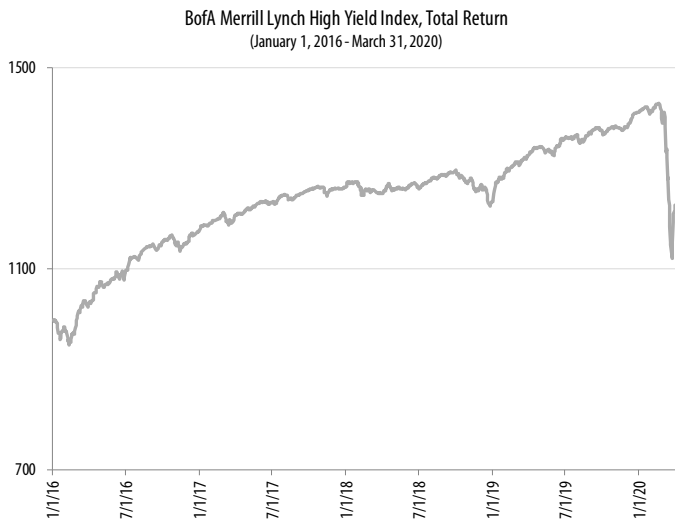
S&P/LSTA Leveraged Loan Index, Total Return  
(January 1, 2016 - March 31, 2020)



## BDC Industry Review: First Quarter 2020

## Nontraded BDC Industry Highlights and Capital Market Overview

The total return for the high yield bond/loan market, tracked by the Bank of America Merrill Lynch High Yield Index, was -13.12% for the three-month period ending March 31, 2020.



### FS Investments BDC Merger

On May 31, 2019, FS Investment Corporation II ("FSIC II"), FS Investment Corporation III ("FSIC III"), FS Investment Corporation IV ("FSIC IV"), and Corporate Capital Trust II ("CCTII"), four non-traded BDCs advised by FS/KKR Advisor, LLC, entered into definitive agreements to merge. FSIC II would be the surviving entity with the expectation to be listed on the New York Stock Exchange. The combined company is expected to become the second largest BDC with approximately \$9 billion in assets under management.

On December 18, 2019, FSIC II completed the merger and acquisitions of FSIC III, FSIC IV, and CCTII. In connection with the merger, each outstanding share of FSIC III common stock was converted into 0.9804 shares of FSIC II common stock, each outstanding share of FSIC IV common stock was converted into 1.3634 shares of FSIC II common stock, and each outstanding share of CCTII common stock was converted into 1.1319 shares of FSIC II common stock. These ratios were determined based on the closing net asset value per share of each BDC as of December 16, 2019. After the closing of the merger, FS Investment Corporation II was renamed to FS KKR Capital Corp. II ("FSKR").

On June 10, 2020, FSKR effected a 4:1 reverse split of its shares of common stock. As a result, every four shares of FSKR common stock issued and outstanding were automatically combined into one share of FSKR common stock, and the number of outstanding shares was reduced from approximately 691.2 million to approximately 172.9 million.

On June 17, 2020, FSKR began trading on the New York Stock Exchange under the ticker symbol "FSKR." The Company's share price opened at \$13.75, reaching a high of \$14.60, before closing at \$14.30 per share. During its initial three days of trading from June 17 through June 19, the share price has a range of \$12.61-\$14.60, closing at \$13.70 on June 19, 2020.

## BDC Industry Review: First Quarter 2020

# Full-Cycle BDC Update

### FS Investment Corporation

FS Investment Corporation was the first nontraded BDC in existence, which began operations in 2009. On April 16, 2014, the BDC was listed on the New York Stock Exchange under the symbol "FSIC". The stock closed at \$5.44 on December 18, 2018, the last day of trading prior to the acquisition of Corporate Capital Trust.

### Corporate Capital Trust

Corporate Capital Trust began operations in 2011. On November 14, 2017, shares began trading on the New York Stock Exchange under the symbol "CCT". The stock closed at \$12.88 on December 18, 2018, the last day of trading prior to its acquisition by FS Investment Corporation.

### FS KKR Capital Corp

On December 19, 2018, FS Investment Corporation ("FSIC") completed its acquisition and merged with Corporate Capital Trust ("CCT"). In accordance with the merger, each outstanding share of CCT common stock was converted into the right to receive 2.3552 shares of FSIC common stock, with CCT stockholders receiving cash in lieu of fractional shares of FSIC common stock. Following the completion of the merger, the merged BDC was renamed FS KKR Capital Corp. and began trading on the NYSE under the ticker symbol "FSK." The stock closed at \$5.36 on December 19, 2018, the date the merger was completed.

Following the close of trading on June 15, 2020, FSK completed a 4:1 reverse stock split where each shareholder received 1 share for every 4 shares owned. Since the merger on December 19, 2018 and through June 19, 2020, while taking into consideration the 4:1 reverse stock split, the stock has a range of \$7.60-\$25.56, closing at \$14.05 June 19, 2020.

### Griffin Capital BDC Corp. Transition

On September 29, 2017, Griffin Capital BDC Corp. ("Griffin BDC") transferred all of its assets to Griffin Institutional Access Credit Fund ("Griffin IF"), a non-diversified, closed-end management investment company that is operated as an interval fund, in exchange for Class F shares of Griffin IF. Griffin IF assumed all of the liabilities of Griffin BDC. As a result of this reorganization, all of Griffin BDC's shareholders are now shareholders of Griffin IF. Griffin BDC has cancelled all its authorized shares and is now dissolved. Prior to this reorganization, Griffin BDC reported total assets of approximately \$41.0 million with gross offering proceeds totaling approximately \$44.8 million, both as of June 30, 2017.

Ticker	FSK
<b>Market Cap (06/19/20)</b>	\$1.74 billion
<b>Closing Price (06/19/20)</b>	\$14.05
<b>NAV per Share (3/31/20)*</b>	\$24.36
<b>Premium/(Discount) to NAV</b>	-42.3%
<b>Assets Under Management</b>	\$7.4 billion
<b>Initial Listing Price (4/16/14)</b>	\$10.25
<b>Initial Offering Price</b>	\$10.00
<b>Annual Dividend Yield (06/19/20)</b>	17.1%
<b>Quarterly Dividend Per Share</b>	\$0.60

\*After giving effect to 4:1 reverse stock split.

FSIC/FSK Stock Price Performance\*  
(January 1, 2016 - June 19, 2020)



\*FSK completed a 4:1 reverse stock split following the close of trading on 6/15/20. The historical prices illustrated above reflect this split.

Traded BDCs as a whole have experienced volatility for much of 2015 through 2020. The Wilshire BDC Index (^WIBDC) was down 12.46% in 2015, up 11.33% in 2016, down 8.71% in 2017, and down 11.68% in 2018. The index rebounded in 2019 and finished the year up 16.43%. The index was down 27.93% year-to-date through June 19, 2020 with the sizable decline largely due to the coronavirus pandemic.

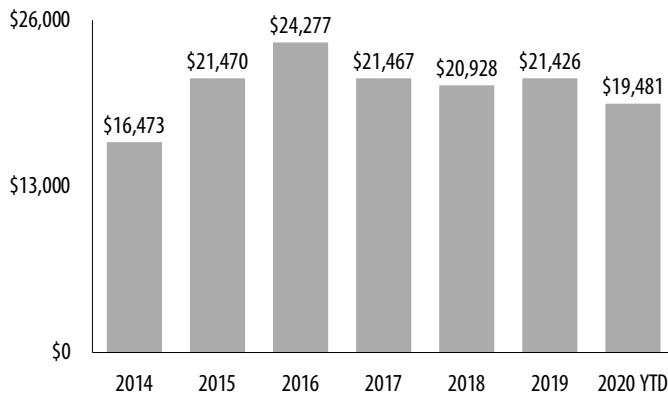
# BDC Industry Summary and Comparison Tables

BDC Industry Review: First Quarter 2020

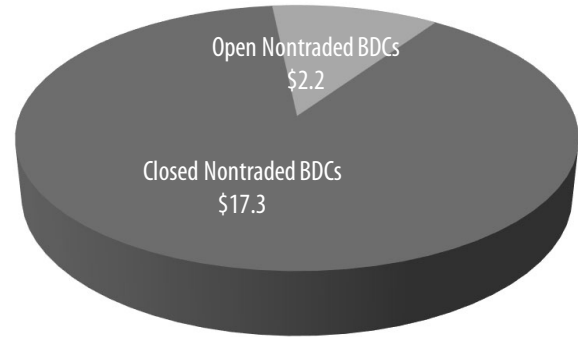
**BLUE  
VAULT™**

## BDC Overall Industry Summary

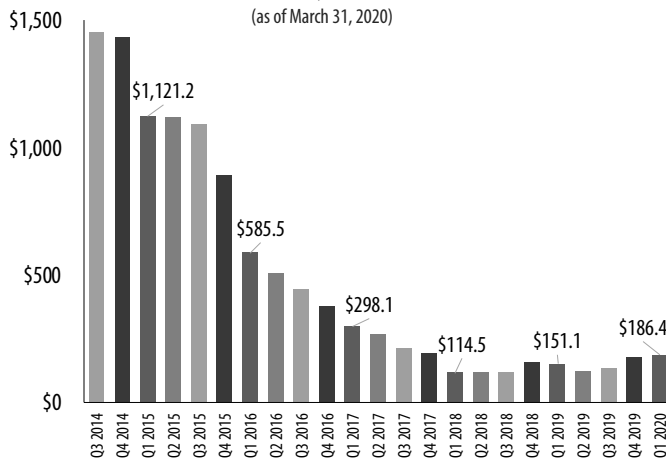
**Total Industry Assets (in \$ Millions)**  
(as of March 31, 2020)



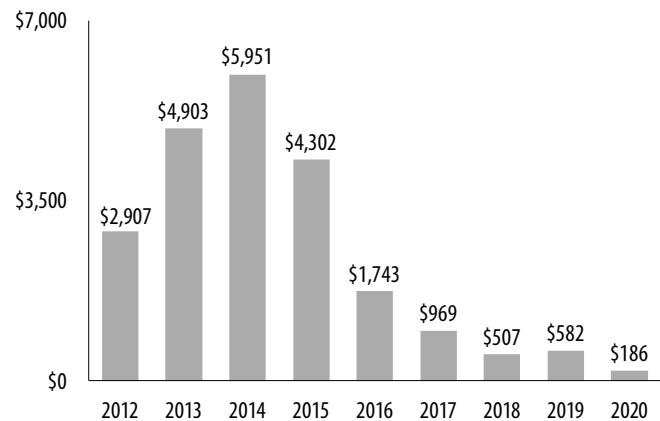
**Total Nontraded BDC Industry Assets (in \$ Billions)**  
(as of March 31, 2020)



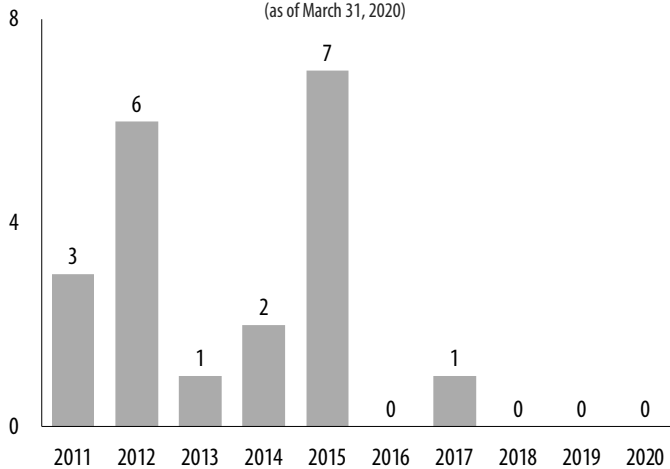
**BDC Capital Raise by Quarter (in \$ Millions)**  
(as of March 31, 2020)



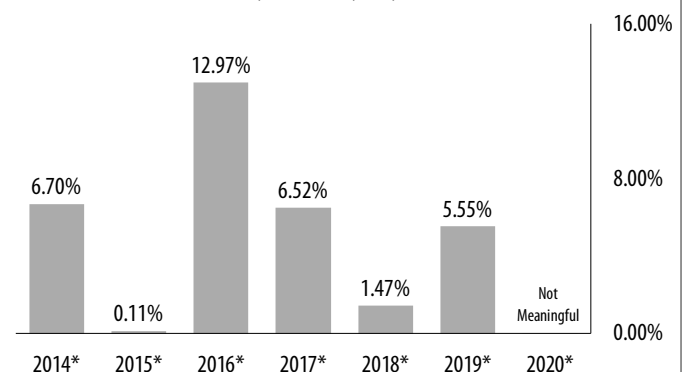
**Historical Nontraded BDC Equity Raise (in \$ Millions)**  
(as of March 31, 2020)



**New Product Introductions Since 2011**  
(as of March 31, 2020)



**Median Total Returns of Nontraded BDCs**  
(Total Return of NAV + Distributions)  
(as of March 31, 2020)



\*Mackenzie Realty Capital, Inc. and TP Flexible Income Fund, Inc. have fiscal years ending June 30. Total returns reported above correspond to calendar quarters for consistency purposes.

# BDC Industry Summary and Comparison Tables



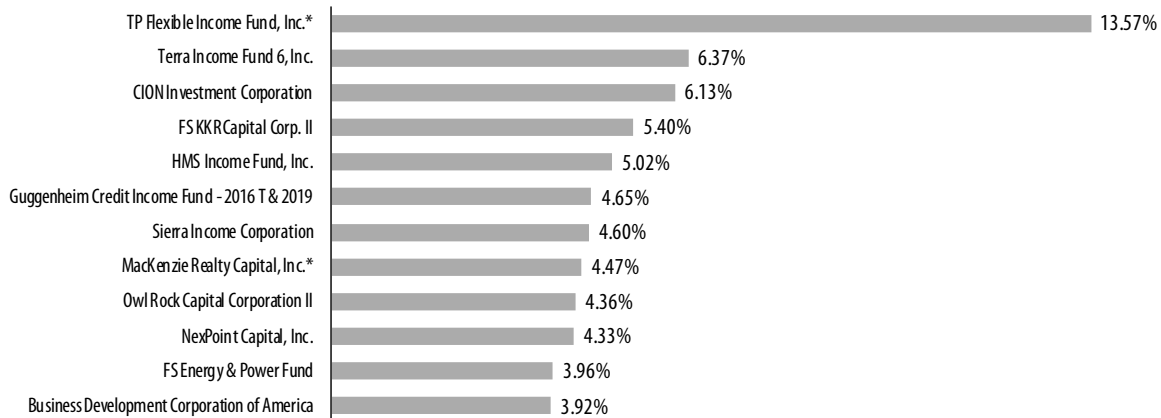
## BDC Industry Review: First Quarter 2020

### BDC Overall Industry Summary

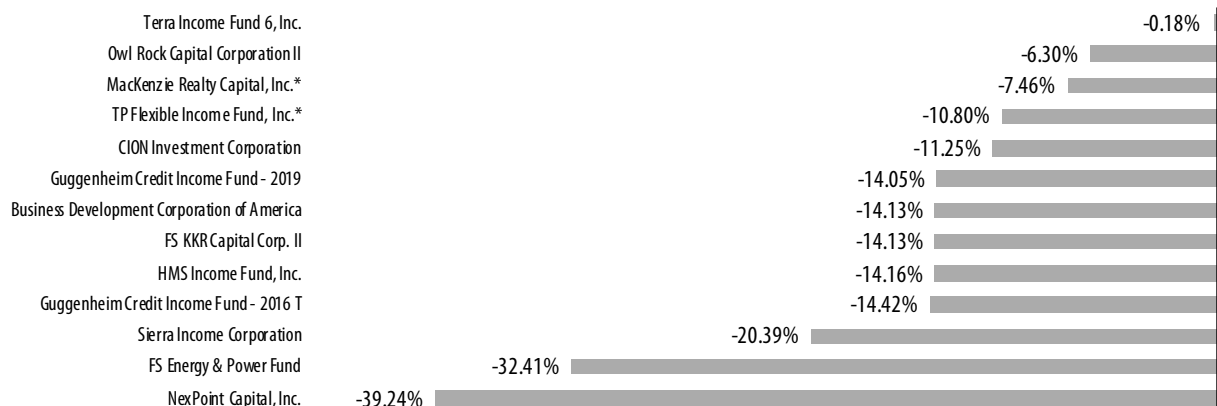
2019 Capital Raise, by Nontraded BDC (in \$Millions)  
(as of March 31, 2020)



Annualized Gross Operating Expense Ratio, by Nontraded BDC  
(as of March 31, 2020)



Performance Returns, by Nontraded BDC  
(as of March 31, 2020)



\*MacKenzie Realty Capital, Inc. and TP Flexible Income Fund, Inc. have fiscal years ending June 30. All metrics reported above correspond to calendar quarters for consistency purposes.

## BDC Industry Review: First Quarter 2020

**BDC Fund Offerings Summary**

Fund Name	Open/ Closed	Effective Date	Sponsor/ Advisor	Sub-Advisor	Total Assets 2020	Gross Proceeds 2020	Distribution Yield 2020
Business Development Corporation of America	Closed	1/25/11	Benefit Street Partners - BDCA Adviser	N/A	\$2,642.0	\$0.0	5.83%
CION Investment Corporation	Closed	7/2/12	CION Investment Management, LLC	N/A	\$1,666.2	\$0.0	7.78%
FS Energy & Power Fund	Closed	5/12/11	FS Investments	FS/EIG Advisor, LLC	\$2,928.8	\$0.0	3.99%
FS KKR Capital Corp. II	Closed	2/14/12	FS Investments	FS/KKR Advisor, LLC	\$8,184.0	\$0.0	5.66%
Guggenheim Credit Income Fund - 2016 T & 2019	Open	7/24/15	Guggenheim Partners	N/A	\$340.5	\$5.2	6.43%-T 8.89%-2019
HMS Income Fund, Inc.	Closed	6/4/12	Hines	Main Street Capital Corporation	\$927.3	\$0.0	7.53%
MacKenzie Realty Capital, Inc.*	Open	8/2/13	MacKenzie Capital	N/A	\$110.0	\$7.3	4.68%
NexPoint Capital, Inc.	Closed	8/18/14	NexPoint Advisors, L.P.	N/A	\$69.2	\$0.0	6.70%
Owl Rock Capital Corporation II	Open	2/3/17	Owl Rock Capital Advisors	N/A	\$1,696.7	\$173.0	7.66%
Sierra Income Corporation	Closed	4/16/12	SIC Advisors - Medley Management	N/A	\$741.4	\$0.0	5.15%
StHealth Capital Investment Corp.	Open	9/9/15	StHealth Capital Advisors LLC	N/A	\$5.1	\$0.1	
Terra Income Fund 6, Inc.	Closed	4/20/15	Terra Capital Partners	N/A	\$79.9	\$0.0	7.98%
TP Flexible Income Fund, Inc.*	Open	9/4/12	Prospect Flexible Income Management, LLC	N/A	\$41.3	\$0.9	7.00%
VII Peaks Co-Optivist Income BDC II, Inc.	Closed	3/1/12	VII-Peaks	N/A	\$48.4	\$0.0	
<b>TOTAL</b>					<b>\$19,481</b>	<b>\$186.4</b>	<b>6.56%</b>



## BDC Industry Review: First Quarter 2020

## BDC Fee Comparison

Effective and Closed Nontraded BDCs		Maximum Front-End Fees				Trail
Fund Name	Sponsor/Advisor	Max. Sales Commission	Dealer- Mgr. Fee	Offering Expenses	Max. Total Load	Distribution Svc. Fee/ Trail
Business Development Corporation of America	Benefit Street Partners - BDCA Adviser	7.00%	3.00%	1.50%	11.50%	0.00%
CION Investment Corporation	CION Investment Management, LLC	3.00%	2.00%	1.50%	6.50%	0.00%
FS Energy & Power Fund	FS Investments	7.00%	3.00%	1.50%	11.50%	0.00%
FS KKR Capital Corp. II	FS Investments	7.00%	3.00%	1.50%	11.50%	0.00%
Guggenheim Credit Income Fund - 2016 T	Guggenheim Partners	3.00%	2.75%	1.50%	7.25%	0.90%
Guggenheim Credit Income Fund - 2019	Guggenheim Partners	3.00%	2.00%	0.00%	5.00%	0.00%
HMS Income Fund, Inc.	Hines	7.00%	3.00%	1.50%	11.50%	0.00%
Mackenzie Realty Capital, Inc.*	Mackenzie Capital	7.00%	3.00%	0.00%	10.00%	0.00%
NexPoint Capital, Inc.	NexPoint Advisors, L.P.	7.00%	1.00%	1.00%	9.00%	0.00%
Owl Rock Capital Corporation II	Owl Rock Capital Advisors	3.00%	2.00%	1.50%	6.50%	1.00%
Sierra Income Corporation	SIC Advisors - Medley Management	3.00%	2.50%	0.25%	5.75%	0.00%
StHealth Capital Investment Corporation	StHealth Capital Advisors LLC	7.00%	3.00%	2.00%	12.00%	0.00%
Terra Income Fund 6, Inc.	Terra Capital Partners	3.00%	2.50%	1.50%	7.00%	1.125%
TP Flexible Income Fund, Inc.*	Prospect Flexible Income Management, LLC	3.00%	3.00%	2.00%	8.00%	0.00%
VII Peaks Co-Optivist Income BDC II, Inc.	VII-Peaks	7.00%	3.00%	1.50%	11.50%	0.00%



## BDC Industry Review: First Quarter 2020

## BDC Fee Comparison Continued

Fund Name	Sponsor/Advisor	Management Fees/Ongoing Fees				Annualized Operating Expense Ratios	
		AUM Fee	Incentive Fee Income/ Capital Gains	Preferred Return	Catch-Up Percent	Gross	Net
Business Development Corporation of America	Benefit Street Partners - BDCA Adviser	1.50%	20.00%	7.00%	8.75%	3.92%	3.92%
CION Investment Corporation	CION Investment Management, LLC	2.00%	20.00%	7.50%	9.38%	6.13%	6.13%
FS Energy & Power Fund	FS Investments	1.75%	20.00%	6.50%	8.13%	3.96%	3.87%
FS KKR Capital Corp. II	FS Investments	1.50%	20.00%	7.00%	8.75%	5.40%	5.40%
Guggenheim Credit Income Fund - 2016 T	Guggenheim Partners	1.75%	20.00%	7.50%	9.38%	4.65%	4.65%
Guggenheim Credit Income Fund - 2019	Guggenheim Partners	1.75%	20.00%	7.50%	9.38%	4.65%	4.65%
HMS Income Fund, Inc.	Hines	2.00%	20.00%	7.50%	9.38%	5.02%	4.46%
MacKenzie Realty Capital, Inc.*	MacKenzie Capital	1.5%-3.0%	20.00%	7.00%	8.75%	4.47%	4.47%
NexPoint Capital, Inc.	NexPoint Advisors, L.P.	2.00%	20.00%	7.50%	9.38%	4.33%	3.29%
Owl Rock Capital Corporation II	Owl Rock Capital Advisors	1.50%	17.50%	6.00%	7.50%	4.36%	1.52%
Sierra Income Corporation	SIC Advisors - Medley Management	1.75%	20.00%	7.00%	8.75%	4.60%	4.60%
StHealth Capital Investment Corporation	StHealth Capital Advisors LLC	2.00%	20.00%	1.98%	2.50%	N/A	N/A
Terra Income Fund 6, Inc.	Terra Capital Partners	2.00%	20.00%	8.00%	10.00%	6.37%	6.37%
TP Flexible Income Fund, Inc.*	Prospect Flexible Income Management, LLC	1.75%	20.00%	6.00%	7.50%	13.57%	9.90%
VII Peaks Co-Optivist Income BDC II, Inc.	VII-Peaks	2.00%	20.00%	8.00%		N/A	N/A

## BDC Industry Review: First Quarter 2020

## BDC Performance Summary

(Total Returns, Effective Nontraded BDCs, Greater than \$50 million in AUM)

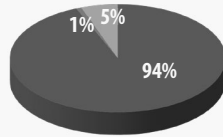
Fund Name	Sponsor/Advisor	2020*	2019*	2018*	2017*	2016*	2015*	2014*	2013*
Business Development Corporation of America	Benefit Street Partners - BDCA Adviser	-14.13%	6.60%	1.96%	5.24%	6.02%	0.67%	7.63%	14.12%
CION Investment Corporation	CION Investment Management, LLC	-11.25%	5.55%	2.98%	8.76%	13.51%	2.13%	6.92%	11.96%
Corporate Capital Trust II	FS Investments			-0.97%	5.76%	8.45%			
FS Energy & Power Fund	FS Investments	-32.41%	-1.33%	-2.11%	-3.29%	28.00%	-15.87%	-4.14%	10.49%
FS KKR Capital Corp. II	FS Investments	-14.13%	3.18%	-1.37%	6.52%	15.29%	-1.94%	6.92%	10.81%
FS Investment Corporation III	FS Investments			0.97%	4.57%	17.58%	-0.93%	1.67%	
FS Investment Corporation IV	FS Investments			0.81%	8.21%	12.84%			
Guggenheim Credit Income Fund - 2019	Guggenheim Partners	-14.05%	2.66%	3.21%	7.00%	13.47%			
Guggenheim Credit Income Fund - 2016 T	Guggenheim Partners	-14.42%	2.76%	3.78%	6.52%	12.77%			
HMS Income Fund, Inc.	Hines	-14.16%	6.41%	6.26%	8.59%	12.31%	2.14%	2.13%	8.47%
Mackenzie Realty Capital, Inc.*	MacKenzie Capital	-7.46%	2.21%	11.73%	8.68%	13.10%	16.83%	7.98%	2.10%
NexPoint Capital, Inc.	NexPoint Advisors, L.P.	-39.24%	10.86%	-6.75%	10.06%	27.61%	-3.26%		
Owl Rock Capital Corporation II	Owl Rock Capital Advisors	-6.30%	7.10%	6.70%	5.90%				
Sierra Income Corporation	SIC Advisors - Medley Management	-20.39%	-4.43%	-4.04%	1.53%	9.87%	-0.46%	6.48%	11.75%
Terra Income Fund 6, Inc.	Terra Capital Partners	-0.18%	6.15%	4.87%	8.06%	1.96%	2.37%		
TP Flexible Income Fund, Inc.*	Prospect Flexible Income Management, LLC	-10.80%	24.25%	-4.20%	-8.90%				
<b>Median</b>		-14.13%	5.55%	1.47%	6.52%	12.97%	0.11%	6.70%	10.81%
<b>Mean</b>		-15.30%	5.54%	1.49%	5.20%	13.77%	0.17%	4.45%	9.96%
<b>Benchmark Comparison</b>									
S&P/LSTA Leveraged Loan Index		-9.88%	10.65%	-0.62%	3.31%	9.79%	-2.83%	0.99%	5.25%
BofA Merrill Lynch High Yield Index		-13.12%	14.41%	-2.27%	7.48%	14.89%	-4.87%	2.50%	7.42%

\*MacKenzie Realty Capital, Inc. and TP Flexible Income Fund, Inc. have fiscal years ending June 30. Total returns reported above correspond to calendar quarters for consistency purposes. 2020 is for three months.

## BDC Industry Review: First Quarter 2020

### Guggenheim Credit Income Fund

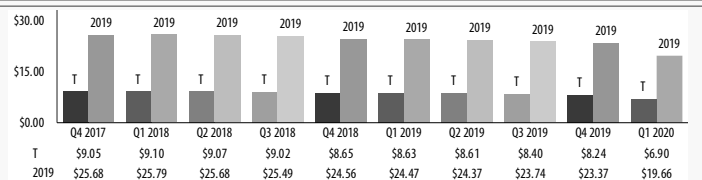
Total Assets	\$340.5 Million
Investments	\$318.9 Million
Cash & Cash Equivalents	\$2.7 Million
Other	\$18.9 Million



Public Offering Price.....	(T) Closed, (2019) \$20.69
Current Distribution Yield.....	(T) 6.43%, (2019) 8.89%
Reinvestment Price Per Share.....	(T) NAV, (2019) NAV
Effective Date.....	(T) July 24, 2015, (2019) July 31, 2015
Number of Months Effective.....	(T) 21, (2019) 56

Cash & Cash Equivalents to Total Assets Ratio.....	0.8%
Asset Type.....	Diversified Private Debt
Number of Companies in Portfolio.....	86
Sponsor/Advisor.....	Guggenheim Partners
AUM of Advisor.....	\$270 Billion
Sub-Advisor.....	Not Applicable
Use of Total Return Swap (TRS).....	No
Assets of TRS.....	Not Applicable

#### Historical NAVs



#### Investment Strategy

**Strategy:**  
Guggenheim Credit Income Fund intends to invest primarily in privately-negotiated loans to private middle market U.S. companies, focusing on senior secured debt investments.

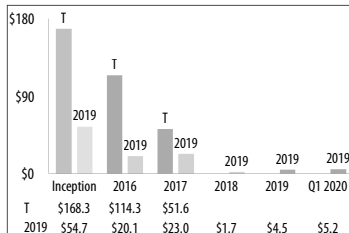
**Company Size:**  
EBITDA between \$25 million to \$100 million and annual revenue ranging from \$50 million to \$1 billion.

**Average Portfolio Company Size:**  
\$82.4 million in EBITDA

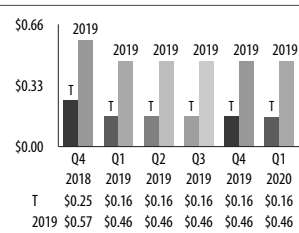
#### Management

**Guggenheim Partners** – Guggenheim Partners, LLC is a global investment and advisory firm with more than \$270 billion in AUM, focusing their services through three primary businesses: investment management and advisory services, full-service investment banking, and comprehensive advice for insurance companies.

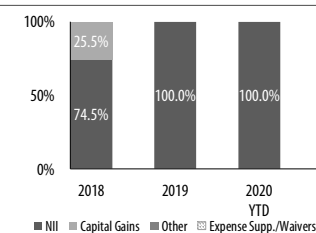
#### Gross Offering Proceeds



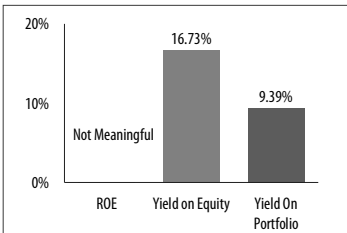
#### Historical Distribution Per Share



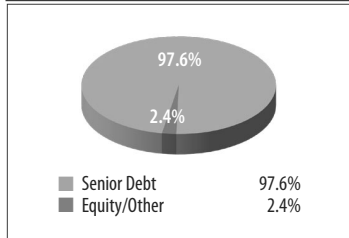
#### Sources of Distributions



#### Portfolio Yields



#### Portfolio by Asset Type



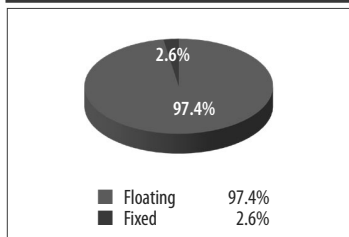
#### Portfolio Concentration – Top Industries

Industry	Q1 2020	2019
Technology	21.8%	22.0%
Services: Business	11.9%	10.8%
Healthcare & Pharmaceuticals	7.8%	11.0%
Beverage, Food & Tobacco	6.9%	6.6%
Media: Advertising, Printing & Publishing	6.3%	6.6%

#### Performance Returns

	2020 YTD	2019	2018	2017
Guggenheim Credit Income Fund - 2019	-14.05%	2.66%	3.21%	7.00%
Guggenheim Credit Income Fund - 2016 T	-14.42%	2.76%	3.78%	6.52%
S&P/LSTA Leveraged Loan Index	-9.88%	10.65%	-0.62%	3.31%
BofA Merrill Lynch High Yield Master II	-13.12%	14.41%	-2.27%	7.48%

#### Floating vs. Fixed Rate Investments



#### Key Statistics

Fund Operating Expense Ratio (Gross)	4.65%
Fund Operating Expense Ratio (Net)	4.65%
Interest Coverage Ratio	4.7x
Weighted Average Interest Rate	4.31%
Leverage Ratio	46.7%
Taxable Income Payout Ratio	59%
GAAP Earnings Payout Ratio	Not Meaningful
Waivers as % of Distributions	0.0%

#### Contact Information

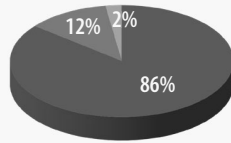
www.guggenheiminvestments.com/bdc  
Guggenheim Partners, LLC  
330 Madison Avenue  
New York, NY 10017  
212-739-0700

## BDC Industry Review: First Quarter 2020

## MacKenzie Realty Capital, Inc.

Total Assets	\$110.0 Million*
Investments	\$94.3 Million*
Cash & Cash Equivalents	\$13.1 Million*
Other	\$2.6 Million*

\* MacKenzie Realty Capital has a fiscal year ending June 30. All numbers are for the calendar quarter ending March 31, 2020 and all periods correspond to calendar quarters.



Cash & Cash Equivalents to Total Assets Ratio	11.9%
Asset Type	Real Estate Sector Equity and Funds
Number of Investments	70
Sponsor/Advisor	MacKenzie Capital
Sub-Advisor	Not Applicable
Use of Total Return Swap (TRS)	No
Assets of TRS	Not Applicable

Public Offering Price	\$10.25
Current Distribution Rate	4.68%
Reinvestment Price Per Share	90% of POP
Effective Date	August 2, 2013
Anticipated Close Date	October 31, 2022
Number of Months Effective	80

## Historical NAVs



## Investment Strategy

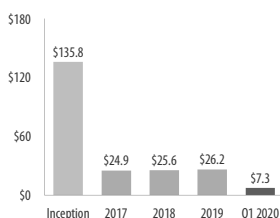
## Strategy:

MacKenzie intends to purchase less liquid income-producing and growth-oriented real estate securities at significant discounts to estimated net asset value with the goal of building a diversified portfolio.

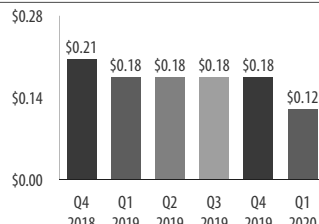
## Management

**MacKenzie Capital Management** – MacKenzie is a niche real estate investment firm that specializes in market inefficiencies created through temporary illiquidity or thin trading of real estate investments on public exchanges. MacKenzie typically invests in assets at a discount to fair value in exchange for providing certain investors liquidity in their less liquid real estate investments.

## Gross Offering Proceeds\*



## Historical Distribution Per Share\*

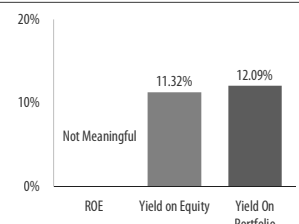


## Sources of Distributions\*

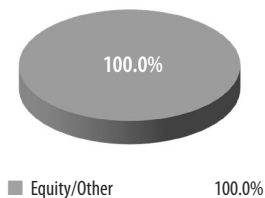
Not Applicable

■ Nil ■ Capital Gains ■ Other ■ Expense Supp./Waivers

## Portfolio Yields\*



## Portfolio by Asset Type\*



## Portfolio Concentration – Top Industries\*

Industry	Q1 2020	2019
LP Interests	55.9%	64.9%
Non Traded Companies	37.2%	34.2%
Publicly Traded Companies	6.9%	0.8%

## Performance Returns\*

	2020 YTD	2019	2018	2017	2016
MacKenzie Realty Capital, Inc.	-7.46%	2.21%	11.73%	8.68%	13.10%
S&P/LSTA Leveraged Loan Index	-9.88%	10.65%	-0.62%	3.31%	10.88%
BofA Merrill Lynch High Yield Master II	-13.12%	14.41%	-2.27%	7.48%	17.49%

## Floating vs. Fixed Rate Investments\*

Not Applicable

■ Floating NA  
■ Fixed NA

## Key Statistics\*

Fund Operating Expense Ratio (Gross)	4.47%
Fund Operating Expense Ratio (Net)	4.47%
Interest Coverage Ratio	N/A
Weighted Average Interest Rate	N/A
Leverage Ratio	N/A
Taxable Income Payout Ratio	86%
GAAP Earnings Payout Ratio	Not Meaningful
Waivers as % of Distributions	0.0%

NOTE: The Fund Expense Ratios exclude GAAP basis estimated incentive fee accrual.

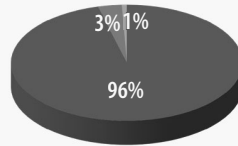
## Contact Information

www.mackenziecapital.com  
MacKenzie Capital Management  
89 Davis Road, Suite 100  
Orinda, CA 94563  
800-854-8357

## BDC Industry Review: First Quarter 2020

## Owl Rock Capital Corporation II

Total Assets	\$1,696.7 Million
Investments	\$1,628.4 Million
Cash & Cash Equivalents	\$56.7 Million
Other	\$11.7 Million



Public Offering Price	\$8.74
Current Distribution Yield	7.66%
Reinvestment Price Per Share	Net POP
Effective Date	February 3, 2017
Anticipated Close Date	Continuous
Number of Months Effective	38

Cash & Cash Equivalents to Total Assets Ratio	3.3%
Asset Type	Diversified Private Debt
Number of Companies in Portfolio	94
Sponsor/Advisor	Owl Rock Capital Advisors
Sub-Advisor	Not Applicable
Use of Total Return Swap (TRS)	No
Assets of TRS	Not Applicable

## Historical NAVs



## Investment Strategy

## Strategy:

Owl Rock Capital Corporation II focuses primarily on originating and making loans to, and making debt and equity investments in, U.S. middle market companies.

## Company Size:

EBITDA between \$10 million to \$250 million and annual revenue ranging from \$50 million to \$2.5 billion.

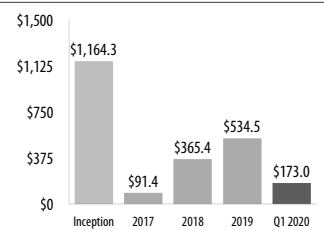
## Average Portfolio Company Size:

\$108 million in EBITDA

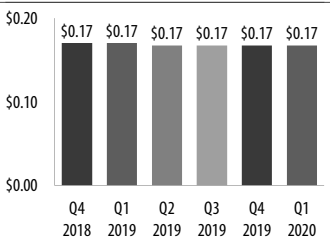
## Management

**Owl Rock Capital** – Owl Rock is a leading alternative asset manager with deep expertise in the credit markets. Their strength lies in the experience of their investment team and their ability to view the credit markets through multiple lenses. The firm manages approximately \$16.4 billion in assets under management.

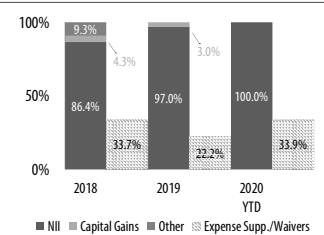
## Gross Offering Proceeds



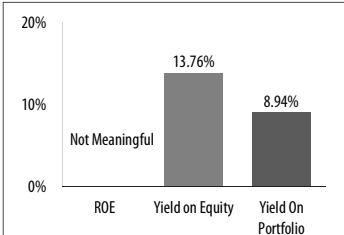
## Historical Distribution Per Share



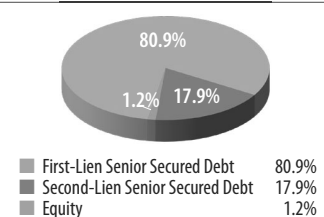
## Sources of Distributions



## Portfolio Yields



## Portfolio by Asset Type



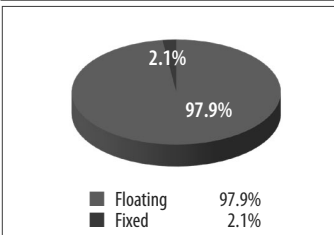
## Portfolio Concentration – Top Industries

Industry	Q1 2020	2019
Internet Software and Services	9.7%	7.3%
Insurance	9.3%	7.4%
Healthcare Providers and Services	7.8%	7.9%
Professional Services	7.0%	7.8%
Healthcare Technology	5.7%	5.2%

## Performance Returns

	2020 YTD	2019	2018	2017
Owl Rock Capital Corporation II	-6.30%	7.10%	6.70%	5.90%
S&P/LSTA Leveraged Loan Index	-9.88%	10.65%	-0.62%	3.31%
BofA Merrill Lynch High Yield Master II	-13.12%	14.41%	-2.27%	7.48%

## Floating vs. Fixed Rate Debt Investments



## Key Statistics

Fund Operating Expense Ratio (Gross)	4.36%
Fund Operating Expense Ratio (Net)	1.52%
Interest Coverage Ratio	3.3x
Weighted Average Interest Rate	4.40%
Leverage Ratio	36.5%
Taxable Income Payout Ratio	98%
GAAP Earnings Payout Ratio	Not Meaningful
Waivers as % of Distributions	33.9%

## Contact Information

[www.owlrock.com/overview-orccii](http://www.owlrock.com/overview-orccii)

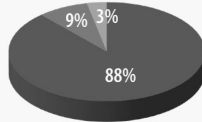
Owl Rock  
399 Park Avenue, 38th Floor  
New York, NY 10022

888-215-1944

## BDC Industry Review: First Quarter 2020

## TP Flexible Income Fund, Inc.

Total Assets	\$41.3 Million*
Investments	\$36.5 Million*
Cash & Cash Equivalents	\$3.5 Million*
Other	\$1.4 Million*



\*TP Flexible Income Fund has a fiscal year ending June 30. All numbers are for the calendar quarter ending March 31, 2020 and all periods correspond to calendar quarters.

Cash & Cash Equivalents to Total Assets Ratio	8.4%
Asset Type	Diversified Private Debt
Number of Companies in Portfolio	33
Sponsor/Advisor	Prospect Flexible Income Management, LLC
Sub-Advisor	Not Applicable
Use of Total Return Swap (TRS)	No
Assets of TRS	Not Applicable

Public Offering Price (As of May 15, 2020)	\$8.78
Current Distribution Yield	7.00%
Reinvestment Price Per Share	Net POP
Effective Date	September 26, 2019
Anticipated Close Date	September 15, 2020
Number of Months Effective	91

## Historical NAVs\*



## Investment Strategy

## Strategy:

TP Flexible Income Fund seeks to primarily lend to and invest in the debt of privately-owned U.S. middle market companies.

## Company Size:

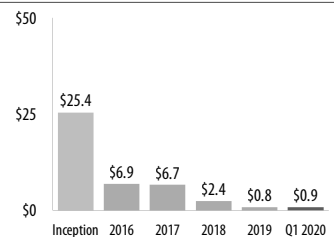
Annual revenue ranging from \$50 million to \$2.5 billion.

## Management

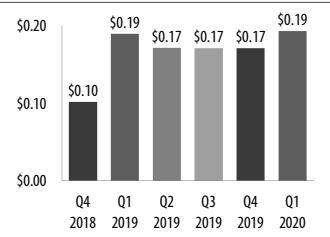
**Prospect Capital Management, L.P.** – A leading alternative asset manager with deep expertise in the credit markets with a 30-year history of investing in and managing high-yielding debt and equity investments using both private partnerships and public closed-end structures.

On March 31, 2019, Triton Pacific Investment Corporation, Inc. and Pathway Capital Opportunity Fund, Inc. completed their merger and were renamed TP Flexible Income Fund, Inc. As a result of this merger, not all metrics are appropriately comparable to prior periods.

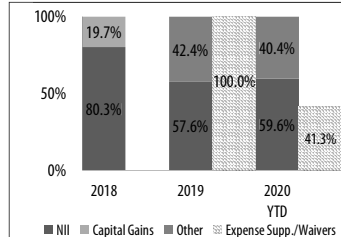
## Gross Offering Proceeds\*



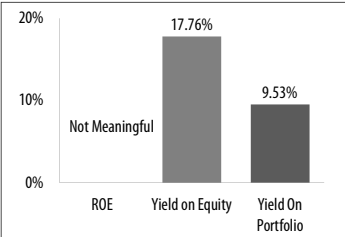
## Historical Distribution Per Share\*



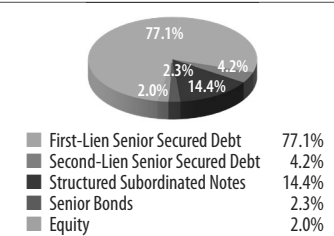
## Sources of Distributions\*



## Portfolio Yields\*



## Portfolio by Asset Type\*



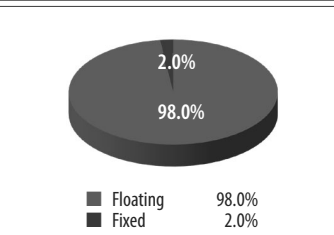
## Portfolio Concentration – Top Industries\*

Industry	Q1 2020	2019
Structured Finance	14.4%	14.4%
Healthcare & Pharmaceuticals	13.1%	12.3%
High Tech Industries	12.9%	13.2%
Telecommunications	9.4%	9.2%
Services: Consumer	7.6%	8.2%

## Performance Returns\*

	2020 YTD	2019	2018	2017
TP Flexible Income Fund, Inc.	-10.80%	24.25%	-4.20%	-8.90%
S&P/LSTA Leveraged Loan Index	-9.88%	10.65%	-0.62%	3.31%
BofA Merrill Lynch High Yield Master II	-13.12%	14.41%	-2.27%	7.48%

## Floating vs. Fixed Rate Debt Investments\*



## Key Statistics\*

Fund Operating Expense Ratio (Gross)	13.57%
Fund Operating Expense Ratio (Net)	9.90%
Interest Coverage Ratio	2.2x
Weighted Average Interest Rate	3.40%
Leverage Ratio	50.9%
Taxable Income Payout Ratio	205%
GAAP Earnings Payout Ratio	Not Meaningful
Waivers as % of Distributions	41.3%

## Contact Information

www.flexbdc.com  
 TP Flexible Income Fund, Inc.  
 10 East 40th Street, 42nd Floor  
 New York, NY 10016  
 212-448-0702

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## BDC Industry Review: First Quarter 2020

## Effective Nontraded BDCs with Limited Operating Results (Under \$50 million in Assets)

	Effective Date	Investment Style	Total Assets (in \$ millions)	Minimum Shares Sold/Funds Released from Escrow	Gross Offering Proceeds Raised Since Inception (in \$ millions)	Gross Offering Proceeds Raised YTD	Gross Offering Proceeds Raised In the Quarter	Investments (in \$ millions)	Distribution Rate	Debt on Balance Sheet (in \$ millions)
StHealth Capital Investment Corporation	9/9/15	Diversified Private Debt	\$5.1	Yes	\$14.0	\$0.1	\$0.1	\$4.0	0.00%	\$0.0
VII Peaks Co-Optivist Income BDC II, Inc**	3/1/12	Diversified Private Debt	\$48.4	Yes	\$66.4	\$0.0	\$0.0	\$47.5	0.00%	\$0.0

\*\*As of 12/31/17



[www.bluevaultpartners.com](http://www.bluevaultpartners.com)

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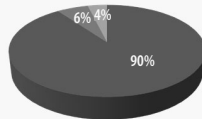


**TRANSPARENCY AND EDUCATION**

## BDC Industry Review: First Quarter 2020

## Business Development Corporation of America

Total Assets	\$2,642.0 Million
Investments	\$2,378.8 Million
Cash & Cash Equivalents	\$162.6 Million
Other	\$100.6 Million



Last Offering Price	\$11.15
Current Distribution Yield	5.83%
Reinvestment Price Per Share	Suspended
Effective Date	January 25, 2011
Close Date	April 30, 2015
Cumulative Capital Raised during Offering (in millions)	\$1,900.0

Cash & Cash Equivalents to Total Assets Ratio	6.2%
Asset Type	Diversified Private Debt
Number of Companies in Portfolio	234
Sponsor/Advisor	Benefit Street Partners - BDCA Adviser
Sub-Advisor	Not Applicable
Use of Total Return Swap (TRS)	No
Assets of TRS	Not Applicable

## Historical NAVs



## Investment Strategy

## Strategy:

To invest largely in senior secured and second lien debt securities and mezzanine debt securities issued by middle market companies.

## Company Size:

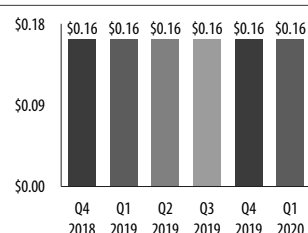
\$10 million to \$1 billion in revenue

## Management

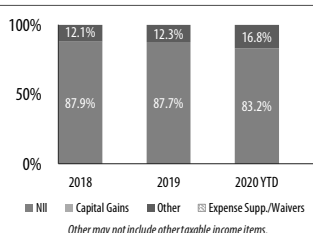
The Company's investment activities are managed by BDCA Adviser, LLC, a subsidiary of Benefit Street Partners, L.L.C. and supervised by the Company's board of directors, a majority of whom are independent of BDCA Adviser and its affiliates.

**Benefit Street Partners** is a leading credit-focused alternative asset management firm with approximately \$26 billion in assets under management. It is a wholly owned subsidiary of Franklin Resources, Inc. that, together with its various subsidiaries, operates as Franklin Templeton.

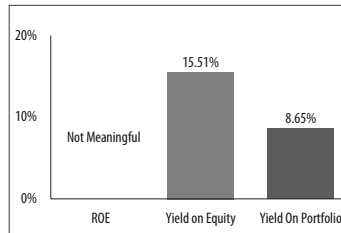
## Historical Distribution Per Share



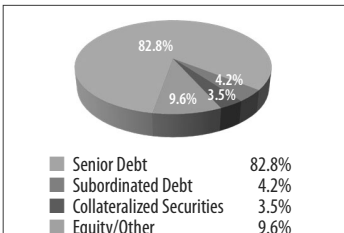
## Sources of Distributions



## Portfolio Yields



## Portfolio by Asset Type



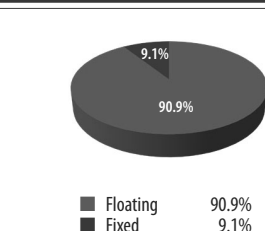
## Portfolio Concentration - Top Industries

Industry	Q1 2020	2019
Business Services	15.2%	13.9%
Healthcare	13.6%	14.3%
Industrials	13.6%	12.1%
Financials	7.2%	6.7%
Transportation	6.3%	7.1%

## Performance Returns

	2020 YTD	2019	2018	2017	2016
Business Development Corporation of America	-14.13%	6.60%	1.96%	5.24%	6.02%
S&P/LSTA Leveraged Loan Index	-9.88%	10.65%	-0.62%	3.31%	10.88%
BofA Merrill Lynch High Yield Master II	-13.12%	14.41%	-2.27%	7.48%	17.49%

## Floating vs. Fixed Rate Investments



## Key Statistics

Fund Operating Expense Ratio (Gross)	3.92%
Fund Operating Expense Ratio (Net)	3.92%
Interest Coverage Ratio	1.8x
Weighted Average Interest Rate	4.71%
Leverage Ratio	47.5%
Taxable Income Payout Ratio	266%
GAAP Earnings Payout Ratio	Not Meaningful
Waivers as % of Distributions	0.0%

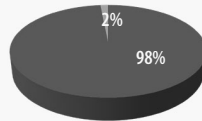
## Contact Information

www.BDCofAmerica.com  
Benefit Street Capital BDCA  
9 W 57th Street, Ste 4920  
New York, NY 10019  
844-785-4393

## BDC Industry Review: First Quarter 2020

## CION Investment Corporation

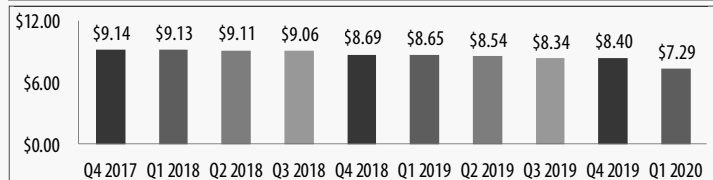
Total Assets	\$1,666.2 Million
Investments	\$1,637.6 Million
Cash & Cash Equivalents	\$3.7 Million
Other	\$24.9 Million



Last Offering Price	\$9.40
Current Distribution Rate	7.78%
Reinvestment Price Per Share	NAV
Effective Date	July 2, 2012
Anticipated Close Date	January 25, 2019
Cumulative Capital Raised during Offering (in millions)	\$1,322.2

Cash & Cash Equivalents to Total Assets Ratio	0.2%
Asset Type	Diversified Private Debt
Number of Companies in Portfolio	134
Sponsor/Advisor	CION Investment Management, LLC
Sub-Advisor	Not Applicable
Use of Total Return Swap (TRS)	No
Assets of TRS	Not Applicable

## Historical NAVs



## Investment Strategy

## Strategy:

Primarily invests in the senior secured debt of private U.S. middle market companies. The investment objective is to generate current income and, to a lesser extent, capital appreciation for its investors.

## Company Size:

EBITDA of \$50 million or less.

## Average Portfolio

## Company Size:

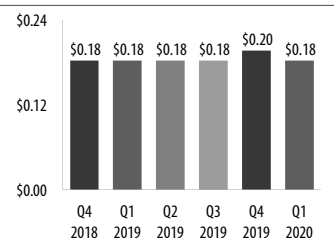
\$78.8 million in EBITDA

## Management

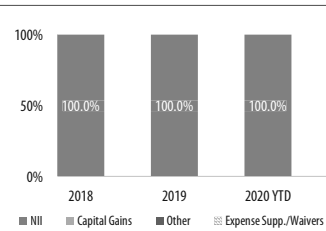
Investments are sourced, underwritten and managed by CION Investment Management, a CION Investment Group, LLC subsidiary.

**CION Investment Group, LLC** – With more than 27 years of experience and having made approximately \$4 billion in total investments, CION provides direct financing to public and private companies through secured financing.

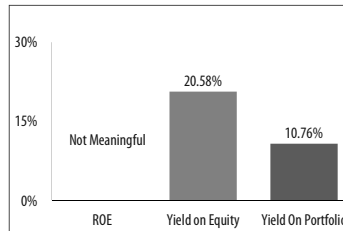
## Historical Distribution Per Share



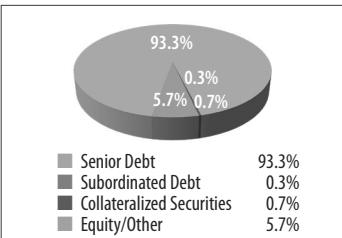
## Sources of Distributions



## Portfolio Yields



## Portfolio by Asset Type



## Portfolio Concentration – Top Industries

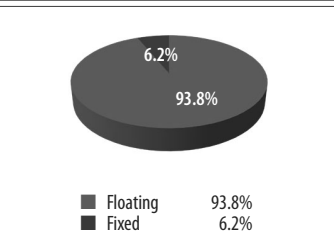
Industry	Q1 2020	2019
Healthcare & Pharmaceuticals	18.1%	17.0%
Services: Business	10.9%	11.0%
Media: Diversified & Production	8.4%	11.9%
Chemicals, Plastics & Rubber	7.7%	5.9%
Media: Advertising, Printing & Publishing	7.3%	7.0%

\*Short-term Treasury Investments not included

## Performance Returns

	2020 YTD	2019	2018	2017	2016
CION Investment Corp	-11.25%	5.55%	2.98%	8.76%	13.51%
S&P/LSTA Leveraged Loan Index	-9.88%	10.65%	-0.62%	3.31%	10.88%
BofA Merrill Lynch High Yield Master II	-13.12%	14.41%	-2.27%	7.48%	17.49%

## Floating vs. Fixed Rate Investments



## Key Statistics

Fund Operating Expense Ratio (Gross)	6.13%
Fund Operating Expense Ratio (Net)	6.13%
Interest Coverage Ratio	2.7x
Weighted Average Interest Rate	5.11%
Leverage Ratio	48.2%
Taxable Income Payout Ratio	119%
GAAP Earnings Payout Ratio	Not Meaningful
Waivers as % of Distributions	0.0%

## Contact Information

www.cioninvestments.com

CION Investment Corporation  
3 Park Avenue, 36th Floor  
New York, NY 10016

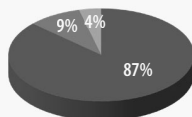
800-511-4266

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## BDC Industry Review: First Quarter 2020

### FS Energy & Power Fund

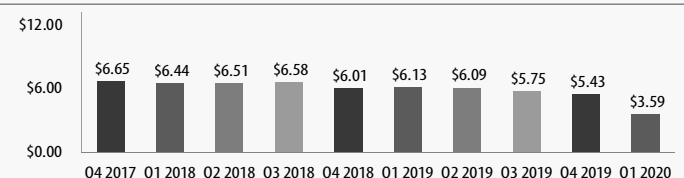
Total Assets	\$2,928.8 Million
Investments	\$2,541.0 Million
Cash & Cash Equivalents	\$274.8 Million
Other	\$113.0 Million



Last Offering Price	\$8.35
Distribution Yield on Last POP	3.99%
Reinvestment Price Per Share	\$5.40
Effective Date	May 12, 2011
Close Date	November 17, 2016
Cumulative Capital Raised during Offering	\$4,362.1 million

Cash & Cash Equivalents to Total Assets Ratio	9.4%
Asset Type	Private Debt & Equity
Number of Companies in Portfolio	71
Sponsor	FS Investments
Advisor	FS/EIG Advisor, LLC
Use of Total Return Swap (TRS)	No
Assets of TRS	Not Applicable

#### Historical NAVs



#### Investment Strategy

##### Strategy:

To invest primarily in the debt and income-oriented equity securities of private U.S. companies in the energy and power industry.

##### Average Portfolio Company Size:

\$269.0 million in EBITDA, \$285.7 million for direct originations.

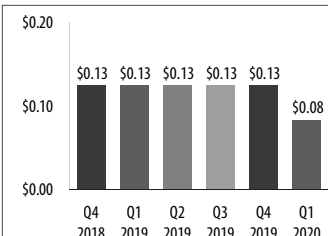
#### Management

FS and EIG will jointly provide management, investment advisory and administrative services through FS/EIG Advisor, LLC.

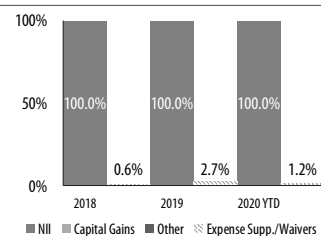
**EIG** - A leading provider of institutional capital to the global energy industry, specializing in private investments in energy and energy-related infrastructure on a global basis with approximately \$22.2 billion in AUM.

**FS Investments** - An alternative investments firm founded in 2007 with an experienced team of investment professionals. The firm manages \$20.7 billion in BDC assets with total AUM of \$23.2 billion.

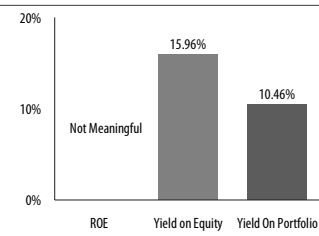
#### Historical Distribution Per Share



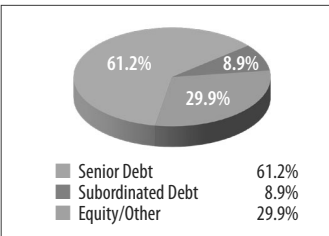
#### Sources of Distributions



#### Portfolio Yields



#### Portfolio by Asset Type



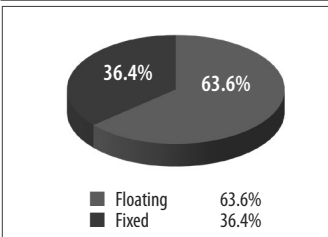
#### Portfolio Concentration - Top Industries

Industry	Q1 2020	2019
Upstream	50.6%	51.8%
Midstream	34.0%	30.5%
Power	7.3%	12.1%
Service & Equipment	5.4%	5.1%
Industrials	0.7%	0.5%

#### Performance Returns

	2020 YTD	2019	2018	2017	2016
FS Energy & Power Fund	-32.41%	-1.33%	-2.11%	-3.29%	28.00%
S&P/LSTA Leveraged Loan Index	-9.88%	10.65%	-0.62%	3.31%	10.88%
BofA Merrill Lynch High Yield Master II	-13.12%	14.41%	-2.27%	7.48%	17.49%

#### Floating vs. Fixed Rate Investments



#### Key Statistics

Fund Operating Expense Ratio (Gross)	3.96%
Fund Operating Expense Ratio (Net)	3.87%
Interest Coverage Ratio	1.1x
Weighted Average Interest Rate	5.91%
Leverage Ratio	45.1%
Taxable Income Payout Ratio	Not Meaningful
Net Change in Assets Payout Ratio	Not Meaningful
Expense Support % of Distribution	1.2%

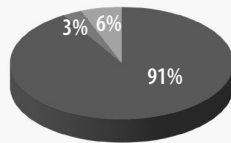
#### Contact Information

fsinvestments.com/investments/funds/fsep  
 FS Investments  
 201 Rouse Boulevard  
 Philadelphia, PA 19112  
 877-372-9880

## BDC Industry Review: First Quarter 2020

### FS KKR Capital Corp. II (formerly known as FS Investment Corporation II)

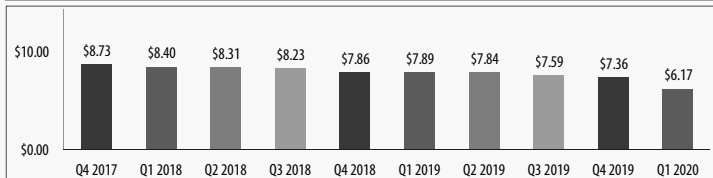
Total Assets	\$8,184.0 Million
Investments	\$7,464.0 Million
Cash & Cash Equivalents	\$232.0 Million
Other	\$488.0 Million



Last Offering Price	\$10.60
Distribution Yield on Last POP	5.66%
Reinvestment Price Per Share	Suspended
Effective Date	February 14, 2012
Offering Close Date	March 5, 2014
Cumulative Capital Raised during Offering (in millions)	\$3,140.3

Cash & Cash Equivalents to Total Assets Ratio	2.8%
Asset Type	Diversified Private Debt
Number of Companies in Portfolio	179
Sponsor	FS Investments
Advisor	FS/KKR Advisor, LLC
Use of Total Return Swap (TRS)	No
Assets of TRS (fair value)	Not Applicable

#### Historical NAVs



#### Investment Strategy

**Strategy:**  
To invest primarily in senior secured, second-lien secured and, to a lesser extent, subordinated debt of private U.S. companies.

**Company Size:**  
\$50 million to \$2.5 billion in revenue.

On December 18, 2019, the Company completed its acquisitions of FS Investment Corporation III, FS Investment Corporation IV, and Corporate Capital Trust II.

#### Management

FS and KKR will jointly provide management, investment advisory and administrative services through FS/KKR Advisor, LLC.

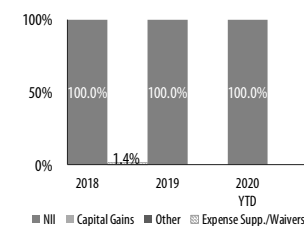
**KKR** – A leading global investment firm that manages multiple alternative asset classes. KKR aims to generate attractive investment returns for its fund investors by following a patient and disciplined approach and employing world-class people. The firm's AUM is \$218 billion.

**FS Investments** – An alternative investments firm founded in 2007 with an experienced team of investment professionals. The firm manages \$20.7 billion in BDC assets with total AUM of \$23.2 billion.

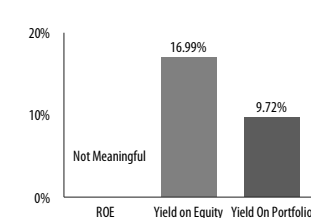
#### Historical Distribution Per Share



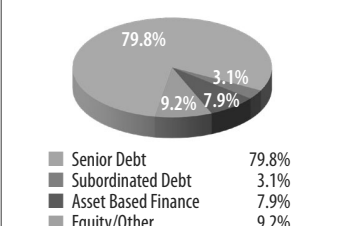
#### Sources of Distributions



#### Portfolio Yields



#### Portfolio by Asset Type



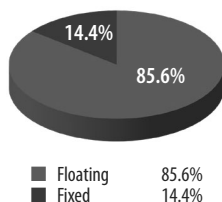
#### Portfolio Concentration – Top Industries

Industry	Q1 2020	2019
Capital Goods	12.9%	13.3%
Software & Services	11.7%	10.2%
Commercial & Professional Services	10.3%	10.0%
Health Care Equipment & Services	9.7%	10.3%
Diversified Financials	8.0%	4.7%

#### Performance Returns

	2020 YTD	2019	2018	2017	2016
FS KKR Capital Corp. II	-14.13%	3.18%	-1.37%	6.52%	15.29%
S&P/LSTA Leveraged Loan Index	-9.88%	10.65%	-0.62%	3.31%	10.88%
BofA Merrill Lynch High Yield Master II	-13.12%	14.41%	-2.27%	7.48%	17.49%

#### Floating vs. Fixed Rate Investments



#### Key Statistics

Fund Operating Expense Ratio (Gross)	5.40%
Fund Operating Expense Ratio (Net)	5.40%
Interest Coverage Ratio	Not Meaningful
Weighted Average Interest Rate	3.92%
Leverage Ratio	44.3%
Taxable Income Payout Ratio	Not Meaningful
GAAP Earnings Payout Ratio	Not Meaningful
Waivers as % of Distributions	0.0%

#### Contact Information

fsinvestments.com/investments/funds/fsk-ii  
 FS Investments  
 201 Rouse Boulevard  
 Philadelphia, PA 19112  
 877-372-9880

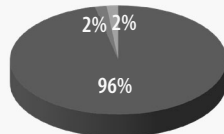
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## BDC Industry Review: First Quarter 2020

### HMS Income Fund, Inc.

Total Assets	\$927.3 Million
Investments	\$894.9 Million
Cash & Cash Equivalents	\$16.3 Million
Other	\$16.1 Million



Last Offering Price	\$9.30
Current Distribution Yield	7.53%
Reinvestment Price Per Share	\$6.65
Effective Date	June 4, 2012
Offering Close Date	September 30, 2017
Cumulative Capital Raised during Offering	\$773.2

Cash & Cash Equivalents to Total Assets Ratio	1.8%
Asset Type	Diversified Private Debt
Number of Companies in Portfolio	123
Sponsor/Advisor	Hines
Sub-Advisor	Main Street Capital Corporation
Use of Total Return Swap (TRS)	No
Assets of TRS	Not Applicable

#### Historical NAVs



#### Investment Strategy

##### Strategy:

Generate current income and, to a lesser extent, capital gains primarily through debt and equity investments in privately owned U.S. lower middle market and upper middle market companies.

##### Company Size:

Annual revenues of \$10 million to \$150 million (lower middle market) up to \$3 billion (upper middle market).

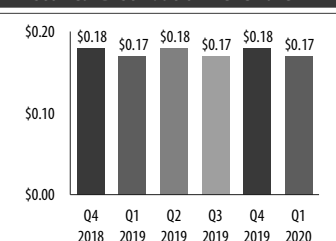
#### Management

The company and its investment portfolio are managed by HMS Adviser, a Hines subsidiary, and sub-advised by Main Street Capital Corporation. Main Street provides sourcing, evaluation, negotiation and structuring for HMS's investments.

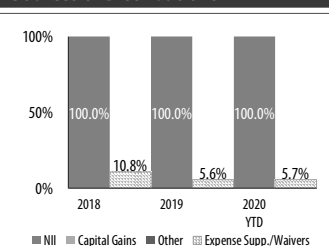
**Hines** – A global real estate investment firm that manages or has interests in over \$133.3 billion of investments. Together with its predecessor, Hines has been investing in and managing real estate for over 60 years.

**Main Street Capital Corporation** – A manager of private debt and equity investments for lower middle market companies, Main Street Capital Corp. is a publicly traded BDC with a market capitalization of roughly \$2.0 billion.

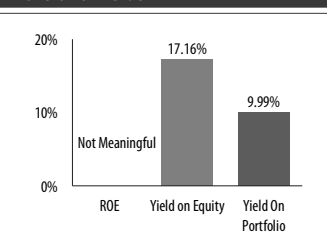
#### Historical Distribution Per Share



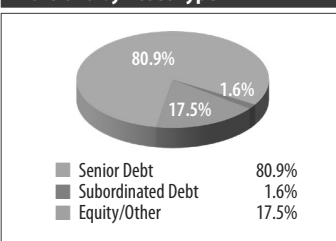
#### Sources of Distributions



#### Portfolio Yields



#### Portfolio by Asset Type



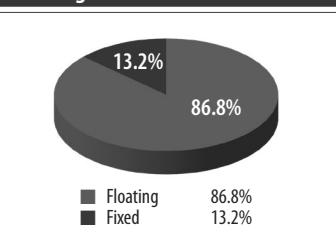
#### Portfolio Concentration – Top Industries

Industry	Q1 2020	2019
Machinery	8.4%	7.7%
Commercial Services and Supplies	6.5%	8.2%
Oil, Gas and Consumable Fuels	5.4%	6.3%
Aerospace and Defense	5.4%	5.1%
IT Services	4.7%	4.5%

#### Performance Returns

	2020 YTD	2019	2018	2017	2016
HMS Income Fund	-14.16%	6.41%	6.26%	8.59%	12.31%
S&P/LSTA Leveraged Loan Index	-9.88%	10.65%	-0.62%	3.31%	10.88%
BofA Merrill Lynch High Yield Master II	-13.12%	14.41%	-2.27%	7.48%	17.49%

#### Floating vs. Fixed Rate Investments



#### Key Statistics

Fund Operating Expense Ratio (Gross)	5.02%
Fund Operating Expense Ratio (Net)	4.46%
Interest Coverage Ratio	2.7x
Weighted Average Interest Rate	4.93%
Leverage Ratio	43.5%
Taxable Income Payout Ratio	151%
GAAP Earnings Payout Ratio	Not Meaningful
Waivers as % of Distributions	5.7%

#### Contact Information

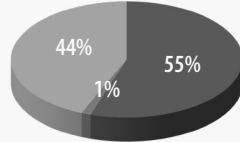
www.hinessecurities.com/past-offerings/hms-income-fund/  
Hines  
2800 Post Oak Boulevard, Suite 4700  
Houston, TX 77056  
888-446-3773

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## BDC Industry Review: First Quarter 2020

### NexPoint Capital, Inc.

Total Assets	\$69.2 Million
Investments	\$38.1 Million
Cash & Cash Equivalents	\$0.9 Million
Other	\$30.2 Million



Last Offering Price	\$10.75
Current Distribution Yield	6.70%
Reinvestment Price Per Share	\$5.01
Effective Date	August 18, 2014
Close Date	February 14, 2018
Cumulative Capital Raised during Offering (in millions)	\$99.2

Cash & Cash Equivalents to Total Assets Ratio	1.3%
Asset Type	Diversified Private Debt
Number of Companies in Portfolio	42
Sponsor/Advisor	NexPoint Advisors, L.P.
Sub-Advisor	Not Applicable
Use of Total Return Swap (TRS)	Yes
Assets of TRS (fair trade)	\$40.6 million

#### Historical NAVs



#### Investment Strategy

##### Strategy:

To invest primarily in middle-market companies, syndicated floating rate debt of large public and nonpublic companies and collateralized loan obligations, or CLOs.

##### Company Size:

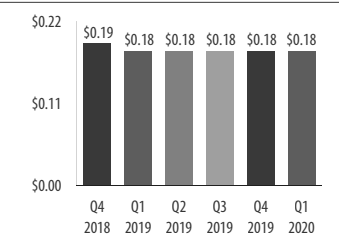
\$50 million to \$2.5 billion in revenue.

#### Management

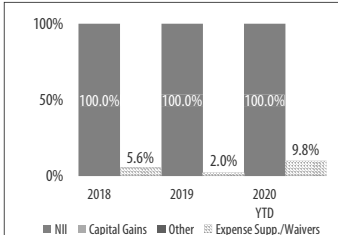
Investments are sourced, underwritten and managed by NexPoint Advisors, L.P.

**NexPoint** – NexPoint is an alternative investment platform comprised of a group of investment advisers and sponsors, a broker dealer, and a suite of related investment vehicles. NexPoint's platform provides differentiated access to alternatives through a range of offerings, including public and private real estate investment trusts, tax-advantaged real estate vehicles, closed-end funds, interval funds, and a business development company.

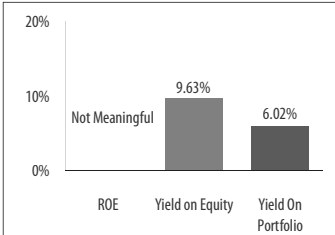
#### Historical Distribution Per Share



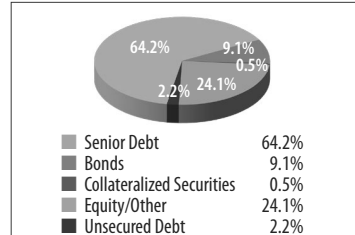
#### Sources of Distributions



#### Portfolio Yields



#### Portfolio by Asset Type



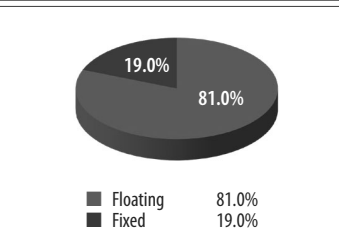
#### Portfolio Concentration – Top Industries

Industry	Q1 2020	2019
Healthcare	37.3%	44.2%
Real Estate	19.6%	6.4%
Telecommunication Services	13.4%	4.6%
Financials	10.4%	12.9%
Consumer Products	5.3%	2.0%

#### Performance Returns

	2020 YTD	2019	2018	2017	2016
NexPoint Capital, Inc.	-39.24%	10.86%	-6.75%	10.06%	27.61%
S&P/LSTA Leveraged Loan Index	-9.88%	10.65%	-0.62%	3.31%	10.88%
BofA Merrill Lynch High Yield Master II	-13.12%	14.41%	-2.27%	7.48%	17.49%

#### Floating vs. Fixed Rate Investments



#### Key Statistics

Fund Operating Expense Ratio (Gross)	4.33%
Fund Operating Expense Ratio (Net)	3.29%
Interest Coverage Ratio	Not Meaningful
Weighted Average Interest Rate	2.59%
Leverage Ratio	11.5%
Taxable Income Payout Ratio	Not Meaningful
Net Change in Assets Payout Ratio	Not Meaningful
Expense Support % of Distribution	9.8%

#### Contact Information

www.NexPointCapital.com

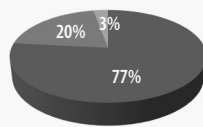
NexPoint  
300 Crescent Court, Suite 700  
Dallas, TX 75201

877-665-1287

## BDC Industry Review: First Quarter 2020

### Sierra Income Corporation

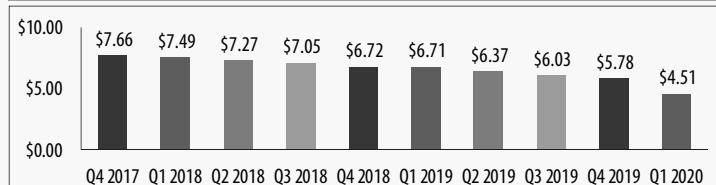
Total Assets	\$741.4 Million
Investments	\$568.3 Million
Cash & Cash Equivalents	\$151.8 Million
Other	\$21.3 Million



Last Offering Price	\$8.15
Current Distribution Rate	5.15%
Reinvestment Price Per Share	94.5% POP
Effective Date	April 16, 2012
Close Date	July 31, 2018
Cumulative Capital Raised during Offering (in millions)	\$978.4

Cash & Cash Equivalents to Total Assets Ratio	20.5%
Asset Type	Diversified Private Debt
Number of Companies in Portfolio	86
Sponsor/Advisor	SIC Advisors-Medley Management
Sub-Advisor	Not Applicable
Use of Total Return Swap (TRS)	No
Assets of TRS (fair value)	Not Applicable

#### Historical NAVs



#### Investment Strategy

##### Strategy:

To invest primarily in debt of privately owned U.S. middle market companies with a focus on senior secured debt, second lien debt, and to a lesser extent, subordinated debt.

##### Company Size:

Annual revenues of \$50 million to \$1 billion

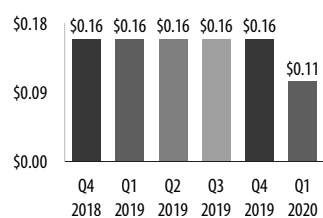
#### Management

Investments are sourced, underwritten and managed by SIC Advisors and Medley Management professionals.

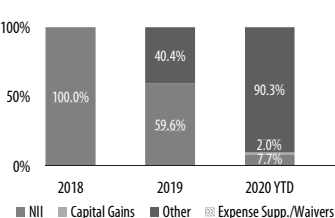
##### SIC Advisors-Medley Management –

Management team members bring an average of more than 20 years experience in principal finance, investment sourcing, credit analysis, transaction structuring, due diligence, and investing. Medley Management, the parent company of SIC Advisors, has \$4.1 billion in assets under management in two BDCs, a credit interval fund, and several private investment vehicles.

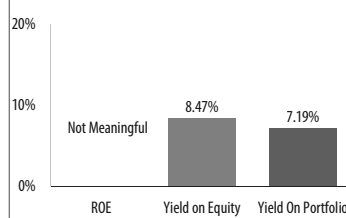
#### Historical Distribution Per Share



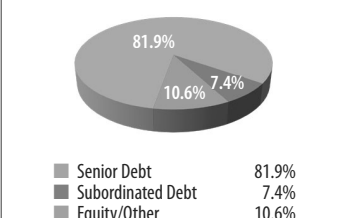
#### Sources of Distributions



#### Portfolio Yields



#### Portfolio by Asset Type



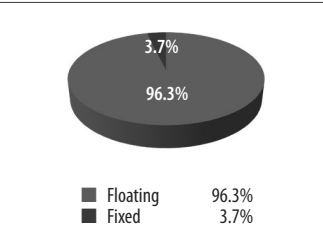
#### Portfolio Concentration – Top Industries

Industry	Q1 2020	2019
Multi-Sector Holdings	14.8%	19.2%
High Tech Industries	13.7%	12.1%
Services: Business	12.4%	12.0%
Healthcare & Pharmaceuticals	9.9%	8.5%
Banking, Finance, Insurance & Real Estate	8.8%	7.7%

#### Performance Returns

	2020 YTD	2019	2018	2017	2016
Sierra Income Corp	-20.39%	-4.43%	-4.04%	1.53%	9.87%
S&P/LSTA Leveraged Loan Index	-9.88%	10.65%	-0.62%	3.31%	10.88%
BofA Merrill Lynch High Yield Master II	-13.12%	14.41%	-2.27%	7.48%	17.49%

#### Floating vs. Fixed Rate Investments



#### Key Statistics

Fund Operating Expense Ratio (Gross)	4.60%
Fund Operating Expense Ratio (Net)	4.60%
Interest Coverage Ratio	1.2x
Weighted Average Interest Rate	5.79%
Leverage Ratio	35.9%
Taxable Income Payout Ratio	Not Meaningful
GAAP Earnings Payout Ratio	Not Meaningful
Waivers as % of Distributions	0.0%

#### Contact Information

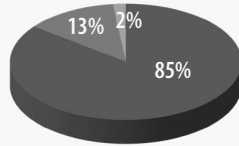
www.Sierraincomecorp.com  
 Medley Management Inc.  
 280 Park Avenue, 6th Floor East  
 New York, NY 10017  
 212-759-0777



## BDC Industry Review: First Quarter 2020

## Terra Income Fund 6, Inc.

Total Assets	\$79.9 Million
Investments	\$68.2 Million
Cash & Cash Equivalents	\$10.3 Million
Other	\$1.4 Million



Last Offering Price	\$10.90
Current Distribution Yield	7.98%
Reinvestment Price Per Share	NAV
Effective Date	April 20, 2015
Close Date	April 20, 2018
Cumulative Capital Raised during Offering (in millions)	\$108.0

Cash & Cash Equivalents to Total Assets Ratio	12.9%
Asset Type	Real Estate Debt
Number of Investments	11
Sponsor/Advisor	Terra Capital Partners
Sub-Advisor	Not Applicable
Use of Total Return Swap (TRS)	No
Assets of TRS	Not Applicable

## Historical NAVs



## Investment Strategy

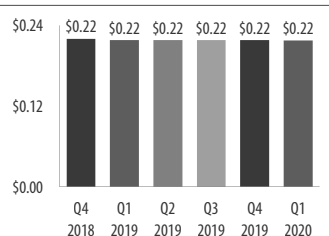
## Strategy:

To invest primarily in commercial real estate loans to U.S. companies, preferred equity real estate investments in U.S. companies and select commercial real estate-related debt securities of private companies.

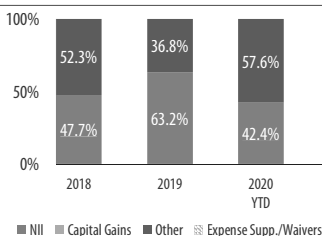
## Management

**Terra Capital Partners**, the parent company of the sponsor, is a real estate finance and investment company based in New York City and was founded in 2002. Terra Capital Partners has managed or originated debt and equity investments in over 371 properties with an aggregate value of \$7.9 billion.

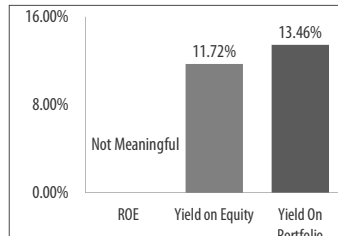
## Historical Distribution Per Share



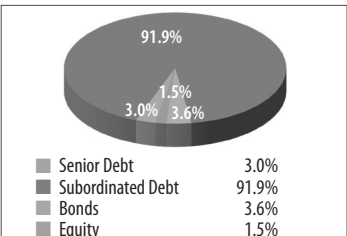
## Sources of Distributions



## Portfolio Yields



## Portfolio by Asset Type



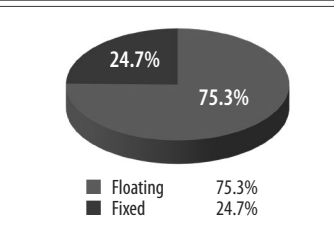
## Portfolio Concentration – Top Industries

Industry	Q1 2020	2019
Preferred Equity Investments	53.9%	59.6%
Mezzanine Loans (Real Estate)	38.1%	37.1%
Marketable Securities	5.1%	0.0%
First Mortgages	3.0%	3.3%

## Performance Returns

	2020 YTD	2019	2018	2017	2016
Terra Income Fund 6	-0.18%	6.15%	4.87%	8.06%	1.96%
S&P/LSTA Leveraged Loan Index	-9.88%	10.65%	-0.62%	3.31%	10.88%
BofA Merrill Lynch High Yield Master II	-13.12%	14.41%	-2.27%	7.48%	17.49%

## Floating vs. Fixed Rate Investments



## Key Statistics

Fund Operating Expense Ratio (Gross)	6.37%
Fund Operating Expense Ratio (Net)	6.37%
Interest Coverage Ratio	N/A
Weighted Average Interest Rate	N/A
Leverage Ratio	0.0%
Taxable Income Payout Ratio	179%
GAAP Earnings Payout Ratio	Not Meaningful
Waivers as % of Distributions	0.0%

## Contact Information

www.terrafund6.com  
Terra Capital Partners  
805 Third Avenue  
New York, NY  
855-858-1500



407 E. Maple Street  
Suite 305  
Cumming, GA 30040

Toll Free: 877-256-2304

[www.BlueVaultPartners.com](http://www.BlueVaultPartners.com)

**NexPoint Capital, Inc.**

**BDC Performance Summary vs. Effective Nontraded BDCs (Greater than \$50 million AUM)**  
**Through Q1 2020**

Fund Name	Sponsor/Advisor	Through Q1 - 2020	2019	2018	2017	2016	2015	2014
Business Development Corporation of America	Benefit Street Partners	-14.13%	6.60%	1.96%	5.24%	6.02%	0.67%	7.63%
CION Investment Corp	CION Investments	-11.25%	5.55%	2.98%	8.76%	13.51%	2.13%	6.92%
FS Energy & Power Fund	FS Investments	-32.41%	-1.33%	-2.11%	-3.29%	28.00%	-15.87%	-4.14%
FS Investment Corporation II	FS Investments	-14.13%	3.18%	-1.37%	6.52%	15.29%	-1.94%	6.92%
Guggenheim Credit Income Fund - 2016	Guggenheim Partners	-14.42%	2.76%	3.78%	6.52%	12.77%		
Guggenheim Credit Income Fund - 2019	Guggenheim Partners	-14.05%	2.66%	3.21%	7.00%	13.47%		
HMS Income Fund	Hines	-14.16%	6.41%	6.26%	8.59%	12.31%	2.14%	2.13%
MacKenzie Realty Capital	MacKenzie Capital	-7.46%	2.21%	11.73%	8.68%	13.10%	16.83%	7.98%
Owl Rock Capital Corporation II	Owl Rock Capital Advisors	-6.30%	7.10%	6.70%	5.90%			
Sierra Income Corporation	SIC Advisors - Medley Management	-20.39%	-4.43%	-4.04%	1.53%	9.87%	-0.46%	6.48%
Terra Income Fund 6, Inc.	Terra Capital Partners	-0.18%	6.15%	4.87%	8.06%	1.96%	2.37%	
<b>Averages</b>		<b>-13.53%</b>	<b>3.35%</b>	<b>3.09%</b>	<b>5.77%</b>	<b>12.63%</b>	<b>0.73%</b>	<b>4.85%</b>
<b>NexPoint Capital, Inc.</b>	<b>NexPoint Advisors, LP</b>	<b>-39.24%</b>	<b>10.86%</b>	<b>-6.75%</b>	<b>10.06%</b>	<b>27.61%</b>	<b>-3.26%</b>	<b>-1.75%</b> <sup>1</sup>

<sup>1</sup> NexPoint Capital, Inc. commenced operations on September 2, 2014. Return shown is not annualized

**SNLN US Equity Bid/Ask - Last 36 Months****Current 12 Month Yield****4.41%**

<b>Date</b>	<b>Bid</b>	<b>Ask</b>	<b>Spread</b>
6/30/2020	15.73	15.77	(0.04)
6/29/2020	15.7	15.75	(0.05)
5/29/2020	15.9	15.92	(0.02)
4/30/2020	15.63	15.68	(0.05)
3/31/2020	15.45	15.5	(0.05)
2/28/2020	16.97	16.99	(0.02)
1/31/2020	17.42	17.43	(0.01)
12/31/2019	17.54	17.56	(0.02)
11/29/2019	17.38	17.39	(0.01)
10/31/2019	17.31	17.32	(0.01)
9/30/2019	17.44	17.45	(0.01)
8/30/2019	17.41	17.43	(0.02)
7/31/2019	17.62	17.63	(0.01)
6/28/2019	17.53	17.54	(0.01)
5/31/2019	17.63	17.64	(0.01)
4/30/2019	17.84	17.85	(0.01)
3/29/2019	17.61	17.62	(0.01)
2/28/2019	17.69	17.7	(0.01)
1/31/2019	17.48	17.5	(0.02)
12/31/2018	17.14	17.15	(0.01)
11/30/2018	17.77	17.78	(0.01)
10/31/2018	18.07	18.07	-
9/28/2018	18.25	18.26	(0.01)
8/31/2018	18.23	18.24	(0.01)
7/31/2018	18.19	18.2	(0.01)
6/29/2018	18.08	18.09	(0.01)
5/31/2018	18.2	18.21	(0.01)
4/30/2018	18.29	18.3	(0.01)
3/30/2018	18.31	18.32	(0.01)
2/28/2018	18.29	18.31	(0.02)
1/31/2018	18.37	18.38	(0.01)
12/29/2017	18.19	18.21	(0.02)
11/30/2017	18.22	18.24	(0.02)
10/31/2017	18.33	18.34	(0.01)
9/29/2017	18.29	18.3	(0.01)
8/31/2017	18.3	18.32	(0.02)

## SNLN US Equity Premium/Discount

Current 12 Month Yield

4.41%

Date	Price	NAV	% Premium
6/30/2020	15.75	15.74	0.06%
5/29/2020	15.91	15.91	0.00%
4/30/2020	15.63	15.63	0.00%
3/31/2020	15.4718	15.45	0.14%
2/28/2020	16.96	16.99	-0.18%
1/31/2020	17.43	17.44	-0.06%
12/31/2019	17.54	17.55	-0.06%
11/29/2019	17.385	17.38	0.03%
10/31/2019	17.32	17.33	-0.06%
9/30/2019	17.45	17.44	0.06%
8/30/2019	17.42	17.41	0.06%
7/31/2019	17.63	17.63	0.00%
6/28/2019	17.54	17.55	-0.06%
5/31/2019	17.64	17.65	-0.06%
4/30/2019	17.85	17.84	0.06%
3/29/2019	17.61	17.6	0.06%
2/28/2019	17.72	17.7	0.11%
1/31/2019	17.48	17.49	-0.06%
12/31/2018	17.18	17.16	0.12%
11/30/2018	17.78	17.77	0.06%
10/31/2018	18.06	18.07	-0.06%
9/28/2018	18.26	18.25	0.05%
8/31/2018	18.24	18.23	0.05%
7/31/2018	18.2	18.19	0.05%
6/29/2018	18.09	18.09	0.00%
5/31/2018	18.21	18.2	0.05%
4/30/2018	18.29	18.3	-0.05%
3/30/2018	18.32	18.28	0.22%
2/28/2018	18.3	18.31	-0.05%
1/31/2018	18.38	18.38	0.00%
12/29/2017	18.19	18.2	-0.05%
11/30/2017	18.24	18.23	0.05%
10/31/2017	18.34	18.33	0.05%
9/29/2017	18.3	18.29	0.05%
8/31/2017	18.32	18.31	0.05%
7/31/2017	18.46	18.46	0.00%
6/30/2017	18.39	18.39	0.00%
5/31/2017	18.55	18.54	0.05%

4/28/2017	18.57	18.56	0.05%
3/31/2017	18.56	18.56	0.00%
2/28/2017	18.69	18.68	0.05%
1/31/2017	18.67	18.64	0.16%
12/30/2016	18.75	18.73	0.11%
11/30/2016	18.55	18.56	-0.05%
10/31/2016	18.59	18.58	0.05%
9/30/2016	18.64	18.61	0.16%
8/31/2016	18.61	18.61	0.00%
7/29/2016	18.59	18.58	0.05%
6/30/2016	18.38	18.37	0.05%
5/31/2016	18.5	18.51	-0.05%
4/29/2016	18.5	18.49	0.05%
3/31/2016	18.25	18.25	0.00%
2/29/2016	17.83	17.83	0.00%
1/29/2016	17.89	17.93	-0.22%
12/31/2015	18.05	18.05	0.00%
11/30/2015	18.24	18.25	-0.05%
10/30/2015	18.51	18.51	0.00%
9/30/2015	18.49	18.54	-0.27%
8/31/2015	18.56	18.73	-0.92%
7/31/2015	19.03	19.03	0.00%
6/30/2015	19.23	19.19	0.21%
5/29/2015	19.41	19.38	0.15%
4/30/2015	19.47	19.45	0.10%
3/31/2015	19.37	19.36	0.05%
2/27/2015	19.42	19.39	0.15%
1/30/2015	19.16	19.21	-0.26%
12/31/2014	19.2	19.26	-0.31%
11/28/2014	19.58	19.57	0.05%
10/31/2014	19.54	19.56	-0.10%
9/30/2014	19.48	19.5	-0.10%
8/29/2014	19.79	19.77	0.10%
7/31/2014	19.8	19.79	0.05%
6/30/2014	19.93	19.94	-0.05%
5/30/2014	19.87	19.91	-0.20%
4/30/2014	19.88	19.87	0.05%
3/31/2014	19.91	19.9	0.05%
2/28/2014	19.95	19.92	0.15%
1/31/2014	20.04	20	0.20%
12/31/2013	19.93	19.96	-0.15%
11/29/2013	19.98	19.99	-0.05%
10/31/2013	20	19.97	0.15%
9/30/2013	19.92	19.87	0.25%
8/30/2013	19.96	19.92	0.20%
7/31/2013	20.14	20.08	0.30%
6/28/2013	19.96	19.92	0.20%

5/31/2013	20.23	20.2	0.15%
4/30/2013	20.29	20.24	0.25%
3/29/2013	20.19	20.18	0.05%
2/28/2013	20.13	20.11	0.10%
1/31/2013	20.33	20.2	0.64%
12/31/2012	20.21	19.97	1.19%
11/30/2012	20.03	19.9	0.65%

Date	SNLN	Leverage Loan	BKLN	Index	SNLN Difference	BKLN Difference
6/30/2020	-0.061%	-0.090%	0.03%	0.014%	0.029%	0.017%
6/29/2020	-0.341%	-0.250%	-0.36%	-0.401%	-0.091%	0.045%
6/28/2020	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
6/27/2020	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
6/26/2020	-0.268%	-0.415%	-0.36%	-0.474%	0.147%	0.114%
6/25/2020	-0.350%	-0.496%	-0.55%	-0.546%	0.146%	-0.002%
6/24/2020	-0.396%	-0.458%	-0.37%	-0.398%	0.063%	0.028%
6/23/2020	0.012%	0.042%	0.03%	0.028%	-0.030%	-0.002%
6/22/2020	-0.083%	-0.065%	-0.34%	-0.089%	-0.019%	-0.253%
6/21/2020	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
6/20/2020	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
6/19/2020	-0.018%	0.000%	0.30%	0.086%	-0.017%	0.209%
6/18/2020	-0.061%	-0.043%	-0.06%	-0.089%	-0.018%	0.030%
6/17/2020	0.002%	0.028%	0.09%	0.173%	-0.026%	-0.082%
6/16/2020	0.289%	0.428%	0.40%	0.505%	-0.139%	-0.101%
6/15/2020	-0.322%	-0.306%	-0.30%	-0.462%	-0.016%	0.160%
6/14/2020	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
6/13/2020	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
6/12/2020	0.051%	0.042%	0.03%	-0.064%	0.009%	0.092%
6/11/2020	-0.743%	-0.920%	-0.79%	-0.743%	0.177%	-0.049%
6/10/2020	0.031%	0.051%	0.12%	0.084%	-0.020%	0.036%
6/9/2020	0.038%	0.051%	0.02%	0.172%	-0.013%	-0.157%
6/8/2020	0.214%	0.337%	0.21%	0.358%	-0.123%	-0.144%
6/7/2020	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
6/6/2020	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
6/5/2020	0.523%	0.691%	0.66%	0.566%	-0.168%	0.096%
6/4/2020	0.100%	0.308%	0.27%	0.349%	-0.208%	-0.079%
6/3/2020	0.316%	0.492%	0.41%	0.359%	-0.176%	0.049%
6/2/2020	0.130%	0.168%	0.20%	0.203%	-0.039%	-0.003%
6/1/2020	0.095%	0.082%	0.11%	0.093%	0.013%	0.017%
5/31/2020	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
5/30/2020	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
5/29/2020	0.130%	0.240%	0.05%	0.153%	-0.110%	-0.099%
5/28/2020	0.278%	0.456%	0.36%	0.511%	-0.178%	-0.153%
5/27/2020	0.527%	0.698%	0.55%	0.538%	-0.170%	0.009%
5/26/2020	0.422%	0.628%	0.52%	0.493%	-0.205%	0.025%
5/25/2020	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
5/24/2020	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
5/23/2020	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
5/22/2020	0.066%	0.083%	0.16%	0.120%	-0.017%	0.036%
5/21/2020	0.122%	0.174%	0.19%	0.257%	-0.052%	-0.071%
5/20/2020	0.259%	0.337%	0.28%	0.252%	-0.077%	0.025%
5/19/2020	0.109%	0.198%	0.10%	0.207%	-0.089%	-0.103%
5/18/2020	0.276%	0.317%	0.35%	0.352%	-0.040%	0.000%
5/17/2020	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
5/16/2020	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
5/15/2020	-0.101%	-0.156%	-0.11%	-0.166%	0.055%	0.061%
5/14/2020	-0.292%	-0.327%	-0.28%	-0.356%	0.036%	0.075%
5/13/2020	-0.063%	-0.065%	-0.11%	-0.029%	0.003%	-0.079%
5/12/2020	0.192%	0.246%	0.25%	0.255%	-0.054%	-0.008%



5/11/2020	-0.001%	0.096%	0.12%	0.107%	-0.097%	0.018%
5/10/2020	0.000%	0.149%	0.00%	0.012%	-0.149%	-0.012%
5/9/2020	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
5/8/2020	0.104%	0.000%	0.29%	0.363%	0.104%	-0.078%
5/7/2020	0.092%	0.243%	0.26%	0.307%	-0.151%	-0.042%
5/6/2020	0.128%	0.176%	0.05%	0.094%	-0.048%	-0.042%
5/5/2020	0.139%	0.269%	0.14%	0.310%	-0.130%	-0.174%
5/4/2020	-0.190%	-0.266%	-0.28%	-0.332%	0.076%	0.048%
5/3/2020	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
5/2/2020	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
5/1/2020	-0.122%	-0.336%	-0.16%	-0.192%	0.214%	0.036%
4/30/2020	0.184%	0.253%	0.20%	0.159%	-0.070%	0.045%
4/29/2020	0.037%	0.125%	0.14%	0.207%	-0.089%	-0.062%
4/28/2020	-0.050%	-0.035%	-0.08%	-0.094%	-0.015%	0.018%
4/27/2020	-0.167%	-0.225%	-0.33%	-0.370%	0.058%	0.038%
4/26/2020	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
4/25/2020	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
4/24/2020	-0.290%	-0.342%	-0.27%	-0.163%	0.052%	-0.110%
4/23/2020	-0.010%	0.045%	-0.05%	-0.035%	-0.054%	-0.019%
4/22/2020	-0.183%	-0.132%	0.00%	0.063%	-0.051%	-0.064%
4/21/2020	-0.642%	-0.681%	-0.70%	-0.793%	0.038%	0.091%
4/20/2020	-0.321%	-0.400%	-0.31%	-0.436%	0.079%	0.122%
4/19/2020	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
4/18/2020	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
4/17/2020	0.318%	0.432%	0.34%	0.458%	-0.114%	-0.122%
4/16/2020	-0.002%	0.117%	0.12%	0.059%	-0.119%	0.065%
4/15/2020	-0.283%	-0.363%	-0.38%	-0.269%	0.080%	-0.109%
4/14/2020	-0.026%	0.093%	0.19%	0.107%	-0.118%	0.082%
4/13/2020	0.214%	0.422%	0.29%	0.850%	-0.208%	-0.564%
4/12/2020	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
4/11/2020	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
4/10/2020	0.000%	0.000%	0.00%	0.023%	0.000%	-0.023%
4/9/2020	1.069%	1.823%	1.96%	1.451%	-0.755%	0.513%
4/8/2020	0.487%	0.813%	0.67%	0.836%	-0.326%	-0.163%
4/7/2020	0.788%	1.231%	0.95%	1.046%	-0.443%	-0.097%
4/6/2020	-2.308%	0.909%	0.76%	0.866%	-3.216%	-0.107%
4/5/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
4/4/2020	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
4/3/2020	1.069%	0.199%	0.07%	0.141%	0.870%	-0.072%
4/2/2020	0.487%	0.028%	-0.10%	0.085%	0.459%	-0.189%
4/1/2020	0.788%	-1.474%	-0.98%	-1.038%	2.263%	0.060%
3/31/2020	1.645%	2.121%	2.07%	2.385%	-0.476%	-0.311%
3/30/2020	1.220%	1.829%	1.54%	1.438%	-0.608%	0.104%
3/29/2020	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
3/28/2020	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
3/27/2020	-0.126%	0.011%	-0.77%	-0.432%	-0.137%	-0.336%
3/26/2020	2.780%	4.783%	5.27%	5.403%	-2.004%	-0.132%
3/25/2020	2.318%	3.496%	4.56%	4.650%	-1.178%	-0.087%
3/24/2020	0.402%	0.939%	1.25%	1.627%	-0.537%	-0.380%
3/23/2020	-2.099%	-2.796%	-2.66%	-3.300%	0.697%	0.644%
3/22/2020	0.000%	0.000%	0.00%	0.016%	0.000%	-0.016%

3/21/2020	0.000%	0.000%	0.00%	0.016%	0.000%	-0.016%
3/20/2020	0.458%	0.933%	0.76%	1.308%	-0.475%	-0.544%
3/19/2020	-2.734%	-3.666%	-2.88%	-4.034%	0.932%	1.150%
3/18/2020	-3.496%	-4.942%	-5.27%	-5.016%	1.446%	-0.257%
3/17/2020	-1.369%	-1.630%	-1.28%	-1.375%	0.261%	0.092%
3/16/2020	-2.674%	-3.815%	-3.59%	-3.699%	1.141%	0.105%
3/15/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
3/14/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
3/13/2020	0.604%	0.788%	0.58%	0.510%	-0.185%	0.068%
3/12/2020	-2.480%	-3.348%	-2.91%	-3.348%	0.868%	0.440%
3/11/2020	-0.943%	-1.271%	-1.09%	-1.024%	0.327%	-0.062%
3/10/2020	0.627%	0.918%	0.68%	0.786%	-0.291%	-0.106%
3/9/2020	-1.764%	-2.670%	-2.38%	-2.838%	0.905%	0.460%
3/8/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
3/7/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
3/6/2020	-0.555%	-0.812%	-0.83%	-0.972%	0.257%	0.138%
3/5/2020	-0.648%	-0.783%	-0.62%	-0.474%	0.136%	-0.146%
3/4/2020	0.068%	0.010%	0.07%	0.152%	0.058%	-0.082%
3/3/2020	0.241%	0.330%	0.32%	0.389%	-0.090%	-0.066%
3/2/2020	0.085%	0.049%	0.19%	-0.158%	0.037%	0.350%
3/1/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
2/29/2020	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
2/28/2020	-0.828%	-0.659%	-0.57%	-0.813%	-0.169%	0.247%
2/27/2020	-0.666%	-0.763%	-0.70%	-0.578%	0.097%	-0.123%
2/26/2020	-0.218%	-0.236%	-0.28%	-0.342%	0.019%	0.062%
2/25/2020	-0.113%	-0.116%	-0.13%	-0.083%	0.002%	-0.050%
2/24/2020	-0.270%	-0.208%	-0.28%	-0.267%	-0.062%	-0.010%
2/23/2020	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
2/22/2020	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
2/21/2020	-0.058%	-0.015%	0.00%	-0.009%	-0.043%	0.011%
2/20/2020	0.000%	0.033%	0.02%	0.046%	-0.033%	-0.022%
2/19/2020	0.000%	0.011%	0.01%	0.007%	-0.011%	0.001%
2/18/2020	0.036%	0.006%	-0.02%	0.002%	0.029%	-0.020%
2/17/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
2/16/2020	0.000%	0.000%	0.00%	-0.018%	0.000%	0.018%
2/15/2020	0.000%	0.000%	0.00%	0.044%	0.000%	-0.044%
2/14/2020	0.052%	0.067%	0.06%	0.032%	-0.014%	0.029%
2/13/2020	0.019%	0.002%	0.00%	0.002%	0.018%	-0.005%
2/12/2020	-0.014%	0.006%	0.01%	0.073%	-0.021%	-0.058%
2/11/2020	-0.035%	0.033%	0.10%	0.037%	-0.068%	0.060%
2/10/2020	-0.046%	-0.008%	-0.03%	-0.014%	-0.038%	-0.017%
2/9/2020	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
2/8/2020	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
2/7/2020	0.000%	-0.027%	0.01%	-0.072%	0.027%	0.085%
2/6/2020	0.000%	0.023%	0.00%	-0.007%	-0.023%	0.008%
2/5/2020	0.000%	-0.003%	-0.03%	-0.005%	0.003%	-0.022%
2/4/2020	-0.057%	-0.007%	-0.02%	0.011%	-0.051%	-0.031%
2/3/2020	-0.040%	-0.083%	-0.07%	-0.106%	0.043%	0.035%
2/2/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
2/1/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
1/31/2020	-0.043%	-0.078%	-0.07%	-0.061%	0.035%	-0.013%

1/30/2020	-0.069%	-0.076%	-0.06%	-0.040%	0.007%	-0.016%
1/29/2020	0.015%	0.019%	0.02%	0.023%	-0.003%	-0.005%
1/28/2020	-0.011%	0.037%	0.02%	-0.051%	-0.048%	0.067%
1/27/2020	-0.249%	-0.262%	-0.25%	-0.211%	0.013%	-0.038%
1/26/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
1/25/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
1/24/2020	-0.131%	-0.024%	0.01%	-0.015%	-0.108%	0.028%
1/23/2020	-0.001%	-0.049%	-0.04%	-0.032%	0.048%	-0.005%
1/22/2020	-0.390%	-0.029%	-0.04%	-0.024%	-0.361%	-0.018%
1/21/2020	-0.013%	-0.008%	0.00%	-0.015%	-0.005%	0.014%
1/20/2020	0.040%	0.000%	0.00%	0.014%	0.040%	-0.014%
1/19/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
1/18/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
1/17/2020	0.365%	-0.015%	0.04%	-0.017%	0.381%	0.056%
1/16/2020	-0.001%	0.010%	-0.02%	-0.001%	-0.011%	-0.016%
1/15/2020	-0.004%	0.031%	0.01%	0.029%	-0.035%	-0.017%
1/14/2020	-0.013%	0.045%	0.03%	0.038%	-0.057%	-0.006%
1/13/2020	0.040%	0.055%	0.03%	0.034%	-0.015%	-0.005%
1/12/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
1/11/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
1/10/2020	-0.008%	0.019%	0.02%	0.021%	-0.027%	-0.001%
1/9/2020	0.040%	0.060%	0.05%	0.052%	-0.020%	-0.006%
1/8/2020	0.040%	0.080%	0.07%	0.055%	-0.039%	0.016%
1/7/2020	0.088%	0.134%	0.09%	0.116%	-0.047%	-0.023%
1/6/2020	0.015%	0.133%	0.05%	0.072%	-0.119%	-0.022%
1/5/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
1/4/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
1/3/2020	0.019%	0.040%	0.06%	0.048%	-0.020%	0.008%
1/2/2020	0.038%	0.007%	0.04%	0.063%	0.030%	-0.018%
1/1/2020	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
12/31/2019	0.007%	0.018%	0.03%	0.011%	-0.011%	0.015%
12/30/2019	0.031%	0.052%	0.02%	0.026%	-0.021%	-0.005%
12/29/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
12/28/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
12/27/2019	0.004%	0.008%	0.03%	0.017%	-0.004%	0.012%
12/26/2019	0.010%	0.018%	0.00%	0.008%	-0.008%	-0.005%
12/25/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
12/24/2019	-0.006%	0.003%	0.02%	-0.012%	-0.009%	0.036%
12/23/2019	0.028%	0.031%	0.01%	0.013%	-0.003%	0.002%
12/22/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
12/21/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
12/20/2019	-0.009%	0.003%	0.02%	0.022%	-0.011%	0.000%
12/19/2019	0.094%	0.069%	0.06%	0.063%	0.025%	-0.003%
12/18/2019	0.048%	0.109%	0.09%	0.101%	-0.062%	-0.008%
12/17/2019	0.006%	0.052%	0.02%	0.057%	-0.046%	-0.042%
12/16/2019	0.165%	0.156%	0.14%	0.169%	0.009%	-0.034%
12/15/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
12/14/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
12/13/2019	0.134%	0.159%	0.14%	0.069%	-0.025%	0.074%
12/12/2019	0.122%	0.154%	0.15%	0.191%	-0.032%	-0.042%
12/11/2019	0.019%	0.038%	0.06%	0.081%	-0.018%	-0.020%

12/10/2019	0.106%	0.130%	0.11%	0.114%	-0.023%	-0.002%
12/9/2019	-0.005%	0.021%	0.03%	0.073%	-0.027%	-0.045%
12/8/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
12/7/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
12/6/2019	0.180%	0.219%	0.25%	0.203%	-0.039%	0.045%
12/5/2019	0.074%	0.122%	0.09%	0.144%	-0.048%	-0.052%
12/4/2019	0.171%	0.237%	0.19%	0.167%	-0.066%	0.024%
12/3/2019	0.068%	0.094%	0.06%	-0.004%	-0.026%	0.061%
12/2/2019	0.030%	-0.020%	0.00%	0.025%	0.050%	-0.021%
12/1/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/30/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/29/2019	0.023%	0.022%	0.03%	0.016%	0.001%	0.017%
11/28/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/27/2019	0.034%	0.052%	0.06%	0.061%	-0.019%	0.000%
11/26/2019	0.043%	0.071%	0.04%	0.082%	-0.028%	-0.047%
11/25/2019	0.071%	0.068%	0.03%	0.038%	0.003%	-0.009%
11/24/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/23/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/22/2019	-0.034%	-0.021%	0.01%	-0.020%	-0.013%	0.028%
11/21/2019	0.015%	-0.046%	-0.02%	-0.021%	0.061%	0.001%
11/20/2019	-0.001%	0.015%	0.03%	0.023%	-0.017%	0.004%
11/19/2019	-0.013%	-0.008%	0.00%	-0.002%	-0.005%	0.001%
11/18/2019	0.017%	0.031%	0.02%	0.006%	-0.014%	0.013%
11/17/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/16/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/15/2019	0.034%	0.034%	0.03%	0.018%	0.000%	0.016%
11/14/2019	0.050%	0.061%	-0.01%	0.016%	-0.011%	-0.025%
11/13/2019	0.028%	0.076%	0.05%	0.094%	-0.048%	-0.043%
11/12/2019	0.055%	0.119%	0.05%	0.059%	-0.064%	-0.012%
11/11/2019	0.018%	0.000%	0.01%	0.014%	0.018%	-0.003%
11/10/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/9/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/8/2019	0.072%	0.076%	0.11%	0.090%	-0.003%	0.023%
11/7/2019	0.072%	0.066%	0.09%	0.086%	0.006%	0.001%
11/6/2019	0.003%	0.004%	-0.01%	-0.009%	-0.001%	0.001%
11/5/2019	0.018%	0.064%	0.01%	-0.032%	-0.046%	0.043%
11/4/2019	0.034%	0.060%	0.03%	0.038%	-0.025%	-0.012%
11/3/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/2/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
11/1/2019	0.044%	0.003%	0.05%	0.049%	0.041%	0.006%
10/31/2019	-0.027%	-0.011%	0.02%	0.030%	-0.016%	-0.011%
10/30/2019	-0.021%	-0.010%	-0.02%	-0.015%	-0.011%	-0.009%
10/29/2019	-0.004%	-0.030%	-0.04%	-0.034%	0.026%	-0.003%
10/28/2019	0.022%	0.043%	0.01%	0.014%	-0.021%	-0.008%
10/27/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
10/26/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
10/25/2019	0.008%	-0.004%	0.02%	-0.011%	0.011%	0.035%
10/24/2019	0.016%	0.043%	0.04%	0.078%	-0.027%	-0.035%
10/23/2019	0.024%	0.054%	0.05%	0.046%	-0.030%	0.005%
10/22/2019	-0.013%	0.031%	0.04%	0.021%	-0.044%	0.017%
10/21/2019	0.000%	0.014%	-0.01%	0.034%	-0.014%	-0.041%

10/20/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
10/19/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
10/18/2019	0.089%	0.107%	0.15%	0.111%	-0.018%	0.041%
10/17/2019	0.047%	0.086%	0.05%	0.076%	-0.039%	-0.030%
10/16/2019	0.061%	0.086%	0.07%	0.114%	-0.025%	-0.045%
10/15/2019	0.036%	0.117%	0.04%	0.057%	-0.081%	-0.012%
10/14/2019	0.055%	0.000%	0.04%	0.015%	0.055%	0.027%
10/13/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
10/12/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
10/11/2019	-0.026%	0.008%	0.05%	-0.025%	-0.035%	0.079%
10/10/2019	-0.090%	-0.160%	-0.16%	-0.153%	0.070%	-0.006%
10/9/2019	-0.036%	-0.018%	-0.02%	-0.043%	-0.018%	0.027%
10/8/2019	-0.155%	-0.155%	-0.17%	-0.121%	0.000%	-0.045%
10/7/2019	-0.009%	-0.012%	-0.02%	-0.080%	0.003%	0.057%
10/6/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
10/5/2019	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
10/4/2019	-0.035%	-0.048%	-0.06%	-0.106%	0.014%	0.043%
10/3/2019	-0.108%	-0.097%	-0.11%	-0.135%	-0.011%	0.024%
10/2/2019	-0.140%	-0.197%	-0.18%	-0.193%	0.056%	0.014%
10/1/2019	-0.018%	-0.119%	-0.10%	0.007%	0.101%	-0.103%
9/30/2019	0.028%	0.035%	0.01%	0.015%	-0.006%	-0.002%
9/29/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
9/28/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
9/27/2019	-0.014%	-0.020%	-0.02%	-0.027%	0.006%	0.004%
9/26/2019	-0.065%	-0.074%	-0.05%	-0.043%	0.009%	-0.003%
9/25/2019	-0.014%	-0.072%	-0.07%	-0.095%	0.058%	0.023%
9/24/2019	0.022%	0.023%	0.02%	0.030%	-0.001%	-0.009%
9/23/2019	-0.094%	-0.050%	-0.07%	-0.022%	-0.044%	-0.047%
9/22/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
9/21/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
9/20/2019	0.098%	0.131%	0.11%	0.059%	-0.033%	0.055%
9/19/2019	-0.097%	-0.077%	-0.09%	-0.084%	-0.020%	-0.011%
9/18/2019	-0.171%	-0.200%	-0.13%	-0.137%	0.028%	0.007%
9/17/2019	0.003%	-0.004%	-0.02%	-0.014%	0.006%	-0.008%
9/16/2019	0.094%	0.130%	0.10%	0.116%	-0.037%	-0.011%
9/15/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
9/14/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
9/13/2019	0.060%	0.076%	0.09%	0.091%	-0.016%	0.001%
9/12/2019	0.094%	0.107%	0.08%	0.159%	-0.012%	-0.080%
9/11/2019	0.198%	0.191%	0.19%	0.120%	0.006%	0.068%
9/10/2019	0.133%	0.156%	0.14%	0.145%	-0.023%	-0.005%
9/9/2019	0.061%	0.080%	0.05%	0.064%	-0.018%	-0.011%
9/8/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
9/7/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
9/6/2019	0.048%	0.052%	0.08%	0.049%	-0.004%	0.030%
9/5/2019	0.026%	0.099%	0.08%	0.076%	-0.073%	0.004%
9/4/2019	0.019%	0.029%	0.03%	0.029%	-0.011%	0.000%
9/3/2019	0.000%	0.006%	0.00%	-0.002%	-0.006%	0.002%
9/2/2019	0.036%	0.014%	-0.02%	0.015%	0.021%	-0.031%
9/1/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
8/31/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%

8/30/2019	0.112%	0.031%	0.06%	0.031%	0.081%	0.032%
8/29/2019	0.000%	0.045%	0.04%	0.041%	-0.045%	-0.005%
8/28/2019	0.003%	0.029%	0.01%	-0.009%	-0.027%	0.018%
8/27/2019	0.004%	0.031%	0.04%	0.053%	-0.027%	-0.018%
8/26/2019	0.049%	0.056%	0.01%	0.020%	-0.008%	-0.008%
8/25/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
8/24/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
8/23/2019	-0.030%	0.009%	0.02%	0.024%	-0.039%	-0.003%
8/22/2019	0.046%	0.046%	0.06%	0.053%	-0.001%	0.007%
8/21/2019	-0.002%	0.006%	0.03%	0.052%	-0.008%	-0.020%
8/20/2019	-0.016%	-0.007%	0.02%	-0.003%	-0.009%	0.027%
8/19/2019	0.097%	0.085%	0.04%	0.025%	0.011%	0.015%
8/18/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
8/17/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
8/16/2019	-0.072%	-0.024%	0.05%	0.010%	-0.047%	0.037%
8/15/2019	-0.056%	-0.055%	-0.04%	-0.128%	-0.001%	0.086%
8/14/2019	-0.171%	-0.217%	-0.19%	-0.092%	0.046%	-0.094%
8/13/2019	-0.052%	-0.025%	-0.02%	-0.072%	-0.027%	0.057%
8/12/2019	-0.039%	-0.074%	-0.08%	-0.056%	0.035%	-0.026%
8/11/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
8/10/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
8/9/2019	-0.105%	-0.100%	-0.07%	-0.089%	-0.005%	0.024%
8/8/2019	-0.046%	0.042%	0.01%	-0.014%	-0.088%	0.028%
8/7/2019	-0.166%	-0.212%	-0.20%	-0.167%	0.046%	-0.029%
8/6/2019	0.064%	0.082%	0.09%	0.013%	-0.018%	0.077%
8/5/2019	-0.276%	-0.220%	-0.26%	-0.186%	-0.055%	-0.070%
8/4/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
8/3/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
8/2/2019	-0.126%	-0.099%	-0.05%	-0.076%	-0.028%	0.025%
8/1/2019	0.019%	-0.010%	0.02%	0.037%	0.029%	-0.018%
7/31/2019	0.081%	0.068%	0.06%	0.061%	0.013%	0.001%
7/30/2019	-0.025%	-0.014%	-0.01%	-0.003%	-0.011%	-0.005%
7/29/2019	0.068%	0.108%	0.07%	0.104%	-0.040%	-0.033%
7/28/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
7/27/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
7/26/2019	0.014%	0.063%	0.09%	0.041%	-0.049%	0.046%
7/25/2019	0.036%	0.050%	0.04%	0.057%	-0.014%	-0.016%
7/24/2019	-0.038%	-0.002%	0.02%	-0.029%	-0.037%	0.052%
7/23/2019	0.006%	0.014%	-0.01%	0.016%	-0.008%	-0.024%
7/22/2019	0.033%	0.046%	-0.01%	0.013%	-0.012%	-0.018%
7/21/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
7/20/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
7/19/2019	-0.003%	-0.002%	0.03%	0.003%	-0.002%	0.027%
7/18/2019	-0.052%	-0.019%	-0.04%	-0.019%	-0.033%	-0.023%
7/17/2019	0.042%	0.072%	0.04%	0.067%	-0.030%	-0.023%
7/16/2019	0.046%	0.084%	0.08%	0.095%	-0.038%	-0.015%
7/15/2019	0.077%	0.106%	0.07%	0.088%	-0.029%	-0.021%
7/14/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
7/13/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
7/12/2019	0.122%	0.097%	0.09%	0.059%	0.025%	0.029%
7/11/2019	0.059%	0.082%	0.08%	0.008%	-0.023%	0.068%



7/10/2019	0.132%	0.077%	0.01%	0.054%	0.055%	-0.048%
7/9/2019	0.039%	0.042%	0.02%	0.027%	-0.003%	-0.004%
7/8/2019	0.066%	0.098%	0.06%	0.059%	-0.032%	-0.002%
7/7/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
7/6/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
7/5/2019	0.018%	0.015%	0.02%	0.020%	0.003%	0.005%
7/4/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
7/3/2019	0.022%	0.030%	0.05%	0.045%	-0.009%	0.004%
7/2/2019	0.056%	0.057%	0.03%	0.051%	-0.001%	-0.017%
7/1/2019	0.105%	0.043%	0.05%	0.082%	0.062%	-0.034%
6/30/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
6/29/2019	0.000%	0.000%	0.00%	0.016%	0.000%	-0.016%
6/28/2019	0.035%	0.075%	0.09%	0.024%	-0.040%	0.061%
6/27/2019	0.047%	0.039%	0.04%	0.054%	0.008%	-0.010%
6/26/2019	-0.024%	-0.068%	-0.08%	-0.121%	0.044%	0.040%
6/25/2019	-0.085%	-0.076%	-0.10%	-0.058%	-0.010%	-0.039%
6/24/2019	-0.221%	0.008%	0.01%	-0.007%	-0.230%	0.022%
6/23/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
6/22/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
6/21/2019	-0.047%	-0.023%	0.01%	-0.031%	-0.024%	0.037%
6/20/2019	0.044%	0.052%	0.08%	0.073%	-0.007%	0.007%
6/19/2019	-0.041%	-0.021%	0.01%	0.015%	-0.020%	-0.009%
6/18/2019	0.027%	0.065%	0.06%	0.039%	-0.038%	0.022%
6/17/2019	0.071%	0.029%	-0.01%	0.000%	0.042%	-0.013%
6/16/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
6/15/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
6/14/2019	-0.041%	-0.028%	0.00%	-0.033%	-0.013%	0.034%
6/13/2019	-0.016%	-0.136%	-0.05%	-0.002%	0.120%	-0.046%
6/12/2019	-0.058%	0.065%	-0.01%	-0.043%	-0.123%	0.038%
6/11/2019	0.042%	0.027%	0.03%	0.014%	0.014%	0.016%
6/10/2019	0.003%	0.089%	0.03%	0.059%	-0.086%	-0.026%
6/9/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
6/8/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
6/7/2019	0.038%	0.034%	0.08%	0.036%	0.004%	0.049%
6/6/2019	-0.013%	0.015%	0.00%	0.013%	-0.028%	-0.015%
6/5/2019	0.044%	0.065%	0.07%	0.064%	-0.022%	0.007%
6/4/2019	-0.003%	0.033%	0.06%	-0.020%	-0.036%	0.077%
6/3/2019	-0.014%	-0.026%	-0.08%	-0.050%	0.012%	-0.029%
6/2/2019	0.000%	0.000%	0.00%	0.016%	0.000%	-0.016%
6/1/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
5/31/2019	-0.173%	-0.201%	-0.17%	-0.193%	0.028%	0.028%
5/30/2019	-0.301%	0.058%	0.05%	0.018%	-0.359%	0.028%
5/29/2019	0.000%	-0.288%	-0.24%	-0.197%	0.288%	-0.043%
5/28/2019	0.044%	0.026%	0.00%	-0.018%	0.018%	0.013%
5/27/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
5/26/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
5/25/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
5/24/2019	-0.005%	-0.007%	0.06%	-0.030%	0.002%	0.086%
5/23/2019	-0.081%	-0.117%	-0.12%	-0.123%	0.037%	0.005%
5/22/2019	-0.016%	-0.064%	-0.06%	-0.039%	0.048%	-0.019%
5/21/2019	0.077%	0.019%	0.02%	0.023%	0.058%	0.000%

5/20/2019	0.108%	0.041%	0.00%	0.022%	0.068%	-0.018%
5/19/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
5/18/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
5/17/2019	-0.054%	0.006%	0.03%	0.060%	-0.060%	-0.027%
5/16/2019	0.084%	0.118%	0.11%	0.084%	-0.035%	0.028%
5/15/2019	0.097%	0.069%	0.04%	0.090%	0.028%	-0.054%
5/14/2019	0.107%	0.122%	0.10%	0.072%	-0.015%	0.032%
5/13/2019	-0.153%	-0.208%	-0.22%	-0.166%	0.055%	-0.055%
5/12/2019	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/11/2019	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/10/2019	-0.060%	-0.030%	-0.01%	-0.059%	-0.030%	0.049%
5/9/2019	-0.123%	-0.135%	-0.13%	-0.122%	0.012%	-0.013%
5/8/2019	0.011%	-0.068%	-0.06%	-0.104%	0.079%	0.043%
5/7/2019	-0.087%	-0.119%	-0.08%	-0.010%	0.031%	-0.067%
5/6/2019	-0.038%	-0.046%	-0.06%	-0.089%	0.008%	0.032%
5/5/2019	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/4/2019	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/3/2019	0.000%	0.016%	0.04%	0.026%	-0.016%	0.017%
5/2/2019	-0.003%	-0.002%	-0.01%	0.000%	-0.001%	-0.012%
5/1/2019	0.011%	-0.073%	0.01%	0.007%	0.084%	0.006%
4/30/2019	0.001%	0.000%	0.00%	0.021%	0.001%	-0.018%
4/29/2019	0.099%	0.095%	0.06%	0.042%	0.003%	0.014%
4/28/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
4/27/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
4/26/2019	0.045%	0.042%	0.06%	0.062%	0.003%	0.000%
4/25/2019	-0.015%	-0.083%	0.00%	0.043%	0.068%	-0.040%
4/24/2019	0.051%	0.025%	0.08%	0.052%	0.026%	0.028%
4/23/2019	0.065%	0.075%	0.03%	0.054%	-0.011%	-0.019%
4/22/2019	0.060%	0.053%	0.03%	0.066%	0.007%	-0.036%
4/21/2019	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/20/2019	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/19/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
4/18/2019	0.006%	0.060%	0.06%	0.005%	-0.054%	0.051%
4/17/2019	0.075%	0.053%	0.04%	0.060%	0.022%	-0.017%
4/16/2019	0.108%	0.108%	0.08%	0.078%	-0.001%	0.001%
4/15/2019	0.064%	0.070%	0.04%	0.124%	-0.006%	-0.081%
4/14/2019	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/13/2019	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/12/2019	0.158%	0.177%	0.14%	0.136%	-0.019%	0.003%
4/11/2019	0.072%	0.080%	0.08%	0.064%	-0.008%	0.020%
4/10/2019	0.053%	0.057%	0.04%	1.266%	-0.004%	-1.223%
4/9/2019	0.053%	0.074%	0.04%	-1.154%	-0.020%	1.194%
4/8/2019	0.080%	0.093%	0.08%	0.180%	-0.013%	-0.103%
4/7/2019	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/6/2019	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/5/2019	0.094%	0.120%	0.14%	0.093%	-0.026%	0.046%
4/4/2019	0.144%	0.179%	0.13%	0.173%	-0.035%	-0.046%
4/3/2019	0.261%	0.221%	0.24%	0.218%	0.041%	0.025%
4/2/2019	0.153%	0.202%	0.19%	0.212%	-0.049%	-0.023%
4/1/2019	0.185%	0.211%	0.20%	0.242%	-0.026%	-0.045%
3/31/2019	0.000%	0.000%	0.00%	0.024%	0.000%	-0.024%



3/30/2019	0.000%	0.000%	0.00%	0.007%	0.000%	-0.007%
3/29/2019	0.093%	0.160%	0.17%	0.112%	-0.067%	0.055%
3/28/2019	0.015%	0.039%	0.05%	0.057%	-0.024%	-0.003%
3/27/2019	0.006%	-0.005%	-0.02%	-0.029%	0.011%	0.013%
3/26/2019	-0.013%	-0.034%	0.02%	-0.085%	0.021%	0.103%
3/25/2019	0.160%	-0.187%	-0.24%	-0.268%	0.347%	0.023%
3/24/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
3/23/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
3/22/2019	-0.261%	-0.242%	-0.18%	-0.168%	-0.019%	-0.011%
3/21/2019	-0.104%	-0.108%	-0.05%	-0.090%	0.004%	0.040%
3/20/2019	-0.086%	-0.055%	-0.05%	-0.062%	-0.032%	0.014%
3/19/2019	0.018%	0.030%	0.02%	0.030%	-0.012%	-0.008%
3/18/2019	0.035%	0.069%	0.03%	0.035%	-0.034%	-0.005%
3/17/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
3/16/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
3/15/2019	0.068%	0.075%	0.07%	0.050%	-0.008%	0.021%
3/14/2019	0.104%	0.120%	0.08%	0.082%	-0.016%	-0.004%
3/13/2019	0.010%	0.044%	0.05%	0.065%	-0.034%	-0.016%
3/12/2019	0.026%	0.034%	0.03%	0.058%	-0.008%	-0.024%
3/11/2019	0.056%	0.027%	-0.01%	-0.046%	0.029%	0.038%
3/10/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
3/9/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
3/8/2019	-0.132%	-0.150%	-0.13%	-0.175%	0.018%	0.042%
3/7/2019	-0.100%	-0.093%	-0.09%	-0.083%	-0.007%	-0.006%
3/6/2019	0.100%	-0.104%	-0.06%	-0.091%	0.204%	0.035%
3/5/2019	-0.225%	-0.015%	-0.03%	-0.029%	-0.210%	-0.003%
3/4/2019	-0.023%	0.022%	-0.02%	-0.017%	-0.045%	-0.008%
3/3/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
3/2/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
3/1/2019	0.065%	0.035%	0.06%	0.022%	0.030%	0.039%
2/28/2019	0.025%	0.032%	0.01%	0.004%	-0.007%	0.002%
2/27/2019	0.051%	0.088%	0.07%	0.100%	-0.037%	-0.027%
2/26/2019	0.159%	0.243%	0.19%	0.255%	-0.084%	-0.061%
2/25/2019	0.170%	0.205%	0.15%	0.168%	-0.035%	-0.015%
2/24/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
2/23/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
2/22/2019	0.091%	0.093%	0.13%	0.139%	-0.002%	-0.007%
2/21/2019	0.247%	0.210%	0.22%	0.186%	0.037%	0.035%
2/20/2019	0.179%	0.210%	0.16%	0.158%	-0.031%	0.005%
2/19/2019	0.071%	0.062%	0.04%	0.078%	0.009%	-0.033%
2/18/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
2/17/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
2/16/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
2/15/2019	0.137%	0.141%	0.14%	0.112%	-0.003%	0.031%
2/14/2019	0.025%	0.062%	0.10%	0.086%	-0.037%	0.011%
2/13/2019	0.098%	0.055%	0.05%	0.058%	0.043%	-0.011%
2/12/2019	0.081%	0.096%	0.09%	0.058%	-0.015%	0.029%
2/11/2019	-0.111%	0.044%	0.01%	0.026%	-0.155%	-0.018%
2/10/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
2/9/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
2/8/2019	0.029%	0.010%	0.03%	0.023%	0.019%	0.009%

2/7/2019	0.078%	0.067%	0.03%	0.061%	0.010%	-0.034%
2/6/2019	0.095%	0.091%	0.10%	0.132%	0.004%	-0.030%
2/5/2019	0.119%	0.150%	0.13%	0.152%	-0.032%	-0.021%
2/4/2019	0.046%	0.065%	0.02%	0.003%	-0.019%	0.019%
2/3/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
2/2/2019	0.000%	0.000%	0.00%	0.016%	0.000%	-0.016%
2/1/2019	0.038%	0.020%	0.05%	0.051%	0.018%	0.001%
1/31/2019	0.061%	0.064%	0.09%	0.060%	-0.004%	0.032%
1/30/2019	-0.061%	-0.052%	0.02%	0.032%	-0.009%	-0.016%
1/29/2019	-0.030%	0.032%	0.01%	0.053%	-0.062%	-0.044%
1/28/2019	0.031%	-0.025%	-0.06%	-0.048%	0.056%	-0.012%
1/27/2019	0.000%	0.000%	0.00%	0.016%	0.000%	-0.016%
1/26/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
1/25/2019	0.046%	-0.015%	0.04%	-0.005%	0.061%	0.050%
1/24/2019	-0.111%	-0.111%	-0.10%	-0.102%	0.000%	0.006%
1/23/2019	-0.057%	-0.032%	-0.07%	-0.101%	-0.025%	0.030%
1/22/2019	-0.086%	-0.042%	-0.08%	-0.050%	-0.044%	-0.032%
1/21/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
1/20/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
1/19/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
1/18/2019	0.097%	0.122%	0.13%	0.121%	-0.025%	0.014%
1/17/2019	-0.027%	0.028%	0.00%	0.038%	-0.055%	-0.033%
1/16/2019	0.207%	0.262%	0.22%	0.280%	-0.055%	-0.056%
1/15/2019	-0.095%	-0.080%	-0.07%	-0.072%	-0.014%	0.002%
1/14/2019	-0.190%	-0.178%	-0.20%	-0.223%	-0.012%	0.023%
1/13/2019	0.000%	0.000%	0.00%	0.016%	0.000%	-0.016%
1/12/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
1/11/2019	-0.131%	-0.091%	-0.08%	-0.128%	-0.040%	0.045%
1/10/2019	-0.421%	-0.487%	-0.36%	-0.445%	0.066%	0.087%
1/9/2019	0.110%	0.152%	0.10%	0.145%	-0.042%	-0.049%
1/8/2019	0.475%	0.557%	0.37%	0.567%	-0.082%	-0.193%
1/7/2019	0.900%	0.976%	0.90%	0.970%	-0.076%	-0.073%
1/6/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
1/5/2019	0.000%	0.000%	0.00%	0.016%	0.000%	-0.016%
1/4/2019	1.447%	1.792%	1.72%	1.669%	-0.346%	0.047%
1/3/2019	0.152%	0.291%	0.35%	0.467%	-0.139%	-0.115%
1/2/2019	0.025%	-0.072%	-0.03%	0.138%	0.096%	-0.167%
1/1/2019	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
12/31/2018	0.067%	0.200%	0.20%	0.159%	-0.133%	0.038%
12/30/2018	0.000%	0.000%	0.00%	0.007%	0.000%	-0.007%
12/29/2018	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
12/28/2018	0.050%	0.036%	0.04%	0.044%	0.014%	-0.001%
12/27/2018	-0.100%	-0.104%	-0.11%	-0.208%	0.004%	0.102%
12/26/2018	-0.103%	-0.187%	-0.16%	-0.284%	0.084%	0.121%
12/25/2018	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
12/24/2018	-0.155%	-0.017%	-0.05%	-0.021%	-0.139%	-0.031%
12/23/2018	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
12/22/2018	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
12/21/2018	-0.306%	-0.258%	-0.22%	-0.421%	-0.048%	0.199%
12/20/2018	-0.556%	-0.578%	-0.50%	-0.418%	0.021%	-0.081%
12/19/2018	-0.115%	-0.084%	-0.12%	-0.194%	-0.031%	0.077%

12/18/2018	-0.380%	-0.419%	-0.39%	-0.375%	0.039%	-0.020%
12/17/2018	-0.212%	-0.154%	-0.19%	-0.305%	-0.058%	0.113%
12/16/2018	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
12/15/2018	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
12/14/2018	-0.148%	-0.102%	-0.09%	-0.039%	-0.045%	-0.054%
12/13/2018	0.014%	0.107%	0.11%	0.009%	-0.093%	0.097%
12/12/2018	-0.164%	-0.194%	-0.16%	-0.162%	0.030%	-0.003%
12/11/2018	-0.016%	-0.060%	-0.16%	-0.229%	0.044%	0.066%
12/10/2018	-0.466%	-0.509%	-0.41%	-0.382%	0.043%	-0.024%
12/9/2018	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
12/8/2018	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
12/7/2018	-0.002%	0.037%	0.06%	-0.152%	-0.039%	0.213%
12/6/2018	-0.515%	-0.619%	-0.54%	-0.415%	0.104%	-0.124%
12/5/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
12/4/2018	-0.100%	-0.195%	-0.12%	-0.053%	0.095%	-0.065%
12/3/2018	0.221%	0.147%	0.15%	0.073%	0.074%	0.074%
12/2/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
12/1/2018	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
11/30/2018	-0.048%	-0.092%	0.00%	0.000%	0.043%	0.004%
11/29/2018	0.085%	0.109%	0.12%	0.024%	-0.024%	0.096%
11/28/2018	-0.100%	-0.158%	-0.12%	-0.213%	0.058%	0.096%
11/27/2018	-0.166%	-0.144%	-0.17%	-0.203%	-0.022%	0.028%
11/26/2018	-0.054%	-0.053%	-0.14%	-0.049%	-0.001%	-0.092%
11/25/2018	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
11/24/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/23/2018	0.000%	0.035%	0.02%	-0.007%	-0.035%	0.026%
11/22/2018	0.000%	0.000%	0.00%	0.015%	0.000%	-0.015%
11/21/2018	0.078%	0.042%	0.11%	-0.163%	0.036%	0.268%
11/20/2018	-0.446%	-0.467%	-0.43%	-0.278%	0.021%	-0.148%
11/19/2018	-0.166%	-0.110%	-0.10%	-0.095%	-0.056%	-0.006%
11/18/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/17/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/16/2018	-0.187%	-0.180%	-0.13%	-0.126%	-0.006%	-0.008%
11/15/2018	-0.187%	-0.207%	-0.17%	-0.137%	0.020%	-0.035%
11/14/2018	-0.112%	-0.102%	-0.09%	-0.083%	-0.011%	-0.006%
11/13/2018	-0.074%	-0.058%	-0.10%	-0.074%	-0.016%	-0.023%
11/12/2018	0.022%	0.000%	0.01%	0.014%	0.022%	-0.001%
11/11/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/10/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/9/2018	-0.037%	-0.030%	-0.02%	0.001%	-0.007%	-0.025%
11/8/2018	0.017%	0.026%	0.04%	0.022%	-0.008%	0.017%
11/7/2018	0.055%	0.053%	0.05%	0.052%	0.003%	0.000%
11/6/2018	0.033%	0.016%	0.01%	0.005%	0.018%	0.008%
11/5/2018	0.008%	0.016%	0.00%	-0.001%	-0.009%	0.002%
11/4/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/3/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
11/2/2018	-0.026%	-0.004%	0.03%	0.031%	-0.022%	-0.003%
11/1/2018	0.085%	0.025%	0.05%	0.049%	0.060%	-0.003%
10/31/2018	0.052%	0.041%	0.06%	-0.052%	0.011%	0.110%
10/30/2018	-0.204%	-0.208%	-0.17%	-0.127%	0.004%	-0.039%
10/29/2018	-0.017%	0.008%	-0.03%	-0.050%	-0.025%	0.023%

10/28/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
10/27/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
10/26/2018	-0.175%	-0.156%	-0.09%	-0.093%	-0.019%	0.000%
10/25/2018	-0.013%	-0.100%	-0.06%	-0.042%	0.087%	-0.023%
10/24/2018	-0.112%	-0.015%	0.00%	-0.007%	-0.097%	0.005%
10/23/2018	-0.102%	-0.116%	-0.08%	-0.060%	0.014%	-0.021%
10/22/2018	0.020%	0.033%	0.01%	0.012%	-0.012%	-0.004%
10/21/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
10/20/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
10/19/2018	-0.022%	-0.002%	0.02%	0.008%	-0.020%	0.016%
10/18/2018	-0.042%	0.003%	0.00%	0.013%	-0.044%	-0.016%
10/17/2018	0.011%	0.017%	0.01%	0.022%	-0.007%	-0.011%
10/16/2018	0.048%	0.048%	0.05%	0.034%	0.000%	0.012%
10/15/2018	0.050%	0.058%	0.02%	0.000%	-0.008%	0.023%
10/14/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
10/13/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
10/12/2018	0.009%	0.048%	0.05%	0.012%	-0.040%	0.041%
10/11/2018	-0.168%	-0.164%	-0.11%	-0.080%	-0.004%	-0.033%
10/10/2018	-0.064%	-0.035%	-0.03%	-0.022%	-0.029%	-0.004%
10/9/2018	-0.048%	0.012%	-0.02%	-0.013%	-0.060%	-0.011%
10/8/2018	0.018%	0.000%	0.01%	0.014%	0.018%	-0.001%
10/7/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
10/6/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
10/5/2018	0.009%	0.013%	0.03%	0.028%	-0.004%	-0.001%
10/4/2018	0.010%	0.004%	0.00%	0.012%	0.006%	-0.010%
10/3/2018	0.042%	0.044%	0.02%	0.035%	-0.002%	-0.012%
10/2/2018	0.034%	0.039%	0.03%	0.027%	-0.005%	0.000%
10/1/2018	0.020%	0.022%	0.01%	0.019%	-0.002%	-0.011%
9/30/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
9/29/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
9/28/2018	0.021%	0.030%	0.05%	0.035%	-0.009%	0.017%
9/27/2018	0.077%	0.036%	0.04%	0.029%	0.042%	0.010%
9/26/2018	0.000%	0.041%	0.03%	0.031%	-0.041%	-0.001%
9/25/2018	0.041%	0.050%	0.03%	0.048%	-0.008%	-0.018%
9/24/2018	0.093%	0.094%	0.05%	0.041%	-0.001%	0.012%
9/23/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
9/22/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
9/21/2018	0.043%	0.028%	0.03%	0.058%	0.015%	-0.027%
9/20/2018	0.080%	0.059%	0.05%	0.029%	0.022%	0.022%
9/19/2018	0.011%	0.061%	0.19%	0.050%	-0.050%	0.136%
9/18/2018	0.008%	0.006%	0.01%	-0.011%	0.002%	0.020%
9/17/2018	-0.004%	0.022%	0.01%	0.022%	-0.027%	-0.012%
9/16/2018	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/15/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
9/14/2018	0.022%	0.050%	0.05%	0.036%	-0.028%	0.013%
9/13/2018	0.033%	0.049%	0.04%	0.038%	-0.016%	0.003%
9/12/2018	0.057%	0.053%	0.05%	0.034%	0.004%	0.015%
9/11/2018	0.045%	0.050%	0.03%	0.035%	-0.006%	-0.001%
9/10/2018	0.031%	0.040%	0.01%	0.000%	-0.009%	0.012%
9/9/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
9/8/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%

9/7/2018	0.012%	0.021%	0.04%	0.024%	-0.009%	0.012%
9/6/2018	0.034%	0.010%	0.03%	0.035%	0.024%	-0.004%
9/5/2018	-0.064%	-0.003%	-0.01%	0.009%	-0.061%	-0.016%
9/4/2018	-0.027%	0.013%	0.01%	0.015%	-0.040%	0.000%
9/3/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
9/2/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
9/1/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
8/31/2018	0.040%	0.019%	0.05%	0.018%	0.021%	0.032%
8/30/2018	-0.007%	0.022%	0.01%	0.021%	-0.029%	-0.010%
8/29/2018	0.050%	0.039%	0.03%	0.011%	0.011%	0.018%
8/28/2018	0.014%	0.029%	0.02%	0.027%	-0.015%	-0.002%
8/27/2018	0.038%	0.039%	0.01%	0.028%	-0.001%	-0.018%
8/26/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
8/25/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
8/24/2018	0.043%	0.033%	0.04%	0.080%	0.010%	-0.035%
8/23/2018	0.039%	0.015%	0.02%	0.000%	0.024%	0.018%
8/22/2018	0.039%	0.028%	0.01%	0.000%	0.011%	0.012%
8/21/2018	-0.037%	-0.015%	0.00%	0.000%	-0.021%	-0.003%
8/20/2018	0.023%	0.030%	0.01%	0.000%	-0.007%	0.008%
8/19/2018	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/18/2018	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/17/2018	0.022%	0.012%	0.03%	0.015%	0.009%	0.020%
8/16/2018	0.030%	0.022%	0.01%	0.018%	0.008%	-0.005%
8/15/2018	-0.043%	-0.019%	-0.01%	-0.016%	-0.024%	0.007%
8/14/2018	0.007%	0.011%	0.01%	0.002%	-0.003%	0.009%
8/13/2018	0.048%	0.037%	0.00%	0.026%	0.011%	-0.021%
8/12/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
8/11/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
8/10/2018	0.070%	0.028%	0.05%	0.011%	0.042%	0.037%
8/9/2018	0.048%	0.014%	0.03%	0.031%	0.035%	0.002%
8/8/2018	0.043%	0.040%	0.02%	0.022%	0.003%	-0.006%
8/7/2018	0.012%	0.019%	0.01%	0.033%	-0.006%	-0.023%
8/6/2018	0.041%	0.062%	0.03%	0.027%	-0.021%	0.000%
8/5/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
8/4/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
8/3/2018	0.017%	0.013%	0.04%	0.035%	0.004%	0.005%
8/2/2018	0.025%	0.011%	0.02%	0.016%	0.014%	0.004%
8/1/2018	0.132%	-0.057%	0.02%	0.012%	0.188%	0.012%
7/31/2018	0.044%	0.075%	0.01%	0.029%	-0.031%	-0.016%
7/30/2018	-0.128%	0.059%	0.03%	0.033%	-0.187%	-0.002%
7/29/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
7/28/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
7/27/2018	0.014%	0.026%	0.04%	0.015%	-0.012%	0.027%
7/26/2018	0.030%	0.028%	0.01%	0.023%	0.002%	-0.014%
7/25/2018	0.040%	0.038%	0.04%	0.037%	0.003%	0.004%
7/24/2018	0.044%	0.039%	0.03%	0.028%	0.005%	0.007%
7/23/2018	0.032%	0.048%	0.01%	0.015%	-0.016%	-0.005%
7/22/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
7/21/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
7/20/2018	-0.002%	0.000%	0.03%	0.012%	-0.002%	0.013%
7/19/2018	0.096%	0.022%	0.01%	0.034%	0.074%	-0.020%

7/18/2018	0.020%	0.026%	0.03%	0.035%	-0.007%	-0.007%
7/17/2018	0.048%	0.057%	0.04%	0.032%	-0.009%	0.013%
7/16/2018	0.039%	0.050%	0.02%	0.017%	-0.012%	-0.001%
7/15/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
7/14/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
7/13/2018	0.019%	0.038%	0.04%	0.031%	-0.019%	0.010%
7/12/2018	0.028%	0.041%	0.02%	0.029%	-0.013%	-0.006%
7/11/2018	-0.006%	0.016%	0.00%	0.022%	-0.022%	-0.020%
7/10/2018	0.084%	0.053%	0.09%	0.075%	0.031%	0.014%
7/9/2018	0.118%	0.199%	0.10%	0.085%	-0.080%	0.014%
7/8/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
7/7/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
7/6/2018	0.053%	0.057%	0.08%	0.062%	-0.004%	0.016%
7/5/2018	0.142%	0.093%	0.08%	0.058%	0.049%	0.023%
7/4/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
7/3/2018	0.024%	0.075%	0.08%	0.057%	-0.051%	0.024%
7/2/2018	0.052%	-0.025%	-0.01%	0.018%	0.077%	-0.028%
7/1/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
6/30/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
6/29/2018	0.000%	0.060%	0.07%	-0.014%	-0.060%	0.084%
6/28/2018	-0.240%	-0.180%	-0.15%	-0.113%	-0.061%	-0.035%
6/27/2018	-0.040%	-0.098%	-0.05%	-0.035%	0.058%	-0.016%
6/26/2018	-0.028%	-0.041%	-0.05%	-0.045%	0.012%	-0.002%
6/25/2018	-0.049%	0.000%	-0.03%	-0.031%	-0.049%	0.001%
6/24/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
6/23/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
6/22/2018	0.026%	0.022%	0.04%	0.025%	0.003%	0.011%
6/21/2018	-0.024%	-0.007%	0.02%	-0.009%	-0.017%	0.025%
6/20/2018	0.013%	0.021%	0.02%	0.010%	-0.008%	0.014%
6/19/2018	-0.109%	-0.107%	-0.10%	-0.055%	-0.002%	-0.043%
6/18/2018	-0.057%	-0.036%	-0.05%	-0.044%	-0.021%	-0.006%
6/17/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
6/16/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
6/15/2018	0.015%	-0.004%	0.01%	-0.011%	0.019%	0.025%
6/14/2018	-0.025%	-0.014%	-0.01%	-0.013%	-0.011%	0.003%
6/13/2018	0.011%	0.017%	0.00%	-0.002%	-0.006%	0.004%
6/12/2018	0.011%	0.028%	0.00%	0.006%	-0.017%	-0.007%
6/11/2018	0.048%	0.024%	0.01%	0.011%	0.024%	-0.002%
6/10/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
6/9/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
6/8/2018	0.029%	0.007%	0.03%	0.002%	0.022%	0.028%
6/7/2018	0.008%	0.052%	0.02%	0.027%	-0.044%	-0.003%
6/6/2018	-0.023%	0.067%	0.05%	0.062%	-0.091%	-0.009%
6/5/2018	0.096%	0.112%	0.09%	0.068%	-0.016%	0.017%
6/4/2018	0.073%	0.100%	0.05%	0.038%	-0.028%	0.007%
6/3/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
6/2/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
6/1/2018	0.074%	-0.028%	0.04%	0.013%	0.102%	0.028%
5/31/2018	0.038%	0.054%	0.04%	0.028%	-0.017%	0.011%
5/30/2018	-0.012%	0.003%	-0.02%	-0.023%	-0.015%	0.003%
5/29/2018	-0.088%	-0.075%	-0.08%	-0.058%	-0.012%	-0.023%



5/28/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
5/27/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
5/26/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
5/25/2018	-0.013%	-0.010%	0.02%	0.009%	-0.003%	0.012%
5/24/2018	0.032%	0.022%	0.02%	-0.010%	0.010%	0.030%
5/23/2018	0.001%	-0.026%	-0.04%	-0.033%	0.027%	-0.006%
5/22/2018	-0.016%	-0.021%	-0.02%	-0.018%	0.005%	0.002%
5/21/2018	0.006%	0.010%	-0.02%	0.000%	-0.004%	-0.017%
5/20/2018	0.000%	0.000%	0.00%	0.014%	0.000%	-0.014%
5/19/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
5/18/2018	-0.019%	0.007%	0.02%	0.004%	-0.026%	0.020%
5/17/2018	0.041%	0.053%	0.03%	0.004%	-0.012%	0.025%
5/16/2018	0.046%	0.015%	0.01%	-0.001%	0.032%	0.010%
5/15/2018	0.013%	-0.029%	-0.03%	0.010%	0.042%	-0.040%
5/14/2018	0.004%	0.039%	0.01%	0.015%	-0.035%	-0.001%
5/13/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
5/12/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
5/11/2018	0.008%	0.017%	0.05%	0.015%	-0.008%	0.031%
5/10/2018	-0.106%	0.002%	0.02%	0.020%	-0.108%	-0.002%
5/9/2018	-0.003%	0.006%	-0.01%	-0.003%	-0.008%	-0.005%
5/8/2018	-0.002%	-0.005%	-0.01%	-0.001%	0.003%	-0.009%
5/7/2018	0.046%	0.037%	0.00%	-0.005%	0.008%	0.007%
5/6/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
5/5/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
5/4/2018	-0.003%	0.001%	0.01%	-0.027%	-0.004%	0.041%
5/3/2018	-0.067%	-0.066%	-0.05%	-0.034%	-0.001%	-0.014%
5/2/2018	0.040%	0.023%	0.01%	0.006%	0.018%	-0.001%
5/1/2018	-0.038%	-0.076%	-0.03%	-0.013%	0.038%	-0.014%
4/30/2018	-0.045%	0.018%	-0.01%	0.001%	-0.063%	-0.009%
4/29/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
4/28/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
4/27/2018	0.006%	0.016%	0.03%	0.029%	-0.010%	0.003%
4/26/2018	-0.028%	-0.040%	-0.03%	-0.022%	0.013%	-0.006%
4/25/2018	0.057%	-0.029%	-0.02%	-0.019%	0.086%	0.001%
4/24/2018	0.076%	0.008%	0.00%	0.020%	0.069%	-0.024%
4/23/2018	-0.112%	-0.004%	-0.01%	0.003%	-0.108%	-0.015%
4/22/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
4/21/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
4/20/2018	0.006%	0.002%	0.02%	-0.004%	0.004%	0.027%
4/19/2018	-0.028%	-0.004%	-0.01%	0.013%	-0.023%	-0.022%
4/18/2018	0.057%	0.076%	0.05%	0.039%	-0.018%	0.007%
4/17/2018	0.076%	0.067%	0.06%	0.054%	0.009%	0.005%
4/16/2018	0.091%	0.086%	0.05%	0.038%	0.005%	0.009%
4/15/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
4/14/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
4/13/2018	0.046%	0.056%	0.07%	0.050%	-0.010%	0.024%
4/12/2018	0.104%	0.085%	0.06%	0.049%	0.019%	0.007%
4/11/2018	0.058%	0.078%	0.04%	0.002%	-0.020%	0.035%
4/10/2018	0.025%	0.028%	0.03%	0.029%	-0.002%	0.002%
4/9/2018	0.043%	0.078%	0.03%	0.026%	-0.035%	0.000%
4/8/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%

4/7/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
4/6/2018	0.024%	0.028%	0.04%	0.002%	-0.004%	0.040%
4/5/2018	0.054%	0.062%	0.06%	0.045%	-0.007%	0.011%
4/4/2018	-0.020%	-0.047%	-0.03%	-0.026%	0.027%	-0.006%
4/3/2018	-0.016%	-0.027%	-0.01%	-0.002%	0.011%	-0.011%
4/2/2018	-0.026%	-0.073%	-0.03%	-0.040%	0.047%	0.012%
4/1/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
3/31/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
3/30/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
3/29/2018	-0.030%	-0.026%	0.02%	0.014%	-0.003%	0.004%
3/28/2018	-0.020%	0.000%	-0.01%	-0.018%	-0.020%	0.012%
3/27/2018	0.012%	0.025%	0.02%	0.008%	-0.013%	0.015%
3/26/2018	0.021%	0.020%	0.00%	-0.012%	0.001%	0.011%
3/25/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
3/24/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
3/23/2018	-0.078%	-0.071%	0.00%	-0.010%	-0.007%	0.010%
3/22/2018	-0.021%	-0.025%	-0.01%	0.000%	0.004%	-0.011%
3/21/2018	0.026%	0.026%	0.01%	0.019%	0.000%	-0.008%
3/20/2018	-0.002%	-0.024%	-0.01%	0.004%	0.021%	-0.011%
3/19/2018	-0.010%	0.023%	0.00%	-0.046%	-0.032%	0.044%
3/18/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
3/17/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
3/16/2018	0.051%	0.009%	0.03%	0.020%	0.042%	0.015%
3/15/2018	-0.029%	-0.026%	-0.02%	-0.012%	-0.003%	-0.012%
3/14/2018	0.020%	0.018%	0.01%	0.022%	0.002%	-0.016%
3/13/2018	0.000%	0.009%	0.00%	0.024%	-0.009%	-0.021%
3/12/2018	0.092%	0.077%	0.04%	0.058%	0.015%	-0.022%
3/11/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
3/10/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
3/9/2018	0.077%	0.082%	0.08%	0.042%	-0.005%	0.037%
3/8/2018	0.076%	0.082%	0.06%	0.039%	-0.006%	0.022%
3/7/2018	-0.002%	0.003%	0.01%	0.045%	-0.005%	-0.030%
3/6/2018	0.098%	0.104%	0.07%	0.057%	-0.006%	0.011%
3/5/2018	0.038%	0.042%	0.01%	-0.026%	-0.004%	0.039%
3/4/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
3/3/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
3/2/2018	-0.053%	-0.067%	-0.05%	-0.049%	0.014%	-0.005%
3/1/2018	-0.028%	-0.103%	-0.04%	-0.038%	0.075%	0.001%
2/28/2018	0.021%	0.033%	0.01%	-0.003%	-0.012%	0.015%
2/27/2018	0.047%	0.049%	0.02%	0.063%	-0.001%	-0.048%
2/26/2018	0.162%	0.171%	0.07%	0.001%	-0.009%	0.073%
2/25/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
2/24/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
2/23/2018	-0.037%	-0.049%	-0.01%	0.009%	0.012%	-0.016%
2/22/2018	-0.058%	-0.040%	-0.02%	0.007%	-0.018%	-0.028%
2/21/2018	-0.035%	0.002%	0.00%	0.023%	-0.037%	-0.020%
2/20/2018	0.018%	0.030%	0.00%	0.024%	-0.011%	-0.025%
2/19/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
2/18/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
2/17/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
2/16/2018	0.067%	0.061%	0.08%	0.013%	0.006%	0.071%



2/15/2018	0.045%	0.051%	0.05%	0.053%	-0.006%	0.002%
2/14/2018	-0.004%	-0.017%	-0.03%	-0.058%	0.014%	0.030%
2/13/2018	0.029%	0.027%	-0.01%	0.036%	0.002%	-0.048%
2/12/2018	0.091%	0.111%	0.08%	-0.021%	-0.020%	0.098%
2/11/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
2/10/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
2/9/2018	-0.214%	-0.198%	-0.17%	-0.122%	-0.017%	-0.049%
2/8/2018	-0.069%	-0.068%	-0.03%	-0.006%	0.000%	-0.025%
2/7/2018	0.066%	0.065%	0.04%	0.021%	0.002%	0.024%
2/6/2018	-0.166%	-0.206%	-0.13%	-0.111%	0.040%	-0.017%
2/5/2018	-0.024%	-0.093%	-0.07%	-0.043%	0.069%	-0.031%
2/4/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
2/3/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
2/2/2018	-0.043%	0.021%	0.00%	0.004%	-0.064%	-0.001%
2/1/2018	0.070%	0.034%	0.05%	0.055%	0.037%	-0.007%
1/31/2018	0.113%	0.140%	0.06%	0.079%	-0.027%	-0.018%
1/30/2018	0.084%	0.109%	0.01%	0.021%	-0.026%	-0.015%
1/29/2018	0.111%	0.024%	0.04%	0.056%	0.087%	-0.019%
1/28/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
1/27/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
1/26/2018	0.087%	0.094%	0.08%	0.044%	-0.007%	0.037%
1/25/2018	0.038%	0.053%	0.06%	0.063%	-0.016%	0.001%
1/24/2018	0.057%	0.051%	0.04%	0.024%	0.005%	0.021%
1/23/2018	0.012%	0.039%	0.03%	0.046%	-0.027%	-0.014%
1/22/2018	-0.118%	0.044%	0.03%	0.013%	-0.163%	0.012%
1/21/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
1/20/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
1/19/2018	0.040%	0.067%	0.06%	0.055%	-0.027%	0.000%
1/18/2018	-0.045%	0.068%	0.05%	0.070%	-0.113%	-0.017%
1/17/2018	0.078%	0.041%	0.03%	0.032%	0.037%	0.000%
1/16/2018	0.282%	0.066%	0.05%	0.004%	0.216%	0.046%
1/15/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
1/14/2018	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
1/13/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
1/12/2018	0.001%	-0.007%	0.03%	0.053%	0.008%	-0.024%
1/11/2018	0.040%	0.052%	0.02%	0.021%	-0.011%	0.003%
1/10/2018	-0.045%	-0.007%	0.00%	0.040%	-0.038%	-0.039%
1/9/2018	0.078%	0.046%	0.03%	0.038%	0.032%	-0.011%
1/8/2018	0.155%	0.084%	0.02%	0.032%	0.071%	-0.011%
1/7/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
1/6/2018	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
1/5/2018	0.104%	0.102%	0.07%	0.079%	0.002%	-0.008%
1/4/2018	0.108%	0.122%	0.10%	0.092%	-0.015%	0.010%
1/3/2018	0.099%	0.106%	0.08%	0.039%	-0.006%	0.042%
1/2/2018	0.063%	-0.023%	0.03%	0.045%	0.086%	-0.011%
1/1/2018	0.000%	0.024%	0.00%	0.012%	-0.024%	-0.012%
12/31/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/30/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/29/2017	0.020%	0.021%	0.03%	0.023%	-0.002%	0.010%
12/28/2017	0.021%	0.008%	0.01%	0.008%	0.012%	0.004%
12/27/2017	0.003%	0.030%	0.03%	0.018%	-0.026%	0.007%

12/26/2017	0.078%	0.046%	0.01%	0.011%	0.033%	-0.002%
12/25/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/24/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/23/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/22/2017	0.044%	0.080%	0.04%	0.012%	-0.036%	0.029%
12/21/2017	-0.009%	-0.001%	0.01%	0.003%	-0.008%	0.008%
12/20/2017	0.041%	0.031%	0.00%	0.013%	0.010%	-0.009%
12/19/2017	0.011%	0.012%	0.00%	0.032%	-0.001%	-0.029%
12/18/2017	0.089%	0.111%	0.07%	0.024%	-0.023%	0.045%
12/17/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/16/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/15/2017	0.031%	0.022%	0.02%	0.016%	0.009%	0.009%
12/14/2017	0.006%	0.004%	0.01%	-0.014%	0.002%	0.020%
12/13/2017	-0.010%	-0.015%	-0.01%	-0.108%	0.004%	0.096%
12/12/2017	-0.109%	-0.067%	-0.11%	0.024%	-0.042%	-0.133%
12/11/2017	0.016%	0.016%	-0.01%	0.007%	0.000%	-0.014%
12/10/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/9/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/8/2017	-0.053%	-0.058%	0.03%	0.014%	0.005%	0.012%
12/7/2017	-0.046%	-0.032%	-0.01%	-0.016%	-0.014%	0.008%
12/6/2017	-0.018%	-0.004%	-0.01%	0.047%	-0.014%	-0.052%
12/5/2017	0.044%	0.054%	0.02%	0.006%	-0.010%	0.015%
12/4/2017	0.064%	0.077%	0.03%	0.032%	-0.013%	0.001%
12/3/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/2/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/1/2017	0.020%	-0.058%	0.05%	0.037%	0.078%	0.012%
11/30/2017	0.079%	0.088%	0.09%	0.081%	-0.008%	0.006%
11/29/2017	0.101%	0.092%	0.04%	0.056%	0.009%	-0.020%
11/28/2017	0.044%	0.044%	0.02%	-0.012%	0.000%	0.036%
11/27/2017	0.037%	0.048%	0.01%	0.046%	-0.011%	-0.038%
11/26/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
11/25/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
11/24/2017	0.032%	0.028%	0.03%	0.000%	0.004%	0.031%
11/23/2017	0.000%	0.000%	0.00%	-0.006%	0.000%	0.006%
11/22/2017	0.029%	0.026%	0.05%	0.012%	0.003%	0.035%
11/21/2017	0.077%	0.077%	0.06%	0.019%	0.000%	0.041%
11/20/2017	0.043%	0.049%	0.01%	0.055%	-0.007%	-0.047%
11/19/2017	0.000%	0.000%	0.00%	0.007%	0.000%	-0.007%
11/18/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
11/17/2017	0.011%	0.020%	0.06%	0.052%	-0.009%	0.012%
11/16/2017	0.040%	0.047%	0.10%	-0.010%	-0.007%	0.112%
11/15/2017	-0.182%	-0.179%	-0.13%	-0.120%	-0.003%	-0.011%
11/14/2017	-0.041%	-0.028%	-0.07%	-0.047%	-0.012%	-0.023%
11/13/2017	-0.008%	0.005%	-0.04%	0.058%	-0.013%	-0.099%
11/12/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
11/11/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
11/10/2017	-0.009%	-0.014%	0.02%	-0.055%	0.005%	0.071%
11/9/2017	-0.136%	-0.141%	-0.11%	-0.061%	0.004%	-0.053%
11/8/2017	-0.087%	-0.037%	-0.05%	-0.059%	-0.051%	0.006%
11/7/2017	-0.068%	-0.063%	-0.03%	-0.001%	-0.006%	-0.032%
11/6/2017	0.028%	0.032%	0.01%	-0.040%	-0.004%	0.053%

11/5/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
11/4/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
11/3/2017	-0.071%	-0.071%	-0.02%	-0.005%	0.000%	-0.011%
11/2/2017	-0.039%	-0.012%	-0.01%	0.004%	-0.027%	-0.018%
11/1/2017	-0.021%	-0.052%	-0.02%	0.017%	0.031%	-0.033%
10/31/2017	-0.020%	-0.026%	-0.01%	-0.017%	0.005%	0.006%
10/30/2017	-0.040%	-0.063%	-0.02%	-0.022%	0.022%	-0.003%
10/29/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
10/28/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
10/27/2017	-0.047%	-0.051%	-0.01%	-0.023%	0.004%	0.012%
10/26/2017	0.004%	0.026%	0.02%	0.010%	-0.022%	0.007%
10/25/2017	0.023%	0.019%	-0.01%	-0.013%	0.003%	0.005%
10/24/2017	0.028%	0.026%	0.01%	0.020%	0.002%	-0.012%
10/23/2017	0.027%	0.030%	0.00%	0.002%	-0.003%	0.000%
10/22/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
10/21/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
10/20/2017	0.037%	0.033%	0.05%	0.026%	0.004%	0.025%
10/19/2017	0.029%	0.020%	0.02%	0.011%	0.009%	0.010%
10/18/2017	0.061%	0.062%	-0.08%	0.038%	0.000%	-0.119%
10/17/2017	0.031%	0.037%	0.02%	0.034%	-0.006%	-0.011%
10/16/2017	0.055%	0.064%	0.02%	0.057%	-0.008%	-0.038%
10/15/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
10/14/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
10/13/2017	-0.007%	0.007%	0.03%	0.004%	-0.014%	0.026%
10/12/2017	0.023%	0.033%	0.02%	0.036%	-0.010%	-0.015%
10/11/2017	0.154%	0.040%	0.04%	0.031%	0.114%	0.008%
10/10/2017	0.000%	0.108%	0.06%	0.051%	-0.108%	0.005%
10/9/2017	-0.005%	0.000%	0.01%	0.012%	-0.005%	0.000%
10/8/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
10/7/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
10/6/2017	0.061%	0.053%	0.08%	0.058%	0.008%	0.021%
10/5/2017	0.063%	0.067%	0.08%	0.060%	-0.005%	0.017%
10/4/2017	0.047%	0.056%	0.06%	0.035%	-0.009%	0.021%
10/3/2017	0.017%	0.028%	0.01%	0.033%	-0.010%	-0.018%
10/2/2017	0.065%	0.058%	0.04%	0.014%	0.008%	0.021%
10/1/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
9/30/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
9/29/2017	0.029%	0.026%	0.03%	0.016%	0.003%	0.018%
9/28/2017	0.014%	0.013%	0.00%	0.024%	0.001%	-0.020%
9/27/2017	0.018%	0.027%	0.04%	0.017%	-0.009%	0.018%
9/26/2017	-0.010%	0.007%	0.01%	0.006%	-0.017%	-0.001%
9/25/2017	-0.004%	0.005%	0.01%	-0.011%	-0.010%	0.025%
9/24/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
9/23/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
9/22/2017	0.004%	0.009%	0.03%	0.022%	-0.005%	0.005%
9/21/2017	0.013%	0.018%	0.02%	0.016%	-0.006%	0.004%
9/20/2017	0.010%	0.016%	-0.01%	-0.011%	-0.005%	0.002%
9/19/2017	-0.006%	-0.003%	0.00%	0.052%	-0.003%	-0.052%
9/18/2017	0.085%	0.083%	0.04%	-0.053%	0.003%	0.095%
9/17/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
9/16/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%

9/15/2017	0.018%	0.014%	0.05%	-0.223%	0.004%	0.271%
9/14/2017	-0.010%	0.006%	0.01%	0.049%	-0.016%	-0.041%
9/13/2017	-0.049%	-0.040%	0.00%	0.049%	-0.009%	-0.052%
9/12/2017	-0.023%	-0.003%	-0.01%	0.049%	-0.020%	-0.061%
9/11/2017	0.048%	0.035%	0.00%	0.049%	0.014%	-0.051%
9/10/2017	0.000%	0.000%	0.00%	0.049%	0.000%	-0.049%
9/9/2017	0.000%	0.000%	0.00%	0.049%	0.000%	-0.049%
9/8/2017	-0.001%	-0.016%	-0.02%	0.010%	0.015%	-0.029%
9/7/2017	0.020%	0.053%	0.02%	0.030%	-0.033%	-0.005%
9/6/2017	0.057%	0.061%	0.02%	0.041%	-0.004%	-0.018%
9/5/2017	0.021%	0.036%	0.00%	0.005%	-0.015%	-0.001%
9/4/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
9/3/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
9/2/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
9/1/2017	0.014%	0.002%	0.04%	0.013%	0.011%	0.026%
8/31/2017	0.052%	0.029%	0.04%	0.027%	0.024%	0.011%
8/30/2017	0.044%	0.005%	0.01%	-0.006%	0.039%	0.013%
8/29/2017	-0.019%	-0.027%	-0.01%	-0.015%	0.008%	0.006%
8/28/2017	0.030%	0.030%	0.00%	0.000%	0.000%	-0.001%
8/27/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
8/26/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
8/25/2017	0.034%	0.029%	0.04%	0.017%	0.004%	0.019%
8/24/2017	0.037%	0.042%	0.05%	0.008%	-0.005%	0.044%
8/23/2017	-0.008%	-0.012%	0.01%	0.007%	0.003%	0.004%
8/22/2017	-0.006%	0.008%	0.00%	0.005%	-0.014%	-0.003%
8/21/2017	-0.008%	0.007%	-0.02%	-0.028%	-0.015%	0.009%
8/20/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
8/19/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
8/18/2017	-0.131%	-0.127%	-0.09%	-0.084%	-0.004%	-0.007%
8/17/2017	-0.041%	-0.029%	0.00%	0.011%	-0.012%	-0.015%
8/16/2017	-0.033%	-0.052%	-0.03%	-0.017%	0.018%	-0.013%
8/15/2017	-0.031%	0.006%	-0.01%	-0.078%	-0.037%	0.071%
8/14/2017	-0.004%	-0.007%	-0.02%	-0.011%	0.002%	-0.008%
8/13/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
8/12/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
8/11/2017	-0.047%	-0.034%	-0.03%	-0.104%	-0.014%	0.073%
8/10/2017	-0.172%	-0.187%	-0.10%	-0.038%	0.015%	-0.063%
8/9/2017	-0.055%	-0.045%	-0.07%	-0.042%	-0.010%	-0.027%
8/8/2017	-0.054%	-0.047%	-0.04%	-0.007%	-0.007%	-0.032%
8/7/2017	0.015%	0.015%	0.01%	0.022%	0.000%	-0.011%
8/6/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
8/5/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
8/4/2017	0.016%	0.017%	0.00%	0.004%	-0.001%	0.001%
8/3/2017	-0.045%	-0.056%	-0.01%	0.004%	0.011%	-0.017%
8/2/2017	-0.046%	-0.041%	-0.02%	0.010%	-0.005%	-0.030%
8/1/2017	0.028%	-0.035%	0.01%	0.015%	0.063%	-0.009%
7/31/2017	0.032%	0.044%	0.02%	0.016%	-0.012%	0.002%
7/30/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
7/29/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/28/2017	-0.005%	-0.004%	0.02%	0.016%	-0.001%	0.002%
7/27/2017	0.006%	0.014%	0.04%	0.051%	-0.008%	-0.015%

7/26/2017	0.045%	0.046%	0.06%	0.058%	-0.001%	-0.002%
7/25/2017	0.075%	0.079%	0.04%	0.036%	-0.005%	0.005%
7/24/2017	0.067%	0.048%	0.03%	0.021%	0.018%	0.010%
7/23/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/22/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
7/21/2017	0.040%	0.050%	0.06%	0.045%	-0.011%	0.012%
7/20/2017	0.099%	0.090%	0.09%	0.054%	0.009%	0.037%
7/19/2017	0.095%	0.072%	0.06%	0.038%	0.022%	0.023%
7/18/2017	-0.019%	0.040%	0.04%	0.027%	-0.059%	0.015%
7/17/2017	0.064%	0.079%	0.04%	0.035%	-0.015%	0.005%
7/16/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/15/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/14/2017	-0.011%	-0.010%	0.06%	0.007%	-0.001%	0.053%
7/13/2017	0.007%	0.009%	0.01%	0.021%	-0.002%	-0.014%
7/12/2017	0.041%	0.048%	0.04%	0.035%	-0.007%	0.008%
7/11/2017	0.010%	0.007%	0.01%	0.034%	0.003%	-0.021%
7/10/2017	0.051%	0.053%	0.02%	0.012%	-0.003%	0.009%
7/9/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/8/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
7/7/2017	0.032%	0.029%	0.03%	0.043%	0.003%	-0.009%
7/6/2017	0.030%	0.050%	0.03%	0.033%	-0.020%	-0.002%
7/5/2017	0.013%	0.019%	0.01%	0.033%	-0.006%	-0.025%
7/4/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
7/3/2017	0.057%	-0.009%	0.05%	0.024%	0.066%	0.025%
7/2/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
7/1/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
6/30/2017	0.037%	0.056%	0.06%	0.012%	-0.019%	0.043%
6/29/2017	0.004%	0.051%	0.00%	0.073%	-0.047%	-0.071%
6/28/2017	0.024%	0.036%	0.02%	-0.019%	-0.012%	0.038%
6/27/2017	0.029%	0.093%	0.03%	0.012%	-0.064%	0.019%
6/26/2017	0.037%	0.006%	0.01%	-0.020%	0.032%	0.033%
6/25/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
6/24/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
6/23/2017	0.020%	0.014%	0.04%	-0.054%	0.005%	0.092%
6/22/2017	-0.102%	-0.115%	-0.05%	-0.039%	0.013%	-0.010%
6/21/2017	-0.081%	-0.075%	-0.05%	-0.042%	-0.006%	-0.011%
6/20/2017	-0.067%	-0.081%	-0.12%	-0.052%	0.014%	-0.067%
6/19/2017	-0.044%	-0.042%	-0.05%	-0.050%	-0.001%	-0.001%
6/18/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
6/17/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
6/16/2017	-0.072%	-0.100%	-0.02%	-0.030%	0.028%	0.008%
6/15/2017	-0.062%	-0.077%	-0.06%	-0.039%	0.014%	-0.025%
6/14/2017	-0.025%	-0.035%	0.00%	-0.004%	0.010%	0.003%
6/13/2017	-0.023%	-0.034%	-0.01%	-0.003%	0.011%	-0.009%
6/12/2017	0.009%	0.006%	-0.02%	-0.009%	0.003%	-0.006%
6/11/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
6/10/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
6/9/2017	-0.004%	-0.008%	0.00%	-0.017%	0.004%	0.014%
6/8/2017	-0.023%	-0.029%	-0.02%	-0.019%	0.006%	0.000%
6/7/2017	-0.025%	-0.033%	-0.04%	-0.024%	0.008%	-0.013%
6/6/2017	-0.033%	-0.034%	-0.02%	-0.002%	0.001%	-0.013%

6/5/2017	0.026%	0.030%	0.00%	0.007%	-0.004%	-0.006%
6/4/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
6/3/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
6/2/2017	-0.003%	-0.001%	0.02%	0.007%	-0.002%	0.009%
6/1/2017	0.019%	-0.038%	0.00%	0.002%	0.056%	0.002%
5/31/2017	-0.013%	-0.009%	0.00%	0.018%	-0.004%	-0.018%
5/30/2017	0.030%	0.032%	0.00%	-0.019%	-0.002%	0.023%
5/29/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
5/28/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
5/27/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
5/26/2017	-0.038%	-0.037%	-0.01%	0.007%	-0.001%	-0.013%
5/25/2017	0.006%	0.008%	0.01%	0.018%	-0.002%	-0.011%
5/24/2017	0.113%	0.135%	0.08%	0.046%	-0.021%	0.035%
5/23/2017	-0.002%	-0.010%	-0.01%	0.025%	0.008%	-0.033%
5/22/2017	0.095%	0.090%	0.04%	0.018%	0.005%	0.026%
5/21/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
5/20/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
5/19/2017	0.008%	0.013%	0.03%	0.026%	-0.006%	0.001%
5/18/2017	-0.052%	-0.058%	-0.03%	-0.016%	0.006%	-0.011%
5/17/2017	-0.009%	0.004%	0.02%	0.020%	-0.013%	-0.004%
5/16/2017	0.017%	0.025%	0.03%	0.023%	-0.009%	0.011%
5/15/2017	0.033%	0.038%	0.01%	0.018%	-0.006%	-0.006%
5/14/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
5/13/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
5/12/2017	-0.005%	-0.014%	0.02%	-0.001%	0.009%	0.019%
5/11/2017	-0.014%	-0.018%	0.00%	0.023%	0.004%	-0.024%
5/10/2017	0.035%	0.046%	0.02%	0.032%	-0.011%	-0.009%
5/9/2017	0.054%	0.068%	0.07%	0.043%	-0.014%	0.026%
5/8/2017	0.035%	0.064%	0.03%	0.003%	-0.029%	0.023%
5/7/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
5/6/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
5/5/2017	-0.036%	-0.020%	0.00%	-0.039%	-0.016%	0.042%
5/4/2017	-0.024%	-0.004%	-0.01%	0.024%	-0.020%	-0.033%
5/3/2017	-0.003%	0.004%	0.03%	0.013%	-0.007%	0.020%
5/2/2017	0.031%	0.035%	0.03%	0.049%	-0.003%	-0.021%
5/1/2017	0.040%	0.007%	0.02%	0.014%	0.033%	0.006%
4/30/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
4/29/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
4/28/2017	0.015%	0.028%	0.05%	0.018%	-0.013%	0.028%
4/27/2017	0.027%	0.014%	0.01%	0.013%	0.014%	-0.007%
4/26/2017	0.043%	0.064%	0.03%	0.027%	-0.021%	-0.001%
4/25/2017	0.038%	0.061%	0.02%	0.027%	-0.023%	-0.009%
4/24/2017	0.031%	0.040%	0.00%	0.011%	-0.009%	-0.010%
4/23/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
4/22/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
4/21/2017	0.006%	0.003%	0.02%	-0.034%	0.003%	0.052%
4/20/2017	-0.045%	-0.067%	-0.03%	-0.028%	0.022%	-0.002%
4/19/2017	-0.022%	-0.020%	-0.02%	0.004%	-0.001%	-0.023%
4/18/2017	-0.007%	-0.017%	0.00%	0.017%	0.011%	-0.015%
4/17/2017	0.068%	0.052%	0.03%	0.039%	0.016%	-0.008%
4/16/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%



4/15/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
4/14/2017	0.000%	0.012%	0.00%	0.011%	-0.012%	-0.011%
4/13/2017	0.023%	0.019%	0.05%	0.015%	0.004%	0.032%
4/12/2017	0.012%	0.024%	0.01%	0.009%	-0.012%	0.002%
4/11/2017	0.037%	0.047%	0.02%	0.017%	-0.010%	0.004%
4/10/2017	0.039%	0.045%	0.02%	-0.004%	-0.006%	0.019%
4/9/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
4/8/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
4/7/2017	0.018%	0.028%	0.02%	0.020%	-0.010%	0.003%
4/6/2017	0.024%	0.050%	0.00%	0.014%	-0.026%	-0.009%
4/5/2017	0.006%	0.028%	0.02%	0.041%	-0.022%	-0.020%
4/4/2017	0.012%	0.032%	0.03%	0.037%	-0.020%	-0.010%
4/3/2017	0.059%	-0.071%	0.07%	0.043%	0.130%	0.024%
4/2/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
4/1/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
3/31/2017	0.101%	0.118%	0.12%	0.130%	-0.017%	-0.006%
3/30/2017	0.077%	0.083%	0.07%	0.085%	-0.006%	-0.010%
3/29/2017	0.079%	0.088%	0.09%	-0.025%	-0.009%	0.115%
3/28/2017	0.011%	0.052%	0.01%	0.033%	-0.041%	-0.019%
3/27/2017	-0.040%	-0.048%	-0.06%	-0.103%	0.008%	0.044%
3/26/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
3/25/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
3/24/2017	-0.039%	-0.009%	-0.02%	0.003%	-0.030%	-0.019%
3/23/2017	-0.057%	-0.067%	-0.06%	-0.012%	0.009%	-0.048%
3/22/2017	-0.185%	-0.121%	-0.13%	-0.098%	-0.063%	-0.034%
3/21/2017	-0.081%	-0.089%	-0.05%	-0.043%	0.008%	-0.011%
3/20/2017	-0.025%	-0.043%	-0.06%	-0.087%	0.017%	0.030%
3/19/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
3/18/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
3/17/2017	-0.048%	-0.046%	-0.05%	-0.059%	-0.002%	0.011%
3/16/2017	-0.036%	-0.052%	-0.02%	0.046%	0.016%	-0.063%
3/15/2017	0.023%	-0.011%	0.06%	-0.021%	0.033%	0.077%
3/14/2017	-0.085%	-0.091%	-0.08%	-0.049%	0.006%	-0.035%
3/13/2017	-0.035%	-0.057%	-0.04%	-0.031%	0.023%	-0.007%
3/12/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
3/11/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
3/10/2017	0.009%	0.011%	0.03%	-0.040%	-0.002%	0.066%
3/9/2017	-0.155%	-0.193%	-0.12%	-0.069%	0.038%	-0.047%
3/8/2017	-0.035%	-0.034%	-0.03%	0.009%	-0.001%	-0.035%
3/7/2017	-0.013%	-0.028%	-0.01%	-0.001%	0.015%	-0.013%
3/6/2017	0.010%	0.008%	-0.02%	0.010%	0.003%	-0.031%
3/5/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
3/4/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
3/3/2017	-0.016%	-0.009%	0.00%	-0.011%	-0.008%	0.012%
3/2/2017	0.130%	0.125%	0.09%	0.084%	0.005%	0.003%
3/1/2017	0.184%	0.041%	0.12%	0.105%	0.143%	0.010%
2/28/2017	0.063%	0.081%	0.05%	0.041%	-0.018%	0.010%
2/27/2017	0.133%	0.126%	0.07%	0.062%	0.007%	0.005%
2/26/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
2/25/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
2/24/2017	0.059%	0.062%	0.10%	0.099%	-0.003%	0.003%

2/23/2017	0.078%	0.082%	0.07%	0.049%	-0.004%	0.018%
2/22/2017	0.058%	0.057%	0.06%	0.027%	0.000%	0.032%
2/21/2017	0.123%	0.124%	0.06%	0.060%	-0.001%	-0.003%
2/20/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
2/19/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
2/18/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
2/17/2017	0.017%	0.015%	0.03%	0.006%	0.002%	0.026%
2/16/2017	0.014%	0.025%	0.06%	0.060%	-0.012%	-0.002%
2/15/2017	0.058%	0.054%	0.08%	0.069%	0.003%	0.007%
2/14/2017	0.039%	0.051%	0.02%	-0.011%	-0.012%	0.030%
2/13/2017	0.048%	0.086%	0.03%	0.018%	-0.038%	0.008%
2/12/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
2/11/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
2/10/2017	0.007%	0.000%	0.03%	0.005%	0.007%	0.023%
2/9/2017	0.001%	0.027%	0.00%	-0.008%	-0.026%	0.010%
2/8/2017	0.030%	0.035%	0.00%	-0.009%	-0.005%	0.009%
2/7/2017	-0.037%	0.001%	-0.02%	0.007%	-0.039%	-0.026%
2/6/2017	0.014%	0.019%	-0.01%	0.004%	-0.005%	-0.017%
2/5/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
2/4/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
2/3/2017	0.006%	0.049%	0.03%	-0.013%	-0.043%	0.041%
2/2/2017	-0.066%	-0.078%	-0.04%	-0.020%	0.012%	-0.018%
2/1/2017	-0.080%	-0.138%	-0.05%	-0.047%	0.057%	-0.006%
1/31/2017	-0.132%	-0.128%	-0.11%	-0.070%	-0.004%	-0.044%
1/30/2017	-0.029%	-0.025%	-0.02%	-0.003%	-0.003%	-0.013%
1/29/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
1/28/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
1/27/2017	0.000%	0.007%	0.03%	-0.003%	-0.007%	0.031%
1/26/2017	0.009%	0.006%	0.02%	0.013%	0.003%	0.004%
1/25/2017	-0.009%	-0.028%	0.00%	0.031%	0.019%	-0.036%
1/24/2017	0.033%	0.042%	0.02%	0.039%	-0.009%	-0.019%
1/23/2017	-0.003%	-0.011%	-0.03%	-0.048%	0.008%	0.018%
1/22/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
1/21/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
1/20/2017	-0.039%	-0.050%	-0.01%	-0.048%	0.011%	0.038%
1/19/2017	-0.018%	-0.023%	-0.02%	0.013%	0.005%	-0.037%
1/18/2017	-0.008%	-0.010%	0.00%	-0.017%	0.002%	0.013%
1/17/2017	0.022%	0.026%	-0.01%	0.003%	-0.004%	-0.015%
1/16/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
1/15/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
1/14/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
1/13/2017	0.002%	0.003%	0.01%	0.018%	-0.001%	-0.008%
1/12/2017	0.026%	0.035%	0.02%	0.035%	-0.008%	-0.011%
1/11/2017	0.024%	0.027%	0.03%	0.028%	-0.004%	-0.003%
1/10/2017	-0.015%	-0.024%	-0.02%	-0.046%	0.009%	0.030%
1/9/2017	-0.033%	-0.032%	0.00%	0.005%	0.000%	-0.010%
1/8/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
1/7/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
1/6/2017	-0.009%	-0.006%	0.05%	0.045%	-0.002%	0.006%
1/5/2017	-0.046%	-0.030%	0.04%	0.070%	-0.015%	-0.034%
1/4/2017	0.050%	0.051%	0.08%	0.045%	-0.001%	0.032%



1/3/2017	0.098%	0.021%	0.05%	0.096%	0.077%	-0.048%
1/2/2017	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
1/1/2017	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/31/2016	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
12/30/2016	0.036%	0.038%	0.04%	0.038%	-0.003%	0.002%
12/29/2016	0.003%	0.022%	0.03%	0.029%	-0.018%	0.004%
12/28/2016	0.020%	0.017%	0.03%	0.051%	0.003%	-0.022%
12/27/2016	0.073%	0.028%	0.03%	0.014%	0.045%	0.017%
12/26/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/25/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/24/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/23/2016	0.032%	0.030%	0.03%	0.011%	0.002%	0.021%
12/22/2016	0.017%	0.028%	0.01%	0.022%	-0.011%	-0.007%
12/21/2016	0.009%	0.006%	0.02%	0.033%	0.003%	-0.015%
12/20/2016	-0.009%	-0.023%	0.01%	0.017%	0.013%	-0.006%
12/19/2016	0.025%	0.021%	0.05%	0.038%	0.004%	0.008%
12/18/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/17/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/16/2016	0.088%	0.079%	0.07%	0.068%	0.009%	0.006%
12/15/2016	0.018%	-0.003%	0.00%	0.084%	0.020%	-0.083%
12/14/2016	0.067%	0.094%	0.08%	0.123%	-0.027%	-0.046%
12/13/2016	0.054%	0.047%	0.07%	0.022%	0.006%	0.045%
12/12/2016	0.099%	0.112%	0.06%	0.069%	-0.012%	-0.005%
12/11/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/10/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/9/2016	0.067%	0.041%	0.06%	0.035%	0.026%	0.028%
12/8/2016	0.043%	-0.010%	0.06%	0.048%	0.053%	0.015%
12/7/2016	0.028%	0.026%	0.04%	0.157%	0.002%	-0.115%
12/6/2016	0.166%	0.136%	0.15%	0.112%	0.030%	0.037%
12/5/2016	0.171%	0.170%	0.11%	0.086%	0.001%	0.028%
12/4/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/3/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/2/2016	0.100%	0.107%	0.11%	0.066%	-0.008%	0.043%
12/1/2016	0.112%	0.062%	0.07%	0.045%	0.050%	0.030%
11/30/2016	0.097%	0.112%	0.09%	0.069%	-0.015%	0.017%
11/29/2016	-0.027%	0.014%	0.02%	-0.002%	-0.041%	0.024%
11/28/2016	0.067%	0.069%	0.03%	0.070%	-0.002%	-0.043%
11/27/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
11/26/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
11/25/2016	0.037%	0.026%	0.04%	0.006%	0.011%	0.033%
11/24/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
11/23/2016	-0.015%	0.000%	0.04%	0.012%	-0.015%	0.033%
11/22/2016	0.200%	0.186%	0.10%	0.092%	0.014%	0.012%
11/21/2016	0.085%	0.129%	0.07%	0.095%	-0.045%	-0.022%
11/20/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
11/19/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
11/18/2016	0.071%	0.064%	0.03%	0.021%	0.007%	0.012%
11/17/2016	0.050%	0.050%	0.06%	0.020%	-0.001%	0.040%
11/16/2016	-0.003%	0.034%	0.03%	0.024%	-0.038%	0.006%
11/15/2016	0.062%	0.085%	0.04%	0.045%	-0.023%	-0.010%
11/14/2016	0.023%	0.037%	-0.04%	-0.031%	-0.014%	-0.012%

11/13/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
11/12/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
11/11/2016	0.111%	0.000%	0.03%	0.000%	0.111%	0.029%
11/10/2016	0.151%	0.144%	0.05%	0.012%	0.007%	0.037%
11/9/2016	-0.076%	-0.048%	-0.05%	0.077%	-0.027%	-0.125%
11/8/2016	0.018%	0.027%	-0.01%	-0.069%	-0.009%	0.054%
11/7/2016	0.116%	0.117%	0.08%	0.008%	-0.002%	0.069%
11/6/2016	0.000%	0.000%	0.00%	-0.007%	0.000%	0.007%
11/5/2016	0.000%	0.000%	0.00%	0.024%	0.000%	-0.024%
11/4/2016	-0.076%	-0.120%	-0.04%	-0.019%	0.043%	-0.025%
11/3/2016	-0.078%	-0.087%	-0.04%	-0.126%	0.010%	0.090%
11/2/2016	-0.323%	-0.253%	-0.17%	-0.134%	-0.070%	-0.038%
11/1/2016	-0.225%	-0.306%	-0.14%	-0.090%	0.082%	-0.052%
10/31/2016	-0.024%	-0.045%	-0.04%	-0.015%	0.021%	-0.029%
10/30/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
10/29/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
10/28/2016	-0.021%	-0.018%	0.01%	0.002%	-0.003%	0.007%
10/27/2016	-0.139%	-0.118%	-0.02%	-0.013%	-0.021%	-0.008%
10/26/2016	-0.060%	-0.063%	0.00%	-0.006%	0.003%	0.003%
10/25/2016	0.005%	0.008%	0.02%	0.038%	-0.002%	-0.019%
10/24/2016	0.040%	0.044%	0.03%	0.036%	-0.004%	-0.001%
10/23/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
10/22/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
10/21/2016	0.010%	0.017%	0.02%	0.027%	-0.007%	-0.004%
10/20/2016	0.003%	0.017%	0.03%	0.035%	-0.014%	-0.007%
10/19/2016	0.069%	0.113%	0.09%	0.076%	-0.044%	0.009%
10/18/2016	-0.001%	0.034%	0.05%	0.019%	-0.035%	0.026%
10/17/2016	0.121%	0.030%	0.02%	0.009%	0.091%	0.007%
10/16/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
10/15/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
10/14/2016	-0.107%	0.049%	0.08%	0.052%	-0.156%	0.027%
10/13/2016	0.149%	0.026%	0.01%	0.020%	0.122%	-0.007%
10/12/2016	0.013%	0.008%	0.03%	0.034%	0.005%	-0.002%
10/11/2016	0.028%	0.076%	0.01%	0.040%	-0.048%	-0.029%
10/10/2016	0.030%	0.000%	0.01%	0.012%	0.030%	-0.006%
10/9/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
10/8/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
10/7/2016	0.018%	0.022%	0.05%	0.049%	-0.004%	-0.003%
10/6/2016	0.024%	0.033%	0.02%	0.005%	-0.009%	0.018%
10/5/2016	0.033%	0.028%	0.04%	0.137%	0.006%	-0.101%
10/4/2016	0.017%	0.021%	0.00%	-0.010%	-0.004%	0.012%
10/3/2016	0.006%	-0.038%	-0.07%	0.051%	0.044%	-0.124%
10/2/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
10/1/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
9/30/2016	-0.005%	0.008%	0.03%	0.054%	-0.013%	-0.027%
9/29/2016	-0.003%	-0.009%	0.00%	0.019%	0.006%	-0.015%
9/28/2016	0.010%	0.019%	-0.01%	0.010%	-0.009%	-0.025%
9/27/2016	-0.008%	0.008%	0.04%	0.070%	-0.017%	-0.032%
9/26/2016	-0.026%	-0.031%	-0.03%	-0.008%	0.006%	-0.023%
9/25/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
9/24/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%

9/23/2016	0.030%	0.041%	0.05%	0.047%	-0.011%	0.000%
9/22/2016	0.090%	0.105%	0.12%	0.105%	-0.015%	0.014%
9/21/2016	0.045%	0.048%	0.06%	0.059%	-0.003%	-0.003%
9/20/2016	0.058%	0.071%	0.03%	0.016%	-0.014%	0.013%
9/19/2016	0.100%	0.113%	0.06%	0.034%	-0.013%	0.026%
9/18/2016	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
9/17/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
9/16/2016	0.000%	0.020%	0.02%	0.027%	-0.020%	-0.004%
9/15/2016	0.035%	0.030%	-0.01%	0.024%	0.005%	-0.030%
9/14/2016	-0.047%	-0.014%	0.00%	-0.056%	-0.034%	0.055%
9/13/2016	-0.079%	-0.081%	-0.09%	-0.023%	0.003%	-0.063%
9/12/2016	-0.069%	-0.074%	-0.08%	-0.119%	0.005%	0.037%
9/11/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
9/10/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
9/9/2016	-0.024%	-0.029%	-0.03%	0.026%	0.005%	-0.056%
9/8/2016	0.110%	0.123%	0.06%	0.078%	-0.013%	-0.019%
9/7/2016	-0.010%	-0.018%	-0.02%	-0.047%	0.008%	0.031%
9/6/2016	0.102%	0.112%	0.05%	0.063%	-0.009%	-0.012%
9/5/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
9/4/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
9/3/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
9/2/2016	0.043%	0.027%	0.07%	0.080%	0.017%	-0.015%
9/1/2016	0.025%	-0.009%	0.01%	0.033%	0.034%	-0.028%
8/31/2016	0.003%	0.011%	0.00%	0.045%	-0.007%	-0.048%
8/30/2016	0.081%	0.108%	0.06%	0.088%	-0.027%	-0.025%
8/29/2016	0.051%	0.059%	0.01%	0.023%	-0.008%	-0.011%
8/28/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
8/27/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
8/26/2016	0.026%	0.038%	0.04%	0.024%	-0.012%	0.013%
8/25/2016	0.048%	0.052%	0.02%	0.030%	-0.005%	-0.006%
8/24/2016	0.063%	0.074%	0.06%	0.037%	-0.010%	0.020%
8/23/2016	0.057%	0.074%	0.04%	0.019%	-0.017%	0.022%
8/22/2016	-0.009%	-0.011%	-0.01%	0.004%	0.002%	-0.011%
8/21/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
8/20/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
8/19/2016	0.004%	-0.007%	0.03%	0.006%	0.011%	0.021%
8/18/2016	-0.026%	-0.004%	-0.01%	0.005%	-0.022%	-0.011%
8/17/2016	0.013%	0.024%	0.01%	0.001%	-0.012%	0.006%
8/16/2016	0.028%	0.050%	0.03%	0.045%	-0.022%	-0.012%
8/15/2016	0.070%	0.070%	0.03%	0.041%	0.000%	-0.006%
8/14/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
8/13/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
8/12/2016	0.036%	0.040%	0.06%	-0.025%	-0.004%	0.085%
8/11/2016	-0.018%	-0.033%	0.00%	0.035%	0.015%	-0.033%
8/10/2016	0.046%	0.053%	0.05%	0.068%	-0.007%	-0.022%
8/9/2016	0.157%	0.045%	0.05%	0.039%	0.113%	0.010%
8/8/2016	0.000%	0.134%	0.08%	0.073%	-0.134%	0.002%
8/7/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
8/6/2016	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
8/5/2016	0.011%	0.020%	0.04%	0.050%	-0.009%	-0.009%
8/4/2016	0.045%	0.052%	0.03%	0.001%	-0.007%	0.032%

8/3/2016	-0.080%	-0.084%	-0.03%	0.012%	0.005%	-0.038%
8/2/2016	-0.008%	-0.026%	0.03%	-0.001%	0.018%	0.027%
8/1/2016	-0.008%	-0.044%	-0.02%	-0.010%	0.036%	-0.013%
7/31/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/30/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/29/2016	-0.033%	-0.042%	0.00%	-0.016%	0.010%	0.014%
7/28/2016	-0.047%	-0.043%	-0.03%	-0.108%	-0.004%	0.074%
7/27/2016	-0.007%	0.013%	-0.02%	0.059%	-0.019%	-0.079%
7/26/2016	0.008%	0.007%	-0.02%	0.017%	0.001%	-0.037%
7/25/2016	0.015%	0.024%	-0.03%	0.013%	-0.009%	-0.047%
7/24/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/23/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/22/2016	0.049%	0.054%	0.05%	0.035%	-0.005%	0.015%
7/21/2016	0.041%	0.058%	0.04%	0.037%	-0.017%	0.005%
7/20/2016	0.093%	0.120%	0.10%	0.079%	-0.027%	0.025%
7/19/2016	0.077%	0.085%	0.08%	0.099%	-0.008%	-0.016%
7/18/2016	0.072%	0.084%	0.05%	0.086%	-0.013%	-0.036%
7/17/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/16/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/15/2016	0.044%	0.054%	0.05%	0.112%	-0.010%	-0.060%
7/14/2016	0.117%	0.137%	0.13%	0.089%	-0.020%	0.038%
7/13/2016	0.143%	0.160%	0.11%	0.255%	-0.017%	-0.144%
7/12/2016	0.240%	0.252%	0.24%	0.135%	-0.011%	0.104%
7/11/2016	0.252%	0.291%	0.21%	0.169%	-0.039%	0.037%
7/10/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/9/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/8/2016	0.119%	0.142%	0.13%	0.094%	-0.024%	0.041%
7/7/2016	0.166%	0.198%	0.14%	0.143%	-0.031%	-0.002%
7/6/2016	0.042%	0.077%	0.05%	0.034%	-0.034%	0.020%
7/5/2016	0.048%	0.067%	0.04%	0.049%	-0.019%	-0.014%
7/4/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/3/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/2/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/1/2016	0.060%	-0.030%	0.09%	0.116%	0.090%	-0.026%
6/30/2016	0.145%	0.167%	0.16%	0.188%	-0.022%	-0.032%
6/29/2016	0.285%	0.315%	0.28%	0.256%	-0.030%	0.027%
6/28/2016	0.168%	0.226%	0.23%	0.042%	-0.058%	0.188%
6/27/2016	-0.287%	-0.289%	-0.34%	-0.202%	0.003%	-0.140%
6/26/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
6/25/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
6/24/2016	-0.571%	-0.666%	-0.53%	-0.510%	0.094%	-0.023%
6/23/2016	0.075%	0.099%	0.09%	0.074%	-0.024%	0.013%
6/22/2016	0.017%	0.017%	0.02%	0.041%	0.000%	-0.024%
6/21/2016	0.259%	0.066%	0.04%	0.007%	0.193%	0.030%
6/20/2016	0.000%	0.230%	0.21%	0.061%	-0.230%	0.145%
6/19/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
6/18/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
6/17/2016	-0.027%	-0.020%	0.02%	-0.029%	-0.007%	0.053%
6/16/2016	-0.199%	-0.215%	-0.17%	-0.125%	0.016%	-0.043%
6/15/2016	-0.127%	-0.130%	-0.12%	-0.122%	0.003%	-0.002%
6/14/2016	-0.200%	-0.207%	-0.19%	-0.188%	0.007%	0.003%

6/13/2016	-0.061%	-0.052%	-0.09%	-0.019%	-0.009%	-0.067%
6/12/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
6/11/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
6/10/2016	-0.042%	-0.065%	-0.02%	0.038%	0.022%	-0.060%
6/9/2016	0.061%	0.065%	0.09%	0.085%	-0.004%	0.003%
6/8/2016	0.074%	0.071%	0.08%	0.080%	0.003%	0.003%
6/7/2016	-0.008%	0.026%	0.02%	0.028%	-0.034%	-0.004%
6/6/2016	0.036%	0.045%	0.03%	0.023%	-0.010%	0.002%
6/5/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
6/4/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
6/3/2016	0.007%	0.006%	0.03%	0.002%	0.000%	0.027%
6/2/2016	0.003%	-0.006%	0.00%	0.011%	0.009%	-0.009%
6/1/2016	0.004%	-0.052%	-0.02%	0.012%	0.056%	-0.027%
5/31/2016	0.085%	0.058%	0.11%	0.017%	0.027%	0.097%
5/30/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
5/29/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
5/28/2016	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
5/27/2016	0.000%	0.039%	0.07%	0.050%	-0.039%	0.016%
5/26/2016	0.080%	0.071%	0.05%	0.055%	0.009%	0.000%
5/25/2016	0.050%	0.065%	0.08%	0.071%	-0.015%	0.006%
5/24/2016	0.059%	0.059%	0.08%	0.062%	0.001%	0.017%
5/23/2016	0.107%	0.124%	0.05%	0.116%	-0.017%	-0.062%
5/22/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
5/21/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
5/20/2016	0.011%	0.007%	0.07%	0.089%	0.004%	-0.020%
5/19/2016	0.039%	0.020%	0.04%	0.025%	0.019%	0.013%
5/18/2016	0.068%	0.098%	0.01%	0.033%	-0.029%	-0.019%
5/17/2016	0.043%	0.072%	0.06%	0.069%	-0.029%	-0.010%
5/16/2016	0.032%	0.052%	0.04%	0.006%	-0.020%	0.029%
5/15/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
5/14/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
5/13/2016	-0.025%	-0.046%	0.01%	-0.022%	0.021%	0.033%
5/12/2016	0.039%	0.026%	0.07%	0.084%	0.013%	-0.014%
5/11/2016	0.083%	0.020%	0.03%	0.007%	0.064%	0.022%
5/10/2016	-0.034%	-0.020%	-0.07%	-0.123%	-0.015%	0.050%
5/9/2016	-0.023%	-0.007%	-0.04%	-0.018%	-0.017%	-0.020%
5/8/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
5/7/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
5/6/2016	-0.076%	-0.104%	-0.05%	-0.082%	0.028%	0.029%
5/5/2016	-0.031%	0.000%	0.02%	0.104%	-0.031%	-0.081%
5/4/2016	0.083%	0.091%	0.08%	-0.010%	-0.008%	0.090%
5/3/2016	-0.134%	-0.124%	-0.13%	-0.057%	-0.011%	-0.069%
5/2/2016	0.021%	-0.020%	-0.03%	0.008%	0.040%	-0.033%
5/1/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
4/30/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
4/29/2016	-0.014%	0.007%	0.03%	0.056%	-0.021%	-0.021%
4/28/2016	0.032%	0.020%	0.05%	0.052%	0.013%	0.000%
4/27/2016	0.069%	0.117%	0.09%	0.084%	-0.049%	0.002%
4/26/2016	0.008%	-0.020%	0.06%	0.150%	0.028%	-0.093%
4/25/2016	0.100%	0.203%	0.16%	0.037%	-0.102%	0.123%
4/24/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%



4/23/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/22/2016	0.031%	0.007%	0.04%	0.115%	0.024%	-0.074%
4/21/2016	0.188%	0.190%	0.19%	0.286%	-0.002%	-0.101%
4/20/2016	0.111%	0.118%	0.19%	0.130%	-0.007%	0.063%
4/19/2016	0.160%	0.177%	0.14%	0.182%	-0.018%	-0.044%
4/18/2016	0.052%	0.059%	0.02%	0.055%	-0.007%	-0.036%
4/17/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
4/16/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
4/15/2016	0.053%	0.086%	0.06%	0.079%	-0.033%	-0.015%
4/14/2016	0.188%	0.224%	0.18%	0.149%	-0.036%	0.030%
4/13/2016	0.208%	0.205%	0.24%	0.183%	0.003%	0.054%
4/12/2016	0.073%	0.073%	0.13%	0.160%	0.000%	-0.031%
4/11/2016	0.103%	0.126%	0.10%	0.090%	-0.023%	0.008%
4/10/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
4/9/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
4/8/2016	0.117%	0.133%	0.17%	0.196%	-0.015%	-0.023%
4/7/2016	0.082%	0.100%	0.12%	0.115%	-0.018%	0.003%
4/6/2016	0.081%	0.106%	0.10%	0.082%	-0.025%	0.016%
4/5/2016	0.000%	0.027%	0.04%	0.027%	-0.027%	0.010%
4/4/2016	0.033%	0.033%	-0.04%	-0.016%	-0.001%	-0.027%
4/3/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
4/2/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
4/1/2016	0.002%	-0.040%	0.04%	0.019%	0.042%	0.020%
3/31/2016	0.090%	0.093%	0.08%	0.067%	-0.003%	0.017%
3/30/2016	0.041%	0.053%	0.04%	-0.064%	-0.012%	0.106%
3/29/2016	-0.112%	-0.106%	-0.13%	-0.106%	-0.005%	-0.021%
3/28/2016	0.023%	0.040%	0.02%	-0.011%	-0.017%	0.031%
3/27/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/26/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/25/2016	0.000%	-0.007%	0.00%	0.012%	0.007%	-0.012%
3/24/2016	-0.077%	-0.100%	-0.10%	-0.044%	0.022%	-0.052%
3/23/2016	-0.046%	-0.027%	-0.07%	-0.053%	-0.020%	-0.012%
3/22/2016	0.011%	0.020%	-0.02%	0.045%	-0.009%	-0.060%
3/21/2016	0.125%	0.120%	0.14%	0.215%	0.005%	-0.080%
3/20/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
3/19/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
3/18/2016	0.191%	0.293%	0.23%	0.345%	-0.103%	-0.116%
3/17/2016	0.160%	0.221%	0.27%	0.220%	-0.061%	0.047%
3/16/2016	0.020%	0.027%	0.07%	-0.056%	-0.007%	0.127%
3/15/2016	0.035%	0.074%	0.01%	0.101%	-0.039%	-0.093%
3/14/2016	0.147%	0.188%	0.16%	0.158%	-0.041%	-0.002%
3/13/2016	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
3/12/2016	0.027%	0.000%	0.00%	0.013%	0.027%	-0.013%
3/11/2016	0.220%	0.262%	0.30%	0.279%	-0.042%	0.026%
3/10/2016	0.221%	0.256%	0.18%	0.216%	-0.035%	-0.032%
3/9/2016	0.055%	0.081%	0.03%	0.103%	-0.026%	-0.071%
3/8/2016	0.055%	0.081%	0.03%	0.177%	-0.026%	-0.143%
3/7/2016	0.250%	0.277%	0.30%	0.351%	-0.028%	-0.046%
3/6/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/5/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/4/2016	0.328%	0.374%	0.37%	0.366%	-0.046%	0.009%

3/3/2016	0.190%	0.211%	0.18%	0.225%	-0.021%	-0.042%
3/2/2016	0.381%	0.396%	0.37%	0.445%	-0.016%	-0.073%
3/1/2016	0.369%	0.322%	0.36%	0.069%	0.047%	0.291%
2/29/2016	0.172%	0.158%	0.18%	0.230%	0.014%	-0.052%
2/28/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/27/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/26/2016	0.247%	0.234%	0.21%	0.239%	0.013%	-0.033%
2/25/2016	0.119%	0.117%	0.12%	0.098%	0.002%	0.020%
2/24/2016	-0.043%	-0.069%	-0.05%	0.012%	0.026%	-0.057%
2/23/2016	-0.042%	-0.048%	-0.05%	-0.048%	0.006%	-0.003%
2/22/2016	0.182%	0.214%	0.17%	0.079%	-0.031%	0.086%
2/21/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
2/20/2016	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
2/19/2016	0.028%	0.014%	0.03%	0.013%	0.015%	0.019%
2/18/2016	0.185%	0.180%	0.15%	0.144%	0.005%	0.004%
2/17/2016	0.121%	0.159%	0.18%	0.056%	-0.039%	0.124%
2/16/2016	0.024%	0.021%	0.04%	-0.052%	0.003%	0.091%
2/15/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
2/14/2016	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
2/13/2016	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
2/12/2016	-0.365%	0.014%	0.09%	-0.209%	-0.378%	0.296%
2/11/2016	-0.254%	-0.742%	-0.62%	-0.441%	0.488%	-0.181%
2/10/2016	-0.060%	-0.076%	-0.04%	-0.054%	0.016%	0.013%
2/9/2016	-0.232%	-0.260%	-0.24%	-0.244%	0.029%	0.009%
2/8/2016	-0.242%	-0.287%	-0.27%	-0.139%	0.045%	-0.129%
2/7/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/6/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/5/2016	0.000%	-0.007%	-0.03%	0.028%	0.007%	-0.060%
2/4/2016	-0.008%	0.041%	0.03%	0.003%	-0.049%	0.027%
2/3/2016	0.021%	0.000%	-0.03%	-0.023%	0.021%	-0.006%
2/2/2016	-0.032%	-0.048%	-0.06%	0.007%	0.016%	-0.062%
2/1/2016	-0.037%	-0.014%	-0.03%	0.100%	-0.023%	-0.127%
1/31/2016	0.006%	0.000%	0.00%	0.000%	0.006%	0.000%
1/30/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/29/2016	0.108%	0.123%	0.13%	0.054%	-0.015%	0.080%
1/28/2016	0.041%	0.041%	0.03%	0.000%	0.000%	0.028%
1/27/2016	0.066%	0.089%	0.06%	0.044%	-0.023%	0.017%
1/26/2016	0.003%	0.000%	-0.01%	0.012%	0.003%	-0.024%
1/25/2016	-0.013%	-0.007%	0.02%	0.013%	-0.006%	0.008%
1/24/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/23/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/22/2016	0.213%	0.254%	0.27%	0.156%	-0.041%	0.119%
1/21/2016	0.015%	-0.014%	0.01%	-0.139%	0.029%	0.145%
1/20/2016	-0.432%	-0.464%	-0.46%	-0.383%	0.033%	-0.080%
1/19/2016	0.025%	0.027%	0.01%	-0.112%	-0.003%	0.126%
1/18/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/17/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/16/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/15/2016	-0.195%	-0.232%	-0.25%	-0.113%	0.037%	-0.141%
1/14/2016	-0.229%	-0.285%	-0.23%	-0.232%	0.056%	0.001%
1/13/2016	-0.099%	-0.115%	-0.09%	-0.030%	0.017%	-0.063%

1/12/2016	-0.049%	-0.034%	-0.04%	-0.011%	-0.015%	-0.032%
1/11/2016	0.026%	0.007%	-0.07%	0.045%	0.019%	-0.111%
1/10/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/9/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/8/2016	0.161%	0.163%	0.18%	0.113%	-0.002%	0.067%
1/7/2016	-0.084%	-0.115%	-0.14%	-0.122%	0.032%	-0.017%
1/6/2016	0.066%	0.068%	-0.02%	0.068%	-0.002%	-0.084%
1/5/2016	0.118%	0.136%	0.13%	0.089%	-0.018%	0.038%
1/4/2016	-0.024%	-0.061%	-0.14%	0.045%	0.037%	-0.181%
1/3/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/2/2016	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/1/2016	0.000%	0.003%	0.00%	0.000%	-0.003%	0.000%
12/31/2015	0.037%	0.038%	0.08%	0.053%	-0.001%	0.032%
12/30/2015	0.086%	0.082%	0.05%	0.013%	0.005%	0.042%
12/29/2015	0.088%	0.089%	0.13%	0.116%	-0.001%	0.014%
12/28/2015	0.097%	0.068%	0.06%	0.095%	0.029%	-0.037%
12/27/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/26/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/25/2015	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/24/2015	0.052%	0.061%	0.10%	0.041%	-0.009%	0.060%
12/23/2015	0.114%	0.109%	0.12%	0.072%	0.004%	0.047%
12/22/2015	0.075%	0.089%	0.08%	0.058%	-0.014%	0.025%
12/21/2015	0.020%	0.014%	-0.01%	-0.002%	0.006%	-0.012%
12/20/2015	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/19/2015	0.000%	0.000%	0.00%	0.013%	0.000%	-0.013%
12/18/2015	-0.047%	-0.075%	-0.04%	-0.021%	0.028%	-0.017%
12/17/2015	0.145%	0.157%	0.11%	0.110%	-0.013%	0.004%
12/16/2015	0.103%	0.137%	0.13%	0.071%	-0.034%	0.057%
12/15/2015	0.124%	0.144%	0.22%	-0.187%	-0.021%	0.404%
12/14/2015	-0.663%	-0.790%	-0.70%	-0.576%	0.127%	-0.122%
12/13/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/12/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/11/2015	-0.347%	-0.441%	-0.42%	-0.255%	0.093%	-0.166%
12/10/2015	-0.127%	-0.156%	-0.20%	-0.277%	0.029%	0.082%
12/9/2015	-0.073%	-0.081%	-0.06%	-0.087%	0.008%	0.025%
12/8/2015	-0.227%	-0.270%	-0.32%	-0.316%	0.043%	0.000%
12/7/2015	-0.106%	-0.141%	-0.20%	-0.134%	0.036%	-0.069%
12/6/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/5/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/4/2015	0.016%	0.034%	-0.04%	-0.098%	-0.018%	0.058%
12/3/2015	-0.163%	-0.155%	-0.21%	-0.019%	-0.008%	-0.193%
12/2/2015	0.015%	0.013%	-0.02%	0.040%	0.002%	-0.057%
12/1/2015	0.074%	0.054%	0.10%	0.036%	0.020%	0.061%
11/30/2015	0.019%	0.027%	-0.01%	-0.075%	-0.008%	0.069%
11/29/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/28/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/27/2015	0.016%	0.013%	0.05%	0.009%	0.002%	0.043%
11/26/2015	-0.009%	-0.020%	0.00%	0.013%	0.011%	-0.009%
11/25/2015	0.000%	0.000%	0.00%	-0.069%	0.000%	0.069%
11/24/2015	-0.135%	-0.175%	-0.12%	-0.097%	0.040%	-0.026%
11/23/2015	0.012%	-0.020%	-0.04%	-0.036%	0.032%	-0.003%



11/22/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/21/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/20/2015	0.036%	0.040%	0.03%	0.002%	-0.005%	0.030%
11/19/2015	-0.038%	-0.034%	-0.13%	-0.004%	-0.005%	-0.123%
11/18/2015	-0.097%	-0.054%	0.00%	-0.045%	-0.043%	0.048%
11/17/2015	-0.155%	-0.060%	-0.02%	-0.110%	-0.095%	0.092%
11/16/2015	0.021%	-0.168%	-0.15%	-0.143%	0.189%	-0.012%
11/15/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/14/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/13/2015	-0.253%	-0.294%	-0.12%	-0.163%	0.041%	0.046%
11/12/2015	-0.252%	-0.233%	-0.16%	-0.107%	-0.019%	-0.050%
11/11/2015	0.012%	-0.140%	-0.01%	0.012%	0.152%	-0.022%
11/10/2015	-0.119%	0.000%	-0.12%	-0.114%	-0.119%	-0.007%
11/9/2015	-0.021%	-0.047%	0.01%	-0.079%	0.026%	0.092%
11/8/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/7/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/6/2015	-0.031%	-0.033%	-0.12%	-0.064%	0.003%	-0.051%
11/5/2015	-0.131%	-0.153%	-0.18%	-0.067%	0.022%	-0.117%
11/4/2015	0.055%	0.047%	0.05%	0.025%	0.009%	0.024%
11/3/2015	0.018%	0.020%	0.02%	0.034%	-0.002%	-0.010%
11/2/2015	0.026%	0.000%	0.01%	0.041%	0.026%	-0.034%
11/1/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/31/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/30/2015	-0.062%	-0.084%	-0.06%	-0.121%	0.022%	0.065%
10/29/2015	0.014%	0.007%	-0.02%	-0.039%	0.007%	0.017%
10/28/2015	0.014%	0.017%	0.01%	-0.022%	-0.002%	0.033%
10/27/2015	-0.030%	-0.026%	-0.05%	-0.061%	-0.005%	0.015%
10/26/2015	0.031%	0.059%	-0.03%	0.044%	-0.027%	-0.075%
10/25/2015	0.000%	0.000%	0.00%	0.024%	0.000%	-0.024%
10/24/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/23/2015	0.087%	0.131%	0.13%	0.109%	-0.044%	0.025%
10/22/2015	-0.060%	-0.032%	-0.06%	-0.037%	-0.028%	-0.025%
10/21/2015	-0.047%	-0.059%	-0.06%	-0.012%	0.012%	-0.050%
10/20/2015	0.028%	0.039%	0.05%	-0.064%	-0.011%	0.112%
10/19/2015	0.170%	0.195%	0.14%	0.203%	-0.026%	-0.065%
10/18/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/17/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/16/2015	-0.012%	-0.015%	0.03%	0.040%	0.003%	-0.008%
10/15/2015	0.003%	0.000%	0.00%	-0.022%	0.003%	0.024%
10/14/2015	-0.015%	-0.019%	-0.04%	0.022%	0.004%	-0.063%
10/13/2015	-0.011%	0.013%	0.00%	0.020%	-0.024%	-0.022%
10/12/2015	0.027%	0.000%	0.01%	0.036%	0.027%	-0.029%
10/11/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/10/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/9/2015	0.125%	0.144%	0.18%	0.075%	-0.019%	0.108%
10/8/2015	0.063%	0.060%	0.08%	0.089%	0.003%	-0.006%
10/7/2015	0.147%	0.163%	0.15%	0.094%	-0.015%	0.052%
10/6/2015	0.041%	0.077%	0.07%	0.039%	-0.036%	0.034%
10/5/2015	0.057%	0.055%	0.08%	-0.045%	0.003%	0.122%
10/4/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/3/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%

10/2/2015	-0.309%	-0.343%	-0.22%	-0.318%	0.034%	0.097%
10/1/2015	-0.091%	-0.128%	-0.09%	-0.055%	0.037%	-0.031%
9/30/2015	-0.040%	-0.050%	-0.14%	-0.185%	0.010%	0.043%
9/29/2015	-0.185%	-0.196%	-0.21%	-0.275%	0.011%	0.067%
9/28/2015	-0.217%	-0.232%	-0.32%	-0.107%	0.015%	-0.217%
9/27/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/26/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/25/2015	-0.039%	-0.049%	-0.09%	-0.118%	0.010%	0.024%
9/24/2015	-0.126%	-0.160%	-0.05%	-0.054%	0.034%	0.001%
9/23/2015	-0.037%	-0.020%	-0.03%	0.024%	-0.018%	-0.054%
9/22/2015	-0.167%	-0.194%	-0.20%	-0.315%	0.027%	0.119%
9/21/2015	-0.039%	-0.022%	-0.07%	-0.081%	-0.017%	0.010%
9/20/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/19/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/18/2015	-0.031%	-0.028%	-0.08%	-0.005%	-0.003%	-0.079%
9/17/2015	-0.081%	-0.030%	-0.21%	-0.115%	-0.051%	-0.097%
9/16/2015	0.053%	0.058%	0.01%	0.018%	-0.004%	-0.012%
9/15/2015	-0.008%	0.009%	-0.04%	-0.015%	-0.018%	-0.030%
9/14/2015	0.034%	0.053%	-0.03%	-0.034%	-0.018%	0.006%
9/13/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/12/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/11/2015	-0.023%	-0.014%	-0.01%	0.022%	-0.009%	-0.035%
9/10/2015	0.007%	0.028%	-0.01%	0.016%	-0.021%	-0.026%
9/9/2015	0.083%	0.076%	0.06%	0.082%	0.007%	-0.018%
9/8/2015	0.131%	0.145%	0.13%	0.099%	-0.014%	0.032%
9/7/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/6/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/5/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/4/2015	0.004%	0.003%	0.00%	0.005%	0.000%	-0.004%
9/3/2015	0.032%	0.028%	0.04%	0.025%	0.004%	0.015%
9/2/2015	0.059%	0.003%	0.05%	0.039%	0.056%	0.012%
9/1/2015	-0.059%	-0.109%	-0.07%	0.003%	0.050%	-0.075%
8/31/2015	0.066%	0.087%	0.02%	0.088%	-0.020%	-0.066%
8/30/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/29/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/28/2015	0.066%	0.044%	0.86%	0.051%	0.021%	0.805%
8/27/2015	0.156%	0.176%	-0.47%	0.168%	-0.019%	-0.637%
8/26/2015	0.000%	-0.034%	0.02%	-0.057%	0.034%	0.073%
8/25/2015	-0.042%	0.245%	0.20%	0.048%	-0.287%	0.153%
8/24/2015	-0.339%	-0.625%	-0.50%	-0.406%	0.286%	-0.096%
8/23/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/22/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/21/2015	-0.181%	-0.190%	-0.13%	-0.088%	0.010%	-0.041%
8/20/2015	-0.112%	-0.117%	-0.11%	-0.086%	0.005%	-0.028%
8/19/2015	-0.093%	-0.072%	-0.07%	-0.057%	-0.021%	-0.013%
8/18/2015	-0.015%	-0.006%	-0.01%	0.004%	-0.009%	-0.018%
8/17/2015	0.051%	0.062%	0.02%	0.020%	-0.011%	-0.003%
8/16/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/15/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/14/2015	-0.004%	0.005%	0.01%	-0.028%	-0.009%	0.042%
8/13/2015	0.126%	0.172%	0.13%	0.074%	-0.046%	0.052%

**UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF  
TEXAS, DALLAS DIVISION**

**In Re: Highland Capital Management, L.P.** § Case No. **19-34054-SGJ-11**  
**NexPoint Advisors, L.P. et al** §

Appellant § 21-03010  
vs. §  
**Highland Capital Management, L.P.** §

Appellee § **3:22-CV-02170-S**

[126] Judgment (final). Entered on 9/14/2022

**APPELLANT RECORD**  
**VOLUME 6**

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FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj 11
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

INDEX

**AMENDED DESIGNATION OF ITEMS FOR THE RECORD ON APPEAL  
BY NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this *Amended Designation of Items for the Record on Appeal*, designating the following items for the record of said appeal:

<u>Item</u>	<u>Docket No.</u>	<u>Description</u>
<b>ADVERSARY PROCEEDING (21-03010-sgj)</b>		
1	128	Joint Notice of Appeal
2	126	Judgment
3		Docket Sheet
4	1	Plaintiff Highland Capital Management, L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief
5	33	Original Answer
6	37	Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters
7	49	Response to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
8	56	Highland Capital Management, L.P.'s Reply In Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
9	90	Advisors' Trial Brief
10	91	Highland's Proposed Findings of Fact and Conclusions of Law
11	96	Joint Pretrial Order
12	124	Findings of Fact and Conclusions of Law
<b>BANKRUPTCY CASE (19-34054-sgj-11)</b>		
13	1826	Application for Allowance of Administrative Expense Claim
14	2274	Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
<b>EVIDENCE AND TRANSCRIPTS (21-03010-SGJ)</b>		
15	115	All exhibits admitted into evidence at trial on April 12, 2022 and April 13, 2022 Thru Vol. 12
16	113	Transcript of April 12, 2022 trial
17	116	Transcript of April 13, 2022 trial
18	122	Transcript of April 27, 2022 closing arguments

RESPECTFULLY SUBMITTED this 4th day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina

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**ATTORNEYS FOR NEXPOINT ADVISORS,  
L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 4th day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

Davor Rukavina, Esq.

8/12/2015	-0.273%	-0.250%	-0.21%	-0.185%	-0.024%	-0.030%
8/11/2015	-0.228%	-0.257%	-0.20%	-0.123%	0.029%	-0.078%
8/10/2015	0.048%	0.077%	0.04%	-0.037%	-0.029%	0.077%
8/9/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/8/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/7/2015	-0.147%	-0.150%	-0.13%	-0.253%	0.003%	0.127%
8/6/2015	-0.170%	-0.192%	-0.19%	-0.037%	0.022%	-0.150%
8/5/2015	-0.066%	-0.095%	-0.01%	-0.049%	0.029%	0.039%
8/4/2015	-0.030%	-0.011%	-0.02%	-0.011%	-0.019%	-0.013%
8/3/2015	-0.029%	-0.057%	0.02%	0.007%	0.027%	0.012%
8/2/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/1/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/31/2015	-0.031%	-0.024%	-0.03%	0.000%	-0.007%	-0.028%
7/30/2015	0.051%	0.070%	0.05%	-0.005%	-0.019%	0.056%
7/29/2015	0.111%	0.131%	0.09%	0.082%	-0.020%	0.010%
7/28/2015	-0.027%	-0.020%	0.02%	-0.041%	-0.007%	0.057%
7/27/2015	-0.187%	-0.212%	-0.20%	-0.165%	0.025%	-0.040%
7/26/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/25/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/24/2015	-0.205%	-0.215%	-0.12%	-0.093%	0.010%	-0.023%
7/23/2015	-0.120%	-0.133%	-0.10%	-0.347%	0.013%	0.244%
7/22/2015	-0.225%	-0.255%	-0.25%	-0.062%	0.031%	-0.191%
7/21/2015	-0.037%	-0.038%	-0.04%	-0.026%	0.001%	-0.011%
7/20/2015	0.000%	0.005%	-0.03%	0.025%	-0.005%	-0.058%
7/19/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/18/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/17/2015	-0.026%	-0.038%	0.00%	-0.011%	0.012%	0.008%
7/16/2015	0.048%	0.043%	0.05%	0.041%	0.005%	0.012%
7/15/2015	0.053%	0.050%	0.07%	0.074%	0.003%	0.000%
7/14/2015	0.036%	0.046%	0.03%	0.044%	-0.011%	-0.012%
7/13/2015	0.063%	0.074%	0.08%	0.060%	-0.011%	0.023%
7/12/2015	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/11/2015	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/10/2015	0.081%	0.093%	0.09%	0.059%	-0.011%	0.029%
7/9/2015	0.077%	0.082%	0.10%	-0.006%	-0.006%	0.109%
7/8/2015	-0.097%	-0.101%	-0.07%	-0.052%	0.004%	-0.020%
7/7/2015	-0.106%	-0.085%	-0.11%	-0.024%	-0.020%	-0.085%
7/6/2015	-0.048%	-0.071%	-0.06%	-0.027%	0.024%	-0.037%
7/5/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/4/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/3/2015	0.000%	0.014%	0.00%	0.012%	-0.014%	-0.012%
7/2/2015	-0.020%	0.000%	0.03%	0.018%	-0.020%	0.014%
7/1/2015	0.094%	0.062%	0.11%	0.093%	0.032%	0.017%
6/30/2015	-0.017%	0.020%	0.04%	-0.051%	-0.036%	0.093%
6/29/2015	-0.226%	-0.294%	-0.24%	-0.192%	0.068%	-0.050%
6/28/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/27/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/26/2015	-0.040%	-0.031%	-0.02%	-0.074%	-0.009%	0.056%
6/25/2015	0.034%	0.044%	0.03%	0.025%	-0.011%	0.000%
6/24/2015	0.007%	0.004%	-0.04%	0.017%	0.002%	-0.053%
6/23/2015	0.018%	0.025%	0.01%	0.018%	-0.007%	-0.013%



6/22/2015	0.034%	0.036%	0.01%	0.041%	-0.002%	-0.029%
6/21/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/20/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/19/2015	0.039%	0.053%	0.06%	0.049%	-0.014%	0.015%
6/18/2015	-0.013%	-0.002%	0.01%	0.018%	-0.012%	-0.008%
6/17/2015	-0.027%	-0.019%	-0.02%	-0.124%	-0.008%	0.105%
6/16/2015	-0.074%	-0.080%	-0.08%	-0.005%	0.006%	-0.071%
6/15/2015	0.003%	0.001%	-0.05%	-0.134%	0.002%	0.089%
6/14/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/13/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/12/2015	-0.086%	-0.102%	-0.09%	-0.054%	0.016%	-0.033%
6/11/2015	-0.013%	-0.036%	-0.01%	-0.012%	0.023%	-0.003%
6/10/2015	-0.060%	-0.069%	-0.06%	-0.090%	0.009%	0.033%
6/9/2015	-0.043%	-0.046%	-0.07%	-0.027%	0.003%	-0.045%
6/8/2015	-0.012%	-0.002%	-0.04%	-0.023%	-0.011%	-0.021%
6/7/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/6/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/5/2015	-0.028%	-0.033%	-0.02%	-0.015%	0.005%	-0.007%
6/4/2015	-0.046%	-0.059%	-0.05%	-0.060%	0.013%	0.011%
6/3/2015	-0.023%	-0.018%	-0.07%	-0.097%	-0.004%	0.031%
6/2/2015	-0.051%	-0.055%	-0.08%	-0.021%	0.004%	-0.058%
6/1/2015	-0.009%	-0.059%	-0.03%	-0.032%	0.050%	0.004%
5/31/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/30/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/29/2015	-0.054%	-0.067%	-0.04%	-0.010%	0.014%	-0.032%
5/28/2015	-0.026%	-0.020%	-0.01%	-0.016%	-0.006%	0.004%
5/27/2015	-0.033%	-0.010%	-0.04%	-0.040%	-0.023%	-0.004%
5/26/2015	0.037%	0.052%	0.01%	0.020%	-0.014%	-0.009%
5/25/2015	0.000%	0.000%	0.00%	0.035%	0.000%	-0.035%
5/24/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/23/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/22/2015	-0.002%	0.017%	0.05%	0.009%	-0.018%	0.037%
5/21/2015	0.001%	-0.018%	0.02%	0.026%	0.019%	-0.006%
5/20/2015	-0.001%	-0.001%	0.00%	0.011%	0.000%	-0.016%
5/19/2015	0.007%	0.006%	0.02%	0.019%	0.001%	-0.002%
5/18/2015	0.009%	0.009%	-0.07%	-0.065%	0.000%	-0.002%
5/17/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/16/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/15/2015	0.016%	0.020%	0.05%	0.013%	-0.004%	0.034%
5/14/2015	0.003%	0.009%	0.02%	-0.009%	-0.007%	0.034%
5/13/2015	0.000%	0.006%	0.00%	-0.001%	-0.006%	-0.003%
5/12/2015	-0.065%	-0.073%	-0.08%	-0.049%	0.008%	-0.035%
5/11/2015	0.031%	0.027%	-0.01%	0.030%	0.004%	-0.037%
5/10/2015	0.000%	0.000%	0.00%	0.004%	0.000%	-0.004%
5/9/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/8/2015	-0.003%	0.019%	0.06%	0.026%	-0.022%	0.035%
5/7/2015	-0.036%	-0.035%	-0.01%	0.005%	-0.001%	-0.012%
5/6/2015	0.012%	0.007%	-0.01%	0.014%	0.005%	-0.019%
5/5/2015	0.006%	0.004%	-0.01%	0.012%	0.002%	-0.022%
5/4/2015	0.024%	0.033%	0.00%	0.012%	-0.009%	-0.012%
5/3/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%



5/2/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/1/2015	-0.003%	-0.101%	-0.01%	-0.016%	0.097%	0.006%
4/30/2015	-0.001%	0.008%	0.02%	-0.097%	-0.009%	0.113%
4/29/2015	0.005%	0.004%	-0.08%	0.007%	0.001%	-0.089%
4/28/2015	0.015%	0.024%	0.01%	0.018%	-0.009%	-0.004%
4/27/2015	0.043%	0.042%	0.01%	0.074%	0.001%	-0.060%
4/26/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/25/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/24/2015	0.015%	0.023%	0.05%	0.037%	-0.008%	0.016%
4/23/2015	-0.010%	-0.008%	0.04%	0.064%	-0.001%	-0.020%
4/22/2015	0.020%	0.034%	0.03%	0.017%	-0.014%	0.009%
4/21/2015	0.016%	0.027%	0.01%	0.018%	-0.011%	-0.007%
4/20/2015	0.020%	0.032%	0.02%	0.024%	-0.011%	-0.007%
4/19/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/18/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/17/2015	-0.007%	-0.017%	-0.01%	0.041%	0.010%	-0.048%
4/16/2015	0.034%	0.033%	0.03%	0.037%	0.002%	-0.007%
4/15/2015	0.065%	0.080%	0.06%	0.030%	-0.015%	0.030%
4/14/2015	0.063%	0.069%	0.02%	0.056%	-0.006%	-0.033%
4/13/2015	0.052%	0.054%	0.03%	0.037%	-0.003%	-0.003%
4/12/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/11/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/10/2015	0.026%	0.035%	0.04%	0.027%	-0.008%	0.015%
4/9/2015	0.059%	0.050%	0.07%	0.072%	0.009%	-0.006%
4/8/2015	0.109%	0.100%	0.09%	0.106%	0.009%	-0.018%
4/7/2015	0.112%	0.112%	0.11%	0.088%	-0.001%	0.020%
4/6/2015	0.073%	0.058%	0.05%	0.062%	0.015%	-0.008%
4/6/2015	0.073%	0.058%	0.05%	0.062%	0.015%	-0.008%
4/5/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/4/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/3/2015	0.000%	0.022%	0.00%	0.012%	-0.022%	-0.012%
4/2/2015	0.040%	0.043%	0.07%	0.032%	-0.004%	0.035%
4/1/2015	0.045%	0.020%	-0.01%	-0.035%	0.025%	0.025%
3/31/2015	0.031%	0.037%	0.03%	0.042%	-0.006%	-0.015%
3/30/2015	0.056%	0.053%	0.03%	0.049%	0.003%	-0.021%
3/29/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/28/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/27/2015	0.033%	0.027%	0.04%	0.031%	0.006%	0.011%
3/26/2015	0.026%	0.029%	0.01%	0.017%	-0.003%	-0.011%
3/25/2015	0.044%	0.041%	0.02%	0.047%	0.003%	-0.022%
3/24/2015	0.029%	0.041%	0.06%	0.043%	-0.012%	0.021%
3/23/2015	0.021%	0.024%	0.01%	0.028%	-0.003%	-0.018%
3/22/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/21/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/20/2015	0.025%	0.020%	0.04%	0.000%	0.006%	0.040%
3/19/2015	0.019%	0.024%	0.06%	0.037%	-0.005%	0.020%
3/18/2015	-0.041%	-0.048%	-0.02%	-0.013%	0.007%	-0.006%
3/17/2015	-0.062%	-0.057%	-0.10%	-0.049%	-0.004%	-0.053%
3/16/2015	-0.020%	-0.030%	-0.06%	-0.114%	0.009%	0.049%
3/15/2015	0.000%	0.000%	0.00%	-0.015%	0.000%	0.015%
3/14/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%

3/13/2015	-0.029%	-0.038%	-0.05%	-0.077%	0.009%	0.030%
3/12/2015	0.010%	0.032%	0.02%	0.002%	-0.021%	0.021%
3/11/2015	-0.038%	-0.041%	-0.05%	-0.082%	0.004%	0.029%
3/10/2015	-0.088%	-0.106%	-0.12%	-0.039%	0.018%	-0.081%
3/9/2015	-0.051%	-0.054%	-0.05%	0.020%	0.003%	-0.070%
3/8/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/7/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/6/2015	0.035%	0.054%	-0.01%	-0.011%	-0.019%	0.000%
3/5/2015	0.041%	0.053%	0.09%	0.098%	-0.012%	-0.005%
3/4/2015	0.059%	0.055%	0.03%	0.059%	0.005%	-0.028%
3/3/2015	0.067%	0.076%	0.04%	0.069%	-0.010%	-0.029%
3/2/2015	0.008%	-0.016%	-0.01%	0.059%	0.023%	-0.066%
3/1/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/28/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/27/2015	-0.009%	-0.004%	0.02%	-0.001%	-0.005%	0.022%
2/26/2015	0.090%	0.099%	0.08%	0.090%	-0.009%	-0.007%
2/25/2015	0.080%	0.097%	0.10%	0.076%	-0.017%	0.026%
2/24/2015	-0.050%	-0.056%	-0.03%	-0.037%	0.005%	0.011%
2/23/2015	0.032%	0.034%	0.01%	0.042%	-0.002%	-0.031%
2/22/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/21/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/20/2015	-0.001%	0.019%	0.03%	0.044%	-0.020%	-0.013%
2/19/2015	0.038%	0.051%	0.02%	0.055%	-0.013%	-0.033%
2/18/2015	0.078%	0.079%	0.11%	0.128%	-0.001%	-0.018%
2/17/2015	0.105%	0.111%	0.08%	0.124%	-0.006%	-0.043%
2/16/2015	0.000%	0.000%	0.00%	0.035%	0.000%	-0.035%
2/15/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/14/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/13/2015	0.078%	0.063%	0.12%	0.099%	0.015%	0.018%
2/12/2015	0.118%	0.126%	0.11%	0.097%	-0.008%	0.017%
2/11/2015	0.107%	0.111%	0.09%	0.040%	-0.004%	0.050%
2/10/2015	0.040%	0.032%	0.03%	0.076%	0.008%	-0.044%
2/9/2015	0.068%	0.066%	0.00%	0.072%	0.003%	-0.074%
2/8/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/7/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/6/2015	0.113%	0.095%	0.14%	0.113%	0.018%	0.025%
2/5/2015	0.085%	0.086%	0.10%	0.130%	0.000%	-0.028%
2/4/2015	0.079%	0.087%	0.10%	0.055%	-0.008%	0.049%
2/3/2015	0.150%	0.137%	0.16%	0.128%	0.013%	0.034%
2/2/2015	0.059%	-0.030%	0.02%	0.072%	0.090%	-0.054%
2/1/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/31/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/30/2015	0.001%	0.013%	0.01%	-0.006%	-0.012%	0.020%
1/29/2015	-0.041%	-0.035%	-0.01%	-0.010%	-0.006%	-0.003%
1/28/2015	0.006%	0.013%	0.01%	0.005%	-0.007%	0.002%
1/27/2015	-0.029%	-0.032%	-0.04%	-0.052%	0.003%	0.010%
1/26/2015	-0.004%	0.005%	-0.02%	-0.015%	-0.008%	-0.007%
1/25/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/24/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/23/2015	-0.037%	-0.015%	-0.01%	-0.032%	-0.022%	0.022%
1/22/2015	0.037%	0.045%	0.03%	0.069%	-0.008%	-0.042%

1/21/2015	0.003%	0.010%	0.01%	0.020%	-0.007%	-0.015%
1/20/2015	0.069%	0.092%	0.03%	0.054%	-0.022%	-0.028%
1/19/2015	0.000%	0.000%	0.00%	0.035%	0.000%	-0.035%
1/18/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/17/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/16/2015	0.021%	0.010%	0.05%	0.006%	0.011%	0.040%
1/15/2015	0.070%	0.072%	0.05%	0.044%	-0.002%	0.009%
1/14/2015	-0.109%	-0.121%	-0.11%	-0.066%	0.013%	-0.047%
1/13/2015	0.069%	0.087%	0.07%	0.055%	-0.017%	0.017%
1/12/2015	0.015%	0.033%	-0.02%	0.018%	-0.018%	-0.036%
1/11/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/10/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/9/2015	0.123%	0.126%	0.13%	0.183%	-0.003%	-0.054%
1/8/2015	0.214%	0.226%	0.19%	0.155%	-0.012%	0.032%
1/7/2015	0.078%	0.121%	0.07%	0.028%	-0.043%	0.047%
1/6/2015	-0.238%	-0.195%	-0.23%	-0.220%	-0.043%	-0.008%
1/5/2015	-0.140%	-0.081%	-0.21%	-0.067%	-0.059%	-0.141%
1/4/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/3/2015	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/2/2015	0.027%	-0.006%	0.05%	-0.026%	0.033%	0.074%
1/1/2015	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/31/2014	0.048%	0.027%	0.03%	0.038%	0.021%	-0.005%
12/30/2014	0.020%	0.039%	0.03%	0.013%	-0.019%	0.013%
12/29/2014	0.063%	0.062%	0.06%	0.069%	0.001%	-0.008%
12/28/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/27/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/26/2014	0.033%	0.033%	0.04%	0.011%	0.000%	0.026%
12/25/2014	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/24/2014	0.045%	0.050%	0.05%	0.036%	-0.005%	0.010%
12/23/2014	0.128%	0.130%	0.12%	0.089%	-0.002%	0.032%
12/22/2014	0.058%	0.027%	0.01%	0.164%	0.031%	-0.151%
12/21/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/20/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/19/2014	0.234%	0.238%	0.23%	0.365%	-0.004%	-0.139%
12/18/2014	0.869%	0.795%	0.83%	0.830%	0.074%	-0.002%
12/17/2014	0.173%	0.167%	0.31%	0.159%	0.006%	0.150%
12/16/2014	-0.662%	-0.642%	-0.64%	-0.725%	-0.020%	0.087%
12/15/2014	-0.206%	-0.126%	-0.22%	-0.388%	-0.081%	0.169%
12/14/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/13/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/12/2014	-0.425%	-0.432%	-0.42%	-0.562%	0.007%	0.141%
12/11/2014	-0.333%	-0.271%	-0.28%	-0.394%	-0.063%	0.117%
12/10/2014	-0.269%	-0.226%	-0.30%	-0.242%	-0.044%	-0.054%
12/9/2014	-0.331%	-0.349%	-0.34%	-0.261%	0.018%	-0.077%
12/8/2014	-0.135%	-0.135%	-0.16%	-0.075%	-0.001%	-0.081%
12/7/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/6/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/5/2014	-0.060%	-0.068%	-0.02%	-0.023%	0.008%	0.005%
12/4/2014	-0.068%	-0.046%	-0.06%	-0.087%	-0.023%	0.025%
12/3/2014	-0.157%	-0.114%	-0.13%	-0.124%	-0.043%	-0.009%
12/2/2014	-0.124%	-0.094%	-0.13%	-0.142%	-0.030%	0.016%

12/1/2014	-0.143%	-0.136%	-0.22%	-0.168%	-0.007%	-0.056%
11/30/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/29/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/28/2014	-0.006%	0.000%	0.01%	-0.011%	-0.006%	0.017%
11/27/2014	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
11/26/2014	0.000%	0.003%	0.01%	-0.001%	-0.003%	0.010%
11/25/2014	0.027%	0.060%	0.04%	0.045%	-0.033%	-0.009%
11/24/2014	0.033%	0.024%	0.01%	0.036%	0.009%	-0.024%
11/23/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/22/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/21/2014	0.044%	0.049%	0.12%	0.029%	-0.006%	0.092%
11/20/2014	0.019%	0.042%	0.01%	0.016%	-0.023%	-0.004%
11/19/2014	-0.010%	0.000%	-0.04%	-0.028%	-0.009%	-0.012%
11/18/2014	0.000%	0.017%	-0.05%	-0.009%	-0.017%	-0.041%
11/17/2014	0.018%	0.023%	-0.02%	0.035%	-0.005%	-0.052%
11/16/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/15/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/14/2014	0.015%	0.003%	0.02%	0.024%	0.012%	-0.008%
11/13/2014	0.043%	0.038%	0.01%	0.021%	0.005%	-0.011%
11/12/2014	0.030%	0.058%	0.03%	0.044%	-0.028%	-0.012%
11/11/2014	0.011%	0.000%	0.00%	0.010%	0.011%	-0.005%
11/10/2014	0.028%	0.026%	-0.01%	0.023%	0.001%	-0.033%
11/9/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/8/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/7/2014	-0.023%	-0.033%	-0.05%	-0.018%	0.011%	-0.028%
11/6/2014	0.005%	0.001%	-0.01%	0.010%	0.004%	-0.022%
11/5/2014	0.071%	0.063%	0.02%	0.053%	0.008%	-0.033%
11/4/2014	0.002%	0.018%	0.00%	-0.019%	-0.017%	0.020%
11/3/2014	0.064%	0.050%	0.03%	0.066%	0.014%	-0.034%
11/2/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/1/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/31/2014	0.197%	0.208%	0.20%	0.191%	-0.011%	0.007%
10/30/2014	0.116%	0.115%	0.08%	0.099%	0.001%	-0.020%
10/29/2014	0.125%	0.130%	0.11%	0.125%	-0.005%	-0.019%
10/28/2014	0.053%	0.070%	0.04%	0.085%	-0.016%	-0.044%
10/27/2014	0.026%	0.042%	0.02%	0.035%	-0.016%	-0.012%
10/26/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/25/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/24/2014	0.070%	0.085%	0.08%	0.084%	-0.016%	-0.008%
10/23/2014	0.138%	0.147%	0.11%	0.165%	-0.009%	-0.059%
10/22/2014	0.131%	0.148%	0.11%	0.101%	-0.018%	0.012%
10/21/2014	0.196%	0.209%	0.22%	0.233%	-0.013%	-0.015%
10/20/2014	0.091%	0.110%	0.02%	0.077%	-0.019%	-0.052%
10/19/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/18/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/17/2014	0.662%	0.699%	0.73%	0.525%	-0.037%	0.204%
10/16/2014	-0.250%	-0.288%	-0.17%	-0.351%	0.038%	0.183%
10/15/2014	-0.568%	-0.616%	-0.51%	-0.432%	0.048%	-0.079%
10/14/2014	-0.261%	-0.232%	-0.25%	-0.235%	-0.029%	-0.017%
10/13/2014	0.027%	0.000%	0.00%	0.035%	0.027%	-0.035%
10/12/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%

10/11/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/10/2014	-0.257%	-0.280%	-0.28%	-0.291%	0.023%	0.008%
10/9/2014	-0.087%	-0.078%	-0.09%	0.162%	-0.008%	-0.248%
10/8/2014	-0.036%	-0.015%	-0.03%	-0.200%	-0.020%	0.168%
10/7/2014	0.010%	0.032%	0.00%	0.037%	-0.023%	-0.035%
10/6/2014	0.079%	0.134%	0.11%	0.105%	-0.055%	0.003%
10/5/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/4/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/3/2014	0.103%	0.101%	0.15%	0.080%	0.002%	0.066%
10/2/2014	0.000%	0.008%	0.00%	-0.046%	-0.008%	0.048%
10/1/2014	-0.017%	-0.060%	-0.01%	0.027%	0.043%	-0.032%
9/30/2014	0.060%	0.064%	0.11%	-0.010%	-0.004%	0.120%
9/29/2014	-0.200%	-0.214%	-0.23%	-0.195%	0.014%	-0.030%
9/28/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/27/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/26/2014	-0.159%	-0.179%	-0.12%	-0.189%	0.020%	0.073%
9/25/2014	-0.179%	-0.197%	-0.18%	-0.117%	0.019%	-0.060%
9/24/2014	-0.072%	-0.073%	-0.08%	-0.058%	0.001%	-0.019%
9/23/2014	-0.121%	-0.119%	-0.13%	-0.110%	-0.002%	-0.021%
9/22/2014	-0.020%	-0.008%	-0.05%	-0.001%	-0.012%	-0.045%
9/21/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/20/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/19/2014	0.005%	0.016%	0.04%	0.034%	-0.010%	0.003%
9/18/2014	0.005%	-0.003%	0.01%	-0.009%	0.008%	0.021%
9/17/2014	0.016%	0.026%	0.03%	0.014%	-0.010%	0.013%
9/16/2014	-0.001%	0.004%	-0.01%	-0.011%	-0.004%	0.004%
9/15/2014	0.029%	0.042%	0.00%	0.041%	-0.013%	-0.036%
9/14/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/13/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/12/2014	0.022%	0.040%	0.06%	0.004%	-0.018%	0.052%
9/11/2014	-0.100%	-0.121%	-0.08%	-0.139%	0.020%	0.059%
9/10/2014	-0.126%	-0.125%	-0.15%	-0.102%	-0.002%	-0.044%
9/9/2014	-0.093%	-0.086%	-0.08%	-0.040%	-0.007%	-0.037%
9/8/2014	-0.019%	-0.005%	-0.02%	-0.014%	-0.014%	-0.006%
9/7/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/6/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/5/2014	-0.096%	-0.106%	-0.08%	-0.083%	0.009%	-0.002%
9/4/2014	-0.064%	-0.072%	-0.07%	-0.039%	0.008%	-0.027%
9/3/2014	-0.008%	-0.013%	-0.01%	0.010%	0.005%	-0.024%
9/2/2014	0.036%	-0.013%	0.00%	0.035%	0.049%	-0.031%
9/1/2014	0.000%	0.023%	0.00%	0.035%	-0.023%	-0.035%
8/31/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/30/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/29/2014	0.000%	0.007%	0.03%	0.009%	-0.007%	0.021%
8/28/2014	0.001%	0.000%	-0.01%	0.029%	0.001%	-0.036%
8/27/2014	0.035%	0.040%	0.02%	0.043%	-0.006%	-0.022%
8/26/2014	0.057%	0.064%	0.06%	0.070%	-0.007%	-0.011%
8/25/2014	0.067%	0.086%	0.06%	0.077%	-0.019%	-0.020%
8/24/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/23/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/22/2014	0.068%	0.069%	0.07%	0.081%	0.000%	-0.010%

8/21/2014	0.136%	0.131%	0.10%	0.115%	0.006%	-0.019%
8/20/2014	0.119%	0.113%	0.10%	0.056%	0.006%	0.049%
8/19/2014	0.032%	0.036%	0.05%	0.024%	-0.004%	0.021%
8/18/2014	0.049%	0.044%	0.03%	0.035%	0.006%	-0.002%
8/17/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/16/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/15/2014	0.042%	0.049%	0.06%	0.025%	-0.007%	0.032%
8/14/2014	0.010%	0.024%	0.05%	-0.007%	-0.014%	0.055%
8/13/2014	0.018%	0.019%	0.03%	0.011%	-0.001%	0.020%
8/12/2014	-0.025%	-0.036%	-0.03%	-0.069%	0.012%	0.038%
8/11/2014	0.013%	0.016%	0.03%	-0.003%	-0.003%	0.036%
8/10/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/9/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/8/2014	-0.062%	-0.063%	-0.03%	-0.047%	0.001%	0.017%
8/7/2014	0.003%	0.010%	0.02%	-0.031%	-0.007%	0.055%
8/6/2014	-0.128%	-0.145%	-0.11%	-0.074%	0.017%	-0.036%
8/5/2014	-0.044%	-0.040%	0.02%	-0.029%	-0.004%	0.045%
8/4/2014	0.005%	0.028%	0.04%	0.034%	-0.023%	0.001%
8/3/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/2/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/1/2014	-0.114%	-0.170%	-0.13%	-0.133%	0.056%	0.005%
7/31/2014	-0.226%	-0.225%	-0.27%	-0.166%	-0.001%	-0.106%
7/30/2014	-0.070%	-0.075%	-0.07%	-0.069%	0.004%	-0.001%
7/29/2014	-0.078%	-0.070%	-0.04%	-0.066%	-0.008%	0.022%
7/28/2014	-0.018%	-0.014%	-0.04%	0.001%	-0.004%	-0.040%
7/27/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/26/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/25/2014	-0.017%	-0.001%	0.00%	0.012%	-0.016%	-0.011%
7/24/2014	0.093%	0.075%	0.02%	0.052%	0.017%	-0.028%
7/23/2014	-0.029%	-0.035%	0.00%	-0.019%	0.006%	0.024%
7/22/2014	-0.005%	-0.012%	0.00%	-0.001%	0.006%	0.005%
7/20/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/19/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/18/2014	-0.039%	-0.024%	-0.03%	-0.074%	-0.015%	0.048%
7/17/2014	0.002%	-0.002%	-0.02%	0.013%	0.004%	-0.034%
7/16/2014	-0.087%	-0.070%	-0.07%	-0.052%	-0.017%	-0.023%
7/15/2014	-0.024%	-0.023%	-0.03%	0.003%	-0.001%	-0.035%
7/14/2014	0.047%	0.045%	0.02%	0.044%	0.002%	-0.025%
7/13/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/12/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/11/2014	0.012%	0.011%	0.02%	0.013%	0.001%	0.006%
7/10/2014	-0.046%	-0.050%	-0.06%	-0.051%	0.003%	-0.008%
7/9/2014	-0.027%	-0.018%	-0.02%	-0.005%	-0.009%	-0.013%
7/8/2014	0.006%	0.010%	-0.01%	-0.011%	-0.005%	0.006%
7/7/2014	0.000%	0.006%	-0.02%	0.022%	-0.007%	-0.037%
7/6/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/5/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/4/2014	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
7/3/2014	-0.001%	0.008%	0.02%	0.000%	-0.008%	0.015%
7/2/2014	-0.006%	0.005%	0.00%	0.005%	-0.010%	-0.003%
7/1/2014	0.141%	0.085%	0.08%	0.077%	0.055%	0.001%



6/30/2014	0.065%	0.061%	0.02%	0.096%	0.004%	-0.072%
6/29/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/28/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/27/2014	0.018%	0.018%	0.02%	0.013%	0.000%	0.004%
6/26/2014	0.026%	0.025%	0.02%	0.022%	0.001%	-0.002%
6/25/2014	0.015%	0.014%	0.00%	0.009%	0.001%	-0.009%
6/24/2014	0.021%	0.023%	0.00%	0.012%	-0.002%	-0.008%
6/23/2014	0.009%	0.042%	0.02%	0.040%	-0.033%	-0.024%
6/22/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/21/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/20/2014	0.011%	0.018%	0.04%	0.015%	-0.007%	0.028%
6/19/2014	0.006%	0.014%	0.03%	0.016%	-0.008%	0.011%
6/18/2014	0.021%	0.023%	0.01%	0.015%	-0.002%	-0.008%
6/17/2014	0.028%	0.035%	0.03%	0.011%	-0.006%	0.020%
6/16/2014	0.030%	0.033%	0.00%	0.029%	-0.003%	-0.025%
6/15/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/14/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/13/2014	0.032%	0.013%	0.04%	0.013%	0.019%	0.025%
6/12/2014	0.000%	-0.013%	0.01%	0.012%	0.013%	-0.001%
6/11/2014	0.023%	0.021%	0.02%	0.026%	0.002%	-0.010%
6/10/2014	0.013%	0.024%	0.01%	0.034%	-0.011%	-0.019%
6/9/2014	0.065%	0.070%	0.03%	0.050%	-0.005%	-0.015%
6/8/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/7/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/6/2014	0.044%	0.039%	0.06%	0.023%	0.005%	0.032%
6/5/2014	0.031%	0.030%	0.01%	0.034%	0.001%	-0.020%
6/4/2014	0.062%	0.071%	0.06%	0.058%	-0.009%	-0.002%
6/3/2014	0.020%	0.024%	0.01%	0.006%	-0.004%	0.006%
6/2/2014	0.027%	0.014%	0.02%	0.028%	0.013%	-0.010%
6/1/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/31/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/30/2014	0.008%	0.012%	0.03%	0.041%	-0.005%	-0.006%
5/29/2014	0.065%	0.066%	0.09%	0.064%	0.000%	0.029%
5/28/2014	0.003%	0.002%	0.02%	0.007%	0.001%	0.008%
5/27/2014	0.043%	0.045%	0.02%	0.005%	-0.002%	0.015%
5/26/2014	0.000%	0.000%	0.00%	0.033%	0.000%	-0.033%
5/25/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/24/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/23/2014	-0.014%	-0.010%	0.02%	-0.008%	-0.003%	0.024%
5/22/2014	-0.005%	-0.001%	0.00%	0.002%	-0.004%	-0.001%
5/21/2014	-0.040%	-0.018%	-0.01%	-0.011%	-0.023%	0.002%
5/20/2014	0.015%	0.016%	0.02%	0.013%	-0.001%	0.004%
5/19/2014	0.027%	0.039%	0.01%	0.026%	-0.012%	-0.011%
5/18/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/17/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/16/2014	-0.004%	0.000%	0.02%	-0.007%	-0.003%	0.023%
5/15/2014	-0.057%	-0.037%	-0.02%	-0.005%	-0.020%	-0.015%
5/14/2014	0.028%	0.035%	0.03%	0.041%	-0.007%	-0.008%
5/13/2014	0.067%	0.060%	0.05%	0.103%	0.007%	-0.057%
5/12/2014	0.069%	0.067%	0.04%	0.065%	0.002%	-0.028%
5/11/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%

5/10/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/9/2014	0.021%	0.019%	0.04%	0.039%	0.002%	0.000%
5/8/2014	0.041%	0.049%	0.04%	0.036%	-0.008%	0.000%
5/7/2014	0.083%	0.055%	0.04%	0.047%	0.028%	-0.002%
5/6/2014	0.050%	0.036%	0.04%	0.049%	0.014%	-0.009%
5/5/2014	0.049%	0.073%	0.04%	0.044%	-0.024%	-0.006%
5/4/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/3/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/2/2014	0.037%	0.031%	0.03%	0.047%	0.007%	-0.018%
5/1/2014	0.045%	0.060%	0.12%	0.119%	-0.015%	0.005%
4/30/2014	0.111%	0.106%	0.10%	0.064%	0.005%	0.032%
4/29/2014	0.114%	0.126%	0.11%	0.113%	-0.012%	-0.006%
4/28/2014	0.083%	0.072%	0.03%	0.042%	0.011%	-0.008%
4/27/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/26/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/25/2014	0.066%	0.091%	0.09%	0.023%	-0.025%	0.072%
4/24/2014	-0.036%	-0.011%	-0.01%	-0.013%	-0.026%	0.000%
4/23/2014	-0.017%	-0.042%	-0.04%	-0.047%	0.024%	0.011%
4/22/2014	-0.041%	-0.043%	-0.04%	-0.032%	0.003%	-0.005%
4/21/2014	0.041%	0.041%	0.00%	0.018%	0.000%	-0.016%
4/20/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/19/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/18/2014	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
4/17/2014	0.017%	0.024%	0.05%	0.013%	-0.007%	0.041%
4/16/2014	0.017%	0.021%	-0.01%	-0.009%	-0.003%	-0.001%
4/15/2014	-0.001%	0.000%	0.00%	-0.016%	-0.001%	0.014%
4/14/2014	0.043%	0.056%	0.04%	0.023%	-0.013%	0.013%
4/13/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/12/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/11/2014	-0.122%	-0.144%	-0.11%	-0.092%	0.021%	-0.023%
4/10/2014	-0.017%	-0.021%	-0.01%	-0.018%	0.004%	0.011%
4/9/2014	-0.013%	-0.013%	-0.02%	0.001%	0.001%	-0.016%
4/8/2014	-0.032%	-0.026%	-0.01%	-0.006%	-0.006%	-0.005%
4/7/2014	-0.020%	-0.014%	-0.02%	-0.003%	-0.005%	-0.021%
4/6/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/5/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/4/2014	0.000%	-0.017%	0.01%	0.009%	0.017%	0.002%
4/3/2014	0.009%	-0.013%	0.00%	0.033%	0.023%	-0.033%
4/2/2014	0.039%	0.046%	0.04%	-0.006%	-0.007%	0.041%
4/1/2014	0.002%	-0.053%	0.03%	0.025%	0.055%	0.001%
3/31/2014	0.033%	0.047%	0.03%	0.032%	-0.014%	0.002%
3/30/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/29/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/28/2014	-0.016%	-0.022%	0.00%	-0.011%	0.006%	0.011%
3/27/2014	-0.021%	-0.021%	0.00%	0.017%	0.000%	-0.017%
3/26/2014	-0.013%	-0.006%	0.00%	0.006%	-0.007%	-0.006%
3/25/2014	0.018%	0.026%	0.00%	0.008%	-0.008%	-0.008%
3/24/2014	0.043%	0.043%	0.00%	0.036%	-0.001%	-0.036%
3/23/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/22/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/21/2014	0.024%	0.023%	0.08%	0.009%	0.000%	0.072%



3/20/2014	-0.008%	-0.007%	-0.04%	0.002%	-0.001%	-0.043%
3/19/2014	0.012%	0.013%	0.02%	0.018%	-0.001%	0.005%
3/18/2014	0.010%	0.020%	0.03%	0.019%	-0.010%	0.013%
3/17/2014	0.042%	0.045%	0.03%	0.033%	-0.003%	-0.003%
3/16/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/15/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/14/2014	-0.021%	-0.009%	0.01%	-0.021%	-0.012%	0.027%
3/13/2014	0.026%	0.016%	0.01%	0.029%	0.010%	-0.017%
3/12/2014	-0.011%	-0.012%	-0.01%	-0.002%	0.002%	-0.011%
3/11/2014	0.020%	0.030%	0.01%	0.023%	-0.011%	-0.011%
3/10/2014	0.034%	0.033%	0.00%	0.068%	0.001%	-0.067%
3/9/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/8/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/7/2014	0.060%	0.057%	0.04%	0.024%	0.002%	0.012%
3/6/2014	0.046%	0.057%	0.04%	0.044%	-0.012%	-0.006%
3/5/2014	0.013%	0.017%	0.01%	0.002%	-0.004%	0.010%
3/4/2014	0.000%	0.024%	0.04%	0.032%	-0.024%	0.005%
3/3/2014	-0.028%	-0.090%	-0.05%	-0.031%	0.062%	-0.019%
3/2/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/1/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/28/2014	-0.005%	-0.002%	0.02%	0.004%	-0.004%	0.017%
2/27/2014	0.011%	0.019%	0.01%	0.028%	-0.008%	-0.020%
2/26/2014	0.022%	0.036%	0.01%	-0.012%	-0.014%	0.024%
2/25/2014	-0.004%	-0.001%	0.01%	-0.005%	-0.003%	0.019%
2/24/2014	0.016%	0.020%	0.01%	0.025%	-0.004%	-0.018%
2/23/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/22/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/21/2014	0.034%	0.048%	0.06%	0.012%	-0.014%	0.046%
2/20/2014	0.002%	-0.003%	0.00%	0.023%	0.004%	-0.022%
2/19/2014	0.015%	0.024%	0.03%	0.000%	-0.009%	0.028%
2/18/2014	0.003%	0.005%	-0.01%	-0.005%	-0.002%	-0.003%
2/17/2014	0.000%	0.000%	0.00%	0.035%	0.000%	-0.035%
2/16/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/15/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/14/2014	-0.062%	-0.075%	-0.01%	-0.063%	0.014%	0.053%
2/13/2014	-0.007%	-0.001%	-0.01%	0.011%	-0.006%	-0.019%
2/12/2014	0.035%	0.035%	0.02%	0.030%	0.000%	-0.006%
2/11/2014	0.012%	0.011%	0.02%	0.011%	0.001%	0.013%
2/10/2014	0.038%	0.053%	0.01%	0.015%	-0.016%	-0.007%
2/9/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/8/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/7/2014	0.025%	0.025%	0.06%	0.031%	0.000%	0.030%
2/6/2014	0.030%	0.047%	0.04%	0.018%	-0.017%	0.023%
2/5/2014	-0.044%	-0.044%	-0.03%	-0.041%	0.000%	0.011%
2/4/2014	-0.072%	-0.070%	-0.06%	-0.067%	-0.002%	0.012%
2/3/2014	-0.035%	-0.067%	-0.06%	-0.001%	0.033%	-0.056%
2/2/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/1/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/31/2014	-0.048%	-0.044%	-0.01%	-0.028%	-0.004%	0.014%
1/30/2014	0.035%	0.044%	0.04%	0.008%	-0.009%	0.031%
1/29/2014	-0.035%	-0.039%	-0.02%	-0.017%	0.004%	-0.008%

1/28/2014	-0.009%	0.006%	-0.01%	-0.017%	-0.015%	0.010%
1/27/2014	-0.047%	-0.058%	-0.05%	-0.025%	0.011%	-0.022%
1/26/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/25/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/24/2014	-0.085%	-0.095%	-0.07%	-0.040%	0.009%	-0.034%
1/23/2014	-0.002%	-0.014%	-0.02%	-0.005%	0.012%	-0.015%
1/22/2014	0.024%	0.031%	0.02%	0.009%	-0.007%	0.013%
1/21/2014	0.000%	0.000%	0.00%	0.010%	0.000%	-0.010%
1/20/2014	0.043%	0.036%	0.02%	0.035%	0.008%	-0.019%
1/19/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/18/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/17/2014	0.016%	0.019%	0.04%	0.052%	-0.003%	-0.013%
1/16/2014	0.053%	0.047%	0.04%	0.037%	0.006%	0.006%
1/15/2014	0.049%	0.041%	0.05%	0.029%	0.008%	0.022%
1/14/2014	0.003%	0.006%	0.00%	0.016%	-0.003%	-0.013%
1/13/2014	0.040%	0.027%	0.02%	0.035%	0.013%	-0.018%
1/12/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/11/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/10/2014	0.026%	0.019%	0.04%	0.017%	0.006%	0.020%
1/9/2014	0.023%	0.026%	0.04%	0.071%	-0.003%	-0.036%
1/8/2014	0.076%	0.077%	0.05%	0.058%	-0.002%	-0.006%
1/7/2014	0.115%	0.107%	0.09%	0.080%	0.008%	0.006%
1/6/2014	0.160%	0.186%	0.12%	0.177%	-0.026%	-0.059%
1/5/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/4/2014	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/3/2014	0.036%	0.054%	0.05%	0.051%	-0.018%	0.003%
1/2/2014	0.120%	0.094%	0.11%	0.048%	0.026%	0.063%
1/1/2014	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
12/31/2013	0.045%	0.042%	0.04%	0.023%	0.003%	0.018%
12/30/2013	0.069%	0.068%	0.04%	0.066%	0.001%	-0.030%
12/29/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/28/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/27/2013	0.031%	0.034%	0.03%	0.014%	-0.003%	0.014%
12/26/2013	0.036%	0.031%	0.03%	0.022%	0.005%	0.004%
12/25/2013	0.000%	0.000%	0.00%	0.011%	0.000%	-0.011%
12/24/2013	0.015%	0.012%	0.02%	0.023%	0.003%	-0.004%
12/23/2013	0.045%	0.047%	0.03%	0.041%	-0.002%	-0.013%
12/22/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/21/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/20/2013	0.020%	0.031%	0.04%	0.038%	-0.011%	0.002%
12/19/2013	0.027%	0.026%	0.02%	0.013%	0.001%	0.007%
12/18/2013	-0.001%	0.005%	-0.01%	-0.015%	-0.006%	0.007%
12/17/2013	0.009%	0.025%	0.01%	0.017%	-0.016%	-0.012%
12/16/2013	0.046%	0.060%	0.02%	0.031%	-0.014%	-0.010%
12/15/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/14/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/13/2013	0.011%	0.015%	0.03%	0.008%	-0.004%	0.019%
12/12/2013	-0.006%	0.007%	-0.01%	0.016%	-0.013%	-0.023%
12/11/2013	0.035%	0.037%	0.02%	0.018%	-0.001%	0.002%
12/10/2013	0.033%	0.042%	0.03%	0.020%	-0.009%	0.010%
12/9/2013	0.030%	0.024%	0.01%	0.040%	0.005%	-0.032%

12/8/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/7/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
12/6/2013	0.026%	0.023%	0.04%	0.003%	0.003%	0.033%
12/5/2013	0.005%	-0.005%	0.00%	0.007%	0.010%	-0.007%
12/4/2013	-0.018%	-0.006%	-0.01%	0.005%	-0.012%	-0.020%
12/3/2013	0.012%	0.010%	0.01%	0.000%	0.003%	0.006%
12/2/2013	0.068%	0.023%	0.03%	0.036%	0.045%	-0.004%
12/1/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/30/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/29/2013	0.027%	0.029%	0.03%	0.013%	-0.003%	0.017%
11/28/2013	-0.035%	0.000%	0.00%	0.011%	-0.035%	-0.011%
11/27/2013	0.000%	-0.047%	-0.01%	-0.010%	0.047%	0.002%
11/26/2013	-0.006%	0.000%	-0.01%	-0.019%	-0.006%	0.012%
11/25/2013	0.019%	0.020%	0.01%	0.027%	-0.001%	-0.014%
11/24/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/23/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/22/2013	0.012%	0.012%	0.03%	0.001%	0.000%	0.030%
11/21/2013	0.049%	0.055%	0.02%	0.048%	-0.006%	-0.024%
11/20/2013	0.014%	0.020%	0.00%	0.021%	-0.006%	-0.021%
11/19/2013	-0.025%	-0.036%	-0.01%	-0.037%	0.011%	0.028%
11/18/2013	0.061%	0.062%	0.04%	0.044%	-0.002%	-0.004%
11/17/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/16/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/15/2013	-0.044%	-0.049%	0.00%	-0.014%	0.006%	0.012%
11/14/2013	-0.004%	0.002%	0.00%	-0.025%	-0.006%	0.027%
11/13/2013	-0.071%	-0.072%	-0.06%	-0.043%	0.001%	-0.012%
11/12/2013	0.021%	0.060%	-0.01%	0.007%	-0.039%	-0.019%
11/11/2013	0.027%	0.000%	0.01%	0.034%	0.027%	-0.020%
11/10/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/9/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/8/2013	0.045%	0.040%	0.02%	0.095%	0.005%	-0.073%
11/7/2013	0.070%	0.070%	0.07%	0.073%	0.000%	-0.005%
11/6/2013	0.088%	0.103%	0.07%	0.053%	-0.016%	0.015%
11/5/2013	0.001%	0.027%	0.02%	0.043%	-0.026%	-0.024%
11/4/2013	0.093%	0.104%	0.07%	0.129%	-0.011%	-0.056%
11/3/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/2/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
11/1/2013	0.121%	0.109%	0.12%	0.084%	0.012%	0.032%
10/31/2013	-0.062%	-0.067%	-0.04%	-0.053%	0.005%	0.012%
10/30/2013	0.035%	0.039%	0.03%	0.048%	-0.004%	-0.016%
10/29/2013	0.045%	0.039%	0.04%	0.065%	0.006%	-0.026%
10/28/2013	0.035%	0.047%	0.05%	0.016%	-0.012%	0.033%
10/27/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/26/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/25/2013	0.173%	0.161%	0.12%	0.177%	0.012%	-0.053%
10/24/2013	0.012%	0.014%	0.02%	0.012%	-0.002%	0.007%
10/23/2013	0.069%	0.079%	0.05%	0.078%	-0.010%	-0.025%
10/22/2013	0.064%	0.071%	0.07%	0.045%	-0.007%	0.024%
10/21/2013	0.086%	0.087%	0.08%	0.093%	-0.001%	-0.016%
10/20/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/19/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%

10/18/2013	0.096%	0.098%	0.11%	0.048%	-0.003%	0.065%
10/17/2013	0.036%	0.035%	0.07%	0.013%	0.001%	0.054%
10/16/2013	-0.006%	0.000%	0.01%	-0.010%	-0.006%	0.019%
10/15/2013	0.026%	0.051%	0.04%	0.057%	-0.024%	-0.019%
10/14/2013	0.028%	0.000%	0.01%	0.050%	0.028%	-0.043%
10/13/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/12/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/11/2013	0.068%	0.063%	0.06%	0.018%	0.004%	0.044%
10/10/2013	0.037%	0.042%	0.01%	0.009%	-0.005%	0.004%
10/9/2013	-0.024%	-0.037%	-0.04%	0.003%	0.012%	-0.038%
10/8/2013	0.010%	0.014%	0.01%	0.019%	-0.005%	-0.014%
10/7/2013	0.023%	0.012%	-0.02%	0.021%	0.012%	-0.037%
10/6/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/5/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
10/4/2013	0.043%	0.052%	0.08%	0.039%	-0.010%	0.045%
10/3/2013	0.034%	0.046%	0.03%	0.042%	-0.013%	-0.008%
10/2/2013	0.034%	0.044%	0.02%	0.030%	-0.010%	-0.013%
10/1/2013	0.065%	0.048%	0.06%	0.033%	0.016%	0.032%
9/30/2013	-0.088%	-0.091%	-0.10%	-0.079%	0.003%	-0.019%
9/29/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/28/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/27/2013	-0.035%	-0.028%	-0.03%	-0.024%	-0.007%	-0.008%
9/26/2013	-0.045%	-0.048%	-0.05%	-0.106%	0.002%	0.058%
9/25/2013	-0.206%	-0.204%	-0.17%	-0.132%	-0.002%	-0.038%
9/24/2013	-0.104%	-0.113%	-0.08%	-0.081%	0.009%	0.000%
9/23/2013	-0.006%	-0.004%	-0.06%	0.009%	-0.002%	-0.074%
9/22/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/21/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/20/2013	-0.001%	0.001%	0.01%	0.008%	-0.002%	0.003%
9/19/2013	0.042%	0.042%	0.10%	0.041%	0.000%	0.061%
9/18/2013	0.009%	0.004%	0.02%	0.003%	0.005%	0.015%
9/17/2013	0.027%	0.027%	0.01%	0.047%	0.000%	-0.032%
9/16/2013	0.133%	0.135%	0.13%	0.111%	-0.002%	0.014%
9/15/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/14/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/13/2013	0.044%	0.047%	0.05%	0.018%	-0.002%	0.034%
9/12/2013	0.034%	0.043%	0.05%	0.050%	-0.009%	0.005%
9/11/2013	0.029%	0.044%	0.01%	0.026%	-0.016%	-0.016%
9/10/2013	0.071%	0.078%	0.07%	0.050%	-0.008%	0.016%
9/9/2013	0.053%	0.066%	0.04%	0.077%	-0.013%	-0.040%
9/8/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
9/7/2013	0.000%	0.035%	0.00%	0.042%	-0.035%	-0.042%
9/6/2013	0.025%	0.062%	0.05%	0.019%	-0.037%	0.031%
9/5/2013	0.059%	0.022%	0.02%	0.018%	0.037%	0.002%
9/4/2013	0.013%	0.033%	0.00%	0.017%	-0.020%	-0.015%
9/3/2013	0.071%	0.000%	0.00%	0.000%	0.071%	0.000%
9/2/2013	0.000%	0.012%	0.04%	0.036%	-0.012%	0.005%
9/1/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/31/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/30/2013	0.039%	0.042%	0.08%	0.036%	-0.003%	0.046%
8/29/2013	0.016%	0.022%	0.02%	0.013%	-0.006%	0.011%

8/28/2013	0.009%	0.006%	0.00%	-0.007%	0.004%	0.007%
8/27/2013	-0.058%	-0.041%	-0.02%	-0.011%	-0.016%	-0.009%
8/26/2013	0.074%	0.077%	0.05%	0.037%	-0.003%	0.015%
8/25/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/24/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/23/2013	0.042%	0.046%	0.08%	0.003%	-0.003%	0.076%
8/22/2013	-0.010%	-0.015%	-0.02%	-0.021%	0.005%	-0.001%
8/21/2013	-0.073%	-0.085%	-0.07%	-0.047%	0.012%	-0.020%
8/20/2013	-0.065%	-0.082%	-0.09%	-0.079%	0.017%	-0.007%
8/19/2013	-0.104%	-0.101%	-0.10%	-0.032%	-0.003%	-0.066%
8/18/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/17/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/16/2013	-0.015%	-0.003%	0.00%	-0.029%	-0.012%	0.028%
8/15/2013	-0.099%	-0.106%	-0.10%	-0.073%	0.008%	-0.030%
8/14/2013	0.003%	-0.004%	-0.03%	0.003%	0.007%	-0.029%
8/13/2013	0.010%	0.020%	0.03%	0.004%	-0.009%	0.023%
8/12/2013	-0.022%	-0.020%	-0.04%	-0.019%	-0.002%	-0.025%
8/11/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/10/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/9/2013	0.024%	0.018%	0.02%	0.025%	0.006%	-0.002%
8/8/2013	0.009%	0.013%	0.02%	-0.005%	-0.004%	0.030%
8/7/2013	-0.075%	-0.079%	-0.09%	-0.035%	0.003%	-0.053%
8/6/2013	0.024%	0.029%	0.01%	0.004%	-0.005%	0.002%
8/5/2013	-0.089%	-0.080%	-0.07%	-0.004%	-0.009%	-0.068%
8/4/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/3/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
8/2/2013	-0.023%	-0.030%	-0.05%	-0.023%	0.007%	-0.030%
8/1/2013	0.026%	0.003%	0.00%	0.038%	0.024%	-0.035%
7/31/2013	0.001%	0.013%	0.00%	0.001%	-0.011%	-0.004%
7/30/2013	-0.018%	-0.002%	0.03%	-0.008%	-0.017%	0.041%
7/29/2013	-0.012%	-0.018%	-0.02%	0.025%	0.006%	-0.049%
7/28/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/27/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/26/2013	-0.003%	-0.007%	0.02%	-0.044%	0.004%	0.062%
7/25/2013	-0.120%	-0.122%	-0.15%	-0.041%	0.003%	-0.105%
7/24/2013	0.007%	0.013%	-0.06%	0.008%	-0.006%	-0.070%
7/23/2013	-0.011%	0.003%	0.02%	0.070%	-0.014%	-0.047%
7/22/2013	0.069%	0.080%	0.04%	0.035%	-0.012%	0.008%
7/21/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/20/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/19/2013	0.082%	0.069%	0.10%	0.087%	0.014%	0.010%
7/18/2013	0.102%	0.095%	0.12%	0.094%	0.007%	0.028%
7/17/2013	0.073%	0.085%	0.09%	0.082%	-0.012%	0.004%
7/16/2013	0.105%	0.116%	0.12%	0.113%	-0.012%	0.005%
7/15/2013	0.124%	0.138%	0.12%	0.120%	-0.013%	0.000%
7/14/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/13/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/12/2013	0.073%	0.075%	0.12%	0.080%	-0.002%	0.040%
7/11/2013	0.280%	0.289%	0.28%	0.227%	-0.009%	0.054%
7/10/2013	0.171%	0.169%	0.16%	0.136%	0.002%	0.028%
7/9/2013	0.124%	0.144%	0.12%	0.123%	-0.020%	-0.004%

7/8/2013	0.068%	0.087%	0.03%	0.047%	-0.020%	-0.014%
7/7/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/6/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
7/5/2013	-0.014%	-0.020%	-0.03%	-0.024%	0.005%	-0.007%
7/4/2013	0.000%	0.000%	0.00%	0.012%	0.000%	-0.012%
7/3/2013	-0.048%	-0.050%	-0.04%	0.010%	0.002%	-0.050%
7/2/2013	0.055%	0.085%	0.04%	0.034%	-0.030%	0.008%
7/1/2013	0.082%	0.006%	0.04%	0.053%	0.076%	-0.016%
6/30/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/29/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/28/2013	-0.006%	0.007%	0.02%	-0.060%	-0.013%	0.077%
6/27/2013	0.071%	0.081%	0.11%	-0.012%	-0.010%	0.125%
6/26/2013	-0.022%	-0.047%	0.03%	-0.100%	0.025%	0.130%
6/25/2013	0.045%	0.034%	0.01%	-0.092%	0.011%	0.098%
6/24/2013	-0.415%	-0.401%	-0.44%	-0.116%	-0.014%	-0.327%
6/23/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/22/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/21/2013	-0.041%	-0.035%	-0.06%	-0.081%	-0.006%	0.023%
6/20/2013	-0.300%	-0.309%	-0.37%	-0.178%	0.009%	-0.195%
6/19/2013	0.018%	0.026%	0.00%	0.000%	-0.009%	-0.001%
6/18/2013	0.060%	0.079%	0.03%	0.035%	-0.019%	-0.007%
6/17/2013	0.073%	0.062%	0.09%	0.054%	0.011%	0.040%
6/16/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/15/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/14/2013	0.039%	0.059%	0.13%	-0.004%	-0.020%	0.133%
6/13/2013	-0.032%	-0.029%	-0.06%	0.023%	-0.003%	-0.083%
6/12/2013	0.043%	0.059%	0.09%	0.036%	-0.017%	0.056%
6/11/2013	-0.202%	-0.203%	-0.26%	-0.125%	0.001%	-0.131%
6/10/2013	0.090%	0.114%	0.04%	0.074%	-0.024%	-0.039%
6/9/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/8/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/7/2013	0.170%	0.131%	0.21%	0.015%	0.039%	0.196%
6/6/2013	-0.157%	-0.164%	-0.12%	-0.110%	0.007%	-0.006%
6/5/2013	-0.206%	-0.214%	-0.23%	-0.137%	0.008%	-0.092%
6/4/2013	-0.099%	-0.084%	-0.08%	-0.086%	-0.015%	0.003%
6/3/2013	-0.073%	-0.140%	-0.15%	-0.030%	0.067%	-0.115%
6/2/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
6/1/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/31/2013	-0.027%	-0.029%	-0.03%	-0.073%	0.002%	0.044%
5/30/2013	-0.021%	-0.010%	-0.03%	-0.080%	-0.011%	0.047%
5/29/2013	-0.255%	-0.261%	-0.28%	-0.128%	0.006%	-0.151%
5/28/2013	0.023%	0.020%	-0.03%	-0.042%	0.003%	0.011%
5/27/2013	0.000%	0.000%	0.00%	0.035%	0.000%	-0.035%
5/26/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/25/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/24/2013	-0.084%	-0.079%	-0.04%	-0.053%	-0.005%	0.014%
5/23/2013	-0.155%	-0.190%	-0.20%	-0.111%	0.035%	-0.088%
5/22/2013	-0.003%	-0.006%	-0.01%	0.032%	0.003%	-0.039%
5/21/2013	0.021%	0.018%	0.01%	0.028%	0.003%	-0.014%
5/20/2013	0.069%	0.068%	0.05%	0.043%	0.001%	0.003%
5/19/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%



5/18/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/17/2013	0.004%	0.029%	0.04%	0.011%	-0.025%	0.031%
5/16/2013	0.041%	0.046%	0.02%	0.030%	-0.005%	-0.012%
5/15/2013	0.001%	-0.034%	-0.02%	-0.002%	0.035%	-0.014%
5/14/2013	-0.023%	-0.010%	0.00%	-0.019%	-0.013%	0.020%
5/13/2013	-0.008%	0.014%	-0.07%	0.023%	-0.022%	-0.090%
5/12/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/11/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/10/2013	-0.004%	-0.021%	0.00%	0.002%	0.018%	-0.001%
5/9/2013	0.077%	0.063%	0.04%	0.055%	0.015%	-0.018%
5/8/2013	0.162%	0.083%	0.07%	0.078%	0.079%	-0.006%
5/7/2013	0.117%	0.111%	0.08%	0.091%	0.006%	-0.007%
5/6/2013	0.102%	0.109%	0.05%	0.066%	-0.008%	-0.017%
5/5/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/4/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
5/3/2013	0.097%	0.080%	0.13%	0.068%	0.016%	0.064%
5/2/2013	0.022%	0.024%	0.05%	0.033%	-0.002%	0.016%
5/1/2013	0.057%	-0.029%	0.03%	0.030%	0.086%	0.001%
4/30/2013	0.017%	0.023%	0.08%	0.022%	-0.006%	0.055%
4/29/2013	0.056%	0.062%	0.06%	0.048%	-0.007%	0.009%
4/28/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/27/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/26/2013	0.066%	0.036%	0.05%	0.031%	0.031%	0.022%
4/25/2013	0.026%	0.031%	0.04%	0.020%	-0.005%	0.023%
4/24/2013	0.020%	0.028%	0.03%	0.012%	-0.008%	0.021%
4/23/2013	0.026%	0.029%	0.05%	0.044%	-0.003%	0.009%
4/22/2013	0.018%	0.027%	0.01%	0.033%	-0.009%	-0.027%
4/21/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/20/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/19/2013	0.010%	0.020%	0.04%	0.021%	-0.010%	0.023%
4/18/2013	0.057%	0.008%	0.02%	-0.005%	0.050%	0.023%
4/17/2013	0.044%	0.027%	0.01%	0.016%	0.017%	-0.008%
4/16/2013	-0.040%	-0.034%	-0.03%	-0.007%	-0.005%	-0.025%
4/15/2013	0.050%	0.030%	0.01%	0.031%	0.020%	-0.019%
4/14/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/13/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/12/2013	0.049%	0.052%	0.07%	0.088%	-0.003%	-0.020%
4/11/2013	0.070%	0.088%	0.14%	0.051%	-0.019%	0.090%
4/10/2013	0.068%	0.055%	0.07%	0.046%	0.013%	0.020%
4/9/2013	0.026%	0.036%	0.03%	0.031%	-0.010%	0.002%
4/8/2013	0.026%	0.034%	0.02%	0.030%	-0.008%	-0.013%
4/7/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/6/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
4/5/2013	0.003%	-0.006%	0.01%	-0.018%	0.009%	0.030%
4/4/2013	0.036%	0.017%	0.01%	0.034%	0.020%	-0.022%
4/3/2013	0.037%	0.027%	0.04%	0.037%	0.010%	0.000%
4/2/2013	0.021%	0.026%	0.01%	-0.003%	-0.005%	0.012%
4/1/2013	0.016%	-0.029%	0.00%	0.038%	0.045%	-0.035%
3/31/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/30/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/29/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%

3/28/2013	0.022%	0.015%	0.04%	0.015%	0.006%	0.025%
3/27/2013	-0.004%	-0.003%	-0.04%	0.030%	-0.001%	-0.067%
3/26/2013	0.023%	0.040%	0.02%	0.027%	-0.017%	-0.008%
3/25/2013	0.059%	0.056%	0.03%	0.076%	0.003%	-0.041%
3/24/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/23/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/22/2013	0.055%	0.072%	0.07%	0.029%	-0.017%	0.037%
3/21/2013	0.065%	0.065%	0.02%	0.038%	0.000%	-0.015%
3/20/2013	0.020%	0.020%	0.03%	0.056%	0.000%	-0.029%
3/19/2013	-0.032%	0.000%	0.01%	-0.006%	-0.032%	0.011%
3/18/2013	-0.038%	-0.049%	-0.04%	0.008%	0.011%	-0.047%
3/17/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/16/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/15/2013	0.038%	0.046%	0.06%	-0.011%	-0.008%	0.074%
3/14/2013	0.040%	0.033%	0.06%	0.040%	0.007%	0.016%
3/13/2013	0.065%	0.069%	0.07%	0.092%	-0.004%	-0.023%
3/12/2013	0.063%	0.072%	0.06%	0.056%	-0.009%	0.005%
3/11/2013	0.067%	0.073%	0.06%	0.128%	-0.006%	-0.071%
3/10/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/9/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/8/2013	0.144%	0.149%	0.14%	0.043%	-0.004%	0.095%
3/7/2013	0.044%	0.049%	0.06%	0.093%	-0.005%	-0.037%
3/6/2013	0.077%	0.080%	0.07%	0.041%	-0.003%	0.028%
3/5/2013	0.066%	0.068%	0.08%	0.032%	-0.002%	0.044%
3/4/2013	0.029%	0.047%	0.03%	0.036%	-0.019%	-0.010%
3/3/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/2/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
3/1/2013	-0.023%	-0.094%	0.01%	-0.023%	0.072%	0.032%
2/28/2013	0.019%	0.047%	0.04%	0.016%	-0.028%	0.021%
2/27/2013	-0.034%	-0.043%	-0.01%	-0.011%	0.009%	0.006%
2/26/2013	-0.059%	-0.036%	-0.04%	-0.008%	-0.023%	-0.030%
2/25/2013	0.008%	0.023%	0.00%	0.061%	-0.014%	-0.059%
2/24/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/23/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/22/2013	0.021%	0.018%	0.05%	-0.015%	0.002%	0.065%
2/21/2013	-0.014%	-0.019%	-0.02%	0.015%	0.005%	-0.030%
2/20/2013	0.026%	0.038%	0.03%	0.022%	-0.012%	0.012%
2/19/2013	0.082%	0.099%	0.08%	0.066%	-0.017%	0.011%
2/18/2013	0.000%	0.000%	0.00%	0.038%	0.000%	-0.038%
2/17/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/16/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/15/2013	0.056%	0.080%	0.11%	0.074%	-0.025%	0.032%
2/14/2013	0.044%	0.035%	0.03%	0.030%	0.009%	0.001%
2/13/2013	0.113%	0.109%	0.11%	0.079%	0.004%	0.031%
2/12/2013	0.075%	0.082%	0.07%	0.007%	-0.007%	0.058%
2/11/2013	0.012%	0.027%	0.02%	0.017%	-0.015%	0.002%
2/10/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/9/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/8/2013	-0.026%	-0.015%	-0.05%	-0.021%	-0.011%	-0.033%
2/7/2013	-0.067%	-0.080%	-0.08%	-0.035%	0.013%	-0.050%
2/6/2013	-0.099%	-0.108%	-0.15%	-0.094%	0.008%	-0.056%



2/6/2013	-0.103%	-0.108%	-0.15%	-0.094%	0.005%	-0.056%
2/5/2013	-0.109%	-0.096%	-0.11%	-0.075%	-0.013%	-0.031%
2/5/2013	-0.096%	-0.096%	-0.11%	-0.075%	0.000%	-0.031%
2/4/2013	-0.002%	-0.012%	-0.10%	0.011%	0.010%	-0.106%
2/4/2013	-0.002%	-0.012%	-0.10%	0.011%	0.010%	-0.106%
2/3/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/2/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
2/1/2013	-0.063%	-0.072%	-0.01%	-0.085%	0.009%	0.076%
2/1/2013	-0.063%	-0.072%	-0.01%	-0.085%	0.009%	0.076%
1/31/2013	-0.156%	-0.125%	-0.13%	-0.125%	-0.031%	-0.002%
1/31/2013	-0.156%	-0.125%	-0.13%	-0.125%	-0.031%	-0.002%
1/30/2013	0.057%	-0.046%	-0.13%	-0.004%	0.103%	-0.125%
1/30/2013	0.057%	-0.046%	-0.13%	-0.004%	0.103%	-0.125%
1/29/2013	-0.094%	-0.050%	-0.08%	-0.024%	-0.044%	-0.055%
1/29/2013	-0.094%	-0.050%	-0.08%	-0.024%	-0.044%	-0.055%
1/28/2013	0.089%	-0.032%	-0.06%	0.003%	0.122%	-0.061%
1/28/2013	0.089%	-0.032%	-0.06%	0.003%	0.122%	-0.061%
1/27/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/26/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/25/2013	0.066%	0.010%	0.03%	0.065%	0.055%	-0.035%
1/25/2013	0.066%	0.010%	0.03%	0.065%	0.055%	-0.035%
1/24/2013	0.066%	0.046%	0.05%	0.041%	0.021%	0.010%
1/24/2013	0.066%	0.046%	0.05%	0.041%	0.021%	0.010%
1/23/2013	0.101%	0.106%	0.15%	0.062%	-0.006%	0.083%
1/23/2013	0.101%	0.106%	0.15%	0.062%	-0.006%	0.083%
1/22/2013	0.046%	0.055%	0.02%	0.043%	-0.009%	-0.025%
1/22/2013	0.046%	0.055%	0.02%	0.043%	-0.009%	-0.025%
1/21/2013	0.000%	0.000%	0.00%	0.040%	0.000%	-0.040%
1/20/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/19/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/18/2013	0.178%	0.137%	0.07%	0.071%	0.042%	-0.004%
1/18/2013	0.178%	0.137%	0.07%	0.071%	0.042%	-0.004%
1/17/2013	0.128%	0.114%	0.11%	0.061%	0.015%	0.050%
1/17/2013	0.128%	0.114%	0.11%	0.061%	0.015%	0.050%
1/16/2013	0.052%	0.060%	0.05%	0.020%	-0.008%	0.031%
1/16/2013	0.052%	0.060%	0.05%	0.020%	-0.008%	0.031%
1/15/2013	0.000%	0.001%	-0.01%	0.088%	-0.001%	-0.101%
1/15/2013	0.000%	0.001%	-0.01%	0.088%	-0.001%	-0.101%
1/14/2013	0.059%	0.071%	0.03%	0.090%	-0.012%	-0.059%
1/14/2013	0.059%	0.071%	0.03%	0.090%	-0.012%	-0.059%
1/13/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/12/2013	0.000%	0.000%	0.00%	0.000%	0.000%	0.000%
1/11/2013	0.068%	0.075%	0.11%	0.107%	-0.007%	0.000%
1/11/2013	0.068%	0.075%	0.11%	0.107%	-0.007%	0.000%
1/10/2013	0.083%	0.074%	0.06%	0.060%	0.008%	0.000%
1/10/2013	0.083%	0.074%	0.06%	0.060%	0.008%	0.000%
1/9/2013	0.121%	0.115%	0.05%	0.113%	0.006%	-0.066%
1/9/2013	0.121%	0.115%	0.05%	0.113%	0.006%	-0.066%
1/8/2013	0.128%	0.136%	0.10%	0.088%	-0.008%	0.010%
1/7/2013	0.128%	0.149%	0.11%	0.113%	-0.021%	-0.008%
1/4/2013	0.108%	0.110%	0.23%	0.088%	-0.002%	0.138%

1/3/2013	0.152%	0.177%	0.17%	0.085%	-0.024%	0.088%
1/2/2013	0.245%	0.229%	0.27%	0.121%	0.016%	0.151%
12/31/2012	0.030%	0.036%	0.01%	0.045%	-0.006%	-0.034%
12/28/2012	-0.010%	-0.010%	0.01%	0.027%	0.000%	-0.014%
12/27/2012	0.020%	0.018%	0.00%	0.041%	0.003%	-0.040%
12/26/2012	0.039%	0.041%	0.03%	0.024%	-0.003%	0.010%
12/24/2012	0.008%	0.009%	0.01%	0.041%	-0.002%	-0.030%
12/21/2012	-0.002%	-0.010%	0.01%	0.002%	0.009%	0.006%
12/20/2012	0.021%	-0.003%	0.01%	0.007%	0.025%	0.004%
12/19/2012	0.018%	0.003%	0.02%	0.028%	0.015%	-0.006%
12/18/2012	0.019%	0.010%	0.03%	0.003%	0.009%	0.026%
12/17/2012	0.041%	0.034%	0.01%	0.020%	0.007%	-0.013%
12/14/2012	0.027%	0.001%	0.02%	0.121%	0.026%	-0.102%
12/13/2012	0.101%	0.112%	0.11%	0.024%	-0.011%	0.082%
12/12/2012	0.043%	0.035%	0.06%	0.050%	0.007%	0.009%
12/11/2012	0.073%	0.089%	0.07%	0.064%	-0.016%	0.005%
12/10/2012	0.042%	0.043%	0.03%	0.065%	-0.001%	-0.033%
12/7/2012	0.066%	0.098%	0.10%	0.064%	-0.032%	0.036%
12/6/2012	0.174%	0.120%	0.10%	0.075%	0.054%	0.024%
12/5/2012	0.154%	0.147%	0.14%	0.095%	0.007%	0.041%
12/4/2012	0.155%	0.117%	0.12%	0.108%	0.038%	0.011%
12/3/2012	0.088%	0.057%	0.08%	0.151%	0.031%	-0.068%
11/30/2012	0.114%	0.105%	0.17%	0.122%	0.009%	0.044%
11/29/2012	0.159%	0.162%	0.15%	0.098%	-0.003%	0.057%
11/28/2012	0.044%	0.044%	0.06%	0.041%	0.000%	0.018%
11/27/2012	0.124%	0.130%	0.10%	0.071%	-0.006%	0.024%
11/26/2012	0.094%	0.090%	0.06%	0.090%	0.003%	-0.033%
11/23/2012	-0.003%	0.009%	0.03%	0.029%	-0.011%	-0.001%
11/21/2012	0.088%	0.082%	0.09%	0.009%	0.006%	0.076%
11/20/2012	0.092%	0.089%	0.08%	0.059%	0.003%	0.022%
11/19/2012	0.082%	0.090%	0.06%	0.038%	-0.007%	0.019%
11/16/2012	-0.060%	-0.046%	0.01%	-0.138%	-0.013%	0.152%
11/15/2012	-0.329%	-0.293%	-0.24%	-0.110%	-0.036%	-0.132%
11/14/2012	-0.075%	-0.060%	-0.07%	-0.066%	-0.015%	-0.004%
11/13/2012	-0.326%	-0.206%	-0.21%	-0.143%	-0.120%	-0.064%
11/12/2012	0.023%	0.000%	0.00%	-0.215%	0.023%	0.220%
11/9/2012	-0.386%	-0.303%	-0.26%	-0.021%	-0.084%	-0.235%
11/8/2012	0.000%	0.053%	0.03%	0.001%	-0.053%	0.033%
11/7/2012	-0.162%	-0.101%	-0.09%	-0.046%	-0.061%	-0.045%
11/6/2012	0	0	0	0	0.000%	0.000%

**Portfolio Turnover****Last Two Fiscal Years****Highland Funds I - 6/30 YE**

	<b>FYE 6/30/18</b>	<b>FYE 6/30/19</b>	<b>6 months ended 12/31/19*</b>
Highland Long/Short Equity Fund	247%	252%	89%
Highland Long/Short Healthcare Fund	489%	191%	22%
Highland Merger Arbitrage Fund	401%	712%	448%
Highland Opportunistic Credit Fund	42%	23%	42%
Highland/iBoxx Senior Loan ETF	126%	186%	164%

\* Because 6/30/20 FYE data is not yet available, we are providing 6 months ended 12/31/19 (not annualized) here in addition to the two previous years

**Highland Funds II - 9/30 YE**

	<b>FYE 9/30/18</b>	<b>FYE 9/30/19</b>	<b>6 months ended 3/31/20*</b>
Highland Small-Cap Equity Fund	38%	12%	7%
Highland Socially Responsible Equity Fund	258%	807%	323%
Highland Total Return Fund	105%	105%	39%
Highland Fixed Income Fund	45%	53%	33%

\* Because 9/30/20 FYE data is not yet available, we are providing 6 months ended 3/31/20 (not annualized) here in addition to the two previous years

**Standalone - 12/31 YE**

	<b>FYE 12/31/18</b>	<b>FYE 12/31/19</b>
NexPoint Capital, Inc.	55%	42%
NexPoint Strategic Opportunities Fund	48%	63%
NexPoint Real Estate Strategies Fund	49%	39%

**Standalone - 6/30 YE (2018) 12/31 YE (2019)**

	<b>FYE 6/30/18</b>	<b>FYE 12/31/19</b>
Highland Floating Rate Opportunities Fund	27%	18%

**Standalone - 9/30 YE**

	<b>FYE 9/30/18</b>	<b>FYE 9/30/19</b>	<b>6 months ended 3/31/20*</b>
Highland Global Allocation Fund	51%	28%	8%

\* Because 9/30/20 FYE data is not yet available, we are providing 6 months ended 3/31/20 (not annualized) here in addition to the two previous years

# Highland Funds Management Report

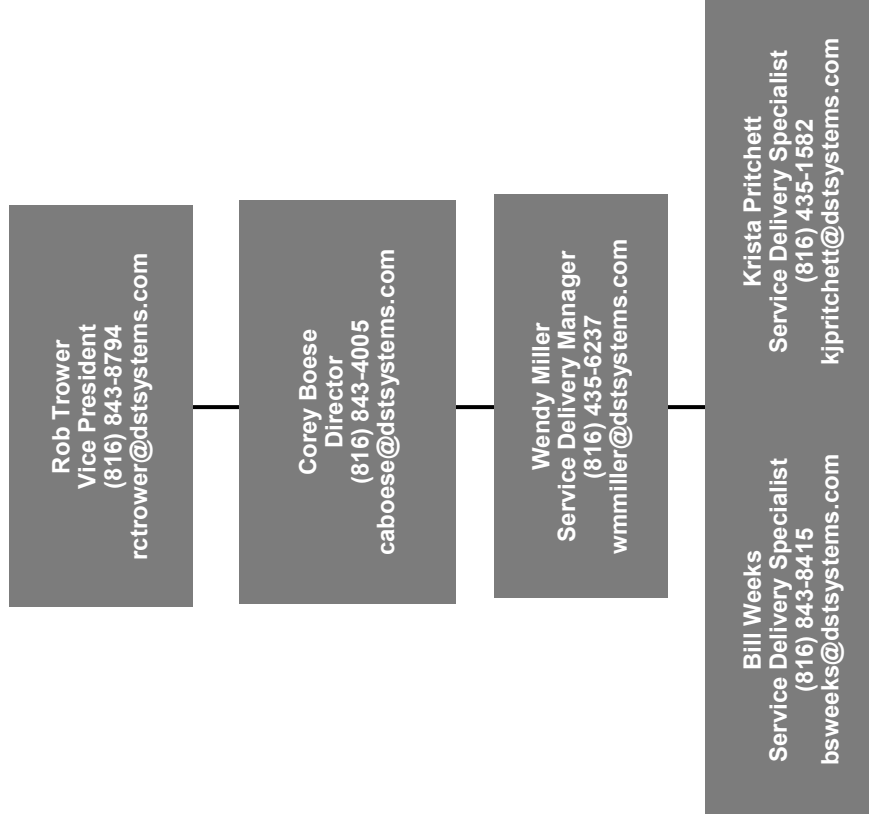
June 2020





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## Highland Funds Service Delivery Team



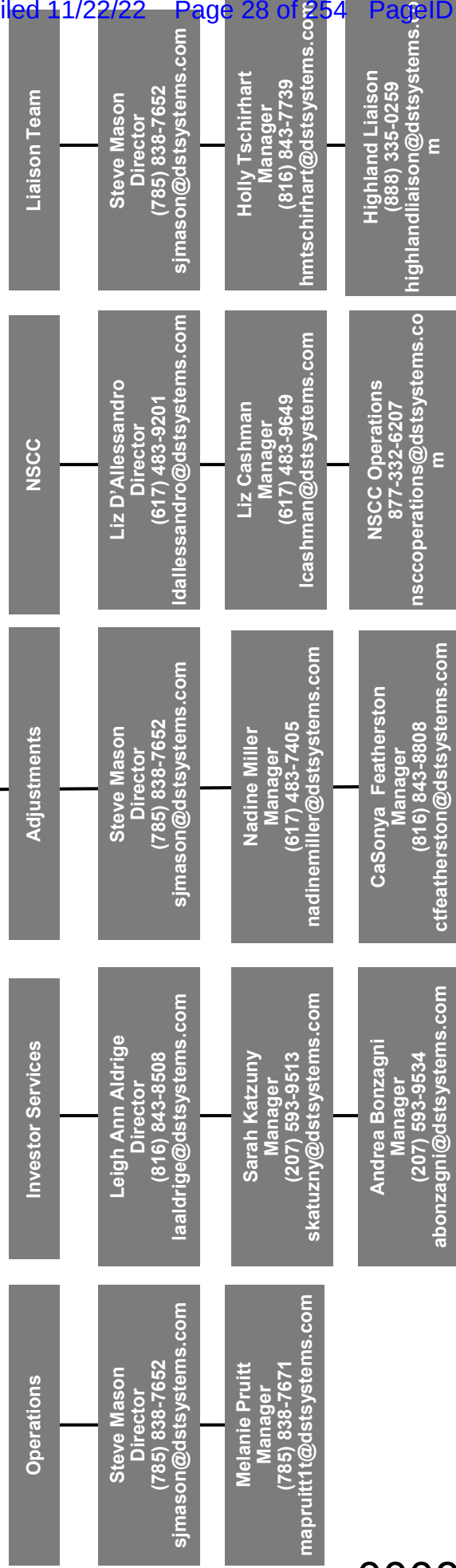
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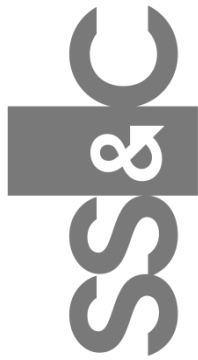
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# Highland Funds Organizational Chart

highlandfundsrteam@dstsystems.com

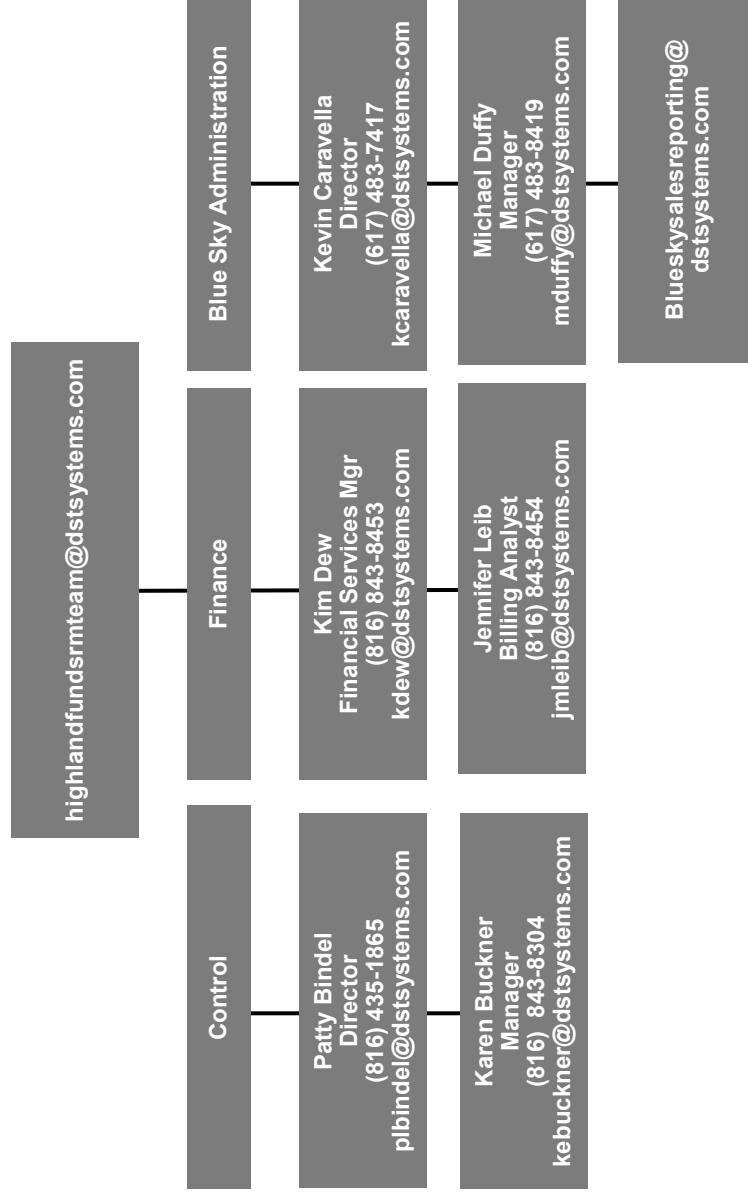


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## Highland Funds Organizational Chart

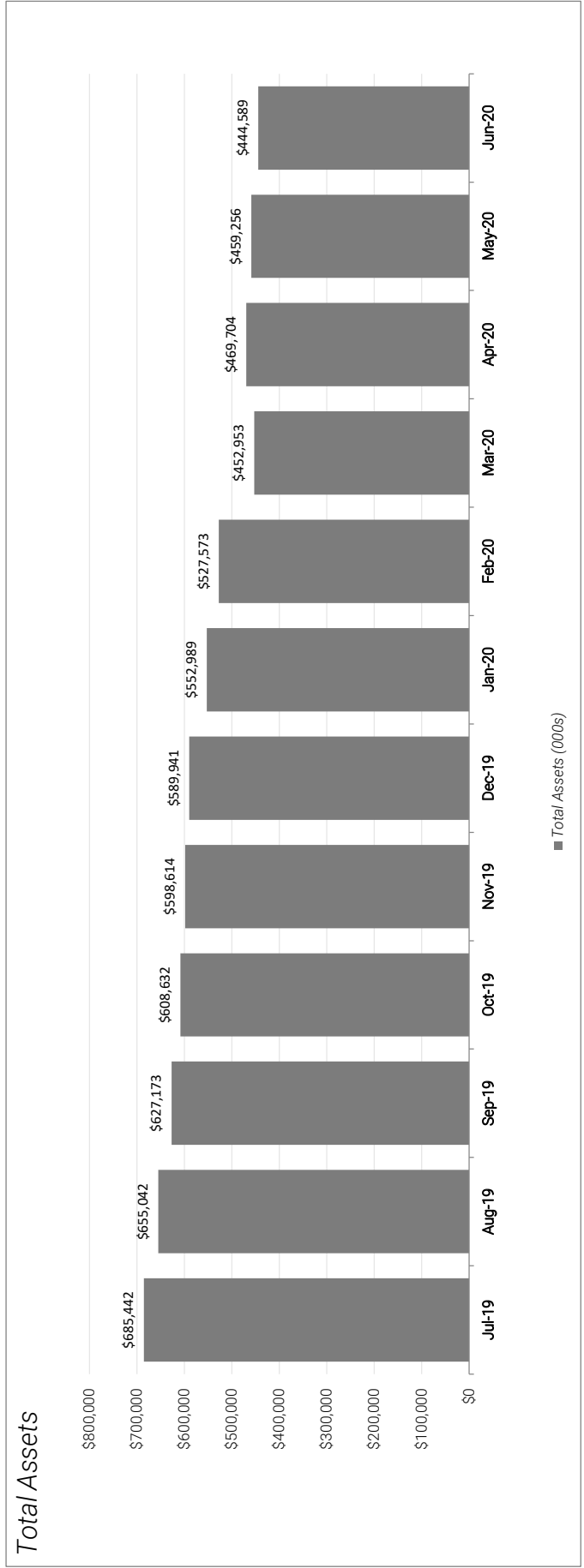


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## Account and Asset Statistics

	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
<b>Matrix Level 0</b>	5,533	5,543	5,510	5,463	5,411	5,352	5,258	5,197	5,164	5,124	5,092	5,050
<b>Matrix Level 3</b>	2,538	2,490	2,262	2,187	2,026	1,951	1,850	1,854	1,784	1,716	1,683	1,578
<b>Matrix Level 4</b>	500	440	435	434	434	429	419	415	408	400	398	395
<b>Total Open Accounts</b>	<b>8,571</b>	<b>8,473</b>	<b>8,207</b>	<b>8,084</b>	<b>7,871</b>	<b>7,732</b>	<b>7,527</b>	<b>7,466</b>	<b>7,356</b>	<b>7,240</b>	<b>7,173</b>	<b>7,023</b>
<b>New Accounts</b>	<b>130</b>	<b>100</b>	<b>85</b>	<b>77</b>	<b>71</b>	<b>54</b>	<b>125</b>	<b>77</b>	<b>66</b>	<b>49</b>	<b>30</b>	<b>348</b>
<b>Accounts Closed</b>	<b>140</b>	<b>209</b>	<b>355</b>	<b>198</b>	<b>285</b>	<b>204</b>	<b>333</b>	<b>140</b>	<b>184</b>	<b>166</b>	<b>100</b>	<b>506</b>
<b>Reopened Accounts</b>	<b>2</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>8</b>	<b>0</b>	<b>2</b>	<b>8</b>	<b>4</b>	<b>4</b>	<b>8</b>
<b>Total Assets (000s)</b>	<b>\$685,442</b>	<b>\$655,042</b>	<b>\$627,173</b>	<b>\$608,632</b>	<b>\$598,614</b>	<b>\$589,941</b>	<b>\$552,989</b>	<b>\$527,573</b>	<b>\$452,953</b>	<b>\$469,704</b>	<b>\$459,256</b>	<b>\$444,589</b>
<b>Top 10 Dealer Assets (000s)</b>	<b>\$603,349</b>	<b>\$548,028</b>	<b>\$521,694</b>	<b>\$507,774</b>	<b>\$497,356</b>	<b>\$488,916</b>	<b>\$461,632</b>	<b>\$442,069</b>	<b>\$383,037</b>	<b>\$399,660</b>	<b>\$391,386</b>	<b>\$377,573</b>

## Total Assets

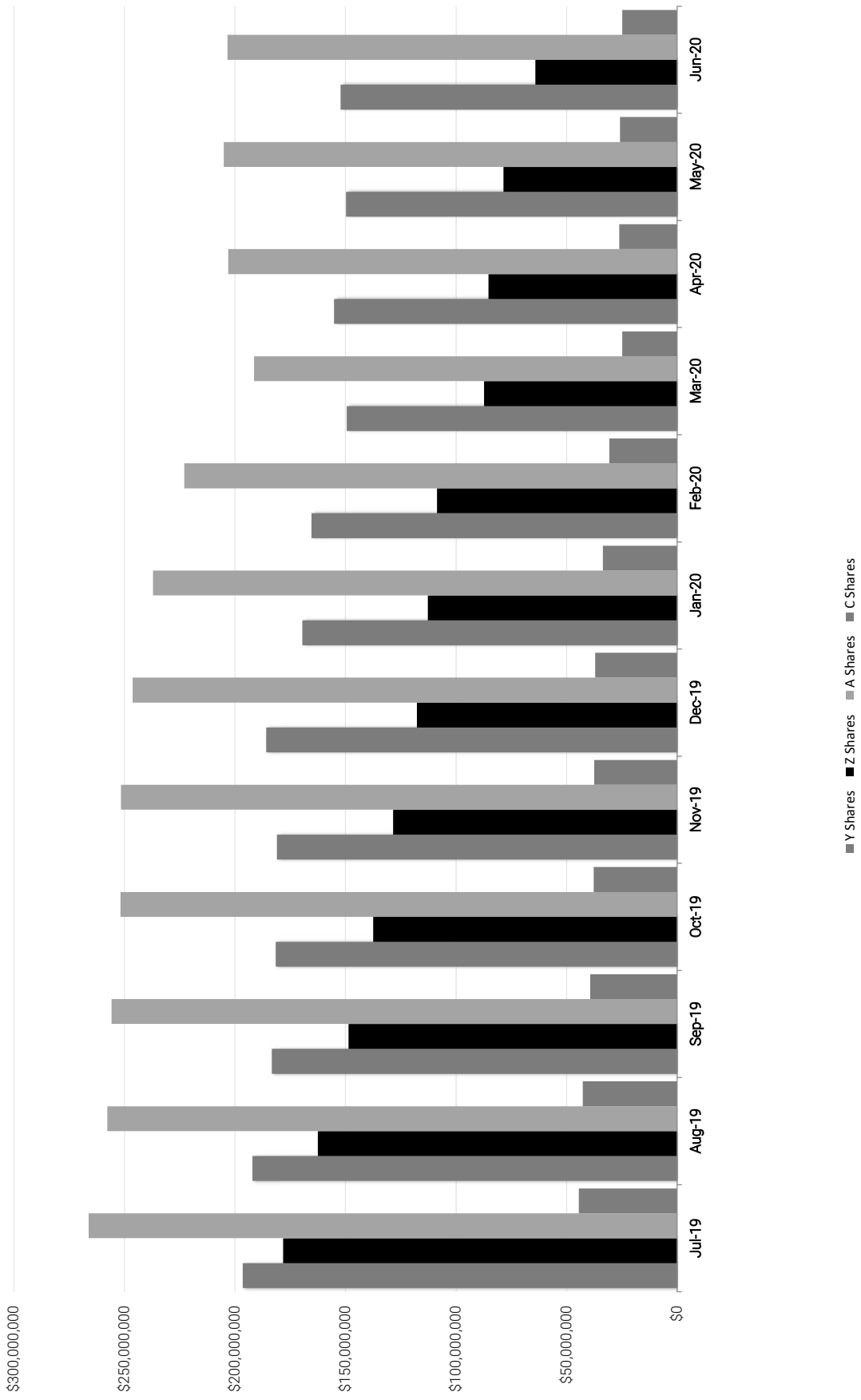


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Assets by Share Class

Assets by Share Class



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# Assets by Share Class

## A Shares

Fund Fund Name	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
4717 HIGHLAND ENERGY MLP FUND A	\$2,471,566	\$2,233,533	\$2,324,463	\$2,121,022	\$1,930,389	\$2,121,110	\$85,702,673	\$85,169,091	\$80,058,362	\$82,247,053	\$81,850,028	\$81,580,599
4721 HIGHLAND FIXED INCOME FUND A	\$80,632,818	\$69,458,927	\$68,912,710	\$68,673,039	\$67,602,993	\$65,225,765	\$12,075,018	\$11,995,099	\$10,377,077	\$9,691,188	\$9,788,008	\$9,691,188
4743 HIGHLAND LONG/SHORT EQUITY FUND A	\$15,649,908	\$14,429,298	\$14,122,576	\$13,500,931	\$13,271,265	\$13,075,101	\$9,825,218	\$9,825,218	\$7,813,513	\$9,243,880	\$9,865,640	\$9,865,640
4746 HIGHLAND HEALTHCARE OPPORTUNITIES FUND A	\$11,488,989	\$10,719,787	\$10,719,787	\$9,748,071	\$10,507,996	\$10,718,992	\$60,852,108	\$55,552,235	\$47,490,540	\$51,379,887	\$52,656,340	\$52,817,244
4761 HIGHLAND SOCIALLY RESPONSIBLE FUND A	\$71,220,376	\$67,571,720	\$66,655,384	\$65,115,080	\$65,626,909	\$68,889,286	\$26,385,985	\$26,385,985	\$12,511,324	\$14,967,542	\$15,586,640	\$13,930,105
4771 HIGHLAND SMALL-CAP EQUITY FUND A	\$3,131,792	\$29,194,501	\$29,724,467	\$28,864,526	\$28,944,114	\$28,509,390	\$38,648,603	\$36,033,175	\$30,426,548	\$32,920,602	\$33,180,942	\$33,632,660
4780 HIGHLAND TOTAL RETURN FUND A	\$40,295,984	\$39,526,430	\$40,055,306	\$40,068,704	\$40,232,118	\$39,675,496	\$1,856,625	\$1,815,869	\$1,429,302	\$1,327,306	\$916,033	\$873,157
4789 HIGHLAND OPPORTUNISTIC CREDIT FUND A	\$3,661,666	\$3,424,938	\$2,806,619	\$2,615,481	\$2,369,279	\$1,910,857	\$1,221,579	\$1,216,633	\$1,231,172	\$1,232,511	\$1,201,006	\$1,196,133
4950 HIGHLAND MERGER ARBITRAGE FUND A	\$1,100,984	\$947,901	\$956,483	\$1,063,537	\$1,118,459	\$1,128,031	\$237,088,811	\$222,952,431	\$191,337,837	\$203,009,960	\$205,045,241	\$203,392,398
Total	\$286,184,483	\$257,790,255	\$255,837,805	\$251,770,391	\$251,613,622	\$246,254,030	\$237,088,811	\$222,952,431	\$191,337,837	\$203,009,960	\$205,045,241	\$203,392,398

## C Shares

Fund Fund Name	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
4718 HIGHLAND ENERGY MLP FUND C	\$2,223,227	\$1,946,255	\$2,032,313	\$1,769,560	\$1,574,633	\$1,666,945	\$2,260,322	\$2,228,639	\$2,025,702	\$2,025,889	\$2,032,835	\$1,981,133
4723 HIGHLAND FIXED INCOME FUND C	\$2,503,480	\$2,483,643	\$2,482,781	\$2,451,625	\$2,275,925	\$2,228,450	\$7,637,174	\$7,017,169	\$5,614,025	\$5,651,370	\$5,653,824	\$5,651,370
4744 HIGHLAND LONG/SHORT EQUITY FUND C	\$12,288,023	\$11,647,763	\$9,433,374	\$8,930,563	\$8,389,615	\$8,077,075	\$9,647,937	\$8,914,146	\$7,461,619	\$8,150,154	\$8,150,154	\$7,679,107
4747 HIGHLAND HEALTHCARE OPPORTUNITIES FUND C	\$10,865,055	\$10,438,992	\$10,053,179	\$9,494,645	\$10,036,954	\$10,363,073	\$4,945,842	\$4,526,055	\$3,847,236	\$4,130,947	\$4,282,323	\$4,271,789
4763 HIGHLAND SOCIALLY RESPONSIBLE FUND C	\$6,565,500	\$6,248,654	\$5,638,093	\$5,486,950	\$5,522,554	\$5,175,887	\$3,134,338	\$2,663,690	\$1,468,485	\$1,794,585	\$1,770,202	\$1,438,816
4773 HIGHLAND SMALL-CAP EQUITY FUND C	\$3,265,489	\$3,153,883	\$3,228,957	\$3,244,475	\$3,315,704	\$3,288,733	\$2,577,831	\$2,235,167	\$1,850,846	\$1,995,185	\$2,027,052	\$2,065,002
4782 HIGHLAND TOTAL RETURN FUND C	\$2,906,914	\$2,851,083	\$2,621,986	\$2,654,377	\$2,728,875	\$2,767,419	\$2,316,143	\$1,975,379	\$1,598,846	\$1,470,750	\$951,987	\$936,237
4790 HIGHLAND OPPORTUNISTIC CREDIT FUND C	\$2,876,170	\$2,831,298	\$2,820,381	\$2,695,048	\$2,558,301	\$2,456,384	\$1,089,940	\$1,079,387	\$919,614	\$951,864	\$954,987	\$6,470,723
4951 HIGHLAND MERGER ARBITRAGE FUND C	\$1,029,950	\$1,066,374	\$1,030,456	\$1,035,458	\$1,092,332	\$1,100,339	\$33,609,827	\$30,629,832	\$24,786,373	\$26,175,481	\$25,823,563	\$24,842,807
Total	\$44,524,809	\$42,669,824	\$39,341,520	\$37,762,701	\$37,494,893	\$37,124,306	\$33,609,827	\$30,629,832	\$24,786,373	\$26,175,481	\$25,823,563	\$24,842,807

## Y Shares

Fund Fund Name	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
4720 HIGHLAND ENERGY MLP FUND Y	\$19,594,734	\$17,593,974	\$18,373,163	\$15,398,102	\$13,983,001	\$15,262,891	\$109,771,487	\$111,160,871	\$105,343,508	\$108,428,582	\$105,068,133	\$107,707,421
4725 HIGHLAND FIXED INCOME FUND Y	\$105,311,446	\$104,982,768	\$106,864,939	\$108,409,154	\$108,221,692	\$107,916,365	\$11,245,301	\$10,416,325	\$8,921,937	\$9,654,795	\$9,926,730	\$10,516,616
4765 HIGHLAND SOCIALLY RESPONSIBLE FUND Y	\$24,609,061	\$23,370,520	\$10,961,540	\$10,599,065	\$11,446,234	\$11,694,231	\$17,566,606	\$5,711,476	\$2,679,928	\$2,948,357	\$3,025,917	\$2,549,003
4775 HIGHLAND SMALL-CAP EQUITY FUND Y	\$12,042,730	\$11,649,863	\$11,612,783	\$10,902,777	\$10,387,055	\$8,503,246	\$41,386,542	\$38,063,646	\$32,529,862	\$34,173,927	\$31,774,068	\$31,438,693
4784 HIGHLAND TOTAL RETURN FUND Y	\$34,903,971	\$34,495,924	\$35,539,712	\$36,299,627	\$36,985,634	\$42,494,459	\$169,559,936	\$165,352,318	\$149,474,236	\$155,205,662	\$149,794,848	\$152,211,735
Total	\$196,461,941	\$192,073,048	\$183,352,137	\$181,608,726	\$181,026,616	\$185,871,192	\$169,559,936	\$165,352,318	\$149,474,236	\$155,205,662	\$149,794,848	\$152,211,735

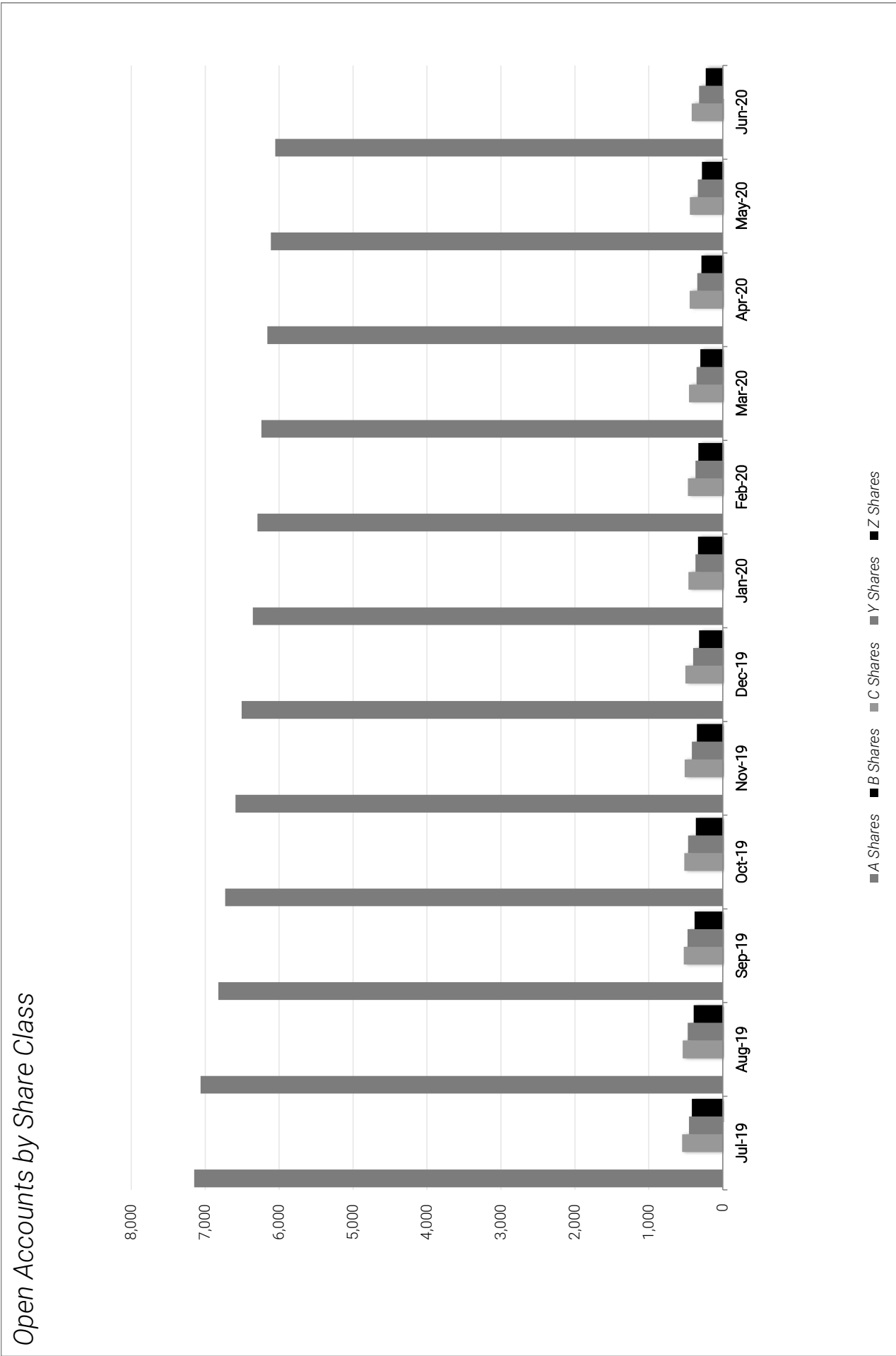
## Z Shares

Fund Fund Name	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
4745 HIGHLAND LONG/SHORT EQUITY FUND Z	\$97,615,838	\$84,492,995	\$73,237,312	\$65,023,052	\$55,593,441	\$51,226,129	\$48,903,914	\$45,447,756	\$36,133,108	\$36,126,536	\$34,686,167	\$34,686,167
4748 HIGHLAND HEALTHCARE OPPORTUNITIES FUND Z	\$20,030,877	\$18,171,417	\$16,861,794	\$15,083,881	\$16,063,678	\$16,332,263	\$13,232,676	\$12,806,018	\$8,411,054	\$8,317,834	\$7,715,949	\$7,346,268
4791 HIGHLAND OPPORTUNISTIC CREDIT FUND Z	\$32,990,665	\$32,085,454	\$30,860,906	\$29,557,291	\$28,934,647	\$21,660,567	\$21,571,206	\$21,179,572	\$16,045,659	\$14,323,504	\$9,548,158	\$9,088,121
4952 HIGHLAND MERGER ARBITRAGE FUND Z	\$27,613,813	\$27,759,341	\$27,051,233	\$27,825,893	\$27,887,636	\$28,473,075	\$29,022,951	\$29,314,732	\$26,764,768	\$26,542,692	\$26,642,278	\$47,697,855
Total	\$178,251,193	\$162,509,206	\$148,641,185	\$137,490,116	\$128,479,402	\$117,692,033	\$112,730,348	\$108,638,079	\$87,384,589	\$85,312,566	\$78,592,552	\$64,142,244

Grand Total	\$685,422,426	\$655,042,334	\$627,172,647	\$608,631,934	\$598,614,433	\$586,841,561	\$552,988,821	\$527,672,660	\$459,703,669	\$469,703,669	\$459,256,004	\$444,589,164
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000883

Open Accounts by Share Class



000884

# Open Accounts by Share Class

## A Shares

Fund	Fund Name	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Difference
4713	HIGHLAND DIVIDEND EQUITY FUND A	1	1	1	1	1	1	1	1	1	1	1	0	-1
4717	HIGHLAND ENERGY MLP FUND A	44	45	45	45	45	44	0	0	0	0	0	0	0
4721	HIGHLAND FIXED INCOME FUND A	2,291	2,281	2,267	2,262	2,245	2,216	2,192	2,174	2,162	2,138	2,129	2,116	-13
4730	HIGHLAND GLOBAL SELECT EQUITY FUND A	0	0	0	0	0	0	0	0	0	0	0	0	0
4738	HIGHLAND INTERNATIONAL EQUITY FUND A	1	1	1	1	1	1	1	1	1	1	1	1	0
4743	HIGHLAND LONG/SHORT EQUITY FUND A	324	303	283	257	242	236	207	212	209	190	187	2	-185
4746	HIGHLAND HEALTHCARE OPPORTUNITIES FUND A	97	95	93	90	90	88	79	80	80	77	80	79	-1
4761	HIGHLAND SOCIALLY RESPONSIBLE EQUITY FUND A	2,006	1,981	1,969	1,942	1,928	1,900	1,871	1,848	1,828	1,814	1,803	1,790	-13
4766	HIGHLAND LIQUID RESERVES FUND A	0	0	0	0	0	0	0	0	0	0	0	0	0
4771	HIGHLAND SMALL-CAP EQUITY FUND A	832	818	801	785	756	750	741	726	719	707	697	690	-7
4776	HIGHLAND TAX-EXEMPT FUND A	0	0	0	0	0	0	0	0	0	0	0	0	0
4780	HIGHLAND TOTAL RETURN FUND A	1,283	1,272	1,265	1,256	1,238	1,227	1,220	1,210	1,200	1,198	1,181	1,171	-10
4789	HIGHLAND OPPORTUNISTIC CREDIT FUND A	256	251	83	79	33	32	31	28	23	22	22	16	-6
4950	HIGHLAND MERGER ARBITRAGE FUND A	14	13	13	12	12	11	13	11	11	11	10	188	178
Total		7,149	7,061	6,821	6,730	6,591	6,506	6,356	6,294	6,239	6,160	6,111	6,053	-58

## B Shares

Fund	Fund Name	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Difference
4722	HIGHLAND FIXED INCOME FUND B	2	2	2	2	2	2	2	2	2	2	0	0	0
4762	HIGHLAND PREMIER GROWTH EQUITY FUND B	1	1	1	1	1	1	1	1	1	1	0	0	0
Total		3	3	3	3	3	3	3	3	3	3	0	0	0

## C Shares

Fund	Fund Name	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Difference
4718	HIGHLAND ENERGY MLP FUND C	39	39	38	38	37	35	0	0	0	0	0	0	0
4723	HIGHLAND FIXED INCOME FUND C	54	53	53	52	51	61	50	50	51	51	51	47	-4
4744	HIGHLAND LONG/SHORT EQUITY FUND C	67	67	63	62	62	61	61	63	59	56	54	0	-54
4747	HIGHLAND HEALTHCARE OPPORTUNITIES FUND C	82	80	79	76	72	69	68	67	66	63	63	60	-3
4763	HIGHLAND SOCIALLY RESPONSIBLE EQUITY FUND C	128	127	122	122	121	116	116	116	114	114	114	108	-6
4773	HIGHLAND SMALL-CAP EQUITY FUND C	52	50	48	47	47	47	47	56	52	50	50	48	-2
4778	HIGHLAND TAX-EXEMPT FUND C	0	0	0	0	0	0	0	0	0	0	0	0	0
4782	HIGHLAND TOTAL RETURN FUND C	64	64	63	63	65	65	63	62	61	61	61	60	-1
4790	HIGHLAND OPPORTUNISTIC CREDIT FUND C	34	33	33	33	32	31	27	25	24	23	22	21	-1
4951	HIGHLAND MERGER ARBITRAGE FUND C	30	29	28	28	29	32	32	32	29	29	29	75	46
Total		550	542	527	521	516	506	464	471	456	447	444	419	-25

## Y Shares

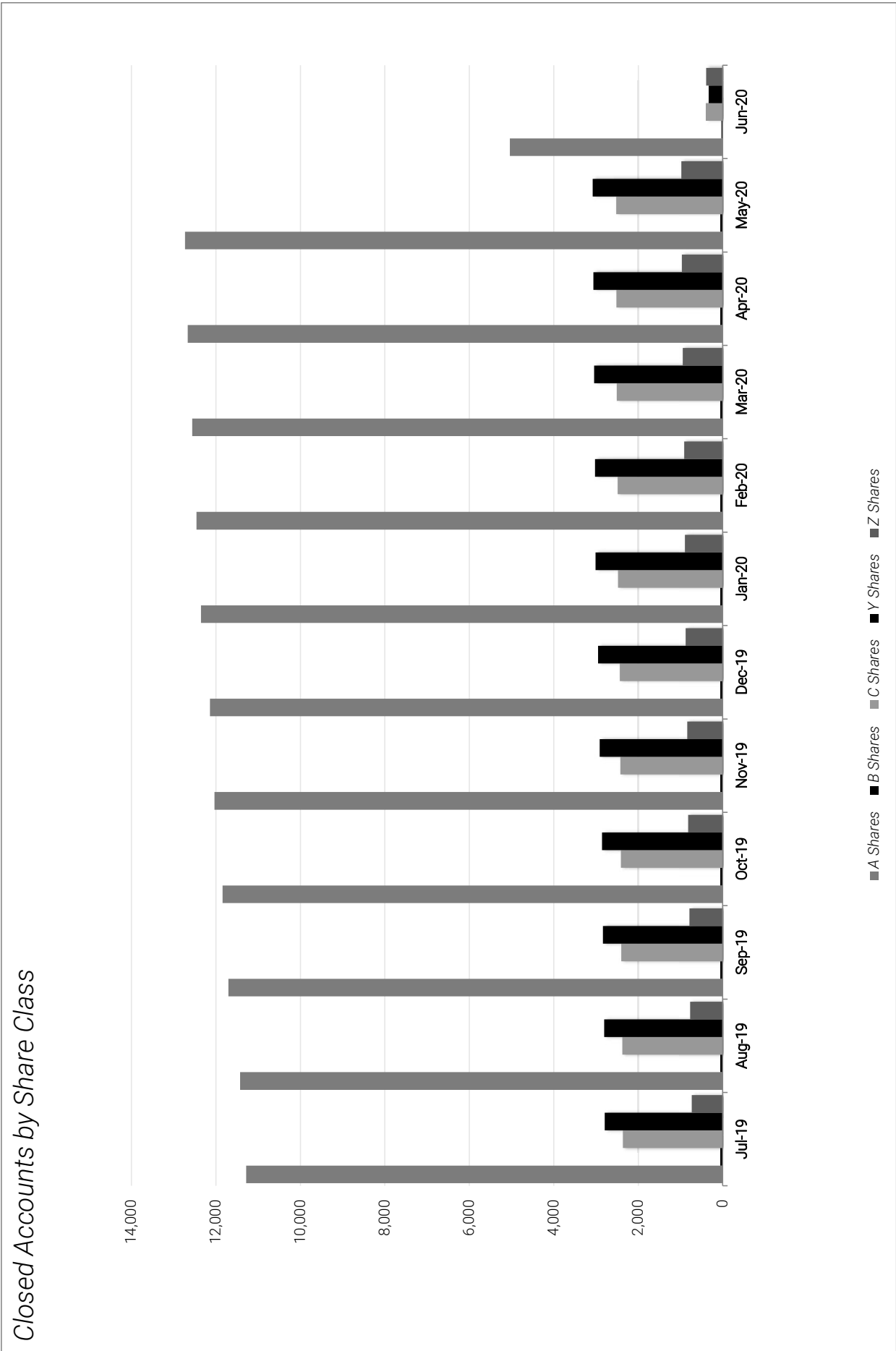
Fund	Fund Name	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Difference
4720	HIGHLAND ENERGY MLP FUND Y	22	22	23	21	19	18	0	0	0	0	0	0	0
4725	HIGHLAND FIXED INCOME FUND Y	84	83	86	89	85	92	95	99	95	95	96	95	-1
4765	HIGHLAND PREMIER GROWTH EQUITY FUND Y	32	31	30	29	29	30	32	31	30	31	28	26	-2
4775	HIGHLAND SMALL-CAP EQUITY FUND Y	189	202	197	188	144	108	84	80	73	69	72	62	-10
4779	HIGHLAND TAX-EXEMPT FUND Y	0	0	0	0	0	0	0	0	0	0	0	0	0
4784	HIGHLAND TOTAL RETURN FUND Y	130	136	139	142	140	152	157	159	156	149	141	137	-4
4905	HIGHLAND FIRST FOUNDATION INCOME FUND Y	1	1	1	1	1	1	1	1	1	1	1	1	0
Total		457	474	475	469	417	400	368	369	354	344	337	320	-17

## Z Shares

Fund	Fund Name	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Difference
4745	HIGHLAND LONG/SHORT EQUITY FUND Z	171	158	149	134	121	116	130	127	119	118	116	4	-112
4748	HIGHLAND SOCIALLY RESPONSIBLE EQUITY FUND Z	121	118	118	118	119	114	119	119	115	112	106	79	-27
4791	HIGHLAND OPPORTUNISTIC CREDIT FUND Z	102	101	98	96	94	74	71	69	58	47	47	104	-3
4952	HIGHLAND MERGER ARBITRAGE FUND Z	24	16	16	16	16	16	16	14	12	11	12	14	92
Total		418	393	381	364	350	320	336	329	304	288	281	231	-50
Grand Total		8,577	8,473	8,207	8,087	7,877	7,735	7,527	7,466	7,356	7,242	7,173	7,023	-150

000885

Closed Accounts by Share Class



000886

# Closed Accounts by Share Class

Fund	Fund Name	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	A Shares Difference
4708	HIGHLAND GLOBAL ALLOCATION FUND A	6,576	6,576	6,576	6,576	6,576	6,576	6,576	6,576	6,576	6,575	6,575	2,143	
4717	HIGHLAND ENERGY MLP FUND A	19	19	19	20	20	21	65	65	65	65	65	48	
4721	HIGHLAND FIXED INCOME FUND A	865	894	919	940	977	1,013	1,061	1,086	1,116	1,152	1,166	726	
4726	HIGHLAND FLOATING RATE OPPORTUNITIES FUND A	52	52	52	52	52	52	52	52	52	52	52	28	
4730	HIGHLAND GLOBAL SELECT EQUITY FUND A	672	672	672	672	672	672	672	672	672	672	672	15	
4738	HIGHLAND INTERNATIONAL EQUITY FUND A	235	235	235	235	235	235	235	235	235	235	235	8	
4743	HIGHLAND LONG/SHORT EQUITY FUND A	202	223	247	278	304	315	344	352	357	377	383	382	
4746	HIGHLAND HEALTHCARE OPPORTUNITIES FUND A	199	206	209	212	213	216	225	229	230	233	232	50	
4749	HIGHLAND MONEY MARKET FUND A	20	20	20	20	20	20	20	20	20	20	20	16	
4753	HIGHLAND MONEY MARKET FUND II - A	2	2	2	2	2	2	2	2	2	2	2	1	
4761	HIGHLAND SOCIALLY RESPONSIBLE FUND A	822	856	879	920	941	974	1,014	1,045	1,074	1,090	1,101	538	
4766	HIGHLAND LIQUID RESERVES FUND A	166	166	166	166	166	166	166	166	166	166	166	122	
4771	HIGHLAND SMALL-CAP EQUITY FUND A	614	635	654	673	707	715	737	759	771	792	802	286	
4776	HIGHLAND TAX-EXEMPT FUND A	342	342	342	342	342	342	342	342	342	342	342	40	
4780	HIGHLAND TOTAL RETURN FUND A	465	489	504	520	544	556	574	589	610	620	639	389	
4789	HIGHLAND OPPORTUNISTIC CREDIT FUND A	34	39	207	211	257	258	259	259	262	268	269	241	
4950	HIGHLAND MERGER ARBITRAGE FUND A	1	2	3	6	6	7	7	9	9	9	10	8	
Total		11,286	11,428	11,706	11,845	12,034	12,140	12,351	12,458	12,559	12,670	12,731	5,041	-7,690

Fund	Fund Name	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Difference
4709	HIGHLAND GLOBAL ALLOCATION FUND B	17	17	17	17	17	17	17	17	17	17	17	2	
4722	HIGHLAND FIXED INCOME FUND B	6	6	6	6	6	6	6	6	6	6	8	6	
4727	HIGHLAND FLOATING RATE OPPORTUNITIES FUND B	2	2	2	2	2	2	2	2	2	2	2	2	0
4731	HIGHLAND GLOBAL SELECT EQUITY FUND B	3	3	3	3	3	3	3	3	3	3	3	1	
4739	HIGHLAND INTERNATIONAL EQUITY FUND B	2	2	2	2	2	2	2	2	2	2	2	0	
4750	HIGHLAND MONEY MARKET FUND B	0	0	0	0	0	0	0	0	0	0	0	0	0
4762	HIGHLAND PREMIER GROWTH EQUITY FUND B	13	13	13	13	13	13	13	13	13	13	14	12	
4772	HIGHLAND SMALL-CAP EQUITY FUND B	3	3	3	3	3	3	3	3	3	3	3	2	
4777	HIGHLAND TAX-EXEMPT FUND B	1	1	1	1	1	1	1	1	1	1	1	0	
4781	HIGHLAND TOTAL RETURN FUND B	9	9	9	9	9	9	9	9	9	9	9	7	
Total		56	56	56	56	56	56	56	56	56	56	59	32	-27

## C Shares

000887

## Closed Accounts by Share Class

Fund	Fund Name	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Difference
4710	HIGHLAND GLOBAL ALLOCATION FUND C	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	1,658	79	0
4714	HIGHLAND DIVIDEND EQUITY FUND C	0	0	0	0	0	0	0	0	0	0	0	0	0
4718	HIGHLAND ENERGY MLP FUND C	15	15	17	17	18	20	55	55	55	55	55	43	0
4723	HIGHLAND FIXED INCOME FUND C	28	29	30	31	33	34	34	34	34	35	35	22	0
4728	HIGHLAND FLOATING RATE OPPORTUNITIES FUND C	21	21	21	21	21	21	21	21	21	21	21	17	0
4732	HIGHLAND GLOBAL SELECT EQUITY FUND C	2	2	2	2	2	2	2	2	2	2	2	1	0
4740	HIGHLAND INTERNATIONAL EQUITY FUND C	7	7	7	7	7	7	7	7	7	7	7	2	0
4744	HIGHLAND LONG/SHORT EQUITY FUND C	141	143	150	152	153	155	155	155	161	165	167	88	0
4747	HIGHLAND HEALTHCARE OPPORTUNITIES FUND C	147	149	151	155	159	162	163	164	166	169	171	35	0
4751	HIGHLAND MONEY MARKET FUND C	1	1	1	1	1	1	1	1	1	1	1	1	0
4763	HIGHLAND SOCIALLY RESPONSIBLE FUND C	182	183	189	189	191	196	196	196	198	198	198	36	0
4768	HIGHLAND LIQUID RESERVES FUND C	1	1	1	1	1	1	1	1	1	1	1	0	0
4773	HIGHLAND SMALL-CAP EQUITY FUND C	64	67	71	72	73	73	73	73	78	80	80	33	0
4778	HIGHLAND TAX-EXEMPT FUND C	14	14	14	14	14	14	14	14	14	14	14	2	0
4782	HIGHLAND TOTAL RETURN FUND C	36	36	38	38	38	39	42	43	44	44	44	13	0
4790	HIGHLAND OPPORTUNISTIC CREDIT FUND C	40	42	42	42	43	44	48	50	51	52	53	17	0
4951	HIGHLAND MERGER ARBITRAGE FUND C	7	9	10	11	11	11	11	12	16	16	16	10	0
Total		2,364	2,377	2,402	2,411	2,423	2,438	2,481	2,486	2,507	2,518	2,523	399	-2,124

Fund	Fund Name	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Difference
4712	HIGHLAND GLOBAL ALLOCATION FUND Y	2,533	2,533	2,533	2,533	2,533	2,533	2,533	2,533	2,533	2,533	2,533	6	0
4720	HIGHLAND ENERGY MLP FUND Y	7	7	7	9	13	14	32	32	32	32	32	26	0
4725	HIGHLAND FIXED INCOME FUND Y	36	37	39	40	46	46	50	50	56	60	63	35	0
4734	HIGHLAND GLOBAL SELECT EQUITY FUND Y	0	0	0	0	0	0	0	0	0	0	0	0	0
4742	HIGHLAND INTERNATIONAL EQUITY FUND Y	1	1	1	1	1	1	1	1	1	1	1	1	0
4765	HIGHLAND SOCIALLY RESPONSIBLE FUND Y	72	75	76	78	78	78	78	80	81	81	84	17	0
4775	HIGHLAND SMALL-CAP EQUITY FUND Y	83	89	113	125	169	205	242	249	257	262	262	191	0
4779	HIGHLAND TAX-EXEMPT FUND Y	8	8	8	8	8	8	8	8	8	8	8	3	0
4784	HIGHLAND TOTAL RETURN FUND Y	55	58	60	63	66	65	69	69	76	85	97	54	0
4905	HIGHLAND FIRST FOUNDATION INCOME FUND Y	0	0	0	0	0	0	0	0	0	0	0	0	0
Total		2,795	2,808	2,837	2,857	2,914	2,950	3,013	3,022	3,044	3,062	3,080	333	-2,747

Fund	Fund Name	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Difference
4729	HIGHLAND FLOATING RATE OPPORTUNITIES FUND Z	6	6	6	6	6	6	6	6	6	6	6	6	0
4745	HIGHLAND LONG/SHORT EQUITY FUND Z	418	438	452	477	495	505	516	525	537	541	545	253	0
4748	HIGHLAND HEALTHCARE OPPORTUNITIES FUND Z	214	217	218	219	221	228	229	233	239	244	251	43	0
4769	HIGHLAND LIQUID RESERVES FUND Z	4	4	4	4	4	4	4	4	4	4	4	1	0
4791	HIGHLAND OPPORTUNISTIC CREDIT FUND Z	64	65	69	71	73	95	99	101	113	125	126	70	0
4952	HIGHLAND MERGER ARBITRAGE FUND Z	28	40	40	41	42	42	42	44	46	47	47	21	0
Total		734	770	789	818	841	880	896	913	945	967	979	394	-585
Grand Total		17,235	17,439	17,790	17,987	18,268	18,464	18,797	18,935	19,111	19,273	19,372	6,199	(13,473)

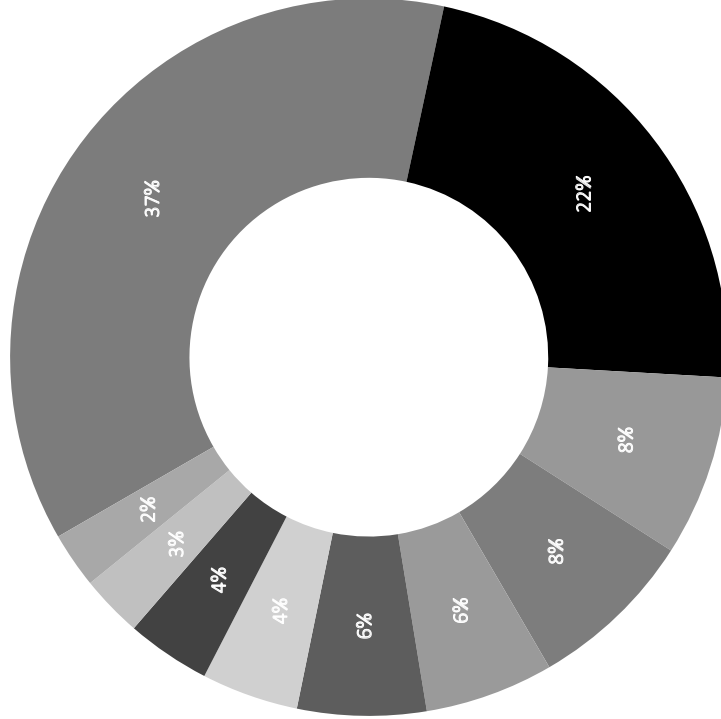
000888

# Top Ten Dealers

Top Ten Dealers By Assets ('000s)

DLR #	Dealer Name	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
164	CHARLES SCHWAB & CO INC	\$173,893	\$171,309	\$171,302	\$170,376	\$164,800	\$163,003	\$160,054	\$156,755	\$140,412	\$144,465	\$136,923	\$138,562
5	HIGHLAND DEFAULT DEALER	\$105,862	\$102,354	\$102,022	\$101,006	\$101,693	\$101,028	\$98,925	\$91,743	\$78,068	\$83,588	\$85,190	\$85,095
10000	HIGHLAND DEFAULT DEALER	\$53,568	\$53,456	\$54,822	\$53,140	\$52,493	\$52,995	\$39,306	\$38,442	\$36,383	\$38,035	\$37,991	\$30,787
443	PERSHING LLC	\$40,255	\$39,359	\$38,680	\$37,214	\$36,974	\$35,327	\$33,505	\$31,686	\$27,203	\$28,654	\$28,654	\$28,513
141	WELLS FARGO CLEARING SERVICES	\$40,380	\$38,462	\$36,893	\$34,825	\$34,902	\$33,225	\$31,746	\$29,215	\$22,827	\$24,210	\$24,032	\$21,920
226	NATIONAL FINANCIAL SERVICES LLC	\$54,713	\$48,185	\$31,273	\$29,325	\$29,557	\$29,303	\$28,138	\$26,638	\$21,631	\$23,798	\$23,041	\$21,919
188	TD AMERITRADE	\$27,137	\$24,541	\$23,948	\$23,857	\$23,802	\$23,459	\$23,253	\$23,394	\$20,034	\$18,302	\$16,444	\$16,483
15	MORGAN STANLEY SMITH BARNEY	\$29,808	\$28,231	\$25,298	\$23,980	\$23,257	\$23,128	\$21,716	\$20,480	\$17,396	\$18,304	\$18,746	\$14,282
235	RBC CAPITAL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$9,622	\$10,421	\$10,615	\$10,546
725	RAYMOND JAMES	\$16,069	\$15,214	\$14,688	\$14,069	\$13,864	\$13,660	\$12,626	\$11,586	\$9,431	\$9,884	\$9,759	\$9,465
19	JEFFERIES	N/A	N/A	N/A	N/A	N/A	N/A	\$12,363	\$12,129	N/A	N/A	N/A	N/A
5900	BROADRIDGE BUSINESS PROCESS OUTSOURCING	N/A	N/A	N/A	\$19,983	\$16,194	\$13,787	N/A	N/A	N/A	N/A	N/A	N/A
12803	US BANK	\$31,263	\$26,917	\$22,766	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL		\$572,946	\$548,028	\$521,694	\$507,774	\$497,536	\$488,916	\$461,632	\$442,069	\$383,007	\$399,660	\$391,386	\$377,573

Top Ten Dealers by Assets



- CHARLES SCHWAB & CO INC
- HIGHLAND DEFAULT DEALER
- HIGHLAND DEFAULT DEALER
- PERSHING LLC
- WELLS FARGO CLEARING SERVICES
- NATIONAL FINANCIAL SERVICES LLC
- TD AMERITRADE
- MORGAN STANLEY SMITH BARNEY
- RBC CAPITAL
- RAYMOND JAMES

000889



# Call Center Data

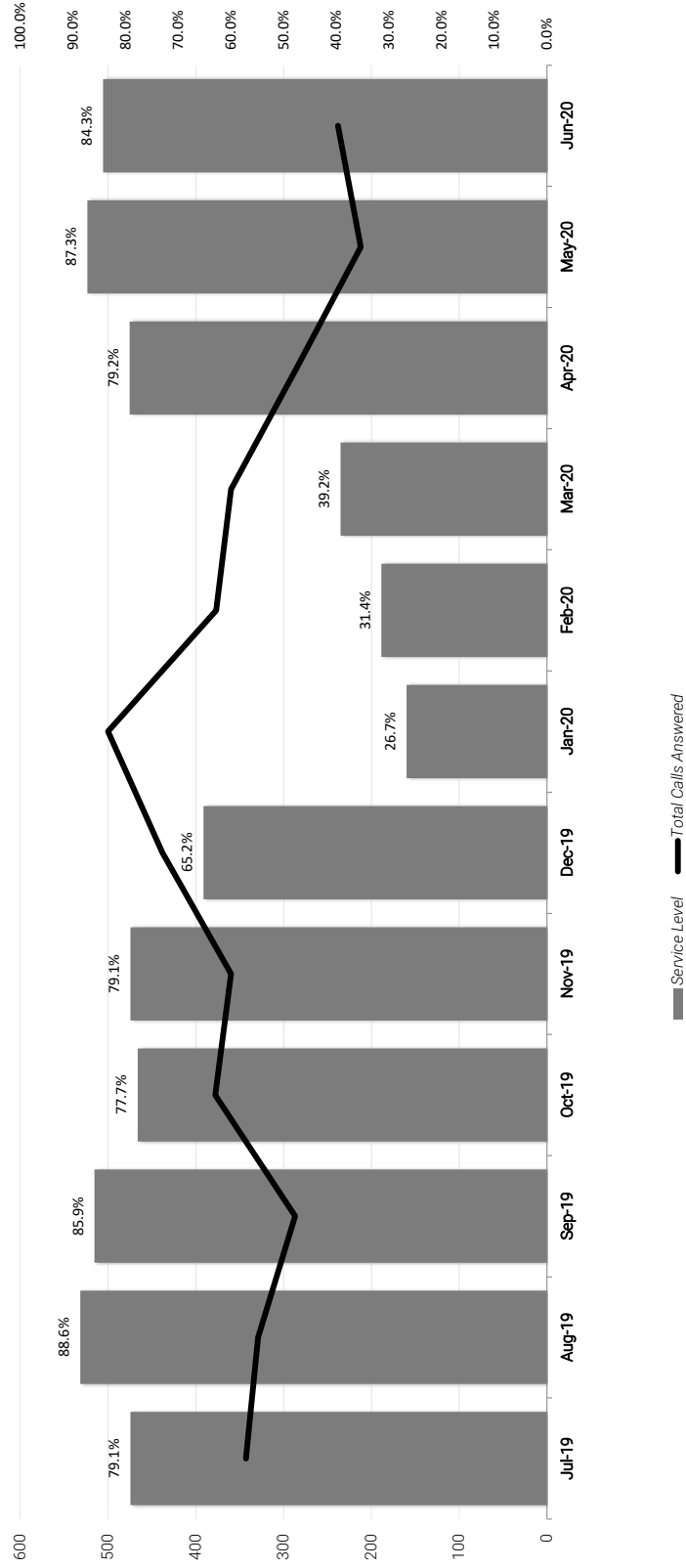
	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Monthly Average	Total
Total Calls Received	354	334	298	386	368	457	604	490	439	289	212	248	373	4,479
Total Calls Answered	343	329	287	378	360	438	500	377	360	285	212	238	342	4,107
Daily Average Received	16	15	15	17	18	22	29	26	20	14	11	11	18	N/A
Daily Average Answered	16	15	14	16	18	21	24	20	16	14	11	11	16	N/A

Calls Abandoned														
Total Abandoned	11	4	11	8	8	19	104	113	79	5	0	10	31	372
Abandoned after 60 seconds	8	4	11	7	8	19	102	113	79	4	0	10	30	365

Response Time														
Average Answer Time (seconds)	45	26	27	33	28	70	214	189	84	24	13	21	65	N/A
Service Level	79.1%	88.6%	85.9%	77.7%	79.1%	65.2%	26.7%	31.4%	39.2%	79.2%	87.3%	84.3%	68.6%	N/A
Average Call Time	5:07	5:14	5:25	5:34	5:14	5:44	5:07	5:39	5:28	5:12	6:07	6:09	5:30	N/A

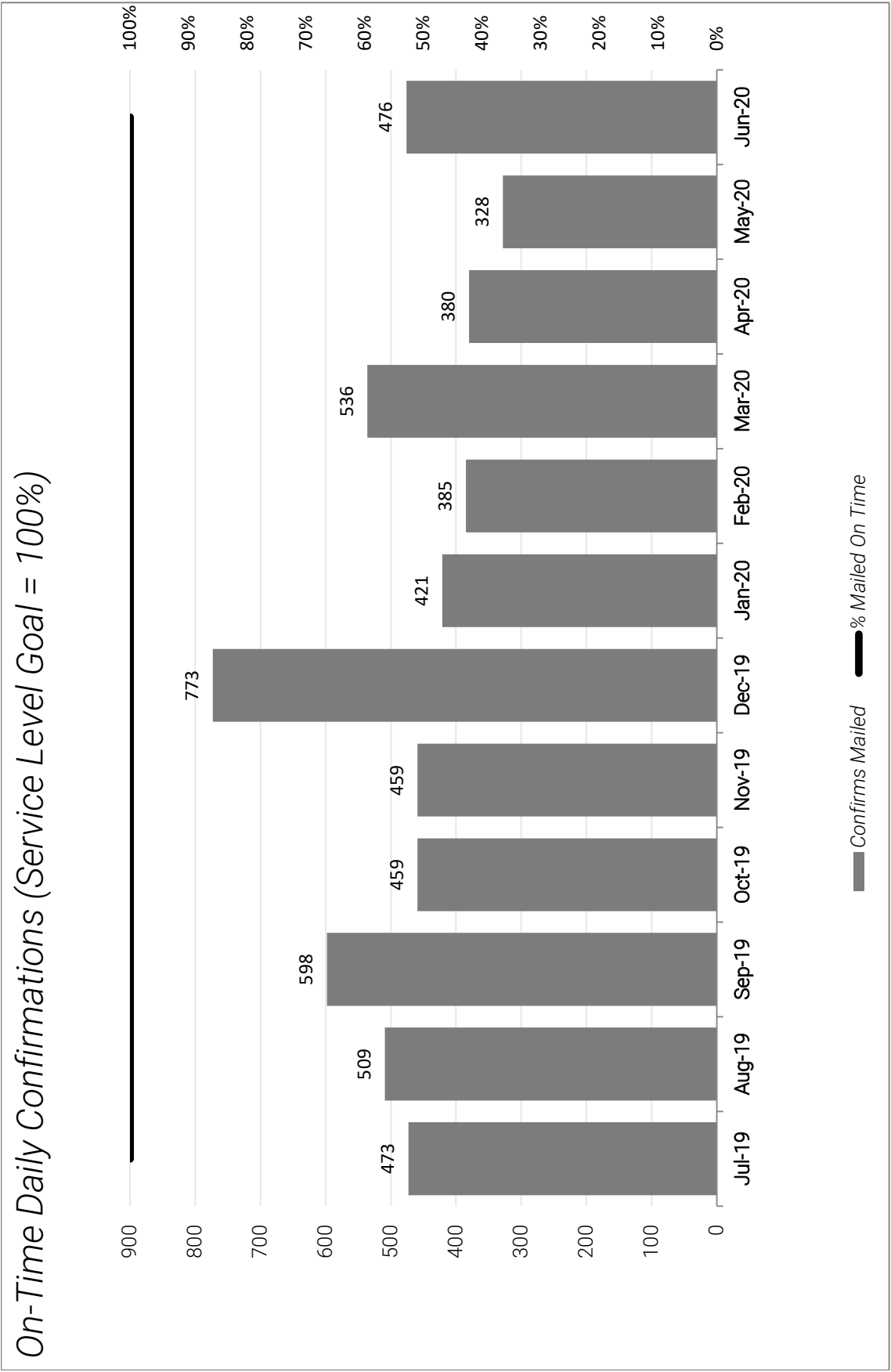
Business Days														
Business Days This Month	22	22	20	23	20	21	21	19	22	21	20	22	21	253

Calls Answered and Service Level



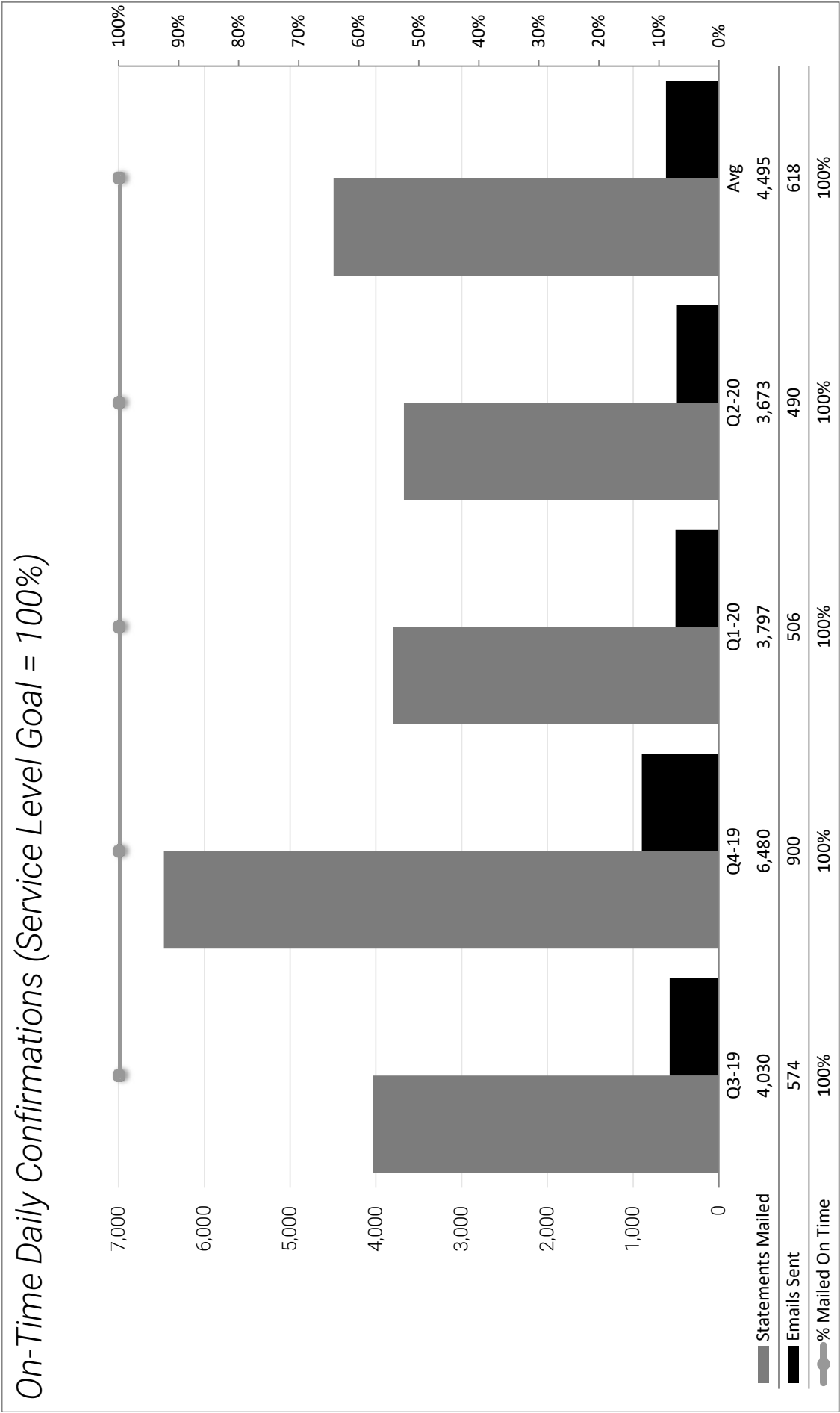
000890

Confirm Mailing Activity



000891

Statement Mailing Activity

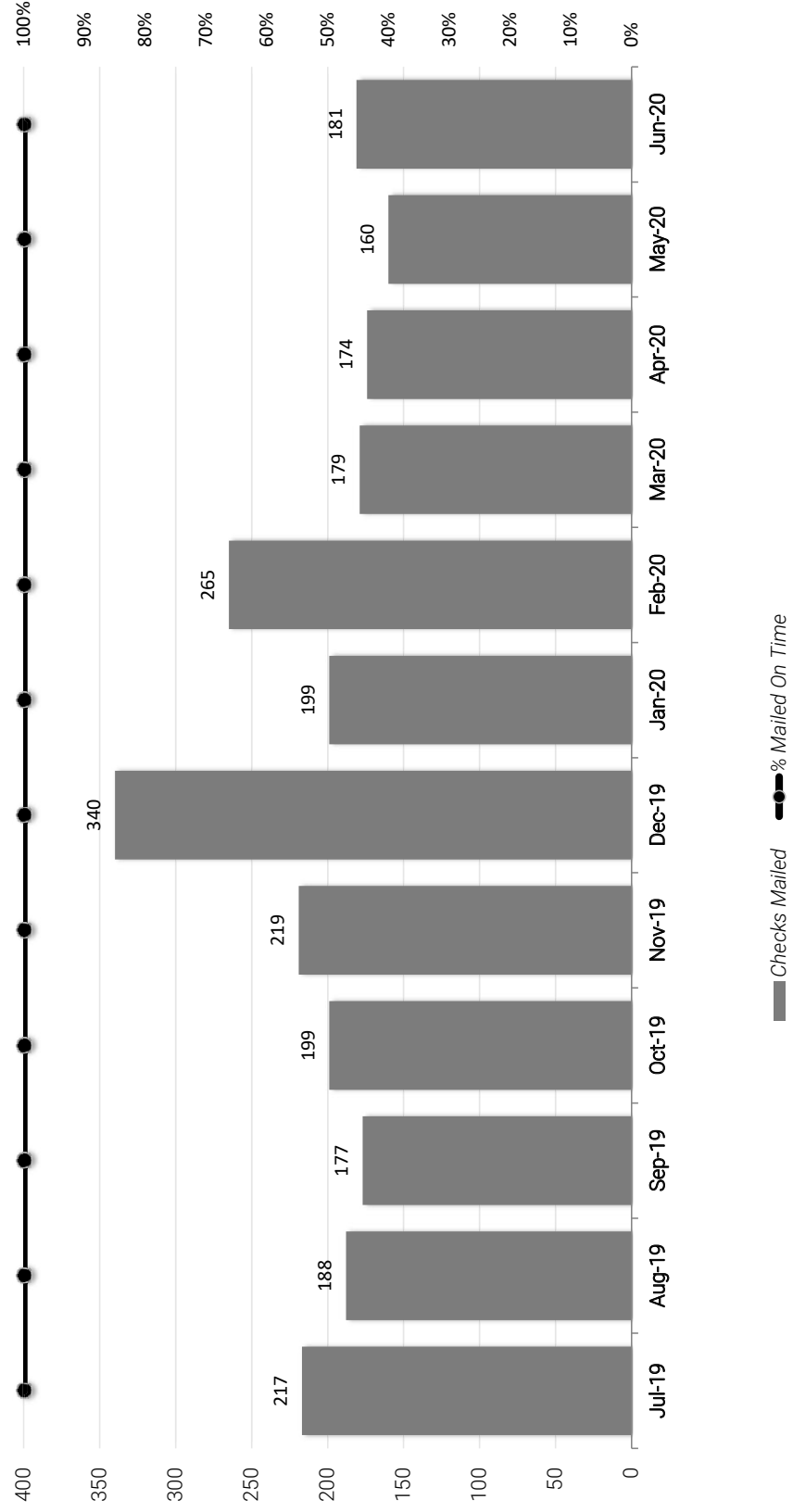


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## Check Mailing Summary

	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
<b>SWP Checks</b>	78	46	53	67	84	166	66	47	61	60	37	58
<b>Dividend Checks</b>	125	130	117	117	122	171	117	207	111	102	112	110
<b>Commission Checks</b>	14	12	7	15	13	9	16	11	7	12	11	13
<b>Total</b>	217	188	177	199	219	346	199	265	179	174	160	181
<b>Percent Mailed On Time</b>	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

## On-Time Check Delivery (Service Level Goal = 100%)



000893

# HIGHLAND CAPITAL MANAGEMENT

## 12B-1 DISTRIBUTION EXPENSES Q2 2020

431 Highland & NexPoint Funds Board Meeting 8/13/2020

000894

## 12B-1 DISTRIBUTION EXPENSES

### HIGHLAND CAPITAL MANAGEMENT

- 2020 Eligible 12b-1 expense incurred vs. allowable Reimbursement
  - ❖ 2020 - \$405,243 vs \$383,173 = (\$22,070) cost to Advisor (thru 06/30/2020)
  - ❖ 2019 - \$2,861,232 vs \$1,707,028 = (\$1,154,204) cost to Advisor (thru 12/31/19)
  - ❖ 2018 - \$3,267,776 vs \$2,665,670 = (\$602,106) cost to Advisor (thru 12/31/18)
- 12b-1 distribution expenses that are not attributable to a specific fund are allocated pro-rata based on fund AUM (thru 06/30/2020)
  - ❖ Expenses that are attributable to a specific fund are: 50%
    - Broker/ Dealer Distribution and Service Trail Fees
    - Broker/Dealer Administration & Maintenance
    - Broker/Dealer Revenue Sharing
  - ❖ Expenses that are allocated on a pro-rata basis: 50%
    - Mailing and Printing
    - Educational Distribution Expenses
    - Technology
    - Wholesaler Travel & Entertainment Reimbursement

**NexPoint Securities, Inc.**  
**Redacted Balance Sheet**  
**As of June 30, 2020**

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*(in thousands)*

**Assets**

Total assets	<u>\$</u>	<u>2,165</u>
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**Liabilities**

Total liabilities		1,060
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Partners' capital		1,105
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**Total liabilities and partners' capital**

<u>\$</u>	<u>2,165</u>
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**NexPoint Securities, Inc.**  
**Redacted Income Statement**  
**Six Months Ended June 30, 2020**

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*(in thousands)*

<b>Revenues</b>	\$	2,539
<b>Total operating expense</b>		4,608
<b>Net operating loss</b>		<hr/> (2,068)
<b>Unrealized loss</b>		(146)
<b>Net loss</b>	\$	<hr/> <hr/> (2,214)



## SECTION 6. COMMUNICATIONS WITH THE PUBLIC

“Communications with the public” include “Correspondence,” “Retail Communication,” and “Institutional Communication” The following is the Company’s policy pertaining to Communications with the Public (the “Policy”).

### Definitions

“**Correspondence**” means any written or electronic communication that is distributed or made available to 25 or fewer retail investors within any 30 calendar-day period.

“**Institutional Communication**” means any written or electronic communication that is distributed or made available only to institutional investors. An institutional investor means:

- Any person described in FINRA Rule 4512(c), regardless of whether that person has an account with a FINRA member;
- Any governmental entity or subdivision thereof;
- Any employee benefit plan that meets the requirements of Section 403(b) or Section 457 of the Internal Revenue Code and has at least 100 participants, but does not include any participant of such a plan;
- Any qualified plan, as defined in Section 3(a)(12)(C) of the Securities Exchange Act, that has at least 100 participants, but does not include any participant of such a plan;
- Any FINRA member or registered associated person of such a member; and/or
- Any person acting solely on behalf of any such institutional investor.
- Any communication marker Financial Advisor Use Only.

The Company may not treat a communication as having been distributed to an institutional investor if the Company has reason to believe that the communication or any excerpt thereof will be forwarded or made available to any person other than an institutional investor.

“**Retail Communication**” means any written or electronic communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period.

“Retail investor” means any person other than an institutional investor regardless of whether the person has an account with a member.

### Standards

By FINRA Rule, there are certain content standards applicable to all communications with the public, as follows:

- All member communications must be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service. No member may omit any material fact or qualification if the omission, in light of the context of the material presented, would cause the communications to be misleading.
- No member may make any false, exaggerated, unwarranted, promissory or misleading statement or claim in any communication. No member may publish, circulate or distribute any communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading.
- Information may be placed in a legend or footnote only in the event that such placement would not inhibit an investor's understanding of the communication.
- Members must ensure that statements are clear and not misleading within the context in which they are made, and that they provide balanced treatment of risks and potential benefits. Communications must be consistent with the risks of fluctuating prices and the uncertainty of dividends, rates of return and yield inherent to investments.
- Members must consider the nature of the audience to which the communication will be directed and must provide details and explanations appropriate to the audience.
- Communications may not predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast; provided, however, that this paragraph (d)(1)(F) does not prohibit:

A hypothetical illustration of mathematical principles, provided that it does not predict or project the performance of an investment or investment strategy

An investment analysis tool, or a written report produced by an investment analysis tool, that meets the requirements of Rule 2214; and

A price target contained in a research report on debt or equity securities, provided that the price target has a reasonable basis, the report discloses the valuation methods used to determine the price target, and the price target is accompanied by disclosure concerning the risks that may impede achievement of the price target.

### Testimonials

Communications providing any testimonial concerning the investment advice or investment performance of the Company or its products must prominently disclose the following:

- The fact that the testimonial may not be representative of the experience of other customers.

- The fact that the testimonial is no guarantee of future performance or success.
- If more than a nominal sum is paid, the fact that it is a paid testimonial.

Any comparison in between investments or services must disclose all material differences between them, including (as applicable) investment objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, and tax features. In addition, all communications (except so-called “blind” advertisements used to recruit personnel) must:

- Prominently disclose the name of the Company and may also include a fictional name by which the Company is commonly recognized or which is required by any state or jurisdiction;
- Reflect any relationship between the Company and any non-member or individual who is also named, *e.g.*, any reference to Highland Capital Management, L.P., NexBank, SSB, or any other affiliate of the Company must disclose that those entities and the Company are under common control; and
- If it includes other names, reflect which products or services the Company is offering.

### **Institutional Communications and Correspondence Only**

All institutional communications and correspondence are subject to the content standards of FINRA Rule 2210(d)(1) and the applicable Interpretive Materials under Rule 2210. All correspondence (which includes business cards and letterhead) must:

- Prominently disclose the name of the Company and may also include a fictional name by which the Company is commonly recognized or which is required by any state or jurisdiction.
- Reflect any relationship between the Company and any non-member or individual who is also named, *e.g.*, any reference to Highland Capital Management, L.P., NexBank, SSB, or any other affiliate of the Company must disclose that those entities and the Company are under common control; and
- If it includes other names, reflect which products or services the Company is offering.

### **Guidelines**

The Company must ensure that all communications with the public, including material that has been filed with FINRA, are not misleading. In order to meet this responsibility, all communications with the public must conform to the guidelines detailed above. These guidelines do not represent an exclusive list of considerations that a principal must make in determining whether a communication with the public by a person subject to his/her supervision complies with all applicable standards.

The Supervising Principal must ensure that statements are not misleading within the context in which they are made. A statement made in one context may be misleading even though such a statement could be appropriate in another context. An essential test in this regard is the balanced treatment of risks and potential benefits. Communications should, whenever appropriate, note the risks of fluctuating prices and the uncertainty of dividends, rates of return, and yields inherent to investments.

The Supervising Principal should consider the nature of the audience to which the communication will be directed. Different levels of explanation or detail may be necessary depending on the audience to which a communication is directed. The Supervising Principal must keep in mind that it is not always possible to restrict the audience that may have access to a particular communication with the public. Additional information or a different presentation of information may be required depending upon the medium used for a particular communication and the possibility that the communication will reach a larger or different audience than the one initially targeted. The Supervising Principal should ensure that all communications are clear. A statement made in an unclear manner can cause a misunderstanding. A complex or overly technical explanation may be more confusing than too little information.

Income or investment returns may not be characterized as tax-free or exempt from income tax when tax liability is merely postponed or deferred, such as when taxes are payable upon redemption. In the case of advertisements and sales literature, references to tax-free or tax-exempt income must indicate which income taxes apply, or which do not, unless income is free from all applicable taxes. For example, if income from an investment company investing in municipal bonds is subject to state or local income taxes, this fact must be stated, or the illustration must otherwise make it clear that income is free only from federal income tax.

If the Company chooses to send material to its registered representatives for internal use only, the material will be conspicuously marked "For Internal Use Only." Employees must not distribute or show such material to the public.

### **Limitations on Use of FINRA's Name**

The Company may indicate FINRA membership in conformity with FINRA By-Laws in any communication with the public, provided that the communication complies with the applicable standards of FINRA Rule 2210 and neither states nor implies that FINRA or any other regulatory organization endorses, indemnifies, or guarantees the member's business practices, selling methods, the class or type of securities offered, or any specific security.

The Company will be entitled to display an appropriate certification of FINRA membership in its principal office or a registered branch office.

### **Review and Approval**

All retail communications with the public concerning the securities business of the Company will be reviewed and approved by the Supervising Principal and/or CCO prior to use or distribution (or filing with FINRA's Advertising Regulation Department). Evidence of review

and approval of all such communications will be indicated via the relevant Supervising Principal approving the document in AdMaster, the firm's marketing approval program.

For institutional communications, the CCO or appropriate designee will review and approve all institutional marketing documents generally following the procedure noted above. In instances where the document is not uploaded to AdMaster, an electronic log may be maintained that indicates the name of the piece, date of approval and the initials of the approving principal.

The Company utilizes Smarsh's Compliance program to capture and maintain electronic communications/emails. Samples of email correspondence which is flagged for compliance review, incoming and outgoing, are to be reviewed on an ongoing basis by the Supervising Principal by logging into the Symantec Compliance Accelerator and reviewing the flagged emails.

All electronic communications (including interoffice or other internal memoranda and communications) which relate to the Company's securities business will be maintained in an electronically retrievable format for three years, the first two years in a readily accessible place.

### **Maintenance of Records**

The Company will maintain all communications with the public in separate, designated files for a period of three years from the date of receipt, distribution, or last use, with the most recent two years in a readily accessible place. The records within the file will include the name of the person who prepared each item, and in the case of advertising, sales literature and independently prepared reprints, the name of the principal who approved each item and the date that approval was given. The Company will also maintain, in the same file, information concerning the source of any statistical table, chart, graph or other illustration used by the Company in communications with the public.

Certain types of advertising and sales literature require filing with, and approval by, FINRA due to their risk content and variation of principal returns, such as literature concerning registered investment companies. The name and title of the Supervising Principal who approved the sales literature and the date that the approval was given must be noted on the filing.

Each registered representative should consult his/her Supervising Principal on all other retail communications before use.

Retail Communications that are excluded from filing requirements include those that:

- Previously have been filed and are to be used without material change.
- Are related to recruitment or changes in the Company's name, personnel, electronic or postal address, ownership, offices, business structure, officers or partners, telephone or teletype numbers, or concern a merger with, or acquisition by, another member.

- Are prepared in accordance with Section 2(10)(b) of the Securities Act of 1933, as amended, or any rule thereunder, such as SEC Rule 134, and announcements as a matter of record that a member has participated in a private placement, unless the advertisement is related to direct participation programs or securities issued by registered investment companies.

The Supervising Principal must pre-approve in writing each retail communication, and evidence his/her approval by dating and initialing a copy of the item or maintaining an electronic log. The initialed copy should be included in the correspondence file maintained by the Supervising Principal for all communications. If an electronic log is maintained, the corresponding file should be maintained electronically. The file is subject to FINRA rules regarding communications with the public.

### **Instant Messaging**

The use of Instant Messaging, including text messages, is not approved for use by Company employees.

### **Speaking Engagements**

Speaking engagements must be pre-approved by the registered representative's Supervising Principal and the CCO. Speakers must have an outline of what will be discussed. The Supervising Principal must also pre-approve the outline and any agenda, script, PowerPoint or other materials the registered representative wishes to use, prior to use or filing with FINRA. Evidence of approval includes: (1) the name of the person providing the speaking engagement, (2) the supervisor's initials, and (3) the date of review on a copy of the materials to be used. Attendees must fill out an attendance sheet.

### **SIPC**

The Securities Investor Protection Corporation (SIPC) is a general fund used to protect customer funds and securities up to \$500,000 per account (\$250,000 for claims of cash). The Company will display in its offices that it is a member of SIPC. In addition, in all applicable advertising the Company will be identified as "Member SIPC."

If the Company wishes to explain what SIPC is, it must use one of the following two standardized phrases:

- "Member of SIPC, which protects securities customers of its members up to \$500,000 (including \$250,000 for claims for cash). Explanatory brochure available upon request or at [www.sipc.org](http://www.sipc.org)."
- "Member of SIPC. Securities in your account protected up to \$500,000. For details, please see [www.sipc.org](http://www.sipc.org)."

In both cases, the words "Member of SIPC" may be omitted if the official explanatory statement is used in conjunction with the official SIPC symbol.

**Social Media Policy – (Social Networking Sites, Internet Chat Rooms, Bulletin Boards and Blogs)**

FINRA requires that all business related communications with the public to be supervised and archived by firms. The required timing of the review and approval depends on the type of forum. As a general policy the Company prohibits the use of any social networking site, such as LinkedIn, Facebook and Twitter, to communicate with clients or prospects, however social media for business purposes may only be used in limited circumstances with express advance Compliance approval:

*You should not post any business related profiles or other business/investment related information on social media or otherwise on the internet without such approval. You are permitted to have a LinkedIn profile that lists your current position and duties with NexPoint. However, please be aware that FINRA considers any profile, background or wall information to be static content and are “advertisements” under Rule 2210. All LinkedIn profiles and any subsequent updates must be sent to the CCO for review and approval.*

All other forms of communications with clients outside of approved company email accounts and on approved devices is strictly prohibited without the approval of the CCO.

Highland Retail Funds  
DST Dividend Reinvestment Report

Fund Name	Total Dividend Reinvestment Election (Shares)	Total Cash Dividend Election (Shares)	Total Shares	Dividend Reinvestment (%)	Dividend Cash (%)
HIGHLAND FIXED INCOME FUND A	5,634,365.44	626,084.08	6,260,449.52	90.00%	10.00%
HIGHLAND FIXED INCOME FUND C	146,438.64	5,299.87	151,738.52	96.51%	3.49%
HIGHLAND FIXED INCOME FUND Y	8,159,266.76	115,649.01	8,274,915.77	98.60%	1.40%
HIGHLAND HEALTHCARE OPPORTUNITIES FUND A	597,774.74	7,690.93	605,465.66	98.73%	1.27%
HIGHLAND HEALTHCARE OPPORTUNITIES FUND C	529,929.20	4,827.55	534,756.75	99.10%	0.90%
HIGHLAND HEALTHCARE OPPORTUNITIES FUND Z	448,362.83	7,361.02	455,723.85	98.38%	1.62%
HIGHLAND SOCIALLY RESP EQUITY FUND A	3,508,037.24	122,013.90	3,630,051.14	96.64%	3.36%
HIGHLAND SOCIALLY RESP EQUITY FUND C	629,039.80	18,200.99	647,240.79	97.19%	2.81%
HIGHLAND SOCIALLY RESP EQUITY FUND Y	648,278.58	4,116.96	652,395.54	99.37%	0.63%
HIGHLAND SMALL-CAP EQUITY FUND A	2,194,670.77	115,462.74	2,310,133.51	95.00%	5.00%
HIGHLAND SMALL-CAP EQUITY FUND C	421,838.34	5,110.04	426,948.38	98.80%	1.20%
HIGHLAND SMALL-CAP EQUITY FUND Y	364,066.47	6,967.79	371,034.25	98.12%	1.88%
HIGHLAND TOTAL RETURN FUND A	1,485,900.14	74,056.25	1,559,956.39	95.25%	4.75%
HIGHLAND TOTAL RETURN FUND C	97,752.35	10,476.25	108,228.60	90.32%	9.68%
HIGHLAND TOTAL RETURN FUND Y	1,398,961.67	35,285.26	1,434,246.93	97.54%	2.46%
HIGHLAND OPPORTUNISTIC CREDIT FUND A	-	365,337.76	365,337.76	0.00%	100.00%
HIGHLAND OPPORTUNISTIC CREDIT FUND C	-	395,063.65	395,063.65	0.00%	100.00%
HIGHLAND OPPORTUNISTIC CREDIT FUND Z	-	3,855,135.81	3,855,135.81	0.00%	100.00%
HIGHLAND MERGER ARBITRAGE FUND CLASS A	518,308.35	45,829.33	564,137.68	91.88%	8.12%
HIGHLAND MERGER ARBITRAGE FUND CLASS C	292,227.54	38,248.63	330,476.17	88.43%	11.57%
HIGHLAND MERGER ARBITRAGE FUND CLASS Z	1,985,082.82	390,308.36	2,375,391.18	83.57%	16.43%



## **EXHIBIT 18**

000906



**TO:** Board of Trustees or Board of Directors (as the case may be) (collectively, the "Board") of Highland Funds I, Highland Funds II, Highland Income Fund, Highland Global Allocation Fund, NexPoint Strategic Opportunities Fund, NexPoint Real Estate Strategies Fund and NexPoint Capital, Inc.

**FROM:** Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. and NexPoint Securities, Inc.

**RE:** 15(c) Information Request

**DATE:** September 17-18, 2020

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Pursuant to your supplemental request dated September 3, 2020, Highland Capital Management Fund Advisors, L.P. ("HCMFA"), NexPoint Advisors, L.P. ("NexPoint", and with HCMFA, each, an "Adviser", and together, the "Advisers") and NexPoint Securities, Inc. ("NSI" the "Distributor") submit the following supplemental information to the Board in order to assist the Board in fulfilling its obligations under Section 15(c) of the Investment Company Act of 1940, as amended (the "1940 Act"), and to assist in the Board's consideration of the investment advisory, and other contractual arrangements, for the funds listed on Appendix A (each, a "Fund" and, collectively, the "Funds"). References to the 2020 15(c) Response dated August 13, 2020 are referred to as the "2020 15(c) Response".

Your requests have been noted below, each of which is followed by our response. Unless otherwise specified, reference documents are located on Director's Desk at the following location: Home > Documents > Corporate Documents > 15c Reference Documents.

**A. Nature, Extent and Quality of Services**

1. The Trustees note the discussion of the status of the Capital Conflicts Committee (the "Committee"), including the proposed new disclosure for the Funds' registration statements that indicates that the Committee is no longer being convened and that decisions with respect to HCMLP's institutional clients are made by an independent board, and as has traditionally been the case, decisions with respect to the Funds are made separately and independently by the Funds' portfolio managers. Has the Committee been disbanded? If so, please address how these matters are now being handled across various strategies and entities in terms of both identifying and addressing potential conflicts.

**Response:** As a result of the Highland Capital Management, L.P. ("HCMLP") bankruptcy, there are now separate decision makers for retail accounts (i.e., the Funds) and institutional (HCMLP-advised) accounts. Accordingly, there is no longer a need to convene the Committee and it has been disbanded. The respective retail portfolio manager (even if an employee of HCMLP) has always separately and independently made determinations for their Fund, with such

determinations being made in the Fund's best interest. To the extent a future conflict arises amongst the Funds, the portfolio manager will consult with Legal and Compliance and have the ability to consult external counsel, if necessary.

2. The Trustees note the recent discussions with respect to the Omnimax term loans and the approach for dealing with that conflict as put forth by the Adviser, including the use of non-HCMLP employees. The Trustees note their previous request for a follow-up discussion of this matter with management and look forward to discussing at the upcoming meeting.

**Response:** Representatives from HCMLP and the Advisers will discuss this request at the September 17-18 meeting (the "Meeting").

3. Please discuss in detail the Advisers and HCMLP's plans to address shared services going forward in the event of any future conflicts in connection with the HCMLP bankruptcy or any other potential matters, including with respect to the Advisers' legal, compliance and accounting oversight functions, as well as other HCMLP employees that provide services to the Funds. In addition, are there currently other potential conflicts that the Advisers are aware of that may impact the Funds? Please discuss the plan to ensure that the Funds continue to receive the same nature, level and quality of services from the Advisers and their affiliates as received under the shared services agreements. In this regard, the Independent Trustees respectfully request that Jim Seery provide an update at the September 2020 meeting in connection with his report to the Trustees at the recent telephonic Board meeting.

**Response:** The Advisers and HCMLP believe the current shared services being provided are generally consistent with the level of service that has historically been received. However, conflicts have arisen with respect to certain matters in respect of which management of the Advisers has taken a position that conflicts with or is otherwise believed by HCMLP to be contrary to the interests of HCMLP and/or its advised accounts. To date these matters have included OmniMax, UDFI, and any matters adverse to counterparties in which HCMLP is seeking resolution in the bankruptcy process.

To the extent these conflicts continue or arise in the future, the Advisers believe transactions can be staffed under alternative means (similar to the approach undertaken for the Omnimax investment). The Advisers do not expect the continued provision of shared services to be threatened unless a termination of the shared service agreements is proposed to the bankruptcy court, and in the event any such proposal, the Advisers would immediately update the Board to determine the most appropriate manner to ensure adequate services to the Funds.

Mr. Seery will be available to discuss these matters at the Meeting.

4. The Trustees request an update on the HCMLP bankruptcy proceedings at the September 2020 meeting.

**Response:** The Adviser confirms that Mr. Dondero and Mr. Ellington will provide an update on the HCMLP bankruptcy at the Meeting.

5. The Trustees note the response to question A.5 regarding representatives of the Advisers being available at Meeting to discuss the Succession Plan and look forward to this presentation.

**Response:** The Adviser will provide an update on the Succession Plan at a later date.

6. Please provide an update on the status of (i) the Payroll Protection Program (“PPP”) loans received by the Advisers and their affiliates, including any plans with respect to forgiveness of such loans; (ii) the application for participation in the SBA’s Economic Injury Loan Disaster EILD Program; and (iii) any other federal, state, or local economic disaster assistance programs to which the Advisers and their affiliates applied. In addition, do the Advisers anticipate participation in the “Main Street” lending program or additional programs that might be offered by the U.S. Government, and if so, for what purposes?

**Response:** The Advisers have fully utilized all PPP funds and anticipate full forgiveness of the loans for all participating Advisers. The lending bank is working through its forgiveness application process, as there are still changes to the process being made by Congress. The Advisers did not participate in the EILD Program, but HCMFA does have plans to participate in the Main Street lending program later this year, subject to lender approval. Any Main Street loan would be used to fund employee payroll expenses and additionally may be used in part to refinance existing indebtedness.

7. Please discuss the reasons for the portfolio turnover rates for the Merger Arbitrage Fund, Socially Responsible Equity Fund and SNLN relative to anticipated turnover needed to execute each Fund’s strategy.

**Response:** The Highland Merger Arbitrage Fund’s portfolio turnover rate is high since the Fund frequently rotates through deals, which typically only last 3-4 months on average. The Highland Socially Responsible Equity Fund’s higher than average portfolio turnover rate was the result of the Fund’s strategy change that went effective in July 2019. SNLN’s portfolio rate was slightly above its historical average due to increased capital activity.

**B. Profitability**

1. With respect to the Estimated Adviser Profitability chart (Item A.2.a in the Board book), is the "Shared Services" line the only expenses attributable to HCMLP? Has any work been done or consideration been given to the solicitation of a third party bid on performing these services or bringing them in house to HCMFA?

**Response:** Shared services, along with a portion of the investment professional

compensation & benefits lines, are the only allocations attributable to HCMLP employees' support of the Advisers. HCMFA does not have the resources to bring these services in-house at this time, but given that HCMLP staffing levels for the provision of the shared services have remained fairly consistent and HCMLP remains capable of providing such shared services on economically reasonable terms, outsourced third-party bids have not been solicited at this time.

The Adviser believes HCMLP-provided services have continued to meet expectations other than in limited circumstances where a conflict of interest between an HCMLP-advised account and a Fund(s) has occurred. Please refer to the response in A.3 for additional discussion of these services.

2. As requested in the 15(c) letter, please also provide the profitability of the Advisers and their affiliates from their relationship with the Funds on an overall complex-wide basis. Please also compare profitability over the past two years and explain any material increase or decrease.

**Response:** The Advisers' profitability for the previous year has been added to the 15(c) materials. HCMFA's profitability with respect to the Funds increased from -32% of gross revenue in prior year to 1% of gross revenue in the current year. The material increase was primarily attributable to one-time items such as the payment of consent fees with respect to the conversion of Highland Global Allocation Fund as well as NAV error reimbursements in prior year, which were not incurred in the current year.

NexPoint's profitability with respect to the Funds increased from 3% of gross revenue to 30% of gross revenue. This increase is generally attributable to higher fee earning assets contributing to higher revenues.

On a complex-wide basis, other affiliated advisers have similar overall operating revenue and expense structures, with the exclusion of Chapter 11 related expenses incurred by HCMLP. Comparing profitability to the overall complex, the Advisers are similarly profitable to other affiliated advisers within the complex with respect to ordinary course services performed for advised funds.

3. The respective balance sheets for each of the Advisers reflect net operating losses. The Trustees also note that NexPoint Advisors had a larger operating loss than HCMFA. Please discuss the financial wherewithal of the Advisers and commitment to resources going forward. The Trustees note the response to question C.3. regarding front office headcount reductions and look forward to Joe Sowin's update with respect to the same.

**Response:** Both Advisers experienced a decrease in assets under management ("AUM") due to the COVID-19 pandemic during the months of April, May and June 2020, which caused a temporary decrease in revenues. AUM is expected to recover over the coming months as the economy begins to recover from

widespread shutdowns and the Distributor's sales team anticipates continued growth and increasing fee earning AUM. Both Advisers are financially guaranteed by Jim Dondero.

The financials provided for NexPoint are on a stand-alone basis and therefore do not show revenues collected at the subsidiary level (i.e. a consolidated complex-wide level). However, NexPoint is incurring expenses at the stand-alone level that should be viewed as complex-wide expenses. When revenues from wholly owned subsidiaries are included, NexPoint operates with positive net operating cash flow and income.

**C. Fund Performance and Asset Flows**

1. Please discuss the factors that contributed to all of the Funds (with the exception of Merger Arbitrage Fund) underperforming relative to their respective peer groups as contained in the FUSE report for the one-year period.

**Response:** Adviser representatives, including Joe Sowin, CIO, will be available to discuss performance at the meeting. To clarify, the Highland Income Fund and the Merger Arbitrage Fund outperformed their peers (please refer to the FUSE Report).

A summary of performance factors was discussed in response to question B-14 of the 2020 15(c) Response. The following information has been provided to supplement B-14 and provide additional color for performance of the Funds over the one-year period.

*Highland Global Allocation Fund*

- Over the last year many, of the Fund's top themes have detracted from performance. MLPs were a 29% allocation in June 2019 and were down 41.5% over the past year. Argentina was a large detractor given the surprising news of the elections and the new leftist regime taking office. Vistra Energy, which has historically been one the Fund's largest holdings, was down 15.5% over the previous year.

*Highland Healthcare Opportunities Fund*

- The Fund was structured as a Long/Short fund until November 2019, while its peer group solely includes long-only Funds. The largest underperformers in the Fund included Amino, Portola Pharmaceuticals and Amarin Corporation.

*Highland Income Fund*

- Over the last year, the Fund outperformed its FUSE peer group. The Fund was down 6.96% while its Peer Group was down 8.23% on average. The Fund benefitted from its defensive posture as the hedge book was able to offset losses during the market turbulence in Q1 2020. Other top contributors included CCS Medical and Creek Pine

Holdings.

*Highland Small Cap Equity Fund*

- Underperformance was primarily driven by investments in Greek banks, which declined in value by over 50%. The Fund also has exposure to two single names shorts in Zoom Video and Coupa Software, which increased by 54% and 62%, respectively, which contributed to the Funds' underperformance. The short positions constituted 15% of the Fund's performance.

*Highland Socially Responsible Equity Fund*

- Underperformance has been driven by sector selection, security selection, hedging and market timing. A detailed analysis of performance has been provided by Mike Hurley at each of the past three Board meetings.

*Highland/iBoxx Senior Loan ETF*

- Due to significant redemptions, the Fund has built a sizable cash balance which has been a drag on performance.

*NexPoint Capital, Inc.*

- Underperformance was primarily driven by investments in publicly traded vehicles, such as hospitality REITs Braemar Hotels and Resorts and NexPoint Real Estate Finance, Inc. ("NREF"). The underperformance primarily occurred in March 2020 as the Fund's publicly priced securities experienced significantly more volatility than other non-traded BDCs with less exposure to daily marked securities.

*NexPoint Real Estate Strategies Fund*

- Underperformance was primarily driven by investments in publicly traded vehicles, such as hospitality REITs Braemar Hotels and Resorts, Ashford Hospitality and NREF. The Fund maintains a significantly higher exposure to publicly traded REITs than its peers and such REITs experienced a significant drawdown during Q1 2020.

*NexPoint Strategic Opportunities Fund*

- NexPoint Hospitality Trust is one of the Fund's largest detractors as the leisure and hospitality sectors has been one of the hardest hit sectors during the COVID-19 pandemic. NREF was also a large detractor as it traded down to a low of \$6.34 per share after listing at \$19 per share in February 2020. The Fund saw weakness in CLO equity, as well as underperformance in other themes including Argentina, energy and significant drawdowns in some of the Fund's largest healthcare equity holdings.



2. The Trustees note the high expenses and poor performance of the Small-Cap Equity Fund and Socially Responsible Fund relative to their respective peers as included in the FUSE report. Please discuss the Advisers' plans with respect to each of these Funds.

**Response:** Please refer to the separate memo to the Board discussing a strategic change to the Highland Socially Responsible Equity Fund. Representatives from the Adviser will discuss this proposal further at the Board meeting

Regarding the Highland Small Cap Equity Fund, the Adviser intends to continue managing the Fund pursuant to its current strategy, but is closely monitoring performance and AUM and will keep the Board updated each meeting if a change in strategy, merger, or liquidation is merited. The Fund's recent performance is disappointing; however the portfolio manager and his team are working to recover recent losses associated with the COVID-19 pandemic. Prior to the pandemic, the Fund was one of the top-performing small cap funds in the market and a 5-star fund. However, the Fund's positioning leading into and during the pandemic was not optimal for these unprecedented circumstances. The Fund had leverage, was long on value and short on growth, and had an allocation to foreign financial firms. In addition, as noted above, the Fund also had exposure to two single names shorts in Zoom Video and Coupa Software, which increased by 54% and 62%, respectively, and which contributed to the Fund's relative underperformance. All of these themes moved against the Fund and have not yet rebounded like many other parts of the market.

3. Please discuss the increase in the bid ask spread and tracking error of SNLN, as well as the ETF's performance relative to its peer group as included in the FUSE report. Please also provide the ETF's tracking error relative to the iBoxx liquid loans index, if feasible. Also, please provide a single tracking error number.

**Response:** The loan market experienced increased volatility during 2020, which led to an increased bid/ask spread. SNLN also experienced material shifts in capital activity throughout the year (over \$750 million in inflows and outflows). Given the increased settlement time for bank loans, the Fund requires an operational cash buffer to ensure settlement of bank loans and meet redemptions. The material decrease in NAV together with volatile capital activity required a consistent cash buffer. Note the market volatility and capital activity widens the tracking error as bank loans do not trade at the mid-price and also incur additional fees that are not reflected in the tracking index.

4. Please provide an update of the AUM of each of the Funds as of a more recent date since the issuance of the 15(c) materials.

**Response:** Net Assets as of September 10, 2020:



<b>Retail Fund</b>	<b>Net Assets</b>
Highland Income Fund	909,568,499
NexPoint Strategic Opportunities Fund	792,041,527
Highland Global Allocation Fund	213,043,256
Highland/iBoxx Senior Loan ETF	104,672,664
Highland Socially Responsible Equity Fund	69,245,236
NexPoint Capital, Inc.	63,590,341
NexPoint Merger Arbitrage Fund	60,988,118
Highland Healthcare Opportunities Fund	24,309,967
NexPoint Real Estate Strategies Fund	15,541,857
Highland Small-Cap Equity Fund	13,005,083
Highland Opportunistic Credit Fund	9,386,269

5. With respect to NHF, please discuss any potential actions that could be considered to address the discount at the present time, including the Adviser's view of the appropriateness of a tender offer.

**Response:** In April 2020 the Adviser put in place a new repurchase program to repurchase up to 10% of the Fund's shares over a one-year period. The Adviser believes that, subject to restrictions and cash availability, repurchasing shares may help narrow the Fund's discount. Additionally, after shareholders overwhelmingly voted in the favor of the Fund's conversion to a diversified REIT, the Adviser has experienced an uptick in new solicitations of interest in the Fund. Now that the Fund has received shareholder approval to convert to a REIT, the Adviser believes new investors will start to invest in the Fund, creating new demand and potentially narrowing the discount. During the first week of September, the Distributor received two calls and held two in person meetings with hedge fund investors who are researching NHF for the first time since the conversion was approved, and more meetings are on the calendar.

The Adviser also continues to educate shareholders on the Fund and recently published a 20-page investment commentary. More shareholder education is in production, which is expected to provide investors with more transparency into the Fund and help narrow the discount. The Adviser is also conducting a thorough analysis on the ability of and need to conduct a tender offer, including the effectiveness of such tender on the Fund's discount. The Fund typically maintains a minimal amount of cash and many of its securities cannot be easily sold to generate cash. The Adviser continues to analyze other options to secure financing that could potentially be used for a tender offer.

6. Please provide an update on the liquidation strategy for the BDC.

**Response:** The BDC terminated its offering two and a half years ago (February 2018). As noted in disclosure to investors, "we intend to seek to complete a liquidity event for our stockholders within five years following the completion

of our offering stage; however, the offering period may extend for an indefinite period.” The BDC remains in the window for a liquidity event and the Adviser continues to monitor all available options. At this time, the Adviser does not believe an IPO is a viable option to maximize shareholder value given current market conditions. Given the uncertainty in below investment grade credit markets, the average BDC is trading at a 27% discount to NAV (as of September 8, 2020), and BDCs with a market cap of less than \$100 million are trading at an average discount of over 55%. Three BDCs trade at over 70% discount and these discounts were even worse during sharp market sell-off in March 2020.

Two large BDCs IPO-ed in 2020: (i) Owl Rock took its \$5 billion BDC public and is now trading at a 15% discount, even with an unlimited sized repurchase plan in place; (ii) FS, the largest non-traded BDC manager took, its \$4.2 billion BDC public and is now trading at a 44% discount to NAV. We do not believe it is prudent to force the BDC into a public listing and risk trading down to a severe discount. We will continue to monitor exit options, including potential mergers, acquisitions, or other strategic alternatives as the market stabilizes over the next few years. Currently, investors have access to the quarterly tender process where they can redeem at NAV and the BDC has been able to meet all requested tenders thus far, which indicates there is not a rush for investors to leave or obtain liquidity.

#### **D. Distribution**

1. Item G.1. Distribution expenses reimbursed appear to be much higher than historic relative to allowable for reimbursement. Please discuss the reason for this difference.

**Response:** The 12b-1 Distribution Expenses Report discloses the following 2020 Eligible 12b-1 expense incurred vs. allowable Reimbursement:

- 2020 - \$405,243 vs \$383,173 = (\$22,070) cost to Advisor (thru 06/30/2020)
- 2019 - \$2,861,232 vs \$1,707,028 = (\$1,154,204) cost to Advisor (thru 12/31/19)
- 2018 - \$3,267,776 vs \$2,665,670 = (\$602,106) cost to Advisor (thru 12/31/18)

NSI is currently incurring less mutual fund-related expenses. As a result, HCMFA is submitting fewer expenses for reimbursement. For example, HCMFA is submitting little, if any, requests for travel & expense or wholesaler compensation from NSI's collected 12b-1 fees, therefore such expenses that were previously submitted are no longer being submitted for reimbursement.

While the reduction in expenses *submitted* could make it appear that HCMFA is being reimbursed at a higher rate, the majority of expenses are being covered by NexPoint and NSI. The majority of all 12b-1 fees collected are paid to the selling broker-dealers in the form of trail commission. Trail commission are paid to the financial advisor that sold Fund shares and are for ongoing servicing of the shares.

2. The Distributor's balance sheet shows approximately \$1 million in liabilities. How is this structured? Is this payable to HCMLP? In addition, the Distributor shows a net operating loss. Please discuss the financial wherewithal of the Distributor, including the commitment of its affiliates in this regard.

**Response:** This balance is majority comprised of the PPP loan proceeds, which are expected to be fully forgiven. None of the liability balance is payable to HCMLP.

The sales team anticipates continued growth in sales and increasing dealer manager fee revenue at the Distributor over the next twelve months. As a result of increased sales, we anticipate the Distributor to produce enough fee revenue to eventually generate net operating income. Until that happens, the Distributor receives equity contributions from HCMFA, as needed

**E. Miscellaneous**

1. Please confirm inclusion of the Adviser profitability sheet for both HCMFA and NexPoint.

**Response:** The Adviser confirms there are two separate pages of Adviser profitability: (i) NexPoint (including the BDC) and (ii) HCMFA in the Meeting book.

2. Please provide information regarding the performance of the REIT subsidiaries.

**Response:** Performance information for each of the REIT Subsidiaries with performance history is provided in Exhibit A.

3. The exhibits to the FFA response do not seem to be in the Board book. Please confirm.

**Response:** The Adviser notes that the FFA exhibits are located in the August 13, 2020 Exhibit Book (there is a "slip sheet" in the Meeting Book that lists the exhibits).

Exhibit A**REIT Subsidiary Performance**

(in thousands)	NREO	NREC	NFRO REIT Sub	NRESF REIT Sub	NexPoint Capital	GAF REIT
Revenues	19,626	966	790	283	43	152
Expenses	(22,915)	(52)	(8,235)	(148)	(3)	(2)
<b>Net income (loss)</b>	<b>(3,289)</b>	<b>914</b>	<b>(7,445)</b>	<b>135</b>	<b>40</b>	<b>150</b>
<b>Add backs:</b>						
Interest expense	5,408	-	4,131	-	-	-
Depreciation & amortization	5,975	-	-	-	-	-
Corporate G&A	75	52	33	8	3	2
<b>NOI</b>	<b>8,169</b>	<b>966</b>	<b>(3,281)</b>	<b>143</b>	<b>43</b>	<b>152</b>

Note: NFRO REIT Sub's expenses relate to operating expenses and EDS-related real estate taxes and insurance.

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**Appendix A**

**Open-End Funds**

Highland Funds I:

1. Highland Healthcare Opportunities Fund
2. Highland/iBoxx Senior Loan ETF
3. Highland Opportunistic Credit Fund (*in liquidation*)
4. Highland Merger Arbitrage Fund

Highland Funds II:

5. Highland Small-Cap Equity Fund
6. Highland Socially Responsible Equity Fund
7. Highland Fixed Income Fund (*sub-advised*)
8. Highland Total Return Fund (*sub-advised*)

**Closed-End Funds**

9. NexPoint Capital, Inc.
  - a. BDC REIT Sub, LLC (*REIT Subsidiary*)
10. NexPoint Strategic Opportunities Fund
  - a. NexPoint Real Estate Opportunities, LLC (*REIT Subsidiary*)
  - b. NexPoint Real Estate Capital, LLC (*REIT Subsidiary*)
11. Highland Income Fund
  - a. HFRO Sub, LLC (*Credit Subsidiary*)
  - b. NFRO REIT Sub, LLC (*REIT Subsidiary*)
12. Highland Global Allocation Fund
  - a. GAF REIT, LLC (*REIT Subsidiary*)

**Interval Funds:**

13. NexPoint Real Estate Strategies Fund
  - a. NRESF REIT Sub, LLC (*REIT Subsidiary*)

## **EXHIBIT 19**

000919

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**From:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>  
**Sent:** Tuesday, October 6, 2020 6:19 PM  
**To:** Lauren Thedford <LThedford@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>; Kristin Hendrix <KHendrix@HighlandCapital.com>  
**Cc:** Thomas Surgent <TSurgent@HighlandCapital.com>; Jason Post <JPost@HighlandCapital.com>; Dustin Norris <DNorris@NexPointSecurities.com>; Will Mabry <WMabry@HighlandCapital.com>  
**Subject:** RE: 15(c) Follow up (10\_2\_20).DOCX

No shared services outstanding. The HCMFA note is a demand note. The NexPoint note Kristin can give the end term. There was an agreement between HCMLP and HCMFA the earliest they could demand is May 2021. The attorneys think that BK doesn't change that but don't know for sure at the end of the day. The response should include as I covered in the Board meeting that both entities have the full faith and backing from Jim Dondero and to my knowledge that hasn't changed.

---

**From:** Lauren Thedford <LThedford@HighlandCapital.com>  
**Sent:** Tuesday, October 6, 2020 6:14 PM  
**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>; Kristin Hendrix <KHendrix@HighlandCapital.com>  
**Cc:** Thomas Surgent <TSurgent@HighlandCapital.com>; Jason Post <JPost@HighlandCapital.com>; Dustin Norris <DNorris@NexPointSecurities.com>; Will Mabry <WMabry@HighlandCapital.com>  
**Subject:** RE: 15(c) Follow up (10\_2\_20).DOCX

I see the below from the 6/30 financials –

NPA: Due to HCMLP and affiliates as of June 30, 2020 - 23,683,000  
HCMFA: Due to HCMLP as of June 30, 2020 - 12,286

I expect the follow-up question will be regarding terms and structure of the notes and whether any of the shared services invoices are outstanding.

Draft answer below.

Are there any material outstanding amounts currently payable or due in the future (*e.g.*, notes) to HCMLP by HCMFA or NexPoint Advisors or any other affiliate that provide services to the Funds?

**Response:** As of June 30, 2020, \$23,683,000 remains outstanding to HCMLP and its affiliates from NexPoint and \$12,286,000 remains outstanding to HCMLP from HCMFA. The Notes between HCMLP and NexPoint come due on [DATE]. The Notes between HCMLP and HCMFA come due on [DATE]. All amounts owed by each of NexPoint and HCMFA pursuant to the shared services arrangement with HCMLP have been paid as of [DATE].

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**From:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>  
**Sent:** Tuesday, October 6, 2020 6:05 PM  
**To:** Lauren Thedford <LThedford@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>; Kristin Hendrix <KHendrix@HighlandCapital.com>  
**Cc:** Thomas Surgent <TSurgent@HighlandCapital.com>; Jason Post <JPost@HighlandCapital.com>; Dustin Norris

<DNorris@NexPointSecurities.com>; Will Mabry <WMabry@HighlandCapital.com>

**Subject:** RE: 15(c) Follow up (10\_2\_20).DOCX

It's on the balance sheet that was provided to the board as part of the 15c materials.

---

**From:** Lauren Thedford <LThedford@HighlandCapital.com>

**Sent:** Tuesday, October 6, 2020 6:04 PM

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>; Kristin Hendrix <KHendrix@HighlandCapital.com>

**Cc:** Thomas Surgent <TSurgent@HighlandCapital.com>; Jason Post <JPost@HighlandCapital.com>; Dustin Norris <DNorris@NexPointSecurities.com>; Will Mabry <WMabry@HighlandCapital.com>

**Subject:** RE: 15(c) Follow up (10\_2\_20).DOCX

Could you provide the amounts?

Thanks

---

**From:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>

**Sent:** Tuesday, October 6, 2020 5:53 PM

**To:** Lauren Thedford <LThedford@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>; Kristin Hendrix <KHendrix@HighlandCapital.com>

**Cc:** Thomas Surgent <TSurgent@HighlandCapital.com>; Jason Post <JPost@HighlandCapital.com>; Dustin Norris <DNorris@NexPointSecurities.com>; Will Mabry <WMabry@HighlandCapital.com>

**Subject:** RE: 15(c) Follow up (10\_2\_20).DOCX

Yes

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**From:** Lauren Thedford <LThedford@HighlandCapital.com>

**Sent:** Tuesday, October 6, 2020 5:52 PM

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>; Kristin Hendrix <KHendrix@HighlandCapital.com>

**Cc:** Thomas Surgent <TSurgent@HighlandCapital.com>; Jason Post <JPost@HighlandCapital.com>; Dustin Norris <DNorris@NexPointSecurities.com>; Will Mabry <WMabry@HighlandCapital.com>

**Subject:** RE: 15(c) Follow up (10\_2\_20).DOCX

Good evening Frank, Klos, Kristin – please advise on the below in connection with the Board's follow-up request. Thanks!

Are there any material outstanding amounts currently payable or due in the future (e.g., notes) to HLCMLP by HCMFA or NexPoint Advisors or any other affiliate that provide services to the Funds?

---

**From:** Lauren Thedford

**Sent:** Friday, October 2, 2020 2:50 PM

**To:** Thomas Surgent <TSurgent@HighlandCapital.com>

**Cc:** Jason Post <JPost@HighlandCapital.com>; Dustin Norris <DNorris@Nexpointsecurities.com>; Will Mabry <WMabry@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>

**Subject:** FW: 15(c) Follow up (10\_2\_20).DOCX

Thomas – please see attached (and reproduced below) additional 15c follow-up questions from the Board.



1. Please provide, to the extent practicable, the contingency plans with respect to the services provided under the Shared Services Agreements in the event that the outcome of the HCMLP bankruptcy proceedings were to impact the current servicing structure. For example, has the Advisers considered any outside service providers if necessary?

Note prior question and response on related topic:

With respect to the Estimated Adviser Profitability chart (Item A.2.a in the Board book), is the "Shared Services" line the only expenses attributable to HCMLP? Has any work been done or consideration been given to the solicitation of a third party bid on performing these services or bringing them in house to HCMFA?

**Response:** Shared services, along with a portion of the investment professional compensation & benefits lines, are the only allocations attributable to HCMLP employees' support of the Advisers. HCMFA does not have the resources to bring these services in-house at this time, but given that HCMLP staffing levels for the provision of the shared services have remained fairly consistent and HCMLP remains capable of providing such shared services on economically reasonable terms, outsourced third-party bids have not been solicited at this time.

2. Are there any material outstanding amounts currently payable or due in the future (e.g., notes) to HLCMLP by HCMFA or NexPoint Advisors or any other affiliate that provide services to the Funds?
3. The Board notes the provision of the updated list of current co-investments provided by HCMFA/NexPoint Advisors and the Advisers' discussion, including the senior-level team in place, to address any potential conflicts of interest matters. With respect to the compliance function, please confirm that the Funds' Chief Compliance Officer overall will continue in his usual role with respect to the Funds. Are there any other potential conflicts outside of the specific co-investment matters identified?

Please let me know if you would like me to set up a call on Monday to discuss.

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**From:** Louizos, Stacy <[SLouizos@BlankRome.com](mailto:SLouizos@BlankRome.com)>

**Sent:** Friday, October 2, 2020 1:54 PM

**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>; Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>

**Cc:** Jason Post <[JPost@HighlandCapital.com](mailto:JPost@HighlandCapital.com)>; Zornada, George <[George.Zornada@klgates.com](mailto:George.Zornada@klgates.com)>; [Charles.Miller@klgates.com](mailto:Charles.Miller@klgates.com); [Jon-Luc.Dupuy@klgates.com](mailto:Jon-Luc.Dupuy@klgates.com)

**Subject:** 15(c) Follow up (10\_2\_20).DOCX

Hi Dustin and Lauren—Please see attached follow up questions from the Trustees after the latest Board call. Happy to have a call to discuss if helpful.

Best,  
Stacy

**Stacy H. Louizos** | BLANKROME

1271 Avenue of the Americas | New York, NY 10020

O: 212.885.5147 | F: 917.332.3028 | [slouizos@blankrome.com](mailto:slouizos@blankrome.com)

M: 203.918.3666

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\*

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**EXHIBIT 20**

**INTENTIONALLY  
OMITTED**

000924

## **EXHIBIT 21**

000925

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**From:** James Seery <[jipseeryjr@gmail.com](mailto:jipseeryjr@gmail.com)>  
**Date:** Thursday, October 8, 2020 at 6:54 PM  
**To:** Thomas Surgent <[TSurgent@HighlandCapital.com](mailto:TSurgent@HighlandCapital.com)>  
**Subject:** Re: 15(c) Follow up (10\_2\_20).DOCX

That works. Thanks

Best. Jim

Jim Seery  
631-804-2049  
[jipseeryjr@gmail.com](mailto:jipseeryjr@gmail.com)

---

**From:** Thomas Surgent <[TSurgent@HighlandCapital.com](mailto:TSurgent@HighlandCapital.com)>  
**Date:** Thursday, October 8, 2020 at 6:28 PM  
**To:** Jim Seery <[jipseeryjr@gmail.com](mailto:jipseeryjr@gmail.com)>  
**Subject:** Fwd: 15(c) Follow up (10\_2\_20).DOCX

Here is the question the retail board asked and the answer proposed by NEXPOINT. I added the ALL CAPS language below. Jim D land to send the answer out this evening. I presume this is ok

1. Please provide, to the extent practicable, the contingency plans with respect to the services provided under the Shared Services Agreements in the event that the outcome of the HCMLP bankruptcy proceedings were to impact the current servicing structure. For example, has the Advisers considered any outside service providers if necessary?

In connection with 15(c) supplemental responses attached, as it stands today, NEXPOINT'S senior management's plan as a backup/contingency plan is to EXTEND EMPLOYMENT OFFERS TO the vast majority of HCMLP's employees by 12/31/2020. This will help ensure that there is no disruption in services to the Funds. Once we have further details of this we will advise. In the interim the plan is to continue with existing shared services.

Begin forwarded message:

**From:** Lauren Thedford <[LThedford@highlandcapital.com](mailto:LThedford@highlandcapital.com)>  
**Date:** October 8, 2020 at 5:06:34 PM CDT  
**To:** Thomas Surgent <[TSurgent@highlandcapital.com](mailto:TSurgent@highlandcapital.com)>, Brian Collins <[BCollins@highlandcapital.com](mailto:BCollins@highlandcapital.com)>

1. Please provide, to the extent practicable, the contingency plans with respect to the services provided under the Shared Services Agreements in the event that the outcome of the HCMLP bankruptcy proceedings were to impact the current servicing structure. For example, has the Advisers considered any outside service providers if necessary?

---

**From:** Thomas Surgent <TSurgent@HighlandCapital.com>  
**Sent:** Thursday, October 8, 2020 5:06 PM  
**To:** Brian Collins <BCollins@HighlandCapital.com>  
**Cc:** Lauren Thedford <LThedford@HighlandCapital.com>; Jason Post <JPost@HighlandCapital.com>; Dustin Norris <DNorris@NexPointSecurities.com>  
**Subject:** Re: 15(c) Follow up (10\_2\_20).DOCX

Can I get the question to which this proposed response relates?

On Oct 8, 2020, at 12:45 PM, Brian Collins <BCollins@highlandcapital.com> wrote:

Thomas/Lauren,

Any comments or concerns with the response below for the retail board?

In connection with 15(c) supplemental responses attached, as it stands today, senior management's plan as a backup/contingency plan is to move the vast majority of HCMLP's employees to NexPoint Advisors, LP by 12/31/2020. This will help ensure that there is no disruption in services to the Funds. Once we have further details of this we will advise. In the interim the plan is to continue with existing shared services.

---

**From:** Jason Post <JPost@HighlandCapital.com>  
**Sent:** Thursday, October 8, 2020 12:40 PM  
**To:** Brian Collins <BCollins@HighlandCapital.com>  
**Cc:** Dustin Norris <DNorris@NexPointSecurities.com>  
**Subject:** FW: 15(c) Follow up (10\_2\_20).DOCX

Draft response:

In connection with 15© supplemental responses attached, as it stands today, senior management's plan as a backup/contingency plan is to move the vast majority of employees to NexPoint Advisors, LP over the next couple of months. This will ensure that there is no disruption in services to the Funds. Once we have further details of this we will advise. In the interim the plan is to continue with existing shared services.

---

**From:** Louizos, Stacy <[SLouizos@BlankRome.com](mailto:SLouizos@BlankRome.com)>  
**Sent:** Friday, October 2, 2020 1:54 PM  
**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>; Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>  
**Cc:** Jason Post <[JPost@HighlandCapital.com](mailto:JPost@HighlandCapital.com)>; Zornada, George <[George.Zornada@klgates.com](mailto:George.Zornada@klgates.com)>; [Charles.Miller@klgates.com](mailto:Charles.Miller@klgates.com); [Jon-Luc.Dupuy@klgates.com](mailto:Jon-Luc.Dupuy@klgates.com)  
**Subject:** 15(c) Follow up (10\_2\_20).DOCX

Hi Dustin and Lauren—Please see attached follow up questions from the Trustees after the latest Board call. Happy to have a call to discuss if helpful.

Best,  
Stacy

**Stacy H. Louizos** | BLANKROME  
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<(123902528)\_1\_15(c) Follow up (10\_2\_20).DOCX>

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## **EXHIBIT 22**

000929



HIGHLAND CAPITAL  
MANAGEMENT  
FUND ADVISORS

**NEXPOINT**  
ADVISORS

**TO:** Board of Trustees or Board of Directors (as the case may be) (collectively, the “Board”) of Highland Funds I, Highland Funds II, Highland Income Fund, Highland Global Allocation Fund, NexPoint Strategic Opportunities Fund, NexPoint Real Estate Strategies Fund and NexPoint Capital, Inc.

**FROM:** Highland Capital Management Fund Advisors, L.P., NexPoint Advisors, L.P. and NexPoint Securities, Inc.

**RE:** Supplemental 15(c) Information Request

**DATE:** October 23, 2020

---

Pursuant to your supplemental request dated October 2, 2020, Highland Capital Management Fund Advisors, L.P. (“HCMFA”), NexPoint Advisors, L.P. (“NexPoint”, and with HCMFA, each, an “Adviser”, and together, the “Advisers”) and NexPoint Securities, Inc. (“NSI” the “Distributor”) submit the following supplemental information to the Board in order to assist the Board in fulfilling its obligations under Section 15(c) of the Investment Company Act of 1940, as amended (the “1940 Act”), and to assist in the Board’s consideration of the investment advisory, and other contractual arrangements, for the funds listed on Appendix A (each, a “Fund” and, collectively, the “Funds”). References to the 2020 15(c) Response dated August 13, 2020 and the supplemental response dated September 17-18, 2020 are referred to as the “2020 15(c) Response” and “2020 Supplemental 15(c) Response”, respectively.

Your requests have been noted below, each of which is followed by our response. Unless otherwise specified, reference documents are located on Director’s Desk at the following location: Home > Documents > Corporate Documents > 15c Reference Documents.

**A. Nature, Extent and Quality of Services**

1. Please provide, to the extent practicable, the contingency plans with respect to the services provided under the Shared Services Agreements in the event that the outcome of the HCMLP bankruptcy proceedings were to impact the current servicing structure. For example, has the Advisers considered any outside service providers if necessary?

**Response:** As a result of the Highland Capital Management, L.P. (“HCMLP”) bankruptcy, NexPoint’s senior management’s plan as a backup/contingency plan is to extend employment offers to the vast majority of HCMLP’s employees by December 31, 2020. This will help ensure that there is no disruption in services to the Funds. Once we have further details of this we will advise. In the interim, the plan is to continue with existing shared services.

Representatives of HCMLP and NexPoint will be available to discuss the structure of these contingency plans, relevant employees, and communications

to current employees regarding these matters. Representatives of HCMLP and NexPoint are working to facilitate the shared use of and/or transfer of services such as the intranet, shared computer drives, and third-party contracts.

2. Are there any material outstanding amounts currently payable or due in the future (*e.g.*, notes) to HLCMLP by HCMFA or NexPoint Advisors or any other affiliate that provide services to the Funds?

**Response:** As of June 30, 2020, \$23,683,000 remains outstanding to HCMLP and its affiliates from NexPoint and \$12,286,000 remains outstanding to HCMLP from HCMFA. The Note between HCMLP and NexPoint comes due on December 31, 2047. The earliest the Note between HCMLP and HCMFA could come due is in May 2021. All amounts owed by each of NexPoint and HCMFA pursuant to the shared services arrangement with HCMLP have been paid as of the date of this letter. The Adviser notes that both entities have the full faith and support of James Dondero.

3. The Board notes the provision of the updated list of current co-investments provided by HCMFA/NexPoint Advisors and the Advisers' discussion, including the senior-level team in place, to address any potential conflicts of interest matters. With respect to the compliance function, please confirm that the Funds' Chief Compliance Officer overall will continue in his usual role with respect to the Funds. Are there any other potential conflicts outside of the specific co-investment matters identified?

**Response:** The Advisers confirm that the Funds' Chief Compliance Officer overall will continue in his usual role with respect to the Funds. As of October 14, 2020, the Funds' Chief Compliance Officer is an employee of NexPoint. Please see Exhibit A for a list of current co-investments and cross-held positions where a future conflict may arise together with Exhibit B for the list of non-HCMLP employees available to assist the Board in any future conflicts.

**Exhibit A**

**Co-Investment Analysis**

CONFIDENTIAL

HCMFAS 000027

000932  
ACL-080594

Highland Capital Management, LP ("HCMLP")  
Condensed Co-Investment Analysis  
As of 9/30/20

Condensed Co-Investments <sup>1</sup>

	Investment	HCMLP MV	Funds Managed by HCMLP MV	Retail Funds	Non-HCMLP Investment Coverage
1	Metro-Goldwyn-Mayer Inc. Class A Common Stock	\$13,085,369	\$418,019,027	\$61,820,908	Dondero
2	CCS Medical, Inc. (Chronic Care) Loan 1st Lien @ PRIME 7% 7/31/2021	-	121,166,994	47,510,599	Dondero
3	TerreStar Corporation Term Loan A @ LIBOR 11% 2/28/2022	-	49,742,043	40,159,485	Dondero
4	VST US Equity	-	41,904,280	24,381,982	Sowin
5	NXRT	10,799,003	2,228,410	21,256,955	McGrander
6	Grayson CLO, Ltd. Class II Preference Shares	-	2,201,500	18,861,500	Sowin
7	NHT/U CN	2,028,793	-	18,524,594	McGrander
8	NHF	2,208,872	2,954,619	15,808,648	Dondero
9	Advantage Sales & Marketing Inc. Term Loan (Second Lien) @ LIBOR 6.5% 7/25/2022	-	1,940,140	13,784,695	Sowin
10	ProCera Networks, Inc. (aka Sandvine Corp) Initial Term Loan (First Lien) @ LIBOR 4.5% 10/3	-	1,367,373	13,681,487	Sowin
11	Gruden Acquisition, Inc. (aka Quality Distribution) ITL (First Lien) @ LIBOR 5.5% 8/18/2022	-	2,568,463	11,124,738	Sowin
12	Westchester CLO, Ltd Class I Preference Shares 144A	-	3,373,333	10,888,813	Sowin
13	HRTX	-	81,510	10,686,168	Dondero
14	Vistra Energy Corp. (fka TCEH Corp.) TXU TRA rights	-	3,494,825	10,476,054	Sowin
15	American Banknote Common	693,467	-	1,843,371	Dondero
16	American Airlines Escrow	154,650	630,365	1,444,839	Dondero
17	Ginn LA Conduit Lender, Inc. 1st Lien A CL Deposit @ PRIME 4.5% 6/8/2011	68,860	812,716	846,955	Sowin
18	TerreStar Corporation TL C @ LIBOR 11% 2/28/2022	-	25,418	553,282	Dondero
19	CCS Medical, Inc. (Chronic Care) Common	-	6,008	5,797	Dondero
	<b>Sub-Total</b>	<b>\$29,039,013</b>	<b>\$652,517,024</b>	<b>\$323,660,869</b>	

Additional HCMLP Ownership of Retail Funds (non-co-investments) <sup>2</sup>

Investment	HCMLP MV	Retail Fund MV	Funds Managed by HCMLP MV
Highland Opportunistic Credit Fund (HNRZX)	\$2,911,923	-	-
NexPoint Real Estate Strategies Fund (NRSZX)	663,982	-	-
<b>Sub-Total</b>	<b>\$3,575,905</b>	<b>\$0</b>	<b>\$0</b>

**Footnote:**

1 - Listing includes the following: 1) all investments held by both HCMLP and retail funds, regardless of materiality 2) investments for which retail funds hold \$10 million or greater in the aggregate and are also held by funds advised by HCMLP 3) investments for which retail funds hold ownership less than \$10 million in the aggregate, the position is private and fair valued, and are also held by funds advised by HCMLP.

2 - 'Additional HCMLP Ownership of Retail Funds' does not reflect other immaterial holdings of investments below \$5,000.

Co-Investments, excluding holdings with zero market value			
Investment	HCMLP MV	Funds Managed by HCMLP MV	Retail Funds
1 Metro-Goldwyn-Mayer Inc. Class A Common Stock	\$13,085,369	\$418,019,027	\$61,820,908
2 CCS Medical, Inc. (Chronic Care) Loan 1st Lien @ PRIME 7% 7/31/2021	-	121,166,994	47,510,599
3 TerreStar Corporation Term Loan A @ LIBOR 11% 2/28/2022	-	49,742,043	40,159,485
4 VST US Equity	-	41,904,280	24,381,982
5 WXRT	10,799,003	2,228,410	21,256,955
6 Grayson CLO, Ltd. Class II Preference Shares	-	2,201,500	18,861,500
7 NHT/JU CN	2,028,793	-	18,524,594
8 NHF	2,208,872	2,954,619	15,808,648
9 Advantage Sales & Marketing Inc. Term Loan (Second Lien) @ LIBOR 6.5% 7/25/2022	-	1,940,140	13,784,695
10 ProCera Networks, Inc. (aka Sandvine Corp) Initial Term Loan (First Lien) @ LIBOR 4.5% 10/31/2025	-	1,367,373	13,681,487
11 Gruden Acquisition, Inc. (aka Quality Distribution) ITL (First Lien) @ LIBOR 5.5% 8/18/2022	-	2,568,463	11,124,738
12 Westchester CLO, Ltd Class I Preference Shares 144A	-	3,373,333	10,888,813
13 HRTX	-	81,510	10,686,168
14 Vistra Energy Corp. (fka TCEH Corp.) TXU TRA rights	-	3,494,825	10,476,054
15 Traverse Midstream Partners LLC Advance @ LIBOR 5.5% 9/27/2024	-	25,916,705	9,945,051
16 VM Consolidated, Inc. (aka American Traffic Solutions) B-1 1st Lien Non-ext @ LIBOR 3.25% 2/28/2025	-	2,719,702	9,594,505
17 Edelman Financial Center, LLC, The (fka Flight Debt Merger Sub Inc.) Initial Term Loan (Second Lien) @ LIBOR 6.75% 7/20/2026	-	125,340	9,078,334
18 Forest City Enterprises, L.P. Replacement TL @ LIBOR 3.5% 12/8/2025	-	2,222,324	8,889,297
19 Avaya Inc. B TL @ LIBOR 4.25% 12/15/2024	-	1,357,685	8,802,760
20 MPMQ Appraisal Rights Claims	-	527,460	8,224,455
21 USS Ultimate Holdings, Inc. (aka United Site Services, Inc.) Initial Term Loan (First Lien) @ LIBOR 3.75% 8/25/2024	-	2,877,263	6,691,414
22 PSC Industrial Holdings Corp. Term Loan (First Lien) @ LIBOR 3.75% 10/11/2024	-	3,685,775	6,511,970
23 EnergySolutions, LLC (aka Envirocare of Utah, LLC) Initial Term Loan @ LIBOR 3.75% 5/9/2025	-	7,194,271	5,678,112
24 Truck Hero, Inc. Initial TL 2nd Lien @ LIBOR 8.25% 4/21/2025	-	645,557	5,561,471
25 Envision Healthcare Corporation Initial Term Loan @ LIBOR 3.75% 10/10/2025	-	2,854,870	5,502,657
26 AERI	-	35,310	5,211,756
27 MDPK 2014-15A Float - 01/2026 - DR - 55818WAGO @ LIBOR 5.4400 1/27/2026	-	1,249,500	4,774,875
28 Brentwood CLO Ltd Class II Preference Shares	-	7,424,000	4,416,000
29 Jo-Ann Stores, LLC Initial Loan @ LIBOR 5% 10/20/2023	-	2,354,854	4,384,100
30 Advantage Sales & Marketing Inc. Initial Term Loan (First Lien) @ LIBOR 3.25% 7/23/2021	-	1,896,829	3,571,805
31 Radnet Management, Inc. T B-1 L @ LIBOR 3.75% 6/30/2023	-	1,601,339	3,479,728
32 Fort Dearborn Holding Company, Inc. Initial Term Loan (First Lien) @ LIBOR 4% 10/19/2023	-	1,394,305	3,406,180
33 Sound Inpatient Physicians, Inc. Initial Term Loan (Second Lien) @ LIBOR 6.75% 6/26/2026	-	326,460	3,264,600
34 Liberty CLO, Ltd. Preferred	-	8,339,310	2,989,000
35 UDPI	-	1,291,306	2,801,645
36 Auris Luxembourg III S.a r.l. Facility B2 @ LIBOR 3.75% 2/27/2026	-	1,891,886	2,364,858
37 BIO	-	171,133	2,319,570
38 Dayco Products LLC - (Mark IV Industries, Inc.) Term Loan @ LIBOR 4.25% 5/19/2023	-	1,587,518	2,121,554
39 Rockwall CDO, Ltd. Preferred Shares	-	5,211,000	2,026,500
40 AVYA	-	30,877,250	1,911,598
41 RWIC NOT LISTED	-	579,000	1,852,800
42 American Banknote Common	693,467	-	1,843,371
43 TCW 2019-2A D2A Float - 10/02032 - 872428A59 @ 4.89 10/20/2032	-	1,250,000	1,750,000
44 Red River CLO, Ltd. Red River CLO	-	3,797,722	1,744,900
45 American Airlines Escrow	154,650	630,365	1,444,839
46 Refinitiv US Holdings Inc. (fka Financial & Risk US Holdings, Inc.) Initial Dollar Term Loan @ LIBOR 3.25% 10/1/2025	-	1,950,070	1,231,425
47 Scientific Games International, Inc. Initial Term B-5 Loan @ LIBOR 2.75% 8/14/2024	-	3,715,025	1,213,050
48 ACIS 2015-6A Zero Coupon - 05/2027 - SUB - 004524AD6 @ Zero Coupon 0.0000 5/1/2027	-	8,296,000	1,200,000
49 CFC 2015-5A DR Float - 10/02027 - 12550NAJ7 @ 5.55 10/25/2027	-	1,109,375	1,198,125
50 General Nutrition Centers, Inc. FLO Term Loan @ PRIME 8% 12/31/2022	-	487,190	1,148,178
51 Change Healthcare Holdings, LLC closing date TL @ LIBOR 2.5% 3/1/2024	-	2,709,671	991,845
52 CFC 2016-1A D2R Float - 10/02031 - 17180TAW2 @ 4.43 10/21/2031	-	980,000	980,000
53 TMO	-	201,775	927,192
54 ACIS 2015-6A Float - 05/2027 - D - 00452PAR8 @ LIBOR 3.7700 5/1/2027	-	1,810,000	905,000
55 Edelman Financial Center, LLC, The (fka Flight Debt Merger Sub Inc.) Initial Term Loan (First Lien) @ LIBOR 3% 7/21/2025	-	3,329,415	903,218
56 AHTI 2018-KEYS E Float - 05/02035 - 04410CAN9 @ 4.15 05/15/2035	-	695,663	850,255
57 ABERD	-	905,975	847,525
58 Ginn LA Conduit Lender, Inc. 1st Lien A CL Deposit @ PRIME 4.5% 6/8/2011	68,860	812,716	846,955
59 Bausch Health Companies Inc. (fka Valeant Pharmaceuticals International, Inc.) Initial Term Loan @ LIBOR 3% 6/2/2025	-	3,010,042	825,922
60 CSC Holdings, LLC (fka CSC Holdings Inc. (Cablevision)) March 2017 Refinancing Term Loan @ 7/17/2025	-	1,142,030	824,572
61 Hub International Limited Initial Term Loan @ LIBOR 3% 4/25/2025	-	1,270,064	819,121
62 Nielsen Finance LLC (VNU, Inc.) Class B-4 Term Loan @ LIBOR 2% 10/4/2023	-	480,085	813,503
63 PRTK	-	100,626	757,508
64 MPH Acquisition Holdings LLC Initial Term Loan @ LIBOR 2.75% 6/7/2023	-	3,767,027	739,421
65 VICI Properties 1 LLC Term B Loan @ LIBOR 1.75% 12/20/2024	-	969,035	726,776
66 McAfee, LLC Term B USD Loan @ LIBOR 3.75% 9/30/2024	-	1,469,387	722,848
67 RB Holding Corp. (aka Arby's / Buffalo Wild Wings) 2020 Replacement Term B Loan @ Libor 2.75% 2/5/2025	-	531,087	716,184
68 Global Medical Response, Inc. (aka Air Medical) 2018 Term Loan @ LIBOR 3.25% 4/28/2022	-	969,179	699,346
69 CityCenter Holdings, LLC Term B Loan @ LIBOR 2.25% 4/18/2024	-	344,250	694,346
70 Missy Limited (aka Almonde/Tahoe, Finastra USA) Dollar Term Loan (First Lien) @ LIBOR 3.5% 6/13/2024	-	920,265	693,200
71 Golden Nugget, Inc. (aka Landry's Inc.) TL @ LIBOR 2.5% 10/4/2023	-	383,374	671,846
72 H.B. Fuller Company Commitment @ LIBOR 2% 10/20/2024	-	250,488	638,664
73 Lightstone Holdco LLC Refinancing Term B Loan @ LIBOR 3.75% 1/30/2024	-	4,262,832	616,367
74 ACHC	-	73,700	589,600
75 Crown Finance US, Inc. (aka Cineworld Group plc) Initial Dollar Tranche Term Loan @ LIBOR 2.5% 2/28/2025	-	11,999,814	572,658
76 Calpine Corporation Term Loan (2015) @ LIBOR 2.25% 1/15/2024	-	375,085	567,158
77 TerreStar Corporation TL C @ LIBOR 11% 2/28/2022	-	25,418	553,282
78 TransDigm Inc. Tranche E Refinancing Term Loan @ LIBOR 2.25% 5/30/2025	-	6,149,465	542,437
79 Tronox Finance LLC Initial Dollar Term Loan (First Lien) @ LIBOR 3% 9/23/2024	-	3,327,701	493,305
80 Solera, LLC (Solera Finance, Inc.) Dollar TL @ LIBOR 2.75% 3/3/2023	-	446,555	490,314
81 AlivPartners, LLP 2017 Refinancing Term Loan @ LIBOR 2.5% 4/4/2024	-	3,254,084	483,887
82 HeartCommunications, Inc. (fka Clear Channel Communications, Inc.) 6.375% - 05/2026 - 45174HBC0 FIX 6.375% 5/1/2026	-	1,446	482,002
83 Fieldwood Energy LLC Closing Date Loan (First Lien) @ LIBOR 5.25% 4/11/2022	-	10,941,771	479,396
84 HLF 1X Floating - 08/2014 - CL - 43037QAE9 @ LIBOR 0.0000 8/2/2018	-	318,583	477,874
85 Iness US Finance LLC New 2024 Dollar Term Loan @ LIBOR 2% 4/1/2024	-	2,131,748	474,805
86 CGMS 2019-4A D Float - 01/02033 - 14317WAA6 @ 7.65 01/15/2033	-	930,500	465,250
87 B's Wholesale Club, Inc. Tranche B Term Loan (First Lien) @ LIBOR 2% 2/3/2024	-	515,535	460,180
88 Titan Acquisition Limited (aka Husky IMS International Ltd.) Initial Term Loan @ LIBOR 3% 3/28/2025	-	923,108	459,071
89 Plantronics, Inc. Initial Term B Loan @ LIBOR 2.5% 7/2/2025	-	12,145,824	376,874
90 SS&C Technologies Holdings, Inc. Term B-5 Loan @ LIBOR 2.25% 4/16/2025	-	952,120	264,538
91 Berry Global, Inc. (fka Berry Plastics Corporation) Term W Loan @ LIBOR 2% 10/1/2022	-	339,055	248,184
92 Applied Systems, Inc. Closing Date Term Loan (First Lien) @ LIBOR 3.25% 9/19/2024	-	1,693,433	245,795
93 SolarWinds Holdings, Inc. 2018 Refinancing Term Loan (First Lien) @ LIBOR 2.75% 2/5/2024	-	956,532	243,383
94 VAHA 2004-1A Variable - 08/2012 - 91914QAA4 @ Variable 0.0000 8/1/2012	-	375,000	225,000
95 SRC	-	1,212	220,219
96 COLL	-	62,398	166,456
97 Texas Competitive Electric Holdings Company LLC (TXU) Escrow Loan Extended @ LIBOR 0%	-	2,079	151,087
98 AAMRQ escrow Common Stock	-	57,400	123,000
99 Tecton 9 PERP	-	467,201	114,573
100 ACRG/8/U CN	-	41,887	111,422
101 NRG	-	26,498	83,767
102 FGI Operating Company, LLC Common	-	51,252	68,922
103 Fieldwood Energy LLC Common1	-	15,420	56,288
104 ACRG/8/U CN	-	15,022	39,960
105 Lightstone Holdco LLC Refinancing Term C Loan @ LIBOR 3.75% 1/30/2024	-	240,430	34,764
106 SMTA (Delisted 01/02/2020)	-	93,852	7,880
107 CCS Medical, Inc. (Chronic Care) Common	-	6,008	5,797
<b>Total</b>	<b>\$29,039,013</b>	<b>\$878,908,335</b>	<b>\$495,707,848</b>

Additional HCMLP Ownership of Retail Funds (non-co-investments)<sup>1</sup>

Investment	HCMLP MV	Retail Fund MV	Funds Managed by HCMLP MV
Highland Opportunistic Credit Fund (HNRZX)	\$2,911,923	-	-
NexPoint Real Estate Strategies Fund (NRSZX)	663,582	-	-
<b>Total</b>	<b>\$3,575,505</b>	<b>0.00</b>	<b>\$0</b>

## Footnote:

1 - Additional HCMLP Ownership of Retail Funds does not reflect other immaterial holdings of investments below \$5,000.

**Exhibit B****Non-HCMLP Employees**

<b>Name</b>	<b>Role</b>	<b>Current Title</b>	<b>Employed By</b>
Jim Dondero	Senior Investment Team Member	Partner	NPA
Jason Post	Chief Compliance Officer	Chief Compliance Officer	NPA
Joe Sowin	Senior Investment Team Member	Co-CIO and Head of Global Equity Trading	HCMFA
Brad Heiss	Senior Investment Team Member	Managing Director	HCMFA
Matt McGraner	Senior Investment Team Member	Managing Director	NPA
Dustin Norris	Fund Officer/Liaison	Head of Distribution and Chief Product Strategist	NPA
DC Sauter	Legal	General Counsel	NPA
Eric Holt	Compliance	Chief Compliance Officer, Affiliated Broker Dealers	NSI
David Willmore	Accounting/Operations	Senior Manager, Real Estate Accounting	NXRT
Paul Richards	Valuation	Director, Real Estate	NPA
Jackie Graham	PR/Marketing	Investor Relations Manager	NPA

HCMFA Highland Capital Management Fund Advisors, L.P.  
 NPA NexPoint Advisors, L.P.  
 NSI NexPoint Securities, Inc.  
 NXRT NexPoint Residential Trust, Inc.

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## **Appendix A**

### **Open-End Funds**

#### Highland Funds I:

1. Highland Healthcare Opportunities Fund
2. Highland/iBoxx Senior Loan ETF
3. Highland Opportunistic Credit Fund (*in liquidation*)
4. Highland Merger Arbitrage Fund

#### Highland Funds II:

5. Highland Small-Cap Equity Fund
6. Highland Socially Responsible Equity Fund
7. Highland Fixed Income Fund (*sub-advised*)
8. Highland Total Return Fund (*sub-advised*)

### **Closed-End Funds**

9. NexPoint Capital, Inc.
  - a. BDC REIT Sub, LLC (*REIT Subsidiary*)
10. NexPoint Strategic Opportunities Fund
  - a. NexPoint Real Estate Opportunities, LLC (*REIT Subsidiary*)
  - b. NexPoint Real Estate Capital, LLC (*REIT Subsidiary*)
11. Highland Income Fund
  - a. HFRO Sub, LLC (*Credit Subsidiary*)
  - b. NFRO REIT Sub, LLC (*REIT Subsidiary*)
12. Highland Global Allocation Fund
  - a. GAF REIT, LLC (*REIT Subsidiary*)

### **Interval Funds:**

13. NexPoint Real Estate Strategies Fund
  - a. NRESF REIT Sub, LLC (*REIT Subsidiary*)

## **EXHIBIT 23**

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**MINUTES OF THE  
JOINT MEETING OF THE GOVERNANCE AND COMPLIANCE COMMITTEES  
JOINT MEETING OF THE ALTERNATIVES AND DISTRIBUTION OVERSIGHT COMMITTEES  
JOINT MEETING OF THE AUDIT AND QUALIFIED LEGAL COMPLIANCE COMMITTEES  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**September 17-18, 2020**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”), an Audit and Qualified Legal Compliance Committee Meeting (the “Audit Committee Meeting”), a Meeting of the Governance and Compliance Committee (the “Governance Committee Meeting”) and a Meeting of the Alternatives and Distribution Oversight Committee (the “Distribution Oversight Committee Meeting”, and, together with the Board Meeting, the “Meetings”) were held in-person at 300 Crescent Court, Suite 700, Dallas, Texas, in the Madrone Conference Room and virtually via WebEx at 3:00 p.m. Central Time on September 17, 2020, and reconvened at 8:00 a.m. Central Time on September 18, 2020 at the offices of the Advisers, pursuant to notice duly given.

The following Board members (“Board Members”), constituting all of the Board Members of each of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>  
Ed Constantino<sup>1, 2</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Frank Waterhouse, Treasurer of the Adviser and the Funds; Lauren Thedford, Esq., Secretary of the Funds and the Advisers and Associate General Counsel of Highland Capital Management, L.P. (“HCMLP”); David Klos, Chief Accounting

<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds (collectively, the “Independent Board Members”).

<sup>2</sup> Attended the Board Meeting in his capacity as an NHF Trustee only.

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Officer of HCMLP and Assistant Treasurer of the Funds; Will Mabry, Senior Manager, Fund Analysis at HCMFA; Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds; Kevin Fullmer, Director, Product Strategy at NexPoint; Scott Simon, Director, Product Strategy at NexPoint; Isaac Leventon<sup>3</sup>, Esq., Litigation Counsel of HCMLP; Stephanie Vitiello<sup>3</sup>, Assistant General Counsel of HCMLP; Brian Mitts<sup>4</sup>, Executive Vice President of NexPoint Real Estate Advisors, L.P. (“NREA”) and Executive Vice President and CFO of NRESF; D.C. Sauter<sup>4</sup>, Esq., General Counsel at NexPoint; Matt Goetz, Director of Real Estate at NexPoint; Joe Sowin<sup>4</sup>, Co-Chief Investment Officer of HCMLP; Jim Seery<sup>3</sup>, Chief Executive Officer and Chief Restructuring Officer, HCMLP; Thomas Surgent<sup>3</sup>, Esq., Partner, Deputy General Counsel and Chief Compliance Officer of HCMLP<sup>3</sup>; Lucy Bannon<sup>3</sup>, Director of Public Relations and Communications at HCMLP; Kristin Hendrix<sup>4</sup>, Assistant Controller at HCMLP; Jon-Luc Dupuy, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank Rome, LLP, counsel to the Independent Trustees of the Funds (“Independent Trustee Counsel”); Eric Griffith, Esq., Lex Smith, Esq., Carly Sikora, Krista Hunsiker, Mike Lenox<sup>3</sup>, Rob Owens<sup>3</sup>, and Steve Connors<sup>3</sup>, of SEI, the Funds’ administrator; Lori Novak<sup>3</sup> and Lindsay Selick<sup>3</sup> from Cohen & Company (“Cohen”); Dr. Cindy Ma<sup>3</sup> and Chris Cessna<sup>3</sup> of Houlihan Lokey; and Sam Campbell<sup>4</sup> of FUSE Research Network (“FUSE”).

Mr. Powell acted as Chairman of the Board Meeting and Mr. Smith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting and the related materials via Directors Desk’s internet portal (collectively, the “Meeting Materials”) and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting.

Ms. Thedford reminded the Board Members and the Board Meeting Participants that, due to the recent outbreak of coronavirus disease 2019 (“COVID-19”), this standard quarterly in-person Board Meeting for the third quarter of 2020 was being held virtually. She noted that COVID-19 has led to disruptions to transportation and the impositions of quarantines and self-isolations in the United States and around the world, which have presented significant challenges for boards of trustees of registered investment companies to travel in order to meet.

Ms. Thedford noted that in light of the impacts of COVID-19, the Securities and Exchange Commission issued orders (the “Orders”) that conditionally exempt registered investment companies and their investment advisers and principal underwriters from the in-person voting requirements of the 1940 Act, which exemption is temporarily available from March 13, 2020 through December 31, 2020. She then confirmed that certain approvals related to the Funds’ independent registered accountant would require reliance on the Orders and that the Board

<sup>3</sup> Attended the Board Meeting virtually on September 17, 2020 only.

<sup>4</sup> Attended the Board Meeting virtually on September 18, 2020 only.

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Members would be asked to determine that such virtual approvals were necessary and appropriate due to circumstances related to current and potential effects of COVID-19 and that all actions that required a vote of the Board Members at an in-person meeting would be ratified, as required by the SEC's relief, at the Board's next in-person meeting.

Mr. Powell noted that the order in which certain agenda items would be discussed at the Board Meeting may vary from the order listed in the agenda depending on, among other things, the availability of certain Meeting participants and certain matters or items may be discussed on multiple days. He further noted that, while each proposed resolution would be discussed during the normal course of the Board Meeting, formal approval of such resolutions would be sought at the end of the Board Meeting.

#### **MEETING OF THE BOARD**

##### **EXECUTIVE SESSION**

The Board Members and Independent Trustee Counsel met in executive session prior to and during various points in the Board Meeting to further consider and discuss the Board Materials and items for approval. The Independent Board Members also met separately with their Independent Trustee Counsel. In such cases, all Meeting participants other than the Board Members and Independent Trustee Counsel left the room or dropped from the call at this time, as the case may be. The Board Members and Independent Trustee Counsel also met in executive session separately with representatives of Cohen following the Audit and Qualified Legal Compliance Committee set forth below. The Board Members and Independent Trustee Counsel also met in executive session separately with Mr. Post.

##### **AUDIT AND QUALIFIED LEGAL COMPLIANCE COMMITTEE MEETING**

Commented [LT1]: Frank/Klos/Will to review

The members of the Audit and Qualified Legal Compliance Committees (the "Audit Committee") of the Board (composed of Messrs. Ward, Froehlich, Powell, and Constantino (for NHF only) with Mr. Ward serving as Chair) convened the Audit and Qualified Compliance Committee.

##### **Presentation by Cohen Regarding the Audit Scope for the FYE 9/30/2020 for HFII and GAF**

Ms. Novak and Ms. Selick from Cohen joined the Meeting. Ms. Novak began Cohen's presentation to the Audit Committee regarding the scope of the audit of HFII and GAF for the fiscal year ending September 30, 2020. She then referred the Audit Committee to Cohen's presentation contained in the Meeting Materials and then reviewed Cohen's audit plan, key audit areas, strategy and approach for the audit, and responded to questions. In response to a question from a Board Member, Ms. Novak confirmed she had no concerns with the Adviser's plan to remediate the material weakness by the prior independent registered accountant of HFII and GAF

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at December 31, 2019, and noted Cohen's view on the material weakness finding, which had differed from the prior auditor, had not changed. She then discussed the Adviser's testing of its remediation plan planned for October 2020.

Ms. Selick then discussed Cohen's communications with the Audit Committee, noting that they are designed to comply with standards established by the Public Company Accounting Oversight Board (the "PCAOB"). The Audit Committee discussed the proposed fees and Ms. Novak then discussed Cohen's independence and responded to the questions from the Audit Committee. In connection with Cohen's discussion of independence, it was noted that Cohen also provides audit services to certain private funds advised by Mr. Honis. Ms. Novak confirmed there was no issue with respect to the firm's independence. A discussion ensued with respect to the services to be provided by Cohen, during which the Committee requested that the auditor perform testing of the remediation plan and fair valuation models early in its audit process to prevent any last minute issues before filing deadlines. The Committee also reiterated the importance of communication between the Committee, the Adviser and Cohen.

#### **Ratification of Annual Report for HF I**

Mr. Ward stated that the Audit Committee would next consider the ratification of the annual report for HFI. Ms. Selick noted that during the June 30, 2020 fiscal year-end financial reporting process the Adviser discovered an unreconciled adjustment on the balance sheet of Highland/iBoxx Senior Loan ETF ("SNLN"), a series of HFI. She noted that this adjustment was material to SNLN and required incorporation into the financial statements, but since the Adviser caught the error during its review then such adjustment rose only to the level of a significant deficiency. Mr. Klos discussed the Adviser's reconciliation process with respect to the error, clarifying that reconciliation is performed by SNLN's administrator, SEI. He then discussed the Adviser's ongoing analysis of the error and remediation plans and undertook to provide the Board with a memorandum discussing the remediation at a future Board meeting. A discussion ensued.

**Commented [LT2]:** Confirm timing and if/when this went out. I am referencing the 9/9/20 document but not sure I have seen the final.

After a discussion and upon a motion duly made, seconded and unanimously carried, the following resolution was unanimously adopted:

**RESOLVED**, that the Audit and Qualified Legal Compliance Committee ("Audit Committee") of Highland Funds I ("HFI"), subject to ratification by the Board of Trustees of HFI, including a majority of the board members who are not "interested persons" as defined in the Investment Company Act of 1940, as amended, hereby approves and ratifies the report (the "Audit Report") of HFI's independent registered public accounting firm, Cohen & Company, regarding the results of the June 30, 2020 audit of HFI, and the inclusion in HFI's annual shareholder report dated June 30, 2020 of the Audit Report and audited financial statements, as presented at this meeting, with such changes as the officers of HFI may approve, with advice of counsel.

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**Ratification of Audit and Non-Audit Fees for Fiscal Year Ended June 30, 2020 for HFI**

Mr. Ward then noted that the Board was being asked to ratify revised audit and non-audit fees for the fiscal year ended June 30, 2019 for HFI. After a discussion and upon a motion duly made, seconded and unanimously carried, the following resolution was unanimously adopted:

**RESOLVED**, that the revised estimated fees for audit and non-audit services to be provided by Cohen and Co. to Highland Funds I (“HFI”), as presented at this meeting, are hereby ratified, confirmed and approved by the Audit and Qualified Legal Compliance Committee of HFI.

**Approval of Cohen Engagement Letters**

Mr. Ward noted that the next agenda item was for the Audit Committee to consider the recommendation to the Board of the Cohen engagement letters. After a discussion and upon a motion duly made, seconded and unanimously carried, the following resolution was unanimously adopted:

**RESOLVED**, that the Audit and Qualified Legal Compliance Committees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), Highland Income Fund (“HFRO”), Highland Global Allocation Fund (“GAF”), NexPoint Real Estate Strategies Fund (“NRESF”) and NexPoint Strategic Opportunities Fund (“NHF”), subject to approval by the Board of Trustees of HFI, HFII, HFRO, GAF, NRESF and NHF, including by separate vote a majority of the Trustees who are not “Interested Persons” (as such term is defined in the Investment Company Act of 1940, as amended) of HFI, HFII, HFRO, GAF, NRESF and NHF, hereby approve the engagement letters with Cohen & Co. included in the materials for the meeting.

**Houlihan Lokey Discussion Regarding Valuation**

Commented [LT3]: Klos/Mills to review

Next, Mr. Powell invited Dr. Ma and Mr. Cessna of Houlihan Lokey to join the meeting to provide an update on the services provided by Houlihan Lokey. Dr. Ma then gave an overview of Houlihan Lokey and the valuation services it provided to the Funds over the past 12 months. Mr. Cessna then provided a detailed review of the valuation of TerreStar Corporation (“TerreStar”) and noted how the positive development of the recent waiver grant for the 1.4 GHz band spectrum was incorporated into the valuation. In response to questions from the Board, Mr. Cessna explained how fundamental analysis and historical transactions were incorporated into the valuation of TerreStar, noting that the weight given to past transactions on valuation was reduced over time. Mr. Cessna then reviewed the valuation methodology used for the CCS Medical, Inc. (“CCS”), noting that recent indications of interest in CCS were roughly in line with the valuation Houlihan Lokey determined independently with fundamental analysis. Throughout the discussion, Dr. Ma and Mr. Cessna responded to questions from the Board. Dr. Ma and Mr. Cessna then departed the Meeting.

There being no further business to discuss, the Audit Committee Meeting was adjourned.

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**GOVERNANCE AND COMPLIANCE COMMITTEE MEETING**

At this time, the members of the Governance and Compliance Committee (collectively, the “Governance Committee”) of the Board (composed of Messrs. Ward, Froehlich, Honis and Powell, with Mr. Powell serving as Chair) convened the Governance Committee Meeting.

**Update on HCMFA/HCMLP Litigation Matters**

Commented [LT4]: Seery to review

Messrs. Seery, Leventon and Ellington and Mmes. Vitiello and Bannon then joined the Governance Committee Meeting and provided an update the Board on the HCMLP bankruptcy and litigation matters relating to the Funds.

**Update on HCMLP Bankruptcy**

Mr. Seery provided the Board with an update on the HCMLP Bankruptcy, noting that HCMLP recently completed the mediation process. Although not all claims were resolved in mediation, Mr. Seery noted that there was momentum for a larger deal. He noted that HCMLP reached settlement with Acis Capital Management, L.P., a former affiliated investment adviser to a CLO platform. With respect to the UBS claim of \$1 billion, Mr. Seery noted that a settlement could not be reached, so a litigation strategy was being pursued instead. Mr. Seery noted that there were two separate summary judgements pending with respect to the UBS claim, upon which Mr. Seery expected HCMLP to prevail. Mr. Seery then summarized three other open claims, including a [new?] \$100 million claim by HarbourVest Partners LLC.

In response to questions from the Board, Mr. Seery noted that Mr. Dondero had a high degree of confidence that, even if an overall settlement could not be achieved, there would be a mechanism in place for the shared services currently provided by HCMLP such that any impact to the Funds would be minimized. In the short-term, Mr. Seery expected that the shared services agreement (the “Shared Services Agreement”) between HCMLP (on the one hand) and HCMFA/NexPoint Advisers (on the other) to remain in place. In the event that the Shared Services Agreement were terminated, Mr. Seery believes that the employees and services at HCMLP that are currently supporting the Funds would be transferred either directly to HCMFA/NexPoint Advisers or to a third-party that would continue to service the Funds. A discussion then ensued. Ms. Bannon then discussed the overall public relations approach in responding to inquiries regarding the ongoing bankruptcy matter and turned the Board’s attention to the quarterly Media Coverage Report provided in the Materials.

**Update on Credit Suisse Matter**

Commented [LT5]: Isaac to review (and Lanotte)

With respect to the Credit Suisse litigation, Mr. Leventon reminded the Board that the Adviser had filed a motion for a rehearing before the Texas Supreme Court on June 12, 2020, and noted that he expected a decision soon. In response to questions from the Board, Mr. Leventon

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noted that if the case was remanded back to the trial court, there would not be a new trial. Instead, he said the trial court would decide the case in accordance with the Supreme Court's decision. A discussion then ensued.

#### Update on Lanotte Matter

With respect to the Lanotte matter, Mr. Leventon reminded the Board that the Court granted the motion to dismiss with prejudice as to all defendants on all claims. He added, however, that the plaintiff recently filed an appeal of that decision. In response to a question, Mr. Leventon noted that the grounds for the appeal were not yet known since the plaintiff's appellate brief had not been filed. He stated that he would update the Board as the appeal progressed further.

After further discussion, Messrs. Seery, Leventon and Ellington and Mmes. Vitiello and Bannon then departed from the Meeting.

#### **Discussion of AIC III Reorganization Proposal**

Commented [LT6]: Dustin to review

Ms. Thedford first noted that no approvals were being asked of the Board at this Meeting. She then provided further details about the proposed timeline for the reorganizations the reorganizations of the Highland Total Return Fund and the Highland Fixed Income Fund, each a series of HFIL, into shell series of the Advisors' Inner Circle III Trust ("AIC"), noting that proposal would be brought to the Board for formal approval in the near future, after certain information requested by the Board and Independent Trustee Counsel about the transaction is updated. The Governance Committee members then engaged in a discussion with Independent Trustee Counsel and the Adviser about ensuring its independence in reviewing the proposal, including the recusal of Mr. Powell from any vote.

The Board then discussed the history of these Funds and broader strategic planning related to the ongoing fund rationalization process. In response to questions from the Board, Mr. Norris discussed certain other options for these Funds considered by management, including liquidation or merger with an interval fund. The Board then discussed the potential synergies between these Funds and Brookmont Capital, LLC ("Brookmont"). Specifically, Mr. Powell noted Brookmont's value-based, dividend-centric investment approach. Mr. Powell then discussed the plan for distribution and cost-savings on the AIC fund platform. In response to a question from the Board, Mr. Smith of SEI provided an update on the anticipated timing for the AIC board's approval and filing of the AIC funds' shell registration statements. He noted that approval by both boards would be needed prior to the filing of the AIC funds' shell registration statements.

Mr. Norris concluded the discussion by noting that updated materials would be distributed to the Board in the near future—likely within the next week—so that the Board could make a formal determination regarding the proposal.



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**ALTERNATIVES AND DISTRIBUTION OVERSIGHT COMMITTEE**

The members of the Alternatives and Distribution Oversight Committee (the “Distribution Oversight Committee”) of the Board (composed of Messrs. Honis, Powell, Ward and Froehlich, with Mr. Froehlich serving as Chair) convened the Distribution Oversight Committee Meeting.

**Review Payments to Financial Intermediaries**

Mr. Froehlich stated that the first item for the Distribution Oversight Committee to consider was a review of payments made by the Funds to financial intermediaries. Ms. Thedford reminded the Distribution Oversight Committee that shares of the Funds are available for purchase both directly and through arrangements in which investors hold their shares indirectly through an omnibus account in the name of their financial intermediary, such as a broker, investment adviser, insurance company separate account, or employee benefit plan (each, an “Intermediary”). She noted that Intermediaries frequently provide Sub-TA and other services to shareholders of the Funds. Ms. Thedford then reviewed the payment process for such Intermediaries, noting that payments are only made to Intermediaries with which the Funds have agreements and are made in accordance with the terms stated in the Funds’ prospectuses.

Ms. Thedford then reviewed a list of the Intermediaries and Funds that currently participate in such arrangements and commented on the nature of services provided by each Intermediary, the contractual billing arrangements and actual fees paid by the Funds, HCMFA or any affiliate of HCMFA for such services, and whether a portion of any such fee was paid for distribution, Sub-TA, administration or other non-distribution services. Ms. Thedford reviewed information relating to Sub-TA fees paid by the Funds in connection with “fund supermarket” and other types of programs in which a third party maintains records of indirect beneficial ownership interests in the Funds. Ms. Thedford reviewed the amount of Sub-TA fees paid by the Funds, along with a summary of the services provided by each Intermediary that receives Sub-TA fees from the Funds, noting that HCMFA requests quarterly certifications confirming the relevant invoices received from each Intermediary and assets serviced in order to ensure accuracy in the discussion of each arrangement.

**Discussion of Merger of Highland Socially Responsible Equity Fund into MAF**

Mr. Froehlich noted that the next item of business was a discussion of the proposed merger of Highland Socially Responsible Equity Fund (“SRE”) into MAF. Mr. Norris referenced the memo included in the Meeting Materials that summarized the proposal, noting that the memorandum is for informational purposes only and no approvals were being requested at this time. He reminded the Board of SRE’s underperformance, and the Board’s request to review potential options, such as a change in strategy or potential merger. Mr. Norris then discussed the details of the merger proposal, including an overview of various considerations required under Rule 17a-8. In response to a question from the Board, Mr. Norris undertook to provide additional

Commented [LT7]: Dustin to review

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rationale for the merger given the higher fees paid by shareholders of MAF and to ensure outreach to any shareholders who had invested in SRE following its strategy change to an ESG fund.

At this time, the Committee Meeting was adjourned and the Board Meeting reconvened.

### **BOARD MEETING**

#### **Fund Performance and Business Update**

Commented [LT8]: Dustin/Kevin to review

Mr. Norris then reviewed the Advisers' broad market strategy, year-over-year revenue and net income. He then led a discussion of the components of the Daily Performance and Capital Flow Report, including each applicable Fund's (i) Morningstar rating, if any; (ii) performance for month-to-date, quarter-to-date, year-to-date and one year versus its benchmark; and (iii) capital flows. He noted that capital flows included daily subscriptions, daily redemptions, daily net assets, year-to-date sales, year-to-date net sales, net assets and adjusted net assets, which took into consideration redemptions and sales for the time period. Mr. Norris then led a discussion regarding whether each Fund under- or over-performed its benchmark, the reasons for such under- or over-performance and each Fund's capital flows. He then updated the Board on the Advisers' sales goals and projections. A discussion then ensued among the Board.

Mr. Norris then highlighted certain Fund proposals the Advisers were considering. With respect to the closed-end funds, he stated his belief that HFRO, NHF and GAF were trading at inappropriately high discounts considering the underlying assets of each Fund. For NHF, Mr. Norris noted that the Adviser was considering a potential tender offer as an interim solution to narrowing NHF's discount prior to the REIT conversion since the generally positive market response to approval of the REIT conversion had not helped to narrow the discount as expected. Although at the initial stages, Mr. Norris noted that NexPoint was in discussions with Skadden, Arps, Slate, Meagher & Flom LLP, who is acting as special counsel for NHF in connection with the REIT conversion, to explore a tender offer of a certain amount of NHF's common shares for newly-issued preferred shares plus cash, subject to certain terms and conditions. He noted that the Board would be updated if and when a more definitive proposal was developed.

Next, Mr. Norris discussed the positive trading of HFROs preferred stock and related ongoing costs. He then stated that the Adviser was exploring the feasibility of converting HFRO into an unregistered investment company that maintained its listing on the New York Stock Exchange and taxed as a "C-Corp" and then summarized the potential benefits of such a conversion. Finally, with respect to GAF, Mr. Norris noted that, in light of the Fund's underperformance this past year, Mr. Dondero was considering various options to maximize shareholder value but that nothing was proposed at this time as certain long-term, material investments continued to develop. Throughout the discussion, Mr. Norris responded to questions from the Board.

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In response to a question from the Board, Mr. Norris discussed tracking errors occurring in SNLN due to significant trading volumes. He noted that the Adviser was considering whether additional purchase and redemption fees should be implemented in order to ease friction costs and that he, Mr. Dondero and SNLN's new portfolio manager, David Owens, were exploring a strategy change.

Mr. Norris then highlighted the Adviser's focus on real estate [for certain of the Funds?], particularly single-family rentals and storage given recent volatility in the real estate markets due to COVID-19. He reminded the Board that representatives of the Adviser's real estate team would attend the meeting on Friday to cover specific issuers and properties in more detail.

#### **Discussion with FUSE Research Network 15(c) Research Provider**

Next, Mr. Norris noted that, in connection with the Board's 15(c) review, the Meeting Materials included a report from FUSE Research Network, an independent source of investment company data, relating to each Fund's performance and expenses compared to the performance and expenses of a group of funds deemed by FUSE to be comparable to the respective Fund (the "peer group"), and to a larger group of comparable funds (the "peer universe"). He noted that this was the second year in a row that FUSE was used to assist in compiling data to assist the Board in their 15(c) review and that the Advisers were very impressed with the quality of the reports provided by FUSE, as compared to reports provided by other third-party investment company data providers in the past. Mr. Norris also clarified that performance and expense data for the BDC was separately covered in materials prepared by Blue Vault Partners.

At this time, Mr. Campbell of FUSE joined the Meeting and provided a detailed review of the FUSE report. Mr. Campbell first reviewed the report format and described the methodology used to compile the data, both of which he noted were the same as that used last year. He then described the process by which each Fund's peer group and peer universe were identified, noting that the peer group and peer universe were the same for some Funds given their unique mandate or strategy focus. Mr. Campbell also noted that, depending on a Fund's vehicle type (e.g., open-end, closed-end or ETF), additional data elements for comparison purposes were provided. For instance, for closed-end funds, he noted that the report included premium/discount data, leverage and distribution rates, and certain other unique data elements relevant to closed-end fund comparisons.

Next, Mr. Campbell specified the data presented in the report for specific Funds that departed from the standard methodology presented in order to provide more useful peer comparison. For example, in light of the investment strategy change of the Highland Socially Responsible Equity Fund in July 2019, he noted that the peer group selected for the Fund was comprised of other ESG funds but that the peer universe was comprised of large cap equity funds. Given Highland/iBoxx Senior Loan ETF's unique passive bank loan exposure, he noted that this Fund's peer group includes both active and passive strategies, which was a departure from the

**Commented [LT9]:** Dustin/Kevin to review

I missed this portion of the meeting so don't have color on where to add discussions.

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standard methodology. Throughout his presentation, Mr. Campbell responded to questions from the Board. In addition, the Board noted that they had received the FUSE report approximately a month before the Meeting and that, since that time, they had the opportunity to carefully review the report and had many of their questions answered at the August 13, 2020 pre-15(c) meeting. After further discussion, Mr. Campbell departed the Meeting.

### **Annual Matters for Board Review and Approval**

#### **Review of 15(c) Materials**

At this time, Mr. Surgent joined the Meeting and provided the Board with a status update on the HCLMP bankruptcy and discussed the impact of the HCMLP bankruptcy on the shared services arrangements with the Funds, noting his expectation that the level and quality of services would continue going forward. Regarding the bankruptcy, Mr. Surgent reiterated Mr. Seery's stated goal to achieve a consensual, omnibus resolution by the end of the year. To the extent this was not achievable, Mr. Surgent noted that an alternative plan akin to a liquidation of assets was possible. In response to questions from the Board, Mr. Surgent noted that, even under an alternative scenario, the Board would have adequate advance notice to address any impact to the shared services provided to the Funds. A robust discussion then ensued, which included an explanation of evaluation of how conflicts of interests are addressed when certain HCMLP employees are conflicted out of working on particular matters, as was the case in the recent OmniMax International, Inc. (f/k/a Euramax) ("OmniMax") matter. Mr. Surgent and Mr. Norris explained that there were sufficient personnel at HCMFA/NexPoint Advisors who are not also dual employees at HCMLP to cover all relevant functions on such matters, including legal, compliance, accounting, administration and portfolio management. In response to a request of the Board, Mr. Norris undertook to provide the Board with a list of non-HCMLP employees available to address any conflicts that may arise. At this time, Mr. Surgent departed from the Meeting.

#### **Annual Update on HCMFA's and NexPoint's Financial Condition**

Mr. Powell asked Mr. Waterhouse to provide an update on the Advisers' financial condition. Mr. Waterhouse directed the Board's attention to the Meeting Materials related to the Advisers' financial condition including, for each of HCMFA and NexPoint, financial statements as of June 30, 2020 that included a balance sheet and income statement, each as contained in the 15(c) responses of the Advisers. A discussion ensued about the methodology and calculation of each of HCMFA's and NexPoint's profitability and factors such as revenues, direct and indirect costs and shared costs and how the Advisers' investment advisory fees are allocated among each Fund in the Fund Complex. Mr. Waterhouse discussed how the Advisers' costs are allocated among the Funds and other advisory clients of the Advisers and responded to questions from the Board. In response to a question from the Board, Mr. Waterhouse described the impact of the COVID-19-induced work-from-home environment, including any unexpected cost savings. Mr.

**Commented [LT10]:** Thomas to review

**Commented [JP11]:** He technically spoke before Seery and then I thought at least referenced Seery would be available to discuss later on during the Board meeting -- shouldn't we move this to prior to the conversation with Seery

**Commented [MC12]:** I think that it's important to note that adequate non-HCMLP personnel are available for any such conflict situation -- this was the Board's key concern.

**Commented [DJ13]:** Agreed.

**Commented [LT14]:** Dustin to review -- I note you mentioned Sowin, Heiss, McG and DC to Honis.

**Commented [LT15]:** Post to review specifically / flag for KL then we can have Thomas review.

**Commented [JP16]:** Have K&L opine and if they agree Thomas can then review.

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Waterhouse then discussed the potential impact of moving employees from HCMLP to either HCMFA or NexPoint in the event of an HCMLP liquidation. Throughout the discussion, Mr. Waterhouse responded to questions from the Board.

#### **Annual Cybersecurity Service Provider Update**

Board then discussed cybersecurity with Mr. Post and measures taken by the Advisers and the Funds relating to the prevention and detection of cyberattacks. Mr. Post reported that a member of the Compliance team circulates a questionnaire to the Funds' key service providers to solicit information relating to such service providers' cybersecurity policies and preparedness. He indicated the summary level responses for the key service providers was included as part of the Board materials. As part of the discussion he also touched on the Advisers' cybersecurity and disaster recovery policies and incident response plan. He noted that these policies were developed with the historical assistance of ACA Compliance Group and Mr. Rothstein, HCMLP's Director of IT, and are updated if new guidance is issued or as elements of the Advisers' environment changes. Mr. Post then summarized his meeting on September 9, 2020 with members of the Governance and Compliance Committee, Mr. Powell and Mr. Ward, employees of SEI, and Mr. Rothstein in advance of the Board Meeting to the Board. During the September 9, 2020 meeting, the summary level responses from key service providers were discussed in further detail, Mr. Rothstein provided further detail on HCMLP cybersecurity enhancements as well as developments in connection with remote functionality as the pandemic continued, and members of the SEI team discussed a security breach with one of its service providers, Brunner. During the security breach discussion with SEI, it was noted that compromised information pertained to more "phone book" type of information (email addresses, investor names, etc.) for only institutional clients serviced by SEI and none of the Funds' or Advisers' sensitive data was compromised. In addition SEI noted they were transitioning services performed by Brunner to be internally performed.

#### **Ratification of HFI Annual Report**

Ms. Thedford then proposed that the Board ratify HFI's Annual Report. After discussion, upon a motion duly made and seconded, the following resolution was unanimously adopted:

**RESOLVED**, that the report (the "Audit Report") of Cohen & Co., the independent registered public accounting firm of Highland Funds I ("HFI"), regarding the audit of the June 30, 2020 financial statements of HFI, and the inclusion in HFI's annual shareholder reports dated June 30, 2020 of the Audit Reports and audited financial statements, hereby is approved by the Board of Trustees of HFI, with such changes as the officers of HFI may approve.

#### **Approval of Cohen Engagement Letters**

Mr. Ward noted that the Board was being asked to approve Cohen's engagement letters for HFI, HFIL, HFRO, GAF, NRESF, and NHF. After a discussion and upon a motion duly made, seconded and unanimously carried, the following resolution was unanimously adopted:

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**RESOLVED**, that the Board of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), Highland Income Fund (“HFRO”), Highland Global Allocation Fund (“GAF”), NexPoint Real Estate Strategies Fund (“NRESF”) and NexPoint Strategic Opportunities Fund (“NHF”), and by separate vote, the Trustees who are not “Interested Persons” (as such term is defined in the Investment Company Act of 1940, as amended) of HFI, HFII, HFRO, GAF, NRESF and NHF, hereby approve the engagement letters with Cohen & Co. included in the materials for the meeting.

### **Compliance Matters**

#### **Executive Summary**

As the next order of business, Mr. Post provided an update on compliance matters relating to the Funds for the quarter ended June 30, 2020 and responded to questions from the Board.

#### **Quarterly Discussion with Chief Compliance Officer**

Mr. Post provided is quarterly update of the Funds’ compliance program pursuant to Rule 38a-1 for the quarter ended June 30, 2020.

#### **Quarterly Sub-Adviser Compliance Certification**

Mr. Post next discussed the quarterly Sub-Adviser Compliance Certification for the quarter ended June 30, 2020. Mr. Post referred the Board to information provided by FFA that was included in the Meeting Materials.

#### **12d1-2(a) Exemptive Application Order Certification**

Mr. Post then directed the Board’s attention to the certification relating to the Rule 12d1-2(a) exemptive relief (the “Exemptive Order”) in the Meeting Materials. He stated that the Funds listed on the certification had relied on the Exemptive Order and had done so in compliance with all applicable conditions, requirements, and limitations set forth in the certification.

#### **Report on Provision of Services and Products to Portfolio Companies by Affiliated Service Providers and Affiliated Bulk Negotiating Reporting**

Mr. Post next directed the Board’s attention to the certification in the Meeting Materials relating to services and products provided to portfolio companies by affiliated service providers. Mr. Post certified that there had been no transactions for the quarter ended June 30, 2020 for which he found a correlation between the Funds’ positions in NexPoint Real Estate Opportunities, LLC (AM Uptown Hotel, LLC, CP Tower Owner, LLC, Freedom LHV, LLC, and Freedom Lubbock, LLC) and NFRO REIT Sub, LLC (EDS Legacy Partners, LLC and EDS Legacy Heliport, LLC) and any such entity’s recent engagement or termination of an affiliated service provider that might

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suggest a violation of the Policies and Procedures for the Provision of Services & Products to Portfolio Companies by Affiliated Service Providers.

**Certification of Potential “Financial Interests”**

The Board next considered the certification for the quarter ended June 30, 2020 provided in the Meeting Materials with respect to possible direct or indirect financial interest of the Advisers or their affiliated persons in the Funds that invested in privately placed securities alongside other Funds in certain types of transactions.

**Review of Quarterly Code of Ethics Report**

Mr. Post noted that there had been no material violations of the Code of Ethics of the Advisers or the Funds during the quarter ended June 30, 2020.

**Co-Investment Report**

Mr. Post directed the Board’s attention to the Co-Investment Report, which detailed the retail and institutional co-investments in loan, bond, and CLO instruments for the quarter ended June 30, 2020. He noted that all co-investments had been allocated pro-rata among retail and institutional accounts and that there were no exceptions to report.

**Review of Co-Investment Transactions pursuant to Exemptive Relief Update**

Mr. Post reminded the Board that the closed-end funds, NexPoint, HCMLP, and certain other advisers which are no longer registered had received co-investment exemptive relief pursuant to Sections 17(d) and 57(i) of the 1940 Act and Rule 17d-1 thereunder (the “Order”) in April 2016. Mr. Post explained that the Order permits closed-end registered investment companies to invest alongside private funds in transactions where the adviser has the ability to negotiate terms other than price, as long as certain conditions of the Order are satisfied (such transactions, a “Co-Investment Transaction”). He reported that, pursuant to the Order, the Board Members of the Funds who have no financial interest in a Potential Co-Investment Transaction, are not interested persons of the Funds, and do not serve as a director, general partner, managing member or principal, and are not otherwise an affiliated person (as defined in the 1940 Act) of any Co-Investment Affiliate (the “Eligible Directors”) will be asked to consider and approve that all Co-Investment Transactions during the preceding quarter complied with the Order, and that all Potential Co-Investment Transactions complied with the conditions of the Order applicable to Potential Co-Investment Transactions. Mr. Post provided an overview of the information NexPoint is required to report to the Board pursuant to the Order and reported that: (i) there were no excluded opportunities during the quarter; (ii) there were no co-investment transactions that the Funds considered but declined to participate in; (iii) there were no dispositions made during the quarter; and (iv) certain Funds had participated in a follow-on investment in NexPoint Real Estate, Inc. (“NREF”).

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He noted that in July 2020, NHF, HFRO, NRESF, and GAF (the BDC declined to participate) participated in a non-pro-rata follow-on investment by NHF, HFRO, NRESF, and GAF in NREF, and discussed the various rationales for the non-pro-rata nature of such investments. He also discussed the Funds’ proposed tax restructuring transaction planned to occur by September 30, 2020, whereby GAF, HFRO, the BDC, NRESF and NHF would convert their OP IV interests into partnership units of NexPoint Real Estate Finance Operating Partnership, L.P. units (the “OP”). Such restructuring is contemplated under NREF’s organizational documents of NREF and none of the Funds currently hold an interest in the OP. The OP is the 100% owner of OP IV, so this effectively converts and simplifies the Funds’ interest one step up in the ownership chain to the OP, which sits directly under the Issuer. Further details of the restructuring transaction were set forth in the memo and indicated that Board approval is not required because this is an existing investment and the Funds are exercising an existing conversion right rather than purchasing a new investment. The restructuring would also improve the Funds’ position for Tax Asset Diversification Testing purposes and diversify the Funds’ investment in the broader OP’s asset base.

**Discussion of Soft Dollar Arrangements and Review of Soft Dollar Report**

Mr. Post next reviewed his report to the Board as contained in the Meeting Materials regarding best execution and soft dollar trades for the quarter ended June 30, 2020. He referred the Board to a report that included information about the amount of credits earned by each Fund during the quarter, invoices paid by each Fund during the quarter and the research services obtained. He also reported that each Adviser had sought best execution for the quarter ended June 30, 2020.

**CCO Certification of 17a-7, 17e-1, 10f-3 Transactions**

Mr. Post next reported on the 17a-7 cross trade, as described in the meeting materials, noting that all such transaction had been completed in compliance with the requirements of Rule 17a-7. Mr. Post further reported that there had been no Rule 17e-1 or 10f-3 transactions to report for the quarter ended June 30, 2020.

**Sub-Custodian Report**

Mr. Post referred the Board to Sub-Custodian Report contained in the Meeting Materials. He reviewed with the Board the foreign securities held by the Funds and their respective sub-custodian locations as of June 30, 2020.

**Review of Trade Errors, NAV Errors, and/or Reallocations**

Mr. Post referred the Board to the report contained in the Meeting Materials and discussed the NAV errors, reallocations, and trade errors, if any, that occurred during the quarter ended June 30, 2020. He then discussed the corrective action taken and the impact to a Fund’s NAV, if any,

**Commented [JP17]:** Have Paul B review

**Commented [JP18]:**

Next, Mr. Post noted that there were certain NAV errors, but no trade errors or reallocations,

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and whether any reimbursements were required to be made to the affected Fund. He then responded to questions from the Board.

#### **Quarterly Supermarket Reporting**

**Commented [JP19]:** Lauren title of report says Annual in Board materials or is this a typo?

Ms. Thedford reminded the Board that certain of the Funds participate in a “fund supermarket” and other programs in which a third-party intermediary maintains records of indirect beneficial ownership interest in those Funds. She then explained that, pursuant to the Funds’ Fund Supermarket Policy, the amount of sub-transfer agency (“Sub-TA”) fees paid by the series of HFI and HFII, and NRESF are to be submitted for the Board’s review on a quarterly basis. Ms. Thedford directed the Board to the memorandum from the Advisers provided in the Meeting Materials. She then reviewed and discussed with the Board the Funds that participated in such arrangement, the summary of the services provided by each third-party intermediary and a schedule of Sub-TA fees and other data. Ms. Thedford also confirmed that no such fees were for marketing or distribution services.

#### **Quarterly Transfer Agency Compliance Monitoring Reports**

Mr. Post referred the Board to the Transfer Agency Compliance Monitoring Reports contained in the Meeting Materials. Mr. Post reviewed the components of the Reports, including the anti-money laundering and other compliance monitoring reporting and testing conducted by certain of the Funds’ transfer agents during the quarter ended June 30, 2020.

#### **Liquidity Report for NRESF**

Ms. Thedford referred the Board to the Liquidity Report for NRESF contained in the Meeting Materials. She reviewed the components of the Report. She explained that the Report, which shows compliance with the procedures with respect to each repurchase offer conducted by NRESF is intended to assist the Board in its review of the overall composition of NRESF’s portfolio, as required by Rule 23c-3 under the 1940 Act. The Board then reviewed and discussed the Report with Ms. Thedford.

#### **Report on Proxy Voting**

Mr. Post referred the Board to the Proxy Voting Report for the Funds contained in the Meeting Materials for the quarter ended June 30, 2020. He reported that, in accordance with the Funds’ Policy Regarding Proxy Voting, where a conflict of interest arises with respect to a voting decision for a Fund, the Adviser shall disclose the conflict and the rationale for the vote taken to the Board at the next regularly scheduled quarterly meeting. Mr. Post then noted that there were no conflicts of interest to report during the quarter ended June 30, 2020.

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**Directed Brokerage Report**

Mr. Post referred the Board to the CCO's certification contained in the Directed Brokerage Report contained in the Meeting Materials for the quarter ended June 30, 2020.

**Portfolio Analysis and Discussion and Review of Performance****Quarterly Portfolio Manager Discussion**Discussion with Co-CIO Joe Sowin

Commented [LT20]: Joe to review

Mr. Powell then welcomed Mr. Sowin. Mr. Sowin began his report by describing his response to the conflict of interests that arose between the Advisers and HCMLP in the recent OmniMax matter. He noted his belief that the alternative staffing arrangements made with non-HCMLP employees to address the conflicts in that transaction were sufficient. Next, Mr. Sowin responded to questions from the Board regarding how potential conflicts of interest arising in common holdings amount the Funds and HCMLP-advised accounts would be addressed, including any specific issuers that Mr. Sowin believed could arise. A discussion then ensued, with the Adviser undertaking to provide the Board with a report identifying the cross holdings of HCMLP and Adviser-advised accounts, as well as a grid of non-HCMLP individuals who could perform certain specified functions in the event HCMLP individuals are conflicted out.

Mr. Sowin then discussed the underperformance of the Highland Small Cap Equity Fund, noting that volatility in the Fund's two largest short positions (in Zoom Video and Coupa Software) were significant contributors to the Fund's recent underperformance [Joe note any bounce back post earnings?]. Next, Mr. Sowin reviewed the transition plans in connection with the departures of Messrs. Ajit Jain, HCMLP's Director of Risk and Financial Engineering, and Jon Poglitsch, HCMLP's Head of Credit Research and portfolio manager/co-portfolio manager to HFRO, SNLN and HOCF. He highlighted the overall [ongoing] transition of the Advisers from credit-related investments to hard assets, such as real estate, and the promotion of individuals in other investment sectors throughout this transition. Throughout the discussion, Mr. Sowin responded to questions from the Board. After further discussion, Mr. Sowin departed the Meeting.

PM Discussion: Real Estate

Messrs. Mitts, Goetz, and Sauter then joined the Meeting to provide a real estate update. Mr. Mitts spoke to the Funds' real estate portfolios, debt investments, and co-investments and highlighted specific plans for additional fundraising in entities invested in by the Funds. He then discussed the impact of COVID-19, including the impact of travel bans on hospitality and high level of rent collection on residential investments, like Cityplace. A discussion with the Board then ensued relating to short- and long-term expectations for the real estate industry, including the ongoing assessment of COVID-related issues and potential relief related to real estate properties. Mr. Goetz discussed ongoing renegotiations of certain key lease agreements related to the Creek Pine

Commented [LT21]: Mitts and DC to review

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investment and set forth the potential value of such renegotiations. In response to a question from the Board, he undertook to discuss the amended agreement with the Funds' auditors to ensure accurate valuation updates.

Mr. Sauter then summarized three new lawsuits that had been filed against Jernigan Capital, Inc. ("JCAP"), an issuer in which certain of the Funds were invested, and the board members of JCAP, including Mr. Dondero. He noted that one of the complaints also named affiliates of NexPoint, but that the Funds were not named. Mr. Sauter then explained that each of the complaints relates to the proposed "go-private" merger transaction between JCAP and NexPoint and were filed by purported investors in JCAP alleging that the pre-merger proxy statement contained material misrepresentations and/or omissions. He expressed his belief that the claims were of little merit and that each would be resolved by additional disclosure in the JCAP proxy. In response to a question from the Board, Mr. Sauter undertook to provide the Board with regular updates on the status of the transaction and the litigation. He also noted that FINRA was conducting a review of the JCAP transaction, which was standard for this type of transaction, and requested materials were set to be produced.

## Portfolio Analysis

### Portfolio Statistics

The Board then reviewed and considered the fact sheets for HFI, HFII, HFRO and GAF which contained share class data, industry weightings, ratings data, top five holdings information and other portfolio data as of June 30, 2020. The Board then discussed similar information as of June 30, 2020 for each of NHF, NRESF and the BDC.

### Schedule of Defaulted Securities

At Mr. Powell's request, Mr. Norris next reviewed with the Board the schedules of defaulted securities held by HFRO, GAF, and NHF as of June 30, 2020. He noted the total percentage of each applicable Fund's portfolio in default and reviewed the securities removed from the schedules since the last report to the Board.

### Schedule of Illiquid Securities as of June 30, 2020

At Mr. Powell's request, Mr. Norris next reviewed with the Board the schedule of illiquid securities for the series of HFI and HFII as of June 30, 2020. He then noted the total percentage that the illiquid securities represented in those Funds' portfolios.

### Quarterly Liquidity Risk Management Program ("LRMP") Report

**Commented [DJ22]:** Jason, consider adding in not regarding HOCF and information for board consideration that liquidation is still in best interest of the funds.

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Mr. Post and Mr. Mabry next reviewed the Quarterly LRMP Reports. They referred the Board to the list of issuers where the Adviser chose to override the original classification from MSCI due to the Adviser's specific knowledge of the issuer or the related market.

Fair Valuation Documentation

At Mr. Powell's request, Mr. Klos reviewed the securities held by each Fund during the quarter ended June 30, 2020 for which a fair value determination had been required. He indicated the categorization level within the hierarchical framework of the requirements of Financial Accounting Standards Board ASC Topic 820 for the fair valued securities. He also discussed the total percentage of each Fund's portfolio for which fair value determinations were required. It was noted that fair value documentation, which included a description of the company, asset type, date of valuation, capital structure, valuation methodology and any changes to such methodology, had been provided in the Meeting Materials for all fair valued securities. Mr. Klos also directed the Board to the monthly Pricing Committee Reports contained in the Meeting Materials that provided, among other information, information on pricing challenges, overrides and backtesting. After a discussion, and upon a motion duly made and seconded, the following resolution was unanimously adopted:

**RESOLVED**, that the report of the Valuation Committees regarding determinations of fair valuation of portfolio securities held by each applicable series of Highland Funds I and Highland Funds II and by NexPoint Strategic Opportunities Fund, NexPoint Capital, Inc., NexPoint Real Estate Strategies Fund, Highland Global Allocation Fund and Highland Income Fund, and the valuations of the portfolio securities detailed therein, including the methodologies of valuation, as described at this meeting, be, and they hereby are, ratified, confirmed and approved in all respects.

Pricing Committee Minutes

At Mr. Powell's request, Mr. Klos next noted that the minutes from the May 20, 2020, June 17, 2020, and July 10, 2020 Institutional and Retail Pricing Committee meetings had been included in the Meeting Materials for the Board's review and consideration.

Market Commentaries

At Mr. Powell's request, Mr. Norris then highlighted information from within the selected Fund market commentaries for the quarter ended June 30, 2020 that had been included in the Meeting Materials.

Administrative Compliance Reports - Ex-BDC

Mr. Post then referred the Board to SEI's Compliance Summary Reports ex-BDC for the quarter ended June 30, 2020 as contained in the Meeting Materials. He noted that SEI conducts

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certain Internal Revenue Code, SEC, prospectus and SAI policy compliance tests and reported that SEI had detected no compliance violations during the quarter. The Board then reviewed and discussed the report with Mr. Post.

#### Administrative Compliance Reports -BDC

Mr. Post then referred the Board to SSB's BDC Compliance Summary Reports for the quarter ended June 30, 2020 as contained in the Meeting Materials. He noted that SSB conducts certain Internal Revenue Code, SEC, prospectus and SAI policy compliance tests and reported that SSB had detected no compliance violations during the quarter. The Board then reviewed and discussed the report with Mr. Post.

#### **Update Regarding Certain Investments of the Highland Fund Complex**

At Mr. Powell's request, Mr. Norris referred the Board to the presentation included in the Meeting Materials that described the investments of certain Funds in CCS Medical, Inc., Advantage Sales & Marketing, Inc., OmniMax International, Inc. (f/k/a Euramax), Fieldwood Energy, TerreStar Corporation, and Metro-Goldwyn-Mayer Studio.

#### **Quarterly Report on Profitability of HCMFA for Sub-Advised Funds**

At Mr. Powell's request, Mr. Waterhouse next turned to the review of HCMFA's forecasted profitability analysis for the sub-advised Funds for the twelve-month period ended June 30, 2020. He reviewed the revenue, costs, expenses and net income for each such Fund.

#### **Real Time Closed-End Fund Margin Summary – GAF, HFRO & NHF**

Mr. Waterhouse next reviewed the margin estimate for each of GAF, HFRO, and NHF, noting that most of the closed-end Funds had reduced leverage over the past year.

**Commented [LT23]:** Will to confirm – I know true for NHF, assuming for HFRO but it's still at 27%.

#### **Credit Facilities for Funds Advised by HCMFA and NPA**

Mr. Sowin then led a discussion relating to the credit facilities and repurchase agreements currently available for HFRO and NHF. Referring to the Meeting Materials, Mr. Sowin then reviewed the terms of the credit facilities, repurchase agreements, and prime brokerage arrangements currently in place with respect to HFRO and NHF. A discussion then ensued.

**Commented [LT24]:** Note to R-Ops to ensure the NREO RJ agreement is added in Q4 meeting materials.

#### Quarterly Matters for Board Review/Approval

#### **Review of Rule 12b-1 Reports and Discussion of Rule 12b-1 Reimbursement Guidelines**

At Mr. Powell's request, Mr. Norris next discussed the amounts expended pursuant to the distribution and servicing plans for the Funds. He reviewed the distribution fees paid by the Funds pursuant to the distribution and servicing plans during various periods, including the quarter ended June 30, 2020 and requested the renewal of the Distribution Plans for the Funds.

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**Rule 22c-2 Report**

Mr. Post next reviewed and discussed with the Board the monthly status reports and monthly excessive traders reports for the quarter ended June 30, 2020. A discussion ensued.

**Ratification of Monthly Distributions, Annual Capital Gains and Ordinary Income Distributions, Spillbacks and Excise Dividends**

Mr. Powell noted that the next item of business was the Board's. After a discussion and upon a motion duly made and seconded, the following resolution was unanimously adopted:

**RESOLVED**, that the Boards of Trustees of Highland Funds I ("HFI"), Highland Funds II ("HFII") and NexPoint Strategic Opportunities Fund ("NRESF"), hereby ratify the payment of the following monthly distributions per share paid in cash or additional shares, at the election of shareholders:

**April 2020**

<b><u>Fund</u></b>	<b>Income Dividend (per share)</b>	<b>Short-Term Capital Gain Distribution (per share)</b>	<b>Long-Term Capital Gain Distribution (per share)</b>
Highland Fixed Income Fund – Class A	0.025396	-	-
Highland Fixed Income Fund – Class C	0.017583	-	-
Highland Fixed Income Fund – Class Y	0.027984	-	-
Highland Opportunistic Credit Fund – Class A	0.004878	-	-
Highland Opportunistic Credit Fund – Class C	0.005036	-	-
Highland Opportunistic Credit Fund – Class Z	0.005822	-	-
Highland/iBoxx Senior Loan ETF	0.039990	-	-
NexPoint Real Estate Strategies Fund – Class A	0.118161	-	-
NexPoint Real Estate Strategies Fund – Class C	0.109818	-	-
NexPoint Real Estate Strategies Fund – Class Z	0.120947	-	-

**May 2020**

<b><u>Fund</u></b>	<b>Income Dividend (per share)</b>	<b>Short-Term Capital Gain Distribution (per share)</b>	<b>Long-Term Capital Gain Distribution (per share)</b>
Highland Fixed Income Fund – Class A	0.030566	-	-
Highland Fixed Income Fund – Class C	0.022419	-	-
Highland Fixed Income Fund – Class Y	0.033302	-	-

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**May 2020**

<b><u>Fund</u></b>	<b>Income Dividend (<u>per</u> <u>share</u>)</b>	<b>Short-Term Capital Gain Distribution (per share)</b>	<b>Long-Term Capital Gain Distribution (per share)</b>
Highland Opportunistic Credit Fund – Class A	0.851340	-	-
Highland Opportunistic Credit Fund – Class C	0.878020	-	-
Highland Opportunistic Credit Fund – Class Z	0.844505	-	-
Highland/iBoxx Senior Loan ETF	0.045142	-	-
NexPoint Real Estate Strategies Fund – Class A	0.118313	-	-
NexPoint Real Estate Strategies Fund – Class C	0.110013	-	-
NexPoint Real Estate Strategies Fund – Class Z	0.120924	-	-

**June 2020**

<b><u>Fund</u></b>	<b>Income Dividend (<u>per</u> <u>share</u>)</b>	<b>Short-Term Capital Gain Distribution (per share)</b>	<b>Long-Term Capital Gain Distribution (per share)</b>
Highland Fixed Income Fund – Class A	0.032185	-	-
Highland Fixed Income Fund – Class C	0.024186	-	-
Highland Fixed Income Fund – Class Y	0.034907	-	-
Highland Opportunistic Credit Fund – Class A	0.000177	-	-
Highland Opportunistic Credit Fund – Class C	0.001672	-	-
Highland Opportunistic Credit Fund – Class Z	0.000481	-	-
Highland/iBoxx Senior Loan ETF	0.037873	-	-
NexPoint Real Estate Strategies Fund – Class A	0.117790	-	-
NexPoint Real Estate Strategies Fund – Class C	0.107191	-	-
NexPoint Real Estate Strategies Fund – Class Z	0.121251	-	-

; and further

**RESOLVED**, that a portion of the distributions noted above\* shall be treated as “spill-back” distributions pursuant to Section 855 of the Internal Revenue Code of 1986, as amended (the “Code”); for each applicable series of HFI and HFII, NRESF, Highland Global Allocation Fund, Highland Income Fund and NexPoint Capital, Inc. (each, a “Fund”), the

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portion so treated as a spill-back distribution shall be equal to the amount set forth below opposite such Fund's name or to such other amount as the officers of such fund determine are necessary to be distributed in the form of spill-back distributions pursuant to Section 855 of the Code in order to eliminate any liability for corporate-level income tax on the relevant Fund with respect to the year to which such spill-back distribution relates.

FUND	FISCAL YEAR END	AMOUNT TREATED AS SPILL-BACK DISTRIBUTION
Highland Healthcare Opportunities Fund	June 30, 2020	\$0
NexPoint Merger Arbitrage Fund	June 30, 2020	\$1,761,633
Highland Opportunistic Credit Fund	June 30, 2020	\$0
Highland Global Allocation Fund	September 30, 2019	\$0
Highland Small Cap Equity Fund	September 30, 2019	\$3,571,204
Highland Socially Responsible Equity Fund	September 30, 2019	\$463,989
Highland Total Return Fund	September 30, 2019	\$392,303
Highland Fixed Income Fund	September 30, 2019	\$0
Nexpoint Capital Inc. *	December 31, 2019	\$0
Nexpoint Real Estate Strategies Fund*	December 31, 2019	\$0
Highland Income Fund	December 31, 2019	\$0

\*In the case of the NexPoint Funds, any portion of previously declared dividends not specifically spelled out in this document.

#### Approval of Authorized Signatories for the Highland Fund Complex (ex-BDC)

Mr. Powell noted that the next item of business was the Board's approval of persons authorized to give certain instructions to the Custodian, on behalf of the Funds other than the BDC. After a discussion and upon a motion duly made and seconded, the following resolution was unanimously adopted:

**RESOLVED**, that, in addition to the officers of Highland Funds I, Highland Funds II, NexPoint Strategic Opportunities Fund, NexPoint Real Estate Strategies Fund, NexPoint Discount Strategies Fund, NexPoint Energy and Materials Opportunities Fund, NexPoint Strategic Income Fund, NexPoint Latin American Opportunities Fund, NexPoint Event-Driven Fund, Highland Income Fund and Highland Global Allocation Fund (the "Funds"), the following persons be, and each hereby is authorized as an "authorized" person on behalf of the Funds, to give instructions as defined in the Funds' Custody Agreements with the Custodian on behalf of the Funds to the Custodian, provided that none of such persons shall be authorized or permitted to withdraw investments or assets belonging to the Funds upon his or her sole authorization:



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**SEI Investments Global Funds Services Employees**

Marc Almes  
John Bourgeois  
Stephen Connors  
James Hoffmayer  
Eric Kleinschmidt  
Andrew Knoll  
Patrick Rainey  
Peter Rodriguez  
Matt Snyder  
Jason Walton

Additions/(Deletions) noted in bold

**Employees of Highland Capital Management Advisors, L.P. and/or NexPoint Advisors, LP.**

Will Mabry  
Vishal Patel

**Approval of Authorized Signatories for the BDC**

Mr. Powell noted that the next item of business was the Board's approval of persons authorized to give certain instructions to the Custodian, on behalf of the BDC. After a discussion and upon a motion duly made and seconded, the following resolution was unanimously adopted:

**RESOLVED**, that, in addition to the officers of the BDC, the following persons be, and each hereby is, authorized pursuant to the Custodian Agreement between the BDC and State Street Bank and Trust Company (the "Custodian") dated August 26, 2014, as amended (the "BDC Custodian Agreement"), to give "Proper Instructions" (as such term is defined in the BDC Custodian Agreement) on behalf of the BDC to the Custodian:

**Employees of Highland Capital Management Advisors, L.P. and/or NexPoint Advisors, LP.**

Will Mabry  
Vishal Patel

Additions/(Deletions) noted in bold

**Report on Counsel on Recent Legal Developments**

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Ms. Thedford then referred the Board to the updates from K&L Gates and Blank Rome on recent legal developments in the mutual fund and investment management industry. The Board discussed certain developments applicable to the Funds with Messrs. Miller and Dupuy and with Ms. Louizos. Ms. Louizos noted that the SEC was conducting a sweep exam focused on advisers' preparation for the transition from LIBOR and suggested that this be a topic for discussion at the next quarterly Board Meeting. Mr. Klos then discussed the Adviser's preparation for the LIBOR transition and the Funds' potential exposure as a result of such changes. Mr. Post noted that the Adviser's working group included representatives from Valuation, Operations, Settlement, Legal and Compliance, and that updates would be provided at a future Board meeting. A discussion ensued.

#### **SEC Filings during the Past Quarter**

Ms. Thedford next directed the Board's attention to the prospectus and SAI supplements, and other regulatory filings, that had been filed on behalf of certain Funds with the SEC during the past quarter, which had been included in the Meeting Materials.

#### **Quarterly Matters for Highland/iBoxx Senior Loan ETF ("SNLN")**

Mr. Norris then reviewed and discussed with the Board the quarterly reports for SNLN, which included Tracking Errors; Change in Net Assets; NAV Error Accuracy; NAV versus Market Price Variance; Premium/Discount; Average Trading Volume; AP Trading Summary; Summary of Expenses Accrued/Charged By Fund; Monthly Call Volumes; Portfolio Compliance Test; Summary of Compliance Violations, Performance Reports, and Participation Agreements for the quarter ended June 30, 2020. He noted that there were no new participation agreements during the quarter ended June 30, 2020. Mr. Post noted no compliance violations had been reported. A discussion ensued with respect to the tracking error with respect to the ETF.

#### **Media Coverage Report**

Ms. Bannon then reviewed media coverage of the Advisers during the quarter ended June 30, 2020.

#### **Quarterly Retail Invoices**

Mr. Post then discussed the litigation invoices summary included in the Meeting Materials.

#### **Board Education Calendar**

Ms. Louizos then directed the Board to the Meeting Materials and discussed upcoming educational opportunities with the Board Members.

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**Highland Funds' Board Item Recurring Agenda**

Ms. Thedford directed the Board to the Meeting Materials and discussed the Fund Complex Board Recurring Calendar. It was noted that this calendar was prepared each year and served as a guide to the various matters to be presented for approval by the Board and its Committees. Mr. Post noted that this calendar is updated on a regular basis.

**Closed-End Fund Matters for Board Discussion/Review/Approval****NHF Conversion Update**

Ms. Thedford next provided an update on the NHF Conversion. Mr. Norris discussed the expected distribution of the Fund's mid-year commentary, which totaled nearly twenty pages and included detailed information on the Fund's larger holdings of real estate and other private equity-style, opportunistic investments.

**NHF Special Meeting Results**

Ms. Thedford next provided an update on the NHF Special Shareholder Meeting. She noted that the meeting went smoothly—all proposals were approved—and thanked the relevant Board Members for their participation.

**NHF GAF HFRO Repurchase Activity**

Referring to the Meeting Materials, Mr. Norris then provided an update on closed-end fund repurchase activity for the prior quarter. He stated that, as of September 1, 2020, NHF, GAF and HFRO had repurchased \$8,870,323, \$8,558,018 and \$6,522,906 worth of shares, respectively, to date.

**Commented [JP25]:** Lauren these number appear high for the most recent quarter?

**Approval of Q4 2020 NRESF Repurchase Offer**

Mr. Norris next discussed the proposed fourth quarter repurchase offer for NRESF's shares of beneficial interest. He reported that NexPoint recommended that the Board authorize a repurchase by NRESF for up to 5% of its issued and outstanding shares of beneficial interest at the net asset value ("NAV") per share of each class of NRESF currently offered on the repurchase pricing date. He reminded the Board that NRESF has adopted a fundamental policy that it will make quarterly repurchase offers for no less than for 5% of its shares outstanding at NAV, less any repurchase fee, unless suspended or postponed in accordance with regulatory requirements. He noted that, in addition, NRESF's prospectus states that it will conduct quarterly repurchases of no less than 5% and no more than 25% of NRESF's outstanding shares.

Referring to the memorandum in the Meeting Materials regarding the proposed repurchase offer, Mr. Norris described the key provisions of the repurchase offer, including the estimated cost

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of the repurchase offer, which he stated would be borne by NRESF. He then reviewed the proposed timeline of the repurchase offer process.

After discussion, upon a motion duly made and seconded, the following resolutions were unanimously adopted:

1.N Approval of Repurchase Offer and Related Documents

General Approval and Authorization of the Repurchase Offer

**RESOLVED**, that NexPoint Real Estate Strategies Fund (“NRESF”) is hereby authorized to commence a repurchase of shares (the “Repurchase Offer”) to repurchase up to 5% of each class of NRESF’s outstanding common shares pursuant to Rule 23c-3 of the Investment Company Act of 1940, as amended, at the net asset value per share determined as of the close of regular trading on the NYSE no later than the 14<sup>th</sup> day after the Repurchase Offer ends, and otherwise on the terms and subject to the conditions set forth in the Repurchase Offer in substantially the form presented; and further

**RESOLVED**, that, if the amount of repurchase requests exceeds the number of shares sought in the Repurchase Offer, NRESF may, but is not required to, repurchase an additional amount of shares not to exceed 2% of the outstanding shares of NRESF on the expiration of the Repurchase Offer; and further

**RESOLVED**, that the Repurchase Offer is conditioned on the satisfaction of the terms and conditions as outlined in the Repurchase Offer; and that any of the conditions to the Repurchase Offer may be waived in the Board’s discretion; and further

**RESOLVED**, that the President and Secretary of NRESF are authorized to commence the Repurchase Offer at such time as they select, in their discretion, the commencement of the Repurchase Offer to be conclusive evidence that the same has been approved by the Board.

Appointment of Authorized Officers to Determine Common Shares Validly Repurchased

**RESOLVED**, that the officers of NRESF (each, an “NRESF Authorized Officer” and, together, the “NRESF Authorized Officers”) be, and each of them hereby is, authorized and empowered, in the name and on behalf of NRESF, to determine the number of shares validly repurchased and not validly withdrawn in the Repurchase Offer prior to the Repurchase Request Deadline (as described in the Repurchase Offer) in accordance with the terms and subject to the conditions set forth in the Repurchase Offer, the determination of such amounts by such NRESF Authorized Officers to be conclusive evidence that the same has been approved by the Board.

Approval of Retirement of Repurchased Shares

**RESOLVED**, that the shares repurchased in the Repurchase Offer be retired and returned to the status of authorized but unissued shares.

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Approval of Filings with the U.S. Securities and Exchange Commission

**RESOLVED**, that the execution and filing by the NRESF Authorized Officers in the name and on behalf of NRESF of such repurchase offer materials and other documents, including any amendments to such documents as may be necessary or appropriate, together with any and all exhibits, with the U.S. Securities and Exchange Commission (the “Commission”) and any other federal or state regulatory body as may be necessary or desirable in connection with the Repurchase Offer be and is hereby authorized and approved, and any actions taken by any officer of NRESF in causing to be filed such repurchase offer materials and other documents and amendments shall be conclusive evidence that the same has been authorized by the Board; and further

**RESOLVED**, that each of the Form N-23c-3, Notice of Quarterly Repurchase Offer, Repurchase Offer and Repurchase Request Form (collectively, the “Repurchase Offer Documents”), substantially in the form presented to the Trustees, with such modifications as determined by any officer of NRESF with the advice of counsel, is hereby adopted and approved for NRESF, and any actions taken by any NRESF Authorized Officer in causing such Repurchase Offer Documents and other materials as may be necessary or desirable in connection with the Repurchase Offer to be filed with the Commission and any other federal or state regulatory body be and is hereby authorized, and each such filing shall be conclusive evidence that the same has been authorized by the Board.

Approval of Payment of Expenses in Connection with the Repurchase Offer

**RESOLVED**, that NRESF be and it is hereby authorized, and the officers of NRESF be, and they hereby are, and each of them acting individually hereby is, authorized, empowered and directed to cause NRESF to pay any and all expenses, costs and fees arising in connection with the Repurchase Offer, including, without limitation, any and all expenses, costs and fees incurred with respect to the Repurchase Agent (including any expenses for depositary and paying and information services), Commission filing fees, legal and accounting fees, transfer taxes, if any, expenses associated with the Repurchase Offer, miscellaneous expenses incurred in connection with the Repurchase Offer, and any other expenses, costs and fees arising with respect to the actions contemplated by these resolutions.

2.N Authorization of Further Actions to Give Effect to the Foregoing Votes

**RESOLVED**, that the officers of NRESF be, and each of them singly hereby is, authorized in the name and on behalf of NRESF to do and perform all such acts and things, to execute and deliver, and where necessary or appropriate, file with the appropriate governmental authorities all such certificates, contracts, agreements, documents, instruments, powers of attorney, receipts or other papers, and to take such other action and to make all such payments, as the officer or officers so acting shall determine in their judgment, or in the judgment of any of them, shall be necessary or appropriate to carry out, comply with or to effectuate the purposes and intents of the transactions and other matters contemplated by

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the foregoing resolutions, and the taking of such action by such officer or officers on behalf of NRESF shall be conclusive evidence of the authority granted hereby.

#### **Approval of Q4 2020 BDC Tender Offer**

Mr. Norris next discussed the proposed first quarter tender offer for the BDC's shares of common stock. He reported that NexPoint recommended that the Board authorize a cash tender offer to purchase up to 2.5% of the BDC's outstanding common stock. Referring to the memorandum in the Meeting Materials regarding the proposed tender offer, Mr. Norris described the key provisions of the tender offer, including the estimated cost of the tender offer, which he stated would be borne by the BDC, and that (a) the BDC had sufficient proceeds from the sale of common stock under its distribution reinvestment plan to conduct the proposed tender offer, (b) the tender offer would be effected by the BDC's transfer agent, DST Systems, Inc. (the "Tender Agent"), (c) the discounted tender price made it unlikely that the full 2.5% of the BDC's shares would be tendered and (d) NexPoint would not participate in the tender offer. He next reviewed factors that the Directors might wish to consider when determining whether to authorize the BDC to repurchase its shares, including: (i) the effect of such repurchases on the BDC's qualification as a RIC (including the consequences of any necessary asset sales); (ii) the liquidity of the BDC's assets (including fees and costs associated with disposing of assets); (iii) the BDC's investment plans and working capital requirements; (iv) the relative economies of scale with respect to the BDC's size; (v) the BDC's history in repurchasing its shares or portions thereof; and (vi) the condition of the securities markets. Mr. Norris reported that NexPoint did not believe the share repurchase program would have a detrimental effect on the BDC's qualification as a RIC. He then reviewed the proposed timeline of the tender offer process. After a discussion and upon a motion duly made and seconded, the following resolutions were unanimously adopted:

#### **1. Approval of Tender Offer and Related Documents**

##### **General Approval and Authorization of the Tender Offer**

**RESOLVED**, that, on the basis of the information provided and representations made to the Directors, NexPoint Capital, Inc. (the "BDC") is hereby authorized to commence a cash tender offer (the "Tender Offer") to purchase up to 2.5% of the BDC's outstanding common stock in an amount per share (i) not less than the NAV per share (the "NAV Per Share") of the BDC's common stock (as determined in good faith by the Board of the BDC or a committee thereof, in its sole discretion) next calculated following the Expiration Date (as defined in the Tender Offer) (date of repurchase) and (ii) not more than 2.5% greater than the NAV Per Share as of such date, plus any unpaid dividends accrued through the expiration date of the Tender Offer, and otherwise on the terms and subject to the conditions set forth in the offer to purchase in substantially the form presented at this Meeting (the "Offer to Purchase"); and further

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**RESOLVED**, that the Tender Offer is conditioned upon the satisfaction of the terms and conditions as outlined in the Offer to Purchase; and that any of the conditions to the Tender Offer may be waived in the Board's discretion; and further

**RESOLVED**, that, for purposes of this Tender Offer, the BDC will not require that a shareholder tender at least 25% of its existing Shareholdings if the shareholder wishes to participate in the Tender Offer; and further

**RESOLVED**, that the President and Secretary of the BDC are authorized to commence the Tender Offer at such time as they select, in their discretion, the commencement of the Tender Offer to be conclusive evidence that the same has been approved by the Board.

Appointment of Authorized Officers to Determine Common Stock Validly Tendered

**RESOLVED**, that the officers of the BDC (each, a "BDC Authorized Officer" and, together, the "BDC Authorized Officers") be, and each of them hereby is, authorized and empowered, in the name and on behalf of the BDC, to determine the number of Shares validly tendered and not validly withdrawn in the Tender Offer prior to the expiration time (as described in the Offer to Purchase) in accordance with the terms and subject to the conditions set forth in the Offer to Purchase, the determination of such amounts by such BDC Authorized Officers to be conclusive evidence that the same has been approved by the Board.

Approval of Retirement of Tendered Shares

**RESOLVED**, that the Shares purchased in the Tender Offer be retired and returned to the status of authorized but unissued shares.

Approval of Filings with the U.S. Securities and Exchange Commission

**RESOLVED**, that the execution and filing by the BDC Authorized Officers in the name and on behalf of the BDC of such tender offer materials and other documents, together with any and all exhibits, with the Commission and any other federal or state regulatory body as may be necessary or desirable in connection with the Tender Offer be and is hereby authorized and approved, and any actions taken by any officer of the BDC in causing to be filed such tender offer materials and other documents shall be conclusive evidence that the same has been authorized by the Board; and further

**RESOLVED**, that each of the Schedule TO, Offer to Purchase, Form of Letter of Transmittal, Form of Notice of Guaranteed Delivery, Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees, Form of Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees and Form of Notice of Withdrawal (collectively, the "Tender Offer Documents"), substantially in the forms

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presented to the Directors, with such modifications as determined by any officer of the BDC with the advice of counsel, is hereby adopted and approved for the BDC, and any actions taken by any BDC Authorized Officer in causing such Tender Offer Documents and other materials as may be necessary or desirable in connection with the Tender Offer to be filed with the Commission and any other federal or state regulatory body be and is hereby authorized, and each such filing shall be conclusive evidence that the same has been authorized by the Board.

Approval of Payment of Expenses in Connection with the Tender Offer

**RESOLVED**, that the BDC be and it is hereby authorized, and the officers of the BDC be, and they hereby are, and each of them acting individually hereby is, authorized, empowered and directed to cause the BDC to pay any and all expenses, costs and fees arising in connection with the Tender Offer, including, without limitation, any and all expenses, costs and fees incurred with respect to the Tender Agent (including any expenses for depository and paying and information services), Commission filing fees, legal and accounting fees, transfer taxes, if any, expenses associated with the Tender Offer, miscellaneous expenses incurred in connection with the Tender Offer, and any other expenses, costs and fees arising with respect to the actions contemplated by these resolutions.

Authorization of Further Actions to Give Effect to the Foregoing Votes

**RESOLVED**, that the officers of the BDC be, and each of them singly hereby is, authorized in the name and on behalf of the BDC to do and perform all such acts and things, to execute and deliver, and where necessary or appropriate, file with the appropriate governmental authorities all such certificates, contracts, agreements, documents, instruments, powers of attorney, receipts or other papers, and to take such other action and to make all such payments, as the officer or officers so acting shall determine in their judgment, or in the judgment of any of them, shall be necessary or appropriate to carry out, comply with or to effectuate the purposes and intents of the transactions and other matters contemplated by the foregoing resolutions, and the taking of such action by such officer or officers on behalf of the BDC shall be conclusive evidence of the authority granted hereby.

**Closed-End Fund Earn Rates**

As the next order of business, Mr. Norris reviewed the earn rates of FRO, GAF, NHF and the BDC as of August 31, 2020.

**Approval and Ratification of NREO (NHF Sub) Credit Agreements with Raymond James**

Referring to the memorandum in the Meeting Materials regarding the Credit Agreement between NexPoint Real Estate Opportunities Fund, a subsidiary of NHF (“NREO”), and Raymond James Bank, N.A. (the “Credit Agreement”), Ms. Thedford reviewed the terms of the Fourth



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Amendment to the Credit Agreement, noting that the Fourth Amendment would extend the Credit Agreement for two additional years (expiring September 8, 2022) and has a credit limit of \$30 million. In addition, she noted that the Fourth Amendment would increase the Spread (as defined in the Credit Agreement) from 2.00% to 2.25%. Ms. Thedford noted that the Board was also being asked to ratify two previously executed amendments to the Credit Agreement.

After discussion, upon a motion duly made and seconded, the following resolutions were unanimously adopted:

**RESOLVED**, that the Board of Trustees (the “Board”) of NexPoint Strategic Opportunities Fund, on behalf of its wholly-owned subsidiary, NexPoint Real Estate Opportunities Fund (“NREO”), hereby approves and ratifies the Second, Third and Fourth Amendments to the Line of Credit Agreement between NREO and Raymond James Bank, N.A., as presented to the Board at this meeting.

**Open-End Fund Matters for Board Discussion/Review/Approval**

**Consideration of Total Return Fund and Fixed Income Fund Reorganization into AIC III**

Ms. Thedford referenced the discussion during the Governance Committee Meeting, noting that no vote was requested at this Meeting.

**Discussion of Potential Merger of Highland Socially Responsible Equity Fund into the Highland Merger Arbitrage Fund**

Ms. Thedford referenced the discussion during the Distribution Committee Meeting, noting that no vote was requested at this Meeting.

**Highland Opportunistic Credit Fund (“HOCF”) Liquidation Update**

Mr. Norris then provide an update on the status of the HOCF liquidation, reminding the Board that the liquidation date, originally set to be on or about June 16, 2020, was previously extended. Mr. Norris noted that the liquidation was ongoing and that \$9.5 million remained in the portfolio. He said that HCMFA intended to continue its orderly sale of assets and be patient in seeking to liquidate the remaining positions at a good price. He noted that the Board would be updated as the liquidation progressed. Mr. Post then reminded the Board that HOCF continued to hold more than 15% illiquid assets, an amendment to the Fund’s N-Liquid filing would be filed once the Fund had been liquidated, and the Adviser continues to believe that the liquidation plan is in the best interest of HOCF.

**ETF Basket Policies (Rule 6c-11)**

Mr. Post next reviewed the timeline for approval of new compliance procedures relating to Rule 6c-11. He noted that approval would likely be sought in October 2020.

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**General Matters for Board Discussion/Review/Approval**

**Update on Board Follow-Up Items**

Ms. Thedford then reviewed Board follow-up requests from prior Meetings.

**Review and Approval of Minutes**

Ms. Thedford next directed the Board to the meeting minutes included in the Meeting Materials. After discussion, upon a motion duly made and seconded, the following resolution was unanimously adopted:

**RESOLVED**, that the minutes of the Joint Meeting of the Boards of Trustees of Highland Income Fund and NexPoint Strategic Opportunities Fund held on April 28, 2020, be, and they hereby are, approved in the form presented at this meeting; and further

**RESOLVED**, that the minutes of the Joint Meeting of the Boards of Trustees or Board of Directors (as the case may be) of Highland Funds I, Highland Funds II, Highland Income Fund, Highland Global Allocation Fund, NexPoint Strategic Opportunities Fund, NexPoint Capital, Inc., NexPoint Real Estate Strategies Fund, NexPoint Discount Strategies Fund, NexPoint Energy and Materials Opportunities Fund, NexPoint Strategic Income Fund, NexPoint Latin American Opportunities Fund and NexPoint Event-Driven Fund held on May 15, 2020, be, and they hereby are, approved in the form presented at this meeting; and further

**RESOLVED**, the minutes of the Joint Meeting of the Boards of Trustees or Board of Directors (as the case may be), the Joint Meeting of the Governance and Compliance Committees, the Joint Meeting of the Distribution and Alternatives Oversight Committees and the Joint Meeting of the Audit and Qualified Legal Compliance Committees of Highland Funds I, Highland Funds II, Highland Income Fund, Highland Global Allocation Fund, NexPoint Strategic Opportunities Fund, NexPoint Capital, Inc., NexPoint Real Estate Strategies Fund, NexPoint Discount Strategies Fund, NexPoint Energy and Materials Opportunities Fund, NexPoint Strategic Income Fund, NexPoint Healthcare Opportunities Fund, NexPoint Latin American Opportunities Fund and NexPoint Event-Driven Fund held on June 18-19, 2020, be, and they hereby are, approved in the form presented at this meeting.

**General Authorization**

Ms. Thedford next brought to the Board's attention a general authorization. After discussion, upon a motion duly made and seconded, the following resolution was unanimously adopted:

**RESOLVED**, that the officers (each an "Authorized Person," and collectively, the "Authorized Persons") of Highland Funds I, Highland Funds II, Highland Income Fund, Highland Global Allocation Fund, NexPoint Capital, Inc., and NexPoint Real Estate

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Strategies Fund (each a “Fund,” and collectively, the “Funds”) be, and each of them singly hereby is, authorized in the name and on behalf of the Funds to do and perform all such acts and things, to execute and deliver, and, where necessary or appropriate, file with the appropriate governmental authorities all such certificates, contracts, agreements, documents, instruments, powers of attorney, receipts or other papers, as shall be necessary or appropriate to carry out, comply with or effectuate the purposes and intents of the foregoing resolutions, with such changes as the Authorized Persons may approve with the advice of counsel to the Funds; and to make all such payments, as in their judgment, or in the judgment of any of them, as shall be necessary or appropriate to carry out, comply with or effectuate the purposes and intents of the foregoing resolutions; and further

**RESOLVED**, that, in accordance with the Order of the SEC (Investment Company Act Release No. 3824 (March 25, 2020) and No. 33897 (June 19, 2020)) granting an exemption from the requirements imposed under the 1940 Act that votes of a board of a registered investment company be cast in person, the Board of Trustees (or the Board of Directors, as applicable) of each Fund (each a “Board”) hereby finds it is necessary and appropriate to hold this meeting by means of communication that allows all trustees (or directors participating in the meeting to hear each other simultaneously during the meeting, rather than in person, in view of the current or potential effects of COVID-19; and further

**RESOLVED**, that each Board, including the Independent Trustees (or Independent Directors) thereof, hereby undertakes to ratify any approvals and authorizations made at this meeting pursuant to the foregoing exemption from the in-person meeting requirements at the next in-person meeting of such Board.

**Reminder of Next In-Person Meeting – December 10-11, 2020**

Ms. Thedford then noted the next scheduled quarterly meeting, noting that whether it would be held in-person or virtually would largely be dependent on the COVID regulations.

**Adjournment**

As there was no further business to come before the Board, the Board Meeting was adjourned, upon a motion duly made, seconded and unanimously carried.

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[ ]  
Secretary *Pro Tempore*

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Jason Post

10/29/2020 6:00:00 PM

Next, Mr. Post noted that there were certain NAV errors, but no trade errors or reallocations, to report for the quarter ended December 31, 2019. Mr. Post then referred the Board

to a memorandum in the Meeting Materials detailing the NAV errors discovered during the quarter

and noted that the NAV errors resulted from incorrect journal entries made with respect to two

private loan assets in

the  
NRESF  
portfolio.

Mr.  
Post  
then  
summarized  
the  
impact  
to  
NRESF,  
the

corrective

actions taken and the reimbursement payments made in connection with the NAV errors. He also noted that the Adviser and SEI have since implemented a formal communication process designed to avoid similar errors in the futures. A discussion then ensued

## **EXHIBIT 24**

000975

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**From:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>

**Date:** Tuesday, November 10, 2020 at 3:33 PM

**To:** Jim Seery <[jipseeryjr@gmail.com](mailto:jipseeryjr@gmail.com)>

**Cc Subject:** RE: FOR REVIEW: Highland Retail Funds Board Meeting Minutes - September 2020 Quarterly

Thanks!

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**From:** James Seery <[jipseeryjr@gmail.com](mailto:jipseeryjr@gmail.com)>

**Subject:** Tuesday, November 10, 2020 2:22 PM

**To:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>

**From:** Thomas Surgent <[TSurgent@HighlandCapital.com](mailto:TSurgent@HighlandCapital.com)>; Jason Post <[JPost@NexpointAdvisors.com](mailto:JPost@NexpointAdvisors.com)>; Isaac Leventon <[ILeventon@HighlandCapital.com](mailto:ILeventon@HighlandCapital.com)>

**Cc Subject:** Re: FOR REVIEW: Highland Retail Funds Board Meeting Minutes - September 2020 Quarterly

Comments below. Thanks

Best. Jim

Jim Seery

631-804-2049

[jipseeryjr@gmail.com](mailto:jipseeryjr@gmail.com)

---

**From:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>

**Date:** Monday, November 9, 2020 at 1:53 PM

**To:** Jim Seery <[jipseeryjr@gmail.com](mailto:jipseeryjr@gmail.com)>

**From:** Thomas Surgent <[TSurgent@HighlandCapital.com](mailto:TSurgent@HighlandCapital.com)>, Jason Post <[JPost@NexpointAdvisors.com](mailto:JPost@NexpointAdvisors.com)>, Isaac Leventon <[ILeventon@HighlandCapital.com](mailto:ILeventon@HighlandCapital.com)>

**Cc Subject:** FOR REVIEW: Highland Retail Funds Board Meeting Minutes - September 2020 Quarterly

Good afternoon,

Attached for your review are draft minutes from the September 2020 Quarterly Board Meeting. The sections covering your topics are provided below and flagged in the attached full set.

**Update on HUMFA/HUMLP Litigation Matters**

Messrs. Seery, Leventon and Ellington and Mes. Vitiello and Bannon then joined the Governance Committee Meeting and provided an update the Board on the HCMLP bankruptcy and litigation matters relating to the Funds.

**Update on HCMLP Bankruptcy**

Mr. Seery provided the Board with an update on the HCMLP Bankruptcy, noting that HCMLP recently completed the mediation process. Although not all claims were resolved in mediation, Mr. Seery noted that there was momentum for a larger deal. He noted that HCMLP reached settlement with *Acis Capital Management, L.P.*, a former affiliated investment adviser to a CLO platform. With respect to the UBS claim of \$1 billion, Mr. Seery noted that a settlement could not be reached, so a litigation strategy was being pursued instead. Mr. Seery noted that there were two separate summary judgments arguments would soon be pending with respect to the UBS claim, upon which Mr. Seery expected HCMLP to prevail. Mr. Seery then summarized three other open claims, including a new \$100+ million claim by HarbourVest Partners LLC.

In response to questions from the Board, Mr. Seery noted that he had been advised that Mr. Dondero had a high degree of confidence that, even if an overall settlement could not be achieved, there would be a mechanism in place for the services currently provided by HCMLP such that any impact to the Funds would be minimized. In the short-term, Mr. Seery expected that the shared services agreement (the "Shared Services Agreement") between HCMLP (on the one hand) and HCMFA/NexPoint Advisers (on the other) to remain in place. In the event that the Shared Services Agreement were terminated, Mr. Seery believes that the employees and services at HCMLP that are currently supporting the Funds would be transferred either directly to HCMFA/NexPoint Advisers or to a third-party that would continue to service the Funds. A discussion then ensued. Ms. Bannon then discussed the overall public relations approach in responding to inquiries regarding the ongoing bankruptcy matter and turned the Board's attention to the quarterly Media Coverage Report provided in the Materials.

Please let me know if you have comments (or bring me your own) by November 11<sup>th</sup>.

Thanks,  
Lauren

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PR VLERGWAN: The sn dhrte hoooi si p f c's fsntalsogebt orl doi eTt Hi ot cCs nt als i t f fsaft i Hnsi Mltt Hcs. armtcasfn heelt oy: Ts n dosfdr aft uli si Tsfs to he p f hopt fn ddt odratfat ese t orl doi i t se ot cmt oedthcs do t ppsf t f nt n n ten soowd et rmteddt o t pdo t ppsfwt f dol di ulms t f fsnt n n soi ddt owd soosf hnd t f nt omli s dol ddoednt oy Rn dl nt oadto nt opti sodatwaft affs adfl t f rskdnt affuhtsksi hopt fn ddt oy Rl t Hfsnshus cTte n seedks to sfft fwarsdes hn si hdsrl i srsas hty

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- AR RWDWS EA( R D): Ts esoi sf t f fsntalsoc t pCtTe n seedks he d n sn Csf t pCtS rskdri sadfn socdcx lkTdoi Vdaltedr Gdodksn sog: Tte n seedks doi dol dddnt n soe Tsfsd n dl nt oedthcs ddt fosl Mlt f, aft i Hndt f Cs aft asmsi Q c's ddt fosl NmtsocaffuhtsksyPt ot ci hnt es cTte n seedks t f dol dddnt n soe Tsfsd Mltt Hc afft f nt oesoc t pd n sn Csf t pCtS rskdri sadfn socdcx lkTdoi Vdaltedr Gdodksn sog



## **EXHIBIT 25**

000978

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**From:** James Seery <[jipseeryjr@gmail.com](mailto:jipseeryjr@gmail.com)>  
**Date:** Thursday, November 19, 2020 at 11:03 PM  
**To:** Jason Post <[JPost@NexpointAdvisors.com](mailto:JPost@NexpointAdvisors.com)>  
**Cc:** Thomas Surgent <[TSurgent@HighlandCapital.com](mailto:TSurgent@HighlandCapital.com)>, Greg Demo <[gdemo@pszjlaw.com](mailto:gdemo@pszjlaw.com)>  
**Subject:** Re: Retail Board - Bi-Weekly HCMLP Update

Jason.

My comments in RED below. Thanks.

Best. Jim

Jim Seery  
631-804-2049  
[jipseeryjr@gmail.com](mailto:jipseeryjr@gmail.com)

---

**From:** Jason Post <[JPost@NexpointAdvisors.com](mailto:JPost@NexpointAdvisors.com)>  
**Date:** Tuesday, November 17, 2020 at 3:06 PM  
**To:** Jim Seery <[jipseeryjr@gmail.com](mailto:jipseeryjr@gmail.com)>  
**Cc:** Thomas Surgent <[TSurgent@HighlandCapital.com](mailto:TSurgent@HighlandCapital.com)>  
**Subject:** RE: Retail Board - Bi-Weekly HCMLP Update

Jim – also to supplement the below, I was going to include the language in yellow as part of the update to the Retail Board. Let me know if you have any edits on the below amended response. Thanks.

---

**From:** Jason Post  
**Sent:** Monday, November 16, 2020 1:13 PM  
**To:** Jim Seery <[jipseeryjr@gmail.com](mailto:jipseeryjr@gmail.com)>  
**Cc:** Thomas Surgent <[TSurgent@HighlandCapital.com](mailto:TSurgent@HighlandCapital.com)>  
**Subject:** Retail Board - Bi-Weekly HCMLP Update

Jim – every 2 weeks the Retail Board receives an email update on HCMLP related BK matters. I connected with Isaac earlier and he indicated he was not aware of any changes to the below items, but he indicated it would be best to run these by you as well going forward for updates, if any. With that in mind can you review the proposed responses for items vi and viii and let me know if there are any edits pls? I have attached the last email update sent to the Retail Board, on 10/30/20, for reference as well – thanks.

**vi. Litigation update**

HCMLP litigation is stayed pursuant to bankruptcy filing  
Retail Funds litigation (not stayed in connection with the HCMLP filing).

**viii. Any other material developments.** To the extent there is a material development, update will be provided below or separately by a member of Highland's Legal team under separate cover.

PR VLERGWAN: The sn dlnr hucsoi si p d t s f n m l s o c g b t o r l d o i e t H i o t c S n t a l s i t f f s a f t i H n s i M i t H c s a r m i c a s f n l e e h o y: T s n d a s f n d r a f t u h i s i T s f s h o h e p f h o p f n d d i o d r a f a t e s e t o r l d o i i t s e o t c n t o e d r h s d o t p s f t f n n n l n s o u w e t a r m i d d i o t p d o t p s f w t f d o l d i u m s t f f s n t n n s o i d d i o w d s o s f h o d t f n t o m i H s d o l d d o e d m t o y R n d n t o c h o n t o p i s o d a l w a f t a f f s c f l t f s k d m a f h u n s k s i h o p f n d d i o y R l t H f s n s h u s c l e n s e e d k s h o s f f t f w a r d e s l n n s i h o c s l i s i s e s h o y

- ARRWDS EA (RD): Ts esoi sft ftsnaisoct pōtē n seedks lē d n sn Csf t pōt's rskdri sadfōn socdcx lkTdoi Vdādr Gdodksn sog: Tē n seedks doi dol dādrTn soē Tsfsd n dl mē oedn-~~ts~~ dōt fosl Mf, aft i Hnct f Cs aft csnis Cl cTs dōt fosl nhtsocafulnksyPt o ci hēnt es cTē n seedks t f dol dādrTn soē Tsfsd MfT Hc aft f n t oesoct pd n sn Csf t pōt's rskdri sadfōn socdcx lkTdoi Vdādr Gdodksn sog

**EXHIBIT 26**

**INTENTIONALLY  
OMITTED**

## **EXHIBIT 27**

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**From:** Frank Waterhouse  
**Sent:** Tuesday, December 1, 2020 9:46 AM CST  
**To:** Dustin Norris; David Klos; DC Sauter  
**Subject:** RE: Time for a call

The retail advisors could always terminate on their end if they deemed it necessary

---

**From:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>  
**Sent:** Tuesday, December 1, 2020 9:45 AM  
**To:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>  
**Subject:** RE: Time for a call

Seems like that should be the case, because without the shared services there doesn't seem like an ability to provide dual employees.

---

**From:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>  
**Sent:** Tuesday, December 1, 2020 9:14 AM  
**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>  
**Subject:** RE: Time for a call

My guess is that it was overlooked

---

**From:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>  
**Sent:** Tuesday, December 1, 2020 9:14 AM  
**To:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>  
**Subject:** RE: Time for a call

DC, let's discuss next steps on these contracts, since they didn't submit termination notices for these, but did for the shared services.

---

**From:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Sent:** Tuesday, December 1, 2020 9:12 AM  
**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>; DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>  
**Subject:** RE: Time for a call

These have not changed since BK, which given the changes in headcount you point out along with not paying insider bonus compensation, has increased the profitability of the contracts from HCMLP's perspective.

---

**From:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>  
**Sent:** Tuesday, December 1, 2020 9:06 AM  
**To:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>

**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>

**Subject:** RE: Time for a call

Thanks Dave, big numbers. Have these changed now that most of the people on the list are no longer employed by HCMLP, including Mark, Jim, Pogs, Trey, Parm, and many others, or are we still paying the same amounts because of the BK? The agreement specifically says we pay for dual employees, but as agreed with HCMLP.

---

**From:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>

**Sent:** Tuesday, December 1, 2020 9:00 AM

**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>; DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>

**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>

**Subject:** RE: Time for a call

Couple clarifications regarding amounts...Subadvisory fees for HCMFA listed below includes those fees paid to FFA for Fixed Income and Total Return. When you strip those out, "subadvisory" (which is really the expense reimbursement agreement) is \$4,992,000 from HCMFA to HCMLP, not \$5,438,000.

Also, not sure if worth noting, but NREA which is 100% owned by NPA pays an additional \$960k per year in shared services to HCMLP. That amount is incremental to the \$2,016,000 listed below.

---

**From:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>

**Sent:** Tuesday, December 1, 2020 8:53 AM

**To:** DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>

**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>

**Subject:** RE: Time for a call

Worth noting that these subadvisory fees were higher than the shared services fees, so need to make sure these agreements are fully understood in the context of HCMLPs termination notices for the shared services agreement. Here are the totals for the twelve months ended 6/30/20

	TTM ending 6/30/20		
	Shared Services	Subadvisory Fees	Total
NPA	2,016,000	3,024,000	5,040,000
HMFA	3,603,000	5,438,000	9,041,000
Total	5,619,000	8,462,000	14,081,000

---

**From:** Dustin Norris

**Sent:** Monday, November 30, 2020 7:08 PM

**To:** DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>

**Subject:** FW: Time for a call

---

**From:** Dustin Norris  
**Sent:** Tuesday, October 13, 2020 12:49 PM  
**To:** DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>  
**Subject:** FW: Time for a call

---

**From:** Dustin Norris  
**Sent:** Tuesday, October 6, 2020 5:52 PM  
**To:** DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>  
**Subject:** FW: Time for a call

Let's discuss, I will come by

---

**From:** Dustin Norris  
**Sent:** Tuesday, October 6, 2020 4:56 PM  
**To:** [George.Zornada@klgates.com](mailto:George.Zornada@klgates.com); Dupuy, Jon-Luc <[Jon-Luc.Dupuy@klgates.com](mailto:Jon-Luc.Dupuy@klgates.com)>  
**Subject:** Time for a call

George and JL, do you have a 15 minutes for a call this evening to discuss shared services and other agreements with HCMLP?

DUSTIN NORRIS  
HEAD OF DISTRIBUTION AND CHIEF PRODUCT STRATEGIST

**NEXPOINT**

200 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4495 | Sales Desk: 877.665.1287  
[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com) | [www.NexPointGroup.com](http://www.NexPointGroup.com)

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## **EXHIBIT 28**

000986

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**From:** Dustin Norris  
**Sent:** Thursday, January 28, 2021 8:20 PM CST  
**To:** DC Sauter  
**Subject:** FW: HCMLP - Payment Demand

Let's discuss.

---

**From:** James Seery <jpseeryjr@gmail.com>  
**Sent:** Thursday, January 28, 2021 8:12 PM  
**To:** Jack Donohue <JDonohue@DSIConsulting.com>; Dustin Norris <DNorris@NexPointSecurities.com>; Fred Caruso <fcaruso@DSIConsulting.com>  
**Cc:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>; Brian Collins <BCollins@HighlandCapital.com>; JP Sevilla <JSevilla@HighlandCapital.com>; Bradley Sharp <bsharp@DSIConsulting.com>; Thomas Surgent <TSurgent@HighlandCapital.com>  
**Subject:** Re: HCMLP - Payment Demand

Mr. Norris:

Without taking the time to refute each of the unfounded allegations you attempt to splash about in your emails below, suffice it to say that HCMLP disagrees with the particulars and the overall substance of each and every one.

As you are aware, we have attempted for MONTHS to try to put a transition arrangement together with the HCMLP employees that are to transfer to another entity and the Fund's Advisors. As you are further aware, Mr. Dondero, your portfolio manager and the owner and sole person controlling the advisors (and effectively the Funds), has refused to engage or permit others to do so on his behalf. He has further stated on an open call that he would make any transfer "difficult" and is apparently keeping to that path.

You, the Funds' Board, the advisors and Mr. Dondero have been aware of the termination of the shared service agreements for 60 days. You, the advisors, and Mr. Dondero (and we expect that you advised the Funds' Board) are also aware that the advisors are in default to HCMLP on substantial notes and payments under the agreements subject to termination. Instead of planning and working towards a transition, the Funds, the advisors and Mr. Dondero have done nothing save bringing frivolous actions in the Bankruptcy Court, attempting to upset the HCMLP plan process, and trying to create absolutely frivolous claims in an absurd attempt to counter the legitimate debts owed to HCMLP.

I suggest you and your team focus on the term sheet that you will receive shortly, the payments that are owed and must be paid, and the necessary conditions to a transition before the agreements terminate.

My team is focused on assuring that we can meet the terms of the term sheet to facilitate payment and continued service while we complete the transition. I am available to discuss this note.

Best. Jim

Jim Seery  
631-804-2049  
[jipseeryjr@gmail.com](mailto:jipseeryjr@gmail.com)

---

**From:** Jack Donohue <[JDonohue@DSIConsulting.com](mailto:JDonohue@DSIConsulting.com)>  
**Date:** Thursday, January 28, 2021 at 6:50 PM  
**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>, Fred Caruso <[FCaruso@DSIConsulting.com](mailto:FCaruso@DSIConsulting.com)>, Jim Seery <[jipseeryjr@gmail.com](mailto:jipseeryjr@gmail.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>, David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>, Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>, JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>, Bradley Sharp <[bsharp@DSIConsulting.com](mailto:bsharp@DSIConsulting.com)>  
**Subject:** RE: HCMLP - Payment Demand

Adding Jim Seery.

Jack

---

Jack M. Donohue, CPA  
Development Specialists, Inc.  
10 South LaSalle Street, Suite 3300 | Chicago, Illinois 60603  
**Phone:** (312) 263-4141 | **Fax:** (312) 263-1180  
<http://DSIconsulting.com/>

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**From:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>  
**Sent:** Thursday, January 28, 2021 11:00 AM  
**To:** Fred Caruso <[FCaruso@DSIConsulting.com](mailto:FCaruso@DSIConsulting.com)>; Jack Donohue <[JDonohue@DSIConsulting.com](mailto:JDonohue@DSIConsulting.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>; JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>; Bradley Sharp <[bsharp@DSIConsulting.com](mailto:bsharp@DSIConsulting.com)>  
**Subject:** RE: HCMLP - Payment Demand

Thanks Fred, appreciate your help. More importantly, we need to see a term sheet ASAP today. We all generally agreed to the terms of the transition plan verbally over 10 days ago, and again by email on 1/19. I understand the AR spreadsheet, but secondarily, after we get the term sheet I would like to see the detailed support for the calculations of the actual costs charged for these months for the shared services and the detail of which dual employees that we are reimbursing you for under the payroll reimbursement agreements for NexPoint Advisors and Highland Capital Management Fund Advisors, however this is all secondary to getting the term sheet in the form we have agreed to so we can ensure a proper transition of all applicable services.

---

**From:** Fred Caruso <[FCaruso@DSIConsulting.com](mailto:FCaruso@DSIConsulting.com)>  
**Sent:** Thursday, January 28, 2021 10:37 AM  
**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>; Jack Donohue <[JDonohue@DSIConsulting.com](mailto:JDonohue@DSIConsulting.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>; JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>; Bradley Sharp <[bsharp@DSIConsulting.com](mailto:bsharp@DSIConsulting.com)>  
**Subject:** FW: HCMLP - Payment Demand

Dustin

Per your request below, I have asked Jack reach out to you to coordinate a call to walk you thru the AR calculation. Please try to get this done asap today. Thank you, Fred

Fred C. Caruso  
Senior Managing Director  
DSI  
Suite 3300  
10 S LaSalle Street  
Chicago, IL 60603  
Office: 312-263-4141 Ext 1240  
Cell: 847-302-6534  
[fcaruso@dsiconsulting.com](mailto:fcaruso@dsiconsulting.com)

Please note new street, suite # and e-mail address; prior e-mail address still functional.



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---

**From:** David Klos [<mailto:DKlos@HighlandCapital.com>]  
**Sent:** Wednesday, January 27, 2021 8:25 PM  
**To:** Jack Donohue <[JDonohue@DSIConsulting.com](mailto:JDonohue@DSIConsulting.com)>  
**Cc:** Fred Caruso <[FCaruso@DSIConsulting.com](mailto:FCaruso@DSIConsulting.com)>; Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>; JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>; Kristin Hendrix <[KHendrix@HighlandCapital.com](mailto:KHendrix@HighlandCapital.com)>  
**Subject:** FW: HCMLP - Payment Demand

Jack,

Per Dustin's email below, he is requesting underlying detail underpinning the calculations related to the demand. As time is of the essence and I believe you were principally involved in building/reconciling the schedule, I'm hoping you can assist with coordinating with Dustin for the support that HCMLP is able to provide in the context of this request. Please let me know asap.

-Dave

---

**From:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>  
**Sent:** Wednesday, January 27, 2021 7:18 PM  
**To:** JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>  
**Subject:** Re: HCMLP - Payment Demand

Guys, I want to follow up on our call. As you know, we've been working hard to facilitate a transition of services and employees to avoid a disruption of business to the advisors and the funds. We haven't heard many specific responses since we talked on 1/13, we've been actively pushing to move to a draft agreement since 1/19, and the whole time we've been repeatedly assured that there would be no disruption in services. We've also raised the issue of overpayment, which you all have acknowledged we are. Without the underlying detail, we're not in a position to sign off on any of the calculations.

Please send the term sheet [this evening](#).

Sent from my iPhone

On Jan 27, 2021, at 2:29 PM, JP Sevilla <[JSevilla@highlandcapital.com](mailto:JSevilla@highlandcapital.com)> wrote:

We have been told that Wilmer is circulating a term sheet today.

---

**From:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>  
**Sent:** Wednesday, January 27, 2021 2:28 PM  
**To:** JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>  
**Subject:** RE: HCMLP - Payment Demand

Also, we have been talking about this for several weeks, and we have been given assurances there would be no interruption of services, and now we are given two days' notice of an abrupt stop to all services. We also have been asking for an agreement, or even who will be drafting the agreement, for 10 days, with no response on your end. I would assume that term sheet will be sent today?

---

**From:** Dustin Norris  
**Sent:** Wednesday, January 27, 2021 2:23 PM  
**To:** JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>  
**Subject:** RE: HCMLP - Payment Demand

I don't represent or control a number of the entities below. This is the first notice of this I have received, so I will give you a call JP to discuss our entities.

---

**From:** JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>  
**Sent:** Wednesday, January 27, 2021 12:45 PM  
**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>  
**Subject:** FW: HCMLP - Payment Demand

Dustin, let's discuss.

Separately (but relatedly), Wilmer Hale will be circulating a draft term sheet for the parties to finalize and execute to get everyone through February while a definitive document is finalized.

---

**From:** Fred Caruso <[FCaruso@DSIConsulting.com](mailto:FCaruso@DSIConsulting.com)>  
**Sent:** Wednesday, January 27, 2021 10:51 AM  
**To:** Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>; JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>; Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Cc:** Jim Seery <[jpsseeryjr@gmail.com](mailto:jpsseeryjr@gmail.com)>  
**Subject:** FW: HCMLP - Payment Demand

Brian, JP, Frank and David,

As you know, there are outstanding fees and cost reimbursements that remain unpaid. Per our discussions, the following amounts must be paid by close of business on Friday, January 29<sup>th</sup>. No further services will be provided if this payment is not received in full by such time.

HCMFA	\$ 2,121,276.13
DAF	1,066,667
NexPoint Advisors, LP	932,977
Ohio State Life Insurance	495,686
NexBank	432,667
NexPoint Real Estate Advisors	160,000
HCM Services	116,531
NexPoint Capital	13,941
Rand	93,736
Dugaboy Investment Trust	14,392
Jim Dondero/Mark Okada	9,659
Jim Dondero	8,501
HCMLP/Dugaboy/Services	<u>1,385</u>
	\$ 5,467,418.36

Highland Capital Management, L.P., reserves all rights with respect to any and all amounts owed to Highland Capital Management, L.P., by any of the foregoing entities and nothing herein shall be construed as a limitation or waiver of any of such rights.

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## **EXHIBIT 29**

000993



## SHARED SERVICES AGREEMENT

THIS SHARED SERVICES AGREEMENT (this “*Agreement*”) entered into on this 5th day of June, 2013 by and among Highland Capital Management, L.P., a Delaware limited partnership (“*HCMLP*”), and NexPoint Advisors, L.P., a Delaware limited partnership (“*NexPoint*”), and any affiliate of NexPoint that becomes a party hereto, is effective as of January 1, 2013 (the “*Effective Date*”). Each of the signatories hereto is individually a “*Party*” and collectively the “*Parties*”.

### RECITALS

A. During the Term, HCMLP will provide to NexPoint certain services as more fully described herein and the Parties desire to allocate the costs incurred for such services and assets among them in accordance with the terms and conditions in this Agreement.

### AGREEMENT

In consideration of the foregoing recitals and the mutual covenants and conditions contained herein, the Parties agree, intending to be legally bound, as follows:

### ARTICLE I DEFINITIONS

“*Actual Cost*” means, with respect to any period hereunder, one hundred percent (100%) of the actual costs and expenses caused by, incurred or otherwise arising from or relating to (i) the Shared Services and (ii) the Shared Assets, in each case during such period.

“*Affiliate*” means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person. The term “*control*” (including, with correlative meanings, the terms “*controlled by*” and “*under common control with*”) means the possession of the power to direct the management and policies of the referenced Person, whether through ownership interests, by contract or otherwise.

“*Agreement*” has the meaning set forth in the preamble.

“*Allocation Percentage*” has the meaning set forth in Section 4.01.

“*Applicable Margin*” shall mean an additional amount equal to 5% of all costs allocated by Service Provider to the other parties hereto under Article IV Sections 4.01(a) and 4.01(b); provided that the parties may agree on a different margin percentage as to any item or items to the extent the above margin percentage, together with the allocated cost of such item or service, would not reflect an arm’s length value of the particular service or item allocated.

“*Change*” has the meaning set forth in Section 2.02(a).

“*Change Request*” has the meaning set forth in Section 2.02(b).

“*Code*” means the Internal Revenue Code of 1986, as amended, and the related regulations and published interpretations.

“*Effective Date*” has the meaning set forth in the preamble.

**“Governmental Entity”** means any government or any regulatory agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

**“Liabilities”** means any cost, liability, indebtedness, obligation, co-obligation, commitment, expense, claim, deficiency, guaranty or endorsement of or by any Person of any nature (whether direct or indirect, known or unknown, absolute or contingent, liquidated or unliquidated, due or to become due, accrued or unaccrued, matured or unmatured).

**“Loss”** means any cost, damage, disbursement, expense, liability, loss, obligation, penalty or settlement, including interest or other carrying costs, legal, accounting and other professional fees and expenses incurred in the investigation, collection, prosecution and defense of claims and amounts paid in settlement, that may be imposed on or otherwise incurred or suffered by the referenced Person; provided, however, that the term **“Loss”** will not be deemed to include any special, exemplary or punitive damages, except to the extent such damages are incurred as a result of third party claims.

**“New Shared Service”** has the meaning set forth in Section 2.03.

**“Party”** or **“Parties”** has the meaning set forth in the preamble.

**“Person”** means an association, a corporation, an individual, a partnership, a limited liability company, a trust or any other entity or organization, including a Governmental Entity.

**“Quarterly Report”** has the meaning set forth in Section 5.01.

**“Recipient”** means NexPoint and any of NexPoint’s direct or indirect Subsidiaries or managed funds or accounts in their capacity as a recipient of the Shared Services and/or Shared Assets.

**“Service Provider”** means any of HCMLP and its direct or indirect Subsidiaries in its capacity as a provider of Shared Services or Shared Assets.

**“Service Standards”** has the meaning set forth in Section 6.01.

**“Shared Assets”** shall have the meaning set forth in Section 3.02.

**“Shared Services”** shall have the meaning set forth in Section 2.01.

**“Subsidiary”** means, with respect to any Person, any Person in which such Person has a direct or indirect equity ownership interest in excess of 50%.

**“Tax”** or **“Taxes”** means: (i) all state and local sales, use, value-added, gross receipts, foreign, privilege, utility, infrastructure maintenance, property, federal excise and similar levies, duties and other similar tax-like charges lawfully levied by a duly constituted taxing authority against or upon the Shared Services and the Shared Assets; and (ii) tax-related surcharges or fees that are related to the Shared Services and the Shared Assets identified and authorized by applicable tariffs.

**“Term”** has the meaning set forth in Section 7.01.

## ARTICLE II SHARED SERVICES

Section 2.01 Services. During the Term, Service Provider will provide Recipient with Shared Services, including without limitation, all of the (i) finance and accounting services, (ii) human resources services, (iii) marketing services, (iv) legal services, (v) corporate services, (vi) information technology services, and (vii) operations services; each as requested by NexPoint and as described more fully on Annex A attached hereto, the “*Shared Services*”), it being understood that personnel providing Shared Services may be deemed to be employees of NexPoint to the extent necessary for purposes of the Investment Advisers Act of 1940, as amended.

### Section 2.02 Changes to the Shared Services.

(a) During the Term, the Parties may agree to modify the terms and conditions of a Service Provider’s performance of any Shared Service in order to reflect new procedures, processes or other methods of providing such Shared Service, including modifying the applicable fees for such Shared Service to reflect the then current fair market value of such service (a “*Change*”). The Parties will negotiate in good faith the terms upon which a Service Provider would be willing to provide such New Shared Service to Recipient.

(b) The Party requesting a Change will deliver a description of the Change requested (a “*Change Request*”) and no Party receiving a Change Request may unreasonably withhold, condition or delay its consent to the proposed Change.

(c) Notwithstanding any provision of this Agreement to the contrary, a Service Provider may make: (i) Changes to the process of performing a particular Shared Service that do not adversely affect the benefits to Recipient of Service Provider’s provision or quality of such Shared Service in any material respect or increase Recipient’s cost for such Shared Service; (ii) emergency Changes on a temporary and short-term basis; and/or (iii) Changes to a particular Shared Service in order to comply with applicable law or regulatory requirements, in each case without obtaining the prior consent of Recipient. A Service Provider will notify Recipient in writing of any such Change as follows: in the case of clauses (i) and (iii) above, prior to the implementation of such Change, and, in the case of clause (ii) above, as soon as reasonably practicable thereafter.

Section 2.03 New Shared Services. The Parties may, from time to time during the Term of this Agreement, negotiate in good faith for Shared Services not otherwise specifically listed in Section 2.01 (a “*New Shared Service*”). Any agreement between the Parties on the terms for a New Shared Service must be in accordance with the provisions of Article IV and Article V hereof, will be deemed to be an amendment to this Agreement and such New Shared Service will then be a “*Shared Service*” for all purposes of this Agreement.

Section 2.04 Subcontractors. Nothing in this Agreement will prevent Service Provider from, with the consent of Recipient, using subcontractors, hired with due care, to perform all or any part of a Shared Service hereunder. A Service Provider will remain fully responsible for the performance of its obligations under this Agreement in accordance with its terms, including any obligations it performs through subcontractors, and a Service Provider will be solely responsible for payments due to its subcontractors.

ARTICLE III  
SHARED ASSETS

Section 3.01 Shared IP Rights. Each Service Provider hereby grants to Recipient a non-exclusive right and license to use the intellectual property and other rights granted or licensed, directly or indirectly, to such Service Provider (the “*Shared IP Rights*”) pursuant to third party intellectual property Agreements (“*Third Party IP Agreements*”), provided that the rights granted to Recipient hereunder are subject to the terms and conditions of the applicable Third Party IP Agreement, and that such rights shall terminate, as applicable, upon the expiration or termination of the applicable Third Party IP Agreement. Recipient shall be licensed to use the Shared IP Rights only for so long as it remains an Affiliate of HCMLP. In consideration of the foregoing licenses, Recipient agrees to take such further reasonable actions as a Service Provider deems to be necessary or desirable to comply with its obligations under the Third Party IP Agreements.

Section 3.02 Other Shared Assets. Subject to Section 3.01, each Service Provider hereby grants Recipient the right, license or permission, as applicable, to use and access the benefits under the agreements, contracts and licenses that such Service Provider will purchase, acquire, become a party or beneficiary to or license on behalf of Recipient (the “*Future Shared Assets*” and collectively with the Shared IP Rights, the “*Shared Assets*”).

ARTICLE IV  
COST ALLOCATION

Section 4.01 Actual Cost Allocation Formula. The Actual Cost of any item relating to any Shared Services or Shared Assets shall be allocated based on the Allocation Percentage. For purposes of this Agreement, “*Allocation Percentage*” means:

(a) To the extent 100% of such item is demonstrably attributable to NexPoint, 100% of the Actual Cost of such item shall be allocated to NexPoint as agreed by NexPoint;

(b) To the extent a specific percentage of use of such item can be determined (e.g., 70% for HCMLP and 30% for NexPoint), that specific percentage of the Actual Cost of such item will be allocated to HCMLP or NexPoint, as applicable and as agreed by NexPoint; and

(c) All other portions of the Actual Cost of any item that cannot be allocated pursuant to clause (a) or (b) above is agreed to be allocated between HCMLP and NexPoint in proportion to the holdings of funds managed by NexPoint. It is agreed in good faith between both parties that Actual Cost shall be calculated as follows: (1) for equity and collateralized loan obligation (CLO) assets, Actual Cost shall equal market value on the last business day of the calendar month of equity and CLO assets multiplied by ten (10) basis points multiplied by the number of calendar days in the month divided by three hundred sixty (360) (2) for all other assets, Actual Cost shall equal market value on the last calendar business day of the month multiplied by fifteen (15) basis points multiplied by the number of calendar days in the month divided by three hundred sixty (360). It is estimated that amounts calculated pursuant to this clause represent 80% direct compensation of employees delivering shared services, 10% employer paid benefits for such employees, and 10% other overhead (ie rent, equipment, etc).

Section 4.02 Non-Cash Cost Allocation. The actual, fully burdened cost of any item relating to any Shared Services or Shared Assets that does not result in a direct, out of pocket cash expense may be allocated to HCMLP and NexPoint for financial statement purposes only, as agreed by NexPoint, without any corresponding cash reimbursement required, in accordance with generally accepted accounting principles, based on the Allocation Percentage principles described in Section 4.01 hereof.



ARTICLE V  
PAYMENT OF COST AND REVENUE SHARE; TAXES

Section 5.01 Quarterly Statements. Within thirty (30) days following the end of each calendar quarter during the Term (or at such time as may be otherwise agreed by the parties), each Service Provider shall furnish the other Parties hereto with a written statement with respect to the Actual Cost paid by it in respect of Shared Services and Shared Assets provided by it, in each case, during such period, setting forth (i) the cost allocation in accordance with Article IV hereof together with the Applicable Margin on such allocated amounts, and (ii) any amounts paid pursuant to Section 5.02 hereof, together with such other data and information necessary to complete the items described in Section 5.03 hereof (hereinafter referred to as the “*Quarterly Report*”).

Section 5.02 Settlement Payments. At any time during the Term, any Party may make payment of the amounts that are allocable to such Party together with the Applicable Margin related thereto, regardless of whether an invoice pursuant to Section 5.03 hereof has been issued with respect to such amounts.

Section 5.03 Determination and Payment of Cost and Revenue Share.

(a) Within ten (10) days of the submission of the Quarterly Report described in Section 5.02 hereof (or at such other time as may be agreed by the parties), the Parties shall (i) agree on the cost share of each of the Parties and Applicable Margin as calculated pursuant to the provisions of this Agreement; and (ii) prepare and issue invoices for the cost share and Applicable Margin payments that are payable by any of the Parties.

(b) Within ten (10) days of preparation of the agreement and the issuance of the invoice described in Section 5.03(a) (or at such other time as may be agreed by the parties), the Parties shall promptly make payment of the amounts that are set forth on such cost allocation invoice. Notwithstanding anything in this Agreement to the contrary, provision of the Shared Services shall commence from the Effective Date, but no fees shall be payable from Recipient or otherwise accrue with respect to such services provided during the month of December 2012.

Section 5.04 Taxes.

(a) Recipient is responsible for and will pay all Taxes applicable to the Shared Services and the Shared Assets provided to Recipient, provided, that such payments by Recipient to Service Provider will be made in the most tax-efficient manner and provided further, that Service Provider will not be subject to any liability for Taxes applicable to the Shared Services and the Shared Assets as a result of such payment by Recipient. Service Provider will collect such Tax from Recipient in the same manner it collects such Taxes from other customers in the ordinary course of Service Provider's business, but in no event prior to the time it invoices Recipient for the Shared Services and Shared Assets, costs for which such Taxes are levied. Recipient may provide Service Provider with a certificate evidencing its exemption from payment of or liability for such Taxes.

(b) Service Provider will reimburse Recipient for any Taxes collected from Recipient and refunded to Service Provider. In the event a Tax is assessed against Service Provider that is solely the responsibility of Recipient and Recipient desires to protest such assessment, Recipient will submit to Service Provider a statement of the issues and arguments requesting that Service Provider grant Recipient the authority to prosecute the protest in Service Provider's name. Service Provider's authorization will not be unreasonably withheld. Recipient will finance, manage, control and determine the strategy for such protest while keeping Service Provider reasonably informed of the proceedings. However, the

authorization will be periodically reviewed by Service Provider to determine any adverse impact on Service Provider, and Service Provider will have the right to reasonably withdraw such authority at any time. Upon notice by Service Provider that it is so withdrawing such authority, Recipient will expeditiously terminate all proceedings. Any adverse consequences suffered by Recipient as a result of the withdrawal will be submitted to arbitration pursuant to Section 9.14. Any contest for Taxes brought by Recipient may not result in any lien attaching to any property or rights of Service Provider or otherwise jeopardize Service Provider's interests or rights in any of its property. Recipient agrees to indemnify Service Provider for all Losses that Service Provider incurs as a result of any such contest by Recipient.

(c) The provisions of this Section 5.04 will govern the treatment of all Taxes arising as a result of or in connection with this Agreement notwithstanding any other Article of this Agreement to the contrary.

## ARTICLE VI SERVICE PROVIDER RESPONSIBILITIES

Section 6.01 Service Provider General Obligations. Service Provider will provide the Shared Services and the Shared Assets to Recipient on a non-discriminatory basis and will provide the Shared Services and the Shared Assets in the same manner as if it were providing such services and assets on its own account (the "*Service Standards*"). Service Provider will conduct its duties hereunder in a lawful manner in compliance with applicable laws, statutes, rules and regulations and in accordance with the Service Standards, including, for avoidance of doubt, laws and regulations relating to privacy of customer information.

Section 6.02 Books and Records; Access to Information. Service Provider will keep and maintain books and records on behalf of Recipient in accordance with past practices and internal control procedures. Recipient will have the right, at any time and from time to time upon reasonable prior notice to Service Provider, to inspect and copy (at its expense) during normal business hours at the offices of Service Provider the books and records relating to the Shared Services and Shared Assets, with respect to Service Provider's performance of its obligations hereunder. This inspection right will include the ability of Recipient's financial auditors to review such books and records in the ordinary course of performing standard financial auditing services for Recipient (but subject to Service Provider imposing reasonable access restrictions to Service Provider's and its Affiliates' proprietary information and such financial auditors executing appropriate confidentiality agreements reasonably acceptable to Service Provider). Service Provider will promptly respond to any reasonable requests for information or access. For the avoidance of doubt, all books and records kept and maintained by Service Provider on behalf of Recipient shall be the property of Recipient, and Service Provider will surrender promptly to Recipient any of such books or records upon Recipient's request (provided that Service Provider may retain a copy of such books or records) and shall make all such books and records available for inspection and use by the Securities and Exchange Commission or any person retained by Recipient at all reasonable times. Such records shall be maintained by Service Provider for the periods and in the places required by laws and regulations applicable to Recipient.

Section 6.03 Return of Property and Equipment. Upon expiration or termination of this Agreement, Service Provider will be obligated to return to Recipient, as soon as is reasonably practicable, any equipment or other property or materials of Recipient that is in Service Provider's control or possession.

ARTICLE VII  
TERM AND TERMINATION

Section 7.01 Term. The term of this Agreement will commence as of the Effective Date and will continue in full force and effect until the first anniversary of the Effective Date (the “*Term*”), unless terminated earlier in accordance with Section 9.02. The Term shall automatically renew for successive one year periods unless sooner terminated under Section 7.02.

Section 7.02 Termination. Either Party may terminate this Agreement, with or without cause, upon at least 60 days advance written notice at any time prior to the expiration of the Term.

ARTICLE VIII  
LIMITED WARRANTY

Section 8.01 Limited Warranty. Service Provider will perform the Shared Services hereunder in accordance with the Service Standards. Except as specifically provided in this Agreement, Service Provider makes no express or implied representations, warranties or guarantees relating to its performance of the Shared Services and the granting of the Shared Assets under this Agreement, including any warranty of merchantability, fitness, quality, non-infringement of third party rights, suitability or adequacy of the Shared Services and the Shared Assets for any purpose or use or purpose. Service Provider will (to the extent possible and subject to Service Provider’s contractual obligations) pass through the benefits of any express warranties received from third parties relating to any Shared Service and Shared Asset, and will (at Recipient’s expense) assist Recipient with any warranty claims related thereto.

ARTICLE IX  
MISCELLANEOUS

Section 9.01 No Partnership or Joint Venture; Independent Contractor. Nothing contained in this Agreement will constitute or be construed to be or create a partnership or joint venture between or among HCMLP or NexPoint or their respective successors or assigns. The Parties understand and agree that, with the exception of the procurement by Service Provider of licenses or other rights on behalf of Recipient pursuant to Section 3.01, this Agreement does not make any of them an agent or legal representative of the other for any purpose whatsoever. With the exception of the procurement by Service Provider of licenses or other rights on behalf of Recipient pursuant to Section 3.01, no Party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibilities, express or implied, on behalf of or in the name of any other Party, or to bind any other Party in any manner whatsoever. The Parties expressly acknowledge that Service Provider is an independent contractor with respect to Recipient in all respects, including with respect to the provision of the Shared Services.

Section 9.02 Amendments; Waivers. Except as expressly provided herein, this Agreement may be amended only by agreement in writing of all Parties. No waiver of any provision nor consent to any exception to the terms of this Agreement or any agreement contemplated hereby will be effective unless in writing and signed by all of the Parties affected and then only to the specific purpose, extent and instance so provided. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 9.03 Schedules and Exhibits; Integration. Each Schedule and Exhibit delivered pursuant to the terms of this Agreement must be in writing and will constitute a part of this Agreement,

although schedules need not be attached to each copy of this Agreement. This Agreement, together with such Schedules and Exhibits constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the Parties in connection therewith.

Section 9.04 Further Assurances. Each Party will take such actions as any other Party may reasonably request or as may be necessary or appropriate to consummate or implement the transactions contemplated by this Agreement or to evidence such events or matters.

Section 9.05 Governing Law. This Agreement and the legal relations between the Parties will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed in such State and without regard to conflicts of law doctrines unless certain matters are preempted by federal law.

Section 9.06 Assignment. Except as otherwise provided hereunder, neither this Agreement nor any rights or obligations hereunder are assignable by one Party without the express prior written consent of the other Parties.

Section 9.07 Headings. The descriptive headings of the Articles, Sections and subsections of this Agreement are for convenience only and do not constitute a part of this Agreement.

Section 9.08 Counterparts. This Agreement and any amendment hereto or any other agreement delivered pursuant hereto may be executed in one or more counterparts and by different Parties in separate counterparts. All counterparts will constitute one and the same agreement and will become effective when one or more counterparts have been signed by each Party and delivered to the other Parties.

Section 9.09 Successors and Assigns; No Third Party Beneficiaries. This Agreement is binding upon and will inure to the benefit of each Party and its successors or assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person or Governmental Entity any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 9.10 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given: (i) immediately when personally delivered; (ii) when received by first class mail, return receipt requested; (iii) one day after being sent for overnight delivery by Federal Express or other overnight delivery service; or (iv) when receipt is acknowledged, either electronically or otherwise, if sent by facsimile, telecopy or other electronic transmission device. Notices, demands and communications to the other Parties will, unless another address is specified by such Parties in writing, be sent to the addresses indicated below:

If to HCMLP, addressed to:

Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147



If to NexPoint, addressed to:

NexPoint Advisors, L.P.  
200 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147

Section 9.11 Expenses. Except as otherwise provided herein, the Parties will each pay their own expenses incident to the negotiation, preparation and performance of this Agreement, including the fees, expenses and disbursements of their respective investment bankers, accountants and counsel.

Section 9.12 Waiver. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 9.13 Severability. If any provision of this Agreement is held to be unenforceable for any reason, it will be adjusted rather than voided, if possible, to achieve the intent of the Parties. All other provisions of this Agreement will be deemed valid and enforceable to the extent possible.

Section 9.14 Arbitration; Jurisdiction. Notwithstanding anything contained in this Agreement or the Annexes hereto to the contrary, in the event there is an unresolved legal dispute between the parties and/or any of their respective officers, directors, partners, employees, agents, affiliates or other representatives that involves legal rights or remedies arising from this Agreement, the parties agree to submit their dispute to binding arbitration under the authority of the Federal Arbitration Act; provided, however, that either party or such applicable affiliate thereof may pursue a temporary restraining order and/or preliminary injunctive relief in connection with confidentiality covenants or agreements binding on the other party, with related expedited discovery for the parties, in a court of law, and, thereafter, require arbitration of all issues of final relief. The Arbitration will be conducted by the American Arbitration Association, or another, mutually agreeable arbitration service. The arbitrator(s) shall be duly licensed to practice law in the State of Texas. The discovery process shall be limited to the following: Each side shall be permitted no more than (i) two party depositions of six hours each. Each deposition is to be taken pursuant to the Texas Rules of Civil Procedure; (ii) one non-party deposition of six hours; (iii) twenty-five interrogatories; (iv) twenty-five requests for admission; (v) ten requests for production. In response, the producing party shall not be obligated to produce in excess of 5,000 total pages of documents. The total pages of documents shall include electronic documents; (vi) one request for disclosure pursuant to the Texas Rules of Civil Procedure. Any discovery not specifically provided for in this paragraph, whether to parties or non-parties, shall not be permitted. The arbitrator(s) shall be required to state in a written opinion all facts and conclusions of law relied upon to support any decision rendered. No arbitrator will have authority to render a decision that contains an outcome determinative error of state or federal law, or to fashion a cause of action or remedy not otherwise provided for under applicable state or federal law. Any dispute over whether the arbitrator(s) has failed to comply with the foregoing will be resolved by summary judgment in a court of law. In all other respects, the arbitration process will be conducted in accordance with the American Arbitration Association's dispute resolution rules or other mutually agreeable, arbitration service rules. The party initiating arbitration shall pay all arbitration costs and arbitrator's fees, subject to a final arbitration award on who should bear costs and fees. All proceedings shall be conducted in Dallas, Texas, or another mutually agreeable site. Each party shall bear its own attorneys fees, costs and expenses, including any costs of experts, witnesses and/or travel, subject to a final arbitration award on who should bear costs and fees. The duty to arbitrate described above shall survive the termination of this Agreement. Except as otherwise provided above, the


parties hereby waive trial in a court of law or by jury. All other rights, remedies, statutes of limitation and defenses applicable to claims asserted in a court of law will apply in the arbitration.

Section 9.15 General Rules of Construction. For all purposes of this Agreement and the Exhibits and Schedules delivered pursuant to this Agreement: (i) the terms defined in Article I have the meanings assigned to them in Article I and include the plural as well as the singular; (ii) all accounting terms not otherwise defined herein have the meanings assigned under GAAP; (iii) all references in this Agreement to designated “Articles,” “Sections” and other subdivisions are to the designated Articles, Sections and other subdivisions of the body of this Agreement; (iv) pronouns of either gender or neuter will include, as appropriate, the other pronoun forms; (v) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; (vi) “or” is not exclusive; (vii) “including” and “includes” will be deemed to be followed by “but not limited to” and “but is not limited to, “respectively; (viii) any definition of or reference to any law, agreement, instrument or other document herein will be construed as referring to such law, agreement, instrument or other document as from time to time amended, supplemented or otherwise modified; and (ix) any definition of or reference to any statute will be construed as referring also to any rules and regulations promulgated thereunder.

IN WITNESS HEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized officers as of the day and year first above written.


**HIGHLAND CAPITAL MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its general partner

  
By: \_\_\_\_\_  
Name: James Dondero  
Title: President

**NEXPOINT ADVISORS, L.P.**

By: NexPoint Advisors GP, LLC, its general partner

  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Annex A**

**Shared Services**

**Compliance**

General compliance  
Compliance systems

**Facilities**

Equipment  
General Overhead  
Office Supplies  
Rent & Parking

**Finance & Accounting**

Book keeping  
Cash management  
Cash forecasting  
Credit facility reporting  
Financial reporting  
Accounts payable  
Accounts receivable  
Expense reimbursement  
Vendor management

**HR**

Drinks/snacks  
Lunches  
Recruiting

**IT**

General support & maintenance (OMS, development, support)  
Telecom (cell, phones, broadband)  
WSO

**Legal**

Corporate secretarial services  
Document review and preparation  
Litigation support  
Management of outside counsel

**Marketing and PR**

Public relations

**Tax**

Tax audit support  
Tax planning  
Tax prep and filing

**Investments**

Investment research and recommendations on an ad hoc basis as requested

	Valuation Committee
<u>Trading</u>	Trading desk services
<u>Operations</u>	Trade settlement

## **EXHIBIT 30**

001007




CLERK, U.S. BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS

**ENTERED**

THE DATE OF ENTRY IS ON  
THE COURT'S DOCKET

The following constitutes the ruling of the court and has the force and effect therein described.

Signed August 11, 2020

  
United States Bankruptcy Judge

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	)	Chapter 11
	)	
HIGHLAND CAPITAL MANAGEMENT, L.P.,	)	Case No. 19-34054 (SGJ)
	)	
Debtor.	)	

**ORDER ON MOTION FOR CLARIFICATION OF RULING [DE # 914] AND  
THE JOINDERS THERETO [DE ## 915 & 927]**

Before this court is a Motion for Clarification of Ruling [DE # 914], filed August 3, 2020, by an entity known as CLO Holdco, Ltd. ("Movant"). The Motion for Clarification of Ruling has been joined in by the so-called NexPoint Entities [DE # 915] and NexBank [DE # 927] (the "Joinder Parties").

**I. Context for the Motion for Clarification of Ruling**

On July 8, 2020, the Official Committee of Unsecured Creditors ("UCC") filed a Motion to Compel Production [DE # 808], seeking document discovery (specifically, electronically



stored information, *i.e.*, “ESI”) from nine different employees (custodians of records) of Highland Capital Management, L.P. (the “Debtor”). Three of these nine employees are in-house lawyers employed by the Debtor. By way of background, back in January of this year, the Debtor and the UCC entered into an Agreed Order (to avert appointment of a Trustee) encompassing, among other things, a compromise and stipulation whereby the Debtor granted standing to the UCC to pursue estate claims and causes of action (“Estate Causes of Action”) and waived attorney-client privilege with regard to the UCC as to any documents that might be related to these Estate Causes of Action.

Notably, there is just one Debtor in Chapter 11, although the Debtor has approximately 2,000 affiliates or related parties within its huge business organization. For ease of reference, these 2,000 or so entities will be referred to as “Highland Non-Debtor Entities.” The Movant and the Joinder Parties are Highland Non-Debtor Entities. For avoidance of doubt, the court is making no finding regarding which Highland Non-Debtor Entities would technically be “affiliates,” as defined in the Bankruptcy Code or other law, or not. Suffice it to say that the overall organization of Highland Non-Debtor Entities is byzantine, and in many situations there are several layers of separation between the Debtor and Highland Non-Debtor Entities. For example, it has been represented on past occasions that the Movant is a Cayman Island entity with layers of other Cayman Island entities in its ownership structure, but it is managed by the Debtor and its assets are part of a charitable “DAF,” the ultimate beneficiaries of which are certain Highland Foundations whose President is James Dondero, the founder and former CEO of the Debtor.

It is noteworthy that the Debtor and the Highland Non-Debtor Entities essentially share employees, including shared in-house lawyers. These shared employees are employees of the



Debtor. Under various “shared services agreements,” the Debtor’s inhouse legal department provides legal advice to these thousands of Highland Non-Debtor Entities on an as-needed basis. The court generally understands that there is not any segregation of employees of the Debtor that represent each of these Highland Non-Debtor Entities. Rather, it has been represented to the court that the Debtor maintains a centralized pool, and whomever can perform the service for a Highland Non-Debtor Entity does so. The Debtor and Highland Non-Debtor Entities also share “IT” including shared servers for emails and other documents. Thus, documents of the separate Highland Non-Debtor Entities are in some or all cases on the Debtor’s servers, in the Debtor’s employees’ files, and generally available to the Debtor’s personnel.

## **II. Objections of Highland Non-Debtor Entities to the UCC’s Motion to Compel Production**

Well over one dozen Highland Non-Debtor Entities objected to the UCC Motion to Compel (as did the Debtor), arguing that they should each be given a separate and independent opportunity to review all documents possibly related to them and to decide what is relevant, responsive, and privileged.

To be clear, these Highland Non-Debtor Entities—some of whom may very well be the subject/targets of Estate Causes of Action—argued that some of the documents that might be in the in-house lawyers’ possession, custody, or control might be subject to individual privileges of the individual Highland Non-Debtor Entities, notwithstanding that such entities essentially chose to commingle their data with that of the Debtor, to share in-house counsel with the Debtor, to co-office with the Debtor, to share employees with the Debtor, and to generally allow the Debtor to provide many of its services. They believe they have a separate ability to review documents in the Debtor’s possession before they are produced to the UCC.

## **III. The Court’s Oral Ruling**

The court orally approved a protocol on July 21, 2020 for document production (granting in large part the UCC's Motion to Compel Production). The court overruled most of the Highland Non-Debtor Entities' objections. The protocol that the court orally approved (which was *mostly* negotiated with, and agreed to, by the Debtor) will work substantially like this:

1. All ESI from the nine custodians would be delivered to a vendor called Meta-e Discovery, a member of the UCC whom the Debtor retained to serve as the host for ESI produced by the Debtor.
2. The court understood that there is a batch of 800,000 emails that the Debtor had already identified (*i.e.*, narrowed down) from the universe of ESI as potentially *relevant* to the subject-area of Estate Causes of Action, using search terms already agreed to between the Debtor and the UCC (*i.e.*, agreed to, so as to narrow production down to relevant documents). The Debtor and the UCC are endeavoring to further narrow down that group of 800,000 emails by agreeing to certain additional search terms aimed at ferreting out *privileged* documents (presumably this means privileged communications of either (i) the Debtor, or (ii) the various Highland Non-Debtor Entities, whose objections the court overruled, that might have nothing to do with Estate Causes of Action). If the Debtor and the UCC cannot agree on privilege-ferreting search terms, a third-party neutral will resolve this. The court approved a special procedure for three uniquely situated objecting entities—Atlas/Rand, MGM, and CCS—such that they get to do their own separate review of documents pertaining to them, to potentially withhold anything they believe is uniquely privileged or confidential as to any of those three entities (notably, these entities do not receive legal advice from the in-house lawyers).

3. The UCC may later present different/broader search terms to the Debtor aimed at searching the ESI further for more documents relevant to the Estate Causes of Action. Assuming the Debtor agrees to those search terms, the same privilege search term protocol process (plus special review rights of Atlas/Rand, MGM, and CCS) set forth in #2 applies. If there is no agreement on the broader search terms aimed at relevant documents, the dispute will be presented to the court.
4. A special review process requested by the Debtor was approved by the court with regard to the three in-house lawyers: Scott Ellington, Isaac Leventon, and Tom Surgent. All of their responsive documents that would otherwise be produced, after applying both the relevance-limiting search terms and the privilege-limiting search terms, *will be reviewed by the Debtor's counsel (or contract counsel for the Debtor) before any production of those three individuals' documents to the UCC can occur*. Thus, there is an extra layer of privilege protection for these three lawyers, and there will be rolling production so as not to delay production too much. The Debtor will produce non-privileged files and will create a privilege log for documents withheld on the basis of privilege.
5. There were separate agreements regarding designating documents as “confidential” or “highly confidential”—prominent among them was an agreement that all of the parties who objected to the ESI dispute would be parties and have the protections of a Protective Order negotiated between the Debtor and the UCC and approved by the court in January 2020.

IV. **Clarification of the Court's Ruling**

In addressing the Movant's and Joinder Parties' Motion for Clarification of Ruling, the court responds as follows. The court believes that the protocol set forth above is a balanced approach and will sufficiently safeguard privileges (of either the Debtor—as to documents not related to Estate Causes of Action—or as to Highland Non-Debtor Entities—as to documents that may be uniquely privileged as to them) for a myriad of reasons.

A. The Prospect of Many Communications Involving the In-house Lawyers not Truly Being for the Purpose of Obtaining/Providing Legal Assistance.

First, as is well known, the attorney-client privilege protects communications between attorneys and clients from compelled disclosure whenever a communication satisfies the following elements: it must be “(1) a communication (2) made between privileged persons (3) in confidence (4) for the purpose of obtaining or providing legal assistance for the client.” *In re Teleglobe Commc'ns Corp.*, 493 F.3d 345, 359 (3d Cir. 2007), and on remand, 392 B.R. 561, 588-89 (Bankr. D. Del. 2008). It bears emphasizing that a communication is only privileged if it is made “for the purpose of obtaining or providing legal assistance for the client.” *Id.*

As the court indicated at the hearing, the court is assuming (based on what it has learned in past court proceedings in this case and in the Acis bankruptcy case) that there may be many instances when there were communications involving in-house counsel that were not made for the purpose of obtaining or providing legal assistance. For instance, in this case and in the Acis bankruptcy case, in-house lawyers sometimes seemed to act as business advisors or business representatives of the Debtor and the Highland Non-Debtor entities. Business advice and other similar communications are not privileged just because those communications were made by a lawyer.

B. The Prospect of In-house Counsel Engaging in Co-Client Representation.

Second, the court is assuming that there may be many instances where in-house counsel engaged in co-client or joint-client representation (again, based on what the court has heard in the past regarding numerous intercompany transactions). Thus, where in-house attorneys were jointly representing co-clients (*e.g.*, the Debtor and other Highland Non-Debtor Entities) on a matter of common interest, documents will be discoverable. *See* TEX. R. EVID. 503(d)(5). The Debtor can see these documents related to joint representation, and the UCC is standing in the shoes of the Debtor now, vis-à-vis documents that might be related to Estate Cause of Action. A follow up point is noteworthy here: certainly, when former co-clients are adverse in litigation contexts, “the default rule is that all communications made in the course of the joint representation are discoverable.” *Teleglobe*, 493 F.3d at 366. The court considers the current scenario of the bankruptcy of the Debtor, and the UCC investigating Estate Causes of Action against Highland Non-Debtor Entities, to be an adverse litigation context.

C. The Other In-house Counsel Documents.

This court acknowledges that communications between an in-house lawyer and a Highland Non-Debtor Entity, outside the scope of a joint representation or common interest with Highland, may be, and may remain, protected as privileged. The court also acknowledges that courts, as a general proposition, typically do not construe the mere sharing of communications within the corporate family (or sharing of in-house counsel among members of a corporate organization) as a waiver of privilege. However, the court also believes that this principle is not absolute. Just as *Garner v. Wolfenbarger*, 430 F.2d 1093 (5th Cir.1970), *cert. denied*, 401 U.S. 974 (1971), allows shareholders of a corporation to invade the corporation’s privilege in order to prove fiduciary breaches by those in control of the corporation upon showing “good cause,” hypothetically, there could be a situation here where the UCC makes a good faith showing that it

is appropriate to invade a Highland Non-Debtor Entity's privilege, if there were fiduciary breaches by those in control of the Debtor and of the Highland Non-Debtor Entities. *See* TEX. R. EVID. 503(d)(3). The court also hastens to add that attorney-client privilege melts away in the face of serious wrongdoing facilitated by an attorney through the crime/fraud exception. *See* TEX. R. EVID. 503(d)(1).

\* \* \* \* \*

These are complex issues. *The court is not opining or making a finding on anything at this juncture.* The court simply found, on July 21, 2020, that *the protocol described above provides balanced, adequate safeguards, under all the facts and circumstances* that have been presented to the court. Not only does it seem to provide adequate safeguards, but it avoids the unwieldy, expensive, and time-consuming process (proposed by the Highland Non-Debtor Entities) of having potentially dozens upon dozens of lawyers review documents for privilege.

**V. Oral Comments on Which Movant and Joinder Parties Sought Clarification**

The court stated the following during the hearing (see Transcript, DE # 897, at p. 70):

2       ... But I have been strongly persuaded in  
3       everything I've heard today that there is a very strong chance  
4       with regard to most of these entities that share legal counsel  
5       with Highland, and share IT, and servers that we have had a  
6       waiver of privilege, we have common interest privilege, joint  
7       privilege, something of that regard to have impaired their  
8       privilege arguments. So I'm just throwing that out there for  
9       the benefit of everyone as far as future disputes that there  
10      might be.

Again, the court is not opining or making a finding on anything at this juncture. The court simply found the protocol proposed/approved will provide balanced and adequate safeguards, under all the facts and circumstances that have been presented to the court. The court was also expressing some guidance on where it was leaning as far as the likely challenges the Highland Non-Debtor Entities might be facing in holding back documents it believes are privileged. The court fully appreciates that “waiver” of attorney-client privilege is a tough hurdle. The court spoke somewhat interchangeably about “joint privilege,” “common interest privilege,” and “waiver.” These are each unique doctrines. It appears quite likely that many documents are going to be subject to a joint client privilege. And, of course, the Debtor has waived the attorney-client privilege as to its own documents that relate to Estate Causes of Action. The court is not making any finding, but merely has observed that there is likely a large universe of documents for which there will be no privilege protection and the universe may be even wider, depending on what develops in the future.

## **VI. Conclusion**

In closing, the court adds that it has wondered more and more since the hearing, whether the three in-house lawyers—Ellington, Leventon, and Surgent—and other inhouse lawyers are still advising both the Debtor and the Highland Non-Debtor Entities. If so, the court hopes the Independent Directors and newly appointed CEO will analyze (or have thoroughly analyzed) this. To put it mildly, it seems like an ethical minefield. How can they go forward advising Highland Non-Debtor Entities that are potential targets of avoidance actions belonging to the estate? Counsel to a debtor in possession (inclusive of in-house counsel) owes its allegiance to the bankruptcy estate. *In re Grabill Corp.*, 113 B.R. 966 (Bankr. N.D. Ill. 1990) (noting counsel for a corporation owes duty to corporation and not principals). But a lawyer has fiduciary duties

to all clients, obviously. How is this going to be navigated in Chapter 11, in a situation where certain Non-Debtor Highland Entities are targets? Are the three in-house lawyers representing the Non-Debtor Highland Entities in any capacity at this stage? Were they the ones who engaged and instructed the outside lawyers representing the Movant and the Joinder Parties? Surely (hopefully) they are not calling the shots (*i.e.*, advising the Highland Non-Debtor Entities) on resisting production. If so, this is problematic, since this all has consequences for the estate, which is supposed to be cooperating with the UCC to enable it to investigate potential Estate Causes of Action and recoveries to the estate such as preference and fraudulent transfer actions. In addition, what if in-house counsel assisted one or more of the clients (Debtor or Highland Non-Debtor Entities) in undertaking certain transactions that are being investigated as actionable/avoidable?

This could escalate to problematic territory in a hurry. *The court trusts the Debtor's independent directors and new CEO are scrutinizing the issue of in-house lawyers potentially advising both the Debtor and Highland Non-Debtor Entity targets.* The court expects to discuss this in future hearings.

**### END OF ORDER ###**



## **EXHIBIT 31**

001018

HIGHLAND CAPITAL  
MANAGEMENT

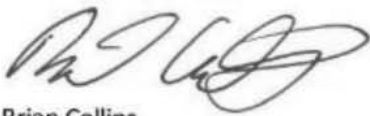
May 21, 2018

Ajit Jain  


Ajit,

Effective May 16, 2018, your employment will transfer from Highland Capital of New York, Inc. to Highland Capital Management, L.P. All terms of your employment will remain the same under the new entity.

Sincerely,



Brian Collins  
Director of Human Resources

## **EXHIBIT 32**

001020

February 28, 2020

Jean-Paul Sevilla



Dear Jean-Paul:

I'm pleased to inform you that effective February 28, 2020, your title and role with Highland Capital Management, L.P. is Co-Head of Private Equity and Assistant General Counsel.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Collins".

Brian Collins  
Director of Human Resources  
Highland Capital Management, L.P.

## **EXHIBIT 33**

001022

**HIGHLAND FUNDS I****Supplement dated April 24, 2019 to the Summary Prospectus for  
Highland Long/Short Healthcare Fund (the “Fund”)  
and the Highland Funds I Prospectus (the “Prospectus”),  
each dated October 31, 2018, as supplemented from time to time**

This supplement provides new and additional information beyond that contained in the Summary Prospectus and the Prospectus and should be read in conjunction with the Summary Prospectus and the Prospectus. Capitalized terms and certain other terms used in this supplement, unless otherwise defined in this supplement, have the meanings assigned to them in the Summary Prospectus and the Prospectus.

1. Effective April 8, 2019, BNY Mellon replaced State Street Bank and Trust Company (“State Street”) as Custodian of each of the series of Highland Funds I included in the Prospectus (the “Funds”). Accordingly, effective immediately, the following changes shall be made the Prospectus.
  - a. On page 91 of the Prospectus, the information under the heading “Custodian” is hereby deleted and replaced with the following:  
  
BNY Mellon  
240 Greenwich Street  
New York, New York 10286
  - b. All other references to State Street as custodian to the Funds are hereby removed from the Prospectus.
2. Effective immediately, Andrew Hilgenbrink will no longer serve as a portfolio manager for the Fund. All references to Mr. Hilgenbrink contained in the Fund’s Summary Prospectus and the Prospectus are hereby deleted.
3. Effective immediately, Nate Burns has been added as a portfolio manager for the Fund. Accordingly, effective immediately, the following changes are made to the Summary Prospectus and the Prospectus.
  - a. The sub-section entitled “Portfolio Management” within the summary section of the Prospectus for the Fund is hereby deleted in its entirety and replaced with the following:

Highland Capital Management Fund Advisors, L.P. serves as the investment adviser to the Fund. The primary individual portfolio managers for the Fund are:

<u>Portfolio Managers</u>	<u>Portfolio Manager Experience in this Fund</u>	<u>Title with Adviser</u>
James Dondero	Less than 1 year	President and Co-Founder
Nate Burns	Less than 1 year	Managing Director

- b. Effective immediately, the following paragraph is added to the section entitled “Long/Short Healthcare Fund” under the heading “Management of the Funds – About the Funds’ Portfolio Managers – Portfolio Manager Biographies” on page 61 of the Prospectus:

**Mr. Burns** is a Managing Director at Highland and a Portfolio Manager with the Adviser. Prior to joining Highland in 2013, he was an Associate at Ripplewood Holdings, a global private equity firm focused on control-oriented buyout, distressed and special situation investments. Prior to joining Ripplewood, he was an Analyst in the Global Technology Mergers & Acquisitions group at Lehman Brothers. Mr. Burns serves on the Board of Directors of Oasis I Limited. Mr. Burns received a B.S. in Analytical Finance and Economics, summa cum laude, from Wake Forest University and an MBA, with Honors and Distinction, from Columbia Business School. Mr. Burns has also earned the right to use the Chartered Financial Analyst designation.

**INVESTORS SHOULD RETAIN THIS SUPPLEMENT WITH THE SUMMARY PROSPECTUS AND THE PROSPECTUS  
FOR FUTURE REFERENCE**

HFI-PRO-SUPP2-0419

## **EXHIBIT 34**

001024

**Trey Parker****Compensation and Benefit Statement**

Job Title: Partner and Co-Chief Investment Officer

Department: Research

**EARNINGS AND AWARDS**

2018 Base Salary (as of 12/31/18)

**Effective March 1, 2019, your new title will be: Partner, Co-Head of Private Equity**

2018 Combined Performance and Retention Bonus (breakdown below):

2018 Performance Cash Bonus Award

- The Performance Bonus will be paid on March 25, 2019 as an award for your 2018 performance

2018 Retention Bonus Award

- A Retention Bonus of will be paid on each of the following date(s) as an employee retention incentive: August 30, 2019, February 28, 2020, August 31, 2020

2018 Other Awards

401(k) Match

Estimated 2018 Profit Sharing (will be contributed in 2019)

\*Final profit sharing award subject to passing IRS mandated testing

**2018 Total Earnings and Awards****HIGHLAND PAID BENEFITS**

Medical &amp; Dental Insurance

Life, AD&amp;D and Disability Insurance

Executive Long Term Disability

Executive Life Insurance

Daily Catered Lunches

Parking

Cell Phone

**2018 Estimated Total Value of Highland Paid Benefits****TOTAL COMPENSATION PACKAGE**

001025

ACL-080630



## **EXHIBIT 35**

---

**From:** Katie Irving <KIrving@HighlandCapital.com>  
**Sent:** Tuesday, March 03, 2020 10:05 AM  
**To:** David Klos; James Mills; Will Duffy  
**Cc:** Tim Cournoyer; JP Sevilla  
**Subject:** Terrestar  
**Attachments:** Fwd: 2.29.20 Draft TerreStar Valuation

Morning gents – would you please send me/direct me to any other info you have on TerreStar (counsel communications or opinions to support the valuation), etc? I have the attached Houlihan report, and link to the financials (below). Thank you.

G:\Valuation\Team Britain\TerreStar Pfd\2020\01. January

KATIE IRVING, CPA



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
D: 972.419.2566 | O: 972.628.4100 | F: 972.628.4147  
[KIrving@hcmlp.com](mailto:KIrving@hcmlp.com) | [www.hcmlp.com](http://www.hcmlp.com)

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**From:** JP Sevilla <JSevilla@HighlandCapital.com>  
**Sent:** Monday, March 02, 2020 1:25 PM  
**To:** Katie Irving  
**Subject:** Fwd: 2.29.20 Draft TerreStar Valuation  
**Attachments:** image002.jpg; ATT00001.htm; Terrestar 2.29.20 Draft.pdf; ATT00002.htm

For discussion

JP Sevilla  
917.434.0323

Begin forwarded message:

**From:** Will Duffy  
**Date:** March 2, 2020 at 12:18:18 CST  
**To:** Tim Cournoyer , JP Sevilla  
**Cc:** Valuation Team , Cameron Baynard  
**Subject:** 2.29.20 Draft TerreStar Valuation

Tim / JP –

Please find the draft 2/29 TerreStar valuation attached.

The equity mark movement was driven by an updated probability from Smitty, our subject matter expert at DLA Piper, from 25% to 51% regarding the FCC overturning the initial denial of the extension of the 1.4 Ghz Band license.

See page 14 for the enterprise value conclusion.

TerreStar	1/31 Mark	2/29 Mark	Mark Change	% Change
Term Loan	99.8	99.8	0.0	0.0%
Equity	280.05	301.75	21.7	7.2%

Please let us know if you have any comments.

**Will Duffy | Valuation Analyst**

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# TerreStar Corporation

Valuation Analysis as of February 29, 2020

Preliminary Draft | For Discussion Purposes Only

Confidential

March 2, 2020

001029

**Valuation Summary**

Valuation Summary

(dollars in millions, except per share values)

Security Name	Total Outstanding	Highland Ownership <sup>1,2</sup>	Concluded Value Range (% of Par)		Concluded Value Range (\$mm)			Concluded Per Share Fair Value Range <sup>3</sup>		
			Low	Mid	Low	Mid	High	Low	Mid	High
			99.6%	99.8%	--	\$91.5	\$91.7	--	\$91.9	
Tranche A Loans	\$227.0	\$91.9								
Concluded Equity Value Range										
Common Equity		21.18%	\$466.5	--	\$496.5	--	\$526.5	\$98.8	\$105.2	\$111.5
Aggregate Value to Highland Capital					\$190.4	--	\$196.9	--	\$203.4	
								\$283.52	\$301.75	\$319.98

1. Represents accrued principal balance held by Highland Capital as of 2/29/2020.  
2. Based on ownership of number of shares. Per information provided by Highland Capital.  
3. Based on 348,583 TerreStar shares outstanding owned by Highland Capital.

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# Comparison Versus Prior Valuation

(dollars in millions)

TerreStar Assumptions	Current Valuation as of 2/29/2020			Prior Valuation as of 1/31/2020			Notes / Comments
	Low	Mid	High	Low	Mid	High	
Cost of Equity	14.0%	--	16.0%	15.0%	--	17.0%	Decreased 1.0% from prior valuation
<b>Equity Valuation</b>							
Total Enterprise Value	\$693.0	\$723.0	\$753.0	\$657.0	\$687.0	\$717.0	Increased \$36.0 million from prior valuation
Debt		227.0			227.0		Remained flat from prior valuation
Cash		0.5			0.8		Decreased \$0.3 million from prior valuation
Equity Value	\$466.5	\$496.5	\$526.5	\$430.8	\$460.8	\$490.8	Increased \$35.7 million from prior valuation
Equity Value to Highland	\$98.8	\$105.2	\$111.5	\$91.3	\$97.6	\$104.0	Increased \$7.6 million from prior valuation
Share Price	\$283.52	\$301.75	\$319.98	\$261.82	\$280.05	\$298.28	Increased 7.7% from prior valuation
<b>Debt Valuation</b>							
Tranche A Loans							
% of Par	99.6%	99.8%	100.0%	99.6%	99.8%	100.0%	
Value to Highland	\$91.5	\$91.7	\$91.9	\$91.5	\$91.7	\$91.9	Remained flat from prior valuation

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**Debt Valuation**



Debt Valuation Summary

(dollars in millions)

Security Name	Principal Balance <sup>1</sup>	Concluded Mark Range	Concluded Value Range
Tranche A Loans	\$91.9	99.6% -- 100.0%	\$91.5 -- \$91.9

1. Represents accrued principal balance held by Highland Capital as of 2/29/2020.

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## Background Information - Tranche A Debt

### Summary of Key Terms

<b>Details:</b>	\$119.1 million Senior Secured Term Loan (the "Tranche A Debt"). Originally \$238.1 million Senior Secured Term Loan, with \$119.1 million converting to equity on 4/1/2015.
<b>Borrower:</b>	TerreStar Corporation
<b>Guarantors:</b>	Motient Communications LLC, Motient Holdings Inc., MVH Holdings Inc., 2014 AWS Spectrum Partnership, LP, 2014 AWS Spectrum Bidco Corporation
<b>Security:</b>	First priority lien and security interest in and to all of respective Collateral of the Loan Parties
<b>Maturity Date:</b>	February 28, 2022
<b>Cash Interest Rate:</b>	None
<b>Payment In Kind Interest Rate:</b>	11.0% monthly
<b>Amortization:</b>	None until maturity.
<b>Mandatory Prepayment:</b>	Subject to Excess Cash Flow Sweep

Sources: Senior Secured Credit Agreement dated February 27, 2015 (the "Credit Agreement"), Amended and Restated Promissory Note Agreement (the "Promissory Note Agreement").

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Discounted Cash Flow Analysis - At Reference Date - Tranche A (Fixed)

(dollars in millions)

<b>Input:</b>	
Days in Year Convention	360
Day Count Convention	Quarterly
Payment Frequency	11.00%
PIK Rate	0.00%
Cash Margin	4/30/2015
Last Coupon Payment Date	11.56%
Internal Rate of Return (IRR)	

<b>Breakdown of Yield:</b>	
Total Yield Calibration at Reference Date	0.00%
PIK Interest Margin	11.00%
Cash Interest Margin	0.00%
Implied Total Yield at Reference Date	11.00%

Note: Certain periods hidden for presentation purposes only.											
Cash Margin	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Cash Interest Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PIK Interest	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Implied Total Yield at Reference Date	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Discount Rate	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Beginning Principal	119.1	119.1	120.2	128.1	142.9	159.4	177.9	198.5	200.3	202.1	202.1
Cash Interest Payment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PIK Interest	0.0	1.1	1.1	1.2	1.3	1.5	1.6	1.8	1.8	1.8	1.6
Accrued PIK Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal Payment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ending Principal	119.1	120.2	121.3	129.2	144.2	160.9	179.5	200.3	202.1	203.7	203.7
Cash Flow	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	203.7
Days	30	30	30	270	630	990	1,350	1,710	1,740	30	26
Cumulative Days	30	30	60	270	630	990	1,350	1,710	1,740	1,766	1,766
Years	0.08	0.17	0.17	0.75	1.75	2.75	3.75	4.75	4.83	4.91	4.91
Discount Factor @ 11.00% Implied Total Yield	0.99	0.98	0.98	0.92	0.83	0.74	0.66	0.59	0.59	0.58	0.58
Present Value @ 11.00% Implied Total Yield	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	119.1
Total Present Value @ 11.00% Implied Total Yield (Dirty)	119.1	119.1	119.1	119.1	119.1	119.1	119.1	119.1	119.1	119.1	119.1
Less: Accrued Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Clean Value	119.1	119.1	119.1	119.1	119.1	119.1	119.1	119.1	119.1	119.1	119.1
Percentage of Par (Clean)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Implied Total Yield	Total	
	Present Value (Clean)	Percentage of Par Value (Clean)
11.0%	119.1	100.0%
		IRR
		11.56%

Source: Senior Secured Term Loan Credit Agreement dated as of February 27, 2015 and filed "Tstar- Fourth Amendment Credit Agreement". Except as set forth in the engagement letter, this Report is solely for the use of the Company only for the purpose stated in the Engagement Letter and may not be given to, or used by, any other person or entity without the express written consent of Houlihan Lokey. Neither the contents of this Report nor the fact that Houlihan Lokey prepared this Report will preclude Houlihan Lokey, or any of its affiliates, from advising the portfolio company, or its respective creditors, equity holders or other affiliates in matters that are not directly related to the scope of the engagement letter.

Discounted Cash Flow Analysis - At Valuation Date - Tranche A (Fixed)

(dollars in millions)

<b>Input:</b>	
Days in Year Convention	360
Day Count Convention	30
PIK Rate	11.00%
Cash Margin	0.00%
Last Coupon Payment Date	2/1/2020
Internal Rate of Return (IRR)	11.68%

<b>Breakdown of Yield:</b>	
Yield Calibration at Reference Date	0.00%
Changes in Yield since Reference Date	0.10%
Total Incremental Yield at Valuation Date	11.00%
PIK Interest Margin	0.00%
Cash Interest Margin	0.00%
Implied Total Yield at Valuation Date	11.10%

		Note: Certain periods hidden for presentation purposes only.									
		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total Cash Interest Rate</b>		<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>PIK Interest</b>		<b>11.00%</b>	<b>11.00%</b>	<b>11.00%</b>	<b>11.00%</b>	<b>11.00%</b>	<b>11.00%</b>	<b>11.00%</b>	<b>11.00%</b>	<b>11.00%</b>	<b>11.00%</b>
<b>Implied Total Yield at Valuation Date</b>		<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>
<b>Discount Rate</b>		<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>	<b>11.10%</b>
		2/29/2020	3/1/2020	4/1/2020	5/1/2020	6/1/2020	7/1/2020	8/1/2020	2/1/2022	2/28/2022	
Beginning Principal		225.0	227.0	227.0	229.1	231.2	233.4	235.5	277.5	280.1	
Cash Interest Payment		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PIK Interest		2.0	0.1	2.1	2.1	2.1	2.1	2.2	2.5	2.5	
Accrued PIK Interest		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal Payment		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Ending Principal		227.0	227.0	229.1	231.2	233.4	235.5	237.6	280.1	282.6	
Cash Flow			0.0	0.0	0.0	0.0	0.0	0.0	0.0	282.6	
Days	1	30	30	30	30	30	30	30	30	29	
Cumulative Days	1	31	61	91	121	151	181	211	241	270	
Years		0.00	0.09	0.17	0.25	0.34	0.42	0.50	0.58	0.66	
Discount Factor @ 11.10% Implied Total Yield		1.00	0.99	0.98	0.97	0.96	0.95	0.94	0.93	0.92	
<b>Present Value @ 11.10% Implied Total Yield</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>226.5</b>	

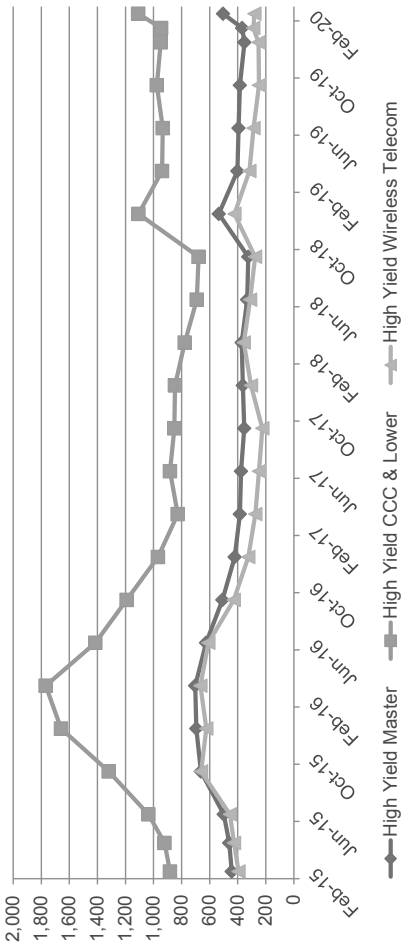
<b>Total Present Value @ 11.10% Implied Total Yield (Dirty)</b>	<b>226.5</b>
<b>Less: Accrued Interest</b>	<b>0.0</b>
<b>Total Clean Value</b>	<b>226.5</b>
<b>Percentage of Par (Clean)</b>	<b>99.8%</b>

	Total		Percentage of
	Present Value (Clean)	Par Value (Clean)	
Implied Total Yield			IRR
11.00%	227.0	100.0%	11.57%
11.05%	226.8	99.9%	11.63%
11.10%	226.5	99.8%	11.68%
11.15%	226.3	99.7%	11.74%
11.20%	226.1	99.6%	11.79%

Source: Senior Secured Term Loan Credit Agreement dated as of February 27, 2015 and file titled "Tstar- Fourth Amendment Credit Agreement". Except as set forth in the engagement letter, this Report is solely for the use of the Company only for the purpose stated in the Engagement Letter and may not be given to, or used by, any other person or entity without the express written consent of Houlihan Lokey. Neither the contents of this Report nor the fact that Houlihan Lokey prepared this Report will preclude Houlihan Lokey, or any of its affiliates, from advising the portfolio company, or its respective creditors, equity holders or other affiliates in matters that are not directly related to the scope of the engagement letter.

TerreStar Corporation

Comparable Debt Indices Summary - Tranche A Debt



High Yield Master			High Yield CCC & Lower			High Yield Wireless Telecom		
OAS	YTM		OAS	YTM		OAS	YTM	
2/27/2015	443	6.35%	882	10.67%		394	5.76%	
4/16/2015	461	6.38%	921	10.95%		426	5.88%	
6/30/2015	500	6.94%	1036	12.16%		456	6.42%	
9/30/2015	662	8.22%	1319	14.61%		661	8.14%	
12/31/2015	695	8.94%	1658	18.32%		624	8.26%	
3/31/2016	703	8.60%	1768	19.04%		666	8.39%	
6/30/2016	626	7.57%	1415	15.25%		609	7.50%	
9/30/2016	509	6.66%	1191	13.24%		429	6.02%	
12/31/2016	421	6.46%	968	11.70%		325	5.65%	
3/31/2017	385	6.12%	827	10.50%		275	4.97%	
6/30/2017	377	6.10%	883	11.10%		249	4.88%	
9/30/2017	354	5.95%	851	10.84%		225	4.85%	
12/31/2017	363	6.20%	847	11.02%		305	5.68%	
3/31/2018	372	6.56%	777	10.60%		357	6.38%	
6/23/2018	333	6.40%	691	10.04%		312	6.13%	
9/23/2018	325	6.51%	679	10.12%		277	5.88%	
12/24/2018	535	8.10%	1107	13.81%		423	6.93%	
3/24/2019	403	6.75%	939	12.11%		316	5.91%	
6/23/2019	395	6.42%	935	11.70%		287	5.29%	
9/23/2019	384	6.23%	976	12.00%		248	4.86%	
12/24/2019	353	6.03%	949	11.97%		252	5.06%	
1/24/2020	368	6.00%	946	11.87%		289	5.25%	
2/28/2020	504	6.48%	1109	12.42%		281	4.34%	

Δ From 1/24/2020

Origination Date (2/27/2015)

Conversion Date (4/16/2015)

Prior Valuation Date (1/24/2020)

61 bps

43 bps

136 bps

0.13%

0.10%

0.48%

Δ From 1/24/2020

227 bps

188 bps

163 bps

1.75%

1.47%

0.55%

Δ From 1/24/2020

-113 bps

-145 bps

-8 bps

-1.42%

-1.54%

-0.91%

Source: Bank of America Merrill Lynch.

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TerreStar Corporation

Comparable Debt Summary<sup>1</sup>

Issuer Name	DISH DBS Corporation		DISH DBS Corporation
Security Level	Senior Unsecured		Senior Unsecured
Security Type	Corporate Debentures		Corporate Debentures
Offering Amount	2,000		1,100
Offering Date	9/22/2011		7/29/2013
Offering Yield	6.88%		5.13%
Price (4/16/2015) (%)	108.000		102.857
Yield-to-Worst (%)	5.204		4.507
Current Price (2/28/2020) (%)	103.551		100.274
Yield-to-Worst (%)	3.795		3.357
Change Since Conversion Date (4/16/2015)			
Price (%)	(4.4)		(2.6)
Yield-to-Worst (%)	(1.4)		(1.2)
Coupon	6.75%		5.13%
Coupon Type	Fixed		Fixed
Maturity Date	6/1/2021		5/1/2020
Rating (S&P)	B-		B-
Ratings Date	12/5/2018		12/5/2018
S&P Status	Negative		Negative
Latest Data as of:	12/31/2019		12/31/2019
Cash & Cash Equivalents	2,860.3		2,860.3
Total Debt	14,282.3		14,282.3
Net Debt	11,422.0		11,422.0
Total Preferred	0.0		0.0
LTM EBITDA	2,516.5		2,516.5
LTM Interest Expense	23.7		23.7
Total Debt / LTM EBITDA	5.7x		5.7x
Net Debt / LTM EBITDA	4.5x		4.5x
EBITDA / Interest Expense	106.2x		106.2x

1. Figures obtained from Capital IQ.

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Capital Structure Summary

(dollars in millions)

Enterprise Value<sup>1</sup> 723.0

As of 1/31/2019	Interest Rate <sup>2</sup>	Maturity Date <sup>2</sup>	Outstanding Balance	Net Loan-to-Value
Tranche A Debt	1% PIK	2/28/2022	225.0	31.0%
Total Debt			225.0	31.0%

Less: Cash and Cash Equivalents as of 1/31/2019

0.5

Total Net Debt	224.5
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- 1. Based on midpoint of estimated TEV as of 2/29/2020.
- 2. Per Credit Agreement.

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**Equity Valuation**



**Equity Valuation Summary***(dollars in millions)*

	Weighting <sup>1</sup>	Low	High
1.4 GHz Valuation		\$205.0	\$230.0
1.7 GHz Valuation		\$475.0	\$504.0
NOL Valuation <sup>2</sup>		\$25.1	\$25.5
Sum of the Parts (Rounded)	70%	\$705.0	\$760.0
<b>Recent Transactions<sup>3</sup></b>			
Implied Enterprise Value from A&M / Och-Ziff Transactions (Rounded)	5%	\$365.0	\$365.0
Implied Enterprise Value from Solus Transaction (Rounded)	10%	\$761.0	\$761.0
Implied Enterprise Value from L-Band Fund II, LP Transaction (Rounded)	15%	\$771.0	\$771.0
<b>Implied Enterprise Value Range (Rounded)</b>		<b>\$693.0</b>	<b>\$753.0</b>
Less: Interest-Bearing Debt as of 2/29/2020 <sup>4</sup>		\$227.0	\$227.0
Add: Cash and Cash Equivalents as of 1/31/2019		\$0.5	\$0.5
<b>Implied Total Equity Value Range</b>		<b>\$466.5</b>	<b>\$526.5</b>
Percentage of the Company Total Equity represented by Highland Capital Management <sup>5</sup>		21.18%	21.18%
<b>Implied Value Range of the Interest</b>		<b>\$98.8</b>	<b>\$111.5</b>

1. We have been directed by Highland to use the weightings shown for each valuation indication.

2. The Company expects to be able to utilize existing net operating loss carryforwards and other tax assets in the event of a sale. The present value of these tax assets has been considered based on projected expiration and usage provided by Company management.

3. See Recent Transactions schedule.

4. Represents accrued Tranche A principal outstanding as of 2/29/2020.

5. Provided by Company management.

Note: Weightings are as of September 24, 2019 per James Mills email.

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## Guideline Transaction Analysis

001043

Guideline Transaction Analysis Summary

(dollars in millions)

1.4 GHz Spectrum Class	MHz POPS <sup>1</sup>	Selected \$/MHz POP Range	Indicated Value Range	Less: DE Discount Amount <sup>2</sup>	TerreStar Ownership <sup>3</sup>	Indicated Pro Forma Value Range (Rounded)
1.4 GHz - Pre-Waiver Denial		\$0.120 -- \$0.130				
Less: Discount <sup>4</sup>		31.9% -- 29.4%				
1.4 GHz - Post-Waiver Denial	2,504.0	\$0.082 -- \$0.092	\$204.8 -- \$229.8	\$0.0	100%	\$205.0 -- \$230.0
1.7 GHz Spectrum Class						
1.7 GHz	587.6	\$0.900 -- \$0.950	\$528.8 -- \$558.2	\$48.7	99%	\$475.0 -- \$504.0

1. 1.4 GHz MHz-Pop implied based on September 2014 sale of West Face's equity per file named "TerreStar SOP Valuation 03.2015.xlsx." 1.7 GHz MHz-Pop per FCC Auction 97 data.
2. The designated entity discount of \$97.3 million arising from the bidding for the 1.7 GHz spectrum in FCC Auction 97 must be repaid if sold within a 5 year period based on an amortization schedule provided by by TerreStar. As of the 2/29/2020 valuation date, \$48.7 million of the designated entity discount remains unamortized.
3. Per Company management, TerreStar owns 99% of the subsidiary that acquired the 1.7 GHz spectrum assets as limited partner.
4. On October 10, 2017, the FCC issued a formal denial to the Waiver Request filed by TerreStar Corporation regarding the extension of its licenses in the 1.4 GHz Band. On November 9, 2017, TerreStar entered into a formal appeal process through the Federal Communications Commission. The discount range reflects third party expert counsel's best estimate as to the probability of TerreStar ultimately forfeiting the 1.4 GHz Spectrum after the appeal and litigation process has been exhausted and was determined as follows:

- Probability of FCC overturning the initial denial per TerreStar's request:51.0%51.0%

- Probability of successful DC Circuit Court appeal if FCC does not overturn the initial denial:35.0%40.0%

- Probability of recovering 1.4GHz Spectrum:68.2%70.6%

- Implied Discount:31.9%29.4%

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Recent Transactions Summary

TerreStar Corporation

A&M Transaction		Och-Ziff Transaction		Solus Transaction		L-Band Fund II, LP Transaction	
Date	March 14, 2018	March 16, 2018	March 16, 2018	July 3, 2018	December 7, 2018	L-Band Fund II, LP, a New Non-Affiliated Family Office Fund Advised by Jarvinian on a Non-Discretionary Basis	
Buyer	Solus, Highland, Jarvinian (Existing TerreStar Shareholders)	TerreStar		Solus		Highland	
Seller	Alvarez & Marsal as Crusader Fund Advisor	Och-Ziff		Highland			
Per Share Price	\$114.00	\$114.00		\$350.00		\$350.00	
Shares Sold	191,000	96,106		71,428		65,591	
Total Purchase Price (\$ millions)	\$21.774	\$10.956		\$25,000		\$22.957	
Funding	Cash Transaction	Issued New Debt to Fund Share Repurchase		Cash Transaction		Cash Transaction	
Board Representation	Seller - No Buyers - Yes	Seller - No Buyers - Yes		Seller - Yes Buyer - Yes		Seller - Yes Buyer - Yes (through Jarvinian)	
Access to TerreStar Management	Seller - Yes Buyers - Yes	Seller - No Buyers - Yes		Seller - Yes Buyer - Yes		Seller - Yes Buyer - Yes (through Jarvinian)	
Access to TerreStar's FCC Counsel	Seller - Yes Buyers - Yes	Seller - No Buyers - Yes		Seller - Yes Buyer - Yes		Seller - Yes Buyer - Yes (through Jarvinian)	

**Summary**

In August 2016, the Crusader Fund, which had been in liquidation since 2008, replaced Highland as its investment adviser with Alvarez & Marsal with a mandate to liquidate the portfolio. As of March 2018, A&M had liquidated most of Crusader's positions and was actively marketing the two remaining positions. Highland believes that A&M lacked expertise regarding the TerreStar spectrum assets and, as a minority shareholder without a board seat, did not utilize TerreStar management or TerreStar's FCC Counsel's view on the probability of recovery of the 1.4 GHz Spectrum that was forfeited to the FCC in October 2017. Highland, as a limited partner in the Crusader Fund, received a monthly report from A&M in October 2017 that indicated a significant decline in A&M's valuation of the TerreStar shares from the prior month, which Highland believes was the result of A&M's assumption that the 1.4 GHz spectrum would not be recovered. On the contrary, the buyers (Solus, Highland and Jarvinian - which is TerreStar's management) held board seats, were long time shareholders and utilized TerreStar's FCC counsel and expert opinion on the recoverability of the 1.4 GHz spectrum.

Och-Ziff had been a long time minority shareholder and, in the first half of 2017, experienced turnover of its investment team resulting in new oversight over the TerreStar investment and, Highland believes, a lack of interest in the TerreStar position. Och-Ziff contacted the significant shareholders of TerreStar to exit its position, and became aware of the Crusader transaction in March 2018. Och-Ziff subsequently conducted a Bids Wanted in Competition ("BWIC") with a four day marketing period to sell the shares. TerreStar's board of directors, comprising representatives from Highland, Solus and an independent third party, determined that it would submit a discounted offer given the recent transaction with Crusader, and Highland believes that TerreStar's \$114 bid was the only bid received. Similar to A&M, as a minority shareholder without a board seat, Och-Ziff did not access TerreStar's FCC Counsel's view on the probability of recovery of the 1.4 GHz Spectrum that was forfeited to the FCC in October 2017.

Funds advised by Solus, a long time majority shareholder, acquired \$25 million of TerreStar shares from a fund advised by Highland on July 3, 2018. Both Highland and Solus have board representation at TerreStar and access to management and TerreStar's FCC counsel.

Highland sold \$23 million of TerreStar shares at a purchase price of \$350 per share to a family office fund advised by Jarvinian (the spectrum consultant that manages TerreStar) on a non-discretionary basis. The family office would represent a new investor without any previous affiliation with TerreStar.

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Recent Transactions

(millions except per share value)

A&M / Och Ziff Transactions March 14 & 16, 2018		Solus Transaction July 3, 2018		L-Band Fund II, LP December 7, 2018	
Per Share Price	\$114.00	Per Share Price	\$350.00	Per Share Price	\$350.00
Shares Outstanding	1,740	Shares Outstanding	1,644	Shares Outstanding	1,644
Implied Total Equity Value	\$198,319	Implied Total Equity Value	\$575,236	Implied Total Equity Value	\$575,236
Less: Cash as of 2/28/18	0.193	Less: Cash as of 6/30/18	0.123	Less: Cash as of 11/30/18	1.191
Add: Debt as of 2/28/18	167,300	Add: Debt as of 6/30/18	186,067	Add: Debt as of 11/30/18	197,064
Implied Total Enterprise Value	\$365,426	Implied Total Enterprise Value	\$761,181	Implied Total Enterprise Value	\$771,109

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Guideline Transaction Analysis Summary - 1.7 GHz Spectrum - B1 Block From FCC Auction 97

(dollars in actuals)

Market <sup>1</sup>	MHz POPS	Price Paid <sup>2</sup>	\$ / MHz POP
NYC-Long Is. NY-NJ-CT-PA-MA-VT	266,633,300	\$281,183,250	\$1.05
LA-Riverside-Orange Cnty CA-AZ	198,009,370	181,695,000	\$0.92
Chicago-Gary-Kenosha IL-IN-WI	107,581,180	121,141,500	\$1.13
San Fran.-Oakland-San Jose CA	97,591,080	91,853,250	\$0.94
Wash.-Balt. DC-MD-VA-WV-PA	95,159,210	73,922,250	\$0.78
Dallas-Fort Worth TX-AR-OK	90,927,050	92,186,250	\$1.01
Boston-Worcester MA-NH-RV-VT	82,289,300	73,341,000	\$0.89
Phil.-Atl. City PA-NJ-DE-MD	77,355,410	77,331,000	\$1.00
Houston-Galveston-Braxoria TX	69,497,090	47,499,000	\$0.68
Detroit-Ann Arbor-Flint MI	68,277,260	61,473,000	\$0.90
Atlanta GA-AL-NC	66,905,950	63,943,500	\$0.96
Miami-Fort Lauderdale FL	62,918,800	18,408,750	\$0.29
Minneapolis-St. Paul MN-WI-IA	48,953,910	31,460,250	\$0.64
Seattle-Tacoma-Bremerton WA	46,866,690	47,513,250	\$1.01
Denver-Boulder CO-KS-NE	46,852,030	36,540,000	\$0.78
Cleveland-Akron OH-PA	45,834,080	17,730,000	\$0.39
Orlando FL	45,626,420	49,218,750	\$1.08
Phoenix-Mesa AZ-NM	43,516,440	30,543,000	\$0.70
Puerto Rico-US Virgin Islands	38,321,940	4,109,250	\$0.11
St. Louis MO-IL	36,902,630	13,630,500	\$0.37
Indianapolis IN-IN	33,355,900	13,161,750	\$0.39
Portland-Salem OR-WA	33,116,770	15,946,500	\$0.48
San Diego CA	30,953,130	19,179,750	\$0.62
Pittsburgh PA-WV	29,124,970	7,395,350	\$0.25
Nashville TN-KY	28,562,960	11,136,000	\$0.39
Tampa-St. Petersburg FL	27,832,430	16,083,750	\$0.58
Sacramento-Yolo CA	27,224,150	4,697,250	\$0.17
Kansas City MO-KS	26,932,650	4,310,250	\$0.16
San Antonio TX	26,509,710	10,746,000	\$0.41
Columbus OH	25,947,340	8,247,750	\$0.32
Salt Lake City-Ogden UT-ID	25,581,280	10,533,750	\$0.41
Charlotte-Gastonia NC-SC	25,461,000	6,614,250	\$0.26
Las Vegas NV-AZ-UT	24,039,360	11,740,500	\$0.49
Milwaukee-Racine WI	23,436,220	11,070,750	\$0.47
Cincinnati-Hamilton OH-KY-IN	23,151,210	0	\$0.00
Raleigh-Durham-Chapel Hill NC	23,075,480	6,500,250	\$0.28
Jacksonville FL-GA	22,170,130	5,146,500	\$0.23
Greensboro-Winston-Salem NC-VA	20,379,660	2,714,250	\$0.13
Memphis TN-AR-MS-KY	20,012,230	5,711,250	\$0.29
Grand Rapids-Muskegon MI	19,622,500	1,883,250	\$0.10
Lexington KY-TN-VA-WV	19,364,860	2,438,250	\$0.13
Syracuse NY-PA	19,223,000	2,196,000	\$0.11
Oklahoma City OK	18,820,870	3,538,500	\$0.19
Norfolk-Virginia Beach VA-NC	18,358,700	3,339,750	\$0.18
Austin-San Marcos TX	18,302,060	3,437,250	\$0.19

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TerreStar Corporation  
Guideline Transaction Analysis Summary - 1.7 GHz Spectrum - B1 Block From FCC Auction 97

(dollars in actuals)

Market <sup>1</sup>	MHz POPS	Price Paid <sup>2</sup>	\$ / MHz POP
Des Moines IA-IL-MO	17,550,210	\$2,623,500	\$0.15
Little Rock AR	17,195,700	1,986,000	\$0.12
Birmingham AL	16,922,330	3,182,250	\$0.19
Fresno CA	16,764,760	2,201,250	\$0.13
Richmond-Petersburg VA	16,365,480	2,315,250	\$0.14
New Orleans LA-MS	16,221,430	2,222,250	\$0.14
Louisville KY-IN	15,587,770	1,844,250	\$0.12
Rochester NY-PA	15,095,790	1,425,750	\$0.09
Jackson MS-AL-LA	14,848,060	1,008,750	\$0.07
Tulsa OK-KS	14,781,650	1,628,250	\$0.11
Buffalo-Niagara Falls NY-PA	14,605,840	3,318,000	\$0.23
Greenville-Spartanburg SC-NC	13,928,160	1,659,750	\$0.12
Honolulu HI	13,603,010	420,000	\$0.03
Toledo OH	12,794,180	3,207,750	\$0.25
McAllen-Edinburg-Mission TX	12,640,910	884,250	\$0.07
Harrisburg-Lebanon-Carlisle PA	12,440,580	2,229,000	\$0.18
Albany-Schenectady-Troy NY	12,225,420	1,046,250	\$0.09
Wichita KS-OK	12,100,180	1,281,750	\$0.11
Charleston WV-KY-OH	11,918,220	1,230,000	\$0.10
Tucson AZ	11,590,290	923,250	\$0.08
Omaha NE-IA-MO	11,307,680	513,000	\$0.05
Dayton-Springfield OH	11,223,140	1,220,250	\$0.11
El Paso TX-NM	11,120,360	1,252,500	\$0.11
Knoxville TN	11,061,200	836,250	\$0.08
Huntsville AL-TN	11,054,090	1,493,250	\$0.14
Albuquerque NM-AZ	10,788,910	1,009,500	\$0.09
Columbia SC	10,592,540	969,000	\$0.09
Wilmington NC-SC	10,549,750	1,232,250	\$0.12
Madison WI-IL-IA	10,194,650	1,334,250	\$0.13
Springfield MO	9,874,310	930,750	\$0.09
Elkhart-Goshen IN-MI	9,540,290	764,250	\$0.08
Fort Myers-Cape Coral FL	9,402,740	2,223,750	\$0.24
Spokane WA-ID	9,322,900	1,055,250	\$0.11
Greenville NC	9,308,050	459,000	\$0.05
Sarasota-Bradenton FL	8,971,210	1,233,000	\$0.14
Roanoke VA-NC-WV	8,823,280	849,750	\$0.10
Evansville-Henderson IN-KY-IL	8,784,330	1,492,500	\$0.17
Eugene-Springfield OR-CA	8,593,180	590,250	\$0.07
Macon GA	8,444,290	586,500	\$0.07
Baton Rouge LA-MS	8,357,830	1,038,000	\$0.12
State College PA	8,087,300	1,581,000	\$0.20
Tallahassee FL-GA	8,016,420	939,000	\$0.12
Richland-Kennewick-Pasco WA	7,973,360	478,500	\$0.06
Chattanooga TN-GA	7,971,540	968,250	\$0.12
Savannah GA-SC	7,960,550	912,000	\$0.11

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Guideline Transaction Analysis Summary - 1.7 GHz Spectrum - B1 Block From FCC Auction 97

(dollars in actuals)

Market <sup>1</sup>	MHz POPS	Price Paid <sup>2</sup>	\$ / MHz POP
Reno NV-CA	7,865,010	\$1,455,000	\$0.18
Portland ME	7,845,940	562,500	\$0.07
Fort Wayne IN	7,486,800	636,000	\$0.08
Boise City ID-OR	7,289,930	282,750	\$0.04
Mobile AL	7,249,560	1,152,000	\$0.16
Anchorage AK	7,102,310	199,500	\$0.03
Charleston-North Charleston SC	7,034,990	734,250	\$0.10
Green Bay WI-MI	6,873,920	1,119,750	\$0.16
Pensacola FL	6,848,560	746,250	\$0.11
Augusta-Aiken GA-SC	6,586,790	406,500	\$0.06
Champaign-Urbana IL	6,448,650	513,750	\$0.08
Lafayette LA	6,387,880	465,000	\$0.07
Tupelo MS-AL-TN	6,337,720	328,500	\$0.05
Burlington VT-NY	6,252,860	457,500	\$0.07
Johnson City-Kingsport TN-VA	6,092,990	390,000	\$0.06
Shreveport-Bossier City LA-AR	5,917,590	529,500	\$0.09
Corpus Christi TX	5,719,870	477,750	\$0.08
Fayetteville NC	5,718,980	453,000	\$0.08
Davenport-Moline IA-IL	5,599,350	1,287,750	\$0.23
Sioux Falls SD-IA-MN-NE	5,586,470	114,750	\$0.02
Hickory-Morgantown NC-TN	5,582,910	378,750	\$0.07
Lake Charles LA	5,558,380	342,000	\$0.06
Bangor ME	5,437,670	255,750	\$0.05
Peoria-Pekin IL	5,341,590	1,329,750	\$0.25
Columbus GA-AL	5,325,080	363,250	\$0.07
Fayetteville AR-MO-OK	5,273,740	303,750	\$0.06
Springfield IL-MO	5,209,820	1,732,500	\$0.33
Erie PA	5,138,340	1,725,750	\$0.34
Asheville NC	5,122,000	522,750	\$0.10
Amarillo TX-NM	5,116,350	513,000	\$0.10
Montgomery AL	5,076,130	498,750	\$0.10
Albany GA	4,962,060	226,500	\$0.05
Wausau WI	4,949,920	600,000	\$0.12
Topeka KS	4,763,220	487,500	\$0.10
Flagstaff AZ-UT	4,747,740	196,500	\$0.04
Appleton-Oshkosh-Neenah WI	4,695,660	567,000	\$0.12
Casper WY-ID-UT	4,677,970	327,750	\$0.07
Beaumont-Port Arthur TX	4,606,660	356,250	\$0.08
Billings MT-WY	4,520,400	216,750	\$0.05
Missoula MT	4,477,710	280,500	\$0.06
Cedar Rapids IA	4,268,810	305,250	\$0.07
Odessa-Midland TX	4,266,310	390,750	\$0.09
Salisbury MD-DE-VA	4,193,550	87,000	\$0.02
Biloxi-Gulfport-Pascagoula MS	4,110,660	225,750	\$0.05
Lincoln NE	4,103,390	627,750	\$0.15

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TerreStar Corporation  
**Guideline Transaction Analysis Summary - 1.7 GHz Spectrum - B1 Block From FCC Auction 97**

(dollars in actuals)

Market <sup>1</sup>	MHz POPS	Price Paid <sup>2</sup>	\$ / MHz POP
Lubbock TX	4,066,280	\$463,500	\$0.11
Columbia MO	4,063,500	705,750	\$0.17
Fargo-Moorhead ND-MN	4,002,740	183,750	\$0.05
Idaho Falls ID-WY	3,650,560	245,250	\$0.07
Redding CA-OR	3,616,520	513,000	\$0.14
Staunton VA-WV	3,608,860	279,750	\$0.08
Dothan AL-FL-GA	3,583,960	337,500	\$0.09
Fort Smith AR-OK	3,561,010	200,250	\$0.06
Duluth-Superior MN-WI	3,541,820	162,750	\$0.05
Rochester MN-IA-WI	3,417,100	289,500	\$0.08
Monroe LA	3,384,160	235,500	\$0.07
Wheeling WV-OH	3,128,370	351,750	\$0.11
Jonesboro AR-MO	3,113,120	165,000	\$0.05
Traverse City MI	3,030,410	516,000	\$0.17
Pueblo CO-NM	2,917,840	114,000	\$0.04
Grand Island NE	2,879,270	162,000	\$0.06
Joplin MO-KS-OK	2,805,050	148,500	\$0.05
Santa Fe NM	2,742,640	137,250	\$0.05
Northern Michigan MI	2,651,250	331,500	\$0.13
La Crosse WI-MN	2,573,760	320,250	\$0.12
Sioux City IA-NE-SD	2,520,090	581,250	\$0.23
Paducah KY-IL	2,309,240	189,000	\$0.08
Rapid City SD-MT-NE-ND	2,300,860	87,000	\$0.04
Abilene TX	2,255,380	207,750	\$0.09
Grand Forks ND-MN	2,225,710	51,000	\$0.02
Farmington NM-CO	2,217,600	97,500	\$0.04
Greenville MS	2,148,720	132,750	\$0.06
Guam-Northern Mariana Islands	2,132,410	69,000	\$0.03
San Angelo TX	2,120,860	162,000	\$0.08
Hobbs NM-TX	2,096,060	89,250	\$0.04
Pendleton OR-WA	2,095,680	201,000	\$0.10
Bismarck ND-MT-SD	1,869,620	65,250	\$0.03
Twin Falls ID	1,857,900	147,750	\$0.08
Great Falls MT	1,649,850	66,000	\$0.04
Western Oklahoma OK	1,426,440	57,750	\$0.04
Minot ND	1,164,390	19,500	\$0.02
Scottsbluff NE-WY	915,710	213,000	\$0.23
Aberdeen SD	795,410	34,500	\$0.04
North Platte NE-CO	615,920	145,500	\$0.24
American Samoa	555,190	6,300	\$0.01
<b>Total</b>	<b>3,128,464,920</b>	<b>1,698,740,150</b>	<b>\$0.54</b>
<b>Top 50 Markets</b>	2,331,376,190	1,614,799,850	\$0.69
<b>Other Markets</b>	797,088,730	83,940,300	\$0.11
<b>TerreStar Positions - Net of DE Discount</b>	<b>587,575,090</b>	<b>291,910,100</b>	<b>\$0.50</b>
<b>Implied TerreStar Positions - Before DE Discount</b>	<b>587,575,090</b>	<b>389,213,467</b>	<b>\$0.66</b>

1. Highlighted markets are owned by TerreStar.
2. Listed price paid is net of designated entity discounts, except for Implied TerreStar Positions - Before DE Discount.

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Illustrative DISH Implied Spectrum Valuation

(dollars in millions, except per share values)

DISH Stock Price as of February 28, 2020 <sup>1</sup>	\$33.52			
Common Shares Outstanding <sup>2</sup>	523.0			
Dilutive Shares <sup>2</sup>	0.1			
Fully Diluted Shares	523.2			
<b>Market Value of Equity</b>	<b>\$17,536.7</b>			
Add: Debt <sup>2</sup>	14,282.3			
Less: Minority Interest <sup>2</sup>	551.6			
Less: Cash and Cash Equivalents <sup>2</sup>	2,860.3			
<b>Market Enterprise Value</b>	<b>\$29,510.3</b>			
DBS 2019 EBITDA <sup>3</sup>				
Illustrative EV/EBITDA Multiple Range Based on DISH Research Reports				
Implied DBS Enterprise Value				
	Low	Mid	High	
	\$2,348.9	\$2,348.9	\$2,348.9	
	5.0x	4.0x	3.0x	
	\$11,744.4	\$9,395.5	\$7,046.6	
Implied Spectrum Value				
Less: 600 MHz Spectrum Acquired 2017 <sup>4</sup>	\$17,765.9	\$20,114.8	\$22,463.7	
Implied Spectrum Value (Excluding 600 MHz Spectrum Acquired 2017)	6,211.0	6,211.0	6,211.0	
Implied Spectrum Value (Excluding 600 MHz Spectrum Acquired 2017) <sup>4</sup>	\$11,554.9	\$13,903.8	\$16,252.7	
MHz POP (Excluding 600 MHz Spectrum Acquired 2017) <sup>4</sup>	23,631.0	23,631.0	23,631.0	
<b>Implied \$ / MHz POP Range as of February 28, 2020 (Excluding 600 MHz Spectrum Acquired 2017)</b>	<b>\$0.49</b>	<b>\$0.59</b>	<b>\$0.69</b>	
Average DISH \$ / MHz POP Purchase Price (Excluding 600 MHz Spectrum Acquired 2017) <sup>4</sup>	\$0.65	\$0.65	\$0.65	
<b>Implied \$ / MHz POP Value Accretion/(Dilution) From Purchase Price</b>	<b>(25.1%)</b>	<b>(9.9%)</b>	<b>5.3%</b>	
TerreStar Gross Purchase Price (\$ / MHz POP) for 1.7 GHz Spectrum (excluding DE Discount)	\$0.66	\$0.66	\$0.66	
<b>1.7 GHz Implied Valuation</b>	<b>\$0.50</b>	<b>\$0.60</b>	<b>\$0.70</b>	
<i>Implied Market Value of Total Spectrum (Including 600 MHz Spectrum Acquired 2017)</i>	<i>\$0.61</i>	<i>\$0.69</i>	<i>\$0.77</i>	
<b>Wall Street Research Price Target (\$ / MHz POP)<sup>5</sup></b>				
Morgan Stanley Research Report Total Spectrum Value as of 1/9/2020				
Barclays Research Report Total Spectrum Value as of 1/16/2020				
RBC Capital Markets Research Report Total Spectrum Value as of 11/7/2019				
	Total	Comparison		
	\$ / MHz POP Estimate	Low	Mid	High
	\$0.47	-23%	-32%	-39%
	\$0.60	-1%	-13%	-22%
	\$0.90	48%	31%	17%
	Low	-23%	-32%	-39%
	High	48%	31%	17%
	Median	-1%	-13%	-22%
	Mean	8%	-5%	-15%

1. As of February 28, 2020.

2. Per DISH Network Corporation's Form 10-K for the period ended December 31, 2019.

3. Per Bloomberg as of February 28, 2020, the median FY2019 consensus estimate for the digital broadcast satellite business operated by DISH Network Corporation.

4. Per Jefferies research report dated September 25, 2017.

5. Estimated average \$ / MHz POP value of DISH's spectrum portfolio, per Wall Street Research.

Source: Bloomberg, Capital IQ, DISH research reports.

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Guideline Transaction Analysis Summary - 1.4 GHz Spectrum

(dollars in actuals)

FCC Auction 69 (April 2007)

Buyer	MHz POPS	Price Paid	\$ / MHz POP
Port LLC (Exhostar)	1,148,000,000	\$57,500,000	\$0.05
CCTV (Harbinger)	1,137,000,000	66,100,000	\$0.06
Total	2,285,000,000	123,600,000	\$0.05

September 2014 Arms-Length Transaction

Seller	MHz POPS <sup>1</sup>	Price Paid	\$ / MHz POP
West Face Equity	700,122,892	\$88,000,000	\$0.13

2015 European Transactions

Italian Government Auction 1.4 GHz<sup>2</sup>

\$521,372,481

\$0.214

German Government Auction 1.5 GHz<sup>3</sup>

\$373,483,261

\$0.113

1. At the time of the West Face transaction, there was a \$31.2 million term loan outstanding at the Company which implies an enterprise value of \$314.7 million after grossing up the \$88 million paid for 31% of the Company's equity. The MHz / Pop is calculated from the Price per MHz/ Pop derived from the implied \$314.7 million enterprise value.
2. On September 10, 2015, the Italian Government sold 40 MHz in the 1452-1492 MHz band in 2 20 MHz blocks to Telecom Italia and Vodafone for €462.3 million. This implied an average €MHz/Pop of €0.19 per a PolicyTracker.com article dated September 22, 2015. The MHz / Pop is calculated from the Price and Price per MHz/ Pop.
3. On June 19, 2015, the German Government sold 40 MHz of 1.5 GHz spectrum in eight 5 MHz blocks to Deutsche Telekom and Vodafone for €329.7 million. This implied an average €MHz/Pop of €0.10 per a Telecoms.com article dated June 22, 2015. The MHz / Pop is calculated from the Price and Price per MHz/ Pop.

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**Recent Transaction Implied \$ / MHz POP and Reference Date Analysis***(millions except per share value and \$ / MHz POP)*

<b>Implied \$ / MHz POP Analysis</b>		<i>L-Band Fund II, LP 7-Dec-18</i>
Per Share Price		\$350.00
Shares Outstanding		1,644
Implied Total Equity Value		\$575,236
Less: Cash as of 11/30/18		1,191
Add: Debt as of 11/30/18		197,064
<b>Implied Total Enterprise Value</b>		<b>\$771,109</b>
Less: Value of NOLs <sup>1</sup>		21,483
Less: 1.4 GHz - Post-Waiver Denial <sup>2</sup>		205,500
Implied Value of TerreStar 1.7 GHz Spectrum		\$544,126
TerreStar Ownership <sup>3</sup>		99%
Implied Value of Total 1.7 GHz Spectrum Class MHz POP		\$549,622
1.7 GHz Spectrum Class MHz POP		587,575
<b>Implied \$ / MHz POP for the 1.7 GHz Spectrum - Before DE Discount</b>		<b>\$0.94</b>

<b>Reference Date Analysis</b>	<b>Prior</b>		<b>Current</b>	
	Reference Date As of	Valuation Date As of	Valuation Date As of	Change from Prior Valuation Date
	11/23/2018	1/24/2020	2/28/2020	
<b>Implied \$ / MHz POP of Total DISH Spectrum (Mid)<sup>1</sup></b>	\$0.71	\$0.75	\$0.69	<b>-\$0.02</b>
				<b>-\$0.06</b>

1. See 'Tax Assets Analysis' schedule.
2. Assumes the midpoint of the discounted 1.4 GHz - Post-Waiver Denial value. See 'Guideline Transaction Analysis Summary' for detail.
3. Per Company management, TerreStar owns 99% of the subsidiary that acquired the 1.7 GHz spectrum assets as limited partner.

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**NOL Valuation**

Tax Assets Analysis

(dollars in millions)

Assumed Sale Date <sup>1</sup>	2/27/2021
Tax Asset Available to Offset Taxable Gains <sup>2</sup>	\$116.2
Tax Rate <sup>3</sup>	25.0%
Total Tax Asset Savings	\$29.1

Discount Factor	PV of Tax Savings
14.0%	\$25.5
14.5%	\$25.4
15.0%	\$25.3
15.5%	\$25.2
16.0%	\$25.1

- 1. Estimate provided by Highland and represents maturity of the debt after an assume one-year extension in 2020.
- 2. Per Highland and BDO analysis of tax attributes. We have been instructed by Highland to assume the taxable gain on any sale would exceed the tax assets available to offset such gain. As such, the full amount of available tax assets are assumed to be utilized.
- 3. Tax assumption at 25.0%, per Highland.

Source: Highland and Company management.

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**Guideline Public Company Capital Structure Statistics***(dollars in millions)*

Guideline Company	Adjusted Taxable Income <sup>1</sup>	Cost of Debt <sup>2</sup>	Implied Tax-Deduct. Debt (Dd) <sup>3</sup>	Implied Non- Tax-Deduct. Debt (Dnd) <sup>4</sup>	Total Debt <sup>5</sup>	Preferred Stock <sup>6</sup>	Equity Market Value <sup>7</sup>	Total Cap <sup>8</sup>
DISH Network Corporation	\$2,516.5	5.5%	\$13,726.1	\$556.2	\$14,282.3	\$0.0	\$19,487.2	\$33,769.5
T-Mobile US, Inc.	12,958.0	4.3%	43,534.0	0.0	43,534.0	0.0	77,970.1	121,504.1
AT&T Inc.	52,645.0	4.7%	191,684.0	0.0	191,684.0	0.0	253,650.4	445,334.4
Verizon Communications Inc.	48,203.0	4.3%	133,920.0	0.0	133,920.0	0.0	224,106.7	358,026.7
Towerstream Corporation	2.8	18.8%	4.5	34.8	39.3	0.0	0.1	39.4
Median	\$12,958.0	4.7%	\$43,534.0	\$0.0	\$43,534.0	\$0.0	\$77,970.1	\$121,504.1
Mean	\$23,265.1	7.5%	\$76,573.7	\$118.2	\$76,691.9	\$0.0	\$115,042.9	\$191,734.8

1. Assumes LTM Adjusted EBITDA is a valid proxy for Adjusted Taxable Income for the guideline public companies.

2. Based on guideline public company weighted average interest rate per most recent public filings.

3. Implied Tax-Deductible Debt = The lesser of i) 30% x Adjusted Taxable Income / Cost of Debt, or ii) Total Debt. Please note, if Adjusted Taxable Income is less than or equal to zero, or Total Debt is equal to zero then Implied Tax-Deductible Debt equals zero by default.

4. Implied Non-Tax-Deductible Debt = Total Debt minus Implied Tax-Deductible Debt.

5. Total Debt based on most recent public filing as of February 28, 2020.

6. Preferred Stock amount as stated in most recent public filing as of February 28, 2020.

7. Equity Market Value based on closing price on February 28, 2020 and on reported fully-diluted shares as of February 28, 2020.

8. Total Cap (total capitalization) is equal to Equity Market Value + Total Debt + Preferred Stock.

\*Excluded from high, low, mean and median data.

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**Weighted Average Cost of Capital Statistics**

Guideline Company	Dd to Equity Market Value	Dnd to Equity Market Value	Dd to Total Cap.	Dnd to Total Cap.	Total Debt to Total Cap	Preferred Stock to Total Cap	Equity Market Value to Total Cap	Total Debt to Equity Market Value	Pfd. Stock to Equity Market Value
DISH Network Corporation	70.4%	2.9%	40.6%	1.6%	42.3%	0.0%	57.7%	73.3%	0.0%
T-Mobile US, Inc.	55.8%	0.0%	35.8%	0.0%	35.8%	0.0%	64.2%	55.8%	0.0%
AT&T Inc.	75.6%	0.0%	43.0%	0.0%	43.0%	0.0%	57.0%	75.6%	0.0%
Verizon Communications Inc.	59.8%	0.0%	37.4%	0.0%	37.4%	0.0%	62.6%	59.8%	0.0%
Towerstream Corporation	4,398.0% *	33,962.1% *	11.4% *	88.3% *	99.7% *	0.0% *	0.3% *	38,360.2% *	0.0% *
Median	65.1%	0.0%	39.0%	0.0%	39.8%	0.0%	60.2%	66.5%	0.0%
Mean	65.4%	0.7%	39.2%	0.4%	39.6%	0.0%	60.4%	66.1%	0.0%

Guideline Company	Levered Beta <sup>1</sup>	Unlevered Beta <sup>2</sup>	Equity Risk Premium <sup>3</sup>	Size Premium <sup>4</sup>	Cost of Equity <sup>5</sup>	Cost of Debt <sup>6</sup>	Cost of Pfd. Stock <sup>7</sup>	WACC <sup>8</sup>
DISH Network Corporation	1.31	0.84	6.3%	0.6%	10.2%	5.5%	0.0%	7.6%
T-Mobile US, Inc.	0.88	0.62	6.3%	0.0%	7.0%	4.3%	0.0%	5.6%
AT&T Inc.	0.73	0.46	6.3%	0.0%	6.0%	4.7%	0.0%	4.9%
Verizon Communications Inc.	0.66	0.46	6.3%	0.0%	5.6%	4.3%	0.0%	4.7%
Towerstream Corporation	0.18 *	0.00 *	6.3%	5.4%	7.9% *	18.8% *	0.0% *	18.2% *
Median	0.80	0.54			6.5%	4.5%	0.0%	5.3%
Mean	0.89	0.60			7.2%	4.7%	0.0%	5.7%

Note: See Guideline Public Company Capital Structure Statistics page for capital structure ratio inputs.

1. Based on actual beta per Bloomberg 5-Year as of 2/28/20.
2. Based on Hamada Formula where Unlevered Beta = Levered Beta / (1 + ((1 - Tax Rate) \* Dd to Equity Market Value) + (Dnd to Equity Market Value) + (Preferred Stock to Equity Market Value)).
3. Houlihan Lokey estimate, based on review of studies measuring the historical returns between stocks and bonds, theoretical models such as supply side and demand side models and other materials.
4. Duff & Phelps Cost of Capital Navigator ("Navigator").
5. Cost of Equity = Risk Free Rate of Return + (Levered Beta \* Equity Risk Premium) + Size Premium. Risk Free Rate of Return as of Input, based on 20-year U.S. Treasury Bond Yield.
6. Based on guideline public company weighted average interest rate per most recent public filings.
7. Based on guideline public company weighted average preferred dividend per most recent public filings.
8. Weighted Average Cost of Capital (WACC) = (Cost of Debt \* (1 - Tax Rate) \* Dd to Total Cap) + (Cost of Debt \* Dnd to Total Cap) + (Cost of Equity \* Equity Market Value to Total Cap) + (Cost of Preferred \* Preferred Stock to Total Cap). See Weighted Average Cost of Capital Calculation page for Tax Rate assumption.

\*Excluded from high, low, mean and median data.

NA refers to not available.

NMF refers to not meaningful.

Source: Bloomberg, Capital IQ, public filings.

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**Weighted Average Cost of Capital Calculation***(dollars in millions)*

<b>Market Assumptions</b>		<b>Capital Structure Assumptions</b>		<b>Cost of Equity for Computed WACC</b>	
Risk-Free Rate of Return <sup>1</sup>	1.46%	Adjusted Taxable Income <sup>6</sup>	(\$0.2)	Selected Unlevered Beta <sup>11</sup>	0.84
Equity Risk Premium <sup>2</sup>	6.25%	Total Debt <sup>7</sup>	\$227.0	Computed Levered Beta <sup>12</sup>	1.39
Size Premium <sup>3</sup>	2.50%	Implied Tax-Deductible Debt (Dd) <sup>8</sup>	\$0.0	Cost of Equity <sup>13</sup>	15.2%
Nonsystematic Risk Premium <sup>4</sup>	2.50%	Implied Non-Tax-Deductible Debt (Dnd) <sup>9</sup>	\$227.0		
Tax Rate <sup>5</sup>	25.00%	Total Debt to Total Capitalization <sup>10</sup>	39.8%		
		Dd to Total Capitalization	0.0%		
		Dnd to Total Capitalization	39.8%		
		Total Debt to Equity Market Value	66.2%		
		Dd to Equity Market Value	0.0%		
		Dnd to Equity Market Value	66.2%		
		Preferred Stock to Total Capitalization <sup>10</sup>	0.0%		
		Equity Market Value to Total Capitalization <sup>10</sup>	60.2%		
		Preferred Stock to Equity Market Value	0.0%		
		Cost of Debt <sup>10</sup>	4.5%		
		Cost of Preferred Stock <sup>10</sup>	NA		
<b>Computed Cost of Equity (Rounded) <sup>13</sup></b>			<b>15.2%</b>		
<b>Selected Cost of Equity Range</b>			<b>14.00%</b>	<b>--</b>	<b>16.00%</b>

1. Risk-Free Rate of Return as of Input, based on 20-year U.S. Treasury Bond Yield.

2. Based on a review of studies measuring the historical returns between stocks and bonds, theoretical models such as supply side and demand side models and other materials.

3. Navigator.

4. Nonsystematic Risk Premium is used to adjust for issues such as key man risk, supplier or key customer risk, etc.

5. Tax assumption at 25.0%, per Highland management, to reflect preliminary assessment of the impact of the Tax Cuts and Jobs Act (the "Act") signed into law on December 22, 2017. The full impact of the Act on the Company's taxable income and tax rate was not available as of the valuation date and is subject to change.

6. Assumes Net Operating Income is a valid proxy for Adjusted Taxable Income for the Company.

7. Reflects Company Total Debt outstanding as of February 29, 2020.

8. Implied Tax-Deductible Debt = The lesser of i) 30% x Adjusted Taxable Income / Cost of Debt, or ii) Total Debt. Please note, if Adjusted Taxable Income is less than or equal to zero, or Total Debt is equal to zero then Implied Tax-Deductible Debt equals zero by default.

9. Implied Non-Tax-Deductible Debt = Total Debt minus Implied Tax-Deductible Debt.

10. Based on review of corresponding metrics of selected companies listed on Weighted Average Cost of Capital Statistics page.

11. Based on review of guideline public companies' unlevered betas listed on Weighted Average Cost of Capital Statistics page, and represents DISH Network Corporation's Unlevered Beta.

12. Based on Hamada Formula where Computed Levered Beta = Selected Unlevered Beta \* (1 + ((1 - Tax Rate) \* Dnd to Equity Market Value) + (Preferred Stock to Equity Market Value)). Based on Market and Capital Structure Assumptions.

13. Cost of Equity = Risk-Free Rate of Return + (Computed Levered Beta \* Equity Risk Premium) + Size Premium + Company Specific Risk Premium. Based on Market Assumptions.

Source: Bloomberg, Capital IQ, public filings.

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**Supporting Detail**

Supporting Transaction Summary - H Block From FCC Auction 96 (Previous Auction)

(dollars in actuals)

Market	MHz POP	Price Paid	\$MHz / POP
NYC-Long Is. NY-NJ-CT-PA-MA-VT	268,633,300	216,955,000	\$0.81
LA-Riverside-Orange Cnty CA-AZ	198,009,370	166,810,000	\$0.84
Chicago-Gary-Kenosha IL-IN-WI	107,581,180	95,973,000	\$0.89
San Fran.-Oakland-San Jose CA	97,591,080	59,804,000	\$0.61
Wash.-Balt. DC-MD-VA-WV-PA	95,159,210	56,342,000	\$0.59
Dallas-Fort Worth TX-AR-OK	90,927,050	55,477,000	\$0.61
Boston-Worcester MA-NH-R-I-VT	82,289,300	57,441,000	\$0.70
Phil.-Atl. City PA-NJ-DE-MD	77,355,410	45,463,000	\$0.59
Houston-Galveston-Brazoria TX	69,497,090	31,029,000	\$0.45
Detroit-Ann Arbor-Flint MI	68,277,260	25,230,000	\$0.37
Atlanta GA-AL-NC	66,905,950	34,459,000	\$0.52
Miami-Fort Lauderdale FL	62,918,800	39,880,000	\$0.63
Minneapolis-St. Paul MN-WI-IA	48,953,910	17,763,000	\$0.36
Seattle-Tacoma-Bremerton WA	46,866,690	17,399,000	\$0.37
Denver-Boulder CO-KS-NE	46,852,030	20,057,000	\$0.43
Cleveland-Akron OH-PA	45,834,080	10,254,000	\$0.22
Orlando FL	45,626,420	18,624,000	\$0.41
Phoenix-Mesa AZ-NM	43,516,440	19,784,000	\$0.45
Puerto Rico-US Virgin Islands	38,321,940	4,287,000	\$0.11
St. Louis MO-IL	36,902,630	11,513,000	\$0.31
Indianapolis IN-IL	33,355,900	9,698,000	\$0.29
Portland-Salem OR-WA	33,116,770	10,503,000	\$0.32
San Diego CA	30,953,130	20,554,000	\$0.66
Pittsburgh PA-WV	29,124,970	7,932,000	\$0.27
Nashville TN-KY	28,562,960	6,067,000	\$0.21
Tampa-St. Petersburg FL	27,832,430	29,687,000	\$1.07
Sacramento-Yolo CA	27,224,150	6,493,000	\$0.24
Kansas City MO-KS	26,932,650	8,254,000	\$0.31
San Antonio TX	26,509,710	9,225,000	\$0.35
Columbus OH	25,947,340	8,361,000	\$0.32
Salt Lake City-Ogden UT-ID	25,581,280	7,087,000	\$0.28
Charlotte-Gastonia NC-SC	25,461,000	7,145,000	\$0.28
Las Vegas NV-AZ-UT	24,039,360	10,295,000	\$0.43
Milwaukee-Racine WI	23,436,220	8,170,000	\$0.35
Cincinnati-Hamilton OH-KY-IN	23,151,210	6,583,000	\$0.28
Raleigh-Durham-Chapel Hill NC	23,075,480	8,189,000	\$0.35
Jacksonville FL-GA	22,170,130	7,496,000	\$0.34
Greensboro-Winston-Salem NC-VA	20,379,660	5,472,000	\$0.27
Memphis TN-AR-MS-KY	20,012,230	5,758,000	\$0.29
Grand Rapids-Muskegon MI	19,622,500	5,764,000	\$0.29
Lexington KY-TN-VA-WV	19,364,860	5,846,000	\$0.30
Syracuse NY-PA	19,223,000	7,796,000	\$0.41
Oklahoma City OK	18,820,870	6,286,000	\$0.33
Norfolk-Virginia Beach VA-NC	18,358,700	7,115,000	\$0.39
Austin-San Marcos TX	18,302,060	5,724,000	\$0.31
Des Moines IA-IL-MO	17,550,210	6,333,000	\$0.36
Little Rock AR	17,195,700	7,030,000	\$0.41
Birmingham AL	16,922,330	5,088,000	\$0.30
Fresno CA	16,764,760	4,637,000	\$0.28
Richmond-Petersburg VA	16,365,480	4,994,000	\$0.31
New Orleans LA-MS	16,221,430	6,911,000	\$0.43
Louisville KY-IN	15,587,770	4,823,000	\$0.31
Rochester NY-PA	15,095,790	5,087,000	\$0.34
Jackson MS-AL-LA	14,848,060	5,070,000	\$0.34
Tulsa OK-KS	14,781,650	5,075,000	\$0.34
Buffalo-Niagara Falls NY-PA	14,605,840	4,804,000	\$0.33
Greenville-Spartanburg SC-NC	13,928,160	6,101,000	\$0.44
Honolulu HI	13,603,010	7,062,000	\$0.52
Toledo OH	12,794,180	5,027,000	\$0.39
McAllen-Edinburg-Mission TX	12,640,910	6,491,000	\$0.51
Harrisburg-Lebanon-Carlisle PA	12,440,580	4,781,000	\$0.38
Albany-Schenectady-Troy NY	12,225,420	3,633,000	\$0.30
Wichita KS-OK	12,100,180	5,481,000	\$0.45
Charleston WV-KY-OH	11,918,220	4,596,000	\$0.39
Tucson AZ	11,590,290	6,458,000	\$0.56
Omaha NE-IA-MO	11,307,680	3,588,000	\$0.32

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Supporting Transaction Summary - H Block From FCC Auction 96 (Previous Auction)

Market	MHz POPs	Price Paid	\$MHz / POP
Dayton-Springfield OH	11,223,140	3,773,000	\$0.34
El Paso TX-NM	11,120,360	8,141,000	\$0.73
Knoxville TN	11,061,200	4,818,000	\$0.44
Huntsville AL-TN	11,054,090	4,040,000	\$0.37
Albuquerque NM-AZ	10,788,910	6,069,000	\$0.56
Columbia SC	10,592,540	4,697,000	\$0.44
Wilmington NC-SC	10,549,750	3,482,000	\$0.33
Madison WI-IL-IA	10,194,650	3,324,000	\$0.33
Springfield MO	9,874,310	3,159,000	\$0.32
Elkhart-Goshen IN-MI	9,540,290	2,990,000	\$0.31
Fort Myers-Cape Coral FL	9,402,740	3,283,000	\$0.35
Spokane WA-ID	9,322,900	5,245,000	\$0.56
Greenville NC	9,308,050	2,351,000	\$0.25
Sarasota-Bradenton FL	8,971,210	3,226,000	\$0.36
Roanoke VA-NC-WV	8,823,280	3,066,000	\$0.35
Evansville-Henderson IN-KY-IL	8,784,330	2,474,000	\$0.28
Eugene-Springfield OR-CA	8,593,180	3,875,000	\$0.45
Macon GA	8,444,290	3,415,000	\$0.40
Baton Rouge LA-MS	8,357,830	3,578,000	\$0.43
State College PA	8,087,300	2,728,000	\$0.34
Tallahassee FL-GA	8,016,420	3,993,000	\$0.50
Richland-Kennebec-Pasco WA	7,973,380	3,262,000	\$0.41
Chattanooga TN-GA	7,971,540	2,794,000	\$0.35
Savannah GA-SC	7,960,550	3,144,000	\$0.39
Reno NV-CA	7,865,010	3,162,000	\$0.40
Portland ME	7,845,940	2,573,000	\$0.33
Fort Wayne IN	7,486,800	4,033,000	\$0.54
Boise City ID-OR	7,289,930	3,773,000	\$0.52
Mobile AL	7,249,560	3,174,000	\$0.44
Anchorage AK	7,102,310	2,265,000	\$0.32
Charleston-North Charleston SC	7,034,990	2,522,000	\$0.36
Green Bay WI-MI	6,873,920	2,573,000	\$0.37
Pensacola FL	6,848,560	2,421,000	\$0.35
Augusta-Aiken GA-SC	6,586,790	2,321,000	\$0.35
Champaign-Urbana IL	6,448,650	1,915,000	\$0.30
Lafayette LA	6,387,680	2,034,000	\$0.32
Tupelo MS-AL-TN	6,337,720	1,949,000	\$0.31
Burlington VT-NY	6,252,880	2,123,000	\$0.34
Johnson City-Kingsport TN-VA	6,092,990	2,425,000	\$0.40
Shreveport-Bossier City LA-AR	5,917,590	2,969,000	\$0.50
Corpus Christi TX	5,719,870	4,551,000	\$0.80
Fayetteville NC	5,718,980	1,272,000	\$0.22
Davenport-Moline IA-IL	5,599,350	1,812,000	\$0.32
Sioux Falls SD-IA-MN-NE	5,586,470	1,722,000	\$0.31
Hickory-Morganton NC-TN	5,582,910	1,680,000	\$0.30
Lake Charles LA	5,558,380	2,199,000	\$0.40
Bangor ME	5,437,670	1,195,000	\$0.22
Peoria-Pekin IL	5,341,590	1,703,000	\$0.32
Columbus GA-AL	5,325,080	2,115,000	\$0.40
Fayetteville AR-MO-OK	5,273,740	1,819,000	\$0.34
Springfield IL-MO	5,209,820	1,762,000	\$0.34
Erie PA	5,138,340	2,730,000	\$0.53
Asheville NC	5,122,000	2,424,000	\$0.47
Anarillo TX-NM	5,116,350	3,634,000	\$0.71
Montgomery AL	5,076,130	1,731,000	\$0.34
Albany GA	4,962,060	1,856,000	\$0.37
Wausau WI	4,949,920	1,986,000	\$0.40
Topeka KS	4,763,220	1,526,000	\$0.32
Flagstaff AZ-UT	4,747,740	1,139,000	\$0.24
Appleton-Oshkosh-Neenah WI	4,695,660	2,168,000	\$0.46
Casper WY-ID-UT	4,677,970	1,491,000	\$0.32
Beaumont-Port Arthur TX	4,606,660	1,957,000	\$0.42
Billings MT-WY	4,520,400	862,000	\$0.31
Missoula MT	4,477,710	1,420,000	\$0.19
Cedar Rapids IA	4,268,810	1,471,000	\$0.34
Odessa-Midland TX	4,266,310	2,145,000	\$0.50

Confidential

Preliminary Draft | For Discussion Purposes Only

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Supporting Transaction Summary - H Block From FCC Auction 96 (Previous Auction)  
(dollars in actuals)

Market	MHz POPs	Price Paid	\$MHz / POP
Salisbury MD-DE-VA	4,193,550	1,430,000	\$0.34
Bloxi-Gulport-Pascagoula MS	4,110,660	1,660,000	\$0.40
Lincoln NE	4,103,390	3,319,000	\$0.81
Lubbock TX	4,066,280	2,499,000	\$0.61
Columbia MO	4,063,500	1,655,000	\$0.41
Fargo-Moorhead ND-MN	4,002,740	1,623,000	\$0.41
Iaño Falls ID-WY	3,650,560	1,109,000	\$0.30
Redding CA-OR	3,616,520	1,213,000	\$0.34
Staunton VA-WV	3,608,860	807,000	\$0.22
Dothan AL-FL-GA	3,583,960	1,621,000	\$0.45
Fort Smith AR-OK	3,561,010	1,235,000	\$0.35
Duluth-Superior MN-WI	3,541,820	1,103,000	\$0.31
Rochester MN-IA-WI	3,417,100	1,151,000	\$0.34
Monroe LA	3,384,160	817,000	\$0.24
Wheeling WV-OH	3,128,370	861,000	\$0.28
Jonesboro AR-MO	3,113,120	848,000	\$0.27
Traverse City MI	3,030,410	761,000	\$0.25
Pueblo CO-NM	2,917,840	1,320,000	\$0.45
Grand Island NE	2,879,270	782,000	\$0.27
Joplin MO-KS-OK	2,805,050	797,000	\$0.28
Santa Fe NM	2,742,640	998,000	\$0.36
Northern Michigan MI	2,651,250	624,000	\$0.24
La Crosse WI-MN	2,573,760	1,115,000	\$0.43
Sioux City IA-NE-SD	2,520,090	989,000	\$0.39
Paducah KY-IL	2,309,240	567,000	\$0.25
Rapid City SD-MT-NE-ND	2,300,860	914,000	\$0.40
Abilene TX	2,255,380	1,186,000	\$0.53
Grand Forks ND-MN	2,225,710	491,000	\$0.22
Farmington NM-CO	2,217,600	541,000	\$0.24
Greenville MS	2,148,720	559,000	\$0.26
Guam-Northern Mariana Islands	2,132,410	301,000	\$0.14
San Angelo TX	2,120,860	1,101,000	\$0.52
Hobbs NM-TX	2,096,060	734,000	\$0.35
Pendleton OR-WA	2,095,680	597,000	\$0.28
Bismarck ND-MT-SD	1,869,620	507,000	\$0.27
Twin Falls ID	1,857,900	619,000	\$0.33
Great Falls MT	1,649,850	572,000	\$0.35
Western Oklahoma OK	1,426,440	430,000	\$0.30
Minot ND	1,164,390	404,000	\$0.35
Scottsbluff NE-WY	915,710	418,000	\$0.46
Aberdeen SD	795,410	456,000	\$0.57
North Platte NE-CO	615,920	386,000	\$0.63
American Samoa	555,190	10,000	\$0.02
Gulf of Mexico	0	227,000	NA
Total	3,128,464,920	1,564,000,000	\$0.50
High	266,633,300	216,955,000	\$1.07
Low	0	10,000	\$0.02
Mean	17,775,369	8,886,364	\$0.39
Median	7,972,460	3,168,000	\$0.35

Except as set forth in the engagement letter, this Report is solely for the use of the Company only for the purpose stated in the Engagement Letter and may not be given to, or used by, any other person or entity without the express written consent of Houlihan Lokey. Neither the contents of this Report nor the fact that Houlihan Lokey prepared this Report will preclude Houlihan Lokey, or any of its affiliates, from advising the portfolio company, or its respective creditors, equity holders or other affiliates in matters that are not directly related to the scope of the engagement letter.

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## **EXHIBIT 36**

001063

February 28, 2020

Mary Irving



Dear Mary,

I'm pleased to inform you that effective February 28, 2020, your title and role with Highland Capital Management, L.P. is Managing Director, Distressed.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Collins", with a large, stylized flourish at the end.

Brian Collins  
Director of Human Resources  
Highland Capital Management, L.P.

## **EXHIBIT 37**

001065



February 28, 2020

Stephanie Vitiello

Dear Stephanie,

I'm pleased to inform you that effective February 28, 2020, your title and role with Highland Capital Management, L.P. is Managing Director, Distressed and Assistant General Counsel.

Sincerely,



Brian Collins  
Director of Human Resources  
Highland Capital Management, L.P.

## **EXHIBIT 38**

001067



February 28, 2020

Matthew DiOrio



Dear Matthew,

I'm pleased to inform you that effective February 28, 2020, your title and role with Highland Capital Management, L.P. is Managing Director, Private Equity.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Collins".

Brian Collins  
Director of Human Resources  
Highland Capital Management, L.P.

## **EXHIBIT 39**

001069

February 28, 2020

Isaac Leventon

Dear Isaac,

I'm pleased to inform you that effective February 28, 2020, your title and role with Highland Capital Management, L.P. is Managing Director, Distressed and Assistant General Counsel.

Sincerely,



Brian Collins  
Director of Human Resources  
Highland Capital Management, L.P.

## **EXHIBIT 40**

001071



February 28, 2020

Timothy Cournoyer



Dear Timothy,

I'm pleased to inform you that effective February 28, 2020, your title and role with Highland Capital Management, L.P. is Co-Head of Private Equity and Assistant General Counsel.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Collins".

Brian Collins  
Director of Human Resources  
Highland Capital Management, L.P.

## **EXHIBIT 41**

001073



**From:** Katie Irving <KIrving@HighlandCapital.com>  
**Sent:** Monday, April 06, 2020 4:12 PM  
**To:** James Mills; Tim Cournoyer; JP Sevilla  
**Cc:** Valuation Team  
**Subject:** RE: 3/31 TerreStar analysis

Good afternoon, this looks fine – approved. Thank you.

**From:** James Mills  
**Sent:** Monday, April 06, 2020 8:58 AM  
**To:** Tim Cournoyer ; JP Sevilla ; Katie Irving  
**Cc:** Valuation Team  
**Subject:** 3/31 TerreStar analysis

Tim / JP / Katie –

Please find the draft 3/31 TerreStar valuation attached.

The equity mark movement was driven by:

1. Updated financials – debt balance increased \$2.1M
2. Updated transaction weightings – due to the passage of time, the applicable weighting placed on the transactions from Q1 – Q2 2018 has been reduced to 0% - 10% respectively (consistent with prior quarters)

The debt mark decreased slightly due to a 0.25% increase to the applicable discount rate to account for recent changes in spreads (see page 11).

See page 16 for the enterprise value conclusion.

TerreStar	2/29 Mark	3/31 Mark	Mark Change	% Change
Term Loan	99.8	99.3	(0.5)	(0.5%)
Equity	301.75	309.44	7.69	2.5%

Please let us know if you have any comments.

As a reminder, we'll need a simple approval from one of you before incorporating these marks in the NAVs for the retail funds.

Thanks,

**James W. Mills** | Manager, Valuation



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
 O: 972.419.2570 | C: 214.796.9231 | F: 972.628.4147  
[jmills@highlandcapital.com](mailto:jmills@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

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## **EXHIBIT 42**

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

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**FORM N-CSR**

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**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-23369

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**HIGHLAND GLOBAL ALLOCATION FUND**

(Exact name of registrant as specified in charter)

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**200 Crescent Court  
Suite 700  
Dallas, Texas 75201**  
(Address of principal executive offices)(Zip code)

---

**Highland Capital Management Fund Advisors, L.P.  
200 Crescent Court  
Suite 700  
Dallas, Texas 75201**  
(Name and Address of Agent for Service)

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Registrant's telephone number, including area code: (877) 665-1287

Date of fiscal year end: September 30

Date of reporting period: September 30, 2020

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**Table of Contents****Item 1. Reports to Stockholders.**

A copy of the Annual Report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the "1940 Act"), is attached herewith.

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# Highland Global Allocation Fund

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## Annual Report September 30, 2020

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Beginning on January 1, 2021, as permitted by regulations adopted by the U.S. Securities and Exchange Commission, paper copies of the Fund's annual and semi-annual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Fund's website (highlandfunds.com), and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from a Fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you are a direct investor, by contacting the Fund's transfer agent at 1-877-665-1287.

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. If you invest directly with a Fund, you can call 1-877-665-1287 to let the Fund know you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all funds held in your account if you invest through your financial intermediary or all funds held with the fund complex if you invest directly with a Fund.

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# **Highland Global Allocation Fund**

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Table of Contents**Privacy Policy**

We recognize and respect your privacy expectations, whether you are a visitor to our web site, a potential shareholder, a current shareholder or even a former shareholder.

*Collection of Information.* We may collect nonpublic personal information about you from the following sources:

- **Account applications and other forms, which may include your name, address and social security number, written and electronic correspondence and telephone contacts;**
- **Web site information, including any information captured through the use of “cookies”; and**
- **Account history, including information about the transactions and balances in your accounts with us or our affiliates.**

*Disclosure of Information.* We may share the information we collect with our affiliates. We may also disclose this information as otherwise permitted by law. We do not sell your personal information to third parties for their independent use.

*Confidentiality and Security of Information.* We restrict access to nonpublic personal information about you to our employees and agents who need to know such information to provide products or services to you. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information, although you should be aware that data protection cannot be guaranteed.

Economic and market conditions change frequently.  
There is no assurance that the trends described in this report will continue or commence.

**A prospectus must precede or accompany this report. Please read the prospectus carefully before you invest.**



Table of Contents**PORTFOLIO MANAGER COMMENTARY (unaudited)****September 30, 2020****Highland Global Allocation Fund****Performance Overview**

For the twelve months ended September 30, 2020, the Highland Global Allocation Fund (the "Fund") experienced a total market price return of -29.23% and a total NAV return of -19.92%. The Fund's benchmark, the FTSE All World Index returned 10.90%.

**Manager Discussion**

The Fund's largest investment themes during the year included Utilities, Telecom, and Energy MLP's. TerreStar Corporation ("TerreStar"), the Fund's largest single name equity position, was one of the largest contributors to the Fund's performance. The Fund's largest detractors included Vistra and energy MLPs.

TerreStar is a privately held, nationwide licensee of wireless spectrum, an asset that most people use every day. Spectrum is the radio frequency that carries all wireless communication signals. The Federal Communications Commission (the "FCC"), which has regulatory oversight in the space, administers spectrum for non-federal use. The FCC typically sells or assigns initial wireless spectrum licenses to market participants using an auction process. Access to spectrum may also be attained through the secondary market, which allows licensees like TerreStar to transfer, sell, or lease spectrum, in whole or in part.

We believe wireless spectrum assets, in general represent significant value, as they benefit from a favorable supply-demand dynamic: there is limited available spectrum capacity in low- and mid-tier bands; yet, demand is tied to exponential growth in wireless bandwidth usage from smartphones, HD video, data, and the Internet of Things, among other technology trends. Licenses of wireless spectrum are therefore valued on potential future "rents" derived from broadband communications against spectrum scarcity and future capacity.

TerreStar's value is derived from two spectrum assets: a license for 1.7 GHz band spectrum covering 11 of the top 30 U.S. markets and approximately 19% of the population; and a license for 1.4 GHz band for use in wireless medical telemetry ("WMTS"), with the ability to expand into other areas.

Vistra, the Fund's second largest holding generated a -27.36% total return over the last year. We believe the shares continue to provide a strong total return framework going forward as underlying fundamentals remain supportive and valuation is attractive.

The Fund continues to maintain a large allocation to energy MLPs, which detracted from performance during the year. MLPs (as measured by the Alerian MLP Index, "AMZ") returned -48.42% while the Alerian Midstream Energy Index ("AMNA", a proxy for broader midstream performance including C-Corps) returned -34.89%. Notably, following the quarter end, the AMZ returned 25.30% from September 30, 2020 through November 18, 2020, as market participants welcomed positive news surrounding the development of vaccines to combat the global pandemic. The hope of an end to the pandemic and resulting recovery in global economic activity should bode well for broader energy fundamentals, bolstering the intermediate term outlook for the midstream sector.

We remain constructive on the long-term outlook for midstream energy. The US operates as a low-cost producer of oil and gas, which means that we expect US production volumes and export opportunities to rebound as the sector recovers from the impacts of the pandemic. The sector has undergone a significant transformation over the past several years towards a focus on shareholder returns, corporate simplification, returns on invested capital, and a reduction in leverage. We think this renewed focus on capital discipline combined with an improving fundamental backdrop should enable the sector to create value over time.

The Fund also uses shorts and derivatives such as options, futures and foreign currency transactions to protect from and/or to take advantage of quantifiable systematic and issuer-related risks. These derivatives had a positive impact on performance during the period.

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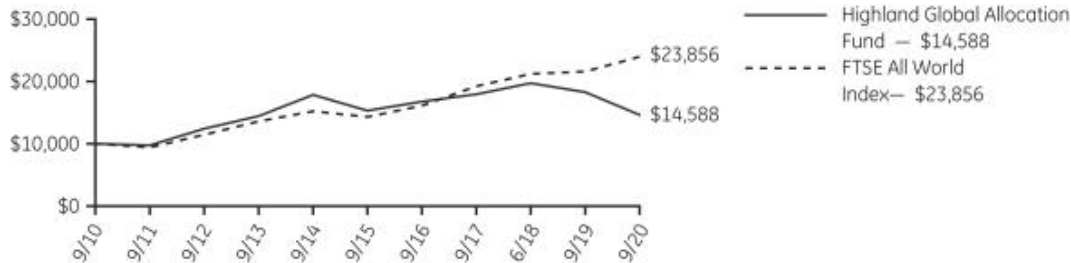
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## PORTFOLIO MANAGER COMMENTARY (unaudited) (concluded)

September 30, 2020

Highland Global Allocation Fund

Growth of Hypothetical \$10,000 Investment



Average Annual Total Returns

	1 Year	5 Year	10 Year	Since Inception
Highland Global Allocation Fund	-19.92%	-0.90%	3.85%	4.18%
FTSE All World Index	10.90%	10.87%	9.11%	6.03%

Returns shown in the chart and table do not reflect taxes that a shareholder would pay on Fund distributions or on the sale of the Fund shares.

Performance results reflect the contractual waivers and/or reimbursements of fund expenses by the Advisor. Absent this limitation, performance results would have been lower. The Expense Cap expired on January 31, 2019.

Effective on February 13, 2019, the Highland Global Allocation Fund converted from an open-end fund to a closed-end fund, and began trading on the NYSE under the symbol HGLB on February 19, 2019. The performance data presented above reflects that of Class Z shares of the Fund when it was an open-end fund, HCOYX. Month-end returns since March 2019 reflect market prices. The closed-end Fund pursues the same investment objective and strategy as it did before its conversion.

**The performance data quoted here represents past performance and is no guarantee of future results. Investment returns and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For performance data current to the most recent month-end, please visit our website at [www.highlandfunds.com](http://www.highlandfunds.com).**

Stock prices may fall or fail to rise over time for several reasons, including general financial market conditions and factors related to a specific issuer or industry. The Fund invests in growth stocks that may be more volatile because they are more sensitive to market conditions. The Fund invests in mid-cap companies which may entail greater risks and less liquidity due to narrower product lines and more limited resources than larger companies. The Fund may invest in foreign securities which may cause more volatility and less liquidity due to currency changes, political instability and accounting differences. The Fund's investments in derivatives may involve more volatility and less liquidity because of the risk that an investment may not correlate to the performance of the underlying securities.

Mutual fund investing involves risk including the possible loss of principal.

## 2 | Annual Report

Table of Contents**CONSOLIDATED FUND PROFILE (unaudited)****Highland Global Allocation Fund****Objective**

Highland Global Allocation Fund seeks to provide long-term growth of capital and future income (future income means the ability to pay dividends in the future.)

**Net Assets as of September 30, 2020**

\$205.5 million

**Portfolio Data as of September 30, 2020**

The information below provides a snapshot of Highland Global Allocation Fund at the end of the reporting period. Highland Global Allocation Fund is actively managed and the composition of its portfolio will change over time. Current and future holdings are subject to risk.

**Industry Classifications as of 09/30/20<sup>(1)</sup>**

U.S. Equity	41.5%
Non-U.S. Equity	25.3%
U.S. LLC Interest	10.3%
U.S. Senior Loans	9.1%
U.S. Master Limited Partnerships	8.4%
Non-U.S. Sovereign Bonds	7.8%
U.S. Registered Investment Companies	7.3%
Non-U.S. Asset-Backed Securities	4.5%
U.S. Rights	4.2%
U.S. Preferred Stock	2.5%
Non-U.S. Registered Investment Company	1.4%
Other (each less than 1.0%)	2.4%
Other Assets & Liabilities, Net	(24.7)%
	<u>100.0%</u>

**Top 10 Holdings as of 9/30/2020<sup>(%)</sup>(<sup>1</sup>)**

TerreStar Corporation (U.S. Equity)	27.6%
Vistra Energy Corp. (Non-U.S. Equity)	11.8%
TerreStar Corporation, Term Loan A 11.00%, 2/25/2022 (U.S. Senior Loans)	7.8%
Argentine Republic Government International Bond 2.50%, 7/9/2021 (Non-U.S. Sovereign Bonds)	7.8%
NexPoint Merger Arbitrage Fund, (U.S. Registered Investment Companies)	5.4%
Williams Cos., Inc. (Non-U.S. Equity)	5.4%
Texas Competitive Electric Holdings Co., LLC, (U.S. Rights)	4.2%
Energy Transfer LP, (U.S. Master Limited Partnerships)	4.1%
NREF OP IV, L.P., (U.S. LLC Interest)	3.7%
GAF REIT (U.S. Equity)	3.6%

<sup>(1)</sup> Industry classifications and holdings are calculated as a percentage of total net assets and net of long and short positions.

Table of Contents**CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

September 30, 2020

Highland Global Allocation Fund

**A guide to understanding the Fund's financial statements****Consolidated Investment Portfolio**

The Investment Portfolio details the Fund's holdings and its market value as of the last day of the reporting period. Portfolio holdings are organized by type of asset and industry to demonstrate areas of concentration and diversification.

**Consolidated Statement of Assets and Liabilities**

This statement details the Fund's assets, liabilities, net assets and share price for each share class as of the last day of the reporting period. Net assets are calculated by subtracting all of the Fund's liabilities (including any unpaid expenses) from the total of the Fund's investment and non-investment assets. The net asset value per share for each class is calculated by dividing net assets allocated to that share class by the number of shares outstanding in that class as of the last day of the reporting period.

**Consolidated Statement of Operations**

This statement reports income earned by the Fund and the expenses incurred by each Fund during the reporting period. The Statement of Operations also shows any net gain or loss the Fund realized on the sales of its holdings during the period as well as any unrealized gains or losses recognized over the period. The total of these results represents the Fund's net increase or decrease in net assets from operations.

**Consolidated Statements of Changes in Net Assets**

This statement details how the Fund's net assets were affected by its operating results, distributions to shareholders and shareholder transactions (e.g., subscriptions, redemptions and distribution reinvestments) during the reporting period. The Statement of Changes in Net Assets also details changes in the number of shares outstanding.

**Consolidated Statement of Cash Flows**

This statement reports net cash and foreign currency provided or used by operating, investing and financing activities and the net effect of those flows on cash and foreign currency during the period.

**Consolidated Financial Highlights**

The Financial Highlights demonstrate how the Fund's net asset value per share was affected by the Fund's operating results. The Financial Highlights also disclose the classes' performance and certain key ratios (e.g., net expenses and net investment income as a percentage of average net assets).

**Notes to Consolidated Financial Statements**

These notes disclose the organizational background of the Fund, certain of their significant accounting policies (including those surrounding security valuation, income recognition and distributions to shareholders), federal tax information, fees and compensation paid to affiliates and significant risks and contingencies.

Table of Contents**CONSOLIDATED INVESTMENT PORTFOLIO**

As of September 30, 2020

Highland Global Allocation Fund

Shares		Value (\$)	Shares		Value (\$)
<b>U.S. Equity - 41.5%</b>			<b>INFORMATION TECHNOLOGY - 1.0%</b>		
<b>COMMUNICATION SERVICES - 27.6%</b>			119,188	Avaya Holdings Corp. (e)(f)(h)	1,811,658
169,531	TerreStar Corporation (a)(b)(c)(d)(e)	56,831,877	5,000	StoneCo, Class A (e)(f)(h)	264,450
					2,076,108
<b>HEALTHCARE - 2.5%</b>			<b>UTILITIES - 12.4%</b>		
77,700	Aerie Pharmaceuticals, Inc. (e)(f)(g)	914,529	202,250	Central Puerto ADR (h)	453,040
61,625	Brookdale Senior Living, Inc. (e)	156,527	67,700	Pampa Energia ADR (e)(f)(g)(h)	699,341
232,800	Heron Therapeutics, Inc. (e)(f)	3,450,096	1,286,000	Vistra Energy Corp. (f)(h)	24,253,960
17,200	Patterson (f)	414,606			25,406,341
5,500	Surgery Partners, Inc. (e)(f)	120,450		Total Non-U.S. Equity	
		5,056,208		(Cost \$102,085,169)	51,915,664
<b>MATERIALS - 1.8%</b>			<b>U.S. LLC Interest - 10.3%</b>		
730,484	MPM Holdings, Inc. (e)	3,652,420	<b>REAL ESTATE - 10.3%</b>		
<b>REAL ESTATE - 9.6%</b>			124,046	NREF OP I, L.P., REIT (c)(e)	1,820,995
70,700	City Office, REIT (f)	531,664	523,388	NREF OP IV, L.P. (c)	7,683,336
688,714	GAF REIT (a)(b)(c)(e)	7,449,337	6,773,494	SFR WLIF I, LLC (a)(b)(c)	4,900,420
66,300	Independence Realty Trust, Inc., REIT (f)	768,417	4,437,497	SFR WLIF II, LLC (a)(b)(c)	3,229,788
101,918	Jernigan Capital, Inc., REIT (f)	1,746,874	3,789,008	SFR WLIF III, LLC (a)(b)(c)	3,422,119
121,123	NexPoint Real Estate Finance (c)(f)	1,778,086		Total U.S. LLC Interest	
160,553	NexPoint Residential Trust, REIT (c)(f)	7,120,526		(Cost \$27,074,622)	21,056,658
44,387	RAIT Financial Trust, REIT (a)(b)(e)	—			
280,000	United Development Funding IV, REIT (a)(b)	373,800	<b>Principal Amount (\$)</b>		
		19,768,704	<b>U.S. Senior Loans (i) - 9.0%</b>		
	Total U.S. Equity	85,309,209	<b>COMMUNICATION SERVICES - 7.8%</b>		
	(Cost \$79,755,136)		16,015,258	TerreStar Corporation, Term Loan A, 11.000% PIK 02/25/22 (a)(b)(c)	15,999,243
<b>Non-U.S. Equity - 25.3%</b>			<b>ENERGY - 0.0%</b>		
<b>COMMUNICATION SERVICES - 1.7%</b>				Fieldwood Energy LLC, Closing Date Loan, 2nd Lien, VAR LIBOR USD 3 Month+7.250%, 04/11/23 (e)(j)	36,328
77,866	Grupo Clarin, Class B (e)(h)	16,434	23,743,431		
189,945	Loral Space & Communications, Inc. (f)(h)	3,475,993	<b>SERVICE - 1.2%</b>		
		3,492,427	2,500,000	Advantage Sales & Marketing Inc., Term Loan, 2nd Lien, VAR LIBOR USD 3 Month+6.500%, 07/25/22	2,425,175
<b>CONSUMER DISCRETIONARY - 2.9%</b>			<b>UTILITIES - 0.0%</b>		
4,800	MercadoLibre, Inc. (e)(f)(h)	5,195,904	471,039,553	Texas Competitive Electric Holdings Co., LLC, Extended Escrow Loan (k)	120,115
718	Toys 'R' Us (e)(h)	76,087		Total U.S. Senior Loans	
718	Tru Kids, Inc. (e)(h)	684,781		(Cost \$53,491,298)	18,580,861
		5,956,772	<b>Shares</b>		
<b>ENERGY - 6.5%</b>			<b>U.S. Master Limited Partnerships - 8.4%</b>		
29,751	NextDecade Corp. (e)(g)(h)	88,658	<b>ENERGY - 8.4%</b>		
53,200	Plains GP Holdings, Class A (f)(h)	323,988	65,168	Crestwood Equity Partners (g)	811,993
131,600	Targa Resources (f)(h)	1,846,348	1,558,690	Energy Transfer LP (f)	8,448,100
121	Transocean (e)(g)(h)	98	385,923	MPLX LP (f)	6,074,428
566,995	Williams Cos., Inc. (f)(h)	11,141,452	236,900	Western Midstream Partners LP (f)	1,895,200
		13,400,544		Total U.S. Master Limited Partnerships	
<b>FINANCIALS - 0.2%</b>				(Cost \$51,602,682)	17,229,721
188,858	Grupo Supervielle SA ADR (g)(h)	341,833			
31,700	Itau Unibanco Holding ADR (f)(h)	126,166			
		467,999			
<b>INDUSTRIALS - 0.6%</b>					
38,549	American Airlines Group, Inc. (g)(h)	473,767			
65,931	GL Events (h)	641,706			
		1,115,473			

See Glossary on page 9 for abbreviations along with accompanying Notes to Consolidated Financial Statements.

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Table of Contents**CONSOLIDATED INVESTMENT PORTFOLIO (continued)**

As of September 30, 2020

Highland Global Allocation Fund

<u>Principal Amount (\$)</u>		<u>Value (\$)</u>	<u>Principal Amount (\$)</u>		<u>Value (\$)</u>
<b>Non-U.S. Sovereign Bonds - 7.8%</b>			<b>U.S. Corporate Bonds &amp; Notes - 0.5%</b>		
	Argentine Republic Government International Bond		<b>COMMUNICATION SERVICES - 0.4%</b>		
90,699	1.00%, 7/9/2029 (h)	41,585	317,929	iHeartCommunications, Inc. 6.38%, 05/01/26 (f)	331,807
40,000,000	0.125%, 2.500%, 7/9/2021, 7/9/2041(f) (h)(l)	15,980,000	584,493	8.38%, 05/01/27 (f)	576,786
	Total Non-U.S. Sovereign Bonds (Cost \$20,818,254)	16,021,585			908,593
<b>Shares</b>			<b>ENERGY - 0.0%</b>		
<b>U.S. Registered Investment Companies - 7.3%</b>			290	Sable Permian Resources Land 7.38%, 11/01/21 (j)(m)	22
546,382	NexPoint Merger Arbitrage Fund, Class Z (c)	11,184,445	<b>REAL ESTATE - 0.1%</b>		
436,131	NexPoint Strategic Opportunities Fund (c)(f)	3,776,894	400,000	CBL & Associates 5.95%, 12/15/26	151,122
	Total U.S. Registered Investment Companies (Cost \$19,310,149)	14,961,339	<b>UTILITIES - 0.0%</b>		
<b>Principal Amount (\$)</b>			3,000,000	Texas Competitive Electric Holdings Co., LLC 11.50%, 10/01/20 (j)(k)	4,500
<b>Non-U.S. Asset-Backed Securities - 4.5%</b>				Total U.S. Corporate Bonds & Notes (Cost \$3,008,440)	1,064,237
4,000,000	Acis CLO, Ltd., Series 2014-3A, Class E VAR ICE LIBOR USD 3 Month+4.750%, 5.00%, 2/1/2026 (h) (m)	2,763,600	<b>Shares</b>		
3,500,000	Acis CLO, Ltd., Series 2014-5A, Class E1 VAR ICE LIBOR USD 3 Month+6.520%, 6.77%, 11/1/2026 (h) (m)	2,940,000	<b>Non-U.S. Master Limited Partnership - 0.5%</b>		
2,500,000	Acis CLO, Ltd., Series 2014-4A, Class E VAR ICE LIBOR USD 3 Month+4.800%, 5.05%, 5/1/2026 (h) (m)	1,925,000	<b>ENERGY - 0.5%</b>		
4,000,000	Acis CLO, Ltd., Series 2014-4A, Class F VAR ICE LIBOR USD 3 Month+5.150%, 5.40%, 5/1/2026 (h) (m)	1,540,000	64,631	Enterprise Products Partners (f)(h) Total Non-U.S. Master Limited Partnership (Cost \$1,816,777)	1,020,524
311,866	Pamco Cayman, Ltd., Series 1997-1A, Class B 7.91%, 8/6/2013 (a)(b)(h)(m)	36,925			1,020,524
	Total Non-U.S. Asset-Backed Securities (Cost \$13,016,677)	9,205,525	<b>Units</b>		
<b>Units</b>			<b>U.S. Warrants - 0.1%</b>		
<b>U.S. Rights - 4.2%</b>			<b>HEALTHCARE - 0.1%</b>		
<b>UTILITIES - 4.2%</b>			42,032	HLS Therapeutics, Inc., Expires 8/2021 (a)(b)(e)	122,313
7,905,143	Texas Competitive Electric Holdings Co., LLC (e)	8,695,657		Total U.S. Warrants (Cost \$-)	122,313
	Total U.S. Rights (Cost \$22,029,102)	8,695,657	<b>Non-U.S. Warrants - 0.1%</b>		
<b>Shares</b>			<b>COMMUNICATION SERVICES - 0.0%</b>		
<b>U.S. Preferred Stock - 2.5%</b>			1,109	iHeartCommunications, Inc., Expires 05/01/2039 (e)(h)	9,184
<b>ENERGY - 0.3%</b>			<b>INDUSTRIALS - 0.1%</b>		
105,351	Crestwood Equity Partners (f)(n)	620,517	1,260,362	American Airlines Group, Inc., Expires (e) (h)	189,054
<b>REAL ESTATE - 2.2%</b>			<b>INFORMATION TECHNOLOGY - 0.0%</b>		
370,968	Braemar Hotels & Resorts, REIT (e)(f)(n)	4,470,165	38,742	Avaya Holdings, Expires 12/18/2022 (e)(h)	53,852
	Total U.S. Preferred Stock (Cost \$6,605,386)	5,090,682		Total Non-U.S. Warrants (Cost \$77,464)	252,090

6 | See Glossary on page 9 for abbreviations along with accompanying Notes to Consolidated Financial Statements.



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**CONSOLIDATED INVESTMENT PORTFOLIO (continued)**

**As of September 30, 2020**

Highland Global Allocation Fund

Principal Amount (\$)		Value (\$)
<b>Non-U.S. Corporate Bonds &amp; Notes - 0.0%</b>		
<b>ENERGY - 0.0%</b>		
37,083,000	Ocean Rig UDW, Inc. 7.25%, 04/01/19 (a)(b)(h)(j)(m)	
	Total Non-U.S. Corporate Bonds & Notes (Cost \$28,728,908)	
<b>Shares</b>		
<b>U.S. Exchange Traded Fund - 0.4%</b>		
8,750	VelocityShares 3x Long Silver ETN linked to the S&P GSCI Silver Index (f)	900,550
	Total U.S. Exchange Traded Fund (Cost \$824,777)	900,550
<b>Non-U.S. Registered Investment Company - 1.4%</b>		
10,000	BB Votorantim Highland Infrastructure LLC (a)(b)(c)	2,868,778
	Total Non-U.S. Registered Investment Company (Cost \$4,571,783)	2,868,778
<b>Principal Amount (\$)</b>		
<b>U.S. Repurchase Agreements (o)(p) - 0.4%</b>		
249,000	Citigroup Global Markets 0.080%, dated 09/30/2020 to be repurchased on 10/01/2020, repurchase price \$249,001 (collateralized by U.S. Government obligations, ranging in par value \$4,355 - \$30,449, 0.000% - 4.625%, 11/27/2020 - 11/01/2059; with total market value \$253,980)	249,000
159,060	Deutsche Bank Securities 0.080%, dated 09/30/2020 to be repurchased on 10/01/2020, repurchase price \$159,060 (collateralized by U.S. Government obligations, ranging in par value \$1,897 - \$11,856, 0.000% - 5.250%, 10/20/2020 - 02/15/2050; with total market value \$162,241)	159,060
249,000	HSBC Securities USA 0.080%, dated 09/30/2020 to be repurchased on 10/01/2020, repurchase price \$249,001 (collateralized by U.S. Government obligations, ranging in par value \$21 - \$83,000, 0.000% - 5.000%, 11/01/2026 - 08/01/2050; with total market value \$253,980)	249,000
249,000	RBC Dominion Securities 0.080%, dated 09/30/2020 to be repurchased on 10/01/2020, repurchase price \$249,001 (collateralized by U.S. Government obligations, ranging in par value \$0 - \$38,877, 0.000% - 5.500%, 10/27/2020 - 07/15/2061; with total market value \$253,980)	249,000
	Total U.S. Repurchase Agreements (Cost \$906,060)	906,060

Shares	Value (\$)
<b>U.S. Cash Equivalent - 0.4%</b>	
<b>MONEY MARKET FUND (q) - 0.4%</b>	
Dreyfus Treasury & Agency Cash	
835,576 Management, Institutional Class 0.010%	835,576
Total U.S. Cash Equivalent	
(Cost \$835,576)	835,576
<b>Total Investments - 124.6%</b>	<b>256,037,029</b>
(Cost \$436,558,260)	
<b>Securities Sold Short (r) - (10.1)%</b>	
<b>U.S. Exchange-Traded Fund - (3.1)%</b>	
(48,450) ProShares UltraPro QQQ	(6,342,105)
Total U.S. Exchange-Traded Fund	
(Proceeds \$2,961,262)	(6,342,105)
<b>U.S. Equity - (7.0)%</b>	
<b>COMMUNICATION SERVICES - (5.5)%</b>	
(22,740) Netflix, Inc. (s)	(11,370,682)
<b>CONSUMER STAPLES - (1.0)%</b>	
(10,500) WD-40	(1,987,755)
<b>INFORMATION TECHNOLOGY - (0.5)%</b>	
(4,267) Coupa Software (s)	(1,170,182)
Total U.S. Equity	
(Proceeds \$5,262,124)	(14,528,619)
Total Securities Sold Short- (10.1)%	
(Proceeds \$8,223,386)	(20,870,724)
<b>Other Assets &amp; Liabilities, Net - (14.5)%</b>	<b>(29,704,446)</b>
<b>Net Assets - 100.0%</b>	<b>205,461,855</b>

- (a) Securities with a total aggregate value of \$95,234,600, or 46.4% of net assets, were classified as Level 3 within the three-tier fair value hierarchy. Please see Notes to Financial Statements for an explanation of this hierarchy, as well as a list of unobservable inputs used in the valuation of these instruments.
- (b) Represents fair value as determined by the Fund's Board of Trustees (the "Board"), or its designee in good faith, pursuant to the policies and procedures approved by the Board. The Board considers fair valued securities to be securities for which market quotations are not readily available and these securities may be valued using a combination of observable and unobservable inputs. Securities with a total aggregate value of \$95,234,600, or 46.4% of net assets, were fair valued under the Fund's valuation procedures as of September 30, 2020. Please see Notes to Financial Statements.
- (c) Affiliated issuer. Assets with a total aggregate fair value of \$128,065,844, or 62.3% of net assets, were affiliated with the Fund as of September 30, 2020.
- (d) Restricted Securities. These securities are not registered and may not be sold to the public. There are legal and/or contractual restrictions on resale. The Fund does not have the right to demand that such securities be registered. The values of these securities are determined by valuations provided by pricing services, brokers, dealers, market makers, or in good faith under the procedures established by the Board. Additional Information regarding such securities follows:

Restricted Security	Security Type	Acquisition Date	Cost of Security	Fair Value at Year End	Percent of Net Assets
TerreStar Corporation	U.S. Equity	11/14/2014	\$48,015,562	\$56,831,877	27.7%

See Glossary on page 9 for abbreviations along with accompanying Notes to Consolidated Financial Statements.

Table of Contents**CONSOLIDATED INVESTMENT PORTFOLIO (concluded)****As of September 30, 2020****Highland Global Allocation Fund**

- (e) Non-income producing security.
- (f) All or part of this security is pledged as collateral for short sales. The fair value of the securities pledged as collateral was \$98,236,993.
- (g) Securities (or a portion of securities) on loan. As of September 30, 2020, the fair value of securities loaned was \$1,573,945. The loaned securities were secured with cash and securities collateral of \$1,616,105. Collateral is calculated based on prior day's prices.
- (h) As described in the Fund's prospectus, a company is considered to be a non-U.S. issuer if the company's securities principally trade on a market outside of the United States, the company derives a majority of its revenues or profits outside of the United States, the company is not organized in the United States, or the company is significantly exposed to the economic fortunes and risks of regions outside the United States.
- (i) Senior loans (also called bank loans, leveraged loans, or floating rate loans) in which the Fund invests generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread (unless otherwise identified, all senior loans carry a variable rate of interest). These base lending rates are generally (i) the Prime Rate offered by one or more major United States banks, (ii) the lending rate offered by one or more European banks such as the London Interbank Offered Rate ("LIBOR") or (iii) the Certificate of Deposit rate. As of September 30, 2020, the LIBOR USD 1 Month and LIBOR USD 3 Month rates were 0.149% and 0.234%, respectively.  
Senior loans, while exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"), contain certain restrictions on resale and cannot be sold publicly. Senior secured floating rate loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity maybe substantially less than the stated maturity shown.
- (j) The issuer is, or is in danger of being, in default of its payment obligation.
- (k) Represents value held in escrow pending future events. No interest is being accrued.
- (l) Step Bonds - Represents the current rate, the step rate, the step date and the final maturity date.
- (m) Securities exempt from registration under Rule 144A of the 1933 Act. These securities may only be resold in transaction exempt from registration to qualified institutional buyers. At September 30, 2020, these securities amounted to \$9,205,547 or 4.5% of net assets.
- (n) Perpetual security with no stated maturity date.
- (o) Tri-Party Repurchase Agreement.
- (p) This security was purchased with cash collateral held from securities on loan. The total value of such securities as of September 30, 2020 was \$906,060.
- (q) Rate shown is 7 day effective yield.
- (r) As of September 30, 2020, \$20,862,006 in cash was segregated or on deposit with the brokers to cover investments sold short and is included in "Other Assets & Liabilities, Net".
- (s) No dividend expense on security sold short.

8 | See Glossary on page 9 for abbreviations along with accompanying Notes to Consolidated Financial Statements.



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GLOSSARY: (abbreviations that may be used in the preceding statements)

Other Abbreviations:

ADR	American Depositary Receipt
CLO	Collateralized Loan Obligation
ICE	Intercontinental Exchange
LIBOR	London Interbank Offered Rate
LLC	Limited Liability Company
LP	Limited Partnership
Ltd.	Limited
PIK	Payment-in-Kind
REIT	Real Estate Investment Trust
USD	United States Dollar
VAR	Variable Rate

Table of Contents**CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES**

As of September 30, 2020

Highland Global Allocation Fund

	(\$)
<b>Assets:</b>	
Investments, at value†	126,229,549
Affiliated investments, at value (Note 10)	128,065,844
Total Investments, at value	254,295,393
Cash equivalents (Note 2)	835,576
Repurchase agreements, at value	906,060
Cash	47,917
Restricted Cash — Securities Sold Short (Note 2)	20,862,006
Foreign currency, at value (Note 2)	37,247
Foreign tax reclaim receivable	67,521
Receivable for:	
Dividends and interest	1,216,323
Fund shares sold	229,171
Prepaid expenses and other assets	25,386
Total assets	<u>278,522,600</u>
<b>Liabilities:</b>	
Securities sold short, at value (Proceeds from securities sold short \$8,223,386) (Notes 2 and 8)	20,870,724
Due to broker for short sale proceeds	51,031,982
Payable for:	
Collateral from securities loaned (Note 4)	906,060
Investment advisory and administration fees (Note 7)	48,995
Accounting services fees	33,957
Custody fees	15,388
Trustees fees	14,032
Transfer agent fees	10,482
Reports to shareholders	45,249
Legal fees	52,356
Accrued expenses and other liabilities	31,516
Total liabilities	<u>73,060,741</u>
<b>Net Assets</b>	<u><b>205,461,859</b></u>
<b>Net Assets Consist of:</b>	
Paid-in capital	744,612,781
Total accumulated loss	(539,150,922)
<b>Net Assets</b>	<u><b>205,461,859</b></u>
Investments, at cost	307,480,938
Affiliated investments, at cost (Note 10)	127,335,686
Cash equivalents, at cost (Note 2)	835,576
Repurchase agreements, at cost	906,060
Foreign currency, at cost (Note 2)	91,794
† Includes fair value of securities on loan	1,573,945
<b>Common Shares</b>	
Shares outstanding (\$0.001 par value; unlimited shares authorized)	21,740,552
Net asset value, offering and redemption price per share	9.45

10 | See accompanying Notes to Consolidated Financial Statements.

Table of Contents**CONSOLIDATED STATEMENT OF OPERATIONS**

For the Year Ended September 30, 2020

Highland Global Allocation Fund

	(\$)
<b>Investment Income:</b>	
<b>Income:</b>	
Dividends from unaffiliated issuers	6,010,133
Dividends from affiliated issuers (Note 10)	2,093,656
Less: Foreign taxes withheld	(72,100)
Securities lending income (Note 4)	12,840
Interest from unaffiliated issuers	3,656,087
Interest paid in-kind from affiliated issuers (Note 10)	1,698,219
Other income	432,812
Total income	<u>13,831,647</u>
<b>Expenses:</b>	
Investment advisory (Note 7)	1,153,930
Accounting services fees	73,153
Transfer agent fees	92,804
Legal fees	451,057
Registration fees	20,923
Audit fees	218,190
Interest expense and commitment fees (Note 6)	1,926,878
Insurance	46,112
Trustees fees (Note 7)	42,785
Reports to shareholders	34,740
Custodian/wire agent fees	117,290
Dividends and fees on securities sold short (Note 2)	172,844
Other	183,437
Total operating expenses before waiver and reimbursement	4,534,143
Less: Expenses waived or borne by the adviser and administrator	(276,372)
Net operating expenses	<u>4,257,771</u>
Net investment income	<u>9,573,876</u>
<b>Net realized gain (loss) on:</b>	
Investments from unaffiliated issuers	(63,657,288)
Investments from affiliated issuers (Note 10)	(29,073,181)
Securities sold short (Note 2)	(20,282,374)
Purchased options contracts (Note 3)	(6,545,389)
Written options contracts (Note 3)	2,256,205
Futures contracts (Note 3)	10,168,905
Foreign currency related transactions (Note 2)	(265,280)
<b>Change in unrealized appreciation (depreciation) on:</b>	
Investments in unaffiliated issuers	(16,916,181)
Investments in affiliated issuers (Note 10)	31,179,360
Securities sold short (Note 2)	26,109,258
Purchased options contracts (Note 3)	1,167,174
Written options contracts (Note 3)	(256,583)
Futures contracts (Note 3)	(632,896)
Foreign currency related translations (Note 2)	13,847
Net realized and unrealized gain (loss) on investments	<u>(66,734,423)</u>
Total decrease in net assets resulting from operations	<u>(57,160,547)</u>

See accompanying Notes to Consolidated Financial Statements. | 11

Table of Contents**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

	<b>Highland Global Allocation Fund</b>	
	<b>Year Ended September 30, 2020 (\$)</b>	<b>Year Ended September 30, 2019 (\$)</b>
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations:</b>		
Net investment income	9,573,876	11,163,887
Net realized (loss) on investments, purchased options, securities sold short, written options, futures contracts and foreign currency transactions	(107,398,402)	(21,360,238)
Net increase (decrease) in unrealized appreciation (depreciation) on investments, securities sold short, purchased options, written options and foreign currency translations	40,663,979	(7,350,344)
Net decrease in net assets resulting from operations	(57,160,547)	(17,546,695)
<b>Distributions:</b>		
Shares of closed-end fund	(13,542,165)	(4,579,807)
<b>Return of capital:</b>		
Shares of closed-end fund	(10,286,109)	(12,388,348)
<b>Decrease from distributions</b>	(23,828,274)	(16,968,155)
Decrease in net assets from operations and distributions	(80,988,821)	(34,514,850)
<b>Share transactions:</b>		
Proceeds from sale of shares		
Class A	—	946,370
Class C	—	234,777
Class Y	—	4,996,134
Shares of closed-end fund	250,303	—
Value of distributions reinvested		
Shares of closed-end fund	2,915,717	2,237,339
Cost of shares redeemed		
Class A	—	(23,498,679)
Class C	—	(16,412,456)
Class Y	—	(37,255,360)
Shares repurchased of closed-end fund (Note 1)	(12,879,525)	(12,190,006)
Reduction to redemptions	—	2,055,239
Net decrease from shares transactions	(9,713,505)	(78,886,642)
<b>Total decrease in net assets</b>	(90,702,326)	(113,401,492)
<b>Net Assets</b>		
Beginning of year	296,164,185	409,565,677
End of year	205,461,859	296,164,185

12 | See accompanying Notes to Consolidated Financial Statements.

Table of Contents**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (concluded)**

	<b>Highland Global Allocation Fund</b>	
	<b>Year Ended September 30, 2020</b>	<b>Year Ended September 30, 2019</b>
<b>CAPITAL STOCK ACTIVITY - SHARES*</b>		
<b>Class A:</b>		
Shares sold	—	111,890
Shares redeemed (Note 1)	—	(2,775,549)
Shares converted in conversion (Note 1)	—	(11,645,203)
Net decrease in fund shares	<u>—</u>	<u>(14,308,862)</u>
<b>Class C:</b>		
Shares sold	—	31,829
Shares redeemed (Note 1)	—	(2,232,995)
Shares converted in conversion (Note 1)	—	(5,075,831)
Net decrease in fund shares	<u>—</u>	<u>(7,276,997)</u>
<b>Class Y:</b>		
Shares sold	—	485,184
Shares redeemed (Note 1)	—	(3,617,459)
Shares converted in conversion (Note 1)	—	(6,568,222)
Net decrease in fund shares	<u>—</u>	<u>(9,700,497)</u>
<b>Shares of closed-end fund:</b>		
Issued for distribution reinvested	420,812	199,465
Shares redeemed (Note 1)	(1,311,306)	(857,675)
Shares converted in conversion (Note 1)	—	23,289,256
Net increase (decrease) in fund shares	<u>(890,494)</u>	<u>22,631,046</u>

\* Capital stock activity prior to February 15, 2019 has been adjusted to give effect to an approximately 1 to 1.4217 reverse stock split as part of the conversion to a closed-end fund (Note 11). Distribution activity related to the A, C and Y share classes relates to the period from October 1, 2018 through February 15, 2019.

See accompanying Notes to Consolidated Financial Statements. | 13

Table of Contents**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Year Ended September 30, 2020

Highland Global Allocation Fund

	(\$)
<b>Cash Flows Provided by Operating Activities:</b>	
Net decrease in net assets resulting from operations	(57,160,547)
<b>Adjustments to Reconcile Net Decrease in Net Assets to Net Cash Provided by Operating Activities:</b>	
Purchases of investment securities from unaffiliated issuers	(38,905,331)
Purchases of investment securities from affiliated issuers	(24,660,826)
Proceeds from disposition of investment securities from unaffiliated issues	187,630,502
Proceeds from return of capital of investment securities from affiliated issuers	14,440,388
Purchases of securities sold short	(116,240,010)
Proceeds of securities sold short	67,661,929
Net proceeds received from written options contracts	(469,840)
Amortization of premiums	(2,425,202)
Net realized loss on investments from unaffiliated issuers	63,657,288
Net realized loss on investments from affiliated issuers	29,073,181
Net realized loss on purchased options	6,545,389
Net realized loss on securities sold short, written options contracts and foreign currency transactions	18,291,449
Net change in unrealized (appreciation)/depreciation on investments, securities sold short, futures, purchased options contracts, written options contracts, and translation on assets and liabilities denominated in foreign currency	(41,296,875)
Decrease in receivable for investments sold	2,378,307
Decrease in receivable for dividends and interest	1,736,105
Decrease due from broker for short sale proceeds	325,226
Decrease in net receivable for variation margin	341,985
Decrease in foreign tax reclaims receivable	66,032
Increase in prepaid expenses and other assets	(3,420)
Increase in due to broker for short sale proceeds	51,031,982
Increase in payable from collateral from securities on loan	906,060
Decrease in payable for investments purchased	(3,266,520)
Decrease in payable for trustees fees	(11,110)
Decrease in payable for investment advisory and administration fees	(150,563)
Increase in payable for transfer agent fees	825
Decrease in payable for dividends on securities sold short	(10,082)
Decrease in payable for commitment fees	(343,632)
Decrease in payable for custody fees	(36,430)
Decrease in payable for conversion costs	(574,324)
Decrease in accrued expenses and other liabilities	(486,185)
Net cash flow provided by operating activities	<u>158,045,751</u>
<b>Cash Flows Used In Financing Activities:</b>	
Borrowings under credit facility	(105,431,689)
Repurchase agreements	(906,060)
Reverse repurchase agreements	(14,863,659)
Distributions paid in cash	(20,912,557)
Payments of shares redeemed	(12,879,525)
Proceeds from shares sold	317,900
Net cash flow used in financing activities	<u>(154,675,590)</u>
Effect of exchange rate changes on cash	<u>(251,433)</u>
Net Increase in Cash	<u>3,118,728</u>
<b>Cash, Cash Equivalents, Restricted Cash, and Foreign Currency:</b>	
Beginning of year	<u>18,664,018</u>
End of year	<u>21,782,746</u>
<b>Supplemental disclosure of cash flow information:</b>	
Reinvestment of distributions	<u>2,915,717</u>
Paid in-kind interest income	<u>1,698,219</u>
Cash paid during the year for interest expense and commitment fees	<u>2,270,510</u>

14 | See accompanying Notes to Consolidated Financial Statements.

Table of Contents**CONSOLIDATED FINANCIAL HIGHLIGHTS****Highland Global Allocation Fund**

Selected data for a share outstanding throughout each year is as follows:

	2020	For the Years Ended September 30,			
		2019*†	2018*†	2017*†	2016*†
<b>Net Asset Value, Beginning of Year</b>	\$ 13.09	\$ 14.63	\$ 14.16	\$ 14.12	\$ 13.86
<b>Income from Investment Operations:</b>					
Net investment income <sup>(a)</sup>	0.43	0.30	0.54	1.11	1.22
Net realized and unrealized gain (loss)	(3.00)	(1.10)	0.56	(0.12)	0.03
Total from Investment Operations	(2.57)	(0.80)	1.10	0.99	1.25
<b>Less Distributions Declared to shareholders:</b>					
From net investment income	(0.61)	(0.20)	(0.43)	(0.92)	(0.94)
From return of capital	(0.46)	(0.54)	(0.20)	(0.03)	(0.05)
Total distributions declared to shareholders	(1.07)	(0.74)	(0.63)	(0.95)	(0.99)
<b>Net Asset Value, End of year<sup>(b)</sup></b>	\$ 9.45	\$ 13.09	\$ 14.63	\$ 14.16	\$ 14.12
<b>Total Return<sup>(b)(c)</sup></b>	(19.92)%	(4.40)%	7.95%	7.01%	9.91%
<b>Ratios to Average Net Assets:<sup>(d)</sup></b>					
Net Assets, End of Year (000's)	\$205,462	\$296,164	\$128,353	\$254,539	\$367,251
Gross operating expenses <sup>(e)(f)</sup>	1.92%	2.54%	2.38%	1.20%	1.11%
Net investment income	4.06%	2.11%	3.73%	7.59%	9.24%
Portfolio turnover rate	18%	28%	51%	66%	100%

† Reflects the financial highlights of Class Y of the open-end fund prior to the conversion.

\* Per share data prior to February 15, 2019 has been adjusted to give effect to an approximately 1 to 1.4217 reverse stock split as part of the conversion to a closed-end fund. (Note 1)

(a) Per share data was calculated using average shares outstanding during the period.

(b) The Net Asset Value per share and total return have been calculated based on net assets which include adjustments made in accordance with U.S. Generally Accepted Accounting Principles required at period end for financial reporting purposes. These figures do not necessarily reflect the Net Asset Value per share or total return experienced by the shareholder at period end.

(c) Total return is based on fair value per share for periods after February 15, 2019. Distributions are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's Dividend Reinvestment Plan. Prior to February 15, 2019, total return is at net asset value assuming all distributions are reinvested. For periods with waivers/reimbursements, had the Fund's investment adviser not waived or reimbursed a portion of expenses, total return would have been lower.

(d) All ratios for the period have been annualized, unless otherwise indicated.

(e) Supplemental expense ratios are shown below.

(f) Includes dividends and fees on securities sold short.

**Supplemental Expense Ratios:**

	For the Years Ended September 30,				
	2020	2019	2018	2017	2016
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)	1.81%	2.45%	2.38%	1.19%	1.05%
Interest expense and commitment fees	0.82%	1.60%	1.02%	0.37%	0.11%
Dividends and fees on securities sold short	0.07%	0.11%	0.16%	0.05%	0.17%

See accompanying Notes to Consolidated Financial Statements. | 15



Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****September 30, 2020****Highland Global Allocation Fund****Note 1. Organization**

Highland Global Allocation Fund (the "Fund") is organized as an unincorporated business trust under the laws of The Commonwealth of Massachusetts. The Fund is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a diversified, closed-end management investment company. This report covers information for the year ended September 30, 2020.

On November 8, 2018, shareholders of the Fund approved a proposal authorizing the Board of Trustees (the "Board") of the Fund to convert the fund from an open-end fund to a closed-end fund at a special meeting of shareholders. The Board took action to convert the Fund to a closed-end fund effective shortly after 4:00 p.m. Eastern Time on February 14, 2019 (the "Conversion Date"). The Fund also effected an approximately 1-for-1.4217 reverse stock split of the Fund's issued and outstanding shares on February 14, 2019, thereby reducing the number of shares outstanding. Shareholders were paid cash for any fractional shares resulting from the reverse stock split. The Fund began listing its shares for trading on the New York Stock Exchange (the "NYSE") on February 19, 2019 under the ticker symbol "HGLB". The Fund may issue an unlimited number of common shares, par value \$0.001 per share ("Common Shares"). Prior to the Conversion Date, the Fund issued Class A, Class C, and Class Y shares.

On August 20, 2019, the Board of the Fund approved an extension of the repurchase program for a period of six months up to an additional \$20 million of the Fund's shares.

On March 4, 2020, the Board of the Fund extended the repurchase program for a period of six months, during which the Fund had the option to repurchase up to a maximum of \$30 million shares.

Under this program, the Fund repurchased 1,311,306 shares during the year ended September 30, 2020, at an average price of \$6.28, for a total investment of \$8.2 million. Upon retirement of the repurchased shares, the net asset value ("NAV") was \$12.9mm, or \$9.82 per share.

**Note 2. Significant Accounting Policies**

The following summarizes the significant accounting policies consistently followed by the Fund in the preparation of its consolidated financial statements.

**Use of Estimates**

The Fund is an investment company that follows the investment company accounting and reporting guidance of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946 *Financial Services — Investment Companies* applicable to investment companies. The Fund's financial statements have been

prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which require Highland Capital Management Fund Advisors, L.P. ("HCMFA" or the "Investment Adviser") to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases or decreases in net assets from operations during the reporting period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

**Basis of Consolidation**

The Fund consolidates Highland GAF Chemical Holdings, LLC ("GAF Chemical Holdings"), a Delaware wholly owned subsidiary, for financial reporting. GAF Chemical Holdings is used for commodity investment trading and its investments are included within the consolidated financial statements of the Fund. All inter-company accounts and transactions have been eliminated in the consolidation.

The Fund is the sole shareholder of GAF Chemical Holdings, and it is intended that the Fund will remain the sole shareholder and will continue to wholly own and control GAF Chemical Holdings. GAF Chemical Holdings will be subject to the same investment restrictions and limitations, and follow the same compliance policies and procedures, as the Fund when viewed on a consolidation. As of September 30, 2020, GAF Chemical Holdings no longer held any assets and reflected 0.0% of the Fund's net assets.

**Valuation of Investments**

The Fund's investments are recorded at fair value. In computing the Fund's net assets attributable to shares, securities with readily available market quotations on the NYSE, National Association of Securities Dealers Automated Quotation (NASDAQ) or other nationally recognized exchange, use the closing quotations on the respective exchange for valuation of those securities. Securities for which there are no readily available market quotations will be valued pursuant to policies adopted by the Fund's Board. Typically, such securities will be valued at the mean between the most recently quoted bid and ask prices provided by the principal market makers. If there is more than one such principal market maker, the value shall be the average of such means. Securities without a sale price or quotations from principal market makers on the valuation day may be priced by an independent pricing service. Generally, the Fund's loan and bond positions are not traded on exchanges and consequently are valued based on a mean of the bid and ask price from the third-party pricing services or broker-dealer sources that the Investment Adviser has determined to have



Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2020****Highland Global Allocation Fund**

the capability to provide appropriate pricing services which have been approved by the Board.

Securities for which market quotations are not readily available, or for which the Fund has determined that the price received from a pricing service or broker-dealer is "stale" or otherwise does not represent fair value (such as when events materially affecting the value of securities occur between the time when market price is determined and calculation of the Fund's NAV, will be valued by the Fund at fair value, as determined by the Board or its designee in good faith in accordance with procedures approved by the Board, taking into account factors reasonably determined to be relevant, including, but not limited to: (i) the fundamental analytical data relating to the investment; (ii) the nature and duration of restrictions on disposition of the securities; and (iii) an evaluation of the forces that influence the market in which these securities are purchased and sold. In these cases, the Fund's NAV will reflect the affected portfolio securities' fair value as determined in the judgment of the Board or its designee instead of being determined by the market. Using a fair value pricing methodology to value securities may result in a value that is different from a security's most recent sale price and from the prices used by other investment companies to calculate their NAVs. Determination of fair value is uncertain because it involves subjective judgments and estimates.

There can be no assurance that the Fund's valuation of a security will not differ from the amount that it realizes upon the sale of such security. Those differences could have a material impact to the Fund. The NAV shown in the Fund's consolidated financial statements may vary from the NAV published by the Fund as of its period end because portfolio securities transactions are accounted for on the trade date (rather than the day following the trade date) for consolidated financial statement purposes.

**Fair Value Measurements**

The Fund has performed an analysis of all existing investments and derivative instruments to determine the significance and character of inputs to their fair value determination. The levels of fair value inputs used to measure the Fund's investments are characterized into a fair value hierarchy. Where inputs for an asset or liability fall into more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is significant to that investment's valuation. The three levels of the fair value hierarchy are described below:

*Level 1* — Quoted unadjusted prices for identical instruments in active markets to which the Fund has access at the date of measurement;

*Level 2* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active, but are valued based on executed trades; broker quotations that constitute an executable price; and alternative pricing sources supported by observable inputs are classified within Level 2. Level 2 inputs are either directly or indirectly observable for the asset in connection with market data at the measurement date; and

*Level 3* — Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. In certain cases, investments classified within Level 3 may include securities for which the Fund has obtained indicative quotes from broker-dealers that do not necessarily represent prices the broker may be willing to trade on, as such quotes can be subject to material management judgment. Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price the asset or liability based on the best available information.

The Investment Adviser has established policies and procedures, as described above and approved by the Board, to ensure that valuation methodologies for investments and financial instruments that are categorized within all levels of the fair value hierarchy are fair and consistent. A Pricing Committee has been established to provide oversight of the valuation policies, processes and procedures, and is comprised of personnel from the Investment Adviser and its affiliates. The Pricing Committee meets monthly to review the proposed valuations for investments and financial instruments and is responsible for evaluating the overall fairness and consistent application of established policies.

As of September 30, 2020, the Fund's investments consisted of senior loans, asset-backed securities, bonds and notes, common stocks, master limited partnerships, registered investment companies, cash equivalents, exchange-traded funds, rights, warrants, securities sold short, and collateralized loan obligations. The fair value of the Fund's loans, bonds and asset-backed securities are generally based on quotes received from brokers or independent pricing services. Loans, bonds and asset-backed securities with quotes that are based on actual trades with a sufficient level of activity on or near the measurement date are classified as Level 2 assets. Senior loans, bonds and asset-backed securities that are priced using quotes derived from implied values, indicative bids, or a limited number of actual trades are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable.

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Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2020****Highland Global Allocation Fund**

The fair value of the Fund's common stocks, registered investment companies, rights and warrants that are not actively traded on national exchanges are generally priced using quotes derived from implied values, indicative bids, or a limited amount of actual trades and are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable. Exchange-traded options are valued based on the last trade price on the primary exchange on which they trade. If an option does not trade, the mid-price, which is the mean of the bid and ask price, is utilized to value the option. At the end of each calendar quarter, the Investment Adviser evaluates the Level 2 and 3 assets and liabilities for changes in liquidity, including but not limited to: whether a broker is willing to execute at the quoted price, the depth and

consistency of prices from third party services, and the existence of contemporaneous, observable trades in the market. Additionally, the Investment Adviser evaluates the Level 1 and 2 assets and liabilities on a quarterly basis for changes in listings or delistings on national exchanges.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Fund's investments may fluctuate from period to period. Additionally, the fair value of investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values the Fund may ultimately realize. Further, such investments may be subject to legal and other restrictions on resale or otherwise be less liquid than publicly traded securities.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. A summary of the inputs used to value the Fund's assets and liabilities as of September 30, 2020, is as follows:

	Total value at September 30, 2020	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
<b>Highland Global Allocation Fund</b>				
<b>Assets</b>				
U.S. Common Stocks				
Communication Services	\$ 56,831,877	\$ —	\$ —	\$ 56,831,877
Healthcare	5,056,208	5,056,208	—	—
Materials	3,652,420	—	3,652,420	—
Real Estate	19,768,704	11,945,567	—	7,823,137
Non-U.S. Common Stocks				
Communication Services	3,492,427	3,475,993	16,434	—
Consumer Discretionary	5,956,772	5,195,904	760,868	—
Energy	13,400,544	13,400,544	—	—
Financials	467,999	467,999	—	—
Industrials	1,115,473	1,115,473	—	—
Information Technology	2,076,108	2,076,108	—	—
Utilities	25,406,341	25,406,341	—	—
U.S. LLC Interest	21,056,658	—	9,504,331	11,552,327
U.S. Senior Loans				
Communication Services	15,999,243	—	—	15,999,243
Energy	36,328	—	36,328	—
Service	2,425,175	—	2,425,175	—
Utilities	120,115	—	120,115	—
U.S. Master Limited Partnerships				
Energy	17,229,721	17,229,721	—	—
Non-U.S. Sovereign Bonds	16,021,585	—	16,021,585	—
U.S. Registered Investment Companies	14,961,339	14,961,339	—	—
Non-U.S. Asset-Backed Securities	9,205,525	—	9,168,600	36,925
U.S. Rights				
Utilities	8,695,657	—	8,695,657	—
U.S. Preferred Stock				
Energy	620,517	620,517	—	—
Real Estate	4,470,165	4,470,165	—	—

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2020****Highland Global Allocation Fund**

	Total value at September 30, 2020	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
U.S. Corporate Bonds & Notes				
Communication Services	\$ 908,593	\$ —	\$ 908,593	\$ —
Energy	22	—	22	—
Real Estate	151,122	—	151,122	—
Utilities	4,500	—	4,500	—
Non-U.S. Master Limited Partnerships				
Energy	1,020,524	1,020,524	—	—
U.S. Warrants				
Healthcare	122,313	—	—	122,313
Non-U.S. Warrants				
Communication Services	9,184	—	9,184	—
Industrials	189,054	—	189,054	—
Information Technology	53,852	53,852	—	—
Non-U.S. Corporate Bonds & Notes				
Energy	—	—	—	— <sup>(1)</sup>
U.S. Exchange Traded Fund	900,550	900,550	—	—
Non-U.S. Registered Investment Company	2,868,778	—	—	2,868,778
U.S. Repurchase Agreements	906,060	—	906,060	—
U.S. Cash Equivalent	835,576	835,576	—	—
<b>Total Assets</b>	<u>256,037,029</u>	<u>108,232,381</u>	<u>52,570,048</u>	<u>95,234,600</u>
<b>Liabilities</b>				
Securities Sold Short				
Common Stocks				
Communication Services	(11,370,682)	(11,370,682)	—	—
Consumer Staples	(1,987,755)	(1,987,755)	—	—
Information Technology	(1,170,182)	(1,170,182)	—	—
Exchange Traded Fund	(6,342,105)	(6,342,105)	—	—
<b>Total Liabilities</b>	<u>(20,870,724)</u>	<u>(20,870,724)</u>	<u>—</u>	<u>—</u>
<b>Total</b>	<u>\$ 235,166,305</u>	<u>\$ 87,361,657</u>	<u>\$ 52,570,048</u>	<u>\$ 95,234,600</u>

(1) This category includes securities with a value of zero.

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Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2020****Highland Global Allocation Fund**

The table below sets forth a summary of changes in the Fund's assets measured at fair value using significant unobservable inputs (Level 3) for the year ended September 30, 2020.

	Balance as of September 30, 2019	Transfers Into Level 3	Transfers Out of Level 3	Accrued Discounts (Premiums)	Distribution to Return Capital	Realized Gain (Loss)	Net Change Unrealized Appreciation (Depreciation)	Net Purchases	Net Sales	Balance as of September 30, 2020	Change in Unrealized Appreciation (Depreciation) from Investments held at September 30, 2020
<b>U.S. Equity</b>											
Chemicals	\$ 731,871	\$ —	\$ —	\$ —	\$ —	\$(330,665)	\$ 480,567	\$ —	\$ (881,773)	\$ —	\$ —
Communication Services	47,134,704	—	—	—	—	—	9,697,173	—	—	56,831,877	9,697,173
Real Estate	—	337,400	—	—	—	—	485,737	7,000,000	—	7,823,137	449,337
<b>U.S. LLC Interest</b>	15,207,664	—	—	—	—	—	(3,655,337)	—	—	11,552,327	(3,655,337)
<b>U.S. Senior Loans</b>											
Chemicals	1,088,107	—	—	11,562	—	49,008	(46,461)	—	(1,102,216)	—	—
Communication Services	14,336,849	—	—	(4)	—	—	1,662,398	—	—	15,999,243	1,662,398
<b>Non-U.S. Asset-Backed Securities</b>	136,722	—	—	—	—	—	(99,797)	—	—	36,925	(99,797)
<b>U.S. Warrants</b>											
Healthcare	187,883	—	—	—	—	—	(65,570)	—	—	122,313	(65,570)
<b>Non-U.S. Corporate Bonds &amp; Notes</b>											
Energy	2,558,727	—	—	—	—	—	(2,558,727)	—	—	—	(2,558,727)
<b>Non-U.S. Registered Investment Company</b>	3,483,081	—	—	—	—	—	(614,303)	—	—	2,868,778	(614,303)
<b>Total</b>	<u>\$ 84,865,608</u>	<u>\$ 337,400</u>	<u>\$ —</u>	<u>\$ 11,558</u>	<u>\$ —</u>	<u>\$(281,657)</u>	<u>\$ 5,285,680</u>	<u>\$ 7,000,000</u>	<u>\$(1,983,989)</u>	<u>\$ 95,234,600</u>	<u>\$ 4,815,174</u>

Investments designated as Level 3 may include assets valued using quotes or indications furnished by brokers which are based on models or estimates without observable inputs and may not be executable prices. In light of the developing market conditions, the Investment Adviser continues to search for observable data points and evaluate broker quotes and indications received for portfolio investments.

For the year ended September 30, 2020, there were no transfers in or out of level 3. Determination of fair values is uncertain because it involves subjective judgments and estimates that are unobservable.

Transfers from Level 2 to Level 3 are due to a decrease in market activity (e.g. frequency of trades), which resulted in a decrease of available market inputs to determine price.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2020****Highland Global Allocation Fund**

The following is a summary of significant unobservable inputs used in the fair valuations of assets and liabilities categorized within Level 3 of the fair value hierarchy:

Category	Fair Value at 9/30/2020	Valuation Technique	Unobservable Inputs	Input Values
U.S. Equity	\$ 64,655,014	Multiples Analysis Discounted Cash Flow Transaction Indication of Value Third party indication of value	Unadjusted Price/Mhz-PoP Discount Rate Enterprise Value (\$mm) Transaction Price per Share N/A Transaction % of Par Discount Rate N/A Discount Rate Spread Adjustment Discount Rate Annualized Volatility N/A N/A	\$0.10 - \$0.95 10.0% - 16.5% \$771.00 \$34.00 N/A 87.5% - 98.88% 1.28% - 5.93% N/A 11.10% 0.10% 21.0% 72.8% N/A N/A
U.S. LLC Interest	11,552,327	Discounted Cash Flow		
U.S. Senior Loans	15,999,243	Net Asset Value Discounted Cash Flow		
Non-U.S. Asset-Backed Securities	36,925	Discounted Cash Flow		
U.S. Warrants	122,313	Black-Scholes Model		
Non-U.S. Corporate Bonds & Notes	—			
Non-U.S. Registered Investment Companies	2,868,778	Net Asset Value		
	\$ 95,234,600			

The significant unobservable inputs used in the fair value measurement of the Fund's bank loan securities are: discount rate and spread adjustment. Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement. The significant unobservable input used in the fair value measurement of the Fund's LLC interests is the discount rate. A significant increase (decrease) in this input in isolation could result in a significantly higher (lower) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Fund's common equity securities are: price/MHz-PoP multiple, transaction indication of value, and discount rate. Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement.

In addition to the unobservable inputs utilized for various valuation methodologies, the Investment Adviser frequently uses a combination of two or more valuation methodologies to determine fair value for a single holding. In such instances, the Investment Adviser assesses the methodologies and ascribes weightings to each methodology. The weightings ascribed to any individual methodology ranged from as low as 5% to as high as 95% as of September 30, 2020. The selection of weightings is an inherently subjective process, dependent on professional judgement. These selections may have a material impact to the concluded fair value for such holdings.

**Certain Illiquid Positions Classified as Level 3**

As of September 30, 2020, the Fund held an investment in the common shares of TerreStar Corporation ("TerreStar")

valued at \$56,831,877, or 27.7% of net assets, and U.S. Senior Loans valued at \$15,999,243 or 7.8% of net assets. TerreStar does not currently generate revenue and primarily derives its value from holding licenses of two wireless spectrum assets. The license with respect to one such spectrum asset was previously terminated by the FCC and subsequently restored on April 30, 2020 on a limited conditional basis. The restoration of such license requires TerreStar to meet certain deployment milestones for wireless medical telemetry service ("WMTS") during a 39-month period. Upon satisfaction of the deployment milestones, TerreStar will be able use such spectrum for other services besides WMTS as long as those services do not interfere with WMTS and TerreStar continues to provide WMTS.

If TerreStar is unsuccessful in satisfying such deployment milestones, or if other services cannot be implemented in a manner that does not interfere with WMTS, the value of the TerreStar equity would likely be materially negatively impacted. In determining the fair value of TerreStar, the Investment Adviser has assigned a high probability of success on both conditions based on consultation with the company and its consultants.

The Fund may hold other illiquid positions that are classified as Level 3 that are not described here. Please see Note 8 for additional disclosure of risks from investments in illiquid securities.

**Security Transactions**

Security transactions are accounted for on the trade date. Realized gains/(losses) on investments sold are recorded on the basis of the specific identification method for both con-



Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2020****Highland Global Allocation Fund**

solidated financial statement and U.S. federal income tax purposes taking into account any foreign taxes withheld.

**Income Recognition**

Corporate actions (including cash dividends) are recorded on the ex-dividend date, net of applicable withholding taxes, except for certain foreign corporate actions, which are recorded as soon after ex-dividend date as such information becomes available and is verified. Interest income is recorded on the accrual basis.

Accretion of discount on taxable bonds and loans is computed to the maturity date, while amortization of premium on taxable bonds and loans is computed to the earliest call date, both using the effective yield method. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.

**U.S. Federal Income Tax Status**

The Fund is treated as a separate taxpayer for U.S. federal income tax purposes. The Fund intends to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended, and will distribute substantially all of their taxable income and gains, if any, for the tax year, and as such will not be subject to U.S. federal income taxes. In addition, the Fund intends to distribute, in each calendar year, all of their net investment income, capital gains and certain other amounts, if any, such that the Fund should not be subject to U.S. federal excise tax. Therefore, no U.S. federal income or excise tax provisions are recorded. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Consolidated Statement of Operations.

The Fund owns a consolidated Taxable Subsidiary ("Subsidiary") for which an income tax provision has been prepared. As of September 30, 2020, significant components of the Subsidiary's net deferred tax assets ("DTA(s)") were as follows:

Net unrealized losses (gains) on investments	\$ 82,831
Net operating loss carryforward	106,397
Capital loss carryforward	<u>281,163</u>
Total deferred tax assets	470,391
Valuation allowance	<u>(470,391)</u>
Total DTA, net of valuation allowance	\$ —

As of September 30, 2020, the Subsidiary has tax attributes that carry forward for varying periods. The Subsidiary's federal net operating loss carryforward of \$228,231 that originated during 2016 — 2017 can be carried forward twenty years to reduce the Subsidiary's net income realized during those other years. The Subsidiary's federal net operating losses will begin to expire in 2036 if they are not utilized. The Subsidiary's

federal operating loss of \$278,423 created in 2018 and 2019 can be carried forward indefinitely as a result of the Tax Act. The Subsidiary's capital losses of \$1,338,871 originated in 2019. The net capital loss generally can be carried forward five years to offset any capital gains realized during those other years. The Subsidiary has recorded a full valuation allowance in connection with federal deferred tax assets. The Subsidiary Management believes it is more likely than not that the tax benefits will not be recognized for the valuation allowance established. In the event a capital loss carryover or net operating loss carryover cannot be utilized in the carryover periods, the Subsidiary's U.S. federal income tax liability may be higher than expected, which will result in less cash available to distribute to shareholders. The Subsidiary periodically reviews the recoverability of its deferred tax assets based on the weight of available evidence and the criteria for whether it is more likely than not that the asset would be utilized under Accounting Standards Codification ("ASC") 740. In analyzing the potential need for a valuation allowance, the Subsidiary considered the fact that it has incurred a cumulative loss over the three-year period ended September 30, 2020. A significant portion of the Subsidiary's net pre-tax losses related to unrealized depreciation of investments. The Subsidiary expects to be taxed at a rate of 21%.

The Investment Adviser has analyzed the Fund's tax positions taken on U.S. federal income tax returns for all open tax years (current and prior three tax years), and has concluded that no provision for U.S. federal income tax is required in the Fund's consolidated financial statements. The Fund's U.S. federal and state income and U.S. federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue. Furthermore, the Investment Adviser of the Fund is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next 12 months.

**Distributions to Shareholders**

The Fund declares and pays investment income distributions quarterly. The Fund typically declares and pays distributions from net realized capital gains in excess of capital loss carryforwards annually.

**Statement of Cash Flows**

Information on financial transactions which have been settled through the receipt or disbursement of cash is presented in the Statement of Cash Flows. The cash amount shown in the Statement of Cash Flows is the amount included within the Fund's Consolidated Statement of Assets and Liabilities and includes cash on hand at its custodian bank and/or sub-custodian bank(s) cash equivalents, foreign currency and restricted cash held at broker(s).

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2020****Highland Global Allocation Fund****Cash & Cash Equivalents**

The Fund considers liquid assets deposited with a bank and certain short-term debt instruments of sufficient credit quality with original maturities of three months or less to be cash equivalents. The Fund also considers money market instruments that invest in cash equivalents to be cash equivalents. These investments represent amounts held with financial institutions that are readily accessible to pay Fund expenses or purchase investments. Cash and cash equivalents are valued at cost plus accrued interest, which approximates fair value. The value of cash equivalents denominated in foreign currencies is determined by converting to U.S. dollars on the date of this financial report. These balances may exceed the federally insured limits under the Federal Deposit Insurance Corporation ("FDIC").

**Foreign Currency**

Accounting records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates using the current 4:00 PM London Time Spot Rate. Fluctuations in the value of the foreign currencies and other assets and liabilities resulting from changes in exchange rates, between trade and settlement dates on securities transactions and between the accrual and payment dates on dividends, interest income and foreign withholding taxes, are recorded as unrealized foreign currency gains/(losses). Realized gains/(losses) and unrealized appreciation/(depreciation) on investment securities and income and expenses are translated on the respective dates of such transactions. The effects of changes in foreign currency exchange rates on investments in securities are not segregated in the Consolidated Statement of Operations from the effects of changes in market prices of those securities, but are included with the net realized and unrealized gain or loss on investment securities.

**Securities Sold Short**

The Fund may sell securities short. A security sold short is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. When the Fund sells a security short, it must borrow the security sold short from a broker-dealer and deliver it to the buyer upon conclusion of the transaction. A Fund may have to pay a fee to borrow particular securities and is often obligated to pay over any dividends or other payments received on such borrowed securities. In some circumstances, a Fund may be allowed by its prime broker to utilize proceeds from securities sold short to purchase additional investments, resulting in leverage. Securities and cash held as collateral for securities sold short are shown on the Consolidated Investment Portfolio. Cash held as collateral for securities sold short is classified as restricted

cash on the Consolidated Statement of Assets and Liabilities, as applicable. Restricted cash in the amount of \$20,862,006 was held with the broker for the Fund. Additionally, securities valued at \$98,236,993 were posted in the Fund's segregated account for collateral for short sales. The Fund's loss on a short sale could be unlimited in cases where the Fund is unable, for whatever reason, to close out its short position.

**Other Fee Income**

Fee income may consist of origination/closing fees, amendment fees, administrative agent fees, transaction breakup fees and other miscellaneous fees. Origination fees, amendment fees, and other similar fees are nonrecurring fee sources. Such fees are received on a transaction by transaction basis and do not constitute a regular stream of income and are recognized when incurred.

**Note 3. Derivative Transactions**

The Fund is subject to equity securities risk, interest rate risk and currency risk in the normal course of pursuing its investment objective. The Fund enters into derivative transactions for the purpose of hedging against the effects of changes in the value of portfolio securities due to anticipated changes in market conditions, to gain market exposure for residual and accumulating cash positions and for managing the duration of fixed income investments.

**Futures Contracts**

A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date. The Fund may invest in interest rate, financial and stock or bond index futures contracts subject to certain limitations. The Fund invests in futures contracts to manage its exposure to the stock and bond markets and fluctuations in currency values. Buying futures tends to increase the Fund's exposure to the underlying instrument while selling futures tends to decrease the Fund's exposure to the underlying instrument, or economically hedge other Fund investments. With futures contracts, there is minimal counterparty credit risk to the Fund since futures contracts are exchange-traded and the exchange's clearinghouse, as counterparty to all traded futures, guarantees the futures against default. A Fund's risks in using these contracts include changes in the value of the underlying instruments, non-performance of the counterparties under the contracts' terms and changes in the liquidity of the secondary market for the contracts. Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they principally trade.

Upon entering into a financial futures contract, the Fund is required to pledge to the broker an amount of cash and/or other assets equal to a certain percentage of the contract

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Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2020****Highland Global Allocation Fund**

amount, known as initial margin deposit. Subsequent payments, known as variation margins, are made or can be received by the Fund each day, depending on the daily fluctuation in the fair value of the underlying security. The Fund records an unrealized gain/(loss) equal to the daily variation margin. Should market conditions move unexpectedly, the Fund may not achieve the anticipated benefits of the futures contracts and may incur a loss. The Fund recognizes a realized gain/(loss) on the expiration or closing of a futures contract.

During the year ended September 30, 2020, the Fund entered into futures transactions for the purpose of hedging against the effects of changes in the value of portfolio securities due to anticipated changes in market conditions, and to gain market exposure for residual and accumulating cash positions. Cash held as collateral for futures contracts is shown on the Consolidated Statement of Assets and Liabilities as "Restricted Cash — Futures, if applicable."

**Options**

The Fund may utilize options on securities or indices to varying degrees as part of its principal investment strategy. An option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the security underlying the option at a specified exercise or "strike" price. The writer of an option on a security has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price or to pay the exercise price upon delivery of the underlying security. The Fund may hold options, write option contracts, or both.

If an option written by a Fund expires unexercised, a Fund realizes on the expiration date a capital gain equal to the premium received by a Fund at the time the option was written. If an option purchased by a Fund expires unexercised, a Fund realizes a capital loss equal to the premium paid. Prior to the earlier of exercise or expiration, an exchange-traded option may be closed out by an offsetting purchase or sale of an option of the same series (type, underlying security, exercise price and expiration). There can be no assurance, however, that a closing purchase or sale transaction can be effected when a Fund desires. A Fund will realize a capital gain from a closing purchase transaction if the cost of the closing option is less than the premium received from writing the option, or, if the cost of the closing option is more than the premium received from writing the option, a capital loss. A Fund will realize a capital gain from a closing sale transaction if the premium received from the sale is more than the original premium paid when the option position was opened, or a capital loss, if the premium received from a sale is less than the original premium paid.

During the year ended September 30, 2020, the Fund had written options to provide leveraged short exposure, and purchased options to provide leveraged long exposure, to the underlying equity, which is consistent with the investment strategies of the Fund.

**Additional Derivative Information**

The Fund is required to disclose; a) how and why an entity uses derivative instruments; b) how derivative instruments and related hedged items are accounted for; c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows; and d) how the netting of derivatives subject to master netting arrangements (if applicable) affects the net exposure of the Fund related to the derivatives.

To reduce counterparty credit risk with respect to over-the-counter ("OTC") transactions, the Fund has entered into master netting arrangements, established within the Fund's International Swap and Derivatives Association, Inc. ("ISDA") master agreements, which allows the Fund to make (or to have an entitlement to receive) a single net payment in the event of default (close-out netting) for outstanding payables and receivables with respect to certain OTC derivative positions in forward currency exchange contracts for each individual counterparty. In addition, the Fund may require that certain counterparties post cash and/or securities in collateral accounts to cover its net payment obligations for those derivative contracts subject to ISDA master agreements. If the counterparty fails to perform under these contracts and agreements, the cash and/or securities will be made available to the Fund.

Certain ISDA master agreements include credit related contingent features which allow counterparties to OTC derivatives to terminate derivative contracts prior to maturity in the event the Fund's net assets decline by a stated percentage or the Fund fails to meet the terms of its ISDA master agreements, which would cause the Fund to accelerate payment of any net liability owed to the counterparty.

For financial reporting purposes, the Fund does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Consolidated Statement of Assets and Liabilities. Bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events.

Collateral terms are contract specific for OTC derivatives. For derivatives traded under an ISDA master agreement, the collateral requirements are typically calculated by netting the mark to market amount for each transaction under such agreement and comparing that to the value of any collateral currently pledged by the Fund or the Counterparty.



**UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF  
TEXAS, DALLAS DIVISION**

**In Re: Highland Capital Management, L.P.** § Case No. **19-34054-SGJ-11**  
**NexPoint Advisors, L.P. et al** §

Appellant § 21-03010  
vs. §  
**Highland Capital Management, L.P.** §

Appellee § **3:22-CV-02170-S**

[126] Judgment (final). Entered on 9/14/2022

**APPELLANT RECORD**

**VOLUME 7**

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UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj11
	§	
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

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**AMENDED DESIGNATION OF ITEMS FOR THE RECORD ON APPEAL  
BY NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this *Amended Designation of Items for the Record on Appeal*, designating the following items for the record of said appeal:

<u>Item</u>	<u>Docket No.</u>	<u>Description</u>
<b>ADVERSARY PROCEEDING (21-03010-sgj)</b>		
1	128	Joint Notice of Appeal
2	126	Judgment
3		Docket Sheet
4	1	Plaintiff Highland Capital Management, L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief
5	33	Original Answer
6	37	Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters
7	49	Response to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
8	56	Highland Capital Management, L.P.'s Reply In Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
9	90	Advisors' Trial Brief
10	91	Highland's Proposed Findings of Fact and Conclusions of Law
11	96	Joint Pretrial Order
12	124	Findings of Fact and Conclusions of Law
<b>BANKRUPTCY CASE (19-34054-sgj-11)</b>		
13	1826	Application for Allowance of Administrative Expense Claim
14	2274	Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
<b>EVIDENCE AND TRANSCRIPTS (21-03010-SGJ)</b>		
15	115	All exhibits admitted into evidence at trial on April 12, 2022 and April 13, 2022 Thru Vol. 12
16	113	Transcript of April 12, 2022 trial
17	116	Transcript of April 13, 2022 trial
18	122	Transcript of April 27, 2022 closing arguments

RESPECTFULLY SUBMITTED this 4th day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina

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**ATTORNEYS FOR NEXPOINT ADVISORS,  
L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 4th day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

Davor Rukavina, Esq.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2020**

For financial reporting purposes, cash collateral that has been pledged to cover obligations of the Fund, if any, is reported in restricted cash on the Consolidated Statement of Assets and Liabilities. Generally, the amount of collateral due from or to a party must exceed a minimum transfer amount threshold before a transfer has to be made. To the extent amounts due to the Fund from its counterparties are not fully collateralized, contractually or otherwise, the Fund bears the risk of loss from counterparty non-performance.

The effect of derivative instruments on the Consolidated Statement of Operations for the year ended September 30, 2020, is as follows:

	Net Realized Gain (Loss) on Derivatives	Net Change in Unrealized Appreciation/ (Depreciation) on Derivatives
Interest Rate Risk	\$ —	\$ 160,650 <sup>(5)</sup>
Equity Price Risk	5,879,721 <sup>(1)(2)(3)</sup>	91,259 <sup>(4)(5)(6)</sup>
Commodity Risk	—	25,786 <sup>(5)(6)</sup>

(1) Consolidated Statement of Operations location: Realized gain (loss) on purchased options contracts.

(2) Consolidated Statement of Operations location: Realized gain (loss) on written options contracts.

(3) Consolidated Statement of Operations location: Realized gain (loss) on futures contracts.

(4) Consolidated Statement of Operations location: Change in unrealized appreciation (depreciation) on futures contracts.

(5) Consolidated Statement of Operations location: Change in unrealized appreciation (depreciation) purchased options contracts.

(6) Consolidated Statement of Operations location: Change in unrealized appreciation (depreciation) on written options.

There were no derivative instruments held as of September 30, 2020.

The average monthly volume of derivative activity for the year ended September 30, 2020, is as follows:

	Units/ Contracts	Appreciation/ (Depreciation)
Futures Contracts <sup>(1)</sup>	(175)	\$ (228,567)
Purchased Options Contracts	3,960	—
Written Options Contracts	2,008	—

(1) Futures Contracts average monthly volume is calculated using Appreciation/(Depreciation).

**Note 4. Securities Lending**

Effective January, 7, 2020, the Investment Adviser entered into a securities lending agreement with The Bank of New York Mellon ("BNY" or the "Lending Agent").

Securities lending transactions are entered into by the Fund under the Securities Lending Agreement, ("SLA") which permits the Fund, under certain circumstances such as an event of default, to offset amounts payable by the Fund to the same counterparty against amounts receivable from the

**Highland Global Allocation Fund**

counterparty to create a net payment due to or from the Fund.

The following is a summary of securities lending agreements held by the Fund, with cash collateral of overnight maturities and non-cash collateral, which would be subject to offset as of September 30, 2020:

Gross Amount of Recognized Assets (Value of Securities on Loan)	Value of Cash Collateral Received <sup>(1)</sup>	Value of Non-Cash Collateral Received <sup>(1)</sup>	Net Amount
\$ 1,573,945	\$ 906,060	\$ 667,885	\$ —

(1) Collateral received in excess of fair value of securities on loan is not presented in this table. The total cash collateral received by the Fund is disclosed in the Consolidated Statement of Assets and Liabilities.

The value of loaned securities and related collateral outstanding at September 30, 2020 are shown in the Consolidated Investment Portfolio. The value of the collateral held may be temporarily less than that required under the lending contract. As of September 30, 2020, the cash collateral was invested in repurchase agreements and the non-cash collateral consisted of U.S. Treasury Bills, Notes, Bonds and U.S. Treasury Inflation Indexed Bonds with the following maturities:

**Remaining Contractual Maturity of the Agreements, as of September 30, 2020**

	Overnight and Continuous	<30 Days	Between 30 & 90 Days	>90 Days	Total
Repurchase Agreements	\$906,060	\$ —	\$ —	\$ —	\$ 906,060
U.S. Government Securities	—	6,666	18,454	684,925	710,045
Total	<u>\$ 906,060</u>	<u>\$ 6,666</u>	<u>\$ 18,454</u>	<u>\$ 684,925</u>	<u>\$ 1,616,105</u>

The Fund could seek additional income by making secured loans of its portfolio securities through its custodian. Such loans would be in an amount not greater than one-third of the value of the Fund's total assets. BNY would charge a fund fees based on a percentage of the securities lending income.

The market value of the loaned securities is determined at the close of each business day of the Fund and any additional required collateral is delivered to the Fund, or excess collateral is returned by the Fund, on the next business day.

The Fund would receive collateral consisting of cash (U.S. and foreign currency), securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, sovereign debt, convertible bonds, irrevocable bank letters of credit or such other collateral as may be agreed on by the

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2020****Highland Global Allocation Fund**

parties to a securities lending arrangement, initially with a value of 102% or 105% of the market value of the loaned securities and thereafter maintained at a value of 100% of the market value of the loaned securities. If the collateral consists of non-cash collateral, the borrower would pay the Fund a loan premium fee. If the collateral consists of cash, BNY would reinvest the cash. Although voting rights, or rights to consent, with respect to the loaned securities pass to the borrower, the Fund would recall the loaned securities upon reasonable notice in order that the securities could be voted by the Fund if the holders of such securities are asked to vote upon or consent to matters materially affecting the investment. The Fund also could call such loans in order to sell the securities involved.

Securities lending transactions were entered into pursuant to SLA, which would provide the right, in the event of default (including bankruptcy or insolvency) for the non-defaulting party to liquidate the collateral and calculate a net exposure to the defaulting party or request additional collateral. In the event that a borrower defaulted, the Fund, as lender, would offset the market value of the collateral received against the market value of the securities loaned. The value of the collateral is typically greater than that of the market value of the securities loaned, leaving the lender with a net amount payable to the defaulting party. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of an SLA counterparty's bankruptcy or insolvency. Under the SLA, the Fund can reinvest cash collateral, or, upon an event of default, resell or repledge the collateral, and the borrower can resell or repledge the loaned securities. The risks of securities lending also include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. To mitigate this risk, each Fund benefits from a borrower default indemnity provided by BNY. BNY's indemnity generally provides for replacement of securities lent or the approximate value thereof.

**Note 5. U.S. Federal Income Tax Information**

The character of income and gains to be distributed is determined in accordance with income tax regulations which may differ from GAAP. These differences include (but are not limited to) investments organized as partnerships for tax purposes, foreign taxes, investments in futures, losses deferred to off-setting positions, tax treatment of organizational start-up costs, losses deferred due to wash sale transactions, tax treatment of net investment loss and distributions in excess of net investment income, dividends deemed paid upon shareholder redemption of Fund shares and tax attributes from Fund reorganizations. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. These reclassifications have no impact on net investment income, realized gains or losses, or NAV of the Fund. The calculation of net investment income per share in the Consolidated Financial Highlights table excludes these adjustments.

As of September 30, 2020, permanent differences chiefly resulting from foreign currency gains and losses, return of capital distributions from real estate investment trusts, capital gain distributions from other RICs, paydown gains and losses, partnership basis adjustments, defaulted bonds, elimination of subsidiary transactions, and capitalized dividends on short sales were identified and reclassified among the components of the Fund's net assets as follows:

Distributable Earnings (Loss)	Paid-in- Capital
\$1,837,133	\$(1,837,133)

At September 30, 2020, the most recent tax year-end, components of distributable earnings on a tax basis is as follows:

Undistributed Income	Undistributed Long-Term Capital Gains	Undistributed Tax-Exempt Income	Other Temporary Differences	Accumulated Capital and Other Losses	Net Tax Appreciation/ (Depreciation)
\$—	\$ —	\$ —	\$ (5)	\$(344,537,361)	\$(194,613,556)

As of September 30, 2020, the Fund has capital loss carryovers as indicated below. The capital loss carryovers are available to offset future realized capital gains.

No Expiration Short-Term	No Expiration Long-Term	Total
\$127,865,084	\$ 216,672,277	\$ 344,537,361

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Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2020****Highland Global Allocation Fund**

The tax character of distributions paid during the years ended September 30, 2020 and September 30, 2019 were as follows:

	Exempt Interest	Ordinary Income <sup>(1)</sup>	Distributions Paid From: Long-Term Capital Gains	Return of Capital <sup>(2)</sup>
2020	\$ —	\$ 13,542,165	\$ —	\$ 10,286,109
2019	—	4,579,807	—	12,388,348

(1) For tax purposes, short-term capital gains distributions, if any, are considered ordinary income distributions.

(2) Additional Information will be distributed on Form 1099 at the end of the calendar year.

The Federal tax cost and gross unrealized appreciation and depreciation on investments (including foreign currency and derivatives, if applicable) held by the Fund at September 30, 2020 were as follows:

Gross Appreciation	Gross Depreciation	Net Appreciation/ (Depreciation)	Federal Tax Cost
\$21,791,355	\$ (216,404,911)	\$ (194,613,556)	\$ 438,013,088

For Federal income tax purposes, the cost of investments owned at September 30, 2020 were different from amounts reported for financial reporting purposes primarily due to investments in partnerships, REIT, defaulted bonds, other securities and deferred wash sale losses.

**Note 6. Credit Agreement**

On January 10, 2018, the Fund entered into a financing arrangement (the "Financing Arrangement") with BNP Paribas Prime Brokerage International, Ltd., BNP Prime Brokerage, Inc., acting through its New York Branch, and BNP Paribas (together, the "BNPP Entities"). The "Financing Arrangement" was terminated on June 30, 2020. Under the Financing Arrangement, the BNPP Entities may make margin loans to the Fund at rates ranging from 1 month LIBOR + 0.50% to 1 month LIBOR + 0.80%. The Financing Arrangement may be terminated by either the Fund or the BNPP Entities with 30 days' notice. At September 30, 2020, the Fund's outstanding balance on the "Financing Arrangement" was \$0. For the year ended September 30, 2020, the Fund's average daily balance was \$90,790,902 at a weighted average interest rate of 2.55% for the days outstanding.

On March 25, 2019, the Fund entered into an agreement with Mizuho Securities USA, LLC ("Mizuho Securities") under which it may from time to time enter into reverse repurchase transactions pursuant to the terms of a master repurchase agreement and related annexes (collectively the "Repurchase Agreement"). A reverse repurchase transaction is a repurchase transaction in which the Fund is the seller of securities or other assets and agrees to repurchase them at a date certain or on demand. Pursuant to the Repurchase Agreement, the Fund may agree to sell securities or other assets to Mizuho Securities for an agreed upon price (the "Purchase Price"), with a simultaneous agreement to repurchase such securities or other assets from Mizuho Securities for the Purchase Price plus a price differential that is economically similar to interest. The price differential is

negotiated for each transaction. This creates leverage for the Fund because the cash received can be used to purchase other securities.

At September 30, 2020, the Fund's outstanding balance on the agreement with Mizuho Securities was \$0. For the year ended September 30, 2020, the Fund's average daily balance was \$7,970,867 at a weighted average interest rate of 3.00% for the days outstanding.

**Note 7. Advisory, Administration, Service and Distribution, Trustee, and Other Fees****Investment Advisory Fees and Administration Fees**

For its investment advisory services, the Fund pays the Investment Adviser a monthly fee, computed and accrued daily, based on an annual rate of the Fund's Average Daily Managed Assets. Average Daily Managed Assets of the Fund means the average daily value of the total assets of the Fund less all accrued liabilities of a Fund (other than the aggregate amount of any outstanding borrowings constituting financial leverage). The Fund's contractual advisory fee with HCMFA for the year ended September 30, 2020 was 0.40%.

The Fund has entered into an administration agreement with SEI Investments Global Funds Services ("SEI"), a wholly owned subsidiary of SEI Investments Company, and pays SEI a fee for administration services. The Investment Adviser generally assists in all aspects of the Fund's administration and operations and furnishes offices, necessary facilities, equipment and personnel.

**Expense Limits and Fee Reimbursements**

The Investment Adviser previously has contractually agreed to limit the total annual operating expenses (exclusive of fees paid by the Fund pursuant to their distribution plans under Rule 12b-1 under the 1940 Act, as amended, taxes,

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2020****Highland Global Allocation Fund**

such as deferred tax expenses, dividend expenses on short sales, interest payments, brokerage commissions and other transaction costs, acquired fund fees and expenses and extraordinary expenses (collectively, the "Excluded Expenses")) of the Fund to 0.90% of average daily net assets attributable to any class of the Fund the "Expense Cap". The Expense Cap expired on January 31, 2019.

Under the expense limitation agreement, the Investment Adviser may recoup waived and/or reimbursed amounts with respect to the Fund within thirty-six months of the date such amounts were waived or reimbursed, provided the Fund's total annual operating expenses, including such recoupment, do not exceed the Expense Cap in effect at the time of such waiver/reimbursement.

Additionally, the Fund may invest in securities issued by other investment companies, including investment companies that are advised by the Adviser or its affiliates, to the extent permitted by applicable law and/or pursuant to exemptive relief from the SEC, and exchange-traded funds ("ETFs"). Fees and expenses of such investments will be borne by shareholders of the investing Fund, and the Adviser voluntarily waives the higher of the two fees for the portion of the Fund's investment advisory fee attributable to its investment in the affiliated investment company.

On September 30, 2020, the amounts subject to possible future recoupment under the Fund's expense limitations were as follows:

Expiring during Fiscal Years Ending September 30,		
2021	2022	2023
\$ —	\$ 417,999	\$ —

During the year ended September 30, 2020, the Investment Adviser did not recoup any fees previously waived or reimbursed. No other amounts expired or were recouped from the Fund during the year ended September 30, 2020.

**Fees Paid to Officers and Trustees**

Each Trustee receives an annual retainer of \$150,000 payable in quarterly installments and allocated among each portfolio in the Highland Fund Complex overseen by such Trustee based on relative net assets. The "Highland Fund Complex" consists of all of the registered investment companies advised by the Investment Adviser or its affiliated advisers and NexPoint Capital, Inc., a closed-end management investment company that has elected to be treated as a business development company under the 1940 Act as of the date of this report.

The Fund pays no compensation to its officers, all of whom are employees of the Investment Adviser or one of its affiliates.

Trustees are reimbursed for actual out-of-pocket expenses relating to attendance at meetings, however, the Chairman of the Board and the Chairman of the Audit and Qualified Legal Compliance Committee each receive an additional payment of \$10,000 payable in quarterly installments and allocated among each portfolio in the Highland Fund Complex based on relative net assets.

The Trustees do not receive any separate compensation in connection with service on Committees or for attending Board or Committee Meetings. The Trustees do not have any pension or retirement plan.

**Note 8. Disclosure of Significant Risks and Contingencies**

The Fund's risks include, but are not limited to, some or all of the risks discussed below. For further information on the Fund's risks, please refer to the Fund's Prospectus and Statement of Additional Information.

**Asset-Backed Securities Risk**

The risk of investing in asset-backed securities, and includes interest rate risk, prepayment risk and the risk that the Fund could lose money if there are defaults on the loans underlying these securities. Investments in asset-backed securities may also be subject to valuation risk.

**Credit Risk**

The value of debt securities owned by the Fund may be affected by the ability of issuers to make principal and interest payments and by the issuer's or counterparty's credit quality. If an issuer cannot meet its payment obligations or if its credit rating is lowered, the value of its debt securities may decline. Lower quality bonds are generally more sensitive to these changes than higher quality bonds. Nonpayment would result in a reduction of income to the Fund, a reduction in the value of the obligation experiencing nonpayment and a potential decrease in the Fund's net asset value and the market price of the Fund's shares.

**Derivatives Risk**

Derivatives Risk is a combination of several risks, including the risks that: (1) an investment in a derivative instrument may not correlate well with the performance of the securities or asset class to which the Fund seeks exposure, (2) derivative contracts, including options, may expire worthless and the use of derivatives may result in losses to the Fund, (3) a derivative instrument entailing leverage may result in a loss greater than the principal amount invested, (4) derivatives not traded on an exchange may be subject to credit risk, for example, if the counterparty does not meet its obligations (see also "Counterparty Risk"), and (5) derivatives not traded on an exchange may be subject to liquidity risk and the related risk that the instrument is difficult or impossible to value accurately.



Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2020****Highland Global Allocation Fund**

As a general matter, when the Fund establishes certain derivative instrument positions, such as certain futures, options and forward contract positions, it will segregate liquid assets (such as cash, U.S. Treasury bonds or commercial paper) equivalent to the Fund's outstanding obligations under the contract or in connection with the position. In addition, changes in laws or regulations may make the use of derivatives more costly, may limit the availability of derivatives, or may otherwise adversely affect the use, value or performance of derivatives. The Fund's ability to pursue its investment strategy, including its strategy of investing in certain derivative instruments, may be limited to or adversely affected by the Fund's intention to qualify as a RIC, and its strategy may bear adversely on its ability to so qualify.

**Equity Securities Risk**

The risk that stock prices will fall over short or long periods of time. In addition, common stocks represent a share of ownership in a company, and rank after bonds and preferred stock in their claim on the company's assets in the event of bankruptcy.

**High Yield Debt Securities Risk**

The risk that below investment grade securities or unrated securities of similar credit quality (commonly known as "high yield securities" or "junk securities") are more likely to default than higher rated securities. The Fund's ability to invest in high-yield debt securities generally subjects the Fund to greater risk than securities with higher ratings. Such securities are regarded by the rating organizations as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. The market value of these securities is generally more sensitive to corporate developments and economic conditions and can be volatile. Market conditions can diminish liquidity and make accurate valuations difficult to obtain.

**Industry Focus Risk**

As the Fund may invest a significant portion of its assets in particular sectors or industries, the performance of the Fund may be closely tied to the performance of companies in a limited number of sectors or industries. Currently, the Fund focuses its investments in the energy, telecommunications and utilities sectors and, in certain instances, in a limited number of issuers within each of those sectors. Companies in a single sector often share common characteristics, are faced with the same obstacles, issues and regulatory burdens and their securities may react similarly to adverse market conditions. To the extent a Fund focuses its investments in particular issuers, countries, geographic regions, industries or sectors, the Fund may be subject to greater risks of adverse developments in such areas of focus than a fund

that invests in a wider variety of issuers, countries, geographic regions, industries, sectors or investments. The price movements of investments in a particular sector or industry may be more volatile than the price movements of more broadly diversified investments.

**Interest Rate Risk**

The risk that fixed income securities will decline in value because of changes in interest rates. When interest rates decline, the value of fixed rate securities already held by the Fund can be expected to rise. Conversely, when interest rates rise, the value of existing fixed rate portfolio securities can be expected to decline. A fund with a longer average portfolio duration will be more sensitive to changes in interest rates than a fund with a shorter average portfolio duration. On July 27, 2017, the head of the United Kingdom's Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. Please refer to "LIBOR Transition and Associated Risk" for more information. The Fund will also be exposed to interest rate risk through the REIT Subsidiary's investments in securities such as preferred equity and debt securities.

**LIBOR Transition and Associated Risk**

Certain instruments held by the Fund pay an interest rate based on the London Interbank Offered Rate ("LIBOR"), which is the average offered rate for various maturities of short-term loans between certain major international banks. LIBOR is expected to be phased out by the end of 2021. While the effect of the phase out cannot yet be determined, it may result in, among other things, increased volatility or illiquidity in markets for instruments based on LIBOR and changes in the value of such instruments.

**Mid-Cap Company Risk**

The risk that investing in securities of mid-cap companies may entail greater risks than investments in larger, more established companies. Mid-cap companies tend to have more narrow product lines, more limited financial resources and a more limited trading market for their stocks, as compared with larger companies. As a result, their stock prices may decline significantly as market conditions change.

**MLP Risk**

The risk that the MLPs in which the Fund invests will fail to be treated as partnerships for U.S. federal income tax purposes. If an MLP does not meet current legal requirements to maintain its partnership status, or if it is unable to do so because of tax or other law changes, it would be treated as a corporation for U.S. federal income tax purposes. The classification of an MLP as a corporation for U.S. federal income tax purposes could have the effect of reducing the amount of cash available for distribution by the MLP and the value of

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the Fund's investment in any such MLP. As a result, the value of the Fund's shares and the cash available for distribution to Fund shareholders could be materially reduced.

**Non-U.S. Securities Risk**

The risk associated with investing in non-U.S. issuers. Investments in securities of non-U.S. issuers involve certain risks not involved in domestic investments (for example, fluctuations in foreign exchange rates (for non-U.S. securities not denominated in U.S. dollars); future foreign economic, financial, political and social developments; nationalization; exploration or confiscatory taxation; smaller markets; different trading and settlement practices; less governmental supervision; and different accounting, auditing and financial recordkeeping standards and requirements) that may result in the Fund experiencing more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies. These risks are magnified for investments in issuers tied economically to emerging markets, the economies of which tend to be more volatile than the economies of developed markets. In addition, certain investments in non-U.S. securities may be subject to foreign withholding and other taxes on interest, dividends, capital gains or other income or proceeds. Those taxes will reduce the Fund's yield on any such securities.

**Non-Payment Risk**

Debt instruments are subject to the risk of non-payment of scheduled interest and/or principal. Non-payment would result in a reduction of income to the Fund, a reduction in the value of the security experiencing non-payment and a potential decrease in the NAV of the Fund. There can be no assurance that the liquidation of any collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments, or that such collateral could be readily liquidated. Moreover, as a practical matter, most borrowers cannot satisfy their debts by selling their assets. Borrowers pay their debts from the cash flow they generate.

**Pandemics and Associated Economic Disruption**

An outbreak of respiratory disease caused by a novel coronavirus was first detected in China in December 2019 and subsequently spread internationally. This coronavirus has resulted in the closing of borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general anxiety and economic uncertainty. It is not known how long any negative impacts, or any future impacts of other significant events such as a substantial economic downturn, will last. Health crises caused by outbreaks of disease, such as the coronavirus, may exacerbate other preexisting political, social and economic

risks. This outbreak, and other epidemics and pandemics that may arise in the future, could negatively affect the global economy, as well as the economies of individual countries, individual companies and the market in general in significant and unforeseen ways. For example, a widespread health crisis such as a global pandemic could cause substantial market volatility, exchange trading suspensions and closures, impact the Fund's ability to complete repurchase requests, and affect Fund performance. Any such impact could adversely affect the Fund's performance, the performance of the securities in which the Fund invests, lines of credit available to the Fund and may lead to losses on your investment in the Fund. In addition, the increasing interconnectedness of markets around the world may result in many markets being affected by events or conditions in a single country or region or events affecting a single or small number of issuers.

**Real Estate Securities Risk**

The securities of issuers that own, construct, manage or sell residential, commercial or industrial real estate are subject to risks in addition to those of other issuers. Such risks include: changes in real estate values and property taxes, overbuilding, variations in rental income, interest rates and changes in tax and regulatory requirements, such as those relating to the environment. Performance of a particular real estate security depends on the structure, cash flow and management skill of the particular company.

**Regulatory Risk**

The risk that to the extent that legislation or state or federal regulators impose additional requirements or restrictions with respect to the ability of financial institutions to make loans in connection with highly leveraged transactions, the availability of loan interests for investment by the Fund may be adversely affected.

**REIT-Specific Risk**

Equity REITs may be affected by changes in the value of the underlying property owned by the trusts, while mortgage REITs may be affected by the quality of any credit extended. Further, equity and mortgage REITs are dependent upon management skill and are not diversified. Such trusts are also subject to heavy cash flow dependency, defaults by borrowers, self-liquidation, and the possibility of failing to qualify for special tax treatment under Subchapter M of the Code and to maintain an exemption under the 1940 Act. Any rental income or income from the disposition of such real estate could adversely affect its ability to retain its tax status, which would have adverse tax consequences on its shareholders. Finally, certain REITs may be self-liquidating at the end of a specified term, and run the risk of liquidating at an economically inopportune time.

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September 30, 2020

Highland Global Allocation Fund

**REIT Tax Risk for REIT Subsidiaries**

In addition to the REIT Subsidiary, the Fund may form one or more subsidiaries that will elect to be taxed as REITs beginning with the first year in which they commence material operations. In order for each subsidiary to qualify and maintain its qualification as a REIT, it must satisfy certain requirements set forth in the Code and Treasury Regulations that depend on various factual matters and circumstances. The Fund and the Adviser intend to structure each REIT subsidiary and its activities in a manner designed to satisfy all of these requirements. However, the application of such requirements is not entirely clear, and it is possible that the IRS may interpret or apply those requirements in a manner that jeopardizes the ability of such REIT subsidiary to satisfy all of the requirements for qualification as a REIT.

**Restrictions on Resale Risk**

Senior Loans may not be readily marketable and may be subject to restrictions on resale. Interests in Senior Loans generally are not listed on any national securities exchange or automated quotation system and no active market may exist for many of the Senior Loans in which the Fund may invest. To the extent that a secondary market may exist for certain of the Senior Loans in which the Fund invests, such market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

**Securities Lending Risk**

The Fund will continue to receive interest on any securities loaned while simultaneously earning interest on the investment of the cash collateral in short-term money market instruments. However, the Fund will normally pay lending fees to broker-dealers and related expenses from the interest earned on such invested collateral. Any decline in the value of a portfolio security that occurs while the security is out on loan is borne by the Fund, and will adversely affect performance. There may be risks of delay in receiving additional collateral or risks of delay in recovery of the securities, loss of rights in the collateral should the borrower of the securities fail financially and possible investment losses in the investment of collateral. Any loan may be terminated by either party upon reasonable notice to the other party.

**Senior Loans Risk**

The risk that the issuer of a senior may fail to pay interest or principal when due, and changes in market interest rates may reduce the value of the senior loan or reduce the Fund's returns. The risks associated with senior loans are similar to the risks of high yield debt securities. Senior loans and other debt securities are also subject to the risk of price declines and to increases in interest rates, particularly long-term

rates. Senior loans are also subject to the risk that, as interest rates rise, the cost of borrowing increases, which may increase the risk of default. In addition, the interest rates of floating rate loans typically only adjust to changes in short-term interest rates; long-term interest rates can vary dramatically from short-term interest rates. Therefore, senior loans may not mitigate price declines in a long-term interest rate environment. The Fund's investments in senior loans are typically below investment grade and are considered speculative because of the credit risk of their issuers.

**Short Sales Risk**

The risk of loss associated with any appreciation on the price of a security borrowed in connection with a short sale. The Fund may engage in short sales that are not made "against-the-box," which means that the Fund may sell short securities even when they are not actually owned or otherwise covered at all times during the period the short position is open. Short sales that are not made "against-the-box" involve unlimited loss potential since the market price of securities sold short may continuously increase.

**Small-Cap Company Risk**

The risk that investing in the securities of small-cap companies either directly or indirectly through investments in ETFs, closed-end funds or mutual funds ("Underlying Funds") may pose greater market and liquidity risks than larger, more established companies, because of limited product lines and/or operating history, limited financial resources, limited trading markets, and the potential lack of management depth. In addition, the securities of such companies are typically more volatile than securities of larger capitalization companies.

**Underlying Funds Risk**

The risk associated with investing in Underlying Funds. The Fund may invest in Underlying Funds subject to the limitations set forth in the 1940 Act. Underlying Funds typically incur fees that are separate from those fees incurred directly by the Fund; therefore, the Fund's purchase of Underlying Funds' securities results in the layering of expenses. The Fund's shareholders indirectly bear a proportionate share of the operating expenses of Underlying Funds (including advisory fees) in addition to bearing the Fund's expenses.

**Value Investing Risk**

The risk of investing in undervalued stocks that may not realize their perceived value for extended periods of time or may never realize their perceived value. Value stocks may respond differently to market and other developments than other types of stocks. Value-oriented funds will typically underperform when growth investing is in favor.

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September 30, 2020

Highland Global Allocation Fund

**Note 9. Investment Transactions****Purchases & Sales of Securities**

The cost of purchases and the proceeds from sales of investments, other than short-term securities and short-term options, for the year ended September 30, 2020, were as follows:

U.S. Government Securities <sup>(1)</sup>		Other Securities	
Purchases	Sales	Purchases	Sales
\$—	\$ —	\$ 57,974,289	\$ 188,066,674

(1) The Fund did not have any purchases or sales of U.S. Government Securities for the year ended September 30, 2020.

**Note 10. Affiliated Issuers**

Under Section 2 (a)(3) of the 1940 Act, as amended, a portfolio company is defined as "affiliated" if a fund owns five percent or more of its outstanding voting securities or if the portfolio company is under common control. The table below shows affiliated issuers of the Fund as of September 30, 2020:

Issuer	Shares at September 30, 2019	Beginning Value as of September 30, 2019	Purchases at Cost	Proceeds from Sales	Net Amortization (Accretion) of Premium/ (Discount)	Net Realized Loss on Sales of Affiliated Issuers	Change in Unrealized Appreciation/ (Depreciation)	Ending Value as of September 30, 2020	Shares at September 30, 2020	Affiliated Income
<b>Majority Owned, Not Consolidated</b>										
None										
Other Affiliates										
Terrestar Corporation (U.S. Equity)	169,531	\$ 47,134,704	\$ —	\$ —	\$ —	\$ —	\$ 9,697,173	\$ 56,831,877	169,531	\$ —
GAF REIT (U.S. Equity)	100	1,000	7,000,000	—	—	—	448,337	7,449,337	688,714	—
NexPoint Real Estate Finance (U.S. Equity)	—	—	1,245,188	—	—	—	532,898	1,778,086	121,123	96,898
NexPoint Residential Trust (U.S. Equity)	61,912	2,895,005	2,218,575	(119,085)	—	—	2,126,031	7,120,526	160,553	17,643
NREF OP I, L.P. (U.S. LLC Interest)	—	—	2,480,920	—	—	—	(659,925)	1,820,995	124,046	126,524
NREF OP IV, L.P. (U.S. LLC Interest)	—	—	9,593,702	—	—	—	(1,910,366)	7,683,336	523,388	209,355
SFR WLIF I, LLC (U.S. LLC Interest)	6,773,494	6,918,447	—	—	—	—	(2,018,027)	4,900,420	6,773,494	827,439
SFR WLIF II, LLC (U.S. LLC Interest)	4,437,497	4,537,341	—	—	—	—	(1,307,553)	3,229,788	4,437,497	517,163
SFR WLIF III, LLC (U.S. LLC Interest)	3,789,008	3,751,876	—	—	—	—	(329,757)	3,422,119	3,789,008	264,003
Terrestar Corporation (U.S. Senior Loan)	14,336,849	14,336,849	1,678,404	—	—	—	(16,010)	15,999,243	16,015,258	1,698,219
BB Votorantim Highland Infrastructure LLC (Non-U.S. Registered Investment Company)	10,000	3,483,081	—	—	—	—	(614,303)	2,868,778	10,000	—
NexPoint Merger Arbitrage Fund (U.S. Registered Investment Company)	544,599	10,445,409	34,631	—	—	—	704,405	11,184,445	546,382	34,631
NexPoint Strategic Opportunities Fund (U.S. Registered Investment Company)	436,131	7,819,829	—	(822,506)	—	—	(3,220,429)	3,776,894	436,131	—

Highland Energy  
MLP Fund  
(Non-U.S.  
Master Limited  
Partnership)

Other Controlled

None

Total

5,166,913	14,415,686	409,406	(13,498,797)	—	(29,073,181)	27,746,886	—	—	—
<u>35,726,034</u>	<u>\$ 115,739,227</u>	<u>\$24,660,826</u>	<u>\$(14,440,388)</u>	<u>\$ —</u>	<u>\$(29,073,181)</u>	<u>\$ 31,179,360</u>	<u>\$ 128,065,844</u>	<u>33,795,125</u>	<u>\$3,791,875</u>



Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2020****Highland Global Allocation Fund****Note 11. New Accounting Pronouncement**

In August 2018, the FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820). The new guidance includes additions and modifications to disclosure requirements for fair value measurements. For public entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Investment Adviser has evaluated the impact of this new guidance and the adoption of this guidance did not have a material impact on the Fund's financial statements.

**Note 12. Legal Matters**

The Fund received a shareholder demand letter dated March 1, 2018, from an individual purporting to be a shareholder of the Fund (the "Demand Letter"). The Demand Letter alleges that the current and former Board breached their fiduciary duties, and the Investment Adviser breached its advisory agreement, in relation to the Fund's investment in shares of an affiliated mutual fund, the Highland Energy MLP Fund (previously a series of the Trust). The Fund held \$15.5 million (or 61.5%) of the Highland Energy MLP Fund, which has now been liquidated. Upon receipt of the Demand Letter, the Board formed a Demand Review Committee ("DRC") comprised entirely of independent trustees to investigate these claims and to make a recommendation to the Board regarding whether pursuit of these claims is in the best interests of the Fund. Aided by independent counsel to the committee, the DRC engaged in a thorough and detailed review of the allegations contained in the Demand Letter. Upon completion of its evaluation, the DRC recommended that the Fund's independent trustees, who represent a majority of the Board, reject the demand specified in the shareholder Demand Letter.

After considering the report of the DRC, the independent trustees unanimously agreed and rejected the demand, noting that the Demand Letter contained material factual errors and incorrect assumptions, and the proposed suit was meritless and should not be pursued. A copy of the report was provided to the purported shareholder and her counsel.

Notwithstanding the foregoing, the purported shareholder (the "Plaintiff") filed a shareholder derivative suit against the Fund, certain members of the Board and the Investment Adviser on September 5, 2018 (the "Shareholder Litigation"). On May 26, 2020, the Court granted a motion to dismiss for all defendants on all claims. The Court stated "Given that the contract and fiduciary duty claims are barred by the Boards

independent and good-faith investigation of those claims, it is Ordered that this action is Dismissed with Prejudice. The case is Lanotte v. Highland Global Allocation Fund et al, 3:18-cv-02360, U.S. District Court for the Northern District of Texas (Dallas). The Demand Letter and the Shareholder Litigation are not related to the Proposals and do not alter the intention of the Fund and the Investment Adviser to redomicile the Fund and convert the Fund into a closed-end fund.

Under a Shared Services Agreement, the Investment Adviser utilizes employees from HCMLP (defined below) in connection with various services such as human resources, accounting, tax, valuation, information technology services, office space, employees, compliance and legal. HCMFA has historically been affiliated through common control with Highland Capital Management, L.P. ("HCMLP"), an SEC-registered investment adviser that filed for Chapter 11 bankruptcy protection on October 16, 2019. As a result of HCMLP's ongoing bankruptcy proceedings, HCMLP is no longer under common control with HCMFA and James Dondero resigned as the sole director of, and the appointment of an independent board to, HCMLP's general partner. Mr. Dondero has also resigned as an employee of HCMLP and as portfolio manager for all HCMLP-advised funds, but continues to be a portfolio manager for HCMFA. Future investment selection and determination, however, may be expected to differ between HCMLP and HCMFA.

Under its November 13, 2020 Amended Plan, if accepted by creditors and approved by the bankruptcy court, HCMLP intends to terminate the Shared Services Agreement with HCMFA. However, based upon on-going discussions with HCMLP, HCMFA expects to be able to continue to receive these services through a transfer of personnel, equipment and facilities from HCMLP either to HCMFA or to a third-party service provider. There can be no assurance that the Amended Plan will be accepted by the creditors or approved by the court. The Adviser is neither party to HCMLP's bankruptcy filing nor subject to the Filed Plan.

**Note 13. Asset Coverage**

The Fund is required to maintain 300% asset coverage with respect to amounts outstanding (excluding short-term borrowings). Asset coverage is calculated by subtracting the Fund's total liabilities, not including any amount representing bank loans and senior securities, from the Fund's total assets and dividing the result by the principal

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amount of the borrowings outstanding. As of the dates indicated below, the Fund's debt outstanding and asset coverage was as follows:

Date	Total Amount Outstanding (\$)	% of Asset Coverage of Indebtedness
9/30/2020	—	—
9/30/2019	120,295,348	346.2
9/30/2018	138,725,439	395.2
9/30/2017	—	—
9/30/2016	40,000,000	2,414.9
9/30/2015	—	—
9/30/2014	—	—
9/30/2013	—	—
9/30/2012	—	—
9/30/2011	—	—
9/30/2010	—	—

**Note 14. Indemnification**

Under the Fund's organizational documents, the officers and Trustees have been granted certain indemnification rights against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund may enter into contracts with service

providers that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated.

**Note 15. Subsequent Events**

Management has evaluated the impact of all subsequent events on the Fund through the date the consolidated financial statements were issued, and has determined that there were no subsequent events to report which have not already been recorded or disclosed in these consolidated financial statements and accompanying notes, except as described below.

On October 28, 2020, the Board, including the Independent Trustees, approved the continuation of the investment advisory agreement between the Investment Adviser and the Fund (the "Advisory Agreement") for an additional one-year period commencing on November 1, 2020. A discussion regarding the factors considered by the Board in approving the Advisory Agreement will be included in the Fund's semi-annual report for the period ended March 31, 2021.

Table of Contents**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****To the Board of Trustees and Shareholders of Highland Global Allocation Fund***Opinion on the Financial Statements*

We have audited the accompanying statement of assets and liabilities, including the investment portfolio, of Highland Global Allocation Fund (the "Fund") as of September 30, 2020, and the related statements of operations, cash flows, and changes in net assets, including the related notes, and the financial highlights for the year then ended (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of September 30, 2020, the results of its operations, cash flows, the changes in its net assets, and the financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Fund's financial statements and financial highlights for the years ended September 30, 2019, and prior, were audited by other auditors whose report dated November 27, 2019, expressed an unqualified opinion on those financial statements and financial highlights.

*Basis for Opinion*

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 2020, by correspondence with the custodian, transfer agent, issuer, agent banks, and brokers. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Fund's auditor since 2020.



COHEN & COMPANY, LTD.  
Cleveland, Ohio  
November 30, 2020

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September 30, 2020

Highland Global Allocation Fund

**Investment Objective and Strategy Overview**

The Fund's investment objective is to seek long-term growth of capital and future income (future income means the ability to pay dividends in the future). Please refer to Note 8 for a discussion of the Fund's current investment risks.

The Fund seeks to achieve its investment objectives by investing in a portfolio of U.S. and foreign equity, debt and money market securities. Under normal market conditions, the Fund intends to invest at least 50% of its net assets in equity securities and at least 40% (plus any borrowings for investment purposes) of its net assets in securities of non-U.S. issuers. The Fund intends to invest approximately 40% or more of its net assets in securities of non-U.S. issuers at all times, however, in the event of unfavorable market conditions the Fund may invest less than 40% (but not less than 30%) of its assets in securities of non-U.S. issuers. For purposes of determining whether securities held by the Fund are securities of a non-U.S. issuer, a company is considered to be a non-U.S. issuer if the company's securities principally trade on a market outside of the United States, the company derives a majority of its revenues or profits outside of the United States, the company is not organized in the United States, or the company is significantly exposed to the economic fortunes and risks of regions outside the United States.

Equity securities in which the Fund may invest include common stock, preferred stock, securities convertible into common stock, rights and warrants or securities or other instruments whose price is linked to the value of common stock. The equity securities in which the Fund invests may be of any capitalization, may be denominated in any currency and may be located in emerging markets.

The Fund may also invest in debt securities of any kind, including debt securities of varying maturities, debt securities paying a fixed or fluctuating rate of interest, inflation-indexed bonds, structured notes, loan assignments, loan participations, asset-backed securities, debt securities convertible into equity securities, and securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities, by foreign governments or international agencies or supranational entities or by domestic or foreign private issuers. The Fund may invest in debt securities of any credit quality, including below investment grade securities (also known as "high yield securities" or "junk securities"). Such securities are rated below investment grade by a nationally recognized statistical rating organization ("NRSRO") or are unrated but deemed by the Investment Adviser to be of comparable quality. The Fund may invest without limitation in below investment grade or unrated securities, including in insolvent borrowers or borrowers in default.

The Fund may also invest in senior loans to domestic or foreign corporations, partnerships and other entities that operate in a variety of industries and geographic regions ("Borrowers") ("Senior Loans"). Senior Loans are business loans that have a right to payment senior to most other debts of the Borrower.

The Fund invests primarily in companies that the portfolio manager believes have solid growth prospectus and/or attractive valuations. The portfolio manager's value management style employs a relative approach to identify companies across all economic sectors and geographic regions that are undervalued relative to the market, their peers, their historical valuation or their growth rate. In addition, the Fund's portfolio manager may employ event-driven investment strategies that analyze transactions in order to predict a likely outcome and invest the Fund's assets in a way that seeks to benefit from that outcome.

When choosing investment markets, Fund management considers various factors, including economic and political conditions, potential for economic growth and possible changes in currency exchange rates. In addition to investing in securities of non-U.S. issuers, the Fund actively manages its exposure to foreign currencies through the use of forward currency contracts and other currency derivatives. The Fund may own foreign cash equivalents or foreign bank deposits as part of the Fund's investment strategy. The Fund may also invest in non-U.S. currencies for hedging and speculative purposes.

The Fund's portfolio may include pooled investment vehicles, including exchange-traded funds ("ETFs"), that provide exposure to foreign equity securities and that invest in both developed and emerging markets, including ETFs that seek to track the performance of securities of a single country. The Fund may invest up to 5% of its net assets in warrants and may also use derivatives, primarily swaps (including equity, variance and volatility swaps), options and futures contracts on securities, interest rates, commodities and/or currencies, as substitutes for direct investments the Fund can make and, to the extent permitted by the 1940 Act, to hedge various investments for risk management and speculative purposes.

The Fund will limit its investments in pooled investment vehicles that are excluded from the definition of "investment company" under the 1940 Act by Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, such as private equity funds and hedge funds, to no more than 15% of its net assets. This limitation does not apply to any collateralized loan obligations, collateralized debt obligations and/or collateralized mortgage obligations, certain of which may rely on Section 3(c)(1) or 3(c)(7) of the 1940 Act.

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****September 30, 2020****Highland Global Allocation Fund**

The Fund seeks to provide exposure to the investment returns of real assets that trade in the commodity markets, including through investment in certain commodity-linked instruments and pooled investment vehicles, such as master limited partnership ("MLP") investments that are principally engaged in one or more aspects of the exploration, production, processing, transmission, marketing, storage or delivery of energy-related commodities, such as natural gas, natural gas liquids, coal, crude oil or refined petroleum products, in addition to exchange-traded notes and ETFs that generate returns tied to a particular commodity or commodity market index.

Except as otherwise expressly noted in the Statement of Additional Information ("SAI"), all percentage limitations and ratings criteria apply at the time of purchase of securities, except that the limit on borrowing described herein is applied on a continual basis.

The Fund may borrow an amount up to 33 1/3% of its total assets (including the amount borrowed). The Fund may borrow for investment purposes and for temporary, extraordinary or emergency purposes. To the extent the Fund borrows more money than it has cash or short-term cash equivalents and invests the proceeds, the Fund will create financial leverage. The use of borrowing for investment purposes increases both investment opportunity and investment risk.

The Fund's portfolio manager may sell a security for a variety of reasons, such as to invest in a company offering or superior investment opportunities.

The portfolio manager may sell short securities of a company that it believes: (i) is overvalued relative to normalized business and industry fundamentals or to the expected growth that the portfolio manager believes the company will achieve; (ii) has a weak competitive position relative to peers; (iii) engages in questionable accounting practices; (iv) shows declining cash flow and/or liquidity; (v) has distribution estimates that the portfolio manager believes are too high; (vi) has weak competitive barriers to entry; (vii) suffers from deteriorating industry and/or business fundamentals; (viii) has a weak management team; (ix) will see multiple contraction; (x) is not adapting to changes in technological, regulatory or competitive environments; or (xi) provides a hedge against the Fund's long exposure, such as a broad based market ETF. Technical analysis may be used to help in the decision making process. The Fund may engage in short sales that are not made "against-the-box," which means that the Fund may sell short securities even when they are not actually owned or offset at all times during the period the short position is open and could result in unlimited loss.

**Tax Information**

For shareholders that do not have a September 30, 2020 tax year end, this notice is for informational purposes only. For shareholders with a September 30, 2020 tax year end, please consult your tax adviser as to the pertinence of this notice. For the fiscal year ended September 30, 2020, the Fund is designating the following items with regard to earnings for the year.

Return of Capital	Long-Term Capital Gain Distribution	Ordinary Income Distribution	Total Distribution	
43.17%	0.00%	56.83%	100.00%	
Dividends Received Deduction <sup>(1)</sup>	Qualified Dividend Income <sup>(2)</sup>	Interest Related Dividends <sup>(3)</sup>	Short-Term Capital Gain Dividends <sup>(4)</sup>	Qualifying Business Income <sup>(5)</sup>
27.16%	28.09%	23.54%	0.00%	0.07%

- (1) Qualifying dividends represent dividends which qualify for the corporate dividends received deduction and is reflected as a percentage of ordinary income distributions (the total of short-term capital gain and net investment income distributions).
- (2) The percentage in this column represents the amount of "Qualifying Dividend Income" as created by the Jobs and Growth Tax Relief Reconciliation Act of 2003 and is reflected as a percentage of ordinary income distributions (the total of short-term capital gain and net investment income distributions). It is the intention of the Fund to designate the maximum amount permitted by law.
- (3) The percentage in this column represents the amount of "Interest Related Dividends" as created by the American Jobs Creation Act of 2004 and is reflected as a percentage of net investment distributions that is exempt from U.S. withholding tax when paid to foreign investors.
- (4) The percentage in this column represents the amount of "Short-Term Capital Gain Dividend" as created by the American Jobs Creation Act of 2004 and is reflected as a percentage of short-term capital gain distributions that is exempt from U.S. withholding tax when paid to foreign investors.
- (5) The percentage of this column represents that amount of ordinary dividend income that qualified for 20% Business Income Deduction.

**Additional Portfolio Information**

The Investment Adviser and its affiliates manage other accounts, including registered and private funds and individual accounts. Although investment decisions for the Fund are made independently from those of such other accounts, the Investment Adviser may, consistent with applicable law, make investment recommendations to other clients or accounts that may be the same or different from those made to the Fund, including investments in different levels of the capital structure of a company, such as equity versus senior loans, or that involve taking contradictory positions in multiple levels of the capital structure. The Investment Adviser has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, this may create situations

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Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****September 30, 2020****Highland Global Allocation Fund**

where a client could be disadvantaged because of the investment activities conducted by the Investment Adviser for other client accounts. When the Fund and one or more of such other accounts is prepared to invest in, or desire to dispose of, the same security, available investments or opportunities for each will be allocated in a manner believed by the Investment Adviser to be equitable to the Fund and such other accounts. The Investment Adviser also may aggregate orders to purchase and sell securities for the Fund and such other accounts. Although the Investment Adviser believes that, over time, the potential benefits of participating in volume transactions and negotiating lower transaction costs should benefit all accounts including the Fund, in some cases these activities may adversely affect the price paid or received by the Fund or the size of the position obtained or disposed of by the Fund.

**Disclosure of Fund Expenses**

As a shareholder of a Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchases and redemption fees; and (2) ongoing costs, including management fees; distribution (12b-1) and service fees; and other Fund expenses. This example is intended to help you understand the ongoing costs (in dollars) of investing in your Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the six-month period April 1, 2020 through September 30, 2020, unless otherwise indicated. This table illustrates your Fund's costs in two ways:

**Actual Expenses:** The first part of the table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

**Hypothetical Example for Comparison Purposes:** The second part of the table provides information about hypothetical account values and hypothetical expenses based on your Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not your Fund's actual return. The actual expense ratio includes voluntary fee waivers or expense reimbursements by the Fund's investment adviser. The expense ratio would be higher had the fee waivers or expense reimbursements not been in effect. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in your Fund and

other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads) or redemption fees. Therefore, the second part of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value 04/1/20	Ending Account Value 09/30/20	Annualized Expense Ratios	Expenses Paid During Period <sup>(1)</sup>
<i>Actual Fund Return</i>	\$1,000.00	\$1,218.50	1.27%	\$ 7.04
<i>Hypothetical 5% Return (before expenses)</i>	\$1,000.00	\$1,018.65	1.27%	\$ 6.41

(1) Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year, divided by the number of days in the full fiscal year (183/366).

**Changes of Independent Registered Public Accounting Firm**

On June 8, 2020, the Fund dismissed PricewaterhouseCoopers LLP ("PwC") as the Fund's independent registered public accounting firm, effective on such date. The decision to dismiss PwC was approved by the audit committee and by the full Board. On June 18, 2020, the Fund approved the appointment of Cohen & Company, Ltd. ("Cohen") as the Fund's independent registered public accounting firm. Cohen was engaged by the Fund on June 25, 2020.

During the Fund's year ended September 30, 2019 and the subsequent interim period through June 8, 2020, during which PwC served as the Fund's independent registered public accounting firm, there were no: (1) disagreements (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement, or (2) reportable events (as described in Item 304(a)(1)(v) of Regulation S-K). PwC was not the auditor of the Fund for the year ended September 30, 2017.

The Fund provided PwC with a copy of the disclosures proposed to be made in this N-CSR and requested that PwC furnish the Fund with a letter addressed to the Commission stating whether it agrees with the statements made by the



Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****September 30, 2020****Highland Global Allocation Fund**

Fund in response to Item 304(a) of Regulation S-K, and, if not, stating the respects in which it does not agree. The PwC letter is attached hereto as an exhibit.

During the year ended September 30, 2019 and the subsequent interim period through June 8, 2020, neither Management, the Fund nor anyone on its behalf, consulted Cohen regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the financial statements of the Fund and no written report or oral advice was provided to the Fund by Cohen or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

**Dividend Reinvestment Plan**

Unless the registered owner of Common Shares elects to receive cash by contacting Global Shares ("Global Shares" or the "Plan Agent"), as agent for shareholders in administering the Plan, a registered owner will receive newly issued Common Shares for all dividends declared for Common Shares of the Fund. If a registered owner of Common Shares elects not to participate in the Plan, they will receive all dividends in cash paid by check mailed directly to them (or, if the shares are held in street or other nominee name, then to such nominee) by Global Shares, as dividend disbursing agent. Shareholders may elect not to participate in the Plan and to receive all dividends in cash by sending written instructions or by contacting Global Shares, as dividend disbursing agent, at the address set forth below. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by contacting the Plan Agent before the dividend record date; otherwise such termination or resumption will be effective with respect to any subsequently declared dividend. Some brokers may automatically elect to receive cash on the shareholders' behalf and may reinvest that cash in additional Common Shares of the Fund for them. The Plan Agent will open an account for each shareholder under the Plan in the same name in which such shareholder's Common Shares are registered. Whenever the Fund declares a dividend payable in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in Common Shares. The Common Shares will be acquired by the Plan Agent through receipt of additional unissued but authorized Common Shares from the Fund ("newly issued Common Shares"). The number of newly issued Common Shares to be credited to each participant's account will be determined by dividing the dollar amount of the dividend by the lesser of (i) the net asset value per Common Share determined on the Declaration Date and (ii) the market price

per Common Share as of the close of regular trading on the New York Stock Exchange (the "NYSE") on the Declaration Date. The Plan Agent maintains all shareholders' accounts in the Plan and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Common Shares in the account of each Plan participant will be held by the Plan Agent on behalf of the Plan participant, and each shareholder proxy will include those shares purchased or received pursuant to the Plan. The Plan Agent will forward all proxy solicitation materials to participants and vote proxies for shares held under the Plan in accordance with the instructions of the participants. In the case of shareholders such as banks, brokers or nominees which hold shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of Common Shares certified from time to time by the record shareholder's name and held for the account of beneficial owners who participate in the Plan. There will be no brokerage charges with respect to Common Shares issued directly by the Fund. The automatic reinvestment of dividends will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. Accordingly, any taxable dividend received by a participant that is reinvested in additional Common Shares will be subject to federal (and possibly state and local) income tax even though such participant will not receive a corresponding amount of cash with which to pay such taxes.

Participants who request a sale of shares through the Plan Agent are subject to a \$2.50 sales fee and pay a brokerage commission of \$0.05 per share sold. The Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. All correspondence concerning the Plan should be directed to the Plan Agent.

**Amendments to the Fund's Declaration of Trust**

On October 15, 2019, the Board of Trustees of the Fund adopted "supermajority" amendments to the Fund's Declaration of Trust to give Fund shareholders added protections against unwanted transactions and other actions by and with activist investors. Under the terms of these amendments, certain actions undertaken by "principal shareholders" (i.e., shareholders owning more than 5% of the Fund's shares) would require the affirmative vote or consent of 75% of each Class of the Fund's outstanding shares. Actions covered by these supermajority requirements include: (a) the merger or consolidation of the Fund or any subsidiary of the Fund with or into any principal shareholder; (b) the issuance of any Fund shares to any principal

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****September 30, 2020****Highland Global Allocation Fund**

shareholder for cash; (c) the sale, lease or exchange of all or any substantial part of the assets of the Fund to any principal shareholder; (d) the sale, lease or exchange to or with the Fund or any subsidiary thereof, in exchange for shares of the Fund, of any assets of any principal shareholder; and (e) the conversion of the Fund from a "closed-end company" to an "open-end company" as those terms are defined in the Investment Company Act of 1940.

On August 13, 2020, the Board of Trustees of the Fund adopted "control shares" amendments to the Fund's Declaration of Trust to give Fund shareholders additional protections against unwanted takeover and other actions by activist investors. Under the terms of these amendments, holders of "control shares" of the Fund have no voting rights with respect to such control shares except to the extent approved by two-thirds of the Fund's other shareholders. "Control shares" are defined as Fund shares that would, if aggregated with the other Fund shares held by the same shareholder, enable the shareholder to exercise voting power within any of the following ranges of voting power:

(a) one-tenth or more, but less than one-third of all voting power;  
 (b) one-third or more, but less than a majority of all voting power;  
 or (c) a majority of all voting power.

**Control Persons and Principal Shareholders**

As of September 30, 2020, the Trustees and officers of each Fund as a group owned less than 1% of the then outstanding shares of each class of shares of each Fund.

Control persons are presumed to control a Fund for purposes of voting on matters submitted to a vote of shareholders due to their beneficial ownership of 25% or more of a Fund's outstanding voting securities. Unless otherwise noted, as of September 30, 2020, the only persons known by the Fund to own of record, or beneficially 25% or more of the outstanding shares of the Funds were as follows:

Name and Address of Record Owner	Percent of Shares Held (%)
Charles Schwab & Co Inc Cust Attn: Mutual Funds Dept 101 Montgomery St San Francisco, CA 94104-4151	37.20%

A person who beneficially owns, either directly or indirectly, more than 25% of the voting securities of the Fund or acknowledges the existence of such control may be presumed to control the Fund. A control person could potentially control the outcome of any proposal submitted to the shareholders for approval, including changes to the Fund's

fundamental policies or terms of the investment advisory agreement with the Adviser.

**Submission of Proposal to a Vote of Shareholders**

The annual meeting of shareholders of the Fund was held on June 12, 2020. The following is a summary of the proposal submitted to shareholders for a vote at the meeting and the votes cast.

**Proposal**

To elect Dr. Bob Froehlich as a Class II Trustee of the Fund, to serve for a three-year term expiring at the 2023 Annual Meeting or until his successor is duly elected and qualifies, by the holders of the Fund's Common shares.

Nominee/Trustee	Number of Common Shares Voted	Percentage of Outstanding Common Shares	Percentage of Common Shares Voted
Dr. Bob Froehlich For	14,558,033	64.70%	88.78%
Withheld	1,839,671	8.18%	11.22%

In addition to the one Trustee who was elected at the annual meeting, as noted above, the following other Trustees continued in office after the Fund's annual meeting: John Honis, Ethan Powell and Bryan A. Ward.

**Trustees and Officers**

The Board is responsible for the overall management of the Fund, including supervision of the duties performed by the Investment Adviser. The names and birth dates of the Trustees and officers of the Fund, the year each was first elected or appointed to office, their principal business occupations during the last five years, the number of funds overseen by each Trustee and other directorships they hold are shown below. The business address for each Trustee and officer of the Fund is c/o Highland Capital Management Fund Advisors, L.P., 300 Crescent Court, Suite 700, Dallas, TX 75201.

The "Highland Fund Complex," as referred to herein consists of: each series of Highland Funds I ("HFI"), each series of Highland Funds II ("HFII"), Highland Global Allocation Fund ("GAF"), Highland Income Fund ("HFRO"), NexPoint Strategic Opportunities Fund ("NHF"), NexPoint Real Estate Strategies Fund ("NRESF"), and NexPoint Capital, Inc. (the "BDC"), a closed-end management investment company that has elected to be treated as a business development company under the 1940 Act.

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****September 30, 2020****Highland Global Allocation Fund**

Name and Date of Birth	Position(s) with the Trust	Term of Office <sup>1</sup> and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Highland Fund Complex Overseen by the Trustee	Other Directorships/ Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b>Independent Trustees</b>						
Dr. Bob Froehlich (4/28/1953)	Trustee	3 year term (expiring at 2020 annual meeting); Trustee since March 2016	Retired.	12	Trustee of ARC Realty Finance Trust, Inc. (from January 2013 to May 2016); Director of KC Concessions, Inc. (since January 2013); Trustee of Realty Capital Income Funds Trust (from January 2014 to December 2016); Director of American Realty Capital Healthcare Trust II (from January 2013 to June 2016); Director, American Realty Capital Daily Net Asset Value Trust, Inc. (from November 2012 to July 2016); Director of American Sports Enterprise, Inc. (since January 2013); Director of Davidson Investment Advisors (from July 2009 to July 2016); Chairman and owner, Kane County Cougars Baseball Club (since January 2013); Advisory Board of Directors, Internet Connectivity Group, Inc. (from January 2014 to April 2016); Director of AXAR Acquisition Corp. (formerly AR Capital Acquisition Corp.) (from October 2014 to October 2017); Director of The Midwest League of Professional Baseball Clubs, Inc.; Director of Kane County Cougars Foundation, Inc.; Director of Galen Robotics, Inc.; Chairman	Significant experience in the financial industry; significant managerial and executive experience; significant experience on other boards of directors, including as a member of several audit committees.

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Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****September 30, 2020****Highland Global Allocation Fund**

Name and Date of Birth	Position(s) with the Trust	Term of Office <sup>1</sup> and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Highland Fund Complex Overseen by the Trustee	Other Directorships/ Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b>Independent Trustees</b>						
					and Director of FC Global Realty, Inc. (from May 2017 to June 2018); and Chairman; Director of First Capital Investment Corp. (from March 2017 to March 2018); and Director and Special Advisor to Vault Data, LLC (since February 2018).	
Ethan Powell (6/20/1975)	Trustee; Chairman of the Board	3 year term (expiring at 2022 annual meeting); Trustee since December 2013; Chairman of the Board since December 2013	Principal and CIO of Brookmont Capital Management, LLC since May 2020; CEO, Chairman and Founder of Impact Shares LLC since December 2015; Trustee/Director of the Highland Fund Complex from June 2012 until July 2013 and since December 2013; Chief Product Strategist of Highland Capital Management Fund Advisors, L.P. ("HCMFA") from 2012 until December 2015; Senior Retail Fund Analyst of HCM from 2007 until December 2015 and HCMFA from its inception until December 2015.	12	Trustee of Impact Shares Funds I Trust	Significant experience in the financial industry; significant executive experience including past service as an officer of funds in the Highland Fund Complex; significant administrative and managerial experience.

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****September 30, 2020****Highland Global Allocation Fund**

Name and Date of Birth	Position(s) with the Trust	Term of Office <sup>1</sup> and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Highland Fund Complex Overseen by the Trustee	Other Directorships/ Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b>Independent Trustees</b>						
Bryan A. Ward (2/4/1955)	Trustee	Indefinite Term; Trustee since December 2013; Chairman of the Board since December 2013; and Executive Vice President and Principal Executive Officer from June 2012 until December 2015.	Senior Advisor, CrossFirst Bank since April 2019; Private Investor, BW Consulting, LLC since 2014.	12	Director of Equity Metrix, LLC	Significant experience in the financial industry; significant executive experience including past service as an officer of funds in the Highland Fund Complex; significant administrative and managerial experience.
<b>Interested Trustee</b>						
John Honis <sup>2</sup> (6/16/1958)	Trustee	Indefinite Term; Trustee since July 2013.	President of Rand Advisors, LLC since August 2013	12	Manager of Turtle Bay Resort, LLC (August 2011 – December 2018); Manager of American Home Patient (November 2011 to February 2016).	Significant experience in the financial industry; significant managerial and executive experience, including experience as president, chief executive officer or chief restructuring officer of five telecommunication firms; experience on other boards of directors.

- 1 On an annual basis, as a matter of Board policy, the Governance and Compliance Committee reviews each Trustee's performance and determines whether to extend each such Trustee's service for another year. Effective June 2013, the Board adopted a retirement policy wherein the Governance and Compliance Committee shall not recommend the continued service as a Trustee of a Board member who is older than 80 years of age at the time the Governance and Compliance Committee reports its findings to the Board.
- 2 In light of relationships between Mr. Honis and certain affiliates of the Adviser, including HCMLP, arising out of HCMLP's pending Chapter 11 proceedings, Mr. Honis is treated as an Interested Trustee of the Trust effective January 28, 2020. From May 1, 2015 to January 28, 2020, Mr. Honis was treated as an Independent Trustee of the Trust.

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Table of Contents**ADDITIONAL INFORMATION (unaudited) (concluded)****September 30, 2020****Highland Global Allocation Fund**

Name and Date of Birth	Position(s) with the Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years
<b>Officers</b>			
Frank Waterhouse (4/14/1971)	Treasurer, Principal Accounting Officer, Principal Financial Officer and Principal Executive Officer	Indefinite Term; Treasurer since May 2015. Principal Financial Officer and Principal Accounting Officer since October 2017. Principal Executive Officer since February 2018.	Partner and Chief Financial Officer of HCMLP; Treasurer of the Highland Fund Complex since May 2015.
David Klos (5/6/1982)	Assistant Treasurer	Indefinite Term; Assistant Treasurer since April 2020	Chief Accounting Officer at HCMLP since April 2020 and Financial Operations Principal for NexPoint Securities, Inc. since October 2016; Controller at HCMLP from March 2017 to March 2020; Assistant Controller at HCMLP from March 2015 until February 2017.
Jason Post (1/9/1979)	Chief Compliance Officer	Indefinite Term; Chief Compliance Officer since September 2015.	Chief Compliance Officer for HCMFA and NexPoint since September 2015; Chief Compliance Officer and Anti-Money Laundering Officer of the Highland Fund Complex since September 2015. Prior to his current role at HCMFA and NexPoint, Mr. Post served as Deputy Chief Compliance Officer and Director of Compliance for HCMLP.
Dustin Norris (1/6/1984)	Executive Vice President	Indefinite Term; Executive Vice President since April 2019.	Head of Distribution and Chief Product Strategist at NexPoint since March 2019; President of NexPoint Securities, Inc. since April 2018; Head of Distribution at HCMFA from November 2017 until March 2019; Chief Product Strategist at HCMFA from September 2015 to March 2019; Director of Product Strategy at HCMFA from May 2014 to September 2015; Officer of the Highland Fund Complex since November 2012.
Lauren Thedford (1/7/1989)	Secretary	Indefinite Term; Secretary since April 2019	Associate General Counsel at HCMLP since September 2017; In-House Counsel at HCMLP from January 2015 until September 2017; Secretary of the Highland Fund Complex since April 2019.

Table of Contents**IMPORTANT INFORMATION ABOUT THIS REPORT**

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**Investment Adviser**

Highland Capital Management Fund Advisors,  
L.P.  
300 Crescent Court, Suite 700  
Dallas, TX 75201

**Transfer Agent**

American Stock Transfer & Trust Company, LLC  
6201 15th Avenue  
Brooklyn, NY 11219

**Underwriter**

NexPoint Securities, Inc.  
300 Crescent Court, Suite 700  
Dallas, TX 75201

**Custodian**

Bank of New York Mellon  
240 Greenwich Street  
New York, NY 10286

**Independent Registered Public Accounting Firm**

Cohen & Company, Ltd.  
1350 Euclid Ave., Suite 800  
Cleveland, OH 44115

**Fund Counsel**

K&L Gates LLP  
1 Lincoln Street  
Boston, MA 02111

This report has been prepared for shareholders of Highland Global Allocation Fund (the "Fund"). The Fund mails one shareholder report to each shareholder address. If you would like more than one report, please call shareholder services at 1-877-665-1287 to request that additional reports be sent to you.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to their portfolio securities, and the Fund's proxy voting records for the most recent 12-month period ended September 30, are available (i) without charge, upon request, by calling 1-877-665-1287 and (ii) on the Securities and Exchange Commission's website at <http://www.sec.gov>.

The Fund files its complete schedules of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year as an exhibit to its report on Form N-PORT within sixty days after the end of the period. The Fund's Form N-PORT are available on the Commission's website at <http://www.sec.gov> and also may be reviewed and copied at the Commission's Public Reference Room in Washington, DC. Information on the Public Reference Room may be obtained by calling 1-800-SEC-0330. Shareholders may also obtain the Form N-PORT by visiting the Fund's website at [www.highlandfunds.com](http://www.highlandfunds.com).

The Statements of Additional Information include additional information about the Fund's Trustees and are available upon request without charge by calling 1-877-665-1287.

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**American Stock Transfer & Trust Company, LLC**  
6201 15th Avenue  
Brooklyn, NY 11219

**Highland Global Allocation Fund**

[www.highlandfunds.com](http://www.highlandfunds.com)

Annual Report, September 30, 2020

GAF-AR-09/20

**Table of Contents****Item 2. Code of Ethics.**

- (a) Highland Global Allocation Fund (the “Registrant”), as of the end of the period covered by this report, has adopted a code of ethics that applies to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Registrant or a third party.
- (b) Not applicable.
- (c) There have been no amendments, during the period covered by this report, to a provision of the code of ethics that applies to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Registrant or a third party, and that relates to any element of the code of ethics description.
- (d) The Registrant has not granted any waiver, including any implicit waiver, from a provision of the code of ethics that applies to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this Item’s instructions.
- (e) Not applicable.
- (f) The Registrant’s code of ethics that applies to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions is filed herewith as Exhibit (a)(1).

**Item 3. Audit Committee Financial Expert.**

As of the end of the period covered by the report, the Registrant’s Board of Trustees (the “Board”) has determined that Bryan A. Ward, a member of the Audit & Qualified Legal Compliance Committee of the Board (the “Audit Committee”), is an audit committee financial expert as defined by the U.S. Securities and Exchange Commission (the “SEC”) in Item 3 of Form N-CSR. Mr. Ward is “independent” as defined by the SEC for purposes of this Item 3 of Form N-CSR.

**Item 4. Principal Accountant Fees and Services.****Audit Fees**

- (a) The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the Registrant’s annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years are \$370,000 for the fiscal year ended September 30, 2019 and \$145,000 for the fiscal year ended September 30, 2020.

**Audit-Related Fees**

- (b) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the Registrant’s financial statements and are not reported under paragraph (a) of this Item are \$370,000 for the fiscal year ended September 30, 2019 and \$73,190 for the fiscal year ended September 30, 2020.

**Table of Contents****Tax Fees**

- (c) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning are \$36,000 for the fiscal year ended September 30, 2019 and \$14,000 for the fiscal year ended September 30, 2020. The nature of the services related to assistance on the Registrant's tax returns and excise tax calculations.

**All Other Fees**

- (d) The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item are \$0 for the fiscal year ended September 30, 2019 and \$0 for the fiscal year ended September 30, 2020.

- (e)(1) Disclose the Audit Committee's pre-approval policies and procedures described in paragraph (c)(7) of Rule 2-01 of Regulation S-X:

The Audit Committee shall:

- (a) have direct responsibility for the appointment, compensation, retention and oversight of the Registrant's independent auditors and, in connection therewith, to review and evaluate matters potentially affecting the independence and capabilities of the auditors; and
  - (b) review and pre-approve (including associated fees) all audit and other services to be provided by the independent auditors to the Registrant and all non-audit services to be provided by the independent auditors to the Registrant's investment adviser or any entity controlling, controlled by or under common control with the investment adviser (an "Adviser Affiliate") that provides ongoing services to the Registrant, if the engagement relates directly to the operations and financial reporting of the Registrant; and
  - (c) establish, to the extent permitted by law and deemed appropriate by the Audit Committee, detailed pre-approval policies and procedures for such services; and
  - (d) review and consider whether the independent auditors' provision of any non-audit services to the Registrant, the Registrant's investment adviser or an Adviser Affiliate not pre-approved by the Audit Committee are compatible with maintaining the independence of the independent auditors.
- (e)(2) The percentage of services described in each of paragraphs (b) through (d) of this Item that were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X are as follows:
- (b) 100%
  - (c) 100%
  - (d) N/A
- (f) The percentage of hours expended on the principal accountant's engagement to audit the Registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was less than fifty percent.
- (g) The aggregate non-audit fees billed by the Registrant's principal accountant for services rendered to the Registrant, and rendered to the Registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and an Adviser Affiliate that provides ongoing services to the Registrant for each of the last two fiscal years of the Registrant was \$36,000 for the fiscal year ended September 30, 2019 and \$14,000 for the fiscal year ended September 30, 2020.

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- (h) The Registrant's Audit Committee has considered whether the provision of non-audit services that were rendered to the Registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and an Adviser Affiliate that provides ongoing services to the Registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

**Item 5. Audit Committee of Listed Registrants.**

The Registrant has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. It is composed of the following Trustees, each of whom is not an "interested person" as defined in the 1940 Act:

Dr. Bob Froehlich

Bryan A. Ward

Ethan Powell

**Item 6. Investments.**

- (a) Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period is included as part of the Annual Report to Shareholders filed under Item 1 of this form.
- (b) Not applicable.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

**HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.  
PROXY VOTING POLICY**

**Purpose and Scope**

The purpose of these voting policies and procedures (the "Policy") is to set forth the principles and procedures by which Highland Capital Management Fund Advisors, L.P. (the "Company") votes or gives consents with respect to the securities owned by Clients for which the Company exercises voting authority and discretion.<sup>1</sup> For avoidance of doubt, this includes any proxy and any shareholder vote or consent, including a vote or consent for a private company or other issuer that does not involve a proxy. These policies and procedures have been designed to help ensure that votes are cast in the best interests of Clients in accordance with the Company's fiduciary duties and Rule 206(4)-6 under the Investment Advisers Act of 1940 (the "Advisers Act").

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<sup>1</sup> In any case where a Client has instructed the Company to vote in a particular manner on the Client's behalf, those instructions will govern in lieu of parameters set forth in the Policy.

This Policy applies to securities held in all Client accounts (including Retail Funds and other pooled investment vehicles) as to which the Company has explicit or implicit voting authority. Implicit voting authority exists where the Company's voting authority is implied by a general delegation of investment authority without reservation of proxy voting authority to the Client.

If the Company has delegated voting authority to an investment sub-adviser with respect to any Retail Fund, such sub-adviser will be responsible for voting all proxies for such Retail Funds in accordance with the

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sub-adviser's proxy voting policies. The Compliance Department, to provide oversight over the proxy voting by sub-advisers and to ensure that votes are executed in the best interests of the Retail Funds, shall (i) review the proxy voting policies and procedures of each Retail Fund sub-adviser to confirm that they comply with Rule 206(4)-6, both upon engagement of the sub-adviser and upon any material change to the sub-adviser's proxy voting policies and procedures, and (ii) require each such sub-adviser to provide quarterly certifications that all proxies were voted pursuant to the sub-adviser's policies and procedures or to describe any inconsistent votes.

**General Principles**

The Company and its affiliates engage in a broad range of activities, including investment activities for their own accounts and for the accounts of various Clients and providing investment advisory and other services to Clients. In the ordinary course of conducting the Company's activities, the interests of a Client may conflict with the interests of the Company, other Clients and/or the Company's affiliates and their clients. Any conflicts of interest relating to the voting of proxies, regardless of whether actual or perceived, will be addressed in accordance with these policies and procedures. The guiding principle by which the Company votes all proxies is to vote in the best interests of each Client by maximizing the economic value of the relevant Client's holdings, taking into account the relevant Client's investment horizon, the contractual obligations under the relevant advisory agreements or comparable documents and all other relevant facts and circumstances at the time of the vote. The Company does not permit voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

**Voting Procedures***Third-Party Proxy Advisors*

The Company may engage a third-party proxy advisor ("Proxy Advisor") to provide proxy voting recommendations with respect to Client proxies. Proxy Advisor voting recommendation guidelines are generally designed to increase investors' potential financial gain. When considering whether to retain or continue retaining any particular Proxy Advisor, the Compliance Department will ascertain, among other things, whether the Proxy Advisor has the capacity and competency to adequately analyze proxy issues. In this regard, the Compliance Department will consider, among other things: the adequacy and quality of the Proxy Advisor's staffing and personnel; the robustness of its policies and procedures regarding its ability to (a) ensure that its proxy voting recommendations are based on current and accurate information and (b) identify and address any conflicts of interest and any other considerations that the Compliance Department determines would be appropriate in considering the nature and quality of the services provided by the Proxy Advisor. To identify and address any conflicts that may arise on the part of the Proxy Advisor, the Compliance Department will ensure that the Proxy Advisor notifies the Compliance Department of any relevant business changes or changes to its policies and procedures regarding conflicts.

*Third-Party Proxy Voting Services*

The Company may utilize a third-party proxy voting service ("Proxy Voting Service") to monitor holdings in Client accounts for purposes of determining whether there are upcoming shareholder meetings or similar corporate actions and to execute Client proxies on behalf of the Company pursuant to the Company's instructions, which shall be given in a manner consistent with this Policy. The Compliance Department will oversee each Proxy Voting Service to ensure that proxies have been voted in a manner consistent with the Company's instructions.

*Monitoring*

Subject to the procedures regarding Nonstandard Proxy Notices described below, the Compliance Department of the Company shall have responsibility for monitoring Client accounts for proxy notices. Except as detailed below, if proxy notices are received by other employees of the Company, such employees must promptly forward all proxy or other voting materials to the Compliance Department.



**Table of Contents***Portfolio Manager Review and Instruction*

From time to time, the settlement group of the Company may receive nonstandard proxy notices, regarding matters including, but not limited to, proposals regarding corporate actions or amendments ("Nonstandard Proxy Notices") with respect to securities held by Clients. Upon receipt of a Nonstandard Proxy Notice, a member of the settlement group (the "Settlement Designee") shall send an email notification containing all relevant information to the Portfolio Manager(s) with responsibility for the security and *R-Settlement@highlandcapital.com*. Generally, the relevant Portfolio Manager(s) shall deliver voting instructions for Nonstandard Proxy Notices by replying to the email notice sent to the Portfolio Manager(s) and *R-Settlement@highlandcapital.com* by the Settlement Designee or by sending voting instructions to *R-Settlement@highlandcapital.com* and *R-Settlement@highlandcapital.com*. Any conflicts for Nonstandard Proxy Notices should also be disclosed to the Compliance Department. In the event a Portfolio Manager orally conveys voting instructions to the Settlement Designee or any other member of the Company's settlement group, that Settlement Designee or member of the Company's settlement group shall respond to the original notice email sent to *R-Settlement@highlandcapital.com* detailing the Portfolio Manager(s) voting instructions.

With regard to standard proxy notices, on a weekly basis, the Compliance Department will send a notice of upcoming proxy votes related to securities held by Clients and the corresponding voting recommendations of the Proxy Advisor to the relevant Portfolio Manager(s). Upon receipt of a proxy notice from the Compliance Department, the Portfolio Manager(s) will review and evaluate the upcoming votes and recommendations. The Portfolio Managers may rely on any information and/or research available to him or her and may, in his or her discretion, meet with members of an issuer's management to discuss matters of importance to the relevant Clients and their economic interests. Should the Portfolio Manager determine that deviating from the Proxy Advisor's recommendation is in a Client's best interest, the Portfolio Manager shall communicate his or her voting instructions to the Compliance Department.

In the event that more than one Portfolio Manager is responsible for making a particular voting decision and such Portfolio Managers are unable to arrive at an agreement as to how to vote with respect to a particular proposal, they should consult with the applicable Chief Compliance Officer (the "CCO") for guidance.

*Voting*

Upon receipt of the relevant Portfolio Managers' voting instructions, if any, the Compliance Department will communicate the instructions to the Proxy Voting Service to execute the proxy votes.

*Non-Votes*

It is the general policy of the Company to vote or give consent on all matters presented to security holders in any vote, and these policies and procedures have been designated with that in mind. However, the Company reserves the right to abstain on any particular vote if, in the judgment of the CCO, or the relevant Portfolio Manager, the effect on the relevant Client's economic interests or the value of the portfolio holding is insignificant in relation to the Client's portfolio, if the costs associated with voting in any particular instance outweigh the benefits to the relevant Clients or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Clients not to vote. Such determination may apply in respect of all Client holdings of the securities or only certain specified Clients, as the Company deems appropriate under the circumstances. As examples, a Portfolio Manager may determine: (a) not to recall securities on loan if, in his or her judgment, the matters being voted upon are not material events affecting the securities and the negative consequences to Clients of disrupting the securities lending program would outweigh the benefits of voting in the particular instance or (b) not to vote proxies relating to certain foreign securities if, in his or her judgment, the expense and administrative inconvenience outweighs the benefits to Clients of voting the securities.

*Conflicts of Interest*

The Company's Compliance Department is responsible for monitoring voting decisions for any conflicts of interest, regardless of whether they are actual or perceived. All voting decisions contrary to the recommendation of a Proxy Advisor require a mandatory conflicts of interest review by the Compliance Department, which will include a consideration of whether the Company or any Portfolio Manager or other person recommending or providing input on how to vote has an interest in the vote that may present a conflict of interest.



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In addition, all Company investment professionals are expected to perform their tasks relating to the voting of proxies in accordance with the principles set forth above, according the first priority to the best interest of the relevant Clients. If at any time a Portfolio Manager or any other investment professional becomes aware of a potential or actual conflict of interest regarding any particular voting decision, he or she must contact the Compliance Department promptly and, if in connection with a proxy that has yet to be voted, prior to such vote. If any investment professional is pressured or lobbied, whether from inside or outside the Company, with respect to any particular voting decision, he or she should contact the Compliance Department promptly. The CCO will use his or her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the relevant Clients.

In the event of a conflict, the Company may choose to address such conflict by: (i) voting in accordance with the Proxy Advisor's recommendation; (ii) the CCO determining how to vote the proxy (if the CCO approves deviation from the Proxy Advisor's recommendation, then the CCO shall document the rationale for the vote); (iii) "echo voting" or "mirror voting" the proxy in the same proportion as the votes of other proxy holders that are not Clients; or (iv) with respect to Clients other than Retail Funds, notifying the affected Client of the material conflict of interest and seeking a waiver of the conflict or obtaining such Client's voting instructions. Where the Compliance Department deems appropriate, third parties may be used to help resolve conflicts. In this regard, the CCO or his or her delegate shall have the power to retain fiduciaries, consultants or professionals to assist with voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Where a conflict of interest arises with respect to a voting decision for a Retail Fund, the Company shall disclose the conflict and the rationale for the vote taken to the Retail Fund's Board of Directors/Trustees at the next regularly scheduled quarterly meeting. The Compliance Department will maintain a log documenting the basis for the decision and will furnish the log to the Board of Trustees.

***Material Conflicts of Interest***

The following relationships or circumstances are examples of situations that may give rise to a material conflict of interest for purposes of this Policy. This list is not exclusive or determinative; any potential conflict (including payments of the types described below but less than the specified threshold) should be identified to the Company's Compliance Department:

- (i) The issuer is a Client of the Company, or of an affiliate, accounting for more than 5% of the Company's or affiliate's annual revenues.
- (ii) The issuer is an entity that reasonably could be expected to pay the Company or its affiliates more than \$1 million through the end of the Company's next two full fiscal years.
- (iii) The issuer is an entity in which a "Covered Person" (as defined in the Company's Policies and Procedures Designed to Detect and Prevent Insider Trading and to Comply with Rule 17j-1 of the 1940 Act (the "Code of Ethics")) has a beneficial interest contrary to the position held by the Company on behalf of Clients.
- (iv) The issuer is an entity in which an officer or partner of the Company or a relative of any such person is or was an officer, director or employee, or such person or relative otherwise has received more than \$150,000 in fees, compensation and other payment from the issuer during the Company's last three fiscal years; provided, however, that the Compliance Department may deem such a relationship not to be a material conflict of interest if the Company representative serves as an officer or director of the issuer at the direction of the Company for purposes of seeking control over the issuer.

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- (v) The matter under consideration could reasonably be expected to result in a material financial benefit to the Company or its affiliates through the end of the Company's next two full fiscal years (for example, a vote to increase an investment advisory fee for a Retail Fund advised by the Company or an affiliate).
- (vi) Another Client or prospective Client of the Company, directly or indirectly, conditions future engagement of the Company on voting proxies in respect of any Client's securities on a particular matter in a particular way.
- (vii) The Company holds various classes and types of equity and debt securities of the same issuer contemporaneously in different Client portfolios.
- (viii) Any other circumstance where the Company's duty to serve its Clients' interests, typically referred to as its "duty of loyalty," could be compromised.

Notwithstanding the foregoing, a conflict of interest described above shall not be considered material for the purposes of this Policy in respect of a specific vote or circumstance if:

The securities in respect of which the Company has the power to vote account for less than 1% of the issuer's outstanding voting securities, but only if: (i) such securities do not represent one of the 10 largest holdings of such issuer's outstanding voting securities and (ii) such securities do not represent more than 2% of the Client's holdings with the Company.

The matter to be voted on relates to a restructuring of the terms of existing securities or the issuance of new securities or a similar matter arising out of the holding of securities, other than common equity, in the context of a bankruptcy or threatened bankruptcy of the issuer.

**Recordkeeping**

Following the submission of a proxy vote, the Registrant will maintain a report of the vote and all relevant documentation.

The Registrant shall retain records relating to the voting of proxies and the Company shall conduct due diligence, including on Proxy Voting Services and Proxy Advisors, as applicable, to ensure the following records are adequately maintained by the appropriate party:

- (i) Copies of this Policy and any amendments thereto.
- (ii) A current copy of the Proxy Advisor's voting guidelines, as amended.
- (iii) A copy of each proxy statement that the Company receives regarding Client securities. The Company may rely on a third party to make and retain, on the Company's behalf, a copy of a proxy statement, provided that the Company has obtained an undertaking from the third party to provide a copy of the proxy statement promptly upon request.
- (iv) Records of each vote cast by the Company on behalf of Clients. The Company may satisfy this requirement by relying on a third party to make and retain, on the Company's behalf, a record of the vote cast, provided that the Company has obtained an undertaking from the third party to provide a copy of the record promptly upon request.
- (v) A copy of any documents created by the Company that were material to making a decision how to vote or that memorializes the basis for that decision.
- (vi) A copy of each written request for information on how the Company voted proxies on behalf of the Client, and a copy of any written response by the Company to any (oral or written) request for information on how the Company voted.

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These records shall be maintained and preserved in an easily accessible place for a period of not less than five years from the end of the Company's fiscal year during which the last entry was made in the records, the first two years in an appropriate office of the Company.<sup>2</sup>

**Enforcement of this Policy**

It shall be the responsibility of the Compliance Department to handle or coordinate the enforcement of this Policy. The Compliance Department will periodically sample proxy voting records to ensure that proxies have been voted in accordance with this Policy, with a particular focus on any proxy votes that require additional analysis (e.g., proxies voted contrary to the recommendations of a Proxy Advisor).

<sup>2</sup> If the Company has essentially immediate access to a book or record (on the Company's proprietary system or otherwise) through a computer located at an appropriate office of the Company, then that book or record will be considered to be maintained at an appropriate office of the Company. "Immediate access" to books and records includes that the Company has the ability to provide promptly to Securities and Exchange Commission (the "SEC") examination staff hard copies of the books and records or access to the storage medium. The party responsible for the applicable books and records as described above shall also be responsible for ensuring that those books and records for the first two years are either physically maintained in an appropriate office of the Company or that the Company otherwise has essentially immediate access to the required books and records for the first two years.

If the Compliance Department determines that a Proxy Advisor or Proxy Voting Service may have committed a material error, the Compliance Department will investigate the error, taking into account the nature of the error, and seek to determine whether the Proxy Advisor or Proxy Voting Service is taking reasonable steps to reduce similar errors in the future.

In addition, no less frequently than annually, the Compliance Department will review the adequacy of this Policy to ensure that it has been implemented effectively and to confirm that this Policy continues to be reasonably designed to ensure that proxies are voted in the best interest of Clients.

**Disclosures to Clients and Investors**

The Company includes a description of its policies and procedures regarding proxy voting in Part 2 of Form ADV, along with a statement that Clients can contact the CCO to obtain a copy of these policies and procedures and information about how the Company voted with respect to a Client's securities. This Policy is, however, subject to change at any time without notice.

As a matter of policy, the Company does not disclose how it expects to vote on upcoming proxies. Additionally, the Company does not disclose the way it voted proxies to unaffiliated third parties without a legitimate need to know such information.

**Item 8. Portfolio Managers of Closed-End Management Investment Companies.****(a)(1) Identification of Portfolio Manager(s) or Management Team Members and Description of Role of Portfolio Manager(s) or Management Team Members**

The Registrant's portfolio manager, who is primarily responsible for the day-to-day management of the Registrant's portfolio, is James Dondero.

*James Dondero* — Mr. Dondero is co-founder of Highland Capital Management Fund Advisors, L.P. ("HCMFA" or the "Adviser") co-founder of Highland Capital Management, L.P. and founder and President of NexPoint Advisors, L.P. Mr. Dondero has

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over 30 years of experience investing in credit and equity markets and has helped pioneer credit asset classes. Formerly, Mr. Dondero served as Chief Investment Officer of Protective Life's GIC subsidiary and helped grow the business from concept to over \$2 billion between 1989 and 1993. His portfolio management experience includes mortgage-backed securities, investment grade corporates, leveraged bank loans, high-yield bonds, emerging market debt, real estate, derivatives, preferred stocks and common stocks. From 1985 to 1989, he managed approximately \$1 billion in fixed income funds for American Express. Prior to American Express, he completed his financial training at Morgan Guaranty Trust Company. Mr. Dondero is a Beta Gamma Sigma graduate of the University of Virginia (1984) with degrees in Accounting and Finance. Mr. Dondero has earned the right to use the Chartered Financial Analyst designation. Mr. Dondero is a Certified Public Accountant and a Certified Management Accountant. Mr. Dondero currently serves as Chairman for NexBank and serves on the Board of Directors of Jernigan Capital, Inc., Texmark Timber Treasury, L.P., Cornerstone Healthcare Group, Metro-Goldwyn-Mayer and SeaOne Holdings, LLC.

**(a)(2) Other Accounts Managed by Portfolio Manager(s) or Management Team Member and Potential Conflicts of Interest****Other Accounts Managed by Portfolio Manager(s) or Management Team Member**

The following table provides information about funds and accounts, other than the Registrant, for which the Registrant's portfolio manager is primarily responsible for the day-to-day portfolio management as of September 30, 2020.

**James Dondero**

<u>Type of Accounts</u>	<u>Total # of Accounts Managed</u>	<u>Total Assets (millions)</u>	<u># of Accounts Managed with Performance- Based Advisory Fee</u>	<u>Total Assets with Performance- Based Advisory Fee (millions)</u>
Registered Investment Companies:	9	\$ 1,940	1	\$ 64
Other Pooled Investment Vehicles:	2	\$ 1,012	2	\$ 1,012
Other Accounts:	—	\$ —	—	\$ —

**Potential Conflicts of Interests**

The Adviser is an affiliate of NexPoint Advisors, L.P. ("NexPoint"). The Adviser and/or its general partner, limited partners, officers, affiliates and employees provide investment advice to other parties and manage other accounts and investment vehicles similar to the Trust. For the purposes of this section, the term "Highland" shall include the Adviser and its affiliated investment advisors, and all affiliates listed on its Form ADV, as filed via an amendment with the SEC October 23, 2020 (CRD No. 149653). The Adviser has historically been affiliated through common control with Highland Capital Management, L.P. ("HCMLP"), an SEC-registered investment adviser that filed for Chapter 11 bankruptcy protection on October 16, 2019.

As a result of HCMLP's ongoing bankruptcy proceedings, HCMLP is no longer under common control with the Adviser and James Dondero resigned as the sole director of HCMLP's general partner. Mr. Dondero has also resigned as an employee of HCMLP and as portfolio manager for all HCMLP-advised funds, but continues to be a portfolio manager for the Adviser. Future investment selection and determination, however, may be expected to differ between HCMLP and the Adviser. Employees of HCMLP providing services to the Adviser could face conflicts arising from, for example, HCMLP and the Adviser acting separately with respect to investment determinations on assets commonly held by clients respectively of HCMLP and the Adviser, although any such persons will not have sole investment discretion with respect to any determination made by the Adviser for its clients.

On November 13, 2020, HCMLP filed an amended plan of reorganization and disclosure statement with the Court (the "Amended Plan"), which was subsequently accepted by the Creditors and approved by the Court. On

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November 30, 2020, HCMLP provided notice of termination of the Shared Services Agreement to the Investment Adviser, effective January 31, 2021. However, based upon on-going discussions with HCMLP, the Adviser expects to be able to continue to receive these services through a transfer of personnel, equipment and facilities from HCMLP either to the Adviser or to a third-party service provider.

The Adviser is neither party to HCMLP's bankruptcy filing nor subject to the Filed Plan. In connection with such other investment management activities, the Adviser and/or its general partner, limited partners, officers, affiliates and employees may decide to invest the funds of one or more other accounts or recommend the investment of funds by other parties, rather than the Registrant's monies, in a particular security or strategy. In addition, the Adviser and such other persons will determine the allocation of funds from the Registrant and such other accounts to investment strategies and techniques on whatever basis they consider appropriate or desirable in their sole and absolute discretion.

Highland has built a professional working environment, a firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. Highland has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, Highland furnishes advisory services to numerous clients in addition to the Registrant, and Highland may, consistent with applicable law, make investment recommendations to other clients or accounts (including accounts that have performance or higher fees paid to Highland or in which portfolio managers have a personal interest in the receipt of such fees) that may be the same as or different from those made to the Registrant. In addition, Highland, its affiliates and any of their partners, directors, officers, stockholders or employees may or may not have an interest in the securities whose purchase and sale the Adviser recommends to the Registrant. Actions with respect to securities of the same kind may be the same as or different from the action that the Adviser, or any of its affiliates, or any of their partners, directors, officers, stockholders or employees or any member of their families may take with respect to the same securities. Moreover, the Adviser may refrain from rendering any advice or services concerning securities of companies of which any of the Adviser's (or its affiliates') partners, directors, officers or employees are directors or officers, or companies as to which the Adviser or any of its affiliates or partners, directors, officers and employees of any of them has any substantial economic interest or possesses material non-public information.

The Adviser, its affiliates or their partners, directors, officers or employees similarly serve or may serve other entities that operate in the same or related lines of business, including accounts managed by an investment adviser affiliated with the Adviser. Accordingly, these individuals may have obligations to investors in those entities or funds or to other clients, the fulfillment of which might not be in the best interests of the Registrant. As a result, the Adviser will face conflicts in the allocation of investment opportunities to the Registrant and other funds and clients. In order to enable such affiliates to fulfill their fiduciary duties to each of the clients for which they have responsibility, the Adviser will endeavor to allocate investment opportunities in a fair and equitable manner, pursuant to policies and procedures adopted by the Adviser and its advisory affiliates that are designed to manage potential conflicts of interest, which may, subject to applicable regulatory constraints, involve pro rata co-investment by the funds and such other clients or may involve a rotation of opportunities among the funds and such other clients. The Registrant will only make investments in which the Adviser or an affiliate hold an interest to the extent permitted under the 1940 Act and SEC staff interpretations or pursuant to the terms and conditions of the exemptive order received by the Adviser and certain funds affiliated with the Registrant, dated April 19, 2016. For example, exemptive relief is not required for the Registrant to invest in syndicated deals and secondary loan market transactions in which the Adviser or an affiliate has an interest where price is the only negotiated point. The order applies to all "Investment Companies," which includes future closed-end investment companies registered under the 1940 Act that are managed by the Adviser, which includes the Registrant. The Registrant, therefore, may in the future invest in accordance with the terms and conditions of the exemptive order. To mitigate any actual or perceived conflicts of interest, allocation of limited offering securities (such as IPOs and registered secondary offerings) to principal accounts that do not include third party investors may only be made after all other client account orders for the security have been filled. However, there can be no assurance that such policies and procedures will in every case ensure fair and equitable allocations of investment opportunities, particularly when considered in hindsight.



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Conflicts may arise in cases when clients and/or the Adviser and other affiliated entities invest in different parts of an issuer's capital structure, including circumstances in which one or more clients own private securities or obligations of an issuer and other clients may own public securities of the same issuer. In addition, one or more clients may invest in securities, or other financial instruments, of an issuer that are senior or junior to securities, or financial instruments, of the same issuer that are held by or acquired for, one or more other clients. For example, if such issuer encounters financial problems, decisions related to such securities (such as over the terms of any workout or proposed waivers and amendments to debt covenants) may raise conflicts of interests. In such a distressed situation, a client holding debt securities of the issuer may be better served by a liquidation of the issuer in which it may be paid in full, whereas a client holding equity securities of the issuer might prefer a reorganization that holds the potential to create value for the equity holders. In the event of conflicting interests within an issuer's capital structure, Highland will generally pursue the strategy that Highland believes best reflects what would be expected to be negotiated in an arm's length transaction, but in all instances with due consideration being given to Highland's fiduciary duties to each of its accounts (without regard to the nature of the accounts involved or fees received from such accounts). This strategy may be recommended by one or more Highland investment professionals. A single person may make decisions with respect to more than one part of an issuer's capital structure. Highland personnel board members may still make recommendations to the applicable investment professional(s). A portfolio manager with respect to any applicable Highland registered investment company clients ("Retail Accounts") will make an independent determination as to which course of action he or she determines is in the best interest of the applicable Retail Accounts. Highland may use external counsel for guidance and assistance. The Adviser and its affiliates have both subjective and objective procedures and policies in place designed to manage potential conflicts of interest involving clients so that, for example, investment opportunities are allocated in a fair and equitable manner among the Registrant and such other clients. An investment opportunity that is suitable for multiple clients of the Adviser and its affiliates may not be capable of being shared among some or all of such clients due to the limited scale of the opportunity or other factors, including regulatory restrictions imposed by the 1940 Act. There can be no assurance that the Adviser's or its affiliates' efforts to allocate any particular investment opportunity fairly among all clients for whom such opportunity is appropriate will result in an allocation of all or part of such opportunity to the Registrant. Not all conflicts of interest can be expected to be resolved in favor of the Registrant.

**(a)(3) Compensation Structure of Portfolio Manager(s) or Management Team Members**

HCMFA's financial arrangements with its portfolio managers, its competitive compensation and its career path emphasis at all levels reflect the value senior management places on key resources. Compensation may include a variety of components and may vary from year to year based on a number of factors, including the relative performance of a portfolio manager's underlying account, the combined performance of the portfolio managers' underlying accounts, and the relative performance of the portfolio managers' underlying accounts measured against other employees. The principal components of compensation include a base salary, a discretionary bonus and various retirement benefits.

*Base compensation.* Generally, portfolio managers receive base compensation based on their seniority and/or their position with HCMFA, which may include the amount of assets supervised and other management roles within HCMFA. Base compensation is determined by taking into account current industry norms and market data to ensure that HCMFA pays a competitive base compensation.

*Discretionary compensation.* In addition to base compensation, portfolio managers may receive discretionary compensation, which can be a substantial portion of total compensation. Discretionary compensation can include a discretionary cash bonus paid to recognize specific business contributions and to ensure that the total level of compensation is competitive with the market.

Because each person's compensation is based on his or her individual performance, HCMFA does not have a typical percentage split among base salary, bonus and other compensation. Senior portfolio managers who perform additional management functions may receive additional compensation in these other capacities. Compensation is structured such that key professionals benefit from remaining with HCMFA.

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## (a)(4) Disclosure of Securities Ownership

The following table sets forth the dollar range of equity securities beneficially owned by the portfolio manager in the Registrant as of September 30, 2020.

<u>Name of Portfolio Manager</u>	<u>Dollar Ranges of Equity Securities Beneficially Owned by Portfolio Manager</u>
James Dondero	\$100,001-\$500,000

(b) Not applicable.

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**

<u>Period</u>	<u>(a) Total Number of Shares Purchased</u>	<u>(b) Average Price Paid per Share</u>	<u>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</u>
October 1, 2019 to October 31, 2019 <sup>(1)</sup>	206,257	9.81	206,257	\$ 8.0 mm
November 1, 2019 to November 30, 2019	—	—	—	\$ 8.0 mm
December 1, 2019 to December 31, 2019	—	—	—	\$ 8.0 mm
January 1, 2020 to January 31, 2020	—	—	—	\$ 8.0 mm
February 1, 2020 to February 29, 2020	—	—	—	\$ 8.0 mm
March 1, 2020 to March 31, 2020 <sup>(2)</sup>	123,219	8.06	123,219	\$ 29.0 mm
April 1, 2020 to April 30, 2020	415,734	4.93	415,734	\$ 27.0 mm
May 1, 2020 to May 31, 2020	338,475	6.02	338,475	\$ 24.9 mm
June 1, 2020 to June 30, 2020	147,221	6.69	147,221	\$ 24.9 mm
July 1, 2020 to July 31, 2020	80,400	6.44	80,400	\$ 23.4 mm
August 1, 2020 to August 31, 2020	—	—	—	\$ 23.4 mm
September 1, 2020 to September 30, 2020	—	—	—	\$ 23.4 mm
<b>Total</b>	<b><u>1,311,306</u></b>	<b><u>6.56</u></b>	<b><u>1,311,306</u></b>	<b><u>\$ 23.4mm</u></b>

- (1) On August 20, 2019, the Board of the Fund approved an extension of the repurchase program for a period of six months up to an additional \$20 million of the Fund's shares.

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- (2) On March 4, 2020, the Board of the Fund extended the repurchase program for a period of six months, during which the Fund had the option to repurchase up to a maximum of \$30 million shares.

**Item 10. Submission of Matters to a Vote of Security Holders.**

On August 13, 2020, the Board of Trustees of the Fund adopted “control shares” amendments to the Fund’s Declaration of Trust to give Fund shareholders additional protections against unwanted takeover and other actions by activist investors. Under the terms of these amendments, holders of “control shares” of the Fund have no voting rights with respect to such control shares except to the extent approved by two-thirds of the Fund’s other shareholders. “Control shares” are defined as Fund shares that would, if aggregated with the other Fund shares held by the same shareholder, enable the shareholder to exercise voting power within any of the following ranges of voting power (a) one-tenth or more, but less than one-third of all voting power; (b) one-third or more, but less than a majority of all voting power; or (c) a majority of all voting power.

There have been no other material changes to the procedures by which the shareholders may recommend nominees to the Registrant’s Board.

**Item 11. Controls and Procedures.**

- (a) Evaluation of Disclosure Controls and Procedures. The Registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Registrant’s filings under the Securities Exchange Act of 1934 (the “Exchange Act”) and the 1940 Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Registrant’s management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Registrant’s management, including the principal executive officer and principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

The Registrant’s principal executive and principal financial officers, or persons performing similar functions, have concluded that the Registrant’s disclosure controls and procedures (as defined in Rule 30a-3(c) under the 1940 Act (17 CFR 270.30a-3 (c)) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).

- (b) There were no changes in the Registrant’s internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting.

**Item 12. Disclosure of Securities Lending Activities for Closed-End Management Investment Companies.**

- (a)
- (1) Gross income from securities lending activities: \$0
  - (2) All fees and/or compensation for securities lending activities and related services: \$0
  - (3) Aggregate fees/compensation: \$0
  - (4) Net income from securities lending activities: \$12,840
- (b) The Registrant may lend up to 33 1/3% of the Registrant’s total assets held by the Fund’s custodian to certain qualified brokers, except those securities which the Registrant or the Advisor specifically identifies as not being available. By lending its investment securities, the Registrant attempts to increase its net investment income through the receipt of interest on the loan. Any gain or loss in the market price of the securities loaned that might occur and any interest or dividends declared during the term of the loan would accrue to the account of



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the Registrant. Risks of delay in recovery of the securities or even loss of rights in the collateral may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the collateral decreases below the value of the securities loaned. Upon entering into a securities lending transaction, the Registrant receives cash or other securities as collateral in an amount equal to or exceeding 100% of the current market value of the loaned securities with respect to securities of the U.S. government or its agencies, 102% of the current market value of the loaned securities with respect to U.S. securities and 105% of the current market value of the loaned securities with respect to foreign securities. Any cash received as collateral is generally invested by the Fund's custodian acting in its capacity as securities lending agent. Non-cash collateral is not disclosed in the Registrant's Statement of Assets and Liabilities as it is held by the lending agent on behalf of the Registrant and the Registrant does not have the ability to re-hypothecate those securities. A portion of the dividends received on the collateral may be rebated to the borrower of the securities and the remainder is split between the Fund's custodian, as the securities lending agent, and the Registrant.

**Item 13. Exhibits.**

- (a)(1) Code of ethics, or amendment thereto, that is the subject of disclosure required by Item 2 is attached hereto.
- (a)(2) Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.
- (a)(3) Not applicable.
- (a)(4)(i) Certification pursuant to Item 4.01 of Form 8-K under the Exchange Act (17 CFR 249.308) is attached hereto.
- (a)(4)(ii) Letter from former accountant pursuant to Item 304(a) under Regulation S-K is attached hereto.
- (b) Certifications pursuant to Rule 30a-2(b) under the 1940 Act and Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto.

Table of Contents**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, and the Investment Company Act of 1940, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**HIGHLAND GLOBAL ALLOCATION FUND**

By (Signature and Title): /s/ Frank Waterhouse

Frank Waterhouse  
Treasurer, Principal Executive Officer and  
Principal Financial and Accounting Officer

Date: December 10, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, and the Investment Company Act of 1940, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By (Signature and Title): /s/ Frank Waterhouse

Frank Waterhouse  
Treasurer, Principal Executive Officer and  
Principal Financial and Accounting Officer

Date: December 10, 2020

## **EXHIBIT 43**

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

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**FORM N-CSR**

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**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-23369

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**HIGHLAND GLOBAL ALLOCATION FUND**

(Exact name of registrant as specified in charter)

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**200 Crescent Court  
Suite 700**

**Dallas, Texas 75201**

(Address of principal executive offices)(Zip code)

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**Highland Capital Management Fund Advisors, L.P.**

**200 Crescent Court  
Suite 700**

**Dallas, Texas 75201**

(Name and Address of Agent for Service)

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**Registrant's telephone number, including area code: (877) 665-1287**

**Date of fiscal year end: September 30**

**Date of reporting period: September 30, 2019**

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**Table of Contents****Item 1. Reports to Stockholders.**

A copy of the Annual Report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the "1940 Act"), is attached herewith.

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# Highland Global Allocation Fund

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## Annual Report September 30, 2019

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Beginning on January 1, 2021, as permitted by regulations adopted by the U.S. Securities and Exchange Commission, paper copies of the Funds' annual and semi-annual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Funds' website (highlandfunds.com), and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from a Fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you are a direct investor, by contacting the Funds' transfer agent at 1-877-665-1287.

Beginning on January 1, 2019, you may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. If you invest directly with a Fund, you can call 1-877-665-1287 to let the Fund know you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all funds held in your account if you invest through your financial intermediary or all funds held with the fund complex if you invest directly with a Fund.

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# Highland Global Allocation Fund

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Economic and market conditions change frequently.

There is no assurance that the trends described in this report will continue or commence.

**A prospectus must precede or accompany this report. Please read the prospectus carefully before you invest.**

Table of Contents**PORTFOLIO MANAGER COMMENTARY (unaudited)****September 30, 2019****Highland Global Allocation Fund****Performance Overview**

For the twelve months ended September 30, 2019, the Highland Global Allocation Fund (the "Fund") experienced a total market price return of (26.45%) and a total NAV return of (7.04%). The Fund's benchmark, the FTSE All World index returned 1.86%.

**Manager Discussion**

The Fund officially listed as a closed-end fund in February 2019, and began trading on the New York Stock Exchange (ticker: HGLB) on February 19. Shortly after conversion the Fund instituted an 8.5% level distribution policy and changed the distribution frequency from quarterly to monthly. Additionally, the Fund announced plans for its share repurchase program. Through July 10, 2019 the Fund had completed \$10 million in repurchases of the Fund's shares. On August 20, 2019 the Fund announced an additional \$20 million of share repurchases and an extension of the repurchase program for a period of six months.

Some of the Fund's top investment themes during the year included Utilities, Telecom, and Energy MLP's. Vistra Energy, the Fund's largest single name equity position, was one of the largest contributors to performance as it returned 9.04%. Vistra Energy is an integrated power producer headquartered in Texas. The company arose out of the vestiges of the TXU bankruptcy when its merchant power / retail generation business restructured and later merged with competitor Dynegy. We believe this is an example of a unique and misunderstood business in an overlooked industry. We are attracted to its ample cash flow generation, multiple avenues for value creation, strong leadership team and cheap valuation.

Vistra Energy's management reaffirmed its 2019 guidance on its recent 2Q call. The company is expected to generate free cash flow before growth investments of \$2.1-\$2.3 billion this year, which represents a 66% conversion of EBITDA to free cash flow. At the company's market cap of \$13.1 billion at quarter end, free cash flow represents a yield of 16.3%. We find this free cash flow yield to be highly attractive given the company's size and scale and integrated position within the power value chain. In fact we find it hard to find any energy infrastructure company with a similar free cash flow yield that is not distressed or challenged in some fashion.

The ERCOT power market exhibited significant market tightness during this summer as scarcity events caused prices to spike in August and September. This improvement in real time prices caused forward prices to move higher which in turn should improve Vistra's earnings outlook for the next several years.

While free cash flow generation is one thing, what a management team does with that cash is another. This management team is focused on creating value for shareholders through a balanced capital allocation strategy. The company has completed over \$1bn of buybacks under its \$1.75bn repurchase program, recently initiated a quarterly dividend of \$0.125 per share which management expects to grow at ~6-8%, and expects to achieve a ~2.5x net debt / EBITDA target by YE 2020. In addition, the company has announced tuck-in acquisitions of Crius Energy and Ambit Energy which expand the company's retail platform. We believe this approach to allocating the company's free cash flow will generate shareholder value over time.

The Fund continues to maintain a large allocation to energy MLPs, which detracted from performance during the year. While midstream energy companies generally produced strong earnings during the year, the sector experienced weakened investor sentiment due to a confluence of factors. On top of macro concerns, such as trade war fears and an uncertain commodity price environment, the domestic upstream sector generated poor investment returns. The S&P Oil & Gas Exploration and Production Select Industry Index returned -47.70% during the year. In short, domestic E&P companies underperformed the market and this in turn cast a negative sentiment on their counterparts in the midstream sector. We remain constructive on the long-term outlook for the midstream sector despite near term macro uncertainty and a weaker upstream market environment. The U.S. operates as a low cost producer of hydrocarbons, which means that we expect U.S. production volumes and export opportunities to continue to grow despite headline risks such as commodity price pressure or short-term reductions in upstream production budgets. The sector has undergone a significant transformation over the past several years towards a focus on shareholder returns, corporate simplification, returns on invested capital, and a reduction in leverage. We think this renewed focus on capital discipline combined with an underlying healthy fundamental backdrop should enable the sector to create value over time. Despite these positive factors, midstream MLPs appear cheap relative to history and other yield-oriented asset classes. The median MLP yields 10.1%, which is a 30.5% discount to its five year average of 7.0%, and trades at an estimated 2020 EV/EBITDA multiple of 9.8x, a 20.1% discount to its five year average of 12.2x. Meanwhile, Utilities trade at an 11.7x EV/EBITDA multiple, a 15% premium to its five year average, and REITs trade at a 17.3x multiple, a 5% discount.

The Fund's investments in Argentine sovereign debt and equity was the primary detractor for the year. In August 2019 Argentina held its primary election featuring president Macri and Alberto Fernandez. Polls predicted a tight race but Macri received just 32% of the vote, lagging 16% behind Fernandez. In Argentina, primaries are used to ensure candidates have ample support to compete in the general election. Both parties will be able to participate in the October 2019 election but the August election results foreshadowed a

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Table of Contents**PORTFOLIO MANAGER COMMENTARY (unaudited)****September 30, 2019****Highland Global Allocation Fund**

defeat in October and a possible return to the policies of Cristina Kirchner. The scale of Macri's defeat surprised pollsters and Argentina stocks and bonds traded down on the news. Subsequent to September 30, 2019 Argentina held its election at the end of October and as projected in the August primaries, Alberto Fernandez was elected President. As of September 30, 2019, approximately 12% of the Fund was invested in Argentina debt and equity securities.

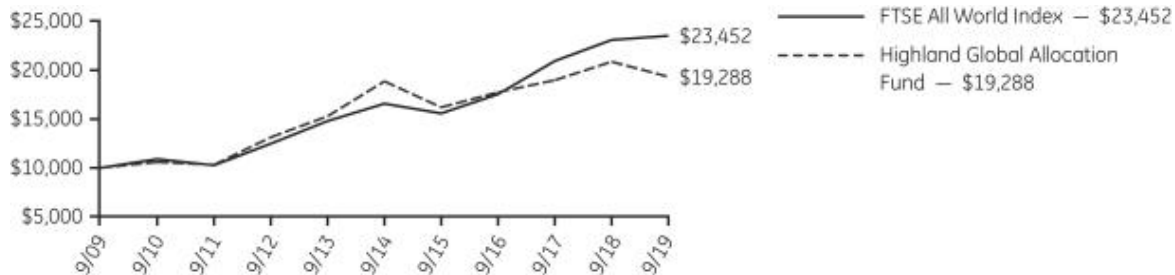
The Fund also uses derivatives such as options, futures and foreign currency transactions to protect from and/or to take advantage of quantifiable systematic and issuer-related risks. These derivatives had a negative impact on performance during the period.

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Table of Contents**PORTFOLIO MANAGER COMMENTARY (unaudited)**

September 30, 2019

Highland Global Allocation Fund

**Growth of Hypothetical \$10,000 Investment**

## Average Annual Total Returns

	1 Year	5 Year	10 Year	Since Inception
Highland Global Allocation Fund	-7.04	0.55	6.82	5.46
FTSE All World Index	1.86	7.23	8.90	6.49

Returns shown in the chart and table do not reflect taxes that a shareholder would pay on Fund distributions or on the sale of the Fund shares.

Performance results reflect the contractual waivers and/or reimbursements of fund expenses by the Advisor. Absent this limitation, performance results would have been lower. The Expense Cap expired on January 31, 2019.

Effective on February 13, 2019, the Highland Global Allocation Fund converted from an open-end fund to a closed-end fund, and began trading on the NYSE under the symbol HGLB on February 19, 2019. The performance data presented above reflects that of Class Z shares of the Fund when it was an open-end fund, HCOYX. Month-end returns since March 2019 reflect market prices. The closed-end Fund pursues the same investment objective and strategy as it did before its conversion.

**The performance data quoted here represents past performance and is no guarantee of future results. Investment returns and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For performance data current to the most recent month-end, please visit our website at [www.highlandfunds.com](http://www.highlandfunds.com).**

Stock prices may fall or fail to rise over time for several reasons, including general financial market conditions and factors related to a specific issuer or industry. The Fund invests in growth stocks that may be more volatile because they are more sensitive to market conditions. The Fund invests in mid-cap companies which may entail greater risks and less liquidity due to narrower product lines and more limited resources than larger companies. The Fund may invest in foreign securities which may cause more volatility and less liquidity due to currency changes, political instability and accounting differences. The Fund's investments in derivatives may involve more volatility and less liquidity because of the risk that an investment may not correlate to the performance of the underlying securities.

Mutual fund investing involves risk including the possible loss of principal.

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Table of Contents**CONSOLIDATED FUND PROFILE (unaudited)****Highland Global Allocation Fund****Objective**

Highland Global Allocation Fund seeks to provide long-term growth of capital and future income (future income means the ability to pay dividends in the future.)

Net Assets as of September 30, 2019

**\$296.2 million**

Portfolio Data as of September 30, 2019

The information below provides a snapshot of Highland Global Allocation Fund at the end of the reporting period. Highland Global Allocation Fund is actively managed and the composition of its portfolio will change over time. Current and future holdings are subject to risk.

**Sector Classifications as of 09/30/19<sup>(1)</sup>**

Non-U.S. Equity	52.1%
Non-U.S. Master Limited Partnerships	20.4%
U.S. Senior Loans	12.6%
U.S. Equity	9.8%
Non-U.S. Government Bond	8.5%
Non-U.S. Registered Investment Companies	7.3%
U.S. LLC Interest	5.1%
U.S. Preferred Stock	4.0%
Non-U.S. Asset-Backed Securities	3.6%
U.S. Agency Collateralized Mortgage Obligation	3.4%
Non-U.S. Corporate Bonds & Notes	2.6%
Non-U.S. Purchased Options	2.6%
U.S. Rights	2.4%
Other (each less than 1.0%)	0.4%
Other Assets & Liabilities, Net	(34.8)%
	<u>100.0%</u>

**Top 10 Holdings as of 9/30/2019<sup>(1)</sup>**

Vistra Energy Corp. (Non-U.S. Equity)	34.8%
TerreStar Corporation (U.S. Equity)	15.9%
Argentine Republic Government International Bond 3.75%, 12/31/2038 (Non-U.S. Government Bonds)	8.5%
Energy Transfer LP (U.S. Master Limited Partnerships)	6.6%
Fieldwood Energy LLC, Closing Date Loan, 2nd Lien 9.51%, 4/11/2023 (U.S. Senior Loans)	6.1%
Highland Energy MLP Fund (Non-U.S. Master Limited Partnerships)	4.9%
TerreStar Corporation, Term Loan A 11.00%, 2/27/2020 (U.S. Senior Loans)	4.8%
Williams Cos., Inc. (Non-U.S. Equity)	4.4%
Highland Merger Arbitrage Fund (U.S. Registered Investment Companies)	3.5%
MPLX LP (Non-U.S. Master Limited Partnerships)	3.5%

<sup>(1)</sup> Asset classifications and holdings are calculated as a percentage of total net assets and net of long and short positions.

Table of Contents**CONSOLIDATED FINANCIAL STATEMENTS**

As of September 30, 2019

Highland Global Allocation Fund

**A guide to understanding the Fund's consolidated financial statements**

<b>Consolidated Investment Portfolio</b>	The Investment Portfolio details the Fund's holdings and its market value as of the last day of the reporting period. Portfolio holdings are organized by type of asset and industry to demonstrate areas of concentration and diversification.
<b>Consolidated Statement of Assets and Liabilities</b>	This statement details the Fund's assets, liabilities, net assets and share price for each share class as of the last day of the reporting period. Net assets are calculated by subtracting all of the Fund's liabilities (including any unpaid expenses) from the total of the Fund's investment and non-investment assets. The net asset value per share for each class is calculated by dividing net assets allocated to that share class by the number of shares outstanding in that class as of the last day of the reporting period.
<b>Consolidated Statement of Operations</b>	This statement reports income earned by the Fund and the expenses incurred by each Fund during the reporting period. The Statement of Operations also shows any net gain or loss the Fund realized on the sales of its holdings during the period as well as any unrealized gains or losses recognized over the period. The total of these results represents the Fund's net increase or decrease in net assets from operations.
<b>Consolidated Statement of Changes in Net Assets</b>	This statement details how the Fund's net assets were affected by its operating results, distributions to shareholders and shareholder transactions (e.g., subscriptions, redemptions and distribution reinvestments) during the reporting period. The Statement of Changes in Net Assets also details changes in the number of shares outstanding.
<b>Consolidated Statement of Cash Flows</b>	This statement reports net cash and foreign currency provided or used by operating, investing and financing activities and the net effect of those flows on cash and foreign currency during the period.
<b>Consolidated Financial Highlights</b>	The Financial Highlights demonstrate how the Fund's net asset value per share was affected by the Fund's operating results. The Financial Highlights also disclose the classes' performance and certain key ratios (e.g., net expenses and net investment income as a percentage of average net assets).
<b>Consolidated Notes to Financial Statements</b>	These notes disclose the organizational background of the Fund, certain of their significant accounting policies (including those surrounding security valuation, income recognition and distributions to shareholders), federal tax information, fees and compensation paid to affiliates and significant risks and contingencies.

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Table of Contents**CONSOLIDATED INVESTMENT PORTFOLIO**

As of September 30, 2019

Highland Global Allocation Fund

Shares	Value (\$)	Shares	Value (\$)
<b>Non-U.S. Equity - 58.5%</b>		<b>UTILITIES (continued)</b>	
<b>COMMUNICATION SERVICES - 2.3%</b>		109,400 Pampa Energia ADR (a)(b)(c)	1,899,184
131,733 Cablevision Holding, Class B (a)(b)	397,978	3,851,800 Vistra Energy Corp. (a)(c)	102,958,614
77,866 Grupo Clarin, Class B (a)(b)	41,370	45,830 Valtalia (a)(b)	497,641
71,981 iHeartMedia, Inc. (a)(b)	1,079,715		105,997,617
129,945 Loral Space & Communications, Inc. (a)(b)(c)	5,379,723	Total Non-U.S. Equity	173,358,061
	6,898,786	(Cost \$235,034,596)	
<b>CONSUMER DISCRETIONARY - 4.3%</b>		<b>U.S. Equity - 28.3%</b>	
16,200 MercadoLibre, Inc. (a)(b)(c)	8,929,926	<b>CHEMICALS - 0.2%</b>	
718 Toys 'R' Us (a)(b)	189,327	881,773 Vertellus Specialties Inc. (b)(d)(e)	731,871
718 Tru Kids, Inc. (a)(b)	3,597,154	<b>COMMUNICATION SERVICES - 16.0%</b>	
	12,716,407	48,209 Clear Channel Outdoor Holdings, Inc., Class A (b)	121,487
<b>CONSUMER STAPLES - 0.1%</b>		169,531 TerreStar Corporation (b)(d)(e)(f)(g)	47,134,704
50,000 Adecoagro SA (a)(b)(c)	291,500		47,256,191
<b>ENERGY - 6.7%</b>		<b>CONSUMER DISCRETIONARY - 1.3%</b>	
5,000 Continental Resources, Inc. (a)	153,950	141,215 K12, Inc. (b)(c)	3,728,076
29,751 NextDecade Corp. (a)(b)(c)	171,366	698 Lennar Corp., Class B (a)(c)	30,970
53,200 Plains GP Holdings LP, Class A (a)	1,129,436		3,759,046
56,400 SemGroup Corp., Class A (a)	921,576	<b>FINANCIALS - 0.4%</b>	
113,000 Targa Resources Corp. (a)(c)	4,539,210	4,500 CIT Group, Inc.	203,895
121 Transocean (a)(b)	541	19,556 Ditech Holding Corp. (b)	1,292
537,700 Williams Cos., Inc. (a)	12,937,062	335,000 Medley Capital	867,650
	19,853,141		1,072,837
<b>FINANCIALS - 2.2%</b>		<b>HEALTHCARE - 6.1%</b>	
68,000 Banco do Brasil (a)(c)	744,418	15,200 Aerie Pharmaceuticals, Inc. (b)(c)	292,144
100,000 FGL Holdings (a)(c)	798,000	61,625 Brookdale Senior Living, Inc. (b)	467,117
188,858 Grupo Supervielle SA ADR (a)(c)	606,234	18,900 Collegium Pharmaceutical, Inc. (b)	216,972
280,500 IRB Brasil Resseguros S (a)(c)	2,524,594	232,800 Heron Therapeutics, Inc. (b)(c)	4,306,800
206,000 Itau Unibanco Holding ADR (a)	1,732,460	191,000 Minerva Neurosciences, Inc. (b)(c)	1,480,250
	6,405,706	345,350 Patterson	6,154,137
<b>HEALTHCARE - 0.0%</b>		75,000 Portola Pharmaceuticals, Inc. (b)(c)	2,011,500
5,000 Idorsia, Ltd. (a)(b)(c)	123,051	56,009 Quorum Health Corp. (b)	67,771
<b>INDUSTRIALS - 2.9%</b>		152,800 Surgery Partners, Inc. (b)(c)	1,128,428
405,110 America Airports (a)(b)(c)	1,835,148	321,300 TG Therapeutics, Inc. (b)(c)	1,804,100
80,249 American Airlines Group, Inc. (a)(c)	2,164,316	2,800 Ultragenyx Pharmaceutical, Inc. (b)	119,784
87,855 GL Events (a)	2,198,147		18,049,003
215,000 Localiza Rent a Car (a)(c)	2,346,450	<b>INFORMATION TECHNOLOGY - 0.3%</b>	
	8,544,061	21,300 CDK Global, Inc.	1,024,317
<b>INFORMATION TECHNOLOGY - 3.4%</b>		<b>MATERIALS - 1.2%</b>	
342,949 Avaya Holdings Corp. (a)(b)	3,508,368	730,484 MPM Holdings, Inc. (b)	3,652,420
3,406 Black Knight, Inc. (a)(b)	207,970	<b>REAL ESTATE - 2.8%</b>	
6,200 Fortinet, Inc. (a)(b)	475,912	100 GAF REIT (b)(f)	1,000
166,672 StoneCo, Class A (a)(b)(c)	5,796,852	114,300 Independence Realty Trust, Inc., REIT	1,635,633
	9,989,102	101,918 Jernigan Capital, Inc., REIT (c)	1,961,922
<b>MATERIALS - 0.8%</b>		25,380 Macerich Co. (The), REIT (c)	801,754
219,800 United States Steel Corp. (a)(c)	2,538,690	61,912 NexPoint Residential Trust, REIT (f)	2,895,005
<b>UTILITIES - 35.8%</b>		44,387 RAIT Financial Trust, REIT (b)	2,219
202,250 Central Puerto ADR (a)(b)	596,638	280,000 United Development Funding IV, REIT	1,022,000
1,150 NRG Energy, Inc. (a)	45,540		8,319,533
		Total U.S. Equity	83,865,218
		(Cost \$101,796,720)	

6 | See Glossary on page 11 for abbreviations along with accompanying Notes to Consolidated Financial Statements.

Table of Contents**CONSOLIDATED INVESTMENT PORTFOLIO (continued)**

As of September 30, 2019

Highland Global Allocation Fund

Shares	Value (\$)	Shares	Value (\$)
<b>Non-U.S. Master Limited Partnerships - 20.4%</b>		<b>REAL ESTATE (continued)</b>	
<b>ENERGY - 20.4%</b>		4,437,497	SFR WLIF II, LLC (d)(e)(f) 4,537,341
1,499,100	Energy Transfer LP (a)(c) 19,608,228	3,789,008	SFR WLIF III, LLC (d)(e)(f) 3,751,876
333,900	Enterprise Products Partners LP (a) 9,542,862		Total U.S. LLC Interest (Cost \$15,000,000) 15,207,664
5,166,913	Highland Energy MLP Fund, Class Y (a)(f) 14,415,686	<b>U.S. Preferred Stock - 4.0%</b>	
367,600	MPLX LP (a) 10,296,476	<b>FINANCIALS - 1.4%</b>	
10,400	Shell Midstream Partners LP (a) 212,680	127,751	Federal Home Loan Mortgage (b)(j) 2,706,758
255,500	Western Midstream Partners LP (a)(c) 6,359,395	58,233	Federal National Mortgage Association (b)(j) 1,328,801
	Total Non-U.S. Master Limited Partnerships (Cost \$103,188,166) 60,435,327		4,035,559
<b>Principal Amount (\$)</b>		<b>REAL ESTATE - 2.6%</b>	
<b>U.S. Senior Loans (h) - 12.6%</b>		370,968	Braemar Hotels & Resorts, Inc., REIT (c) 7,738,392
<b>CHEMICALS - 0.4%</b>			Total U.S. Preferred Stock (Cost \$9,275,244) 11,773,951
1,102,216	Vertellus Holdings LLC Second Lien Term Loan, 10/31/21 (d)(e) 1,088,107	<b>Principal Amount (\$)</b>	
<b>COMMUNICATION SERVICES - 4.8%</b>		<b>Non-U.S. Asset-Backed Securities - 3.6%</b>	
14,336,849	TerreStar Corporation, Term Loan A, 11.000% PIK, 02/27/20 (d)(e)(f) 14,336,849	4,000,000	Acis CLO, Ltd., Series 2014-3A, Class E VAR LIBOR USD 3 Month+4.750%, 7.00%, 2/1/2026 (a)(k)(l)(n) 3,000,000
<b>ENERGY - 6.1%</b>		2,500,000	Acis CLO, Ltd., Series 2014-4A, Class E VAR LIBOR USD 3 Month+4.800%, 7.05%, 5/1/2026 (a)(k)(l)(n) 1,875,000
23,743,431	Fieldwood Energy LLC, Closing Date Loan, 2nd Lien, VAR LIBOR USD 3 Month+7.250%, 04/11/23 17,939,468	4,000,000	Acis CLO, Ltd., Series 2014-4A, Class F VAR LIBOR USD 3 Month+5.150%, 7.40%, 5/1/2026 (a)(k)(l)(n) 2,400,000
<b>RETAIL - 0.5%</b>		3,500,000	Acis CLO, Ltd., Series 2014-5A, Class E1 VAR LIBOR USD 3 Month+6.520%, 8.77%, 11/1/2026 (a)(k)(l)(n) 2,800,000
1,947,729	Academy, Ltd., Initial Term Loan, VAR LIBOR USD 3 Month+4.000%, 07/01/22 1,370,364	364,434	Highland Park CDO I, Ltd., Series 2006-1A, Class A2 VAR LIBOR USD 3 Month+0.400%, 3.05%, 11/25/2051 (a)(k)(l) 363,191
<b>SERVICE - 0.7%</b>		311,866	Pamco Cayman, Ltd., Series 1997-1A, Class B 7.91%, 8/6/2013 (a)(d)(e)(l) 136,722
2,500,000	Advantage Sales & Marketing Inc., Term Loan, 2nd Lien, VAR LIBOR USD 3 Month+6.500%, 07/25/22 2,173,613		Total Non-U.S. Asset-Backed Securities (Cost \$13,053,775) 10,574,913
<b>UTILITIES - 0.1%</b>		<b>U.S. Agency Collateralized Mortgage Obligation - 3.4%</b>	
471,039,553	Texas Competitive Electric Holdings Co., LLC, Extended Escrow Loan 259,072	10,009,764	FREMF Mortgage Trust, Series 2019-KF60, Class C VAR LIBOR USD 1 Month+6.000%, 8.09%, 2/25/2026 (k)(l)(n) 9,984,739
	Total U.S. Senior Loans (Cost \$54,330,811) 37,167,473		Total U.S. Agency Collateralized Mortgage Obligation (Cost \$9,994,460) 9,984,739
<b>Non-U.S. Government Bond - 8.5%</b>		<b>Non-U.S. Corporate Bonds &amp; Notes - 2.6%</b>	
<b>SOVEREIGN - 8.5%</b>		<b>COMMUNICATION SERVICES - 0.3%</b>	
62,500,000	Argentine Republic Government International Bond 3.75%, 5.25%, 03/31/19, 12/31/38 (a)(i) 25,078,750	315,654	iHeartCommunications, Inc. 6.38%, 05/01/26 (a) 342,485
	Total Non-U.S. Government Bond (Cost \$30,343,903) 25,078,750	584,493	8.38%, 05/01/27 (a) 634,350
			976,835
<b>Shares</b>			
<b>U.S. LLC Interest - 5.1%</b>			
6,773,494	SFR WLIF I, LLC (d)(e)(f) 6,918,447		
<b>REAL ESTATE - 5.1%</b>			

See Glossary on page 11 for abbreviations along with accompanying Notes to Consolidated Financial Statements.

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Table of Contents**CONSOLIDATED INVESTMENT PORTFOLIO (continued)**

As of September 30, 2019

Highland Global Allocation Fund

Principal Amount (\$)		Value (\$)	Units		Value (\$)
Non-U.S. Corporate Bonds & Notes (continued)			U.S. Warrants (b) - 0.1%		
ENERGY 0.9%			FINANCIALS - 0.0%		
37,083,000	Ocean Rig UDW, Inc. 7.25%, 04/01/19 (a)(d)(e)(l)(m)	2,558,727	59,755	Ditech Holding Corp., Expires 02/09/2028	314
290	Sable Permian Resources Land 7.38%, 11/01/21 (a)(l)	45	HEALTHCARE - 0.1%		
		2,558,772	42,032	HLS Therapeutics, Inc., Expires 12/31/2049 (d)(e)	187,883
				Total U.S. Warrants (Cost \$—)	188,197
UTILITIES - 1.4%			Non-U.S. Warrants (b) - 0.1%		
1,094,000	Pacific Gas & Electric 6.05%, 03/01/34 (a)(m)	1,247,160	COMMUNICATION SERVICES - 0.0%		
1,219,000	6.25%, 03/01/39 (a)(m)	1,414,040	iHeartCommunications, Inc., Expires		
1,219,000	6.35%, 02/15/38 (a)(m)	1,426,230	1,109	05/01/2039(a)	16,185
		4,087,430	INDUSTRIALS - 0.1%		
	Total Non-U.S. Corporate Bonds & Notes		1,260,362	American Airlines (a)	289,883
	(Cost \$36,256,725)	7,623,037	INFORMATION TECHNOLOGY - 0.0%		
Non-U.S. Purchased Options (a)(b) - 2.6%			38,742	Avaya Holdings, Expires 12/18/2022(a)	40,679
	Total Non-U.S. Purchased Options (Cost \$8,810,813)	7,643,639		Total Non-U.S. Warrants (Cost \$77,464)	346,747
Units			Shares		
U.S. Rights (b) - 2.4%			Non-U.S. Registered Investment Companies - 7.3%		
UTILITIES - 2.4%			BB Votorantim Highland Infrastructure		
7,905,143	Texas Competitive Electric Holdings Co., LLC	6,996,052	10,000	LLC (a)(d)(e)(f)	3,483,081
	Total U.S. Rights (Cost \$22,062,762)	6,996,052	544,599	Highland Merger Arbitrage Fund, Class Z (a)(f)	10,445,409
Principal Amount (\$)			436,131	NexPoint Strategic Opportunities Fund (a) (f)	7,819,829
Non-U.S. Senior Loan (h) - 0.4%				Total Non-U.S. Registered Investment Companies	
COMMUNICATION SERVICES - 0.4%				(Cost \$24,669,806)	21,748,319
1,112,381	iHeartCommunications Inc., Initial Term Loan, 1st Lien, 05/01/26 (a) (m)	1,120,913	U.S. Cash Equivalent - 0.1%		
	Total Non-U.S. Senior Loan (Cost \$4,247,058)	1,120,913	MONEY MARKET FUND(o) - 0.1%		
U.S. Corporate Bonds & Notes - 0.4%			207,028	Dreyfus Treasury & Agency Cash Management, Institutional Class 1.810%	207,028
INFORMATION TECHNOLOGY - 0.0%				Total U.S. Cash Equivalent (Cost \$207,028)	207,028
9,500,000	Avaya, Inc. 10.50%, 03/01/21 (d)(e)(m)	—		Total Investments - 160.2% (Cost \$670,379,041)	474,427,457
REAL ESTATE - 0.1%			Securities Sold Short(p) - (25.4)%		
400,000	CBL & Associates 5.95%, 12/15/26	283,000	U.S. Exchange-Traded Fund - (0.5)%		
UTILITIES - 0.3%			(25,500)	Direxion Daily Small Capital Bull 3X Shares	(1,419,585)
151,234,000	Texas Competitive Electric Holdings Co., LLC (m)	763,732		Total U.S. Exchange-Traded Fund (Proceeds \$1,510,274)	(1,419,585)
9,346,000	Texas Competitive Electric Holdings Co., LLC (m)	47,197	U.S. Equity - (18.5)%		
3,000,000	Texas Competitive Electric Holdings Co., LLC (m)	13,500	COMMUNICATION SERVICES - (6.3)%		
		824,429	(69,650)	Netflix, Inc. (q)	(18,639,733)
	Total U.S. Corporate Bonds & Notes (Cost \$2,029,710)	1,107,429			

8 | See Glossary on page 11 for abbreviations along with accompanying Notes to Consolidated Financial Statements.



Table of Contents**CONSOLIDATED INVESTMENT PORTFOLIO (continued)**

As of September 30, 2019

Highland Global Allocation Fund

Shares	Value (\$)
<b>U.S. Equity (continued)</b>	
<b>CONSUMER DISCRETIONARY - (0.5)%</b>	
(43,600) Harley-Davidson	(1,568,292)
<b>HEALTHCARE - (11.7)%</b>	
(490,150) Boston Scientific Corp. (q)	(19,944,204)
(68,500) Stryker Corp.	(14,816,550)
	(34,760,754)
Total U.S. Equity (Proceeds \$22,733,608)	(54,968,779)
<b>Non-U.S. Equity - (6.4)%</b>	
<b>COMMUNICATION SERVICES - (1.3)%</b>	
(80,000) Nintendo Co, Ltd. ADR (a)	(3,728,000)
<b>ENERGY - (1.4)%</b>	
(66,250) Cheniere Energy, Inc. (a)(q)	(4,177,725)
<b>HEALTHCARE - (3.7)%</b>	
(80,000) Zimmer Holdings, Inc. (a)	(10,981,600)
Total Non-U.S. Equity (Proceeds \$12,275,211)	(18,887,325)
Total Securities Sold Short- (25.4)% (Proceeds \$36,519,093)	(75,275,689)
<b>Other Assets &amp; Liabilities, Net - (34.8)%</b>	<b>(102,987,583)</b>
<b>Net Assets - 100.0%</b>	<b>296,164,185</b>

- (a) As described in the Fund's prospectus, a company is considered to be a non-U.S. issuer if the company's securities principally trade on a market outside of the United States, the company derives a majority of its revenues or profits outside of the United States, the company is not organized in the United States, or the company is significantly exposed to the economic fortunes and risks of regions outside the United States.
- (b) Non-income producing security.
- (c) All or part of this security is pledged as collateral for short sales. The market value of the securities pledged as collateral was \$110,028,333.
- (d) Securities with a total aggregate value of \$84,865,608, or 28.7% of net assets, were classified as Level 3 within the three-tier fair value hierarchy. Please see Notes to Consolidated Financial Statements for an explanation of this hierarchy, as well as a list of unobservable inputs used in the valuation of these instruments.
- (e) Represents fair value as determined by the Fund's Board of Trustees (the "Board"), or its designee in good faith, pursuant to the policies and procedures approved by the Board. The Board considers fair valued securities to be securities for which market quotations are not readily available and these securities may be valued using a combination of observable and unobservable inputs. Securities with a total aggregate value of \$84,865,608, or 28.7% of net assets, were fair valued under the Fund's valuation procedures as of September 30, 2019. Please see Notes to Consolidated Financial Statements.
- (f) Affiliated issuer. Assets with a total aggregate market value of \$115,739,227, or 39.1% of net assets, were affiliated with the Fund as of September 30, 2019.

- (g) Restricted Securities. These securities are not registered and may not be sold to the public. There are legal and/or contractual restrictions on resale. The Fund does not have the right to demand that such securities be registered. The values of these securities are determined by valuations provided by pricing services, brokers, dealers, market makers, or in good faith under the procedures established by the Fund's Board of Trustees. Additional Information regarding such securities follows:

Restricted Security	Security Type	Acquisition Date	Cost of Security	Market Value at Year End	Percent of Net Assets
TerreStar Corporation	U.S. Equity	11/14/2014	\$ 48,015,562	\$ 47,134,704	15.9%
(h)	Senior loans (also called bank loans, leveraged loans, or floating rate loans) in which the Fund invests generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread (unless otherwise identified, all senior loans carry a variable rate of interest). These base lending rates are generally (i) the Prime Rate offered by one or more major United States banks, (ii) the lending rate offered by one or more European banks such as the London Interbank Offered Rate ("LIBOR") or (iii) the Certificate of Deposit rate. As of September 30, 2019, the LIBOR USD 1 Month and LIBOR USD 3 Month rates were 2.02% and 2.09%, respectively. Senior loans, while exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"), contain certain restrictions on resale and cannot be sold publicly. Senior secured floating rate loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity maybe substantially less than the stated maturity shown.				
(i)	Step Bonds - Represents the current rate, the step rate, the step date and the final maturity date.				
(j)	Perpetual security with no stated maturity date.				
(k)	Variable or floating rate security. The base lending rates are generally the lending rate offered by one or more European banks such as the LIBOR. The interest rate shown reflects the rate in effect September 30, 2019. LIBOR, otherwise known as London Interbank Offered Rate, is the benchmark interest rate that banks charge each other for short-term loans. Current LIBOR rates include 1 month which is equal to 2.02% and 3 months equal to 2.09%.				
(l)	Securities exempt from registration under Rule 144A of the 1933 Act. These securities may only be resold in transaction exempt from registration to qualified institutional buyers. At September 30, 2019, these securities amounted to \$23,118,424 or 7.8% of net assets.				
(m)	The issuer is, or is in danger of being, in default of its payment obligation.				
(n)	As of September 30, 2019, investments with a total aggregate value of \$14,863,659 were fully or partially segregated with broker(s)/ custodian as collateral for reverse repurchase agreements.				
(o)	Rate shown is 7 day effective yield.				
(p)	As of September 30, 2019, \$14,732,705 in cash was segregated or on deposit with the brokers to cover investments sold short and is included in "Other Assets & Liabilities, Net".				
(q)	No dividend payable on security sold short.				

See Glossary on page 11 for abbreviations along with accompanying Notes to Consolidated Financial Statements. | 9



Table of Contents**CONSOLIDATED INVESTMENT PORTFOLIO (concluded)****As of September 30, 2019****Highland Global Allocation Fund**

Purchased options contracts outstanding as of September 30, 2019 were as follows:

Description	Exercise price	Counterparty	Expiration Date	Number of Contracts	Notional Value	Premium \$	Value \$
<b>PURCHASED CALL OPTIONS:</b>							
October 2019 Call on C\$	\$ 75.75	Societe Generale	October 19, 2019	1,000	75,630,000	280,650	120,000
October 2019 Call on VIX	\$ 22.00	Jefferies	October 19, 2019	10,000	16,240,000	892,881	700,000
October 2019 Call on VIX	\$ 19.00	Jefferies	October 19, 2019	10,000	16,240,000	1,642,881	1,070,000
November 2019 Call on VIX	\$ 18.00	Jefferies	November 16, 2019	10,000	16,240,000	2,727,881	2,500,000
December 2019 Call on Gold	\$ 141.00	Jefferies	December 31, 2019	10,000	138,880,000	3,266,520	3,253,639
						<u>8,810,813</u>	<u>7,643,639</u>

Written options contracts outstanding as of September 30, 2019 were as follows:

Description	Exercise price	Counterparty	Expiration Date	Number of Contracts	Notional Value	Premium \$	Value \$
<b>WRITTEN CALL OPTIONS:</b>							
October 2019 Call on VIX	\$ 23.00	Jefferies	October 19, 2019	(10,000)	16,240,000	(747,119)	(520,000)
November 2019 Call on VIX	\$ 28.00	Jefferies	November 16, 2019	(10,000)	16,240,000	(832,369)	(790,000)
December 2019 Call on Gold	\$ 151.00	Jefferies	December 31, 2019	(10,000)	138,880,000	(1,146,557)	(1,159,462)
						<u>(2,726,045)</u>	<u>(2,469,462)</u>

The Fund had the following futures contracts open at September 30, 2019:

Description	Expiration Date	Number of Contracts	Notional Value \$	Unrealized Appreciation \$	Value \$
<b>Short Futures:</b>					
S&P 500 Index E-MINI	December 23, 2019	(420)	(63,181,396)	632,896	632,896

The average amount of borrowing by the Fund on reverse repurchase agreements outstanding during the year ended September 30, 2019 was \$6,610,143 at a weighted average interest rate of 3.52%.

Counterparty	Collateral Pledged	Interest Rate	Trade Date	Maturity Date	Repurchase Amount \$	Principal Amount \$	Value \$
Mizuho	Acis CLO, Ltd., Series 2014-3A, Class E, VAR LIBOR USD 3 Month+4.750%, 7.00%, 2/1/2026	3.34	9/16/2019	10/17/2019	2,274,523	4,000,000	2,268,000
Mizuho	Acis CLO, Ltd., Series 2014-4A, Class E, VAR LIBOR USD 3 Month+4.800%, 7.05%, 5/1/2026	3.34	9/16/2019	10/17/2019	1,386,476	2,500,000	1,382,500
Mizuho	Acis CLO, Ltd., Series 2014-4A, Class F, VAR LIBOR USD 3 Month+5.150%, 7.40%, 5/1/2026	3.44	9/16/2019	10/17/2019	1,588,692	4,000,000	1,584,000
Mizuho	Acis CLO, Ltd., Series 2014-5A, Class E1, VAR LIBOR USD 3 Month+6.520%, 8.77%, 11/1/2026	3.34	9/16/2019	10/17/2019	2,137,630	3,500,000	2,131,500
Mizuho	FREMF Mortgage Trust, Series 2019-KF60, Class C, VAR LIBOR USD 1 Month+6.000%, 8.09%, 2/25/2026	3.64	7/10/2019	10/10/2019	7,567,404	10,000,000	7,497,659
<b>Total Reverse Repurchase Agreements</b>						<u>24,000,000</u>	<u>14,863,659</u>

10 | See Glossary on page 11 for abbreviations along with accompanying Notes to Consolidated Financial Statements.

Table of Contents**GLOSSARY: (abbreviations that may be used in the preceding statements)**

## Other Abbreviations:

ADR	American Depositary Receipt
CDO	Collateralized Debt Obligation
CLO	Collateralized Loan Obligation
FREMF	Freddie Mac Multi-Family
MLP	Master Limited Partnership
LIBOR	London Interbank Offered Rate
LLC	Limited Liability Company
LP	Limited Partnership
Ltd.	Limited
PIK	Payment-in-Kind
REIT	Real Estate Investment Trust
USD	United States Dollar
VAR	Variable Rate
VIX	Chicago Board Options Exchange Volatility Index

Table of Contents**CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES****As of September 30, 2019****Highland Global Allocation Fund**

	(\$)
<b>Assets</b>	
Investments, at value	358,481,202
Affiliated investments, at value (Note 10)	115,739,227
Total Investments, at value	474,220,429
Cash equivalents (Note 2)	207,028
Cash	819,346
Restricted Cash — Securities Sold Short and Written Options (Notes 2 and 3)	14,732,705
Restricted Cash — Futures (Note 3)	2,902,800
Foreign currency	2,139
Foreign tax reclaim receivable	133,553
Receivable for:	
Investment sold	2,378,307
Dividends and interest	2,952,428
Fund shares sold	296,768
Variation Margin	341,985
Due from broker	325,226
Prepaid expenses and other assets	21,966
Total assets	499,334,680
<b>Liabilities:</b>	
Notes payable (Note 6)	105,431,689
Securities sold short, at value (Notes 2 and 8)	75,275,689
Reverse repurchase agreements	14,863,659
Written options contracts, at value (Note 3)	2,469,462
Payable for:	
Investments purchased	3,266,520
Investment advisory and administration fees (Note 7)	103,547
Dividends on securities sold short	10,082
Accounting services fees	129,968
Conversion costs (Note 2)	574,324
Custody fees	51,818
Trustees fees	25,142
Interest expense and commitment fee payable (Note 6)	343,632
Transfer agent fees	9,657
Reports to shareholders	106,940
Legal fees	100,000
Audit fees	320,000
Accrued expenses and other liabilities	88,366
Total liabilities	203,170,495
<b>Commitments and Contingencies (Note 6)</b>	
<b>Net Assets</b>	<b>296,164,185</b>
<b>Net Assets Consist of:</b>	
Paid-in capital	766,449,528
Total distributable loss	(470,285,343)
<b>Net Assets</b>	<b>296,164,185</b>
Investments, at cost	523,983,584
Affiliated investments, at cost (Note 10)	146,188,429
Cash equivalents, at cost (Note 2)	207,028
Foreign currency, at cost	3,595
Proceeds from securities sold short	36,519,093
Written option premiums received	2,726,045
<b>Common Shares</b>	
Shares outstanding (\$0.001 par value; unlimited shares authorized)	22,631,046

Net asset value, offering and redemption price per share

13.00

12 | See accompanying Notes to Consolidated Financial Statements.

Table of Contents**CONSOLIDATED STATEMENT OF OPERATIONS****For the Year Ended September 30, 2019****Highland Global Allocation Fund**

	(\$)
<b>Investment Income:</b>	
<b>Income:</b>	
Dividends from unaffiliated issuers	8,267,340
Dividends from affiliated issuers (Note 10)	4,025,617
Less: Foreign taxes withheld	(15,565)
Interest from unaffiliated issuers	7,827,423
Interest paid in-kind from affiliated issuers (Note 10)	1,983,791
Total income	<u>22,088,606</u>
<b>Expenses:</b>	
Investment advisory (Note 7)	1,808,028
Accounting services fees	258,240
Distribution and shareholder service fees: (Note 7)	
Class A	167,920
Class C	305,447
Transfer agent fees	310,688
Legal fees	874,799
Registration fees	40,057
Audit fees	457,759
Interest expense and commitment fees (Note 6)	5,463,717
Insurance	51,655
Trustees fees (Note 7)	95,648
Reports to shareholders	181,140
Custodian/wire agent fees	244,583
Dividends and fees on securities sold short (Note 2)	376,155
Conversion costs (Note 2)	440,999
Other	265,883
Total operating expenses before waiver and reimbursement	<u>11,342,718</u>
Less: Expenses waived or borne by the adviser and administrator	(417,999)
Net operating expenses	<u>10,924,719</u>
Net investment income	<u>11,163,887</u>
<b>Net Realized and Unrealized Gain (Loss) on Investments</b>	
<b>Net realized gain (loss) on:</b>	
Investments from unaffiliated issuers	(13,131,432)
Investments from affiliated issuers (Note 10)	4,476,582
Securities sold short (Note 2)	(9,814,480)
Written options contracts (Note 3)	2,278,943
Futures contracts (Note 3)	(3,218,996)
Foreign currency related transactions	(1,950,855)
<b>Change in unrealized appreciation (depreciation) on:</b>	
Investments in unaffiliated issuers	(33,207,031)
Investments in affiliated issuers (Note 10)	7,664,907
Securities sold short (Note 2)	17,323,186
Written options contracts (Note 3)	256,583
Futures contracts (Note 3)	632,896
Foreign currency related translations	(20,885)
Net realized and unrealized gain (loss) on investments	<u>(28,710,582)</u>
Total decrease in net assets resulting from operations	<u>(17,546,695)</u>

See accompanying Notes to Consolidated Financial Statements. | 13

Table of Contents**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

	<b>Highland Global Allocation Fund</b>	
	<b>Year Ended September 30, 2019 (\$)</b>	<b>Year Ended September 30, 2018 (\$)</b>
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations:</b>		
Net investment income	11,163,887	17,536,785
Net realized (loss) on investments, securities sold short, written options, futures contracts and foreign currency transactions	(21,360,238)	(102,577,315)
Net increase (decrease) in unrealized appreciation (depreciation) on investments, securities sold short, written options and foreign currency transactions	(7,350,344)	117,503,929
Net increase (decrease) from operations	(17,546,695)	32,463,399
<b>Distributions</b>		
Class A	—	(7,316,208)
Class C	—	(3,731,739)
Class Y	—	(5,219,394)
Shares of closed-end fund	(4,579,807)	—
Return of capital:		
Class A	—	(3,365,442)
Class C	—	(1,716,593)
Class Y	—	(2,400,911)
Shares of closed-end fund	(12,388,348)	—
<b>Total distributions</b>	(16,968,155)	(23,750,287)
Increase (decrease) in net assets from operations and distributions	(34,514,850)	8,713,112
<b>Share transactions:</b>		
Proceeds from sale of shares		
Class A	946,370	11,238,288
Class C	234,777	12,139,685
Class Y	4,996,134	56,903,923
Value of distributions reinvested		
Class A	—	9,920,585
Class C	—	4,222,201
Class Y	—	6,119,220
Shares of closed-end fund	2,237,339	—
Cost of shares redeemed		
Class A	(23,498,679)	(90,127,788)
Class C	(16,412,456)	(80,655,298)
Class Y	(37,255,360)	(193,998,230)
Shares repurchased of closed-end fund (Note 1)	(12,190,006)	—
Reduction to redemptions (Note 7)	2,055,239	—
Net decrease from shares transactions	(78,886,642)	(264,237,414)
<b>Total decrease in net assets</b>	(113,401,492)	(255,524,302)
<b>Net Assets</b>		
Beginning of year	409,565,677	665,089,979
End of year	296,164,185	409,565,677

14 | See accompanying Notes to Consolidated Financial Statements.

Table of Contents**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (continued)**

	<b>Highland Global Allocation Fund</b>	
	<b>Year Ended September 30, 2019</b>	<b>Year Ended September 30, 2018</b>
<b>CAPITAL STOCK ACTIVITY - SHARES*</b>		
<b>Class A:</b>		
Shares sold	111,890	1,295,700
Issued for distribution reinvested	—	1,188,136
Shares redeemed	(2,775,549)	(10,712,388)
Shares converted in conversion (Note 1)	(11,645,203)	—
Net decrease in fund shares	<u>(14,308,862)</u>	<u>(8,228,552)</u>
<b>Class C:</b>		
Shares sold	31,829	1,590,900
Issued for distribution reinvested	—	581,387
Shares redeemed	(2,232,995)	(11,034,420)
Shares converted in conversion (Note 1)	(5,075,831)	—
Net decrease in fund shares	<u>(7,276,997)</u>	<u>(8,862,133)</u>
<b>Class Y:</b>		
Shares sold	485,184	5,462,086
Issued for distribution reinvested	—	609,362
Shares redeemed	(3,617,459)	(19,167,635)
Shares converted in conversion (Note 1)	(6,568,222)	—
Net decrease in fund shares	<u>(9,700,497)</u>	<u>(13,096,187)</u>
<b>Shares of closed-end fund:</b>		
Issued for distribution reinvested	199,465	—
Shares redeemed	(857,675)	—
Shares converted in conversion (Note 1)	23,289,256	—
Net increase in fund shares	<u>22,631,046</u>	<u>—</u>

\* Capital stock activity prior to February 15, 2019 has been adjusted to give effect to an approximately 1 to 1.4217 reverse stock split as part of the conversion to a closed-end fund (Note 1). Distribution activity related to the A, C and Y share classes relates to the period from October 1, 2018 through February 15, 2019.

See accompanying Notes to Consolidated Financial Statements. | 15

Table of Contents**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended September 30, 2019

Highland Global Allocation Fund

	(\$)
<b>Cash Flows Provided by Operating Activities:</b>	
Net decrease in net assets derived from investment operations	(17,546,695)
<b>Adjustments to Reconcile Net Decrease in Net Assets to Net Cash Provided by Operating Activities:</b>	
Purchases of investment securities from unaffiliated issuers	(119,807,756)
Purchases of investment securities from affiliated issuers	(23,700,994)
Proceeds from disposition of investment securities from unaffiliated issuers	128,966,230
Proceeds from disposition of investment securities from affiliated issuers	81,249,336
Proceeds from sale of short-term portfolio investments, net	10,873,260
Purchases of securities sold short	(29,096,059)
Proceeds of securities sold short	7,485,204
Net proceeds received on written options contracts	5,004,988
Amortization of premiums	112,537
Net realized loss on investments from unaffiliated issuers	13,131,432
Net realized gain on investments from affiliated issuers	(4,476,582)
Net realized loss on securities sold short, written options contracts and foreign currency transactions	9,486,392
Net change in unrealized appreciation/(depreciation) on investments, affiliated investments, securities sold short, swap contracts, written options contracts and translation on assets and liabilities denominated in foreign currency	7,983,240
Increase in receivable for investments sold	(296,137)
Increase in receivable for dividends and interest	(310,038)
Increase in due from broker	(719)
Increase in receivable for variation margin	(341,985)
Increase in foreign tax reclaim receivable	(133,553)
Decrease in prepaid expenses and other assets	5,608,359
Decrease in due to custodian	(396,467)
Decrease in payable upon receipt of securities on loan	(155,000)
Increase in payable for investments purchased	2,546,987
Decrease in payables to related parties	(251,800)
Decrease in payable for transfer agent fees	(68,020)
Decrease in accrued dividends on short sales	(117,366)
Increase in payable for commitment fees	343,632
Increase in payable for custody fees	51,775
Decrease in payable for conversion costs	(934,084)
Decrease in accrued expenses and other liabilities	(864,666)
Net cash flow provided by operating activities	<u>74,345,451</u>
<b>Cash Flows Received Used in Financing Activities:</b>	
Decrease in notes payable	(33,293,750)
Reverse repurchase agreements	14,863,659
Distributions paid in cash	(14,730,816)
Payments on shares redeemed	(89,079,890)
Proceeds from shares sold	6,154,487
Net cash flow used in financing activities	<u>(116,086,310)</u>
Effect of exchange rate changes on cash	<u>(1,971,740)</u>
Net decrease in cash	<u>(43,712,599)</u>
<b>Cash, Restricted Cash, and Foreign Currency:</b>	
Beginning of year	<u>62,169,589</u>
End of year	<u>18,456,990</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>	
Reinvestment of distributions	<u>2,237,339</u>
Cash paid during the year for interest expense and commitment fees	<u>5,463,717</u>
Paid in-kind interest income	<u>1,983,791</u>



16 | See accompanying Notes to Consolidated Financial Statements.

Table of Contents**CONSOLIDATED FINANCIAL HIGHLIGHTS****Highland Global Allocation Fund**

Selected data for a share outstanding throughout each period is as follows:

	2019*‡	For the Years Ended September 30,			
	2018*‡	2017*‡	2016*‡	2015*‡	
<b>Net Asset Value, Beginning of Year</b>	\$ 14.63	\$ 14.16	\$ 14.12	\$ 13.86	\$ 17.36
<b>Income from Investment Operations:</b>					
Net investment income <sup>(a)</sup>	0.30	0.54	1.11	1.22	0.55
Net realized and unrealized gain (loss)	(1.10)	0.56	(0.12)	0.03	(2.87)
<b>Total from Investment Operations</b>	(0.80)	1.10	0.99	1.25	(2.32)
<b>Less Distributions Declared to shareholders:</b>					
From net investment income	(0.20)	(0.43)	(0.92)	(0.94)	(0.65)
From net realized gains	—	—	—	—	(0.53)
From return of capital	(0.54)	(0.20)	(0.03)	(0.05)	—
<b>Total distributions declared to shareholders</b>	(0.74)	(0.63)	(0.95)	(0.99)	(1.18)
<b>Net Asset Value, End of Year<sup>(b)</sup></b>	\$ 13.09	\$ 14.63	\$ 14.16	\$ 14.12	\$ 13.86
<b>Total Return<sup>(b)(c)</sup></b>	(4.40)%	7.95%	7.01%	9.91%	(14.41)%
<b>Ratios to Average Net Assets:<sup>(d)</sup></b>					
Net Assets, End of Year (000's)	\$296,164	\$128,353	\$254,539	\$367,251	\$775,238
Gross operating expenses <sup>(e)(f)</sup>	2.54%	2.38%	1.20%	1.11%	0.69%
Net investment income	2.11%	3.73%	7.59%	9.24%	3.16%
Portfolio turnover rate	28%	51%	66%	100%	108%

‡ Reflects the financial highlights of Class Y of the open-end fund prior to the conversion.

\* Per share data prior to February 15, 2019 has been adjusted to give effect to an approximately 1 to 1.4217 reverse stock split as part of the conversion to a closed-end fund. (Note 1)

(a) Per share data was calculated using average shares outstanding during the period.

(b) The Net Asset Value per share and total return have been calculated based on net assets which include adjustments made in accordance with U.S. Generally Accepted Accounting Principles required at period end for financial reporting purposes. These figures do not necessarily reflect the Net Asset Value per share or total return experienced by the shareholder at period end.

(c) Total return is based on market value per share for periods after February 15, 2019. Distributions are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's Dividend Reinvestment Plan. Prior to February 15, 2019, total return is at net asset value assuming all distributions are reinvested. For periods with waivers/reimbursements, had the Fund's investment adviser not waived or reimbursed a portion of expenses, total return would have been lower.

(d) All ratios for the period have been annualized, unless otherwise indicated.

(e) Supplemental expense ratios are shown below:

(f) Includes dividends and fees on securities sold short.

	For the Years Ended September 30,				
	2019	2018	2017	2016	2015
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)	2.45%	2.38%	1.19%	1.05%	0.69%
Interest expense and commitment fees	1.60%	1.02%	0.37%	0.11%	0.01%
Dividends and fees on securities sold short	0.11%	0.16%	0.05%	0.17%	0.03%

See accompanying Notes to Consolidated Financial Statements. | 17

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****September 30, 2019****Highland Global Allocation Fund****Note 1. Organization**

Highland Global Allocation Fund (the "Fund") is organized as an unincorporated business trust under the laws of The Commonwealth of Massachusetts. The Fund is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a diversified, closed-end management investment company. This report covers information for the year ended September 30, 2019.

On November 8, 2018, shareholders of the Fund approved a proposal authorizing the Board of Trustees (the "Board") of the Fund to convert the fund from an open-end fund to a closed-end fund at a special meeting of shareholders. The Board took action to convert the Fund to a closed-end fund effective shortly after 4:00 p.m. Eastern Time on February 14, 2019 (the "Conversion Date"). The Fund also effected an approximately 1-for-1.4217 reverse stock split of the Fund's issued and outstanding shares on February 14, 2019, thereby reducing the number of shares outstanding. Shareholders were paid cash for any fractional shares resulting from the reverse stock split. The Fund began listing its shares for trading on the New York Stock Exchange (the "NYSE") on February 19, 2019 under the ticker symbol "HGLB". The Fund may issue an unlimited number of common shares, par value \$0.001 per share ("Common Shares"). Prior to the Conversion Date, the Fund issued Class A, Class C, and Class Y shares. The Fund incurred \$1,949,407 in Conversion costs related to the fund conversion to a closed-end fund.

On August 3, 2018, the Board of the Fund authorized the repurchase of up to the lesser of \$20 million or 5% of the Fund's shares over a six-month period following conversion of the Fund from an open-end Fund to a closed-end fund. The Fund converted into a closed-end fund on February 13, 2019. Under this program, the Fund repurchased 853,870 shares through July, 2019, at an average price of \$11.72, for a total investment of \$10.0 million.

On August 20, 2019, the Board of the Fund approved an extension of the repurchase program for a period of six months up to an additional \$20 million of the Fund's shares.

**Note 2. Significant Accounting Policies**

The following summarizes the significant accounting policies consistently followed by the Fund in the preparation of its consolidated financial statements.

**Use of Estimates**

The Fund is an investment company that applies the accounting and reporting guidance of Accounting Standards Codification Topic 946 applicable to investment companies. The Fund's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which require Highland Capital Management Fund Advisors, L.P.

("HCMFA" or the "Investment Adviser") to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

**Basis of Consolidation**

The Fund consolidates Highland GAF Chemical Holdings, LLC ("GAF Chemical Holdings"), a Delaware wholly owned subsidiary, for financial reporting. GAF Chemical Holdings is used for commodity investment trading and its investments are included within the consolidated financial statements of the Fund. All inter-company accounts and transactions have been eliminated in the consolidation.

**Valuation of Investments**

In computing the Fund's net assets attributable to shares, securities with readily available market quotations on the New York Stock Exchange (NYSE), National Association of Securities Dealers Automated Quotation ("NASDAQ") or other nationally recognized exchange, use the closing quotations on the respective exchange for valuation of those securities. Securities for which there are no readily available market quotations will be valued pursuant to policies adopted by the Fund's Board of Trustees (the "Board"). Typically, such securities will be valued at the mean between the most recently quoted bid and ask prices provided by the principal market makers. If there is more than one such principal market maker, the value shall be the average of such means. Securities without a sale price or quotations from principal market makers on the valuation day may be priced by an independent pricing service. Generally, the Fund's loan and bond positions are not traded on exchanges and consequently are valued based on a mean of the bid and ask price from the third-party pricing services or broker-dealer sources that the Investment Adviser has determined to have the capability to provide appropriate pricing services which have been approved by the Board.

Securities for which market quotations are not readily available, or for which the Fund has determined that the price received from a pricing service or broker-dealer is "stale" or otherwise does not represent fair value (such as when events materially affecting the value of securities occur between the time when market price is determined and calculation of the Fund's net asset value ("NAV")), will be valued by the Fund at fair value, as determined by the Board or its designee in good faith in accordance with procedures approved by the Board, taking into account factors reasonably determined to be relevant,



Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2019****Highland Global Allocation Fund**

including, but not limited to: (i) the fundamental analytical data relating to the investment; (ii) the nature and duration of restrictions on disposition of the securities; and (iii) an evaluation of the forces that influence the market in which these securities are purchased and sold. In these cases, the Fund's NAV will reflect the affected portfolio securities' fair value as determined in the judgment of the Board or its designee instead of being determined by the market. Using a fair value pricing methodology to value securities may result in a value that is different from a security's most recent sale price and from the prices used by other investment companies to calculate their NAVs. Determination of fair value is uncertain because it involves subjective judgments and estimates.

There can be no assurance that the Fund's valuation of a security will not differ from the amount that it realizes upon the sale of such security. Those differences could have a material impact to the Fund. The NAV shown in the Fund's consolidated financial statements may vary from the NAV published by the Fund as of its period end because portfolio securities transactions are accounted for on the trade date (rather than the day following the trade date) for consolidated financial statement purposes.

**Fair Value Measurements**

The Fund has performed an analysis of all existing investments and derivative instruments to determine the significance and character of inputs to their fair value determination. The levels of fair value inputs used to measure the Fund's investments are characterized into a fair value hierarchy. Where inputs for an asset or liability fall into more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is significant to that investment's valuation. The three levels of the fair value hierarchy are described below:

*Level 1* — Quoted unadjusted prices for identical instruments in active markets to which the Fund has access at the date of measurement;

*Level 2* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active, but are valued based on executed trades; broker quotations that constitute an executable price; and alternative pricing sources supported by observable inputs are classified within Level 2. Level 2 inputs are either directly or indirectly observable for the asset in connection with market data at the measurement date; and

*Level 3* — Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. In certain cases, investments classified within Level 3 may include securities for

which the Fund has obtained indicative quotes from broker-dealers that do not necessarily represent prices the broker may be willing to trade on, as such quotes can be subject to material management judgment. Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price the asset or liability based on the best available information.

The Investment Adviser has established policies and procedures, as described above and approved by the Board, to ensure that valuation methodologies for investments and financial instruments that are categorized within all levels of the fair value hierarchy are fair and consistent. A Pricing Committee has been established to provide oversight of the valuation policies, processes and procedures, and is comprised of personnel from the Investment Adviser and its affiliates. The Pricing Committee meets monthly to review the proposed valuations for investments and financial instruments and is responsible for evaluating the overall fairness and consistent application of established policies.

As of September 30, 2019, the Fund's investments consisted of senior loans, asset-backed securities, bonds and notes, common stocks, master limited partnerships, registered investment companies, cash equivalents, exchange-traded funds, rights, warrants, securities sold short, and collateralized loan obligations. The fair value of the Fund's loans, bonds and asset-backed securities are generally based on quotes received from brokers or independent pricing services. Loans, bonds and asset-backed securities with quotes that are based on actual trades with a sufficient level of activity on or near the measurement date are classified as Level 2 assets. Senior loans, bonds and asset-backed securities that are priced using quotes derived from implied values, indicative bids, or a limited number of actual trades are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable.

The fair value of the Fund's common stocks, registered investment companies, rights and warrants that are not actively traded on national exchanges are generally priced using quotes derived from implied values, indicative bids, or a limited amount of actual trades and are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable. Exchange-traded options are valued based on the last trade price on the primary exchange on which they trade. If an option does not trade, the mid-price, which is the mean of the bid and ask price, is utilized to value the option.

At the end of each calendar quarter, the Investment Adviser evaluates the Level 2 and 3 assets and liabilities for changes

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2019****Highland Global Allocation Fund**

in liquidity, including but not limited to: whether a broker is willing to execute at the quoted price, the depth and consistency of prices from third party services, and the existence of contemporaneous, observable trades in the market. Additionally, the Investment Adviser evaluates the Level 1 and 2 assets and liabilities on a quarterly basis for changes in listings or delistings on national exchanges.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market

value, the fair value of the Fund's investments may fluctuate from period to period. Additionally, the fair value of investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values the Fund may ultimately realize. Further, such investments may be subject to legal and other restrictions on resale or otherwise less liquid than publicly traded securities.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Transfers in and out of the levels are recognized at the value at the end of the period. A summary of the inputs used to value the Fund's assets as of September 30, 2019 is as follows:

	Total value at September 30, 2019	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
<b>Assets</b>				
Non-U.S. Equity				
Communication Services	\$ 6,898,786	\$ 6,898,786	\$ —	\$ —
Consumer Discretionary	12,716,407	8,929,926	3,786,481	—
Consumer Staples	291,500	291,500	—	—
Energy	19,853,141	19,853,141	—	—
Financials	6,405,706	6,405,706	—	—
Healthcare	123,051	123,051	—	—
Industrials	8,544,061	8,544,061	—	—
Information Technology	9,989,102	9,989,102	—	—
Materials	2,538,690	2,538,690	—	—
Utilities	105,997,617	105,997,617	—	—
U.S. Equity				
Chemicals	731,871	—	—	731,871
Communication Services	47,256,191	121,487	—	47,134,704
Consumer Discretionary	3,759,046	3,759,046	—	—
Financials	1,072,837	1,072,837	—	—
Healthcare	18,049,003	18,049,003	—	—
Information Technology	1,024,317	1,024,317	—	—
Materials	3,652,420	—	3,652,420	—
Real Estate	8,319,533	8,319,533	—	—
Non-U.S. Master Limited Partnerships				
Energy	60,435,327	60,435,327	—	—
U.S. Senior Loans				
Chemicals	1,088,107	—	—	1,088,107
Communication Services	14,336,849	—	—	14,336,849
Energy	17,939,468	—	17,939,468	—
Retail	1,370,364	—	1,370,364	—
Service	2,173,613	—	2,173,613	—
Utilities	259,072	—	259,072	—
Non-U.S. Government Bond				
Sovereign	25,078,750	—	25,078,750	—
U.S. LLC Interest	15,207,664	—	—	15,207,664
U.S. Preferred Stock				
Financials	4,035,559	—	4,035,559	—
Real Estate	7,738,392	—	7,738,392	—

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	Total value at September 30, 2019	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Non-U.S. Asset-Backed Securities	\$ 10,574,913	\$ —	\$ 10,438,191	\$ 136,722
U.S. Agency Collateralized Mortgage Obligation	9,984,739	—	9,984,739	—
Non-U.S. Corporate Bonds & Notes				
Communication Services	976,835	—	976,835	—
Energy	2,558,772	—	45	2,558,727
Utilities	4,087,430	—	4,087,430	—
Non-U.S. Purchased Options	7,643,639	7,643,639	—	—
U.S. Rights				
Utilities	6,996,052	—	6,996,052	—
Non-U.S. Senior Loan				
Communication Services	1,120,913	—	1,120,913	—
U.S. Corporate Bonds & Notes				
Information Technology <sup>(1)</sup>	—	—	—	—
Real Estate	283,000	—	283,000	—
Utilities	824,429	—	824,429	—
U.S. Warrants				
Financials	314	314	—	—
Healthcare	187,883	—	—	187,883
Non-U.S. Warrants				
Communication Services	16,185	16,185	—	—
Industrials	289,883	—	289,883	—
Information Technology	40,679	40,679	—	—
Non-U.S. Registered Investment Companies	21,748,319	18,265,238	—	3,483,081
U.S. Cash Equivalent	207,028	207,028	—	—
Other Financial Instruments				
Short Futures	632,896	632,896	—	—
<b>Total Assets</b>	<b>475,060,353</b>	<b>289,159,109</b>	<b>101,035,636</b>	<b>84,865,608</b>
<b>Liabilities</b>				
Securities Sold Short				
U.S. Exchange-Traded Fund	(1,419,585)	(1,419,585)	—	—
U.S. Equity				
Communication Services	(18,639,733)	(18,639,733)	—	—
Consumer Discretionary	(1,568,292)	(1,568,292)	—	—
Healthcare	(34,760,754)	(34,760,754)	—	—
Non-U.S. Equity				
Communication Services	(3,728,000)	(3,728,000)	—	—
Energy	(4,177,725)	(4,177,725)	—	—
Healthcare	(10,981,600)	(10,981,600)	—	—
Other Financial Instruments				
Written Options	(2,469,462)	(2,469,462)	—	—
<b>Total Liabilities</b>	<b>(77,745,151)</b>	<b>(77,745,151)</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>\$ 397,315,202</b>	<b>\$ 211,413,958</b>	<b>\$ 101,035,636</b>	<b>\$ 84,865,608</b>

(1) This category includes securities with a value of zero.

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The table below sets forth a summary of changes in the Fund's assets measured at fair value using significant unobservable inputs (Level 3) for the year ended September 30, 2019.

	Balance as of September 30, 2018	Transfers Into Level 3	Transfers Out of Level 3	Accrued Discounts (Premiums)	Realized Gains/ (Losses)	Net Unrealized Appreciation (Depreciation)	Net Purchases	Net Sales	Balance as of September 30, 2019	Change in Unrealized Appreciation (Depreciation) from Investments held at September 30, 2019
<b>U.S. Equity</b>										
Chemicals	\$ 1,296,206	\$ —	\$ —	\$ —	\$ —	\$ (564,335)	\$ —	\$ —	\$ 731,871	\$ (564,335)
Communication										
Services	64,277,652	—	—	—	4,155,617	1,658,285	—	(22,956,850)	47,134,704	1,658,285
Media	2,127,254	—	—	—	—	11,041,979	—	(13,169,233)	—	—
<b>U.S. Senior Loans</b>										
Chemicals	1,060,993	—	—	27,904	—	(790)	—	—	1,088,107	(790)
Communication										
Services	52,268,596	—	—	22,837	(48,061)	37,701	2,015,776	(39,960,000)	14,336,849	37,701
<b>U.S. LLC Interest</b>	—	—	—	—	—	207,664	15,000,000	—	15,207,664	207,664
<b>Non-U.S. Asset- Backed Security</b>	117,574	—	—	(715)	—	19,863	—	—	136,722	19,863
<b>Non-U.S. Corporate Bonds &amp; Notes</b>										
Energy	2,558,727	—	—	—	—	—	—	—	2,558,727	—
<b>U.S. Warrants</b>										
Healthcare	201,754	—	—	—	—	(13,871)	—	—	187,883	(13,871)
<b>Non-U.S. Warrants</b>										
Information										
Technology	199,521	—	(107,509)	—	—	(92,012)	—	—	—	—
<b>Non-U.S. Registered Investment Company</b>	2,966,972	—	—	—	—	516,109	—	—	3,483,081	516,109
<b>Total</b>	<u>\$ 127,075,249</u>	<u>\$ —</u>	<u>\$ (107,509)</u>	<u>\$ 50,026</u>	<u>\$ 4,107,556</u>	<u>\$ 12,810,593</u>	<u>\$ 17,015,776</u>	<u>\$ (76,086,083)</u>	<u>\$ 84,865,608</u>	<u>1,860,626</u>

Investments designated as Level 3 may include assets valued using quotes or indications furnished by brokers which are based on models or estimates and may not be executable prices. In light of the developing market conditions, the Investment Adviser continues to search for observable data points and evaluate broker quotes and indications received for portfolio investments for the year ended September 30, 2019, there were no transfers between Levels.

The following is a summary of significant unobservable inputs used in the fair valuations of assets and liabilities categorized within Level 3 of the fair value hierarchy:

Category	Market Value at 9/30/2019	Valuation Technique	Unobservable Inputs	Input Value(s)
U.S. Equity	\$ 47,866,575	Multiples Analysis	Unadjusted Price/MHz-PoP	\$0.12 - \$0.95
			Risk Discount	55.2% - 59.8%
			LTM EBITDA Multiple	6.83x
			Liquidity Discount	10%
			Size Adjustment	10%
			Discount Rate	15%
		Discounted Cash Flow	Enterprise Value (\$mm)	\$365.00 - \$771.00
		Transaction Indication Of Value		



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Category	Market Value at 9/30/2019	Valuation Technique	Unobservable Inputs	Input Value(s)
U.S. Senior Loans	15,424,956	Discounted Cash Flow	Discount Rate	11.1%
		Debt-Loan Spread	Spread Adjustment	0.1%
			Adjusted Yield	9.56% - 14.83%
			Swap Rate	1.50% -1.64%
LLC Interest	15,207,664	Discounted Cash Flow	Discount Rate	2.46% -4.54%
Registered Investment Companies	3,483,081	Net Asset Value	N/A	N/A
Corporate Bonds & Notes	2,558,727	Liquidation Analysis	Claim Amount: Percent of Par	6.9%
Warrants	187,883	Black-Scholes Model	Annualized Volatility	64.4%
Asset-Backed Securities	136,722	Discounted Cash Flow	Discount Rate	20.9%
<b>Total</b>	<b>\$ 84,865,608</b>			

In addition to the unobservable inputs utilized for various valuation methodologies, the Adviser frequently uses a combination of two or more valuation methodologies to determine fair value for a single holding. In such instances, the Adviser assesses the methodologies and ascribes weightings to each methodology. The weightings ascribed to any individual methodology ranged from as low as 10% to as high as 55% as of September 30, 2019. The selection of weightings is an inherently subjective process, dependent on professional judgment. These selections may have a material impact to the concluded fair value for such holdings.

The significant unobservable inputs used in the fair value measurement of the Fund's bank loan securities are: adjusted yield, swap rate, discount rate and spread adjustment. Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Fund's common equity securities are: multiple of EBITDA, price/MHz-PoP multiple, risk discount, illiquidity discount, discount rate and size adjustment. Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the risk discount is accompanied by a directionally opposite change in the assumption for the price/MHz-PoP multiple.

**Security Transactions**

Security transactions are accounted for on the trade date. Realized gains/(losses) on investments sold are recorded on the basis of the specific identification method for both consolidated financial statement and U.S. federal income tax purposes taking into account any foreign taxes withheld.

**Income Recognition**

Corporate actions (including cash dividends) are recorded on the ex-dividend date, net of applicable withholding taxes,

except for certain foreign corporate actions, which are recorded as soon after ex-dividend date as such information becomes available and is verified. Interest income is recorded on the accrual basis.

Accretion of discount on taxable bonds and loans is computed to the call date, while amortization of premium on taxable bonds and loans is computed to the call or maturity date, whichever is shorter, both using the effective yield method. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.

**U.S. Federal Income Tax Status**

The Fund is treated as a separate taxpayer for U.S. federal income tax purposes. The Fund intends to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended, and will distribute substantially all of its taxable income and gains, if any, for the tax year, and as such will not be subject to U.S. federal income taxes. In addition, the Fund intends to distribute, in each calendar year, all of its net investment income, capital gains and certain other amounts, if any, such that the Fund should not be subject to U.S. federal excise tax. Therefore, no U.S. federal income or excise tax provisions are recorded.

The Investment Adviser has analyzed the Fund's tax positions taken on U.S. federal income tax returns for all open tax years (current and prior three tax years), and has concluded that no provision for U.S. federal income tax is required in the Fund's consolidated financial statements. The Fund's U.S. federal and state income and U.S. federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue. Furthermore, the Investment Adviser of the Fund is also not aware of any tax positions for which it is reasonably possible

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2019****Highland Global Allocation Fund**

that the total amounts of unrecognized tax benefits will significantly change in the next 12 months.

**Distributions to Shareholders**

The Fund declares and pays investment income distributions quarterly. The Fund typically declares and pays distributions from net realized capital gains in excess of capital loss carryforwards annually.

**Cash & Cash Equivalents**

The Fund considers liquid assets deposited with a bank and certain short-term debt instruments of sufficient credit quality with original maturities of three months or less to be cash equivalents. These investments represent amounts held with financial institutions that are readily accessible to pay Fund expenses or purchase investments. Cash and cash equivalents are valued at cost plus accrued interest, which approximates market value. The value of cash equivalents denominated in foreign currencies is determined by converting to U.S. dollars on the date of the Consolidated Statement of Assets and Liabilities.

**Foreign Currency**

Accounting records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates using the current 4:00 PM London Time Spot Rate. Fluctuations in the value of the foreign currencies and other assets and liabilities resulting from changes in exchange rates, between trade and settlement dates on securities transactions and between the accrual and payment dates on dividends, interest income and foreign withholding taxes, are recorded as unrealized foreign currency gains/(losses). Realized gains/(losses) and unrealized appreciation/(depreciation) on investment securities and income and expenses are translated on the respective dates of such transactions. The effects of changes in foreign currency exchange rates on investments in securities are not segregated in the Consolidated Statement of Operations from the effects of changes in market prices of those securities, but are included with the net realized and unrealized gain or loss on investment securities.

**Securities Sold Short**

The Fund may sell securities short. A security sold short is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. When the Fund sells a security short, it must borrow the security sold short from a broker-dealer and deliver it to the buyer upon conclusion of the transaction. A Fund may have to pay a fee to borrow particular securities and is often obligated to pay over any dividends or other payments received on such borrowed securities. In some circumstances,

a Fund may be allowed by its prime broker to utilize proceeds from securities sold short to purchase additional investments, resulting in leverage. Securities and cash held as collateral for securities sold short are shown on the Consolidated Investment Portfolio. Cash held as collateral for securities sold short is classified as restricted cash on the Consolidated Statement of Assets and Liabilities, as applicable. Restricted cash in the amount of \$17,668,451 was held with the broker for the Fund. Additionally, securities valued at \$110,028,333 were posted in the Fund's segregated account for collateral for short sales, written option contracts, and secured credit facility.

**Other Fee Income**

Fee income may consist of origination/closing fees, amendment fees, administrative agent fees, transaction break-up fees and other miscellaneous fees. Origination fees, amendment fees, and other similar fees are non-recurring fee sources. Such fees are received on a transaction by transaction basis and do not constitute a regular stream of income and are recognized when incurred.

**Conversion Costs**

In conjunction with the shareholder proposal to convert the Fund from an open-end fund to a closed-end fund (see Note 14), the Fund has incurred legal fees and other fees in preparation of this conversion. These conversion costs include both actual and estimated fees, and are included in the Consolidated Statement of Operations as conversion fees.

**Note 3. Derivative Transactions**

The Fund is subject to equity securities risk, interest rate risk and currency risk in the normal course of pursuing its investment objectives. The Fund enters into derivative transactions for the purpose of hedging against the effects of changes in the value of portfolio securities due to anticipated changes in market conditions, to gain market exposure for residual and accumulating cash positions and for managing the duration of fixed income investments.

**Futures Contracts**

A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date. The Fund may invest in interest rate, financial and stock or bond index futures contracts subject to certain limitations. The Fund invests in futures contracts to manage its exposure to the stock and bond markets and fluctuations in currency values. Buying futures tends to increase the Fund's exposure to the underlying instrument while selling futures tends to decrease the Fund's exposure to the underlying instrument, or economically hedge other Fund investments. With futures contracts, there is minimal counterparty credit risk to the Fund since futures contracts are exchange-traded and the exchange's clearinghouse, as counterparty to all

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traded futures, guarantees the futures against default. A Fund's risks in using these contracts include changes in the value of the underlying instruments, non-performance of the counterparties under the contracts' terms and changes in the liquidity of the secondary market for the contracts. Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they principally trade.

Upon entering into a financial futures contract, the Fund is required to pledge to the broker an amount of cash and/or other assets equal to a certain percentage of the contract amount, known as initial margin deposit. Subsequent payments, known as variation margins, are made or can be received by the Fund each day, depending on the daily fluctuation in the fair value of the underlying security. The Fund records an unrealized gain/(loss) equal to the daily variation margin. Should market conditions move unexpectedly, the Fund may not achieve the anticipated benefits of the futures contracts and may incur a loss. The Fund recognizes a realized gain/(loss) on the expiration or closing of a futures contract.

During the year ended September 30, 2019, the Fund entered into futures transactions for the purpose of hedging against the effects of changes in the value of portfolio securities due to anticipated changes in market conditions, and to gain market exposure for residual and accumulating cash positions. Cash held as collateral for futures contracts is shown on the Consolidated Statement of Assets and Liabilities as "Restricted Cash — Futures."

**Options**

The Fund may utilize options on securities or indices to varying degrees as part of its principal investment strategy. An option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the security underlying the option at a specified exercise or "strike" price. The writer of an option on a security has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price or to pay the exercise price upon delivery of the underlying security. The Fund may hold options, write option contracts, or both.

If an option written by a Fund expires unexercised, a Fund realizes on the expiration date a capital gain equal to the premium received by a Fund at the time the option was written. If an option purchased by a Fund expires unexercised, a Fund realizes a capital loss equal to the premium paid. Prior to the earlier of exercise or expiration, an exchange-traded option may be closed out by an offsetting purchase or sale of an option of the same series (type, underlying security,

exercise price and expiration). There can be no assurance, however, that a closing purchase or sale transaction can be effected when a Fund desires. A Fund will realize a capital gain from a closing purchase transaction if the cost of the closing option is less than the premium received from writing the option, or, if the cost of the closing option is more than the premium received from writing the option, a capital loss. A Fund will realize a capital gain from a closing sale transaction if the premium received from the sale is more than the original premium paid when the option position was opened, or a capital loss, if the premium received from a sale is less than the original premium paid.

During the year ended September 30, 2019, the Fund had written options to provide leveraged short exposure, and purchased options to provide leveraged long exposure, to the underlying equity, which is consistent with the investment strategies of the Fund.

**Additional Derivative Information**

The Fund follows adopted amendments to authoritative guidance on disclosures about derivative instruments and hedging activities which require that the Fund discloses a) how and why an entity uses derivative instruments; b) how derivative instruments and related hedged items are accounted for; c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows; and d) how the netting of derivatives subject to master netting arrangements (if applicable) affects the net exposure of the Fund related to the derivatives.

To reduce counterparty credit risk with respect to over-the-counter ("OTC") transactions, the Fund has entered into master netting arrangements, established within the Fund's International Swap and Derivatives Association, Inc. ("ISDA") master agreements, which allows the Fund to make (or to have an entitlement to receive) a single net payment in the event of default (close-out netting) for outstanding payables and receivables with respect to certain OTC derivative positions in forward currency exchange contracts for each individual counterparty. In addition, the Fund may require that certain counterparties post cash and/or securities in collateral accounts to cover its net payment obligations for those derivative contracts subject to ISDA master agreements. If the counterparty fails to perform under these contracts and agreements, the cash and/or securities will be made available to the Fund.

Certain ISDA master agreements include credit related contingent features which allow counterparties to OTC derivatives to terminate derivative contracts prior to maturity in the event the Fund's net assets decline by a



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stated percentage or the Fund fails to meet the terms of its ISDA master agreements, which would cause the Fund to accelerate payment of any net liability owed to the counterparty.

For financial reporting purposes, the Fund does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Consolidated Statement of Assets and Liabilities. Bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events.

Collateral terms are contract specific for OTC derivatives. For derivatives traded under an ISDA master agreement, the collateral requirements are typically calculated by netting the mark to market amount for each transaction under such agreement and comparing that to the value of any collateral currently pledged by the Fund or the Counterparty.

For financial reporting purposes, cash collateral that has been pledged to cover obligations of the Fund, if any, is reported in restricted cash on the Consolidated Statement of Assets and Liabilities. Generally, the amount of collateral due from or to a party must exceed a minimum transfer amount threshold before a transfer has to be made. To the extent amounts due to the Fund from its counterparties are not fully collateralized, contractually or otherwise, the Fund bears the risk of loss from counterparty non-performance.

The effect of derivative instruments on the Consolidated Statement of Operations for the year ended September 30, 2019, is as follows:

	Net Realized Gain (Loss) on Derivatives	Net Change in Unrealized Appreciation/ (Depreciation) on Derivatives
Interest Rate Risk	447,653 <sup>(1)</sup>	(160,650) <sup>(4)</sup>
Equity Price Risk	(2,149,803) <sup>(1)(2)(3)</sup>	(91,259) <sup>(4)(5)(6)</sup>
Commodity Risk	—	(25,786) <sup>(4)(6)</sup>

(1) Consolidated Statement of Operations location: Realized gain (loss) on written options contracts.

(2) Consolidated Statement of Operations location: Realized gain (loss) on investments from unaffiliated issuers. Purchased options only.

(3) Consolidated Statement of Operations location: Realized gain (loss) on futures contracts.

(4) Consolidated Statement of Operations location: Change in unrealized appreciation (depreciation) on investments. Purchased options only.

(5) Consolidated Statement of Operations location: Change in unrealized appreciation (depreciation) on futures contracts.

(6) Consolidated Statement of Operations location: Change in unrealized appreciation (depreciation) on written options.

The average monthly volume of derivative activity for the year ended September 30, 2019, is as follows:

	Units/ Contracts	Appreciation/ (Depreciation)
Futures Contracts <sup>(1)</sup>	194	\$ (379,631)
Purchased Options Contracts	17,662	—
Written Options Contracts	7,597	—

(1) Futures Contracts average monthly volume is calculated using Appreciation/(Depreciation).

**Note 4. Securities Lending**

Effective April 4, 2019, HCMFA entered into a custody agreement with Bank of New York Mellon ("BNY"). Prior to April 4, 2019, State Street Bank and Trust Company ("State Street") served as the custodian to the Fund.

As of September 30, 2019, the Fund did not participate in securities lending transactions with BNY.

Prior to April 4, 2019, the Fund could seek additional income by making secured loans of its portfolio securities through its prior custodian, State Street. Such loans would be in an amount not greater than one-third of the value of the Fund's total assets. State Street would charge a fund fees based on a percentage of the securities lending income.

The Fund would receive collateral consisting of cash (U.S. and foreign currency), securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, sovereign debt, convertible bonds, irrevocable bank letters of credit or such other collateral as may be agreed on by the parties to a securities lending arrangement, initially with a value of 102% or 105% of the market value of the loaned securities and thereafter maintained at a value of 100% of the market value of the loaned securities. If the collateral consists of non-cash collateral, the borrower would pay the Fund a loan premium fee. If the collateral consists of cash, State Street would reinvest the cash. Although voting rights, or rights to consent, with respect to the loaned securities pass to the borrower, the Fund would recall the loaned securities upon reasonable notice in order that the securities could be voted by the Fund if the holders of such securities are asked to vote upon or consent to matters materially affecting the investment. The Fund also could call such loans in order to sell the securities involved.

Securities lending transactions were entered into pursuant to Securities Loan Agreements ("SLA"), which would provide the right, in the event of default (including bankruptcy or insolvency) for the non-defaulting party to liquidate the collateral and calculate a net exposure to the defaulting party or request additional collateral. In the event that a borrower defaulted, the Fund, as lender, would offset the market value of the collateral received against the market value of the securities loaned. The value of the collateral is typically greater than that of the market value of the securities

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loaned, leaving the lender with a net amount payable to the defaulting party. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of an SLA counterparty's bankruptcy or insolvency. Under the SLA, the Fund can reinvest cash collateral, or, upon an event of default, resell or repledge the collateral, and the borrower can resell or repledge the loaned securities. The risks of securities lending also include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. To mitigate this risk, each Fund benefits from a borrower default indemnity provided by State Street. State Street's indemnity generally provides for replacement of securities lent or the approximate value thereof.

**Note 5. U.S. Federal Income Tax Information**

The character of income and gains to be distributed is determined in accordance with income tax regulations which may differ from U.S. GAAP. These differences include (but are not limited to) investments organized as partnerships for tax purposes, investments in futures, losses deferred to off-setting positions, tax treatment of organizational start-up costs, losses deferred due to wash sale transactions, tax

treatment of net investment loss and distributions in excess of net investment income, and tax attributes from Fund reorganizations. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. These reclassifications have no impact on net investment income, realized gains or losses, or NAV of the Fund. The calculation of net investment income per share in the Consolidated Financial Highlights table excludes these adjustments.

As of September 30, 2019, permanent differences chiefly resulting from foreign currency gains and losses, return of capital distributions from real estate investment trusts, capital gain distributions from other RICs, paydown gains and losses, partnership basis adjustments, defaulted bonds, elimination of subsidiary transactions, tax treatment of reorganization expense and capitalized dividends on short sales were identified and reclassified among the components of the Fund's net assets as follows:

Distributable Earnings (Loss)	Paid-in-Capital
\$4,862,699	\$(4,862,699)

At September 30, 2019, the most recent tax year-end, components of distributable earnings on a tax basis is as follows:

Undistributed Income	Undistributed Long-Term Capital Gains	Undistributed Tax-Exempt Income	Other Temporary Differences	Accumulated Capital and Other Losses	Net Tax Appreciation/ (Depreciation)
\$ —	\$ —	\$ —	\$ —	\$(229,922,340)	\$(240,363,003)

Under the Regulated Investment Company Modernization Act of 2010, the Fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. As of September 30, 2019, the most recent tax year end, the Fund has capital loss carryovers as indicated below.

No Expiration Short-Term	No Expiration Long-Term	Total
\$106,122,225	\$123,800,115	\$229,922,340

The tax character of distributions paid during the years ended September 30, 2019 and September 30, 2018 were as follows:

	Exempt Interest	Ordinary Income <sup>(1)</sup>	Distributions Paid From: Long-Term Capital Gains	Return of Capital <sup>(2)</sup>
2019	\$ —	\$ 4,579,807	\$ —	\$ 12,388,348
2018	—	16,267,341	—	7,482,946

(1) For tax purposes, short-term capital gains distributions, if any, are considered ordinary income distributions.

(2) Additional Information will be distributed on Form 1099 at the end of the calendar year.

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Unrealized appreciation and depreciation at September 30, 2019, based on cost of investments for U.S. federal income tax purposes was:

Gross Appreciation	Gross Depreciation	Net Appreciation/ (Depreciation)	Cost
\$ 18,545,175	\$ (258,908,178)	\$ (240,363,003)	\$ 677,197,027

For Federal income tax purposes, the cost of investments owned at September 30, 2019 were different from amounts reported for financial reporting purposes primarily due to investments in partnership, REIT, securities sold short, options, futures, defaulted bonds, other securities and deferred wash sale losses.

Under current laws, certain capital losses realized after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. Late-Year Losses represent ordinary losses realized on investment transactions from January 1, 2019 through September 30, 2019. For the fiscal year ended September 30, 2019, the Funds elected to defer the following losses:

Realized Capital Losses	Ordinary Losses
\$ —	\$ —

**Note 6. Credit Agreement**

On January 10, 2018, the Fund entered into a financing arrangement (the "Financing Arrangement") with BNP Paribas Prime Brokerage International, Ltd., BNP Prime Brokerage, Inc., acting through its New York Branch, and BNP Paribas (together, the "BNPP Entities"). Under the Financing Agreement, the BNPP Entities may make margin loans to the Fund at rates ranging from 1 month LIBOR + 0.50% to 1 month LIBOR + 0.80%. The Financing Arrangement may be terminated by either the Fund or the BNPP Entities with 30 days' notice. At September 30, 2019, current outstanding and fair value amounts were \$105,431,689 and \$105,484,360, respectively. The fair value was estimated based off discounting cash flows owed using a discount rate of 0.50% over the five month risk-free rate. The Fund's average daily balance was \$120,248,041 at a weighted average interest rate of 3.15% for the days outstanding.

On March 25, 2019, the Fund entered into an agreement with Mizuho Securities USA, LLC ("Mizuho Securities") under which it may from time to time enter into reverse repurchase transactions pursuant to the terms of a master repurchase agreement and related annexes (collectively the "Repurchase Agreement"). A reverse repurchase transaction is a repurchase transaction in which the Fund is the seller of securities or other assets and agrees to repurchase them at a date certain or on demand. Pursuant to the Repurchase Agreement, the Fund may agree to sell securities or other assets to Mizuho Securities for an agreed upon price (the "Purchase Price"), with a simultaneous agreement to

repurchase such securities or other assets from Mizuho Securities for the Purchase Price plus a price differential that is economically similar to interest. The price differential is negotiated for each transaction. This creates leverage for the Fund because the cash received can be used to purchase other securities.

**Note 7. Advisory, Administration, Service and Distribution, Trustee, and Other Fees****Investment Advisory Fees and Administration Fees**

For its investment advisory services, the Fund pays the Investment Adviser a monthly fee, computed and accrued daily, based on an annual rate of the Fund's Average Daily Managed Assets. Average Daily Managed Assets of the Fund means the average daily value of the total assets of the Fund less all accrued liabilities of a Fund (other than the aggregate amount of any outstanding borrowings constituting financial leverage). The Fund's contractual advisory fee with Highland for the year ended September 30, 2019 was 0.40%.

On behalf of the Fund, the Trust has entered into an administration agreement with SEI Investments Global Funds Services ("SEI"), a wholly owned subsidiary of SEI Investments Company, and pays SEI a fee for administration services. The Investment Adviser generally assists in all aspects of the Fund's administration and operations and furnishes offices, necessary facilities, equipment and personnel.

**Expense Limits and Fee Reimbursements**

The Investment Adviser has contractually agreed to limit the total annual operating expenses (exclusive of fees paid by the Fund pursuant to their distribution plans under Rule 12b-1 under the 1940 Act, as amended, taxes, such as deferred tax expenses, dividend expenses on short sales, interest payments, brokerage commissions and other transaction costs, acquired fund fees and expenses and extraordinary expenses (collectively, the "Excluded Expenses")) of the Fund to 0.90% of average daily net assets attributable to any class of the Fund the "Expense Cap". The Expense Cap expired on January 31, 2019.

Under the expense limitation agreement, the Investment Adviser may recoup waived and/or reimbursed amounts with respect to the Fund within thirty-six months of the date such amounts were waived or reimbursed, provided the Fund's total annual operating expenses, including such recoupment, do not exceed the Expense Cap in effect at the time of such waiver/reimbursement



Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2019****Highland Global Allocation Fund**

Additionally, the Funds may invest in securities issued by other investment companies, including investment companies that are advised by the Adviser or its affiliates, to the extent permitted by applicable law and/or pursuant to exemptive relief from the SEC, and exchange-traded funds ("ETFs"). Fees and expenses of such investments will be borne by shareholders of the investing Fund, and the Adviser voluntarily waives the higher of the two fees for the portion of the Fund's investment advisory fee attributable to its investment in the affiliated investment company.

On September 30, 2019, the amounts subject to possible future recoupment under the Fund's expense limitations were as follows:

Expiring during Fiscal Years Ending September 30,		
2020	2021	2022
\$ —	\$ —	\$417,999

During the year ended September 30, 2019, the Investment Adviser did not recoup any fees previously waived or reimbursed, and \$660,281 of fees previously waived and or reimbursed by the Investment Adviser that were eligible for recoupment expired. No other amounts expired or were recouped from the Funds during the year ended year ended September 30, 2019.

### Other Transactions with the Investment Adviser

Various transactions occurred related to the valuation correction of the Fund's investment in equity issued by TerreStar Corporation. Subsequent to September 30, 2018, a valuation correction was made, affecting the value of the individual position between March 2018 through January 2019 and, as a result, other Fund calculations and shareholder payments that occurred during that period. The Fund's former Transfer Agent was engaged to assess the extent and impact of the errors and process the payments owed to shareholders for subscription overpayments. As of September 30, 2019, the Fund has received payments of approximately \$7.7 million from the Adviser for: overpayments made by the Fund on redemption payments to shareholders resulting from the valuation correction; amounts owed to certain shareholders for subscription overpayments resulting from the valuation correction; and interest on these amounts. Prior to year-end, the Fund wired approximately \$1.6 million of the amount received from the Adviser to the Fund's former Transfer Agent to process and distribute amounts owed to affected shareholders. During the period ended September 30, 2018, the net increase in net assets of the Fund as a result of the amount received from the Adviser, less the amount distributed to the Fund's former Transfer Agent was \$4.0 million. This amount is reflected as a reduction to redemptions paid on the Statement of Changes in Net Assets for the year ended September 30, 2018. The net

increase in the Fund's net assets for the period ended September 30, 2019 is \$2.1 million and is reflected as a net reduction to redemptions paid on the Consolidated Statement of Changes in Net Assets. The Adviser will continue to pay any fees resulting from the services (e.g. tax reporting, FATCA documentation, etc.) performed by the former Transfer Agent. Additionally, advisory fees that were previously paid to the Adviser and attributable to the overstated net assets relating to this matter were returned to the Fund. As of September 30, 2019, no additional amounts are owed to the Fund relating to this matter. All daily NAVs published between March 2018 and January 2019 that were materially affected by the valuation correction will be restated after the completion of the Fund's annual audit.

### Fees Paid to Officers and Trustees

Each Trustee who is not an "interested person" of the Fund as defined in the 1940 Act (the "Independent Trustees") receives an annual retainer of \$150,000 payable in quarterly installments and allocated among each portfolio in the Highland Fund Complex overseen by such Trustee based on relative net assets. The "Highland Fund Complex" consists of all of the registered investment companies advised by the Investment Adviser or its affiliated advisers and NexPoint Capital, Inc., a closed-end management investment company that has elected to be treated as a business development company under the 1940 Act as of the date of this report. Effective December 4, 2015, Mr. Powell resigned from his position with the Investment Adviser. Prior to December 8, 2017, Mr. Powell was treated as an Interested Trustee of the Trust for all purposes other than compensation and the Trust's code of ethics.

The Fund pays no compensation to its officers, all of whom are employees of the Investment Adviser or one of its affiliates.

### Distribution and Shareholder Service Fees

Prior to the Conversion Date, the Fund has a distribution and shareholder service plan (the "Plan") pursuant to Rule 12b-1 under the 1940 Act. The Plan required the payment of a monthly service fee to NexPoint Securities, Inc. (formerly, Highland Capital Funds Distributor, Inc.) (the "Underwriter") at an annual rate of 0.25% of the average daily net assets attributable to Class A, and Class C shares of the Fund. The Plan also required the payment of a monthly distribution fee to the Underwriter at an annual rate of 0.75% of the average daily net assets attributable to Class C shares. Class Y shares were not subject to a 12b-1 fee.

The Underwriter received \$1,512 of front-end sales charges from the sale of Class A shares of the Fund during the year ended September 30, 2019.

After the Conversion Date, the Fund was no longer subject to 12b-1 fees.



Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2019****Highland Global Allocation Fund****Indemnification**

Under the Fund's organizational documents, the officers and Trustees have been granted certain indemnification rights against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund may enter into contracts with service providers that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated.

**Note 8. Disclosure of Significant Risks and Contingencies**

The primary risks of investing in the Fund are described below in alphabetical order:

**Counterparty Risk**

Counterparty risk is the potential loss the Fund may incur as a result of the failure of a counterparty or an issuer to make payments according to the terms of a contract. Counterparty risk is measured as the loss the Fund would record if its counterparties failed to perform pursuant to the terms of their obligations to the Fund. Because the Fund may enter into over-the-counter forwards, options, swaps and other derivative financial instruments, the Fund may be exposed to the credit risk of its counterparties. To limit the counterparty risk associated with such transactions, the Fund conducts business only with financial institutions judged by the Investment Adviser to present acceptable credit risk.

**Credit Risk**

Investments rated below investment grade are commonly referred to as high-yield, high risk or "junk debt." They are regarded as predominantly speculative with respect to the issuing company's continuing ability to meet principal and/or interest payments. Investments in high yield debt and high yield Senior Loans may result in greater NAV fluctuation than if the Fund did not make such investments.

Corporate debt obligations, including Senior Loans, are subject to the risk of non-payment of scheduled interest and/or principal. Non-payment would result in a reduction of income to the Fund, a reduction in the value of the corporate debt obligation experiencing non-payment and a potential decrease in the NAV of the Fund.

**Currency Risk**

A portion of the Fund's assets may be quoted or denominated in non-U.S. currencies. These securities may be adversely affected by fluctuations in relative currency exchange rates and by exchange control regulations. The Fund's investment performance may be negatively affected by a devaluation of a currency in which the Fund's investments are quoted or denominated. Further, the Fund's investment performance may be significantly affected, either positively or negatively, by currency exchange rates because the U.S. dollar value of

securities quoted or denominated in another currency will increase or decrease in response to changes in the value of such currency in relation to the U.S. dollar.

**Derivatives Risk**

Derivatives risk is a combination of several risks, including the risks that: (1) an investment in a derivative instrument may not correlate well with the performance of the securities or asset class to which the Fund seeks exposure, (2) derivative contracts, including options, may expire worthless and the use of derivatives may result in losses to the Fund, (3) a derivative instrument entailing leverage may result in a loss greater than the principal amount invested, (4) derivatives not traded on an exchange may be subject to credit risk, for example, if the counterparty does not meet its obligations (see also "Counterparty Risk"), and (5) derivatives not traded on an exchange may be subject to liquidity risk and the related risk that the instrument is difficult or impossible to value accurately. As a general matter, when the Fund establishes certain derivative instrument positions, such as certain futures, options and forward contract positions, it will segregate liquid assets (such as cash, U.S. Treasury bonds or commercial paper) equivalent to the Fund's outstanding obligations under the contract or in connection with the position. In addition, changes in laws or regulations may make the use of derivatives more costly, may limit the availability of derivatives, or may otherwise adversely affect the use, value or performance of derivatives. A Fund's ability to pursue its investment strategy, including its strategy of investing in certain derivative instruments, may be limited to or adversely affected by the Fund's intention to qualify as a regulated investment company, and its strategy may bear adversely on its ability to so qualify.

**Illiquid and Restricted Securities Risk**

Certain investments made by the Fund are, and others may be, illiquid, and consequently the Fund may not be able to sell such investments at prices that reflect the Investment Adviser's assessment of their value or the amount originally paid for such investments by the Fund. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale and other factors. Furthermore, the nature of the Fund's investments, especially those in financially distressed companies, may require a long holding period prior to profitability.

Restricted securities (i.e., securities acquired in private placement transactions) and illiquid securities may offer higher yields than comparable publicly traded securities. The Fund, however, may not be able to sell these securities when the Investment Adviser considers it desirable to do so or, to the extent they are sold privately, may have to sell them at less than the price of otherwise comparable securities. Restricted securities are subject to limitations on resale which can have an adverse effect on the price obtainable for such securities. Also, if in order to permit resale the



Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****September 30, 2019****Highland Global Allocation Fund**

securities are registered under the Securities Act at a Fund's expense, the Fund's expenses would be increased. A high percentage of illiquid securities in a Fund creates a risk that such a Fund may not be able to redeem its shares without causing significant dilution to remaining shareholders.

**Master Limited Partnership ("MLP") Risk**

Master Limited Partnership Risk is the risk of investing in MLP units, which involves some risks that differ from an investment in the equity securities of a company. The Fund may hold a significant investment in MLP units. Holders of MLP units have limited control and voting rights on matters affecting the partnership. Holders of units issued by an MLP are exposed to a remote possibility of liability for all of the obligations of that MLP in the event that a court determines that the rights of the holders of MLP units to vote to remove or replace the general partner of that MLP, to approve amendments to that MLP's partnership agreement, or to take other action under the partnership agreement of that MLP would constitute "control" of the business of that MLP, or a court or governmental agency determines that the MLP is conducting business in a state without complying with the partnership statute of that state. Holders of MLP units are also exposed to the risk that they will be required to repay amounts to the MLP that are wrongfully distributed to them. Additionally, a sustained reduced demand for crude oil, natural gas and refined petroleum products could adversely affect MLP revenues and cash flows, and changes in the regulatory environment could adversely affect the profitability of MLPs.

**Interest Rate Risk**

The risk that fixed income securities will decline in value because of changes in interest rates. When interest rates decline, the value of fixed rate securities already held by the Fund can be expected to rise. Conversely, when interest rates rise, the value of existing fixed rate portfolio securities can be expected to decline. A fund with a longer average portfolio duration will be more sensitive to changes in interest rates than a Fund with a shorter average portfolio duration. In addition, the interest rates of floating rate loans typically only adjust to changes in short-term interest rates; long-term interest rates can vary dramatically from short-term interest rates. On July 27, 2017, the head of the United Kingdom's Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. Due to this announcement, there remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on the Fund or the financial instruments in which the Company invests cannot yet be determined.

**Leverage Risk**

The Fund may use leverage in its investment program, including the use of borrowed funds and investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying

securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Fund purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the Fund's use of leverage would result in a lower rate of return than if the Fund were not leveraged.

**Non-U.S. Securities Risk**

The Fund may invest in non-U.S. securities. Investing in non-U.S. securities involves certain risks not involved in domestic investments, including, but not limited to: fluctuations in foreign exchange rates; future foreign economic, financial, political and social developments; different legal systems; the possible imposition of exchange controls or other foreign governmental laws or restrictions; lower trading volume; much greater price volatility and illiquidity of certain non-U.S. securities markets; different trading and settlement practices; less governmental supervision; changes in currency exchange rates; high and volatile rates of inflation; fluctuating interest rates; less publicly available information; and different accounting, auditing and financial recordkeeping standards and requirements.

**Senior Loans Risk**

The risk that the issuer of a senior may fail to pay interest or principal when due, and changes in market interest rates may reduce the value of the senior loan or reduce the Fund's returns. The risks associated with senior loans are similar to the risks of high yield debt securities. Senior loans and other debt securities are also subject to the risk of price declines and to increases in interest rates, particularly long-term rates. Senior loans are also subject to the risk that, as interest rates rise, the cost of borrowing increases, which may increase the risk of default. In addition, the interest rates of floating rate loans typically only adjust to changes in short-term interest rates; long-term interest rates can vary dramatically from short-term interest rates. Therefore, senior loans may not mitigate price declines in a long-term interest rate environment. The Fund's investments in senior loans are typically below investment grade and are considered speculative because of the credit risk of their issuers.

**Short Sales Risk**

Short sales by the Fund that are not made where there is an offsetting long position in the asset that it is being sold short theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. Short selling allows the Fund to profit from declines in market prices to the extent such decline exceeds the transaction costs and costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any



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appreciation in the price of the borrowed securities would result in a loss. Purchasing securities to close out the short position can itself cause the price of securities to rise further, thereby exacerbating the loss. The Fund may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, the Fund might have difficulty purchasing securities to meet margin calls on its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

**Valuation Risk**

Certain of the Fund's assets are fair valued, including the Fund's primary illiquid asset, TerreStar. TerreStar is a non-operating company that does not currently generate revenue and which primarily derives its value from two spectrum frequencies, the license with respect to one of which was terminated by the FCC and is being contested by TerreStar on technical and public policy grounds. TerreStar currently anticipates such contest may take between 12 to 30

months and expects deployment of its other spectrum asset to require a similar period of time. If TerreStar is ultimately unsuccessful in its efforts, the terminated license would not be reinstated and the value of the TerreStar equity would likely be materially negatively impacted. The fair valuation of TerreStar involves uncertainty as it is materially dependent on these estimates.

With regard to the likelihood of TerreStar regaining the terminated license, the Investment Adviser assigned a high probability of success, based in part in consultation with outside experts.

**Note 9. Investment Transactions****Purchases & Sales of Securities**

The cost of purchases and the proceeds from sales of investments, other than short-term securities and short-term options, for the year ended September 30, 2019, were as follows:

U.S. Government Securities		Other Securities	
Purchases	Sales	Purchases	Sales
\$—	\$ —	\$142,928,822	\$211,519,592

**Note 10. Affiliated Issuers**

Under Section 2 (a)(3) of the Investment Company Act of 1940, as amended, a portfolio company is defined as "affiliated" if a fund owns five percent or more of its outstanding voting securities or if the portfolio company is under common control. The table below shows affiliated issuers of the Fund as of September 30, 2019:

Issuer	Shares at September 30, 2018	Beginning Value as of September 30, 2018	Purchases at Cost	Proceeds from Sales	Net Realized Gain/ (Loss) on Sales of Affiliated Issuers	Change in Unrealized Appreciation/ Depreciation	Ending Value as of September 30, 2019	Shares at September 30, 2019	Affiliated Income
<b>Other Affiliates</b>									
TerreStar Corp. (U.S. Equity)	235,122	\$ 64,277,652	\$ —	\$ (22,956,849)	\$4,155,617	\$ 1,658,284	\$ 47,134,704	169,531	\$ —
Gambier Bay LLC (U.S. Equity)	16,054,749	2,127,254	—	(13,169,233)	—	11,041,979	—	—	—
NexPoint Residential Trust (U.S. Equity)	—	—	2,002,735	—	—	892,270	2,895,005	61,912	19,785
TerreStar Corp. (U.S. Senior Loans)	52,320,917	52,268,596	2,014,796	(39,960,000)	(48,061)	61,518	14,336,849	14,336,849	1,983,791
Highland Energy MLP Fund (Master Limited Partnerships)	4,629,572	16,897,938	1,602,618	—	—	(4,084,870)	14,415,686	5,166,913	1,602,618
SFR WLIF I, LLC (U.S. LLC Interest)	—	—	6,773,494	—	—	144,953	6,918,447	6,773,494	—

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Issuer	Shares at September 30, 2018	Beginning Value as of September 30, 2018	Purchases at Cost	Proceeds from Sales	Net Realized Gain/ (Loss) on Sales of Affiliated Issuers	Change in Unrealized Appreciation/ Depreciation	Ending Value as of September 30, 2019	Shares at September 30, 2019	Affiliated Income
SFR WLIF II, LLC (U.S. LLC Interest)	—	\$ —	\$ 4,437,497	\$ —	\$ —	\$ 99,844	\$ 4,537,341	4,437,497	\$ —
SFR WLIF III, LLC (U.S. LLC Interest)	—	—	3,789,008	—	—	(37,132)	3,751,876	3,789,008	—
BB Votorantim Highland Infrastructure LLC (Registered Investment Companies)	10,000	2,966,972	—	—	—	516,109	3,483,081	10,000	—
Highland Merger Arbitrage Fund (Registered Investment Companies)	688,774	14,725,982	1,582,386	(5,023,875)	369,026	(1,208,110)	10,445,409	544,599	1,558,511
Highland Global Allocation Fund (Registered Investment Companies)	—	—	1,000	—	—	—	1,000	100	72,218
NexPoint Strategic Opportunities Fund (Registered Investment Companies)	351,861	7,881,686	1,497,460	(139,379)	—	(1,419,938)	7,819,829	436,131	772,485
<b>Total</b>	<u>74,290,995</u>	<u>\$ 161,146,080</u>	<u>\$ 23,700,994</u>	<u>\$ (81,249,336)</u>	<u>\$ 4,476,582</u>	<u>\$ 7,664,907</u>	<u>\$ 115,739,227</u>	<u>\$ 35,726,034</u>	<u>\$ 6,009,408</u>

**Note 11. Regulatory Matters**

On August 17, 2018, the SEC adopted amendments to Regulation S-X. These changes are effective for periods after November 5, 2018. The updates to Registered Investment Companies were mainly focused on simplifying the presentation of distributable earnings by eliminating the need to present the components of distributable earnings on a book basis in the Statements of Assets and Liabilities. The update also impacted the presentation of undistributed net investment income and distribution to shareholders on the Consolidated Statements of Changes in Net Assets. The amounts presented in the current Consolidated Statements of Changes in Net Assets represent the aggregated total distributions of net investment income and realized capital

gains, except for distributions classified as return of capital which are still presented separately.

**Note 12. New Accounting Pronouncements**

In November 2016, the FASB issued Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this update require the statement of cash flows to explain the change during the period in the total of cash, restricted cash and cash equivalents. Amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. For public entities this update will be effective for

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fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. The Investment Adviser has evaluated the impact of this new guidance and effective April 1, 2018, the Fund no longer reports the change in restricted cash and cash equivalents in the operating and investing sections in our Consolidated Statement of Cash Flows. Restricted cash and cash equivalents are now included in the beginning and end of the period cash and cash equivalents on the Consolidated Statement of Cash Flows. These changes have been applied using a retrospective transition method to each period presented.

In December 2016, the FASB issued Accounting Standards Update 2016-19, Technical Corrections and Improvements. The amendments in this update include an amendment to FASB ASC Topic 820, Fair Value Measurement and Disclosures to clarify the difference between a valuation approach and a valuation technique. The amendment also requires an entity to disclose when there has been a change in either or both a valuation approach and/or a valuation technique. For public entities, this update will be effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. The Investment Adviser has evaluated the impact of this new guidance and the adoption of this guidance did not have a material impact on the Fund's consolidated financial statements.

In March 2017, the FASB issued Accounting Standards Update 2017-08, Receivables — Nonrefundable Fees and Other Costs (Subtopic 310-20). The amendments in this update shorten the amortization period for certain callable debt securities held at premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For public entities this update will be effective for fiscal years beginning after December 15, 2018, and for interim periods within those fiscal years. The Investment Adviser is currently evaluating the impact of this new guidance on the Fund's consolidated financial statements.

In February 2018, the FASB issued Accounting Standards Update 2018-03, Technical Corrections and Improvements to Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this update provide a variety of technical corrections and improvements to how entities should account for financial instruments. For public entities this update will be effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years beginning after June 15, 2018. The Investment Adviser has evaluated the impact of this new guidance and the adoption of this guidance did not have a material impact on the Fund's consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820). The new guidance includes additions and modifications to disclosures requirements for fair value measurements. For public entities, the amendments are effective for consolidated financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. At this time, management is currently evaluating the impact of this new guidance on the consolidated financial statements and disclosures.

**Note 13. Legal Matters**

The Fund received a shareholder demand letter dated March 1, 2018, from an individual purporting to be a share-holder of the Fund (the "Demand Letter"). The Demand Letter alleges that the current and former Board breached their fiduciary duties, and the Investment Adviser breached its advisory agreement, in relation to the Fund's investment in shares of an affiliated mutual fund, the Highland Energy MLP Fund (also a series of the Trust). The Fund holds \$15.5 million (or 61.5%) of the Highland Energy MLP Fund. Upon receipt of the Demand Letter, the Board formed a Demand Review Committee ("DRC") comprised entirely of independent trustees to investigate these claims and to make a recommendation to the Board regarding whether pursuit of these claims is in the best interests of the Fund. Aided by independent counsel to the committee, the DRC engaged in a thorough and detailed review of the allegations contained in the Demand Letter. Upon completion of its evaluation, the DRC recommended that the Fund's independent trustees, who represent a majority of the Board, reject the demand specified in the shareholder Demand Letter.

After considering the report of the DRC, the independent trustees unanimously agreed and rejected the demand, noting that the Demand Letter contained material factual errors and incorrect assumptions, and the proposed suit was meritless and should not be pursued. A copy of the report was provided to the purported shareholder and her counsel.

Notwithstanding the foregoing, the purported shareholder (the "Plaintiff") filed a shareholder derivative suit against the Fund, certain members of the Board and the Investment Adviser on September 5, 2018 (the "Shareholder Litigation"). Based on the extensive pre-suit investigation and the resulting report, the Fund, Board and Investment Adviser believe the claims made in the Shareholder Litigation are without merit and intend to vigorously defend against them. The case is *Lanotte v. Highland Global Allocation Fund et al*, 3:18-cv-02360, U.S. District Court for the Northern District of Texas (Dallas). The Demand Letter and the Shareholder Litigation are not related to the Proposals and do not alter the intention of the Fund and the Investment Adviser to redomicile the Fund and convert the Fund into a closed-end fund.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (concluded)****September 30, 2019****Highland Global Allocation Fund**

The Investment Adviser (HCMFA) is affiliated through common control with Highland Capital Management, L.P. ("HCMLP"), an SEC-registered investment adviser. On October 16, 2019, HCMLP filed for Chapter 11 bankruptcy protection with the United States Bankruptcy Court for the District of Delaware. The Investment Adviser (HCMFA) is not a party to HCMLP's bankruptcy filing. Investment Adviser (HCMFA) is a party to a shared services arrangement with HCMLP. Under this arrangement, the Investment Adviser (HCMFA) may utilize employees from HCMLP in connection with various services such as human resources, accounting, tax, valuation, information technology services, office space, employees, compliance and legal. The Investment Adviser (HCMFA) does not expect HCMLP's bankruptcy filings to impact its provision of services to the Fund at this time.

**Note 14. Asset Coverage**

The Fund is required to maintain 300% asset coverage with respect to amounts outstanding (excluding short-term borrowings). Asset coverage is calculated by subtracting the Fund's total liabilities, not including any amount representing bank loans and senior securities, from the Fund's total assets and dividing the result by the principal amount of the borrowings outstanding. As of the dates

indicated below, the Fund's debt outstanding and asset coverage was as follows:

Date	Total Amount Outstanding	% of Asset Coverage of Indebtedness
9/30/2019	120,295,348	346.2
9/30/2018	138,725,439	395.2
9/30/2017	—	—
9/30/2016	40,000,000	2,414.9
9/30/2015	—	—
9/30/2014	—	—
9/30/2013	—	—
9/30/2012	—	—
9/30/2011	—	—
9/30/2010	—	—
9/30/2009	—	—

**Note 15. Subsequent Event**

Management has evaluated the impact of all subsequent events on the Fund through the date the consolidated financial statements were issued, and has determined that there were no subsequent events to report which have not already been recorded or disclosed in these consolidated financial statements and accompanying notes.

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Table of Contents**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****To the Board of Trustees and Shareholders of Highland Global Allocation Fund***Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated statement of assets and liabilities, including the consolidated investment portfolio, of Highland Global Allocation Fund (hereafter referred to as the "Fund"), as of September 30, 2019, the related consolidated statements of operations and cash flows for the year ended September 30, 2019, the consolidated statements of changes in net assets for each of the two years in the period ended September 30, 2019, including the related notes, and the consolidated financial highlights for each of the two years in the period ended September 30, 2019 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Fund as of September 30, 2019, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period ended September 30, 2019 and the financial highlights for each of the two years in the period ended September 30, 2019 in conformity with accounting principles generally accepted in the United States of America.

The financial statements of the Fund as of and for the year ended September 30, 2017 and the financial highlights for each of the periods ended on or prior to September 30, 2017 (not presented herein, other than the financial highlights) were audited by other auditors whose report dated November 28, 2017 expressed an unqualified opinion on those financial statements and financial highlights.

*Basis for Opinion*

These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our procedures included confirmation of securities owned as of September 30, 2019 by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas

November 27, 2019

We have served as the auditor of one or more investment companies of Highland Capital Management Fund Advisors, L.P. and its affiliates since 2004.

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Table of Contents**ADDITIONAL INFORMATION (unaudited)****September 30, 2019****Highland Global Allocation Fund****Tax Information**

For shareholders that do not have a September 30, 2019 tax year end, this notice is for informational purposes only. For shareholders with a September 30, 2019 tax year end, please consult your tax adviser as to the pertinence of this notice. For the fiscal year ended September 30, 2019, the Fund is designating the following items with regard to earnings for the year.

Return of Capital	Long-Term Capital Gain Distribution	Ordinary Income Distribution	Total Distribution	
72.46%	0.00%	27.54%	100.00%	
Dividends Received Deduction <sup>(1)</sup>	Qualified Dividend Income <sup>(2)</sup>	Interest Related Dividends <sup>(3)</sup>	Short-Term Capital Gain Dividends <sup>(4)</sup>	Qualifying Business Income <sup>(5)</sup>
100.00%	100.00%	41.02%	0.00%	0.00%

- (1) Qualifying dividends represent dividends which qualify for the corporate dividends received deduction and is reflected as a percentage of ordinary income distributions (the total of short-term capital gain and net investment income distributions).
- (2) The percentage in this column represents the amount of "Qualifying Dividend Income" as created by the Jobs and Growth Tax Relief Reconciliation Act of 2003 and is reflected as a percentage of ordinary income distributions (the total of short-term capital gain and net investment income distributions). It is the intention of each of the aforementioned Funds to designate the maximum amount permitted by law.
- (3) The percentage in this column represents the amount of "Interest Related Dividends" as created by the American Jobs Creation Act of 2004 and is reflected as a percentage of net investment distributions that is exempt from U.S. withholding tax when paid to foreign investors.
- (4) The percentage in this column represents the amount of "Short-Term Capital Gain Dividend" as created by the American Jobs Creation Act of 2004 and is reflected as a percentage of short-term capital gain distributions that is exempt from U.S. withholding tax when paid to foreign investors.
- (5) The percentage of this column represents that amount of ordinary dividend income that qualified for 20% Business Income Deduction.

**Additional Portfolio Information**

The Investment Adviser and its affiliates manage other accounts, including registered and private funds and individual accounts. Although investment decisions for the Fund are made independently from those of such other accounts, the Investment Adviser may, consistent with applicable law, make investment recommendations to other clients or accounts that may be the same or different from those made to the Fund, including investments in different levels of the capital structure of a company, such as equity versus senior loans, or that involve taking contradictory positions in multiple levels of the capital structure. The Investment Adviser has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, this may create situations where a client could be disadvantaged because of the investment activities conducted by the Investment Adviser

for other client accounts. When the Fund and one or more of such other accounts is prepared to invest in, or desire to dispose of, the same security, available investments or opportunities for each will be allocated in a manner believed by the Investment Adviser to be equitable to the Fund and such other accounts. The Investment Adviser also may aggregate orders to purchase and sell securities for the Fund and such other accounts. Although the Investment Adviser believes that, over time, the potential benefits of participating in volume transactions and negotiating lower transaction costs should benefit all accounts including the Fund, in some cases these activities may adversely affect the price paid or received by the Fund or the size of the position obtained or disposed of by the Fund.

**Disclosure of Fund Expenses**

As a shareholder of a Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchases and redemption fees; and (2) ongoing costs, including management fees; distribution (12b-1) and service fees; and other Fund expenses. This example is intended to help you understand the ongoing costs (in dollars) of investing in your Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the six-month period April 1, 2019 through September 30, 2019, unless otherwise indicated. This table illustrates your Fund's costs in two ways:

**Actual Expenses:** The first part of the table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

**Hypothetical Example for Comparison Purposes:** The second part of the table provides information about hypothetical account values and hypothetical expenses based on your Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not your Fund's actual return. The actual expense ratio includes voluntary fee waivers or expense reimbursements by the Fund's investment adviser. The expense ratio would be higher had the fee waivers or expense reimbursements not been in effect. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in your Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****September 30, 2019****Highland Global Allocation Fund**

of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads) or redemption fees. Therefore, the second part of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value 04/01/19	Ending Account Value 09/30/19	Annualized Expense Ratios	Expenses Paid During Period <sup>(1)</sup>
<i>Actual Fund Return</i>				
	\$1,000.00	\$1,022.90	1.84%	\$ 9.28
<i>Hypothetical 5% Return (before expenses)</i>				
	\$1,000.00	\$1,015.80	1.84%	\$ 9.25

(1) Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year, divided by the number of days in the full fiscal year (183/365).

### **Approval of Highland Funds II Investment Advisory Agreement (Highland Global Allocation Fund)**

The Fund has retained the Investment Adviser to manage the assets of the Fund pursuant to an investment advisory agreement between the Investment Adviser and the Fund (the "Advisory Agreement"). The Advisory Agreement has been approved by the Fund's Board of Trustees, including a majority of the Independent Trustees. The Advisory Agreement continues in effect from year-to-year, provided that such continuance is specifically approved at least annually by the vote of holders of at least a majority of the outstanding shares of the Fund or by the Board of Trustees and, in either event, by a majority of the Independent Trustees of the Fund casting votes in person at a meeting called for such purpose.

During a telephonic meeting held on August 15, 2019, the Board of Trustees gave preliminary consideration to information bearing on the continuation of the Agreement for a one-year period commencing November 1, 2019 with respect to the Fund. The primary objective of the meeting was to ensure that the Trustees had the opportunity to consider matters they deemed relevant in evaluating the continuation of the Agreement, and to request any additional information they considered reasonably necessary for their deliberations.

At an in-person meeting held on September 19-20, 2019, the Board of Trustees, including the Independent Trustees, approved the continuance of the Agreement for a one-year period commencing on November 1, 2019. As part of its review process, the Board requested, through its independent legal counsel, and received from the Investment Adviser, various information and written materials,

including: (1) information regarding the financial soundness of the Investment Adviser and on the anticipated profitability of the Advisory Agreement to the Investment Adviser; (2) information on the advisory and compliance personnel of the Investment Adviser, including compensation arrangements for portfolio managers; (3) information on internal compliance procedures of the Investment Adviser, including policies and procedures for personal securities transactions and with respect to cybersecurity, business continuity and disaster recovery; (4) comparative information showing how the Fund's fees and expenses compare to those of other registered investment companies and comparable funds managed by the Investment Adviser that follow investment strategies similar to those of the Fund, if any; (5) information regarding the investment performance of other accounts managed by the Investment Adviser that follow investment strategies similar to the Fund, if any; (6) premium and discount information with respect to the Fund; and (7) information on any legal proceedings or regulatory audits or investigations affecting the Investment Adviser or its affiliates. In addition, the Board of Trustees received an independent report from FUSE Research Network ("FUSE"), an independent source of investment company data, relating to the Fund's performance and expenses compared to the performance and expenses of a group of funds deemed by FUSE to be comparable to the Fund (the "peer group"), and to a larger group of comparable funds (the "peer universe").

The Board of Trustees' evaluation process with respect to the Investment Adviser is an ongoing one. In this regard, the Board of Trustees also took into account discussions with management and information provided to the Board of Trustees at periodic meetings of the Board of Trustees over the course of the year with respect to the services provided by the Investment Adviser to the Fund, including quarterly performance reports prepared by management containing reviews of investment results and prior presentations from the Investment Adviser with respect to the Fund. The information received and considered by the Board of Trustees in connection with the September 19-20, 2019 meeting and throughout the year was both written and oral.

The Board of Trustees reviewed various factors that were discussed in a legal memorandum provided by independent counsel regarding trustee responsibilities in considering the Advisory Agreement, the detailed information provided by the Investment Adviser and other relevant information and factors. The Board of Trustees also considered other factors (including conditions and trends prevailing generally in the economy, the securities markets, and the industry). The Board of Trustees' conclusions as to the approval of the Advisory Agreement were based on a comprehensive consideration of all information provided to the Trustees without any single factor being dispositive in and of itself.



Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****September 30, 2019****Highland Global Allocation Fund**

Some of the factors that figured particularly in the Board of Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. In addition, the Board of Trustees' conclusions may be based in part on its consideration of the advisory arrangements in prior years and on the Board's ongoing regular review of fund performance and operations throughout the year.

Throughout the process, the Board of Trustees had the opportunity to ask questions of and request additional information from the Investment Adviser. The Board of Trustees was assisted by legal counsel for the Trust and the Independent Trustees were also separately assisted by independent legal counsel throughout the process. The Independent Trustees were advised by and met in executive sessions with their independent legal counsel at which no representatives of management were present to discuss the proposed continuation of the Advisory Agreement, including prior to the September 19-20, 2019 meeting.

**The nature, extent, and quality of the services to be provided by the Investment Adviser.** The Board considered the portfolio management services to be provided by the Investment Adviser under the Advisory Agreement and the activities related to portfolio management, including use of technology, research capabilities and investment management staff. The Board discussed the relevant experience and qualifications of the personnel who would provide advisory services, including the background and experience of the members of the Fund's portfolio management team. The Trustees reviewed the management structure, assets under management and investment philosophies and processes of the Investment Adviser, including with respect to liquidity management. The Board also reviewed and discussed information regarding the Investment Adviser's compliance policies, procedures and personnel, including compensation arrangements and with respect to valuation, cybersecurity, business continuity and disaster recovery. The Board also considered the Investment Adviser's risk management processes. The Board of Trustees took into account the terms of the Advisory Agreement and considered that, the Investment Adviser, subject to the direction of the Board of Trustees, is responsible for providing advice and guidance with respect to the Fund and for managing the investment of the assets of the Fund. The Board of Trustees also took into account that the scope of services provided by the Investment Adviser and the undertakings required of the Investment Adviser in connection with those services, including maintaining and monitoring its own and the Fund's compliance program, had expanded over time as a result of regulatory, market and other developments. The Board of Trustees also considered the quality of the Investment

Adviser's compliance oversight program with respect to the Fund's service providers. The Board of Trustees also considered both the investment advisory services and the nature, quality and extent of any administrative and other non-advisory services that are provided to the Fund and its shareholders by the Investment Adviser and its affiliates. The Board also considered the significant risks assumed by the Investment Adviser in connection with the services provided to the Fund, including entrepreneurial risk and ongoing risks including investment, operational, enterprise, litigation, regulatory and compliance risks with respect to the Fund. The Board of Trustees also noted various cost-savings initiatives that had been implemented by the Adviser with respect to the Fund and the other funds in the Highland complex over the years.

The Board of Trustees also noted that on a regular basis it receives and reviews information from the Fund's Chief Compliance Officer (CCO) regarding the Fund's compliance policies and procedures established pursuant to Rule 38a-1 under the Investment Company Act of 1940.

In considering the nature, extent, and quality of the services provided by the Investment Adviser, the Board also took into account its knowledge of the Investment Adviser's management and the quality of the performance of its duties, through discussions and reports during the preceding year and in past years.

The Board took into account the Investment Adviser's risk assessment, monitoring process and regulatory history. The Board concluded that the Investment Adviser had the quality and depth of personnel and investment methods essential to performing its duties under the Advisory Agreement, and that the nature and the quality of such advisory services supported the approval of the Advisory Agreement.

**The Investment Adviser's historical performance.** In considering the Fund's performance, the Board of Trustees noted that it reviews at its regularly scheduled meetings information about the Fund's performance results. The Board of Trustees reviewed the historical performance of the Fund over various time periods and reflected on previous discussions regarding matters bearing on the Investment Adviser's performance at its meetings throughout the year. The Board of Trustees discussed the performance of the Fund and considered the relative performance of the Fund and its portfolio management team as compared to that of the Fund's peer group as selected by FUSE, as well as comparable indices. Among other data, the Board of Trustees also received data with respect to the Fund's leverage and distribution rates as compared to its peer group. The Board of Trustees noted that while it found the data provided by FUSE, the independent third-party data provider, generally useful, it recognized its limitations, including in particular

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****September 30, 2019****Highland Global Allocation Fund**

that the data may vary depending on the end date selected and the results of the performance comparisons may vary depending on the selection of the peer group. The Board of Trustees also took into account management's discussion of the Morningstar category in which the Fund was placed for comparative purposes, including any differences between the Fund's investment strategy and the strategy of the funds in the Fund's respective category, as well as compared to the peer group selected by FUSE.

Among other data relating specifically to the Fund's performance, the Board took note of the Fund's conversion from an open-end to a closed-end structure. The Board considered that the Fund trailed its benchmark, the FTSE All World TR USD Index for the one-, three-, five- and ten-year periods ended June 30, 2019. The Board further considered that the Fund had underperformed its peer group median for the three-, five- and ten-year periods ended June 30, 2019 and had outperformed its peer group median for the one-year period ended June 30, 2019. The Board of Trustees also took into account management's discussion of the Fund's underperformance, including a discussion of certain of the Fund's holdings and plans to improve Fund performance. The Board also took into account information about the Fund's discount/premium ranking relative to other peers and actions taken to address the Fund's discount.

The Board of Trustees concluded that the Fund's overall performance and other relevant factors, including the Adviser's actions to address any underperformance, supported the continuation of the Agreement with respect to the Fund for an additional one-year period.

**The costs of the services to be provided by the Investment Adviser and the profits to be realized by the Investment Adviser and its affiliates from the relationship with the Fund.** The Board of Trustees also gave consideration to the fees payable under the Agreement, the expenses the Investment Adviser incur in providing advisory services and the profitability to the Investment Adviser from managing the Fund, including: (1) information regarding the financial condition of the Investment Adviser; (2) information regarding the total fees and payments received by the Investment Adviser for its services and, with respect to the Investment Adviser, whether such fees are appropriate given economies of scale and other considerations; (3) comparative information showing (a) the fees payable under the Agreement versus the investment advisory fees of certain registered investment companies and comparable funds that follow investment strategies similar to those of the Fund and (b) the expense ratios of the Fund versus the expense ratios of certain registered investment companies and comparable funds that follow investment strategies similar to those of the Fund; and (4) information regarding the total fees and payments received and the related amounts waived and/or

reimbursed by the Investment Adviser for providing administrative services with respect to the Fund under separate agreements and whether such fees are appropriate. The Board of Trustees took into account the management fee structure, including that management fees for the Fund were based on the Fund's total managed assets.

Among other data, the Board of Trustees noted that the net management fee (including administrative fees) of the Fund was below the median of its peer group. The Board also noted that the total net expenses as a percentage of average managed assets of the Fund are above the median of its peer group. The Board of Trustees took into account management's discussion of the Fund's expenses and also took into consideration the amounts waived and/or reimbursed by the Investment Adviser in the prior year and in years past with respect to the Fund.

The Board of Trustees also considered the so-called "fall-out benefits" to the Investment Adviser with respect to the Fund, such as the reputational value of serving as Investment Adviser to the Fund, potential fees paid to the Investment Adviser's affiliates by the Fund or portfolio companies for services provided, including administrative services provided to the Fund by the Investment Adviser pursuant to separate agreements, the benefits of scale from investment by the Fund in affiliated funds, and the benefits of research made available to the Investment Adviser by reason of brokerage commissions (if any) generated by the Fund's securities transactions. The Board of Trustees concluded that the benefits received by the Investment Adviser and its affiliates were reasonable in the context of the relationship between the Investment Adviser and the Fund.

After such review, the Board of Trustees determined that the profitability to the Investment Adviser and its affiliates from their relationship with the Fund was not excessive. The Trustees also took into consideration the amounts waived and/or reimbursed, if any, where expense caps or advisory fee waivers had been implemented.

**The extent to which economies of scale would be realized as the Fund grows and whether fee levels reflect these economies of scale for the benefit of shareholders.** The Board considered the effective fee under the Advisory Agreement for the Fund as a percentage of assets at different asset levels and possible economies of scale that may be realized if the assets of the Fund grow. The Board noted that the advisory fee for the Fund did not have breakpoints. The Board considered the Investment Adviser's discussion of the Fund's advisory fee structure. The Board of Trustees also noted that the Investment Adviser had reimbursed and/or waived expenses with respect to the Fund over the years. The Board also noted that the Fund's contractual advisory fee was lower than its peer universe at all asset levels. The

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****September 30, 2019****Highland Global Allocation Fund**

Board of Trustees concluded that the fee structures are reasonable, and with respect to the Investment Adviser, should result in a sharing of economies of scale in view of the information provided. The Board determined to continue to review ways, and the extent to which, economies of scale might be shared between the Investment Adviser on the one hand and shareholders of the Fund on the other.

**Conclusion.**

Following a further discussion of the factors above, it was noted that in considering the approval of the Advisory

Agreement, no single factor was determinative to the decision of the Board of Trustees. Rather, after weighing all factors and considerations, including those discussed above, the Board of Trustees, including separately, the Independent Trustees, unanimously agreed that the Advisory Agreement, including the advisory fee to be paid to the Investment Adviser, is fair and reasonable to the Fund in light of the services that the Investment Adviser proposes to provide, the expenses that it incurs and the reasonably foreseeable asset levels of the Fund.

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ADDITIONAL INFORMATION (unaudited) (continued)

September 30, 2019

Highland Global Allocation Fund

Trustees and Officers

The Board is responsible for the overall management of the Fund, including supervision of the duties performed by the Investment Adviser. The names and birth dates of the Trustees and officers of the Fund, the year each was first elected or appointed to office, their principal business occupations during the last five years, the number of funds overseen by each Trustee and other directorships they hold are shown below. The business address for each Trustee and officer of the Fund is c/o Highland Capital Management Fund Advisors, L.P., 300 Crescent Court, Suite 700, Dallas, TX 75201.

Name and Date of Birth	Position(s) with the Fund	Term of Office <sup>1</sup> and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Highland Funds Complex Overseen by the Trustee <sup>2</sup>	Other Directorships/ Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
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Independent Trustees





Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)**

**September 30, 2019**  
**Trustees and Officers**

**Highland Global Allocation Fund**

Name and Date of Birth	Position(s) with the Fund	Term of Office <sup>1</sup> and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Highland Funds Complex Overseen by the Trustee <sup>2</sup>	Other Directorships/ Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
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**Independent Trustees**

John Honis <sup>3</sup> (6/16/1958)	Trustee	Indefinite Term; Trustee since July 2013.	President of Rand Advisors, LLC since August 2013; and Partner of Highland Capital Management, L.P. ("HCM") from February 2007 until his resignation in November 2014.	23	Manager of Turtle Bay Resort, LLC (August 2011 — December 2018); Manager of American Home Patient (November 2011 to February 2016).	Significant experience in the financial industry; significant managerial and executive experience, including experience as president, chief executive officer or chief restructuring officer of five telecommunication firms; experience on other boards of directors.
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Ethan Powell  
(6/20/1975)

Trustee,  
Chairman  
of the  
Board

Indefinite  
Term;  
Trustee  
since  
December  
2013;  
Chairman of  
the Board  
since  
December  
2013; and  
Executive  
Vice  
President  
and  
Principal  
Executive  
Officer from  
June 2012  
until  
December  
2015.

President and Founder of  
Impact Shares LLC since  
December 2015;  
Trustee/Director of the  
Highland Funds Complex  
from June 2012 until July  
2013 and since December  
2013; Chief Product  
Strategist of Highland  
Capital Management Fund  
Advisors, L.P. ("HCMFA")  
from 2012 until December  
2015; Senior Retail Fund  
Analyst of HCM from 2007  
until December 2015 and  
HCMFA from its inception  
until December 2015;  
President and Principal  
Executive Officer of NHF  
from June 2012 until May  
2015; Secretary of NHF  
from May 2015 until  
December 2015; Executive  
Vice President and  
Principal Executive Officer  
of HFI and HFII from June  
2012 until December 2015;  
and Secretary of HFI and  
HFII from November 2010  
to May 2015.

Trustee of Impact  
Shares Funds I Trust

Significant  
experience in the  
financial industry;  
significant  
executive  
experience  
including past  
service as an  
officer of funds in  
the Highland  
Funds Complex;  
significant  
administrative and  
managerial  
experience.

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****September 30, 2019  
Trustees and Officers****Highland Global Allocation Fund**

Name and Date of Birth	Position(s) with the Fund	Term of Office <sup>1</sup> and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Highland Funds Complex Overseen by the Trustee <sup>2</sup>	Other Directorships/ Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b>Independent Trustees</b>						
Bryan A. Ward (2/4/1955)	Trustee	Indefinite Term; Trustee since inception in 2006.	Senior Advisor, CrossFirst Bank since April 2019; Private Investor, BW Consulting, LLC since 2014; Senior Manager, Accenture, LLP (a consulting firm) from 1991 until retirement in 2014.	23	Director of Equity Metrix, LLC	Significant experience in the financial industry; significant executive experience including past service as an officer of funds in the Highland Funds Complex; significant administrative and managerial experience.

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ADDITIONAL INFORMATION (unaudited) (continued)

September 30, 2019

Trustees and Officers

Highland Global Allocation Fund

Name and Date of Birth	Position(s) with the Fund	Term of Office <sup>1</sup> and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Highland Funds Complex Overseen by the Trustee <sup>2</sup>	Other Directorships/ Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
Interested Trustee						

Dustin Norris  
(1/6/1984)

Trustee

Indefinite  
Term;  
Trustee  
since  
February  
2018;  
Executive  
Vice  
President  
since April  
2019

Head of Distribution and  
Chief Product Strategist at  
NexPoint since March  
2019; President of  
NexPoint Securities, Inc.  
(formerly, Highland Capital  
Funds Distributor, Inc.)  
since April 2018; Head of  
Distribution at HCMFA  
from November 2017 until  
March 2019; Secretary of  
HFRO, GAF, HFI and HFII  
from October 2017 until  
April 2019; Assistant  
Secretary of HFRO and  
GAF II from August 2017  
to October 2017; Chief  
Product Strategist at  
HCMFA from September  
2015 to March 2019;  
Director of Product  
Strategy at HCMFA from  
May 2014 to September  
2015; Assistant Secretary  
of HFI and HFII from  
March 2017 to October  
2017; Secretary of NHF  
from December 2015 until  
April 2019; Assistant  
Treasurer of NexPoint Real  
Estate Advisors, L.P. since  
May 2015; Assistant  
Treasurer of NexPoint Real  
Estate Advisors II, L.P.  
since June 2016; Assistant  
Treasurer of HFI and HFII  
from November 2012 to  
March 2017; Assistant  
Treasurer of NHF from  
November 2012 to  
December 2015; Secretary  
of the BDC from 2014 until  
April 2019; and Secretary  
of the Interval Funds from  
March 2016 until April  
2019.

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None

Significant  
experience in the  
financial industry;  
significant  
managerial and  
executive  
experience,  
including  
experience as an  
officer of the  
Highland Funds  
Complex since  
2012.

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****September 30, 2019  
Trustees and Officers****Highland Global Allocation Fund**

- 1 On an annual basis, as a matter of Board policy, the Governance and Compliance Committee reviews each Trustee's performance and determines whether to extend each such Trustee's service for another year. Effective June 2013, the Board adopted a retirement policy wherein the Governance and Compliance Committee shall not recommend the continued service as a Trustee of a Board member who is older than 80 years of age at the time the Governance and Compliance Committee reports its findings to the Board.
- 2 The "Highland Fund Complex" consists of NHF, each series of HFI, each series of HFII, HFRO, GAF, the Interval Funds, and NexPoint Capital, Inc., a closed-end management investment company that has elected to be treated as a business development company under the 1940 Act.
- 3 Since May 1, 2015, Mr. Honis has been treated as an Independent Trustee of the Trust. Prior to that date, Mr. Honis was treated as an Interested Trustee because he was a partner of an investment adviser affiliated with the Adviser until his resignation in November 2014. As of September 30, 2019, Mr. Honis was entitled to receive aggregate severance and/or deferred compensation payments of approximately \$230,000 from another affiliate of the Adviser. Mr. Honis also serves as a director of a portfolio company affiliated with the Adviser. In addition, Mr. Honis serves as a trustee of a trust that owns substantially all of the economic interest in an investment adviser affiliated with the Adviser. Mr. Honis indirectly receives an asset-based fee in respect of such interest, which is projected to range from \$450,000-\$550,000 annually. Additionally, an investment adviser controlled by Mr. Honis has entered into a shared services arrangement with an affiliate of the Adviser, pursuant to which the affiliate provides back office support in exchange for approximately \$50,000 per quarter. The affiliated adviser was paid \$147,000 and \$208,000 in 2017 and 2018, respectively. In light of these relationships between Mr. Honis and affiliates of the Adviser, it is possible that the SEC might in the future determine Mr. Honis to be an interested person of the Trust.
- 4 Prior to December 8, 2017, Mr. Powell was treated as an Interested Trustee of the Trust for all purposes other than compensation and the Trust's code of ethics.

Name and Date of Birth	Position(s) with the Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years
<b>Officers</b>			
Frank Waterhouse (4/14/1971)	Treasurer, Principal Accounting Officer, Principal Financial Officer and Principal Executive Officer	Indefinite Term; Treasurer since May 2015. Principal Financial Officer and Principal Accounting Officer since October 2017. Principal Executive Officer since February 2018.	Partner and Chief Financial Officer of HCM; Treasurer of the Highland Funds Complex since May 2015.
Clifford Stoops (11/17/1970)	Assistant Treasurer	Indefinite Term; Assistant Treasurer since March 2017.	Chief Accounting Officer at HCM; Assistant Treasurer of the Highland Funds Complex since March 2017.
Jason Post (1/9/1979)	Chief Compliance Officer	Indefinite Term; Chief Compliance Officer since September 2015.	Chief Compliance Officer for HCMFA and NexPoint since September 2015; Chief Compliance Officer and Anti-Money Laundering Officer of the Highland Funds Complex since September 2015. Prior to his current role at HCMFA and NexPoint, Mr. Post served as Deputy Chief Compliance Officer and Director of Compliance for HCM.

Table of Contents**ADDITIONAL INFORMATION (unaudited) (concluded)****September 30, 2019  
Trustees and Officers****Highland Global Allocation Fund**

Name and Date of Birth	Position(s) with the Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years
<b>Officers</b>			
Dustin Norris (1/6/1984)	Executive Vice President; Trustee	Indefinite Term; Executive Vice President since April 2019; Trustee since February 2018	Head of Distribution and Chief Product Strategist at NexPoint since March 2019; President of NexPoint Securities, Inc. since April 2018; Head of Distribution at HCMFA from November 2017 until March 2019; Chief Product Strategist at HCMFA from September 2015 to March 2019; Director of Product Strategy at HCMFA from May 2014 to September 2015; Officer of the Highland Funds Complex since November 2012.
Lauren Thedford (1/7/1989)	Secretary since April 2019	Indefinite Term; Secretary since April 2019	Associate General Counsel at HCM since September 2017; In-House Counsel at HCM from January 2015 until September 2017; Secretary of the Highland Funds Complex since April 2019; member of the AT&T Performance Arts Center, Education and Community Committee since March 2019.

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Highland Capital Management Fund Advisors,  
L.P.  
300 Crescent Court, Suite 700  
Dallas, TX 75201

**Transfer Agent**

American Stock Transfer & Trust Company,  
LLC  
6201 15th Avenue  
Brooklyn, NY 11219

**Underwriter**

NexPoint Securities, Inc.  
300 Crescent Court, Suite 700  
Dallas, TX 75201

**Custodian**

Bank of New York Mellon  
240 Greenwich Street  
New York, NY 10286

**Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP  
2121 N. Pearl Street, Suite 2000  
Dallas, TX 75201

**Fund Counsel**

K&L Gates LLP  
1 Lincoln Street  
Boston, MA 02111

This report has been prepared for shareholders of Highland Global Allocation Fund (the "Fund"). The Fund mails one shareholder report to each shareholder address. If you would like more than one report, please call shareholder services at 1-877-665-1287 to request that additional reports be sent to you.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to their portfolio securities, and the Fund's proxy voting records for the most recent 12-month period ended September 30, are available (i) without charge, upon request, by calling 1-877-665-1287 and (ii) on the Securities and Exchange Commission's website at <http://www.sec.gov>.

The Fund files its complete schedules of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year as an exhibit to its report on Form N-PORT. The Fund's Form N-PORT are available on the Commission's website at <http://www.sec.gov> and also may be reviewed and copied at the Commission's Public Reference Room in Washington, DC. Information on the Public Reference Room may be obtained by calling 1-800-SEC-0330. Shareholders may also obtain the Form N-PORT by visiting the Fund's website at [www.highlandfunds.com](http://www.highlandfunds.com).

The Statements of Additional Information include additional information about the Fund's Trustees and are available upon request without charge by calling 1-877-665-1287.



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**American Stock Transfer & Trust Company, LLC**  
6201 15th Avenue  
Brooklyn, NY 11219

## **Highland Global Allocation Fund**

[www.highlandfunds.com](http://www.highlandfunds.com)

Annual Report, September 30, 2019

HFII-GAF-AR-09/19

**Table of Contents****Item 2. Code of Ethics.**

- (a) Highland Global Allocation Fund (the “Registrant”), as of the end of the period covered by this report, has adopted a code of ethics that applies to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Registrant or a third party.
- (b) Not applicable.
- (c) There have been no amendments, during the period covered by this report, to a provision of the code of ethics that applies to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Registrant or a third party, and that relates to any element of the code of ethics description.
- (d) The Registrant has not granted any waiver, including any implicit waiver, from a provision of the code of ethics that applies to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this Item’s instructions.
- (e) Not applicable.
- (f) The Registrant’s code of ethics that applies to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions is filed herewith as Exhibit (a)(1).

**Item 3. Audit Committee Financial Expert.**

As of the end of the period covered by the report, the Registrant’s Board of Trustees (the “Board”) has determined that Bryan A. Ward, a member of the Audit & Qualified Legal Compliance Committee of the Board (the “Audit Committee”), is an audit committee financial expert as defined by the U.S. Securities and Exchange Commission (the “SEC”) in Item 3 of Form N-CSR. Mr. Ward is “independent” as defined by the SEC for purposes of this Item 3 of Form N-CSR.

**Item 4. Principal Accountant Fees and Services.****Audit Fees**

- (a) The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the Registrant’s annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years are \$320,000 for the fiscal year ended September 30, 2018 and \$370,000 for the fiscal year ended September 30, 2019.

**Audit-Related Fees**

- (b) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the Registrant’s financial statements and are not reported under paragraph (a) of this Item are \$399,500 for the fiscal year ended September 30, 2018 and \$370,000 for the fiscal year ended September 30, 2019.

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- (c) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning are \$20,000 for the fiscal year ended September 30, 2018 and \$36,000 for the fiscal year ended September 30, 2019. The nature of the services related to assistance on the Registrant's tax returns and excise tax calculations.

All Other Fees

- (d) The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item are \$0 for the fiscal year ended September 30, 2018 and \$0 for the fiscal year ended September 30, 2019.
- (e)(1) Disclose the Audit Committee's pre-approval policies and procedures described in paragraph (c)(7) of Rule 2-01 of Regulation S-X:
- The Audit Committee shall:
- (a) have direct responsibility for the appointment, compensation, retention and oversight of the Registrant's independent auditors and, in connection therewith, to review and evaluate matters potentially affecting the independence and capabilities of the auditors; and
  - (b) review and pre-approve (including associated fees) all audit and other services to be provided by the independent auditors to the Registrant and all non-audit services to be provided by the independent auditors to the Registrant's investment adviser or any entity controlling, controlled by or under common control with the investment adviser (an "Adviser Affiliate") that provides ongoing services to the Registrant, if the engagement relates directly to the operations and financial reporting of the Registrant; and
  - (c) establish, to the extent permitted by law and deemed appropriate by the Audit Committee, detailed pre-approval policies and procedures for such services; and
  - (d) review and consider whether the independent auditors' provision of any non-audit services to the Registrant, the Registrant's investment adviser or an Adviser Affiliate not pre-approved by the Audit Committee are compatible with maintaining the independence of the independent auditors.
- (e)(2) The percentage of services described in each of paragraphs (b) through (d) of this Item that were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X are as follows:
- (b) 100%
  - (c) 100%
  - (d) N/A
- (f) The percentage of hours expended on the principal accountant's engagement to audit the Registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was less than fifty percent.

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- (g) The aggregate non-audit fees billed by the Registrant's principal accountant for services rendered to the Registrant, and rendered to the Registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and an Adviser Affiliate that provides ongoing services to the Registrant for each of the last two fiscal years of the Registrant was \$20,000 for the fiscal year ended September 30, 2018 and \$36,000 for the fiscal year ended September 30, 2019.
- (h) The Registrant's Audit Committee has considered whether the provision of non-audit services that were rendered to the Registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and an Adviser Affiliate that provides ongoing services to the Registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

**Item 5. Audit Committee of Listed Registrants.**

The Registrant has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. It is composed of the following Trustees, each of whom is not an "interested person" as defined in the 1940 Act:

Dr. Bob Froehlich

Bryan A. Ward

Ethan Powell

**Item 6. Investments.**

- (a) Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period is included as part of the Annual Report to Shareholders filed under Item 1 of this form.
- (b) Not applicable.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

**HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.  
PROXY VOTING POLICY**

**Purpose and Scope**

The purpose of these voting policies and procedures (the "Policy") is to set forth the principles and procedures by which Highland Capital Management Fund Advisors, L.P. (the "Company") votes or gives consents with respect to the securities owned by Clients for which the Company exercises voting authority and discretion.<sup>1</sup> For avoidance of doubt, this includes any proxy and any shareholder vote or consent, including a vote or consent for a private company or other issuer that does not involve a proxy. These policies and procedures have been designed to help ensure that votes are cast in the best interests of Clients in accordance with the Company's fiduciary duties and Rule 206(4)-6 under the Investment Advisers Act of 1940 (the "Advisers Act").

<sup>1</sup> In any case where a Client has instructed the Company to vote in a particular manner on the Client's behalf, those instructions will govern in lieu of parameters set forth in the Policy.

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This Policy applies to securities held in all Client accounts (including Retail Funds and other pooled investment vehicles) as to which the Company has explicit or implicit voting authority. Implicit voting authority exists where the Company's voting authority is implied by a general delegation of investment authority without reservation of proxy voting authority to the Client.

If the Company has delegated voting authority to an investment sub-adviser with respect to any Retail Fund, such sub-adviser will be responsible for voting all proxies for such Retail Funds in accordance with the sub-adviser's proxy voting policies. The Compliance Department, to provide oversight over the proxy voting by sub-advisers and to ensure that votes are executed in the best interests of the Retail Funds, shall (i) review the proxy voting policies and procedures of each Retail Fund sub-adviser to confirm that they comply with Rule 206(4)-6, both upon engagement of the sub-adviser and upon any material change to the sub-adviser's proxy voting policies and procedures, and (ii) require each such sub-adviser to provide quarterly certifications that all proxies were voted pursuant to the sub-adviser's policies and procedures or to describe any inconsistent votes.

**General Principles**

The Company and its affiliates engage in a broad range of activities, including investment activities for their own accounts and for the accounts of various Clients and providing investment advisory and other services to Clients. In the ordinary course of conducting the Company's activities, the interests of a Client may conflict with the interests of the Company, other Clients and/or the Company's affiliates and their clients. Any conflicts of interest relating to the voting of proxies, regardless of whether actual or perceived, will be addressed in accordance with these policies and procedures. The guiding principle by which the Company votes all proxies is to vote in the best interests of each Client by maximizing the economic value of the relevant Client's holdings, taking into account the relevant Client's investment horizon, the contractual obligations under the relevant advisory agreements or comparable documents and all other relevant facts and circumstances at the time of the vote. The Company does not permit voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

**Voting Procedures***Third-Party Proxy Advisors*

The Company may engage a third-party proxy advisor ("Proxy Advisor") to provide proxy voting recommendations with respect to Client proxies. Proxy Advisor voting recommendation guidelines are generally designed to increase investors' potential financial gain. When considering whether to retain or continue retaining any particular Proxy Advisor, the Compliance Department will ascertain, among other things, whether the Proxy Advisor has the capacity and competency to adequately analyze proxy issues. In this regard, the Compliance Department will consider, among other things: the adequacy and quality of the Proxy Advisor's staffing and personnel; the robustness of its policies and procedures regarding its ability to (a) ensure that its proxy voting recommendations are based on current and accurate information and (b) identify and address any conflicts of interest and any other considerations that the Compliance Department determines would be appropriate in considering the nature and quality of the services provided by the Proxy Advisor. To identify and address any conflicts that may arise on the part of the Proxy Advisor, the Compliance Department will ensure that the Proxy Advisor notifies the Compliance Department of any relevant business changes or changes to its policies and procedures regarding conflicts.

*Third-Party Proxy Voting Services*

The Company may utilize a third-party proxy voting service ("Proxy Voting Service") to monitor holdings in Client accounts for purposes of determining whether there are upcoming shareholder meetings or similar corporate

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actions and to execute Client proxies on behalf of the Company pursuant to the Company's instructions, which shall be given in a manner consistent with this Policy. The Compliance Department will oversee each Proxy Voting Service to ensure that proxies have been voted in a manner consistent with the Company's instructions.

### *Monitoring*

Subject to the procedures regarding Nonstandard Proxy Notices described below, the Compliance Department of the Company shall have responsibility for monitoring Client accounts for proxy notices. Except as detailed below, if proxy notices are received by other employees of the Company, such employees must promptly forward all proxy or other voting materials to the Compliance Department.

### *Portfolio Manager Review and Instruction*

From time to time, the settlement group of the Company may receive nonstandard proxy notices, regarding matters including, but not limited to, proposals regarding corporate actions or amendments ("Nonstandard Proxy Notices") with respect to securities held by Clients. Upon receipt of a Nonstandard Proxy Notice, a member of the settlement group (the "Settlement Designee") shall send an email notification containing all relevant information to the Portfolio Manager(s) with responsibility for the security and *R-Settlement@highlandcapital.com*. Generally, the relevant Portfolio Manager(s) shall deliver voting instructions for Nonstandard Proxy Notices by replying to the email notice sent to the Portfolio Manager(s) and *R-Settlement@highlandcapital.com* by the Settlement Designee or by sending voting instructions to *R-Settlement@highlandcapital.com* and *R-Settlement@highlandcapital.com*. Any conflicts for Nonstandard Proxy Notices should also be disclosed to the Compliance Department. In the event a Portfolio Manager orally conveys voting instructions to the Settlement Designee or any other member of the Company's settlement group, that Settlement Designee or member of the Company's settlement group shall respond to the original notice email sent to *R-Settlement@highlandcapital.com* detailing the Portfolio Manager(s) voting instructions.

With regard to standard proxy notices, on a weekly basis, the Compliance Department will send a notice of upcoming proxy votes related to securities held by Clients and the corresponding voting recommendations of the Proxy Advisor to the relevant Portfolio Manager(s). Upon receipt of a proxy notice from the Compliance Department, the Portfolio Manager(s) will review and evaluate the upcoming votes and recommendations. The Portfolio Managers may rely on any information and/or research available to him or her and may, in his or her discretion, meet with members of an issuer's management to discuss matters of importance to the relevant Clients and their economic interests. Should the Portfolio Manager determine that deviating from the Proxy Advisor's recommendation is in a Client's best interest, the Portfolio Manager shall communicate his or her voting instructions to the Compliance Department.

In the event that more than one Portfolio Manager is responsible for making a particular voting decision and such Portfolio Managers are unable to arrive at an agreement as to how to vote with respect to a particular proposal, they should consult with the applicable Chief Compliance Officer (the "CCO") for guidance.

### *Voting*

Upon receipt of the relevant Portfolio Managers' voting instructions, if any, the Compliance Department will communicate the instructions to the Proxy Voting Service to execute the proxy votes.

### *Non-Votes*

It is the general policy of the Company to vote or give consent on all matters presented to security holders in any vote, and these policies and procedures have been designated with that in mind. However, the Company reserves the right to abstain on any particular vote if, in the judgment of the CCO, or the relevant Portfolio Manager, the effect on the relevant Client's economic interests or the value of the portfolio holding is insignificant in relation to the Client's portfolio, if the costs associated with voting in any particular instance outweigh the benefits to the relevant Clients or if the circumstances make such an abstention or withholding otherwise advisable and in the best



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interests of the relevant Clients not to vote. Such determination may apply in respect of all Client holdings of the securities or only certain specified Clients, as the Company deems appropriate under the circumstances. As examples, a Portfolio Manager may determine: (a) not to recall securities on loan if, in his or her judgment, the matters being voted upon are not material events affecting the securities and the negative consequences to Clients of disrupting the securities lending program would outweigh the benefits of voting in the particular instance or (b) not to vote proxies relating to certain foreign securities if, in his or her judgment, the expense and administrative inconvenience outweighs the benefits to Clients of voting the securities.

### *Conflicts of Interest*

The Company's Compliance Department is responsible for monitoring voting decisions for any conflicts of interest, regardless of whether they are actual or perceived. All voting decisions contrary to the recommendation of a Proxy Advisor require a mandatory conflicts of interest review by the Compliance Department, which will include a consideration of whether the Company or any Portfolio Manager or other person recommending or providing input on how to vote has an interest in the vote that may present a conflict of interest.

In addition, all Company investment professionals are expected to perform their tasks relating to the voting of proxies in accordance with the principles set forth above, according the first priority to the best interest of the relevant Clients. If at any time a Portfolio Manager or any other investment professional becomes aware of a potential or actual conflict of interest regarding any particular voting decision, he or she must contact the Compliance Department promptly and, if in connection with a proxy that has yet to be voted, prior to such vote. If any investment professional is pressured or lobbied, whether from inside or outside the Company, with respect to any particular voting decision, he or she should contact the Compliance Department promptly. The CCO will use his or her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the relevant Clients.

In the event of a conflict, the Company may choose to address such conflict by: (i) voting in accordance with the Proxy Advisor's recommendation; (ii) the CCO determining how to vote the proxy (if the CCO approves deviation from the Proxy Advisor's recommendation, then the CCO shall document the rationale for the vote); (iii) "echo voting" or "mirror voting" the proxy in the same proportion as the votes of other proxy holders that are not Clients; or (iv) with respect to Clients other than Retail Funds, notifying the affected Client of the material conflict of interest and seeking a waiver of the conflict or obtaining such Client's voting instructions. Where the Compliance Department deems appropriate, third parties may be used to help resolve conflicts. In this regard, the CCO or his or her delegate shall have the power to retain fiduciaries, consultants or professionals to assist with voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Where a conflict of interest arises with respect to a voting decision for a Retail Fund, the Company shall disclose the conflict and the rationale for the vote taken to the Retail Fund's Board of Directors/Trustees at the next regularly scheduled quarterly meeting. The Compliance Department will maintain a log documenting the basis for the decision and will furnish the log to the Board of Trustees.

### *Material Conflicts of Interest*

The following relationships or circumstances are examples of situations that may give rise to a material conflict of interest for purposes of this Policy. This list is not exclusive or determinative; any potential conflict (including payments of the types described below but less than the specified threshold) should be identified to the Company's Compliance Department:

- (i) The issuer is a Client of the Company, or of an affiliate, accounting for more than 5% of the Company's or affiliate's annual revenues.
- (ii) The issuer is an entity that reasonably could be expected to pay the Company or its affiliates more than \$1 million through the end of the Company's next two full fiscal years.
- (iii) The issuer is an entity in which a "Covered Person" (as defined in the Company's Policies and Procedures Designed to Detect and Prevent Insider Trading and to Comply with Rule 17j-1 of the Investment Company Act of 1940, as amended (the "Code of Ethics")) has a beneficial interest contrary to the position held by the Company on behalf of Clients.



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- (iv) The issuer is an entity in which an officer or partner of the Company or a relative of any such person is or was an officer, director or employee, or such person or relative otherwise has received more than \$150,000 in fees, compensation and other payment from the issuer during the Company's last three fiscal years; provided, however, that the Compliance Department may deem such a relationship not to be a material conflict of interest if the Company representative serves as an officer or director of the issuer at the direction of the Company for purposes of seeking control over the issuer.
- (v) The matter under consideration could reasonably be expected to result in a material financial benefit to the Company or its affiliates through the end of the Company's next two full fiscal years (for example, a vote to increase an investment advisory fee for a Retail Fund advised by the Company or an affiliate).
- (vi) Another Client or prospective Client of the Company, directly or indirectly, conditions future engagement of the Company on voting proxies in respect of any Client's securities on a particular matter in a particular way.
- (vii) The Company holds various classes and types of equity and debt securities of the same issuer contemporaneously in different Client portfolios.
- (viii) Any other circumstance where the Company's duty to serve its Clients' interests, typically referred to as its "duty of loyalty," could be compromised.

Notwithstanding the foregoing, a conflict of interest described above shall not be considered material for the purposes of this Policy in respect of a specific vote or circumstance if:

The securities in respect of which the Company has the power to vote account for less than 1% of the issuer's outstanding voting securities, but only if: (i) such securities do not represent one of the 10 largest holdings of such issuer's outstanding voting securities and (ii) such securities do not represent more than 2% of the Client's holdings with the Company.

The matter to be voted on relates to a restructuring of the terms of existing securities or the issuance of new securities or a similar matter arising out of the holding of securities, other than common equity, in the context of a bankruptcy or threatened bankruptcy of the issuer.

**Recordkeeping**

Following the submission of a proxy vote, the Registrant will maintain a report of the vote and all relevant documentation.

The Registrant shall retain records relating to the voting of proxies and the Company shall conduct due diligence, including on Proxy Voting Services and Proxy Advisors, as applicable, to ensure the following records are adequately maintained by the appropriate party:

- (i) Copies of this Policy and any amendments thereto.
- (ii) A current copy of the Proxy Advisor's voting guidelines, as amended.
- (iii) A copy of each proxy statement that the Company receives regarding Client securities. The Company may rely on a third party to make and retain, on the Company's behalf, a copy of a proxy statement, provided that the Company has obtained an undertaking from the third party to provide a copy of the proxy statement promptly upon request.
- (iv) Records of each vote cast by the Company on behalf of Clients. The Company may satisfy this requirement by relying on a third party to make and retain, on the Company's behalf, a record of the vote cast, provided that the Company has obtained an undertaking from the third party to provide a copy of the record promptly upon request.
- (v) A copy of any documents created by the Company that were material to making a decision how to vote or that memorializes the basis for that decision.
- (vi) A copy of each written request for information on how the Company voted proxies on behalf of the Client, and a copy of any written response by the Company to any (oral or written) request for information on how the Company voted.

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These records shall be maintained and preserved in an easily accessible place for a period of not less than five years from the end of the Company's fiscal year during which the last entry was made in the records, the first two years in an appropriate office of the Company.<sup>2</sup>

**Enforcement of this Policy**

It shall be the responsibility of the Compliance Department to handle or coordinate the enforcement of this Policy. The Compliance Department will periodically sample proxy voting records to ensure that proxies have been voted in accordance with this Policy, with a particular focus on any proxy votes that require additional analysis (e.g., proxies voted contrary to the recommendations of a Proxy Advisor).

<sup>2</sup> If the Company has essentially immediate access to a book or record (on the Company's proprietary system or otherwise) through a computer located at an appropriate office of the Company, then that book or record will be considered to be maintained at an appropriate office of the Company. "Immediate access" to books and records includes that the Company has the ability to provide promptly to Securities and Exchange Commission (the "SEC") examination staff hard copies of the books and records or access to the storage medium. The party responsible for the applicable books and records as described above shall also be responsible for ensuring that those books and records for the first two years are either physically maintained in an appropriate office of the Company or that the Company otherwise has essentially immediate access to the required books and records for the first two years.

If the Compliance Department determines that a Proxy Advisor or Proxy Voting Service may have committed a material error, the Compliance Department will investigate the error, taking into account the nature of the error, and seek to determine whether the Proxy Advisor or Proxy Voting Service is taking reasonable steps to reduce similar errors in the future.

In addition, no less frequently than annually, the Compliance Department will review the adequacy of this Policy to ensure that it has been implemented effectively and to confirm that this Policy continues to be reasonably designed to ensure that proxies are voted in the best interest of Clients.

**Disclosures to Clients and Investors**

The Company includes a description of its policies and procedures regarding proxy voting in Part 2 of Form ADV, along with a statement that Clients can contact the CCO to obtain a copy of these policies and procedures and information about how the Company voted with respect to a Client's securities. This Policy is, however, subject to change at any time without notice.

As a matter of policy, the Company does not disclose how it expects to vote on upcoming proxies. Additionally, the Company does not disclose the way it voted proxies to unaffiliated third parties without a legitimate need to know such information.

**Item 8. Portfolio Managers of Closed-End Management Investment Companies.****(a)(1) Identification of Portfolio Manager(s) or Management Team Members and Description of Role of Portfolio Manager(s) or Management Team Members**

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The Registrant's portfolio manager, who is primarily responsible for the day-to-day management of the Registrant's portfolio, is James Dondero.

*James Dondero* — Mr. Dondero has over 25 years of experience in credit markets. In addition to his role at Highland Capital Management Fund Advisors, L.P. ("HCMFA" or the "Adviser"), Mr. Dondero is the co-founder and President of Highland Capital Management, L.P. and NexPoint Advisors, L.P. Mr. Dondero has over 30 years of experience investing in credit and equity markets and has helped pioneer credit asset classes. Prior to founding Highland Capital Management in 1993, Mr. Dondero served as Chief Investment Officer of Protective Life's GIC subsidiary and helped grow the business from concept to over \$2 billion between 1989 and 1993. His portfolio management experience includes mortgage-backed securities, investment grade corporates, leveraged bank loans, high-yield bonds, emerging market debt, real estate, derivatives, preferred stocks and common stocks. From 1985 to 1989, he managed approximately \$1 billion in fixed income funds for American Express. Mr. Dondero received a BS in Commerce (Accounting and Finance) from the University of Virginia, and is a Certified Managerial Accountant. Mr. Dondero has earned the right to use the Chartered Financial Analyst designation. Mr. Dondero currently serves as Chairman of NexBank SSB and serves on the Board of Directors of Metro-Goldwyn-Mayer, Jernigan Capital, Inc., Cornerstone Healthcare Group, Texmark Timber Treasury, L.P. and SeaOne Holdings, LLC.

**(a)(2) Other Accounts Managed by Portfolio Manager(s) or Management Team Member and Potential Conflicts of Interest****Other Accounts Managed by Portfolio Manager(s) or Management Team Member**

The following table provides information about funds and accounts, other than the Registrant, for which the Registrant's portfolio manager is primarily responsible for the day-to-day portfolio management as of September 30, 2019.

***James Dondero***

<u>Type of Accounts</u>	<u>Total # of Accounts Managed</u>	<u>Total Assets (millions)</u>	<u># of Accounts Managed with Performance- Based Advisory Fee</u>	<u>Total Assets with Performance- Based Advisory Fee (millions)</u>
Registered Investment Companies:	12	\$ 2,430	1	\$ 90
Other Pooled Investment Vehicles:	2	\$ 1,012	2	\$ 1,012
Other Accounts:	—	\$ —	—	\$ —

**Potential Conflicts of Interests**

The Adviser is an affiliate of NexPoint Advisors, L.P. ("NexPoint"). The Adviser and/or its general partner, limited partners, officers, affiliates and employees provide investment advice to other parties and manage other accounts and private investment vehicles similar to the Trust. For the purposes of this section, the term "Highland" shall include the Adviser and its affiliated investment advisors, including Highland Capital Management, L.P. and its affiliates. In connection with such other investment management activities, the Adviser and/or its general partner, limited partners, officers, affiliates and employees may decide to invest the funds of one or more other accounts or recommend the investment of funds by other parties, rather than the Registrant's monies, in a particular security or strategy. In addition, the Adviser and such other persons will determine the allocation of funds from the Registrant and such other accounts to investment strategies and techniques on whatever basis they consider appropriate or desirable in their sole and absolute discretion.

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Highland has built a professional working environment, a firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. Highland has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, Highland furnishes advisory services to numerous clients in addition to the Registrant, and Highland may, consistent with applicable law, make investment recommendations to other clients or accounts (including accounts that have performance or higher fees paid to Highland or in which portfolio managers have a personal interest in the receipt of such fees) that may be the same as or different from those made to the Registrant. In addition, Highland, its affiliates and any of their partners, directors, officers, stockholders or employees may or may not have an interest in the securities whose purchase and sale the Adviser recommends to the Registrant. Actions with respect to securities of the same kind may be the same as or different from the action that the Adviser, or any of its affiliates, or any of their partners, directors, officers, stockholders or employees or any member of their families may take with respect to the same securities. Moreover, the Adviser may refrain from rendering any advice or services concerning securities of companies of which any of the Adviser's (or its affiliates') partners, directors, officers or employees are directors or officers, or companies as to which the Adviser or any of its affiliates or partners, directors, officers and employees of any of them has any substantial economic interest or possesses material non-public information. In addition to its various policies and procedures designed to address these issues, Highland includes disclosure regarding these matters to its clients in both its Form ADV and investment advisory agreements.

The Adviser, its affiliates or their partners, directors, officers or employees similarly serve or may serve other entities that operate in the same or related lines of business, including accounts managed by an investment adviser affiliated with the Adviser. Accordingly, these individuals may have obligations to investors in those entities or funds or to other clients, the fulfillment of which might not be in the best interests of the Registrant. As a result, the Adviser will face conflicts in the allocation of investment opportunities to the Registrant and other funds and clients. In order to enable such affiliates to fulfill their fiduciary duties to each of the clients for which they have responsibility, the Adviser will endeavor to allocate investment opportunities in a fair and equitable manner, pursuant to policies and procedures adopted by the Adviser and its advisory affiliates that are designed to manage potential conflicts of interest, which may, subject to applicable regulatory constraints, involve pro rata co-investment by the funds and such other clients or may involve a rotation of opportunities among the funds and such other clients. The Registrant will only make investments in which the Adviser or an affiliate hold an interest to the extent permitted under the 1940 Act and SEC staff interpretations or pursuant to the terms and conditions of the exemptive order received by the Adviser and certain funds affiliated with the Registrant, dated April 19, 2016. For example, exemptive relief is not required for the Registrant to invest in syndicated deals and secondary loan market transactions in which the Adviser or an affiliate has an interest where price is the only negotiated point. The order applies to all "Investment Companies," which includes future closed-end investment companies registered under the 1940 Act that are managed by the Adviser, which includes the Registrant. The Registrant, therefore, may in the future invest in accordance with the terms and conditions of the exemptive order. To mitigate any actual or perceived conflicts of interest, allocation of limited offering securities (such as IPOs and registered secondary offerings) to principal accounts that do not include third party investors may only be made after all other client account orders for the security have been filled. However, there can be no assurance that such policies and procedures will in every case ensure fair and equitable allocations of investment opportunities, particularly when considered in hindsight.

Conflicts may arise in cases when clients invest in different parts of an issuer's capital structure, including circumstances in which one or more clients own private securities or obligations of an issuer and other clients may own public securities of the same issuer. In addition, one or more clients may invest in securities, or other financial

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instruments, of an issuer that are senior or junior to securities, or financial instruments, of the same issuer that are held by or acquired for, one or more other clients. For example, if such issuer encounters financial problems, decisions related to such securities (such as over the terms of any workout or proposed waivers and amendments to debt covenants) may raise conflicts of interests. In such a distressed situation, a client holding debt securities of the issuer may be better served by a liquidation of the issuer in which it may be paid in full, whereas a client holding equity securities of the issuer might prefer a reorganization that holds the potential to create value for the equity holders. In the event of conflicting interests within an issuer's capital structure, Highland will generally pursue the strategy that Highland believes best reflects what would be expected to be negotiated in an arm's length transaction with due consideration being given to Highland's fiduciary duties to each of its accounts (without regard to the nature of the accounts involved or fees received from such accounts). This strategy may be recommended by one or more Highland investment professionals. A single person may represent more than one part of an issuer's capital structure. The recommended course of action will be presented to the conflicts committee for final determination as to how to proceed. Highland may elect, but is not required, to assign different teams to make recommendations for different parts of the capital structure as the conflicts committee determines in its discretion. In the event any Highland personnel serve on the board of the subject company, they generally recuse themselves from voting on any board matter with respect to a transaction that has an asymmetrical impact on the capital structure. Highland personnel board members may still make recommendations to the conflicts committee. If any such persons are also on the conflicts committee, they may recuse themselves from the committee's determination. A portfolio manager with respect to any applicable Highland registered investment company clients ("Retail Accounts") participates in such discussions, but makes an independent determination as to which course of action he or she determines is in the best interest of the applicable Retail Accounts. Highland may use external counsel for guidance and assistance.

The Adviser and its affiliates have both subjective and objective procedures and policies in place designed to manage potential conflicts of interest involving clients so that, for example, investment opportunities are allocated in a fair and equitable manner among the Registrant and such other clients. An investment opportunity that is suitable for multiple clients of the Adviser and its affiliates may not be capable of being shared among some or all of such clients due to the limited scale of the opportunity or other factors, including regulatory restrictions imposed by the 1940 Act. There can be no assurance that the Adviser's or its affiliates' efforts to allocate any particular investment opportunity fairly among all clients for whom such opportunity is appropriate will result in an allocation of all or part of such opportunity to the Registrant. Not all conflicts of interest can be expected to be resolved in favor of the Registrant.

**(a)(3) Compensation Structure of Portfolio Manager(s) or Management Team Members**

HCMFA's financial arrangements with its portfolio managers, its competitive compensation and its career path emphasis at all levels reflect the value senior management places on key resources. Compensation may include a variety of components and may vary from year to year based on a number of factors, including the relative performance of a portfolio manager's underlying account, the combined performance of the portfolio managers' underlying accounts, and the relative performance of the portfolio managers' underlying accounts measured against other employees. The principal components of compensation include a base salary, a discretionary bonus and various retirement benefits.

*Base compensation.* Generally, portfolio managers receive base compensation based on their seniority and/or their position with HCMFA, which may include the amount of assets supervised and other management roles within HCMFA. Base compensation is determined by taking into account current industry norms and market data to ensure that HCMFA pays a competitive base compensation.

*Discretionary compensation.* In addition to base compensation, portfolio managers may receive discretionary compensation, which can be a substantial portion of total compensation. Discretionary compensation can include a discretionary cash bonus paid to recognize specific business contributions and to ensure that the total level of compensation is competitive with the market.



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Because each person's compensation is based on his or her individual performance, HCMFA does not have a typical percentage split among base salary, bonus and other compensation. Senior portfolio managers who perform additional management functions may receive additional compensation in these other capacities. Compensation is structured such that key professionals benefit from remaining with HCMFA.

**(a)(4) Disclosure of Securities Ownership**

The following table sets forth the dollar range of equity securities beneficially owned by the portfolio manager in the Registrant as of September 30, 2019.

<u>Name of Portfolio Manager</u>	<u>Dollar Ranges of Equity Securities Beneficially Owned by Portfolio Manager</u>
James Dondero	Over \$1,000,000

(b) Not applicable.

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**

<u>Period</u>	<u>(a) Total Number of Shares Purchased</u>	<u>(b) Average Price Paid per Share</u>	<u>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)</u>	<u>(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1)</u>
April 1, 2019 to April 30, 2019	95,523	12.47	95,523	\$ 18.8 million
May 1, 2019 to May 31, 2019	393,632	11.96	393,632	\$ 14.1 million
June 1, 2019 to June 30, 2019	275,108	11.19	275,108	\$ 11.0 million
July 1, 2019 to July 31, 2019	89,607	11.51	89,607	\$ 10.0 million
<b>Total</b>	<u>853,870</u>	<u>11.72</u>	<u>853,870</u>	<u>\$ 10.0 million</u>

(1) On August 3, 2018, the Board of the Fund authorized the repurchase of up to the lesser of \$20 million or 5% of the Fund's shares over a six-month period following conversion of the Fund from an open-end Fund to a closed-end fund. The Fund converted into a closed-end fund on February 13, 2019. Under this program, the Fund repurchased 853,870 shares through July, 2019, at an average price of \$11.72, for a total investment of \$10.0 million. On August 20, 2019, the Board of the Fund approved an extension of the repurchase program for a period of six months up to an additional \$20 million of the Fund's shares.

**Item 10. Submission of Matters to a Vote of Security Holders.**

There have been no material changes to the procedures by which the shareholders may recommend nominees to the Registrant's Board.

**Table of Contents****Item 11. Controls and Procedures.**

- (a) Evaluation of Disclosure Controls and Procedures. The Registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934 (the "Exchange Act") and the Investment Company Act of 1940 is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Registrant's management, including the principal executive officer and principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Remediation of Material Weakness in Internal Control over Financial Reporting. As of June 30, 2019, management remediated the material weakness previously identified as of September 30, 2018 relating to the application of ASC 820 and the reasonableness and reliability of assumptions used in the fair value model which is monitored by the Valuation Committee through the operation of a review control (the "Material Weakness"). This control was not designed at an appropriate level of precision to ensure the accurate valuation of Level 3 securities. The Material Weakness resulted in material pricing errors related to a hard-to-value security held over a period of time by Highland Global Allocation Fund, an affiliate of the Registrant which at that time was a series of the Registrant, but which was converted into a different trust effective February 13, 2019.

The steps management took to remediate this Material Weakness included: (i) enhancing a separate review control by adding control activities designed to operate at a level of precision which will enable such errors to be detected and by adding an additional member to the Valuation Sub-Committee to conduct such control activities; (ii) providing additional training to members of its Valuation Sub-Committee and Valuation Committee with respect to the application of ASC 820 and the usage of subject matter expert inputs as inputs to fair value determinations; and (iii) creating and implementing a guide for use of the Valuation Sub-Committee and the Valuation Committee for the application of ASC 820 to fair value models.

As a result of the remediation activities, management has determined that its controls were designed appropriately and at a sufficient level of precision, and have been operating effectively for a sufficient period of time, such that the Material Weakness previously identified as of December 31, 2018 has been remediated as of June 30, 2019.

- (b) Changes in Internal Controls. Other than the planned enhancements to controls noted above, there have been no changes in the Registrant's internal controls or in other factors that could materially affect the internal controls over financial reporting subsequent to the date of their evaluation in connection with the preparation of this Shareholder Report on Form N-CSR

**Item 12. Disclosure of Securities Lending Activities for Closed-End Management Investment Companies.**

(a)

- (1) Gross income from securities lending activities: \$0
- (2) All fees and/or compensation for securities lending activities and related services: \$0
- (3) Aggregate fees/compensation: \$0

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(4) Net income from securities lending activities: \$0

- (b) The Registrant may lend up to 33 1/3% of the Registrant's total assets held by the Fund's custodian to certain qualified brokers, except those securities which the Registrant or the Advisor specifically identifies as not being available. By lending its investment securities, the Registrant attempts to increase its net investment income through the receipt of interest on the loan. Any gain or loss in the market price of the securities loaned that might occur and any interest or dividends declared during the term of the loan would accrue to the account of the Registrant. Risks of delay in recovery of the securities or even loss of rights in the collateral may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the collateral decreases below the value of the securities loaned. Upon entering into a securities lending transaction, the Registrant receives cash or other securities as collateral in an amount equal to or exceeding 100% of the current market value of the loaned securities with respect to securities of the U.S. government or its agencies, 102% of the current market value of the loaned securities with respect to U.S. securities and 105% of the current market value of the loaned securities with respect to foreign securities. Any cash received as collateral is generally invested by the Fund's custodian acting in its capacity as securities lending agent. Non-cash collateral is not disclosed in the Registrant's Statement of Assets and Liabilities as it is held by the lending agent on behalf of the Registrant and the Registrant does not have the ability to re-hypothecate those securities. A portion of the dividends received on the collateral may be rebated to the borrower of the securities and the remainder is split between the Fund's custodian, as the securities lending agent, and the Registrant.

**Item 13. Exhibits.**

- (a)(1) Code of ethics, or amendment thereto, that is the subject of disclosure required by Item 2 is attached hereto.
- (a)(2) Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.
- (a)(3) Not applicable.
- (a)(4) Not applicable.
- (b) Certifications pursuant to Rule 30a-2(b) under the 1940 Act and Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto.
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Table of Contents**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, and the Investment Company Act of 1940, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**HIGHLAND GLOBAL ALLOCATION FUND**

By (Signature and Title): /s/ Frank Waterhouse  
Frank Waterhouse  
Treasurer, Principal Executive Officer and  
Principal Financial and Accounting Officer

Date: December 9, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, and the Investment Company Act of 1940, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By (Signature and Title): /s/ Frank Waterhouse  
Frank Waterhouse  
Treasurer, Principal Executive Officer and  
Principal Financial and Accounting Officer

Date: December 9, 2019

By (Signature and Title): /s/ Clifford Stoops  
Clifford Stoops  
Assistant Treasurer

Date: December 9, 2019

## **EXHIBIT 44**

001223

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

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

**Investment Company Act file number: 811-21869**

**NEXPOINT STRATEGIC  
OPPORTUNITIES FUND**

**(Exact name of registrant as specified in charter)**

**2515 McKinney Avenue  
Suite 1100  
Dallas, Texas 75201  
(Address of principal executive offices)(Zip code)**

**NexPoint Advisors, L.P.  
2515 McKinney Avenue  
Suite 1100  
Dallas, Texas 75201  
(Name and Address of Agent for Service)**

**Registrant's telephone number, including area code: (866) 351-4440**

**Date of fiscal year end: December 31**

**Date of reporting period: December 31, 2020**

**Table of Contents****Item 1. Reports to Stockholders.**

A copy of the Annual Report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the "1940 Act"), is attached herewith.

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# NEXPOINT

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## ADVISORS

# NexPoint Strategic Opportunities Fund

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## Annual Report

## December 31, 2020

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Beginning on January 1, 2021, as permitted by regulations adopted by the U.S. Securities and Exchange Commission, paper copies of the Company's annual and semi-annual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Company's website (nexpointgroup.com), and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Company electronically by contacting your financial intermediary (such as a broker dealer or bank) or, if you are a direct investor, by contacting the Company's transfer agent at 1-844-485-9167.

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. If you invest directly with the Company, you can call 1-844-485-9167 to let the Company know you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all funds held in your account if you invest through your financial intermediary or all funds held with the Fund Complex if you invest directly with the Company.

Table of Contents**NexPoint Strategic Opportunities Fund**

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We recognize and respect your privacy expectations, whether you are a visitor to our web site, a potential shareholder, a current shareholder or even a former shareholder.

*Collection of Information.* We may collect nonpublic personal information about you from the following sources:

- **Account applications and other forms, which may include your name, address and social security number, written and electronic correspondence and telephone contacts;**
- **Web site information, including any information captured through the use of “cookies”; and**
- **Account history, including information about the transactions and balances in your accounts with us or our affiliates.**

*Disclosure of Information.* We may share the information we collect with our affiliates. We may also disclose this information as otherwise permitted by law. We do not sell your personal information to third parties for their independent use.

*Confidentiality and Security of Information.* We restrict access to nonpublic personal information about you to our employees and agents who need to know such information to provide products or services to you. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information, although you should be aware that data protection cannot be guaranteed.

Economic and market conditions change frequently.

There is no assurance that the trends described in this report will continue or commence.

**A prospectus must precede or accompany this report. Please read the prospectus carefully before you invest.**

Table of Contents**PORTFOLIO MANAGER COMMENTARY (unaudited)****December 31, 2020****NexPoint Strategic Opportunities Fund**

During 2020, the NexPoint Strategic Opportunities Fund (the “Company”, NYSE:NHF) returned -8.60% on net asset value (“NAV”) and -33.42% of market value, including reinvested dividends, compared to a total return of 6.34% for the Credit Suisse Hedge Company Index and 6.79% for the HFRX Global Hedge Company Index during the same period. Top contributors to performance included market hedges. The largest detractors to performance included real estate positions in hospitality and office.

NHF	1 Year	3 Year	5 Year	Inception to Date
NAV	-8.60%	4.11%	25.36%	78.53%
Market Price	-33.42%	-36.73%	2.49%	8.50%

On August 28, 2020, shareholders approved the proposal to convert the Company from a registered investment company to a diversified real estate investment trust (“REIT”). The Company will begin to transition its business and investments to those of a diversified REIT. With the conversion, NHF will be the fourth publicly traded REIT on the NexPoint platform. We believe converting the Company to a REIT provides several benefits to shareholders including: 1) The potential to provide investors with a superior risk adjustment return compared to equity, fixed income, and distressed debt markets through real estate investments over the next decade. 2) Potential to reduce the Company’s historical discount to net asset value. 3) Potential to provide greater liquidity for shareholders. 4) Opportunity to take advantage of the current dislocation in the commercial real estate markets. 5) Potential to position the Company’s assets to earn greater income for the Company in a historically low interest rate environment.

On January 8, 2021, NHF successfully completed its tender offer to purchase the Company’s common shares in exchange for consideration consisting of approximately 20% cash and 80% newly issued 5.50% Series A Cumulative Preferred Shares. The Company purchased 8,750,121 shares at a price of \$12.00 per share.

**Portfolio Highlights**

Despite the challenges in 2020, we maintain high conviction in the Company’s portfolio. In particular, we believe the Company’s allocation to opportunistic, durable, and defensive real estate makes it well positioned both in the current environment and over the long term. We believe the real estate sector has the potential to generate the best risk-adjusted return of any sector over the next several years, and the current portfolio composition reflects our constructive outlook in the space.

We recognize that this outlook is not captured in the Company’s share price relative to its NAV. The Company has been trading at a significant discount, which significantly widened in the first quarter. We believe the Company’s trading value is a result of factors that existed prior to the pandemic (described more below); the issues plaguing the markets in Q1 only added to those challenges.

As of December 31, 2020, over sixty-six percent of the portfolio was invested in real estate. NexPoint’s real estate team has continued to drive growth at the firm and has completed more than \$11 billion in gross real estate transactions since inception. The team invests across multiple property types, with experience in multifamily, single-family rentals, office, self-storage, life sciences, and hospitality, among other areas. Our real estate investment capabilities include debt, equity, agency mortgage-backed securities (“MBS”), direct origination, structured credit/preferred, and opportunistic and tax-advantaged transactions. Our real estate investments are held in a number of funds and investment vehicles across our platform. The following provides information on the Company’s top real estate holdings:

The Company’s largest holding is NexPoint Real Estate Opportunities, LLC (“NREO”), a wholly owned REIT comprised of direct real estate investments. These include investments in self-storage and single-family rentals, which we believe are well-positioned in today’s environment, as well as an office property that we believe represents long-term potential.

NREO owns an interest in VineBrook Homes Trust, Inc. (“VineBrook”) a nontraded REIT advised by NexPoint. VineBrook Homes, LLC (the manager) owns and operates a portfolio of approximately 14,000 single-family rental (“SFR”) homes in 19 markets across the Midwest, Heartland, and Southeast. The average monthly rent is approximately \$1,000, providing affordable, safe, and clean homes for the workforce demographic. The SFR space is among the areas of real estate that has performed well during the pandemic.

Cityplace Tower (“Cityplace”) is a 42-story, 1.35 million-square-foot, trophy office building acquired in 2018. The building is adjacent to the Uptown submarket in Dallas, Texas. The prior owners were unwilling to invest significant capital to keep up with the property’s competitive set. For example, due to prior ownership, Cityplace was budgeted to average approximately \$14/square foot in triple net lease (“NNN”) rent equivalent during 2019. Similar office assets in the Uptown submarket in Dallas are achieving average NNN rents of \$30/square foot. Plans include significant capital investments to bring class-A amenities to the property and reposition the asset, providing the potential to achieve higher rental rates in both the office and retail spaces. Since the 2018

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Table of Contents**PORTFOLIO MANAGER COMMENTARY (unaudited)****December 31, 2020****NexPoint Strategic Opportunities Fund**

acquisition, the property announced plans to establish a 223-key, five-star hotel within the building, operated by InterContinental Hotels Group. The hotel will occupy eight of the building's 42 floors and will contain a restaurant, full bar, and lounge. The hotel is slated to open in early 2023 and is expected to more than double Net Operating Income ("NOI") of the building once stabilized.

The Company's second largest holding is NexPoint Storage Partners ("NSP"). NSP is a nearly \$1.1 billion storage platform originating from NexPoint's investments in the publicly traded self-storage REIT Jernigan Capital. Jernigan initially focused on development financing but gradually expanded the business model to include outright ownership of facilities through a complementary acquisition strategy. In November 2020, NexPoint completed the acquisition of Jernigan in a take-private transaction valued at approximately \$1 billion and subsequently launched NexPoint Storage Partners as a dedicated platform for the self-storage sector. The platform consists of 69 self storage investments across the US, of which 38 are wholly-owned. NexPoint Storage targets Generation V or "GenV" facilities in major metropolitan areas across the US. GenV facilities are vertical buildings, and include heating/air condition, WiFi, LED lighting and advanced security systems. A key Partner is Extra Space Storage, who will manage all wholly owned facilities and also provided financing in the acquisition.

The Company also has invested in another self-storage company, Safstor, which is held in a wholly owned REIT, NexPoint Real Estate Capital, LLC. Safstor owns, develops, and redevelops single- and multistory self-storage properties in undersupplied markets with high barriers to entry. The company seeks markets that offer low delinquency, high traffic count, and high population growth, with above-average household income. Property management is performed by reputable operators such as Extra Space Storage and CubeSmart. As of December 31, 2020, Safstor has completed seven individual storage facilities that are currently in lease up. An additional 22 projects are in the construction and planning phases, with completions expected through the next two years. The projected weighted average yield on cost is 8.6% for all Safstor properties. Stabilized cap rates for similar properties average approximately 5.0% - 5.5%, reflecting the potential for Safstor properties to see significant increases in value once stabilized. Additionally, we expect appreciation of the storage portfolio once development is complete.

Self-storage has widely been viewed as recession resistant due to strong relative performance in previous recessions. 2020 was no different as the asset class proved to be a safe haven while self-storage total returns have outperformed most sectors since the pandemic started to disrupt financial markets in February 2020.

The Company maintains a minimal amount of exposure to Hospitality. NexPoint funded the development of an upscale Marriott hotel in the heart of the Uptown submarket of Dallas, Texas. Upon completion, the hotel will boast 255 upscale guestrooms with approximately 13,000 square feet of meeting space. The hotel aims to fill a void in the immediate submarket, which lacks an affordable, quality hotel for the business traveler. The hotel opened in February 2021. Currently, the only major hotels in the general vicinity are five-star, luxury hotels. The Uptown area of Dallas is known for attracting young professionals, as well as business travelers due to the proximity to the many businesses in Uptown and Downtown. Uptown has a vibrant bar and restaurant scene, as well as a 9-mile walking and biking trail and several large parks. College students at nearby Southern Methodist University are also known to live in the area. Once complete, the hotel will contain high-class amenities built to attract young adults and business travelers alike, such as a rooftop pool lounge, as well as bars and restaurants featuring celebrity chefs. Dallas Love-Field Airport is also less than five miles away.

The Company's investment in Creek Pine Holdings continues to perform well. We originally invested in the asset in May 2018 as a participating preferred investor in a joint venture with a consortium of institutional investors led by Catchmark Timber Trust (ticker: CTT). The asset comprises 1.1 million acres of prime East Texas timberlands. The timberlands are located near top quartile mills and within approximately 100 miles of three of the top five U.S. homebuilding markets; Austin, Dallas, and Houston. These markets provide strong, growing, and compelling demand fundamentals. The joint venture assumes long-term sawtimber and pulpwood supply agreements with Georgia-Pacific and International Paper.

On June 24, 2020, Catchmark announced that the joint venture has amended its wood supply agreement with Georgia Pacific intended to achieve market-based pricing on timber sales. Under the amended supply agreement, the asset will also be able to increase reimbursement for extended haul distances, sell timber to other third parties, and expand its ability to sell large timberland parcels to third party buyers. The supply agreement with Georgia Pacific has also been extended by two years, with optimized harvest volume obligations to enhance and preserve long-term value. Speaking of the transaction, Catchmark CEO, Brian Davis, said "we expect these amendments to increase cash flows from timber sales at market-based prices based on customary pricing mechanisms, improve the value and marketability of the property for the long-term, and significantly enhanced the investments ability to make opportunistic timberland sales as well as recapitalize our investment." John Rasor at Catchmark added "our operations can now realize the full potential of the investments premier timberland holdings to optimize future cash flow and value." The Amended and Restated Joint Venture Agreement further provides for an increase in the 10.25% cumulative return on the

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Table of Contents**PORTFOLIO MANAGER COMMENTARY (unaudited)****December 31, 2020****NexPoint Strategic Opportunities Fund**

preferred investors' interests in Triple T's subsidiary real estate investment trust of 0.5% per quarter, subject to a maximum increase of 2.0% and subject to decrease in other circumstances. This is very positive news and renegotiation of this agreement has been central to our investment thesis.

On February 11, 2020, as part of the formation transaction for NexPoint Real Estate Finance (NYSE:NREF), certain assets held in NHF, were contributed in exchange for operating partnership units of NREF. The NREF OP Units are convertible one-to-one for NREF Common shares and therefore are priced daily. NexPoint Real Estate Finance is a publicly traded mortgage REIT listed on the New York Stock Exchange under the symbol "NREF". The company primarily concentrates on investments in real estate sectors where its senior management team has operating expertise, including multifamily, SFR, and self-storage, predominantly in the top 50 metropolitan statistical areas. The company focuses on lending or investing in properties that are stabilized or have a "light-transitional" business plan.

**The Company's Strategy**

The NexPoint Strategic Opportunities Fund (NYSE:NHF) ("NHF" or the "Company") is a closed-end investment company managed by NexPoint Advisors, L.P. that is in the process of converting to a diversified REIT. On August 28, 2020, shareholders approved the Conversion proposal and amended the Company's fundamental investment policies and restrictions to permit the Company to pursue its new business. The Company is in the process of realigning its portfolio so that it is no longer an "investment company" under the Investment Company Act of 1940 (the "1940 Act") and continues to expect the Company to be able to transition its investment portfolio sufficient to qualify as a REIT for tax purposes by the first quarter of 2021 and to apply to the Securities and Exchange Commission (the "SEC") for an order under the 1940 Act declaring that the Company has ceased to be an investment company (the "Deregistration Order") in the first half of 2021.

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Table of Contents**FUND PROFILE (unaudited)****December 31, 2020****NexPoint Strategic Opportunities Fund**Objective

NexPoint Strategic Opportunities Fund seeks to provide both current income and capital appreciation.

Net Assets as of December 31, 2020

**\$791 million**

Portfolio Data as of December 31, 2020

The information below provides a snapshot of NexPoint Strategic Opportunities Fund at the end of the reporting period. NexPoint Strategic Opportunities Fund is actively managed and the composition of its portfolio will change over time. Current and future holdings are subject to risk.

**Quality Breakdown as of 12/31/2020**

(%)(<sup>1</sup>)

B	0.7
CCC	13.4
CC	2.2
NR	83.7

**Sectors as of 12/31/2020 (%)<sup>(1)(2)</sup>**

Real Estate	44.8
Real Estate Investment Trust	23.5
Financial	17.7
Communication Services	12.2
Collateralized Loan Obligation	2.3

**Top 10 Holdings as of 12/31/2020 (%)<sup>(1)(2)</sup>**

NexPoint Real Estate Opportunities, LLC (Common Stock)	19.7
JCAP Holdco, LLC (LLC Interest)	11.7
NexPoint Real Estate Capital (Common Stock)	8.1
NexPoint Real Estate Finance Operating Partnership, L.P. (LLC Interest)	6.8
Specialty Financial Products, Ltd. (Common Stock)	6.5
TerreStar Corporation (Common Stock)	5.5
NREO Special Purpose LLC, Revolving Loan 4.25%, 6/22/2023 (U.S. Senior Loans)	4.4
SFR WLIF I, LLC (LLC Interest)	4.2
IQHQ, Inc. (Common Stock)	3.8
Metro-Goldwyn-Mayer, Inc. (Common Stock)	3.4

<sup>(1)</sup> Quality is calculated as a percentage of total bonds & notes. Sectors and holdings are calculated as a percentage of total net assets. The quality ratings reflected were issued by Standard & Poors, a nationally recognized statistical rating organization. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). Quality ratings reflect the credit quality of the underlying bonds in the Company's portfolio and not that of the Company itself. Quality Ratings are subject to change.

<sup>(2)</sup> Sectors and holdings are calculated as a percentage of total net assets.

Table of Contents**FINANCIAL STATEMENTS**

December 31, 2020

NexPoint Strategic Opportunities Fund

**A guide to understanding each Company's financial statements**

<b>Investment Portfolio</b>	The Investment Portfolio details all of the Company's holdings and its market value as of the last day of the reporting period. Portfolio holdings are organized by type of asset and industry to demonstrate areas of concentration and diversification.
<b>Statement of Assets and Liabilities</b>	This statement details the Company's assets, liabilities, net assets and share price for each share class as of the last day of the reporting period. Net assets are calculated by subtracting all of the Company's liabilities (including any unpaid expenses) from the total of the Company's investment and noninvestment assets. The net asset value per share for each class is calculated by dividing net assets allocated to that share class by the number of shares outstanding in that class as of the last day of the reporting period.
<b>Statement of Operations</b>	This statement reports income earned by the Company and the expenses incurred by the Company during the reporting period. The Statement of Operations also shows any net gain or loss the Company realized on the sales of its holdings during the period as well as any unrealized gains or losses recognized over the period. The total of these results represents the Company's net increase or decrease in net assets from operations.
<b>Statements of Changes in Net Assets</b>	This statement details how the Company's net assets were affected by its operating results, distributions to shareholders and shareholder transactions (e.g., subscriptions, redemptions and distribution reinvestments) during the reporting period. The Statements of Changes in Net Assets also details changes in the number of shares outstanding.
<b>Statement of Cash Flows</b>	This statement reports net cash and foreign currency provided or used by operating, investing and financing activities and the net effect of those flows on cash and foreign currency during the period.
<b>Financial Highlights</b>	The Financial Highlights demonstrate how the Company's net asset value per share was affected by the Company's operating results. The Financial Highlights also disclose the classes' performance and certain key ratios (e.g., net expenses and net investment income as a percentage of average net assets).
<b>Notes to Financial Statements</b>	These notes disclose the organizational background of the Company, certain of its significant accounting policies (including those surrounding security valuation, income recognition and distributions to shareholders), federal tax information, fees and compensation paid to affiliates and significant risks and contingencies.

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Table of Contents**INVESTMENT PORTFOLIO**

As of December 31, 2020

NexPoint Strategic Opportunities Fund

Shares		Value (\$)	Shares		Value (\$)
<b>Common Stock - 51.8%</b>					
<b>COMMUNICATION SERVICES - 8.9%</b>					
309,137	Metro-Goldwyn-Mayer, Inc. (a)(p)	26,894,919	147,179,635	NexPoint Real Estate Opportunities, LLC, REIT (b)(c)(d)	156,117,854
132,801	TerreStar Corporation (a)(b)(c)(d)(p)	43,813,706			185,772,302
		70,708,625			
<b>ENERGY - 0.2%</b>			<b>UTILITIES - 0.1%</b>		
368,680	Fieldwood Energy LLC (a)	—	327,750	Central Puerto ADR	884,925
744,992	NextDecade Corp. (a)	1,557,033	26,220	Entegra TC LLC (b)(c)	—
40	Transocean (a)	92	6,477	Vistra Energy Corp.	127,338
		1,557,125			1,012,263
<b>FINANCIAL - 6.5%</b>				Total Common Stock (Cost \$519,202,259)	409,568,636
47,996	American Banknote Corp. (b)(c)	71,994	<b>LLC Interest - 27.1%</b>		
48,258,624	Specialty Financial Products, Ltd. (b)(c)(d)	51,294,091	<b>REAL ESTATE - 27.1%</b>		
		51,366,085	86,369	JCAP Holdco, LLC (b)(c)(d)	91,851,599
<b>GAMING/LEISURE - 0.3%</b>			3,247,510	NexPoint Real Estate Finance Operating Partnership, L.P. (d)	53,648,860
26,712	LLV Holdco LLC - Series A, Membership Interest (a)(b)(c)(d)	2,259,265	397,240	NREF OP I, L.P. (d)	6,562,400
144	LLV Holdco LLC - Series B, Membership Interest (a)(b)(c)(d)	—	40,322,605	SFR WLIF I, LLC (b)(c)(d)	32,828,649
		2,259,265	26,968,904	SFR WLIF II, LLC (b)(c)(d)	22,089,420
			7,708,491	SFR WLIF III, LLC (b)(c)(d)	6,973,255
<b>HEALTHCARE - 1.9%</b>				Total LLC Interest (Cost \$231,643,834)	213,954,183
354,400	Aerie Pharmaceuticals, Inc. (a)	4,787,944	<b>Preferred Stock - 14.4%</b>		
450,991	Heron Therapeutics, Inc. (a)	9,545,224	<b>FINANCIAL - 11.2%</b>		
50,000	Paratek Pharmaceuticals, Inc. (a)	313,000	14,500	Aberdeen Loan Funding, Ltd. (f)	1,511,625
		14,646,168	15,000	Brentwood CLO, Ltd. (b)(c)(f)	7,500,000
<b>INDUSTRIALS - 0.1%</b>			13,600	Brentwood Investors, 02/01/2022 (b)(c)(f)(g)	6,800,000
8	Pendrell Corp. (a)	1,096,000		Eastland CLO, Ltd., 05/01/2022 (a)(f)(g)	5,244,886
<b>INFORMATION TECHNOLOGY - 0.0%</b>			7,750	Gleneagles CLO, Ltd., 12/30/2049 (a)(f)(g)	2,161,475
1	MagnaChip Semiconductor (a)	14		Grayson Investors, 11/01/2021 (b)(c)(f)(g)	4,897,750
<b>MATERIALS - 0.3%</b>			13,700	Greenbriar CLO, Ltd., 11/01/2021 (f)(g)	17,456,250
64,000	Loma Negra Cia Industrial Argentina ADR (a)	393,600	42,750	Jasper CLO, Ltd. (b)(c)(f)	5,000,000
356,875	MPM Holdings, Inc. (a)	1,784,375	125,000	Liberty CLO, Ltd., 11/01/2017 (f)(g)	2,307,500
		2,177,975	10,000	Red River CLO, Ltd., 07/27/2018 (b)(c)(f)	1,371,873
<b>REAL ESTATE - 10.0%</b>			8,500	Rockwall CDO, Ltd., 08/01/2021 (f)(g)	1,205,925
663,296	Allenby (a)(b)(c)(d)	1	10,500	Rockwall CDO, Ltd. (e)(f)	551,280
2,204,511	Claymore (a)(b)(c)(d)	2	4,800	Rockwall CDO, Ltd., 08/01/2024 (f)(g)	3,105,263
293,449	Cresud SACIF y A ADR (a)	1,405,622	4,871	Southfork CLO, Ltd., 05/01/2017 (b)(c)(f)(g)	600,000
13,571,131	NexPoint Hospitality Trust (b)(c)(d)	4,885,607	6,000	Stratford CLO, 11/01/2021 (b)(c)(f)(g)	1,050,000
131,663,561	NexPoint Real Estate Capital (b)(c)(d)	63,627,732	2,000	Stratford CLO, Ltd., 11/01/2021 (f)(g)	13,902,500
84,300	NexPoint Residential Trust, REIT(d)	3,566,733	41,500	Westchester CLO, Ltd., 08/01/2022 (b)(c)(f)(g)	14,084,443
204,917	Postal Realty Trust, Class A, REIT	3,458,999	35,507		88,750,770
1,763,581	United Development Funding IV, REIT (b)(c)(d)	2,028,118			
		78,972,814			
<b>REAL ESTATE INVESTMENT TRUST - 23.5%</b>					
1,785,337	IQHQ, Inc. (a)(b)(c)(e)	29,654,448			

6 | See Glossary on page 9 for abbreviations along with accompanying Notes to Financial Statements.

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**INVESTMENT PORTFOLIO (continued)**

**As of December 31, 2020**

**NexPoint Strategic Opportunities Fund**

[illegible]

See Glossary on page 9 for abbreviations along with accompanying Notes to Financial Statements. | 7



Table of Contents**INVESTMENT PORTFOLIO (concluded)**

As of December 31, 2020

NexPoint Strategic Opportunities Fund

Shares		Value (\$)
<b>Corporate Bonds &amp; Notes (continued)</b>		
<b>ENERGY - 0.0%</b>		
18,439,000	Ocean Rig UDW, Inc. 7.25%, 04/01/19 (b)(c)(g)(i)	—
681	Sable Permian Resources Land 7.38%, 11/01/21 (g)(i)	7
		<u>7</u>
<b>REAL ESTATE - 0.1%</b>		
2,000,000	CBL & Associates 5.95%, 12/15/26 (i)	795,610
<b>UTILITIES - 0.0%</b>		
5,000,000	Texas Competitive Electric Holdings Co., LLC 11.50%, 10/01/20 (i)(j)	7,500
	Total Corporate Bonds & Notes (Cost \$17,394,407)	<u>883,872</u>
<b>Convertible Bond - 0.1%</b>		
<b>HEALTH CARE - 0.1%</b>		
350,000	Paratek Pharmaceuticals 4.75%, 05/01/24	304,693
	Total Convertible Bond (Cost \$270,734)	<u>304,693</u>
<b>Foreign Corporate Bonds &amp; Notes - 0.0%</b>		
<b>NETHERLANDS - 0.0%</b>		
93,180,354	Celtic Pharma Phinco BV, 17.00%, (b)(c)(i)	—
	Total Foreign Corporate Bonds & Notes (Cost \$62,254,526)	<u>—</u>
<b>Total Investments - 106.5%</b> (Cost \$1,124,183,764)		<u><u>842,317,160</u></u>
<b>Securities Sold Short - (0.2)%</b>		
<b>COMMON STOCK - (0.2)%</b>		
<b>INFORMATION TECHNOLOGY - (0.2)%</b>		
(5,440)	Coupa Software (n)	(1,843,670)
	Total Common Stock (Proceeds \$1,530,648)	<u>(1,843,670)</u>
	Total Securities Sold Short - (0.2)% (Proceeds \$1,530,648)	<u>(1,843,670)</u>
<b>Other Assets &amp; Liabilities, Net - (6.3)%(o)</b>		<u>(49,648,799)</u>
<b>Net Assets - 100.0%</b>		<u><u>790,824,691</u></u>

- (a) Non-income producing security.
- (b) Securities with a total aggregate value of \$653,004,227, or 82.6% of net assets, were classified as Level 3 within the three-tier fair value hierarchy. Please see Notes to Financial Statements for an explanation of this hierarchy, as well as a list of unobservable inputs used in the valuation of these instruments.
- (c) Represents fair value as determined by the Company's Board of Trustees (the "Board"), or its designee in good faith, pursuant to the policies and procedures approved by the Board. The Board considers fair valued securities to be securities for which market quotations are not readily available and these securities may be

- valued using a combination of observable and unobservable inputs. Securities with a total aggregate value of \$653,004,227, or 82.6% of net assets, were fair valued under the Company's valuation procedures as of December 31, 2020. Please see Notes to Financial Statements.
- (d) Affiliated issuer. Assets with a total aggregate market value of \$615,855,868, or 77.9% of net assets, were affiliated with the Company as of December 31, 2020.
- (e) Perpetual security with no stated maturity date.
- (f) There is currently no rate available.
- (g) Securities exempt from registration under Rule 144A of the 1933 Act. These securities may only be resold in transaction exempt from registration to qualified institutional buyers. The Board has determined these investments to be illiquid. At December 31, 2020, these securities amounted to \$90,072,452 or 11.4% of net assets.
- (h) Senior loans (also called bank loans, leveraged loans, or floating rate loans) in which the Company invests generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread (unless otherwise identified, all senior loans carry a variable rate of interest). These base lending rates are generally (i) the Prime Rate offered by one or more major United States banks, (ii) the lending rate offered by one or more European banks such as the London Interbank Offered Rate ("LIBOR") or (iii) the Certificate of Deposit rate. As of December 31, 2020, the LIBOR USD 1 Month and LIBOR USD 3 Month rates were 0.14% and 0.24%, respectively. Senior loans, while exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"), contain certain restrictions on resale and cannot be sold publicly. Senior secured floating rate loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturity shown.
- (i) The issuer is, or is in danger of being, in default of its payment obligation.
- (j) Represents value held in escrow pending future events. No interest is being accrued.
- (k) Variable or floating rate security, the interest rate of which adjusts periodically based on changes in current interest rates and prepayments on the underlying pool of assets.
- (l) Interest only security ("IO"). These types of securities represent the right to receive the monthly interest payments on an underlying pool of mortgages. Payments of principal on the pool reduce the value of the "interest only" holding.
- (m) Step Bonds—Represents the current rate, the step rate, the step date and the final maturity date.
- (n) No dividend payable on security sold short.
- (o) As of December 31, 2020, \$1,856,726 in cash was segregated or on deposit with the brokers to cover investments sold short and is included in "Other Assets & Liabilities, Net".
- (p) Restricted Securities. These securities are not registered and may not be sold to the public. There are legal and/or contractual restrictions on resale. The Company does not have the right to demand that such securities be registered. The values of these securities are determined by valuations provided by pricing services, brokers, dealers, market makers, or in good faith under the procedures established by the Board. Additional information regarding such securities follows:

Restricted Security	Security Type	Acquisition Date	Cost of Security	Fair Value at Period End	Percent of Net Assets
Metro-Goldwyn- Mayer, Inc.	Common Stock	12/20/2010	\$ 13,929,926	\$ 26,894,919	3.40%
TerreStar Corporation	Common Stock	3/16/2018	\$ 34,089,464	\$ 43,813,706	5.54%

8 | See Glossary on page 9 for abbreviations along with accompanying Notes to Financial Statements.

Table of Contents**GLOSSARY: (abbreviations that may be used in the preceding statements)****As of December 31, 2020****NexPoint Strategic Opportunities Fund**

## Currency Abbreviations:

USD United States Dollar

## Glossary:

ADR	American Depositary Receipt
CDO	Collateralized Debt Obligation
CLO	Collateralized Loan Obligation
PIK	Payment-in-Kind
REIT	Real Estate Investment Trust

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Table of Contents**STATEMENT OF ASSETS AND LIABILITIES**

As of December 31, 2020

NexPoint Strategic Opportunities Fund

	(\$)
<b>Assets</b>	
Investments, at value	226,461,292
Affiliated investments, at value (Note 11)	615,855,868
Total Investments, at value	842,317,160
Cash and cash equivalents	1,966,953
Restricted Cash — Securities Sold Short and reverse repurchase agreements (Notes 2 and 6)	7,036,726
Foreign tax reclaim receivable	559
Prepaid conversion and tender offer expenses (Note 1)	1,213,592
Receivable for:	
Dividends and Interest	1,114,797
Company shares sold	137,244
Prepaid expenses and other assets	315,779
Total assets	854,102,810
<b>Liabilities:</b>	
Notes payable (Note 6)	45,000,000
Securities sold short, at value (Note 2)	1,843,670
Payable for:	
Due to broker	14,874,757
Investment advisory and administration fees (Note 8)	901,960
Audit fees	390,750
Accounting services fees	70,507
Interest expense and commitment fee (Note 6)	3,112
Accrued expenses and other liabilities	193,363
Total liabilities	63,278,119
<b>Net Assets Applicable to Common Shares</b>	<b>790,824,691</b>
<b>Net Assets Consist of:</b>	
Paid-in capital in excess of par	1,182,433,738
Total accumulated loss	(391,609,047)
<b>Net Assets Applicable to Common Shares</b>	<b>790,824,691</b>
Investments, at cost	376,274,329
Affiliated investments, at cost (Note 11)	747,909,435
Proceeds from securities sold short	1,530,648
<b>Common Shares</b>	
Net assets	790,824,691
Shares outstanding (unlimited authorization)	45,668,261
Net asset value per share (Net assets/shares outstanding)	17.32

10 | See accompanying Notes to Financial Statements.

Table of Contents**STATEMENT OF OPERATIONS**

For the Year Ended December 31, 2020

NexPoint Strategic Opportunities Fund

	(\$)
<b>Investment Income:</b>	
<b>Income:</b>	
Dividends from unaffiliated issuers	3,808,407
Dividends from affiliated issuers (Note 11)	25,925,676
Less: Foreign taxes withheld	(3,185)
Securities lending income (Note 4)	362
Interest from unaffiliated issuers	4,980,401
Interest from affiliated issuers	510,014
Interest paid in kind from affiliated issuers	3,233,908
Total income	<u>38,455,583</u>
<b>Expenses:</b>	
Investment advisory (Note 8)	9,703,774
Administration fees (Note 8)	1,950,054
Interest expense and commitment fees (Note 6)	4,649,508
Legal fees	1,365,087
Audit and tax preparation fees	817,400
Administration fees (Note 8)	477,619
Conversion expense (Note 1)	312,727
Reports to shareholders	250,698
Insurance	193,913
Trustees fees (Note 8)	189,523
Transfer agent fees	173,771
Pricing fees	156,959
Dividends and fees on securities sold short (Note 2)	63,675
Registration fees	34,664
Other	338,303
Total operating expenses	<u>20,677,675</u>
Net investment income	<u>17,777,908</u>
<b>Net Realized and Unrealized Gain (loss) on Investments</b>	
<b>Realized Gain (Loss) on:</b>	
Investments from unaffiliated issuers	(79,350,583)
Investments from affiliated issuers (Note 11)	(5,678,231)
Securities sold short (Note 2)	5,262,796
Written options contracts (Note 3)	397,574
Futures contracts (Note 3)	20,073,388
Foreign currency related transactions	46,716
<b>Net Change in Unrealized Appreciation (Depreciation) on:</b>	
Investments from unaffiliated issuers	13,654,677
Investments in affiliated issuers (Note 11)	(94,583,118)
Securities sold short (Note 2)	529,763
Futures contracts (Note 3)	1,102,319
Net realized and unrealized gain (loss) on investments	<u>(138,544,699)</u>
Total decrease in net assets resulting from operations	<u>(120,766,791)</u>

See accompanying Notes to Financial Statements. | 11

Table of Contents**STATEMENTS OF CHANGES IN NET ASSETS**

<b>NexPoint Strategic Opportunities Fund</b>		
	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>
	<b>(\$)</b>	<b>(\$)</b>
<b>Increase (Decrease) in Net Assets Operations:</b>		
Net investment income	17,777,908	26,116,377
Accumulated net realized (loss) on investments, securities sold short, written options, futures contracts and foreign currency transactions	(59,248,340)	(388,068)
Net change in unrealized appreciation (depreciation) on investments, securities sold short, written options contracts, futures and translation of assets and liabilities denominated in foreign currency	(79,296,359)	40,052,838
Net increase (decrease) in net assets resulting from operations	(120,766,791)	65,781,147
<b>Distributions Declared to Common Shareholders:</b>		
Distribution	(14,413,750)	(15,494,304)
Return of capital:	(42,706,352)	(81,197,706)
Total distributions declared to common shareholders:	(57,120,102)	(96,692,010)
Decrease in net assets from operations and distributions	(177,886,893)	(30,910,863)
<b>Share transactions:</b>		
Proceeds from sale of shares (Note 1)	—	237,277,987
Value of distributions reinvested	3,683,945	4,960,710
Cost of shares redeemed	(8,611,664)	(5,399,704)
Net increase (decrease) from shares transactions	(4,927,719)	236,838,993
Total increase (decrease) in net assets	(182,814,612)	205,928,130
<b>Net Assets</b>		
Beginning of year	973,639,303	767,711,173
End of year	790,824,691	973,639,303
<b>Change in Common Shares</b>		
Issued for distribution reinvested	330,241	264,738
Shares issued in rights offering (Note 12)	—	13,498,570
Shares redeemed (Note 1)	(513,204)	(254,500)
Net increase (decrease) in common shares	(182,963)	13,508,808

12 | See accompanying Notes to Financial Statements.

Table of Contents**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2020

NexPoint Strategic Opportunities Fund

	(\$)
<b>Cash Flows Used in Operating Activities:</b>	
Net decrease in net assets resulting from operations	(120,766,791)
<b>Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities:</b>	
Purchases of investment securities from unaffiliated issuers	60,238,129
Purchases of investment securities from affiliated issuers	(343,744,884)
Proceeds from the disposition of investment securities from unaffiliated issues	512,007,167
Proceeds from the disposition of investment securities from affiliated issues	68,067,266
Purchases of securities sold short	(41,037,575)
Proceeds of securities sold short	38,142,585
Net proceeds received on options contracts	397,574
Amortization/(accretion) of premiums	783,452
Net realized (gain)/loss on Investments from unaffiliated issuers	79,350,583
Net realized (gain)/loss on Investments from affiliated issuers	5,678,231
Net realized (gain)/loss on securities sold short and written options contracts	(5,660,370)
Net change in unrealized appreciation on affiliated investments	94,583,118
Net change in unrealized depreciation on investments in unaffiliated investments, securities sold short, and futures	(14,184,440)
(Increase)/decrease in receivable for investments sold	21,416,675
(Increase)/decrease in dividends and interest receivable	3,344,795
(Increase)/decrease in due from broker	68,105
(Increase)/decrease in prepaid expenses and other assets	(1,333,394)
(Increase)/decrease in receivable for variation margin	380,998
Increase/(decrease) in due to broker	(8,745,497)
Increase/(decrease) in payable for variation margin	(71,500)
Increase/(decrease) in payable for investments purchased	(5,132,663)
Increase/(decrease) in payable for accounting service fees	(81,105)
Increase/(decrease) in payables to related parties	(421,293)
Increase/(decrease) in payable for interest expense and commitment fees	(1,479,148)
Increase/(decrease) in accrued expenses and other liabilities	95,869
Net cash flow provided by operating activities	<u>341,895,888</u>
<b>Cash Flows Used In Financing Activities:</b>	
Increase/(decrease) in payable for reverse repurchase agreements	(147,939,960)
Increase/(decrease) in due to custodian	(8,190,737)
Increase/(decrease) in notes payable	(135,437,787)
Distributions paid in cash	(53,436,157)
Payments on shares redeemed	(8,611,664)
Proceeds from shares sold	323,924
Net cash flow used in financing activities	<u>(353,292,382)</u>
Effect of exchange rate changes on cash	46,716
Net Increase/(decrease) in Cash	<u>(11,349,778)</u>
<b>Cash, Cash Equivalents, Foreign Currency and Restricted Cash:</b>	
Beginning of period	20,353,457
End of period	<u>9,003,679</u>
<b>Supplemental disclosure of cash flow information:</b>	
Reinvestment of distributions	3,683,945
Cash paid during the period for interest expense and commitment fees	6,128,656

See accompanying Notes to Financial Statements. | 13

Table of Contents**FINANCIAL HIGHLIGHTS****NexPoint Strategic Opportunities Fund**

Selected data for a share outstanding throughout each period is as follows:

	2020	2019	2018	2017	2016
<b>Net Asset Value, Beginning of Year</b>	\$ 21.23	\$ 23.74	\$ 26.02	\$ 25.89	\$ 22.92
<b>Income from Investment Operations:</b>					
Net investment income <sup>(a)</sup>	0.39	0.65	0.75	0.93	4.08
Net realized and unrealized gain (loss)	(3.05)	0.97	0.83	2.88	1.69
Total from Investment Operations	(2.66)	1.62	1.58	3.81	5.77
<b>Less Distributions Declared to Common Shareholders:</b>					
From net investment income	(0.32)	(0.38)	(0.77)	(2.39)	(2.80)
From return of capital	(0.93)	(2.02)	(1.63)	(0.01)	—
Total distributions declared to Common Shareholders	(1.25)	(2.40)	(2.40)	(2.40)	(2.80)
<b>Issuance of Common Shares<sup>(d)</sup></b>					
Shares issued	—	(1.73)	(1.46)	(1.28)	—
<b>Net Asset Value, End of year<sup>(b)</sup></b>	\$ 17.32	\$ 21.23	\$ 23.74	\$ 26.02	\$ 25.89
<b>Market Value, End of year</b>	\$ 10.52	\$ 17.71	\$ 19.93	\$ 25.29	\$ 22.77
Market Value Total Return <sup>(e)</sup>	(33.42)%	4.76%	(8.93)%	27.31%	27.69%
<b>Ratios to Average Net Assets / Supplemental Data:</b>					
Net Assets, End of Period (000's)	\$ 790,825	\$ 973,639	\$ 767,711	\$ 592,309	\$ 414,800
<b>Common Shares Information at End of Period:</b>					
<b>Ratios based on average net assets of Common Shares:</b>					
Gross operating expenses <sup>(f)</sup>	2.54%	3.25%	2.65%	2.58%	3.12%
Net investment income	2.18%	2.91%	3.02%	3.69%	17.34%
<b>Ratios based on average Managed Assets (as defined in Note 8) of Common Shares:</b>					
Gross operating expenses <sup>(f)</sup>	2.12%	2.48%	2.14%	2.21%	2.17%
Net investment income	1.82%	2.23%	2.44%	3.16%	12.05%
Portfolio turnover rate <sup>(g)</sup>	20%	63%	48%	36%	41%
Average commission rate paid <sup>(h)</sup>	\$ .0217	\$ 0.0029	\$ 0.0263	\$ 0.0286	\$ 0.0294

(a) Net investment income (loss) per share was calculated using average shares outstanding during the period.

(b) Includes non-recurring dividend from NexPoint REIT.

(c) Less than 0.005%.

(d) Shares issued at a discount to NAV. The per share impact was derived by computing (A) the number of shares issued times (B) the difference between the net proceeds per share and NAV divided by (C) the total shares outstanding following the share issuance.

(e) Based on market value per share. Distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Company's Dividend Reinvestment Plan.

(f) Supplemental expense ratios are shown below:

(g) Excludes in-kind activity

(h) Represents the total dollar amount of commissions paid on portfolio transactions divided by total number of portfolio shares purchased and sold for which commissions were charged

14 | See accompanying Notes to Financial Statements.

Table of Contents**FINANCIAL HIGHLIGHTS**

<b>NexPoint Strategic Opportunities Fund</b>					
	<b>For the Years Ended December 31,</b>				
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Ratios based on average net assets of Common Shares:</b>					
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)	2.55%	3.25%	2.65%	2.58%	3.12%
Interest expense and commitment fees	0.57%	1.22%	0.90%	0.69%	0.93%
Dividends and fees on securities sold short	0.01%	—%	—%(c)	—%(c)	0.07%
<b>Ratios based on average Managed Assets of Common Shares:</b>					
Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)	2.11%	2.48%	2.14%	2.21%	2.17%
Interest expense and commitment fee	0.47%	0.93%	0.73%	0.59%	6.50%
Dividends and fees on securities sold short	0.01%	—%	—%(c)	—%(c)	0.05%
<b>Borrowings at end of period</b>					
Aggregate Amount Outstanding	45,000,000	332,977,746	244,107,979	31,933,494	124,983,081
Asset Coverage Per \$1,000	18,573.88	3,924.04	4,144.97	19,548.21	4,318.85

See accompanying Notes to Financial Statements. | 15

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December 31, 2020

NexPoint Strategic Opportunities Fund

**Note 1. Organization**

NexPoint Strategic Opportunities Fund (the "Company") is a Delaware statutory trust and is registered with the U.S. Securities and Exchange Commission (the "SEC") under the Investment Company Act of 1940, as amended (the "1940 Act"), as a non-diversified, closed-end management investment company. This report includes information for the year ended December 31, 2020. The Company trades on the New York Stock Exchange ("NYSE") under the ticker symbol NHF. The Company may issue an unlimited number of common shares, par value \$0.001 per share ("Common Shares"). The Company commenced operations on June 29, 2006. NexPoint Advisors, L.P. ("NexPoint" or the "Investment Adviser"), an affiliate of Highland Capital Management Company Advisors, L.P. ("Highland"), is the investment adviser and administrator to the Company.

On October 25, 2019, the Board of the Fund authorized the repurchase of up to \$25 million of the Fund's shares over a six-month period. Under this program, the Fund repurchased 414,604 shares through April 2020, at an average price of \$8.67, for a total investment of \$3.6 million. Upon retirement of the repurchased shares, the net asset value was \$6.8 million, or \$16.61 per share.

On April 24, 2020, the Company's Board of Trustees (the "Board") authorized the repurchase of up to 10% of the Company's shares over a twelve-month period. Under this program, the Company repurchased 98,600 shares through December 31, 2020, at an average price of \$10.18, for a total investment of \$1.0 million. Upon retirement of the repurchased shares, the net asset value was \$1.8 million, or \$17.51 per share. The Company's share repurchase program was superseded as of October 13, 2020, when the Board approved the Exchange Offer (defined below).

On August 28, 2020, shareholders of the Company approved a proposal to convert the Company into a real estate investment trust (a "REIT") and amended the Company's fundamental investment policies and restrictions to permit the Company to pursue its new business. The Company is in the process of realigning its portfolio so that it is no longer an investment company under the 1940 Act and continues to expect the Company to be able to transition its investment portfolio sufficient to qualify as a REIT for tax purposes by the first quarter of 2021. NexPoint expects to apply to the SEC for an order under the 1940 Act declaring that the Company has ceased to be an investment company in the first quarter of 2021.

On October 30, 2020, the Company announced the commencement of a tender offer to purchase the Company's common shares ("Common Shares") in exchange for consideration consisting of approximately 20% cash and 80% newly-issued 5.50% Series A Cumulative Preferred Shares,

liquidation preference \$25.00 per share ("Series A Preferred Shares") (collectively, the "Exchange Offer"). The Exchange Offer expired on January 4, 2021.

**Note 2. Significant Accounting Policies**

The following summarizes the significant accounting policies consistently followed by the Company in the preparation of its financial statements.

**Use of Estimates**

The Company is an investment company that follows the investment company accounting and reporting guidance of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946 *Financial Services – Investment Companies* applicable to investment companies. The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which require the Investment Adviser to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases or decreases in net assets from operations during the reporting period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

**Company Valuation**

The net asset value ("NAV") of the Company's common shares is calculated daily on each day that the NYSE is open for business as of the close of the regular trading session on the NYSE, usually 4:00 PM, Eastern Time. The NAV is calculated by dividing the value of the Company's net assets attributable to common shares by the numbers of common shares outstanding.

**Valuation of Investments**

The Company's investments are recorded at fair value. In computing the Company's net assets attributable to its common shares, securities with readily available market quotations on the NYSE, National Association of Securities Dealers Automated Quotation ("NASDAQ") or other nationally recognized exchange, use the closing quotations on the respective exchange for valuation of those securities. Securities for which there are no readily available market quotations will be valued pursuant to policies adopted by the Board. Typically, such securities will be valued at the mean between the most recently quoted bid and ask prices provided by the principal market makers. If there is more than one such principal market maker, the value shall be the average of such means. Securities without a sale price or quotations from principal market makers on the valuation



Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2020****NexPoint Strategic Opportunities Fund**

day may be priced by an independent pricing service. Generally, the Company's loan and bond positions are not traded on exchanges and consequently are valued based on a mean of the bid and ask price from the third-party pricing services or broker-dealer sources that the Investment Adviser has determined to have the capability to provide appropriate pricing services which have been approved by the Board.

Securities for which market quotations are not readily available, or for which the Company has determined that the price received from a pricing service or broker-dealer is "stale" or otherwise does not represent fair value (such as when events materially affecting the value of securities occur between the time when market price is determined and calculation of the Company's NAV, will be valued by the Company at fair value, as determined by the Board or its designee in good faith in accordance with procedures approved by the Board, taking into account factors reasonably determined to be relevant, including, but not limited to: (i) the fundamental analytical data relating to the investment; (ii) the nature and duration of restrictions on disposition of the securities; and (iii) an evaluation of the forces that influence the market in which these securities are purchased and sold. In these cases, the Company's NAV will reflect the affected portfolio securities' fair value as determined in the judgment of the Board or its designee instead of being determined by the market. Using a fair value pricing methodology to value securities may result in a value that is different from a security's most recent sale price and from the prices used by other investment companies to calculate their NAVs. Determination of fair value is uncertain because it involves subjective judgments and estimates.

There can be no assurance that the Company's valuation of a security will not differ from the amount that it realizes upon the sale of such security. Those differences could have a material impact to the Company. The NAV shown in the Company's financial statements may vary from the NAV published by the Company as of its period end because portfolio securities transactions are accounted for on the trade date (rather than the day following the trade date) for financial statement purposes.

**Fair Value Measurements**

The Company has performed an analysis of all existing investments and derivative instruments to determine the significance and character of inputs to their fair value determination. The levels of fair value inputs used to measure the Company's investments are characterized into a fair value hierarchy. Where inputs for an asset or liability fall into more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is

significant to that investment's valuation. The three levels of the fair value hierarchy are described below:

*Level 1* — Quoted unadjusted prices for identical instruments in active markets to which the Company has access at the date of measurement;

*Level 2* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active, but are valued based on executed trades; broker quotations that constitute an executable price; and alternative pricing sources supported by observable inputs are classified within Level 2. Level 2 inputs are either directly or indirectly observable for the asset in connection with market data at the measurement date; and

*Level 3* — Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. In certain cases, investments classified within Level 3 may include securities for which the Company has obtained indicative quotes from broker-dealers that do not necessarily represent prices the broker may be willing to trade on, as such quotes can be subject to material management judgment. Unobservable inputs are those inputs that reflect the Company's own assumptions that market participants would use to price the asset or liability based on the best available information.

The Investment Adviser has established policies and procedures, as described above and approved by the Board, to ensure that valuation methodologies for investments and financial instruments that are categorized within all levels of the fair value hierarchy are fair and consistent. A Pricing Committee has been established to provide oversight of the valuation policies, processes and procedures, and is comprised of personnel from the Investment Adviser and its affiliates. The Pricing Committee meets monthly to review the proposed valuations for investments and financial instruments and is responsible for evaluating the overall fairness and consistent application of established policies.

As of December 31, 2020, the Company's investments consisted of senior loans, asset-backed securities, corporate bonds and notes, collateralized loan obligations, convertible bonds foreign bonds and notes, sovereign bonds, common stocks, preferred stocks, warrants, LLC Interests and securities sold short. The fair value of the Company's loans, bonds and asset-backed securities are generally based on quotes received from brokers or independent pricing services. Loans, bonds, and asset-backed securities with quotes that are based on actual trades with a sufficient level of activity on or near the measurement date are classified as

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Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2020****NexPoint Strategic Opportunities Fund**

Level 2 assets. Senior loans, bonds and asset-backed securities that are priced using quotes derived from implied values, indicative bids, or a limited number of actual trades are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable.

The fair value of the Company's common stocks, preferred stocks, exchange-traded funds, other registered investment companies and warrants that are not actively traded on national exchanges are generally priced using quotes derived from implied values, indicative bids, or a limited amount of actual trades and are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable. The Company's real estate investments include equity interests in limited liability companies and equity issued by REITs that invest in commercial real estate. The fair value of real estate investments that are not actively traded on national exchanges are based on internal models developed by the Investment Adviser. The significant inputs to the models include cash flow projections for the underlying properties, capitalization rates and appraisals performed by independent valuation firms. These inputs are not readily observable, and the Company has classified the investments as Level 3 assets. Exchange-traded options are valued based on the last trade price on the primary exchange on which they trade. If an

option does not trade, the mid-price, which is the mean of the bid and ask price, is utilized to value the option.

At the end of each calendar quarter, the Investment Adviser evaluates the Level 2 and 3 assets and liabilities for changes in liquidity, including but not limited to: whether a broker is willing to execute at the quoted price, the depth and consistency of prices from third party services, and the existence of contemporaneous, observable trades in the market. Additionally, the Investment Adviser evaluates the Level 1 and 2 assets and liabilities on a quarterly basis for changes in listings or delistings on national exchanges.

Reverse repurchase agreements are prices at their acquisition cost, and assess for credit adjustments, which represent fair value. These investments will generally be categorized as Level 2 liabilities.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments may fluctuate from period to period. Additionally, the fair value of investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values the Company may ultimately realize. Further, such investments may be subject to legal and other restrictions on resale or otherwise be less liquid than publicly traded securities.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. A summary of the inputs used to value the Company's assets and liabilities as of December 31, 2020 is as follows:

	Total value at December 31, 2020	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
<b>NexPoint Strategic Opportunities Fund</b>				
<b>Assets</b>				
Common Stock				
Communication Services	\$ 70,708,625	\$ —	\$26,894,919	\$ 43,813,706
Energy	1,557,125	1,557,125	—	—
Financial	51,366,085	—	—	51,366,085
Gaming/Leisure	2,259,265	—	—	2,259,265
Healthcare	14,646,168	14,646,168	—	—
Industrials	1,096,000	—	1,096,000	—
Information Technology	14	14	—	—
Materials	2,177,975	393,600	1,784,375	—
Real Estate	78,972,814	8,431,354	—	70,541,460
Real Estate Investment Trust	185,772,302	—	—	185,772,302
Utilities	1,012,263	1,012,263	—	— <sup>(1)</sup>
LLC Interest				
Real Estate	213,954,183	—	60,211,260	153,742,923
Preferred Stock				
Financial	88,750,770	—	47,446,704	41,304,066
Real Estate	25,149,799	—	—	25,149,799
Real Estate Investment Trust	—	—	—	— <sup>(1)</sup>

Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2020****NexPoint Strategic Opportunities Fund**

	Total value at December 31, 2020	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
U.S. Senior Loans				
Communication Services	\$ 25,824,939	\$ —	\$ —	\$ 25,824,939
Gaming/Leisure	13,884,722	—	—	13,884,722
Real Estate	34,721,607	—	—	34,721,607
Utilities	151,244	—	151,244	—
Collateralized Loan Obligations	18,055,271	—	13,431,918	4,623,353
Sovereign Bonds	7,395,744	—	7,395,744	—
Warrants				
Energy	36,639	—	36,639	—
Industrials	1,255,785	—	1,255,785	—
Information Technology	591,763	—	591,763	—
Rights				
Utilities	1,787,493	—	1,787,493	—
Corporate Bonds & Notes				
Communication Services	80,755	—	80,755	—
Energy	7	—	7	— <sup>(1)</sup>
Real Estate	795,610	—	795,610	—
Utilities	7,500	—	7,500	—
Convertible Bonds				
Healthcare	304,693	—	304,693	—
Foreign Corporate Bonds & Notes				
Netherlands	—	—	—	— <sup>(1)</sup>
<b>Total Assets</b>	<b>842,317,160</b>	<b>26,040,524</b>	<b>163,272,409</b>	<b>653,004,227</b>
<b>Liabilities</b>				
Securities Sold Short				
Common Stock				
Information Technology	(1,843,670)	(1,843,670)	—	—
<b>Total Liabilities</b>	<b>(1,843,670)</b>	<b>(1,843,670)</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>\$ 840,473,490</b>	<b>\$ 24,196,854</b>	<b>\$ 163,272,409</b>	<b>\$ 653,004,227</b>

(1) This category includes securities with a value of zero.

The table below sets forth a summary of changes in the Company's Level 3 assets (assets measured at fair value using significant unobservable inputs) for the year ended December 31, 2020.

Security Type	Balance as of 12/31/2019	Transfers into Level 3	Transfers out of Level 3	Net Amortization (Accretion) of Premium/ (Discount)	Net Realized Gains/ Losses	Change in Unrealized Gains/ (Losses)	Net Purchases	Net (Sales)	Distribution to Return of Capital	Balance as of 12/31/2020	Change in Unrealized Appreciation (Depreciation) from Investments Held at December 31, 2020
US Senior Loans											
Communication Services	\$22,619,188	\$ —	\$ —	\$ —	\$ —	\$ 43,540	\$ 3,162,211	\$ —	\$ —	\$25,824,939	\$ 43,540
Gaming/Leisure	9,389,339	—	—	—	4,681	4,093,553	436,030	(38,881)	—	13,884,722	4,093,553
Metals & Materials	6,188,652	—	—	—	(4,581,662)	1,118,873	522,879	(3,248,742)	—	—	—
Real Estate	—	—	—	—	—	—	34,721,607	—	—	34,721,607	—
Corporate Bonds/Notes											
Energy	1,272,291	—	—	—	—	(1,272,291)	—	—	—	— <sup>(1)</sup>	(1,272,291)

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Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2020****NexPoint Strategic Opportunities Fund**

Security Type	Balance as of 12/31/2019	Transfers into Level 3	Transfers out of Level 3	Net Amortization (Accretion) of Premium/ (Discount)	Net Realized Gains/ Losses	Change in Unrealized Gains/ (Losses)	Net Purchases	Net (Sales)	Distribution to Return of Capital	Balance as of 12/31/2020	Change in Unrealized Appreciation (Depreciation) from Investments Held at December 31, 2020
Warrant											
Industrials	\$ 1,078	\$ —	\$ —	\$ —	\$ —	\$ (1,078)	\$ —	\$ —	\$ —	\$ —	\$ —
Preferred Stock											
Financial	—	47,907,753	—	—	—	(6,603,687)	—	—	—	41,304,066	(6,603,687)
Real Estate	21,430,783	—	—	—	—	3,757,163	—	—	(38,147)	25,149,799	3,757,163
Real Estate Investment Trust	109,277,912	2,464	—	—	(680,730)	2,566,724	3,594,370	(111,468,245)	(3,292,495)	— <sup>(1)</sup>	2,566,724
LLC Interest											
Real Estate	73,986,897	—	—	—	—	(5,763,477)	85,519,503	—	—	153,742,923	(5,763,477)
Collateralized Loan Obligation	504,179	4,974,358	—	—	—	(947,392)	92,208	—	—	4,623,353	(947,392)
Common Stock											
Communication Services	36,808,453	—	—	—	—	7,005,253	—	—	—	43,813,706	7,005,252
Financial	35,410,362	—	—	—	8,624	7,281,649	8,715,111	(49,661)	—	51,366,085	7,281,649
Gaming/Leisure	—	—	—	—	—	2,259,265	—	—	—	2,259,265	2,259,265
Materials	34,830	—	—	—	(1,105,193)	1,070,363	—	—	—	—	1,070,363
Real Estate	34,066,673	71,868,815	—	—	—	(84,365,689)	71,090,280	—	(22,118,619)	70,541,460	(84,365,689)
Real Estate Investment Trust	237,982,879	10,000,005	—	—	—	(11,605,389)	18,588,955	—	(69,194,148)	185,772,302	(11,605,388)
Utilities	—	—	—	—	221,594	—	—	(221,594)	—	— <sup>(1)</sup>	—
Foreign Corporate Bonds & Notes	—	—	—	—	—	—	—	—	—	— <sup>(1)</sup>	—
Netherlands	—	—	—	—	—	—	—	—	—	— <sup>(1)</sup>	—
<b>Total</b>	<b>\$588,973,516</b>	<b>\$134,753,395</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (6,132,686)</b>	<b>\$ (81,362,620)</b>	<b>\$226,443,154</b>	<b>\$ (115,027,123)</b>	<b>\$ (94,643,409)</b>	<b>\$653,004,227</b>	<b>\$ (82,480,415)</b>

(1) This category includes securities with a value of zero.

Investments designated as Level 3 may include assets or liabilities valued using quotes or indications furnished by brokers which are based on models or estimates without observable inputs and may not be executable prices. In light of the developing market conditions, the Investment Adviser continues to search for observable data points and evaluate broker quotes and indications received for portfolio investments.

For the year ended December 31, 2020, there were transfers in to Level 3. These transfers are primarily due to increased investments in level 3 real estate related positions. Determination of fair value is uncertain because it involves subjective judgments and estimates that are unobservable.

The following is a summary of significant unobservable inputs used in the fair valuation of assets and liabilities categorized within Level 3 of the fair value hierarchy:

Category	Market Value at December 31, 2020	Valuation Technique	Unobservable Inputs	Input Value(s)
Common Stock	\$ 353,752,818	Multiples Analysis Discounted Cash Flow Transaction Indication of Value	Unadjusted Price/MHz-PoP Discount Rate Enterprise Value (\$mm) Subscription Price Per Share Tender Offer	\$0.09 - \$0.95 7.25% - 22.0% \$771.0 \$16.61 \$1.10
		Direct Capitalization Method	Capitalization Rates	5.73% - 9.5%
Preferred Stock	66,453,865	Net Asset Value Discounted Cash Flow Third Party Indication of Value	Net Asset Value Discount Rate Broker Quote	\$36.56 11.0% Various
LLC Interest	153,742,923	Discounted Cash Flow Net Asset Value Transaction Indication of Value	Discount Rate Net Asset Value Cost Price Per Share	1.28% - 5.93% \$81.00 - \$82.00 \$1,063.47
U.S. Senior Loans	74,431,268	Discounted Cash Flow	Discount Rate	11.0% - 15.0%
Collateralized Loan Obligation	4,623,353	Discounted Cash Flow Third Party Indication of Value	Discount Rate Broker Quote	9.1% Various
<b>Total</b>	<b>\$ 653,004,227</b>			

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In addition to the unobservable inputs utilized for various valuation methodologies, the Company frequently uses a combination of two or more valuation methodologies to determine fair value for a single holding. In such instances, the Company assesses the methodologies and ascribes weightings to each methodology. The weightings ascribed to any individual methodology ranged from as low as 5% to as high as 95% as of December 31, 2020. The selection of weightings is an inherently subjective process, dependent on professional judgement. These selections may have a material impact to the concluded fair value for such holdings.

The significant unobservable input used in the fair value measurement of the Company's collateralized loan obligations is the discount rate and broker quote. Significant decreases (increases) in any of those inputs in isolation could result in a significantly higher (lower) fair value measurement.

The significant unobservable input used in the fair value measurement of the Company's preferred stock, U.S. Senior Loans, and LLC interests is the discount rate. Significant decreases (increases) in any of those inputs in isolation could result in a significantly higher (lower) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Company's common stock are the price/MHz-PoP multiple, discount rate, enterprise value, subscription price, tender offer, and capitalization rates. Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the risk discount is accompanied by a directionally opposite change in the assumption for the price/MHz-PoP multiple.

**Security Transactions**

Security transactions are accounted for on the trade date. Realized gains/(losses) on investments sold are recorded on the basis of the specific identification method for both financial statement and U.S. federal income tax purposes taking into account any foreign taxes withheld.

**Income Recognition**

Corporate actions (including cash dividends) are recorded on the ex-dividend date, net of applicable withholding taxes, except for certain foreign corporate actions, which are recorded as soon after ex-dividend date as such information becomes available and is verified. Interest income and PIK are recorded on the accrual basis.

Accretion of discount on taxable bonds and loans are computed to the maturity date, while amortization of premium on taxable bonds and loans is computed on the earliest call date, both using the effective yield method. Withholding

taxes on foreign dividends have been provided for in accordance with the Company's understanding of the applicable country's tax rules and rates.

**U.S. Federal Income Tax Status**

The Company is treated as a separate taxpayer for U.S. federal income tax purposes. The Company intends to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, (the "Code") as amended, and will distribute substantially all of its taxable income and gains, if any, for the tax year, and as such will not be subject to U.S. federal income taxes. In addition, the Company intends to distribute, in each calendar year, all of its net investment income, capital gains and certain other amounts, if any, such that the Company should not be subject to U.S. federal excise tax. Therefore, no U.S. federal income or excise tax provisions are recorded. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in Statement of Operations. During the year ended December 31, 2020, there were none.

The Investment Adviser has analyzed the Company's tax positions taken on U.S. federal income tax returns for all open tax years (current and prior three tax years), and has concluded that no provision for U.S. federal income tax is required in the Company's financial statements. The Company's U.S. federal and state income and U.S. federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue. Furthermore, the Investment Adviser of the Company is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next 12 months.

**Distributions to Shareholders**

The Company plans to pay distributions from net investment income monthly and net realized capital gains annually to common shareholders. To permit the Company to maintain more stable monthly distributions and annual distributions, the Company may from time to time distribute less than the entire amount of income and gains earned in the relevant month or year, respectively. The undistributed income and gains would be available to supplement future distributions. In certain years, this practice may result in the Company distributing, during a particular taxable year, amounts in excess of the amount of income and gains earned therein. Such distributions would result in a portion of each distribution occurring in that year to be treated as a return of capital to shareholders. Shareholders of the Company will automatically have all distributions reinvested in Common Shares of the Company issued by the Company in accordance with the Company's Dividend Reinvestment Plan (the

Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2020****NexPoint Strategic Opportunities Fund**

"Plan") unless an election is made to receive cash. The number of newly issued Common Shares to be credited to each participant's account will be determined by dividing the dollar amount of the dividend by the lesser of (i) the NAV per Common Share determined on the Declaration Date and (ii) the market price per Common Share as of the close of regular trading on the NYSE on the Declaration Date. Participants in the Plan requesting a sale of securities through the plan agent of the Plan are subject to a sales fee and a brokerage commission.

**Statement of Cash Flows**

Information on financial transactions which have been settled through the receipt or disbursement of cash is presented in the Statement of Cash Flows. The cash amount shown in the Statement of Cash Flows is the amount included within the Company's Statement of Assets and Liabilities and includes cash on hand at its custodian bank and/or sub-custodian bank(s) and investments in money market funds deemed to be cash equivalents, and restricted cash posted as collateral in a segregated account or with broker-dealers.

**Cash & Cash Equivalents**

The Company considers liquid assets deposited with a bank and certain short-term debt instruments of sufficient credit quality with original maturities of three months or less to be cash equivalents. The Company also considers money market instruments that invest in cash equivalents to be cash equivalents. These investments represent amounts held with financial institutions that are readily accessible to pay Company expenses or purchase investments. Cash and cash equivalents are valued at cost plus accrued interest, which approximates fair value. The value of cash equivalents denominated in foreign currencies is determined by converting to U.S. dollars on the date of this financial report. These balances may exceed the federally insured limits under the Federal Deposit Insurance Corporation ("FDIC").

**Foreign Currency**

Accounting records of the Company are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates using the current 4:00 PM London Time Spot Rate. Fluctuations in the value of the foreign currencies and other assets and liabilities resulting from changes in exchange rates, between trade and settlement dates on securities transactions and between the accrual and payment dates on dividends, interest income and foreign withholding taxes, are recorded as unrealized foreign currency gains/(losses). Realized gains/(losses) and unrealized appreciation/(depreciation) on investment securities and income and expenses are translated on the

respective dates of such transactions. The effects of changes in foreign currency exchange rates on investments in securities are not segregated in the Statement of Operations from the effects of changes in market prices of those securities, but are included with the net realized and unrealized gain or loss on investment securities.

**Securities Sold Short**

The Company may sell securities short. A security sold short is a transaction in which the Company sells a security it does not own in anticipation that the market price of that security will decline. When the Company sells a security short, it must borrow the security sold short from a broker-dealer and deliver it to the buyer upon conclusion of the transaction. A Company may have to pay a fee to borrow particular securities and is often obligated to pay over any dividends or other payments received on such borrowed securities. In some circumstances, a Company may be allowed by its prime broker to utilize proceeds from securities sold short to purchase additional investments, resulting in leverage. Securities and cash held as collateral for securities sold short are shown on the Investment Portfolio for the Company. Cash held as collateral for securities sold short is classified as restricted cash on the Statement of Assets and Liabilities, as applicable. Restricted cash in the amount of \$1,856,726 was held with the broker for the Company.

When securities are sold short, the Company intends to limit exposure to a possible market decline in the value of its portfolio securities through short sales of securities that the Investment Adviser believes possess volatility characteristics similar to those being hedged. In addition, the Company may use short sales for non-hedging purposes to pursue its investment objective. Subject to the requirements of the 1940 Act and the Internal Revenue Code of 1986, as amended (the "Code"), the Company will not make a short sale if, after giving effect to such sale, the market value of all securities sold short by the Company exceeds 25% of the value of its total assets. The Company may make short sales "against the box" without respect to such limitations.

**Other Fee Income**

Fee income may consist of origination/closing fees, amendment fees, administrative agent fees, transaction break-up fees and other miscellaneous fees. Origination fees, amendment fees, and other similar fees are non-recurring fee sources. Such fees are received on a transaction by transaction basis and do not constitute a regular stream of income and are recognized when incurred.

**Note 3. Derivative Transactions**

The Company is subject to interest rate risk in the normal course of pursuing its investment objectives. The Company



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enters into derivative transactions for the purpose of hedging against the effects of changes in the value of portfolio securities due to anticipated changes in market conditions, to gain market exposure for residual and accumulating cash positions and for managing the duration of fixed income investments.

**Options**

The Company may utilize options on securities or indices to varying degrees as part of their principal investment strategy. An option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the security underlying the option at a specified exercise or "strike" price. The writer of an option on a security has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price or to pay the exercise price upon delivery of the underlying security. The Company may hold options, write option contracts, or both.

If an option written by the Company expires unexercised, the Company realizes on the expiration date a capital gain equal to the premium received by the Company at the time the option was written. If an option purchased by the Company expires unexercised, the Company realizes a capital loss equal to the premium paid. Prior to the earlier of exercise or expiration, an exchange-traded option may be closed out by an offsetting purchase or sale of an option of the same series (type, underlying security, exercise price and expiration). There can be no assurance, however, that a closing purchase or sale transaction can be affected when the Company desires. The Company will realize a capital gain from a closing purchase transaction if the cost of the closing option is less than the premium received from writing the option, or, if the cost of the closing option is more than the premium received from writing the option, a capital loss. The Company will realize a capital gain from a closing sale transaction if the premium received from the sale is more than the original premium paid when the option position was opened, or a capital loss, if the premium received from a sale is less than the original premium paid.

**Reverse Repurchase Agreements**

The Company may engage in reverse repurchase agreement transactions with respect to instruments that are consistent with the Company's investment objective or policies. The Company did not hold any reverse repurchase agreements at December 31, 2020.

**Additional Derivative Information**

The Company is required to disclose; a) how and why an entity uses derivative instruments; b) how derivative instruments and related hedged items are accounted for; c) how

**NexPoint Strategic Opportunities Fund**

derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows; and d) how the netting of derivatives subject to master netting arrangements (if applicable) affects the net exposure of the Company related to the derivatives.

The fair value of derivative instruments on the Statement of Assets and Liabilities have the following risk exposure at December 31, 2020:

Risk Exposure	Fair Value	
	Asset Derivative	Liability Derivative
Foreign Exchange Risk	\$ —	\$ —

The effect of derivative instruments on the Statement of Operations for the year ended December 31, 2020, is as follows:

Risk Exposure	Net Realized Gain (Loss) on Derivatives	Net Change in Unrealized Appreciation/ (Depreciation) on Derivatives
Equity Price Risk	\$ 24,712,120 <sup>(1)(2)(3)</sup>	\$ 1,102,319 <sup>(1)</sup>
Foreign Currency Risk	(2,882,250) <sup>(1)</sup>	1,847,650 <sup>(4)</sup>

<sup>(1)</sup> Statement of Operations location: Realized gain (loss) on future contracts.

<sup>(2)</sup> Statement of Operations location: Realized gain (loss) on investments from unaffiliated issuers.

<sup>(3)</sup> Statement of Operations location: Realized gain (loss) on written options contracts.

<sup>(4)</sup> Statement of Operations location: Net change in unrealized appreciation/(depreciation) on investments from unaffiliated issuers.

The average monthly volume of derivative activity for the year ended December 31, 2020, is as follows:

	Units/ Contracts	Appreciation/ (Depreciation)
Purchased Options Contracts	227,083,969	\$ —
Written Options Contracts	313	—
Futures Contracts <sup>(1)</sup>	—	497,697

<sup>(1)</sup> Futures Contracts average monthly volume is calculated using Appreciation/(Depreciation).

**Note 4. Securities Lending**

Effective January, 7, 2020, the Investment Adviser entered into a securities lending agreement with The Bank of New York Mellon ("BNY" or the "Lending Agent"). Securities lending transactions are entered into by the Company under the Securities Lending Agreement, ("SLA") which permits the Company, under certain circumstances such as an event of default, to offset amounts payable by the Company to the same counterparty against amounts receivable from the counterparty to create a net payment due to or from the Company.

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The Company seeks additional income by making secured loans of its portfolio securities through its custodian. Such loans are not greater than one-third of the value of the Company's total assets. BNY would charge a Company fees based on a percentage of the securities lending income.

The market value of the loaned securities is determined at the close of each business day of the Company and any additional required collateral is delivered to the Company, or excess collateral is returned by the Company, on the next business day.

The Company receives collateral consisting of cash (U.S. and foreign currency), securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, sovereign debt, convertible bonds, irrevocable bank letters of credit or such other collateral as may be agreed on by the parties to a securities lending arrangement, initially with a value of 102% or 105% of the market value of the loaned securities and thereafter maintained at a value of 100% of the market value of the loaned securities. If the collateral consists of non-cash collateral, the borrower would pay the Company a loan premium fee. If the collateral consists of cash, BNY reinvests the cash. Although voting rights, or rights to consent, with respect to the loaned securities pass to the borrower, the Company would recall the loaned securities upon reasonable notice in order that the securities could be voted by the Company if the holders of such securities are asked to vote upon or consent to matters materially affecting the investment. The Company also could call such loans in order to sell the securities involved.

Securities lending transactions were entered into pursuant to SLA, which would provide the right, in the event of default (including bankruptcy or insolvency) for the non-defaulting party to liquidate the collateral and calculate a net exposure to the defaulting party or request additional collateral. In the event that a borrower defaulted, the Company, as lender, would offset the market value of the collateral received against the market value of the securities loaned. The value of the collateral is typically greater than that of the market value of the securities loaned, leaving the lender with a net amount payable to the defaulting party. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of an SLA counterparty's bankruptcy or insolvency. Under the SLA, the Company can reinvest cash collateral, or, upon an event of default, resell or repledge the collateral, and the borrower can resell or repledge the loaned securities. The risks of securities lending also include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. To mitigate this risk, each Company benefits from a

borrower default indemnity provided by BNY. BNY's indemnity generally provides for replacement of securities lent or the approximate value thereof.

**Note 5. U.S. Federal Income Tax Information**

The character of income and gains to be distributed is determined in accordance with income tax regulations which may differ from GAAP. These differences include (but are not limited to) investments organized as partnerships for tax purposes, foreign taxes, investments in futures, losses deferred to off-setting positions, tax treatment of organizational start-up costs, losses deferred due to wash sale transactions. Reclassifications are made to the Company's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. These reclassifications have no impact on the NAV of the Company.

For the year ended December 31, 2020, permanent differences chiefly resulting from foreign currency gains and losses, defaulted bonds, partnership basis adjustments, return of capital distributions from real estate investment trusts, passive foreign investment companies and paydowns and controlled foreign corporations were identified and reclassified among the components of the Company's net assets as follows:

Total Distributable Earnings (Loss)	Paid-in-Capital
\$(1,079,673)	\$ 1,079,673

For the year ended December 31, 2020, the Company's most recent tax year end, components of distributable earnings on a tax basis are as follows:

Undistributed Net Investment Income	Accumulated Capital and Other Losses	Net Tax Appreciation/ (Depreciation)
\$	\$ (107,505,838)	\$ (284,103,210)

For the year ended December 31, 2020, the Company had capital loss carryovers as indicated below. The capital loss carryovers are available to offset future realized capital gains to the extent provided in the Code and regulations promulgated thereunder. To the extent that these carryover losses are used to offset future capital gains, it is probable that the gains so offset will not be distributed to shareholders because they would be taxable as ordinary income.

No Expiration Short-Term	No Expiration Long-Term	Total
\$—	\$ 107,505,838	\$ 107,505,838

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The tax character of distributions paid during the years ended December 31, 2020 and December 31, 2019 (unless otherwise indicated) is as follows:

Distributions Paid From:	2020	2019
Ordinary Income <sup>(1)</sup>	\$ 14,413,750	\$ 15,470,784
Return of Capital	42,706,352	81,221,226

<sup>(1)</sup> For tax purposes, short-term capital gains distributions, if any, are considered ordinary income distributions.

Unrealized appreciation (depreciation) at December 31, 2020, based on cost of investments, short sales and foreign currency transactions for U.S. federal income tax purposes is:

Gross Appreciation	Gross Depreciation	Net Appreciation/ (Depreciation) <sup>(1)</sup>	Cost
\$55,140,100	\$ (339,243,310)	\$ (284,103,210)	\$ 1,128,396,722

<sup>(1)</sup> Any differences between book-basis and tax-basis net unrealized appreciation/(depreciation) are primarily due to wash sales, non-taxable dividends, partnership, Controlled Foreign Corporation and Passive Foreign Investment Company (Qualifying Electing Company) basis adjustments and defaulted bonds.

**Qualified Late Year Ordinary and Post October Losses**

Under current laws, certain capital losses and specified losses realized after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. For the fiscal year ended December 31, 2020, the Company did not elect to defer net realized losses incurred from November 1, 2020 through December 31, 2020.

**Note 6. Credit Agreements and Reverse Repurchase Agreement****Committed Facility Agreement with BNPP PB, Inc.**

On May 16, 2013, the Company entered into a Committed Facility Agreement with BNP Paribas Prime Brokerage, Inc. ("BNPP PB, Inc.") (the "Committed Facility Agreement"). The current facility size of the Committed Facility Agreement is \$135,000,000 and the Company is required to pay 0.55% on the uncommitted balance and LIBOR + a spread on amounts borrowed. The spread ranges from 0.60% to 1.30% depending on the quality of the holdings pledged to collateralize the loan. As of May 15, 2020, this Committed Facility Agreement was terminated with BNPP PB, Inc.

The Company's average daily balance was \$31,966,689 at a weighted average interest rate of 2.44% for the days outstanding, excluding any commitment fee. The maximum borrowed amount during the year was \$103,037,786. With respect to the note balance, interest expense of \$285,011 and uncommitted balance fee of \$214,089 are included in interest expense and commitment fees in the Statement of Operations.

**Repurchase Agreement with BNP Securities**

On November 16, 2017, the Company entered into an agreement with BNP Paribas Securities Corporation ("BNP Securities") under which it may from time to time enter into reverse repurchase transactions pursuant to the terms of a master repurchase agreement and related annexes (collectively the "Repurchase Agreement"). A reverse repurchase transaction is a repurchase transaction in which the Company is the seller of securities or other assets and agrees to repurchase them at a date certain or on demand. Pursuant to the Repurchase Agreement, the Company may agree to sell securities or other assets to BNP Securities for an agreed-upon price (the "Purchase Price"), with a simultaneous agreement to repurchase such securities or other assets from BNP Securities for the Purchase Price plus a price differential that is economically similar to interest. The price differential is negotiated for each transaction. As of May 15, 2020, this Repurchase Agreement was terminated with BNP securities. The Company's average daily balance was \$15,913,376 at a weighted average interest rate of 2.68% for the days outstanding.

**Repurchase Agreement with Mizuho Securities**

On September 25, 2018, the Company entered into an agreement with Mizuho Securities USA LLC ("Mizuho Securities") under which it may from time to time enter into reverse repurchase transactions pursuant to the terms of a master repurchase agreement and related annexes (collectively the "Repurchase Agreement"). A reverse repurchase transaction is a repurchase transaction in which the Company is the seller of securities or other assets and agrees to repurchase them at a date certain or on demand. Pursuant to the Repurchase Agreement, the Company may agree to sell securities or other assets to Mizuho Securities for an agreed upon price (the "Purchase Price"), with a simultaneous agreement to repurchase such securities or other assets from Mizuho Securities for the Purchase Price plus a price differential that is economically similar to interest. The price differential is negotiated for each transaction. This creates leverage for the Company because the cash received can be used to purchase other securities. At December 31, 2020, the Company's outstanding balance on the Mizuho Securities was \$0. The Company's average daily balance was \$82,171,213 at a weighted average interest rate of 3.15% for the days outstanding.

**Revolving Credit Agreement with KeyBank**

On August 14, 2018, the Company, together with its wholly owned REIT subsidiaries, entered into an amended and restated revolving credit agreement (the "Revolving Credit Agreement") with KeyBank, National Association ("KeyBank") whereby KeyBank agreed to loan the Company up to \$75,000,000 until September 13, 2018, and



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\$60,000,000 after September 14, 2018, with interest paid at a rate of LIBOR + 2.00%. The Company paid a commitment fee of \$375,000 to KeyBank as a condition to closing.

On September 24, 2019, the Company amended the Revolving Credit Agreement to temporarily increase the aggregate Commitments to \$97,500,000 until October 24, 2019, when the aggregate Commitments were reduced to \$60,000,000. The Company paid an amendment fee in the amount of \$37,500 as a condition to closing.

On November 26, 2019, the Company amended the Revolving Credit Agreement to temporarily increase the aggregate Commitments to \$100,000,000 until December 26, 2019, when the aggregate Commitments were reduced to \$60,000,000. The Company paid an amendment fee in the amount of \$40,000 as a condition to closing.

On December 26, 2019, the Company amended the Revolving Credit Agreement to extend the term of the prior temporary increase to January 15, 2020.

On February 7, 2020, the Company amended the Revolving Credit Agreement to reduce the aggregate Commitments to \$45,000,000.

On September 17, 2020, the Company entered into a waiver and amendment to the Revolving Credit Agreement pursuant to which the Company agreed to an amortization schedule to reduce the aggregate Commitments, the maturity date was extended to August 14, 2021, and KeyBank agreed to waive an Existing Default (as defined in the Revolving Credit Agreement). The Company paid an extension and amendment fee in the amount of \$112,500 as a condition to closing.

On October 30, 2020, the Company's custodian failed to process interest payments owed to the Company on certain investments which resulted in the Company's failure to make a payment to KeyBank in the amount of \$3,000,000, which, pursuant to the terms of the Bridge Agreement, resulted in an event of default on November 4, 2020. On November 13, 2020, KeyBank provided a written waiver of the event of default and the Company repaid the outstanding amount due of \$3,000,000.

On November 13, 2020, the Company entered into a waiver to the Revolving Credit Agreement pursuant to which KeyBank agreed to waive an Existing Default (as defined in the Revolving Credit Agreement).

The maturity date of the Revolving Credit Agreement is August 14, 2021, subject to extensions, and interest is paid at a rate of LIBOR + 2.00%.

As of December 31, 2020, the carrying value of the Revolving Credit Agreement was \$45,000,000. The fair value of the outstanding Revolving Credit Agreement is estimated to be

**NexPoint Strategic Opportunities Fund**

\$45,019,620 and would be categorized as Level 3 within the fair value hierarchy. The fair value was estimated based on discounting the cash flows owed using a discount rate of 0.50% over the 90-day risk free rate.

For the year ended December 31, 2020, the average daily note balance was \$53,191,803 at a weighted average interest rate of 2.64%, excluding any commitment fee. The maximum borrowed amount during the year was \$77,400,000. With respect to the note balance, interest expense of \$1,414,901 and uncommitted balance fee of \$0 are included in interest expense and commitment fees in the Statement of Operations.

**Note 7. Asset Coverage**

The Company is required to maintain 300% asset coverage with respect to amounts outstanding (excluding short-term borrowings) under its various leverage facilities. Asset coverage is calculated by subtracting the Company's total liabilities, not including any amount representing bank borrowings and senior securities, from the Company's total assets and dividing the result by the principal amount of the borrowings outstanding. As of the dates indicated below, the Company's debt outstanding and asset coverage was as follows:

Date	Total Amount Outstanding	% of Asset Coverage of Indebtedness
12/31/2020	\$ 45,000,000	1,858.3%
12/31/2019	332,977,746 <sup>(3)</sup>	392.4 <sup>(3)</sup>
12/31/2018	244,107,979 <sup>(3)</sup>	414.5 <sup>(3)</sup>
12/31/2017	31,933,494	1,954.8
12/31/2016	124,983,081	431.9
12/31/2015	186,625,315 <sup>(1)</sup>	296.2 <sup>(1)(2)</sup>
12/31/2014	385,336,455	323.0
12/31/2013	318,500,000	327.5
12/31/2012	225,000,000	311.7
12/31/2011	173,000,000	356.1

(1) Excludes borrowings of \$29,300,000 deemed to be short-term in nature.

(2) The Company closes its net asset value daily, and using asset prices available at the time of the December 31, 2015 NAV close, the Company calculated asset coverage of greater than 300%. The Company received updated prices for certain instruments in January that were used for financial reporting purposes as part of this report. These updated prices pushed the percentage of asset coverage down to 296.2%. As of February 4, 2016, the date that the Company declared the February monthly dividend, the percentage of asset coverage was over 300%.

(3) The KeyBank Bridge Agreement referenced in Note 6 is shared with two subsidiaries, of which the Company acts as a guarantor for the agreement. As such, an additional \$4.6mm of the subsidiaries borrowings on the KeyBank Bridge Agreement is reflected in the asset coverage table for a comprehensive view of the Asset Coverage of Indebtedness percentage.

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December 31, 2020

NexPoint Strategic Opportunities Fund

**Note 8. Investment Advisory, Administration and Trustee Fees****Investment Advisory Fee**

The Investment Adviser to the Company receives an annual fee, paid monthly, in an amount equal to 1.00% of the average weekly value of the Company's Managed Assets. The Company's "Managed Assets" is an amount equal to the total assets of the Company, including any form of leverage, minus all accrued expenses incurred in the normal course of operations, but not excluding any liabilities or obligations attributable to investment leverage obtained through (i) indebtedness of any type (including, without limitation, borrowing through a credit facility or the issuance of debt securities), (ii) the issuance of preferred stock or other preference securities, (iii) the reinvestment of collateral received for securities loaned in accordance with the Company's investment objectives and policies, and/or (iv) any other means.

**Administration Fee**

The Investment Adviser provides administrative services to the Company. For its services, the Investment Adviser receives an annual fee, payable monthly, in an amount equal to 0.20% of the average weekly value of the Company's Managed Assets. Under a separate sub-administration agreement, the Investment Adviser has delegated certain administrative functions to SEI Global Funds Services ("SEI"). The Investment Adviser pays SEI directly for these sub-administration services.

**Fees Paid to Officers and Trustees**

Each Trustee (other than Mr. Constantino) received an annual retainer of \$150,000 payable in quarterly installments and allocated among each portfolio in the Fund Complex overseen by such Trustee based on relative net assets. The annual fee for Mr. Constantino is prorated based on the Company's allocable portion of the annual retainer. The "Fund Complex" consists of all of the registered investment companies advised by the Investment Adviser or its affiliated advisers and NexPoint Capital, Inc., a closed-end management investment company that has elected to be treated as a business development company under the 1940 Act as of the date of this report.

The Company pays no compensation to its officers, all of whom are employees of the Investment Adviser or one of its affiliates.

Trustees are reimbursed for actual out-of-pocket expenses relating to attendance at meetings, however, the Chairman of the Board and the Chairman of the Audit and Qualified Legal Compliance Committee each receive an additional

payment of \$10,000 payable in quarterly installments and allocated among each portfolio in the Fund Complex based on relative net assets.

The Trustees do not receive any separate compensation in connection with service on Committees or for attending Board or Committee Meetings. The Trustees do not have any pension or retirement plan.

**Indemnification**

Under the Company's organizational documents, the officers and Trustees have been granted certain indemnification rights against certain liabilities that may arise out of performance of their duties to the Company. Additionally, in the normal course of business, the Company may enter into contracts with service providers that contain a variety of indemnification clauses. The Company's maximum exposure under these arrangements is dependent on future claims that may be made against the Company and, therefore, cannot be estimated.

**Note 9. Disclosure of Significant Risks and Contingencies**

The Company's investments expose the Company to various risks, certain of which are discussed below. Please refer to the Company's prospectus and statement of additional information for a full listing of risks associated with the Company's investments.

**Counterparty Risk**

Counterparty risk is the potential loss the Company may incur as a result of the failure of a counterparty or an issuer to make payments according to the terms of a contract. Counterparty risk is measured as the loss the Company would record if its counterparties failed to perform pursuant to the terms of their obligations to the Company. Because the Company may enter into over-the-counter forwards, options, swaps and other derivative financial instruments, the Company may be exposed to the credit risk of their counterparties. To limit the counterparty risk associated with such transactions, the Company conducts business only with financial institutions judged by the Investment Adviser to present acceptable credit risk.

**Covenant-Lite Loans Risk**

Loans in which the Company invests include covenant-lite loans, which carry more risk to the lender than traditional loans as they may contain fewer or less restrictive covenants on the borrower than traditionally included in loan documentation or may contain other borrower friendly characteristics. The Company may experience relatively greater difficulty or delays in enforcing its rights on its holdings of certain covenant-lite loans and debt securities than its holdings of loans or securities with the usual covenants.

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NexPoint Strategic Opportunities Fund

**Emerging Markets Risk**

Any investments in Emerging Market Countries (countries in which the capital markets are developing) may involve greater risks than investments in more developed markets and the prices of such investments may be more volatile. The consequences of political, social or economic changes in these markets may have disruptive effects on the market prices of the Company's investments and the income they generate, as well as the Company's ability to repatriate such amounts.

**Equity Securities Risk**

The risk that stock prices will fall over short or long periods of time. In addition, common stocks represent a share of ownership in a company, and rank after bonds and preferred stock in their claim on the company's assets in the event of bankruptcy.

**Illiquid and Restricted Securities Risk**

Certain investments made by the Company may be illiquid, and consequently the Company may not be able to sell such investments at prices that reflect the Investment Adviser's assessment of their value or the amount originally paid for such investments by the Company. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale and other factors. Furthermore, the nature of the Company's investments, especially those in financially distressed companies, may require a long holding period prior to profitability. Restricted securities (i.e., securities acquired in private placement transactions) and illiquid securities may offer higher yields than comparable publicly traded securities. The Company, however, may not be able to sell these securities when the Investment Adviser considers it desirable to do so or, to the extent they are sold privately, may have to sell them at less than the price of otherwise comparable securities. Restricted securities are subject to limitations on resale which can have an adverse effect on the price obtainable for such securities. Also, if in order to permit resale the securities are registered under the Securities Act at a Company's expense, the Company's expenses would be increased. A high percentage of illiquid securities in a Company creates a risk that such a Company may not be able to redeem its shares without causing significant dilution to remaining shareholders.

**Interest Rate Risk**

The risk that fixed income securities will decline in value because of changes in interest rates. When interest rates decline, the value of fixed rate securities already held by the Company can be expected to rise. Conversely, when interest rates rise, the value of existing fixed rate portfolio securities can be expected to decline. A Company with a longer

average portfolio duration will be more sensitive to changes in interest rates than a Company with a shorter average portfolio duration.

On July 27, 2017, the head of the United Kingdom's Financial Conduct Authority announced a desire to phase out the use of the London Interbank Offered Rate ("LIBOR") by the end of 2021. Please refer to "LIBOR Transition and Associated Risk" for more information.

**Leverage Risk**

The Company may use leverage in its investment program, including the use of borrowed funds and investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Company purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the Company's use of leverage would result in a lower rate of return than if the Company were not leveraged.

**LIBOR Transition and Associated Risk**

Certain instruments held by the Company pay an interest rate based on the London Interbank Offered Rate ("LIBOR"), which is the average offered rate for various maturities of short-term loans between certain major international banks. LIBOR is expected to be phased out by the end of 2021. While the effect of the phase out cannot yet be determined, it may result in, among other things, increased volatility or illiquidity in markets for instruments based on LIBOR and changes in the value of such instruments.

**Pandemics and Associated Economic Disruption**

An outbreak of respiratory disease caused by a novel coronavirus was first detected in China in December 2019 and subsequently spread internationally. This coronavirus has resulted in the closing of borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general anxiety and economic uncertainty. The impact of this coronavirus may be short term or may last for an extended period of time and result in a substantial economic downturn. Health crises caused by outbreaks of disease, such as the coronavirus, may exacerbate other pre-existing political, social and economic risks. This outbreak, and other epidemics and pandemics that may arise in the future, could negatively affect the global economy, as well as the economies of individual

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countries, individual companies and the market in general in significant and unforeseen ways. For example, a widespread health crisis such as a global pandemic could cause substantial market volatility, exchange trading suspensions and closures, impact the Company's ability to complete repurchase requests, and affect Company performance. Any such impact could adversely affect the Company's performance, the performance of the securities in which the Company invests, lines of credit available to the Company and may lead to losses on your investment in the Company. In addition, the increasing interconnectedness of markets around the world may result in many markets being affected by events or conditions in a single country or region or events affecting a single or small number of issuers.

**Preferred Share Risk**

The risk associated with the issuance of preferred shares to leverage the common shares. When preferred shares are issued, the NAV and market value of the common shares become more volatile, and the yield to the holders of common shares will tend to fluctuate with changes in the shorter-term dividend rates on the preferred shares. The Company will pay (and the holders of common shares will bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred shares, including higher advisory fees. Accordingly, the issuance of preferred shares may not result in a higher yield or return to the holders of the common shares. If the dividend rate and other costs of the preferred shares approach the net rate of return on the Company's investment portfolio, the benefit of leverage to the holders of the common shares would be reduced. If the dividend rate and other costs of the preferred shares exceed the net rate of return on the Company's investment portfolio, the leverage will result in a lower rate of return to the holders of common shares than if the Company had not issued preferred shares.

**Preferred Stock Risk**

Preferred stock, which may include preferred stock in real estate transactions, represents an equity or ownership interest in an issuer that pays dividends at a specified rate and that has precedence over common stock in the payment of dividends. In the event an issuer is liquidated or declares bankruptcy, the claims of creditors and owners of bonds take precedence over the claims of those who own preferred and common stock. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing the price of preferred stocks to decline. Preferred stock may have mandatory sinking Company provisions, as well as provisions allowing the stock to be called or redeemed prior to its maturity, which can have a negative impact on the stock's price when interest rates decline. Unlike interest on debt securities, preferred stock dividends are payable only if

declared by the issuer's board. The value of convertible preferred stock can depend heavily upon the value of the security into which such convertible preferred stock is converted, depending on whether the market price of the underlying security exceeds the conversion price.

**Real Estate Industry Risk**

Issuers principally engaged in real estate industry, including real estate investment trusts, may be subject to risks similar to the risks associated with the direct ownership of real estate, including: (i) changes in general economic and market conditions; (ii) changes in the value of real estate properties; (iii) risks related to local economic conditions, overbuilding and increased competition; (iv) increases in property taxes and operating expenses; (v) changes in zoning laws; (vi) casualty and condemnation losses; (vii) variations in rental income, neighborhood values or the appeal of property to tenants; (viii) the availability of financing and (ix) changes in interest rates and leverage.

**REIT-Specific Risk**

Real estate investments are subject to various risk factors. Generally, real estate investments could be adversely affected by a recession or general economic downturn where the properties are located. Real estate investment performance is also subject to the success that a particular property manager has in managing the property.

**Risks Associated with Options on Securities**

There are several risks associated with transactions in options on securities. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A transaction in options or securities may be unsuccessful to some degree because of market behavior or unexpected events.

When the Company writes a covered call option, the Company forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but retains the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation and once an option writer has received an exercise notice, it must deliver the underlying security in exchange for the strike price.

When the Company writes a covered put option, the Company bears the risk of loss if the value of the underlying stock declines below the exercise price minus the put premium. If the option is exercised, the Company could incur a loss if it is required to purchase the stock underlying the put option at a



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NexPoint Strategic Opportunities Fund

price greater than the market price of the stock at the time of exercise plus the put premium the Company received when it wrote the option. While the Company's potential gain in writing a covered put option is limited to distributions earned on the liquid assets securing the put option plus the premium received from the purchaser of the put option, the Company risks a loss equal to the entire exercise price of the option minus the put premium.

**Risks of Investing in Obligations of Stressed, Distressed and Bankrupt Issuers**

The Company may invest in companies that are troubled, in distress or bankrupt. As such, they are subject to a multitude of legal, industry, market, environmental and governmental forces that make analysis of these companies inherently difficult. Further, the Investment Adviser relies on company management, outside experts, market participants and personal experience to analyze potential investments for the Company. There can be no assurance that any of these sources will prove credible, or that the resulting analysis will produce accurate conclusions.

**Risks of Investing in Senior Loans**

The risk that the issuer of a senior loan may fail to pay interest or principal when due, and changes in market interest rates may reduce the value of the senior loan or reduce the Company's returns. The risks associated with senior loans are similar to the risks of high yield debt securities. Senior loans and other debt securities are also subject to the risk of price declines and to increases in interest rates, particularly long-term rates. Senior loans are also subject to the risk that, as interest rates rise, the cost of borrowing increases, which may increase the risk of default. In addition, the interest rates of floating rate loans typically only adjust to changes in short-term interest rates; long-term interest rates can vary dramatically from short-term interest rates. Therefore, senior loans may not mitigate price declines in a long-term interest rate environment. The Company's investments in senior loans are typically below investment grade and are considered speculative because of the credit risk of their issuers.

On July 27, 2017, the head of the United Kingdom's Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. Due to this announcement, there remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on the Company or the financial instruments in which the Company invests cannot yet be determined.

**Risks of Non-Diversification and Other Focused Strategies**

While the Investment Adviser invests in a number of fixed income and equity instruments issued by different issuers and employs multiple investment strategies with respect to the Company's investment portfolio, it is possible that a significant amount of the Company's investments could be invested in the instruments of only a few companies or other issuers or that at any particular point in time one investment strategy could be more heavily weighted than the others. The focus of the Company's investment portfolio in any one issuer would subject the Trust to a greater degree of risk with respect to defaults by such issuer or other adverse events affecting that issuer, and the focus of the portfolio in any one industry or group of industries would subject the Company to a greater degree of risk with respect to economic downturns relating to such industry or industries. The focus of the Company's investment portfolio in any one investment strategy would subject the Company to a greater degree of risk than if the Company's investment portfolio were varied in its investments with respect to several investment strategies.

**Reverse Repurchase Agreement Risk**

The Company may enter into reverse repurchase transactions with BNP Securities or other banks and securities dealers. A reverse repurchase transaction is a repurchase transaction in which the Company is the seller of, rather than the investor in, securities or other assets and agrees to repurchase them at a date certain or on demand. Use of a reverse repurchase transaction may be preferable to a regular sale and later repurchase of securities or other assets because it avoids certain market risks and transaction costs. Reverse repurchase transactions involve the risk that the market value of securities and/or other assets purchased by the Company with the proceeds received by the Company in connection with such reverse repurchase transactions may decline below the market value of the securities the Company is obligated to repurchase under such reverse repurchase transactions. They also involve the risk that the counterparty liquidates the securities delivered to it by the Company under the reverse repurchase agreement following the occurrence of an event of default under the reverse repurchase agreement by the Company. At the time when the Company enters into a reverse repurchase transactions, liquid securities (cash, U.S. Government securities or other debt obligations) of the Company having a value at least as great as the Purchase Price of the securities to be purchased will be segregated on the books of the Company throughout the period of the obligation. The use of these investment strategies may increase net asset value fluctuation.

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NexPoint Strategic Opportunities Fund

**Senior Loans Risk**

The Company's investments in Senior Loans are typically below investment grade and are considered speculative because of the credit risk of their issuers. As with any debt instrument, Senior Loans are generally subject to the risk of price declines and to increases in interest rates, particularly long term rates. Senior loans are also subject to the risk that, as interest rates rise, the cost of borrowing increases, which may increase the risk of default. In addition, the interest rates of floating rate loans typically only adjust to changes in short-term interest rates; long-term interest rates can vary dramatically from short-term interest rates. Therefore, senior Loans may not mitigate price declines in a rising long term interest rate environment. The secondary market for loans is generally less liquid than the market for higher grade debt. Less liquidity in the secondary trading market could adversely affect the price at which the Company could sell a loan, and could adversely affect the Company's income. The volume and frequency of secondary market trading in such loans varies significantly over time and among loans. Although Senior Loans in which the Company will invest will often be secured by collateral, there can be no assurance that liquidation of such collateral would satisfy the Borrower's obligation in the event of a default or that such collateral could be readily liquidated.

LIBOR is the average offered rate for various maturities of short-term loans between major international banks who are members of the British Bankers Association. LIBOR is the most common benchmark interest rate index used to make adjustments to variable-rate loans. It's used throughout global banking and financial industries to determine interest rates for a variety of financial instruments (such as debt instruments and derivatives) and borrowing arrangements. Due to manipulation allegations in 2012 and reduced activity in the financial markets that it measures, in July 2017, the Financial Conduct Authority, the United Kingdom financial regulatory body, announced a desire to phase out the use of LIBOR by the end of 2021. Please refer to "Interest Rate Risk" for more information.

**Short Sales Risk**

Short sales by the Company that are not made where there is an offsetting long position in the asset that it is being sold short theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. Short selling allows the Company to profit from declines in market prices to the extent such decline exceeds the transaction costs and costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. Purchasing securities to close out

the short position can itself cause the price of securities to rise further, thereby exacerbating the loss. The Company may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, the Company might have difficulty purchasing securities to meet margin calls on its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

If other short positions of the same security are closed out at the same time, a "short squeeze" can occur where demand exceeds the supply for the security sold short. A short squeeze makes it more likely that the Company will need to replace the borrowed security at an unfavorable price.

**Structured Finance Securities Risk**

A portion of the Company's investments may consist of equipment trust certificates, collateralized mortgage obligations, collateralized bond obligations, collateralized loan obligations or similar instruments. Such structured finance securities are generally backed by an asset or a pool of assets, which serve as collateral. Depending on the type of security, the collateral may take the form of a portfolio of mortgage loans or bonds or other assets. The Company and other investors in structured finance securities ultimately bear the credit risk of the underlying collateral. In some instances, the structured finance securities are issued in multiple tranches, offering investors various maturity and credit risk characteristics, often categorized as senior, mezzanine and subordinated/equity according to their degree of risk. The riskiest securities are the equity tranche, which bears the bulk of defaults from the bonds or loans serving as collateral, and thus may protect the other, more senior tranches from default. If there are defaults or the relevant collateral otherwise underperforms, scheduled payments to senior tranches of such securities take precedence over those of mezzanine tranches, and scheduled payments to mezzanine tranches take precedence over those to subordinated/equity tranches. A senior tranche typically has higher ratings and lower yields than the underlying securities, and may be rated investment grade. Despite the protection from the equity tranche, other tranches can experience substantial losses due to actual defaults, increased sensitivity to defaults due to previous defaults and the disappearance of protecting tranches, market anticipation of defaults and aversion to certain structured finance securities as a class.

**Gain Contingency**

Claymore Holdings, LLC, a partially-owned affiliate of the Company, is engaged in ongoing litigation that could result in a possible gain contingency to the Company. The probability,

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timing, and potential amount of recovery, if any, are unknown.

**Valuation Risk**

Certain of the Company's assets are fair valued, including the Company's investment in equity issued by TerreStar Corporation ("TerreStar"). TerreStar is a nonoperating company that does not currently generate substantial revenue and which primarily derives its value from licenses for use of two spectrum frequencies, the license with respect to one of which was granted a conditional waiver by the FCC on April 30, 2020. The fair valuation of TerreStar involved sig-

nificant uncertainty as it is materially dependent on estimates of the value of both spectrum licenses.

**Note 10. Investment Transactions Purchases & Sales of Securities**

The cost of purchases and the proceeds from sales of investments, other than short-term securities, for the period ended December 31, 2020, were as follows:

Purchases	Sales
\$188,597,294	\$ 465,326,197

**Note 11. Affiliated Issuers**

Under Section 2(a)(3) of the 1940 Act, as amended, a portfolio company is defined as "affiliated" if a Fund owns five percent or more of its outstanding voting securities or if the portfolio company is under common control. The table below shows affiliated issuers of the Company as of December 31, 2020:

Issuer	Shares at December 31, 2019	Beginning Value as of December 31, 2019	Purchases at Cost	Proceeds from Sales	Distribution to Return of Capital	Net Realized Gain/Loss on the Sales of Affiliated Issuers	Change Unrealized Appreciation/ Depreciation	Ending Value as of December 31, 2020	Shares at December 31, 2020	Affiliated Income
<b>Majority Owned, Not Consolidated</b>										
NexPoint Real Estate Opportunities, LLC, REIT (Common Stocks)	146,055,529	\$ 237,982,879	\$ 1,808,905	\$ —	\$ (69,194,148)	\$ —	\$ (14,479,782)	\$ 156,117,854	147,179,635	\$8,076,959
NexPoint Real Estate Capital Specialty Financial Products, Ltd. (Common Stocks)	11,389,726	34,066,670	69,870,183	—	(22,118,619)	—	(18,190,502)	63,627,732	131,663,561	6,842,167
<b>Other Affiliates</b>										
SFR WLIF I, LLC	38,998,415	35,254,567	8,715,111	(49,661)	—	8,624	7,365,450	51,294,091	48,258,624	39
SFR WLIF II, LLC	40,322,605	39,730,669	—	—	—	—	(6,902,020)	32,828,649	40,322,605	3,276,322
SFR WLIF III, LLC	26,968,904	26,714,857	—	—	—	—	(4,625,437)	22,089,420	26,968,904	2,181,655
LLV Holdco LLC (U.S. Senior Loans, Common Stocks & Warrants)	7,708,491	7,541,371	—	—	—	—	(568,116)	6,973,255	7,708,491	384,210
NexPoint Residential Trust, Inc.	11,763,530	9,389,339	436,030	—	—	—	6,195,926	16,021,295	11,763,530	149,702
NexPoint Hospitality Trust	81,229	3,655,305	77,924	—	(104,304)	—	(62,192)	3,566,733	84,300	(23,140)
NREF OP I REIT	13,370,573	66,719,159	1,002,793	—	—	—	(62,836,345)	4,885,607	13,571,131	—
NREF OP IV REIT	—	—	7,944,794	—	—	—	(1,382,394)	6,562,400	397,240	563,992
JCAP Holdco, LLC	—	—	64,873,714	(64,873,714)	—	—	—	—	—	3,095,268
NexPoint Real Estate Finance Operating Partnership, L.P.	—	—	85,519,503	—	—	—	6,332,096	91,851,599	86,369	—
TerreStar Corp. (U.S. Senior Loans & Common Stocks)	—	—	64,873,713	—	—	—	(11,224,853)	53,648,860	3,247,510	1,299,004
	22,797,318	59,427,642	3,160,417	—	—	—	7,050,586	69,638,645	25,957,740	2,711,029

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Issuer	Shares at December 31, 2019	Beginning Value as of December 31, 2019	Purchases at Cost	Proceeds from Sales	Distribution to Return of Capital	Net Realized Gain/Loss on the Sales of Affiliated Issuers	Change Unrealized Appreciation/ Depreciation	Ending Value as of December 31, 2020	Shares at December 31, 2020	Affiliated Income
United Development Funding IV	1,763,581	5,149,656	—	—	—	—	(3,121,538)	2,028,118	1,763,581	229,201
Euramax International (U.S. Senior Loans, Common Stocks & Warrants)	7,352,734	6,224,560	522,879	(3,143,891)	—	(5,686,855)	2,083,307	—	—	630,525
<b>Other Controlled</b>										
Allenby (Common Stocks)	631,135	1	32,162	—	—	—	(32,162)	1	663,296	—
Claymore (Common Stocks)	2,019,369	2	185,142	—	—	—	(185,142)	2	2,204,511	—
NREO Special Purpose LLC (U.S. Senior Loan)	—	—	34,721,607	—	—	—	—	34,721,607	34,721,607	252,665
<b>Total</b>	<b>331,223,139</b>	<b>\$531,856,677</b>	<b>\$343,744,877</b>	<b>\$ (68,067,266)</b>	<b>\$ (91,417,071)</b>	<b>\$ (5,678,231)</b>	<b>\$ (94,583,118)</b>	<b>\$615,855,868</b>	<b>496,562,635</b>	<b>\$29,669,598</b>

The Investment Adviser has historically been affiliated through common control with Highland Capital Management, L.P. ("HCMLP"), an SEC-registered investment adviser that filed for Chapter 11 bankruptcy protection on October 16, 2019. On January 9, 2020, the United States Bankruptcy Court for the Northern District of Texas (the "Court") approved a change of control of HCMLP, which involved the resignation of James Dondero as the sole director of, and the appointment of an independent board to, HCMLP's general partner. On October 9, 2020, Mr. Dondero resigned as an employee of HCMLP and as portfolio manager for all HCMLP-advised funds. As a result of these changes, the Adviser is no longer under common control or otherwise affiliated with HCMLP. Mr. Dondero continues to be a portfolio manager for the Investment Adviser and the Company.

On November 13, 2020, HCMLP filed an amended plan of reorganization and disclosure statement with the Court (the "Amended Plan"), which was subsequently approved by the Creditors and confirmed (subject to final order) by the Court. On November 30, 2020, HCMLP provided notice of termination of the Shared Services Agreement with the Investment Adviser, through which HCMLP had provided support services to the Adviser. The Shared Services Agreement was terminated effective February 19, 2021. However, the Investment Adviser expects to be able to continue to provide the required advisory and support services to the Company through a transfer of personnel, equipment and/or facilities from HCMLP either to the Investment Adviser or to a third-party service provider.

**Note 12. Rights Offering**

On April 11, 2019, the Company announced a non-transferable rights offering (the "2019 Offering") to purchase additional shares of common stock of the Company. Each shareholder of record on April 29, 2019 received one right for each common share held. Holders were entitled to purchase one new share of common stock for every three rights held at a subscription price of \$17.77 per share, which was calculated as the lesser of (1) 95% of the reported net asset value on May 22, 2019 (the "2019 Expiration Date"), or (2) 95% of the average of the last reported sales price of the Company's common shares on NYSE on the 2019 Expiration Date and on each of the four trading days preceding the 2019 Expiration Date. The 2019 Offering was oversubscribed, with total subscriptions equal to 231% of the primary offering. As a result of the 2019 Offering and the Company's exercise of an over-allotment option, 13,498,570 additional shares were issued.

**Note 13. New Accounting Pronouncements**

In August 2018, the FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820). The new guidance includes additions and modifications to disclosures requirements for fair value measurements. For public entities, the amendments are effective for consolidated financial statements issued for fiscal years beginning after December 15, 2019, and interim periods



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within those fiscal years. This new guidance and the adoption of this guidance within these financial statements did have a material impact on the Company's financial statements.

**Note 14. Unconsolidated Significant Subsidiaries**

In accordance with Regulation S-X and GAAP, the Company is not permitted to consolidate any subsidiary or other entity that is not an investment company, including those in which the Company has a controlling interest unless the business of the controlled subsidiary consists of providing services to the Company. In accordance with Regulation S-X Rules 3-09 and 4-08(g), the Company evaluates its unconsolidated controlled subsidiaries as significant subsidiaries under the respective rules. As of December 31, 2020, NexPoint Real Estate Opportunities, LLC was considered a significant unconsolidated subsidiary under Regulation S-X Rule 4-08(g), while NexPoint Real Estate Capital, LLC and Specialty Financial Products Designated Activity Company did not meet the qualifications of a significant subsidiary. All subsidiaries are wholly owned by the Company. Based on the requirements under Regulation S-X Rule 4-08(g), the summarized consolidated financial information of these unconsolidated subsidiaries is presented below:

	NexPoint Real Estate Capital, LLC December 31, 2020	NexPoint Real Estate Opportunities, LLC December 31, 2020	Specialty Financial Products Designated Activity Company December 31, 2020
<b>Balance Sheet:</b>			
Current Assets	\$ 2,925,000	\$ 63,557,000	\$ 2,018,088
Noncurrent Assets	79,038,000	336,581,000	49,321,544
<b>Total Assets</b>	<b>81,963,000</b>	<b>400,138,000</b>	<b>51,339,632</b>
Current Liabilities	1,944,000	15,789,000	365,617
Noncurrent Liabilities	459,000	280,303,000	50,966,893
<b>Total Liabilities</b>	<b>2,403,000</b>	<b>296,092,000</b>	<b>51,332,510</b>
Preferred Stock	100,000	125,000	—
Non-controlling interest (in consolidated investments)	—	(2,699,000)	—
Invested Equity	79,460,000	106,620,000	—
<b>Total Equity</b>	<b>79,560,000</b>	<b>104,046,000</b>	<b>7,122</b>

**NexPoint Strategic Opportunities Fund**

	NexPoint Real Estate Capital, LLC For the Year Ended December 31, 2020	NexPoint Real Estate Opportunities, LLC For the Year Ended December 31, 2020	Specialty Financial Products Designated Activity Company For the Year Ended December 31, 2020
<b>Summary of Operations:</b>			
Net Sales	\$ 1,112,000	\$ 33,099,000	\$ 182,980
Gross Profit	1,050,000	(9,741,000)	1,000
Net Income	1,034,000	(9,685,000)	2,500
Net Income attributable to non-controlling interest (in consolidated investments), preferred shares, and other comprehensive income	16,000	(56,000)	—

**Note 15. Subsequent Events**

The Investment Adviser has evaluated the impact of all subsequent events on the Company through the date the consolidated financial statements were issued, and has determined that there were no such subsequent events to report which have not already been recorded or disclosed in these financial statements and accompanying notes except as noted below.

On January 8, 2021, the Company announced the final results of its Exchange Offer, pursuant to which the Company purchased the Company's Common Shares in exchange for consideration consisting of approximately 20% cash and 80% newly-issued 5.50% Series A Cumulative Preferred Shares, liquidation preference \$25.00 per share ("Series A Preferred Shares"). The Series A Preferred Shares were listed on the New York Stock Exchange (NYSE: NHF PR A) on January 8, 2021.

Pursuant to the terms of the Exchange Offer, the Company purchased 8,750,121.132 Common Shares at a price of \$12.00 per Common Share, for an aggregate purchase price of approximately \$105 million.

As part of the Exchange Offer consideration, the Company issued 3,359,593 Series A Preferred Shares, with an aggregate liquidation preference of \$83,989,825. The remainder of the Exchange Offer consideration consisted of approximately \$21 million in cash.

Egan-Jones Ratings Company assigned an investment grade corporate rating of BBB- to the Series A Preferred Shares and a rating of BBB to the Company.

Table of Contents**NOTES TO FINANCIAL STATEMENTS (concluded)****December 31, 2020****NexPoint Strategic Opportunities Fund**

Dividends and distributions on the Series A Preferred Shares are cumulative from their original issue date at the annual rate of 5.50% of the \$25.00 per share liquidation preference and will be payable quarterly on March 31, June 30, September 30 and December 31 of each year, beginning with the first payment on March 31, 2021.

On January 8, 2021, the Company entered into a short-term credit agreement (the "Credit Agreement") with Raymond James Bank, N.A. ("Raymond James") whereby Raymond James agreed to loan the Company up to \$30,000,000 until July 8, 2021, with interest paid at a rate of LIBOR + 3.50%. The Company paid a commitment fee of \$600,000 to Raymond James as a condition to closing.

On March 1, 2021, the Company entered into a waiver and forbearance agreement to the Revolving Credit Agreement pursuant to which the Company agreed to a payment to reduce the aggregate Commitments, and Key-Bank agreed to waive an Existing Default (as defined in the Revolving Credit Agreement). This allows the borrower an opportunity to negotiate a more permanent modification of the Revolving Credit Agreement.

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Table of Contents**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****To the Shareholders and Board of Trustees of NexPoint Strategic Opportunities Fund***Opinion on the Financial Statements*

We have audited the accompanying statement of assets and liabilities, including the investment portfolio, of NexPoint Strategic Opportunities Fund (the "Fund") as of December 31, 2020, the related statements of operations, cash flows, and changes in net assets, the related notes, and the financial highlights for the year then ended (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations and its cash flows, the changes in net assets, and the financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Fund's financial statements and financial highlights for the years ended December 31, 2019, and prior, were audited by other auditors whose report dated April 10, 2020, expressed an unqualified opinion on those financial statements and financial highlights.

*Basis for Opinion*

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020, by correspondence with the custodian, agent banks, transfer agents, issuers and brokers; when replies were not received from brokers, we performed other auditing procedures. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have served as the auditor of one or more of NexPoint Advisors, L.P.'s investment companies since 2018.



COHEN & COMPANY, LTD.  
Cleveland, Ohio  
March 3, 2021

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December 31, 2020

NexPoint Strategic Opportunities Fund

**Investment Objective and Strategy Overview**

At a special meeting of shareholders on August 28, 2020, shareholders approved proposals (i) to change the Company's business from a registered investment company that invests primarily in debt and equity securities to a diversified REIT, (ii) to amend the Company's fundamental investment restrictions to permit the Company to engage in its new business (collectively, the "Conversion"), and (iii) to amend and restate the Company's Agreement and Declaration of Trust. Although the Company has begun taking steps to implement the Conversion, it is still contingent upon regulatory approval and the ability to reconfigure the Company's portfolio to attain REIT status and deregister as an investment company.

The Adviser has begun to realign the Company's portfolio so that it is no longer an investment company under the 1940 Act and anticipates filing an application with the Securities Exchange Commission, or the SEC, for a deregistration order in the first quarter of 2021. The Adviser intends to sell certain of the Company's existing investments and transition its portfolio into real estate and real estate related investments as opportunities within the new investment scope arise, subject to applicable compliance requirements and other business considerations.

Once the Conversion is fully implemented, it is expected that investments will be diversified among various commercial real estate property types and across the capital structure, including but not limited to: equity, mortgage debt, mezzanine debt and preferred equity. It is expected that property types will primarily include industrial, hospitality, net lease, retail, office, storage and healthcare and, to the extent currently owned, multifamily and single-family rentals; however, the Company would have the authority to invest without limitation in any property type.

The Company will invest primarily in real estate and real estate related assets; however, the Company may, to a limited extent, continue to hold, acquire or transact in certain non-real estate securities. To permit the Company to engage in its new business, the Company's fundamental investment restrictions regarding purchasing and selling real estate and originating loans and certain of the Company's fundamental investment restrictions have been amended to allow the Company to engage in its business as a diversified REIT.

The following discussion reflects the Company's investment strategy and policies as modified pursuant to shareholder approval on August 28, 2020. The following information is a summary of the changes approved by shareholders. This information may not reflect all of the changes that have occurred since you purchased Common Shares. Additional detail regarding these changes is available in the Company's definitive proxy statement filed on July 10, 2020.

**Investment Strategy**

As a diversified REIT, the Company's primary investment objective will be to provide both current income and capital appreciation. The Company will seek to achieve this objective by investing among various commercial real estate property types and across the capital structure, including but not limited to: equity, mortgage debt, mezzanine debt and preferred equity. The Investment Adviser will focus on opportunistic investments in real estate properties with a value-add component and real estate credit. The objective will be to increase the cash flow and value of the Company's properties, acquire properties with cash flow growth potential and achieve capital appreciation for shareholders through a value-add program. The Company will pursue real estate credit investments based on where the Investment Adviser believes the various real estate subsectors are within the broader real estate cycle and tactically allocate among these opportunities.

Underlying property types will primarily include industrial, hospitality, net lease, retail, office, storage and healthcare and, to the extent currently owned, multifamily and single-family rentals; however, the Company may invest without limitation in any property type.

The Company will invest primarily in real estate and real estate related assets; however, the Company may, to a limited extent, continue to hold, acquire or transact in certain non-real estate securities.

The Investment Adviser believes that a diversified investment approach is appropriate for the current market environment. However, to capitalize on investment opportunities at different times in the economic and real estate investment cycle, the Company may change its investment strategy from time to time. The Investment Adviser believes that the flexibility of the Company's investment strategy and the experience and resources of the Investment Adviser and its affiliates, will allow the Company to take advantage of changing market conditions to provide both current income and generate capital appreciation.

**Leverage Policies and Financing Strategy.** To increase the returns on the Company's investments, after issuance of the Deregistration Order, the Company plans to employ both direct and structural leverage on the Company's property and debt investments, which we expect generally will not exceed, on a debt to equity basis, a ratio of 3-to-1, an increase from the ratio of 1-to-2 set by the 1940 Act.

Leverage will take the form of repurchase or margin facilities collateralized by our debt investments and mortgage debt collateralized by our property investments. At the REIT level the Company may have a revolving corporate credit facility, or may issue unsecured debt, mezzanine debt or preferred

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2020****NexPoint Strategic Opportunities Fund**

equity. The Company believes that the relationships the Investment Adviser and its affiliates, as well as other companies managed by the Investment Adviser's affiliates (the "NexPoint managed companies"), have with banks, life insurance companies, Freddie Mac and The Federal National Mortgage Association, or Fannie Mae, provide the Company with a unique opportunity to invest alongside quality sponsors and the largest multifamily lenders in the U.S.

The Company intends to use leverage, to the extent available, to make additional investments that may increase the Company's potential returns. Although the Company is not required to maintain any particular leverage ratio, the amount of leverage the Company will use for particular investments will depend upon an assessment of a variety of factors, which may include the anticipated liquidity and price volatility of the Company's assets, the potential for losses in the Company's portfolio, the gap between the duration of the Company's assets and liabilities, the availability and cost of financing the Company's assets, the health of the U.S. economy and commercial real estate markets, the Company's outlook for the level, slope and volatility of future interest rates, the credit quality of the Company's borrowers and tenants, the collateral values underlying the Company's assets and the Company's outlook for market lending spreads relative to the LIBOR (or other applicable benchmark interest rate index) curve.

**REIT Operations.** The Company intends to operate to ensure that it establishes and maintains its qualification as a REIT for U.S. federal tax purposes and is not required to register as an investment company under the 1940 Act. The Company intends to regularly monitor the nature of the Company's assets and the income they generate to ensure that at all times the Company maintain its tax qualification as a REIT and is not required to register as an investment company under the 1940 Act.

**Distribution Policy.** The Company intends to make monthly distributions to the Company's shareholders of amounts that will, at a minimum, enable the Company to comply with the REIT provisions of the Code that generally require annual distributions of at least 90% of the Company's REIT taxable income (other than net capital gains). The actual amount of such distributions will be determined on a monthly basis by the Board, taking into account, in addition to the REIT tax requirements, the Company's cash needs, the market price for the Company's Common Shares and other factors our Board considers relevant.

**Operating Expenses.** Operating expenses may increase as the Conversion becomes fully implemented following receipt of the Deregistration Order due to increased costs associated with sourcing additional real estate investments and costs associated with servicing those investments; however, these expenses are projected to be offset by higher projected

income attributable to increased cash flows from leveraged real estate assets, resulting in higher projected net income per common share (thus supporting a potentially higher distribution rate in the long term).

During the Conversion period, the Investment Adviser will continue to implement the Company's business strategies subject to the oversight of the Board, including: (a) performing all of our day-to-day activities as a public company operating as a diversified REIT; (b) sourcing, analyzing and closing the Company's investments; (c) arranging the Company's financings; (d) performing the Company's asset management functions by monitoring the performance of the Company's borrowers and the maintenance of the Company's collateral; and (e) when necessary, enforcing the Company's loan and security rights.

**Policies with Respect to Certain Other Activities.** The Company may raise additional funds through offerings of equity or debt securities or by retaining cash flow (subject to provisions in the Code concerning distribution requirements and the taxability of undistributed REIT taxable income) or a combination of these methods. If the Board determines to raise additional equity capital, it has the authority, without shareholder approval, to issue additional Common Shares or preferred shares of beneficial interest in any manner and on such terms and for such consideration as it deems appropriate, at any time.

In addition, to the extent available, the Company intends to borrow money to make investments that may increase the Company's potential returns. The Company intends to use traditional forms of financing, including repurchase agreements, bank credit facilities (including revolving facilities and term loans), public or private debt issuances, securitizations and other sources of financing. The Company may also issue preferred equity which requires us to pay dividends at fixed or variable rates before we may pay distributions to our common shareholders. We expect that the Board will periodically review the Company's investment guidelines and our portfolio and leverage strategies.

The Company may invest in equity or debt securities of other REITs or other entities engaged in real estate operating or financing activities, and may do so for the purpose of exercising control over such entities.

The Company does not intend to adopt a formal portfolio turnover policy. Subject to maintaining the Company's qualification for taxation as a REIT under the Code for U.S. federal income tax purposes and our exemption from registration under the 1940 Act, the Company currently expects that it will typically hold investments for between two and 10 years. However, in order to maximize returns and manage portfolio risk while maintaining the financial capacity to undertake attractive opportunities that become available to



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the Company, the Company may dispose of an asset earlier than anticipated or hold an investment longer than anticipated if we determined doing so to be appropriate based upon market conditions or other factors regarding a particular investment.

**Additional Portfolio Information**

The Investment Adviser and its affiliates manage other accounts, including registered and private funds and individual accounts. Although investment decisions for the Company are made independently from those of such other accounts, the Investment Adviser may, consistent with applicable law, make investment recommendations to other clients or accounts that may be the same or different from those made to the Company, including investments in different levels of the capital structure of a company, such as equity versus senior loans, or that involve taking contradictory positions in multiple levels of the capital structure. The Investment Adviser has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, this may create situations where a client could be disadvantaged because of the investment activities conducted by the Investment Adviser for other client accounts. When the Company and one or more of such other accounts is prepared to invest in, or desires to dispose of, the same security, available investments or opportunities for each will be allocated in a manner believed by the Investment Adviser to be equitable to the Company and such other accounts. The Investment Adviser also may aggregate orders to purchase and sell securities for the Company and such other accounts. Although the Investment Adviser believes that, over time, the potential benefits of participating in volume transactions and negotiating lower transaction costs should benefit all accounts including the Company, in some cases these activities may adversely affect the price paid or received by the Company or the size of the position obtained or disposed of by the Company.

**Tax Information**

For shareholders that do not have a December 31, 2020 tax year end, this notice is for informational purposes only. For shareholders with a December 31, 2020 tax year end, please consult your tax adviser as to the pertinence of this notice. For the fiscal year ended December 31, 2020, the Company hereby designates the following items with regard to distributions paid during the year.

Return of Capital	Ordinary Income Distribution	Total Distribution
74.77%	25.23%	100.00%
Dividend Received Deduction <sup>(1)</sup>	Qualified Dividend Income <sup>(2)</sup>	U.S. Government Interest <sup>(3)</sup>
0.38%	0.76%	0.00%
Short-Term Capital Gain Dividends <sup>(5)</sup>	Qualifying Business Income <sup>(6)</sup>	Interest Related Dividends <sup>(4)</sup>
0.00%	18.67%	41.13%

(1) Qualifying dividends represent dividends which qualify for the corporate dividends received deduction and is reflected as a percentage of ordinary income distributions (the total of short-term capital gain and net investment income distributions).

(2) The percentage in this column represents the amount of "Qualifying Dividend Income" as created by the Jobs and Growth Tax Relief Reconciliation Act of 2003 and is reflected as a percentage of ordinary income distributions (the total of short-term capital gain and net investment income distributions). It is the intention of the aforementioned Company to designate the maximum amount permitted by law.

(3) "U.S. Government Interest" represents the amount of interest that was derived from direct U.S. Government obligations and distributed during the fiscal year. This amount is reflected as a percentage of ordinary income. Generally, interest from direct U.S. Government obligations is exempt from state income tax. Shareholder who are residents of California, Connecticut and New York, these funds have not met the statutory requirements to permit exemption of these amounts from state income tax.

(4) The percentage in this column represents the amount of "Interest Related Dividends" as created by the American Jobs Creation Act of 2004 and is reflected as a percentage of net investment distributions that is exempt from U.S. withholding tax when paid to foreign investors.

(5) The percentage in this column represents the amount of "Short-Term Capital Gain Dividend" as created by the American Jobs Creation Act of 2004 and is reflected as a percentage of short-term capital gain distributions that is exempt from U.S. withholding tax when paid to foreign investors.

(6) The percentage in this column represents the amount of ordinary dividend income that qualified for 20% Business Income Deduction.

The information herein may differ from the information and distributions taxable to the shareholder from the calendar year ended December 31, 2020. Complete information will be computed and reported with your 2020 Form 1099-DIV.

**Change in Independent Registered Public Accounting Firms**

On June 8, 2020, the Company dismissed PricewaterhouseCoopers LLP ("PwC") as the Company's independent registered public accounting firm, effective on such date. The decision to dismiss PwC was approved by the audit committee and by the full Board. On June 18, 2020, the Company approved the appointment of Cohen & Company Ltd. ("Cohen") as the Company's independent registered public accounting firm. Cohen was engaged by the Company on June 25, 2020.

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Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2020****NexPoint Strategic Opportunities Fund**

PwC's report on the financial statements for the fiscal years ended December 31, 2019 and December 31, 2018 did not contain any adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the Company's fiscal years ended December 31, 2019 and December 31, 2018 and the subsequent interim period through June 8, 2020, during which PwC served as the Company's independent registered public accounting firm, there were no: (1) disagreements (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement, or (2) reportable events (as described in Item 304(a)(1)(v) of Regulation S-K).

The Company provided PwC with a copy of the disclosures proposed to be made in this N-CSR and requested that PwC furnish the Company with a letter addressed to the Commission stating whether it agrees with the statements made by the Company in response to Item 304(a) of Regulation S-K, and, if not, stating the respects in which it does not agree. The PwC letter is attached hereto as an exhibit.

During the fiscal years ended December 31, 2019 and December 31, 2018 and the subsequent interim period through June 8, 2020, neither Management, the Company nor anyone on its behalf, consulted Cohen regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the financial statements of the Company and no written report or oral advice was provided to the Company by Cohen or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

**Dividend Reinvestment Plan**

Unless the registered owner of Common Shares elects to receive cash by contacting Maxim Group LLC ("Maxim" or the "Plan Agent"), as agent for shareholders in administering the Plan, a registered owner will receive newly issued Common Shares for all dividends declared for Common Shares of the Company. If a registered owner of Common Shares elects not to participate in the Plan, they will receive all dividends in cash paid by check mailed directly to them (or, if the shares are held in street or other nominee name, then to such nominee) by Maxim, as dividend disbursing agent. Shareholders may elect not to participate in the Plan and to receive all dividends in cash by sending written

instructions or by contacting Maxim, as dividend disbursing agent, at the address set forth below.

Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by contacting the Plan Agent before the dividend record date; otherwise such termination or resumption will be effective with respect to any subsequently declared dividend. Some brokers may automatically elect to receive cash on the shareholders' behalf and may reinvest that cash in additional Common Shares of the Company for them. The Plan Agent will open an account for each shareholder under the Plan in the same name in which such shareholder's Common Shares are registered.

Whenever the Company declares a dividend payable in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in Common Shares. The Common Shares will be acquired by the Plan Agent through receipt of additional unissued but authorized Common Shares from the Company ("newly issued Common Shares"). The number of newly issued Common Shares to be credited to each participant's account will be determined by dividing the dollar amount of the dividend by the lesser of (i) the net asset value per Common Share determined on the Declaration Date and (ii) the market price per Common Share as of the close of regular trading on the New York Stock Exchange (the "NYSE") on the Declaration Date.

The Plan Agent maintains all shareholders' accounts in the Plan and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Common Shares in the account of each Plan participant will be held by the Plan Agent on behalf of the Plan participant, and each shareholder proxy will include those shares purchased or received pursuant to the Plan. The Plan Agent will forward all proxy solicitation materials to participants and vote proxies for shares held under the Plan in accordance with the instructions of the participants. In the case of shareholders such as banks, brokers or nominees which hold shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of Common Shares certified from time to time by the record shareholder's name and held for the account of beneficial owners who participate in the Plan. There will be no brokerage charges with respect to Common Shares issued directly by the Company.

The automatic reinvestment of dividends will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. Accordingly, any taxable dividend received by a participant that is reinvested in additional Common Shares will be subject to federal (and possibly state and local) income tax even though such participant will not receive a corresponding amount of cash with which to pay such taxes.

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2020****NexPoint Strategic Opportunities Fund**

Participants who request a sale of shares through the Plan Agent are subject to a \$2.50 sales fee and pay a brokerage commission of \$0.05 per share sold. The Company reserves the right to amend or terminate the Plan. There is no direct service charge to participants in the Plan; however, the Company reserves the right to amend the Plan to include a service charge payable by the participants. All correspondence concerning the Plan should be directed to the Plan Agent at American Stock Transfer & Trust Company, LLC 6201 15th Avenue Brooklyn, NY 11219; telephone (718) 921-8200.

**Shareholder Loyalty Program**

To promote loyalty and long-term alignment of interests among the Company's shareholders, the Investment Adviser offers an incentive to shareholders that buy and hold the Company's common shares for a period of at least twelve months through its Shareholder Loyalty Program (the "Program"). To participate in the Program, existing shareholders must open an account (the "Account") with the Program's administrator, American Stock Transfer & Trust Company ("AST"). Subsequently, if a participant makes contributions to the Account during a defined trading period to purchase shares, the Investment Adviser will make a corresponding contribution equal to 2% of the participant's contributions. For example, if a participant contributes \$10,000 to the Account during a defined trading period to purchase shares, the Adviser will make a corresponding contribution of \$200, to purchase additional shares for the participant (the "Bonus Shares"). In addition, Program participants will not be required to pay any customary selling commissions or distribution fees on the purchase of shares under the Program. The Investment Adviser will bear the costs of brokerage fees in connection with the Program. While the portion of the Company's common shares that are acquired through the participant's contribution will vest immediately, Bonus Shares will not vest until the first anniversary of the date that the Bonus Shares were purchased. Vested shares will be held in the Account and Bonus Shares will be held in an account at AST for the conditional benefit of the shareholder. Under the Program, participants must purchase a minimum of \$10,000 worth of shares in the initial subscription and \$5,000 in each subsequent subscription, unless the Investment Adviser, in its sole discretion, decides to permit subscriptions for a lesser amount. If the Company's common shares are trading at a discount, AST will purchase common shares on behalf of participants in open-market purchases. If the Company's common shares are trading at a premium, AST may purchase common shares on behalf of participants in open market purchases or the Company may sell common shares to the Shareholder Loyalty Program by means of a prospectus or otherwise. All dividends received on shares that are

purchased under the Program will be automatically reinvested through the Program. A participant's interest in a dividend paid to the holder of a vested share will vest immediately. A participant's interest in a dividend paid to the holder of a Bonus Share will vest at the same time that the Bonus Share's vesting requirements are met. In addition, for dividends paid to holders of shares that were purchased with a participant's contributions, the Investment Adviser will make a corresponding contribution to the amount of the reinvested dividend equal to 2% of the dividend amount. AST maintains all shareholders' accounts in the Program and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Shares in the account of each Program participant will be held by AST on behalf of the Program participant, and each shareholder proxy will include those shares purchased or received pursuant to a Program. AST will forward all proxy solicitation materials to participants and vote proxies for shares held under the Program in accordance with the instructions of the participants. In the case of shareholders such as banks, brokers or nominees which hold shares for others who are the beneficial owners, AST will administer the Program on the basis of the number of common shares certified from time to time by the record shareholder's name and held for the account of beneficial owners who participate in the Program. The Company and the Investment Adviser reserve the right to amend or terminate the Program. To help align the interests of the Investment Adviser's employees with the interests of the Company's shareholders, the Investment Adviser offers a similar program to its employees. Participants in the Program should be aware that their receipt of Bonus Shares under the Program constitutes taxable income to them. In addition, such participants owe taxes on that portion of any distribution that constitutes taxable income in respect of shares of our common stock held in their Program accounts, whether or not such shares of common stock have vested in the hands of the participants. To the extent any payments or distributions under the Program are subject to U.S. federal, state or local taxes, the Company, any participating affiliate of the Company or the agent for the Program may satisfy its tax withholding obligation by (1) withholding shares of Stock allocated to the participant's account, (2) deducting cash from the participant's account or (3) deducting cash from any other compensation the participant may receive. Program participants should consult their tax advisers regarding the tax consequences to them of participating in the Program. The Program may create an incentive for shareholders to invest additional amounts in the Company. Because the Investment Adviser's management fee is based on a percentage of the assets of the Company, the Program will result in increased net revenues to the Investment Adviser if the increase in the management fee due to the

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increased asset base offsets the costs associated with establishing and maintaining the Program.

**Approval of NexPoint Strategic Opportunities Fund Investment Advisory Agreement**

The Company has retained NexPoint Advisors, L.P. (the "Investment Adviser") to manage the assets of the Company pursuant to an investment advisory agreement between the Investment Adviser and the Company (the "Agreement"). The Agreement has been approved by the Company's Board of Trustees, including a majority of the Independent Trustees. The Agreement continues in effect from year-to-year, provided that such continuance is specifically approved at least annually by the vote of holders of at least a majority of the outstanding shares of the Company or by the Board of Trustees and, in either event, by a majority of the Independent Trustees of the Company casting votes in person at a meeting called for such purpose. On March 25, 2020, as a result of health and safety measures put in place to combat the global COVID-19 pandemic, the Securities and Exchange Commission issued an exemptive order (the "Order") pursuant to Sections 6(c) and 38(a) of the Investment Company Act of 1940, as amended (the "1940 Act"), that temporarily exempts registered investment management companies from the in-person voting requirements under the 1940 Act, subject to certain requirements, including that votes taken pursuant to the Order are ratified at the next in-person meeting. The Board determined that reliance on the Order was necessary or appropriate due to the circumstances related to current or potential effects of COVID-19 and therefore, the Board's October 28, 2020 meeting was held telephonically in reliance on the Order.

During a telephonic meeting held on August 13, 2020, the Board of Trustees gave preliminary consideration to information bearing on the continuation of the Agreement for a one-year period commencing November 1, 2020 with respect to the Company. The primary objective of the meeting was to ensure that the Trustees had the opportunity to consider matters they deemed relevant in evaluating the continuation of the Agreement, and to request any additional information they considered reasonably necessary for their deliberations. The Board received additional follow up information and presentations from the Investment Adviser at multiple meetings, which the Board took into account in connection with their consideration of the renewal of the Agreement, including at meetings held on September 17-18, 2020, September 23, 2020 and October 13, 2020. [K&L/SEI please confirm this reflects all dates Board met and received follow up 15(c) discussions- we think there may have been one or two more.] The Board also received regular updates on the HCMLP bankruptcy and services being provided under the Shared Services Agreement.

At a meeting held on October 28, 2020, the Board of Trustees, including the Independent Trustees, approved the continuance of the Agreement for a one-year period commencing on November 1, 2020. As part of its review process, the Board requested, through its independent legal counsel, and received from the Investment Adviser, various information and written materials, including: (1) information regarding the financial soundness of the Investment Adviser and the profitability of the Advisory Agreement to the Investment Adviser; (2) information on the advisory, legal and compliance personnel of the Investment Adviser, including compensation arrangement; (3) information on the internal compliance procedures of the Investment Adviser, including policies and procedures for personal securities transactions, conflicts of interest and with respect to cybersecurity, business continuity and disaster recovery; (4) comparative information showing how the Company's fees and expenses compare to those of other registered investment companies and comparable funds managed by the Investment Adviser that follow investment strategies similar to those of the Company, if any; (5) information regarding the investment performance of the Company, including comparisons of the Company's performance against that of other registered investment companies and comparable funds managed by the Investment Adviser that follow investment strategies similar to the Company, if any; (6) information regarding brokerage and portfolio transactions; and (7) information on any legal proceedings or regulatory audits or investigations affecting the Investment Adviser or its affiliates. Throughout the contract renewal process, the Trustees requested that the Investment Adviser provide additional information regarding various matters. In addition, the Independent Board of Trustees received an independent report from FUSE Research Network ("FUSE"), an independent third-party provider of investment company data, relating to the Company's performance and expenses compared to the performance and expenses of a group of funds deemed by FUSE to be comparable to the Company (the "peer group"), and to a larger group of comparable funds (the "peer universe"). The Board also received data relating to the Company's leverage, discounts and distribution rates as compared to its peer group.

The Board of Trustees' evaluation process with respect to the Investment Adviser is an ongoing one. In this regard, the Board of Trustees also took into account discussions with management and information provided to the Board of Trustees at periodic meetings of the Board of Trustees over the course of the year with respect to the services provided by the Investment Adviser to the Company, including quarterly performance reports prepared by management containing reviews of investment results and prior presentations from the Investment Adviser with respect to the Company. The information received and considered by the

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2020****NexPoint Strategic Opportunities Fund**

Board of Trustees in connection with the October 28, 2020 meeting and throughout the year was both written and oral.

The Board of Trustees reviewed various factors that were discussed in a legal memorandum provided by independent counsel regarding trustee responsibilities in considering the Advisory Agreement, the detailed information provided by the Investment Adviser and other relevant information and factors. The Board of Trustees also considered other factors (including conditions and trends prevailing generally in the economy, the securities markets, and the effect of the COVID-19 pandemic on the Company, and the industry). The Board of Trustees' conclusions as to the approval of the Advisory Agreement were based on a comprehensive consideration of all information provided to the Trustees without any single factor being dispositive in and of itself.

Some of the factors that figured particularly in the Board of Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. In addition, the Board of Trustees' conclusions may be based in part on its consideration of the advisory arrangements in prior years and on the Board's ongoing regular review of fund performance and operations throughout the year.

Throughout the process, the Board of Trustees had the opportunity to ask questions of and request additional information from the Investment Adviser. The Board of Trustees was assisted by legal counsel for the Trust and the Independent Trustees were also separately assisted by independent legal counsel throughout the process. The Board also met separately without representatives of the Investment Adviser present. The Independent Trustees also were advised by and met in executive sessions with their independent legal counsel at which no representatives of management were present to discuss the proposed continuation of the Advisory Agreement, including prior to the October 28, 2020 meeting.

**The nature, extent, and quality of the services to be provided by the Investment Adviser**

The Board considered the portfolio management services to be provided by the Investment Adviser under the Advisory Agreement and the activities related to portfolio management, including use of technology, research capabilities and investment management staff. The Board considered the relevant experience and qualifications of the personnel who would provide advisory services, including the background and experience of the members of the Company's portfolio management team. The Trustees reviewed the management structure, assets under management and investment philosophies and processes of the Investment Adviser, including with respect to liquidity

management. The Board also reviewed and discussed information regarding the Investment Adviser's compliance policies, procedures and personnel, including compensation arrangements and with respect to valuation, cybersecurity, business continuity and disaster recovery. The Board also considered the Investment Adviser's risk management and monitoring processes. The Board of Trustees took into account the terms of the Advisory Agreement and considered that, the Investment Adviser, subject to the direction of the Board of Trustees, is responsible for providing advice and guidance with respect to the Company and for managing the investment of the assets of the Company. The Board of Trustees also took into account that the scope of services provided by the Investment Adviser and the undertakings required of the Investment Adviser in connection with those services, including maintaining and monitoring its own and the Company's compliance program, had expanded over time as a result of regulatory, market and other developments. In this regard, they considered the Investment Adviser's preparation with respect to the COVID-19 pandemic and ongoing reporting modernization efforts.

The Investment Adviser's services in coordinating and overseeing the activities of the Company's other service providers, as well of the services provided under the Shared Services Agreements, were also considered. The Board also evaluated the expertise and performance of the personnel of the Investment Adviser who performed services for the Company throughout the year. They also considered the quality of the Investment Adviser's compliance oversight program with respect to the Company's service providers. The Board also considered both the investment advisory services and the nature, quality and extent of any administrative and other non-advisory services, including shareholder servicing and distribution support services that are provided to the Company and its shareholders by the Investment Adviser and its affiliates, as well as considered the services provided under the Shared Services Agreements. The Board noted that the level and quality of services to the Company by the Investment Adviser and its affiliates had not been materially impacted by the Highland Capital Management L.P. ("HCMLP") bankruptcy and took into account the Investment Adviser's representations that the level and quality of the services provided by the Investment Adviser and their affiliates, as well as of those services currently being provided by HCMLP pursuant to the Shared Services Agreement, would continue to be provided to the Company at the same or higher level and quality.

The Board also considered the significant risks assumed by the Investment Adviser in connection with the services provided to the Company, including entrepreneurial risk and ongoing risks including investment, operational, enterprise,

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2020****NexPoint Strategic Opportunities Fund**

litigation, regulatory and compliance risks with respect to the Company. The Board of Trustees also noted various cost-savings initiatives that had been implemented by the Investment Adviser with respect to the Company and the other funds in the Highland complex over the years. The Board also considered the financial condition and operations of the Investment Adviser during the COVID-19 pandemic and noted that there had been no material disruption of the Investment Adviser's services to the Company and that the Investment Adviser had continued to provide the same level, quality and extent of services to the Company.

The Board of Trustees also noted that on a regular basis it receives and reviews information from the Company's Chief Compliance Officer (CCO) regarding the Company's compliance policies and procedures established pursuant to Rule 38a-1 under the Investment Company Act of 1940.

In considering the nature, extent, and quality of the services provided by the Investment Adviser, the Board also took into account its knowledge of the Investment Adviser's management and the quality of the performance of its duties, through discussions and reports during the preceding year and in past years.

The Board took into account the Investment Adviser's risk assessment, monitoring process and regulatory history. The Board concluded that the Investment Adviser had the quality and depth of personnel and investment methods essential to performing its duties under the Advisory Agreement, and that the nature and the quality of such advisory services supported the approval of the Advisory Agreement.

**The Investment Adviser's historical performance**

In considering the Company's performance, the Board of Trustees noted that it reviews at its regularly scheduled meetings information about the Company's performance results. The Board of Trustees reviewed the historical performance of the Company over various time periods and reflected on previous discussions regarding matters bearing on the Investment Adviser's performance at its meetings throughout the year. The Board of Trustees discussed the performance of the Company and considered the relative performance of the Company and its portfolio management team as compared to that of the Company's peer group as selected by FUSE, as well as comparable indices. Among other data, the Board of Trustees also received data with respect to the Company's leverage and distribution rates as compared to its peer group. The Board also received a review of the data contained in the FUSE report from representatives of FUSE. The Board of Trustees noted that while it found the data provided by FUSE, the independent third-party data provider, generally useful, it recognized its limitations, including in particular that the data may vary depending on the end date selected and the results of the

performance comparisons may vary depending on the selection of the peer group. The Board of Trustees also took into account management's discussion of the category in which the Company was placed for comparative purposes, including any differences between the Company's investment strategy and the strategy of the funds in the Company's respective category, as well as compared to the peer group selected by FUSE.

Among other data relating specifically to the Company's performance, the Board of Trustees took note of FUSE's explanatory note that the peer group and universe consists of other flexible allocation funds identified by FUSE. The Board then considered that the Company outperformed (based on NAV) its benchmark index, the Credit Suisse Hedge Fund USD Index, and peer group median over the ten-year period ended June 30, 2020; however, it underperformed over the one-, three- and five-year periods ended June 30, 2020. The Board also took into account the unique mandate of the Company as compared to the other funds in its peer group. The Board also took into account management's discussion of the Company's performance and actions taken with respect to the Company, including and the Company's ongoing conversion to a real estate investment trust. The Board also took into account potential additional actions proposed to be taken to address the discount with respect to the Company.

The Board of Trustees concluded that the Company's overall performance and other relevant factors, including the Investment Adviser's actions to address any underperformance, supported the continuation of the Agreement with respect to the Company for an additional one-year period.

**The costs of the services to be provided by the Investment Adviser and the profits to be realized by the Investment Adviser and its affiliates from their relationship with the Company**

The Board of Trustees also gave consideration to the fees payable under the Agreement, the expenses the Investment Adviser incurs in providing advisory services and the profitability to the Investment Adviser from managing the Company, including: (1) information regarding the financial condition of the Investment Adviser; (2) information regarding the total fees and payments received by the Investment Adviser for its services and, with respect to the Investment Adviser, whether such fees are appropriate given economies of scale and other considerations; (3) comparative information showing (a) the fees payable under the Agreement versus the investment advisory fees of certain registered investment companies and comparable funds that follow investment strategies similar to those of the Company and (b) the expense ratios of the Company

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versus the expense ratios of certain registered investment companies and comparable funds that follow investment strategies similar to those of the Company; and (4) information regarding the total fees and payments received and the related amounts waived and/or reimbursed by the Investment Adviser for providing administrative services with respect to the Company under separate agreements and whether such fees are appropriate. The Board of Trustees took into account the management fee structure, including that management fees for the Company were based on the Company's total managed assets.

Among other data, the Board of Trustees considered that the Company's total net expenses were higher than its peer group median and that its advisory fee was in line with its peer group median. The Board of Trustees took into account management's discussion of the Company's expenses. The Board of Trustees also took into consideration the amounts waived and/or reimbursed, if any, where expense caps or advisory fee waivers had been implemented.

The Board of Trustees also considered the so-called "fall-out benefits" to the Investment Adviser with respect to the Company, such as the reputational value of serving as Investment Adviser to the Company, potential fees paid to the Investment Adviser's affiliates by the Company or portfolio companies for services provided, including administrative services provided to the Company by the Investment Adviser pursuant to separate agreements, the benefits of scale from investment by the Company in affiliated funds, and the benefits of research made available to the Investment Adviser by reason of brokerage commissions (if any) generated by the Company's securities transactions. The Board of Trustees concluded that the benefits received by the Investment Adviser and its affiliates were reasonable in the context of the relationship between the Investment Adviser and the Company.

After such review, the Board of Trustees determined that the profitability to the Investment Adviser and its affiliates from their relationship with the Company was not excessive.

**The extent to which economies of scale would be realized as the Company grows and whether fee levels reflect these economies of scale for the benefit of shareholders**

The Board considered the effective fee under the Advisory Agreement for the Company as a percentage of assets at different asset levels and possible economies of scale that may be realized if the assets of the Company grow. The Board noted that the Company does not currently contain breakpoints in its advisory fee schedule. The Board considered the Investment Adviser's discussion of the Company's advisory fee structure.

The Board also noted that the Company's contractual advisory fee is in line with its peer universe at all asset levels. The Board of Trustees concluded that the fee structures are reasonable, and with respect to the Investment Adviser, should result in a sharing of economies of scale in view of the information provided. The Board determined to continue to review ways, and the extent to which, economies of scale might be shared between the Investment Adviser on the one hand and shareholders of the Company on the other.

**Conclusion**

Following a further discussion of the factors above, it was noted that in considering the approval of the Advisory Agreement, no single factor was determinative to the decision of the Board of Trustees. Rather, after weighing all factors and considerations, including those discussed above, the Board of Trustees, including separately, the Independent Trustees, unanimously agreed that the Advisory Agreement, including the advisory fee to be paid to the Investment Adviser, is fair and reasonable to the Company in light of the services that the Investment Adviser proposes to provide, the expenses that it incurs and the reasonably foreseeable asset levels of the Company.



Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2020  
Trustees and Officers****NexPoint Strategic Opportunities Fund**

The Board is responsible for the overall management of the Company, including supervision of the duties performed by the Investment Adviser. The names and birth dates of the Trustees and officers of the Company, the year each was first elected or appointed to office, their principal business occupations during the last five years, the number of funds overseen by each Trustee and other directorships they hold are shown below. The business address for each Trustee and officer of the Company is c/o Highland Capital Management Company Advisors, L.P., 300 Crescent Court, Suite 700, Dallas, TX 75201.

The "Fund Complex," as referred to herein consists of: each series of Highland Funds I ("HFI"), each series of Highland Funds II ("HFII"), Highland Global Allocation Fund ("GAF"), Highland Income Fund ("HFRO"), NexPoint Strategic Opportunities Fund ("NHF"), NexPoint Real Estate Strategies Fund ("NRESF"), and NexPoint Capital, Inc. (the "BDC"), a closed-end management investment company that has elected to be treated as a business development company under the 1940 Act.

Name and Date of Birth	Position(s) with the Trust	Term of Office <sup>1</sup> and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Fund Complex Overseen by the Trustee	Other Directorships/ Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b>Independent Trustees</b>						
Dr. Bob Froehlich (4/28/1953)	Trustee	3 year term (expiring at 2023 annual meeting); Trustee since December 2013.	Retired.	11	Trustee of ARC Realty Finance Trust, Inc. (from January 2013 to May 2016); Director of KC Concessions, Inc. (since January 2013); Trustee of Realty Capital Income Funds Trust (from January 2014 to December 2016); Director of American Realty Capital Healthcare Trust II (from January 2013 to June 2016); Director, American Realty Capital Daily Net Asset Value Trust, Inc. (from November 2012 to July 2016); Director of American Sports Enterprise, Inc. (since January 2013); Director of Davidson Investment Advisors (from July 2009 to July 2016); Chairman and owner, Kane County Cougars Baseball Club (since January 2013); Advisory Board of Directors, Internet Connectivity Group, Inc. (from January 2014 to April 2016); Director of AXAR Acquisition Corp. (formerly AR Capital Acquisition Corp.) (from	Significant experience in the financial industry; significant managerial and executive experience; significant experience on other boards of directors, including as a member of several audit committees.

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Name and Date of Birth	Position(s) with the Trust	Term of Office <sup>1</sup> and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Company Complex Overseen by the Trustee	Other Directorships/ Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b>Independent Trustees</b>						
					October 2014 to October 2017); Director of The Midwest League of Professional Baseball Clubs, Inc.; Director of Kane County Cougars Foundation, Inc.; Director of Galen Robotics, Inc.; Chairman and Director of FC Global Realty, Inc. (from May 2017 to June 2018); and Chairman; Director of First Capital Investment Corp. (from March 2017 to March 2018); and Director and Special Advisor to Vault Data, LLC (since February 2018).	
Ethan Powell (6/20/1975)	Trustee; Chairman of the Board	3 year term (expiring at 2022 annual meeting). Trustee since December 2013; Chairman of the Board since December 2013.	Principal and CIO of Brookmont Capital Management, LLC since May 2020; CEO, Chairman and Founder of Impact Shares LLC since December 2015; Trustee/Director of the Fund Complex from June 2012 until July 2013 and since December 2013.	11	Trustee of Impact Shares Funds I Trust	Significant experience in the financial industry; significant executive experience including past service as an officer of funds in the Fund Complex; significant administrative and managerial experience.

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Name and Date of Birth	Position(s) with the Trust	Term of Office <sup>1</sup> and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Company Complex Overseen by the Trustee	Other Directorships/ Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b>Independent Trustees</b>						
Bryan A. Ward (2/4/1955)	Trustee	3 year term (expiring at 2022 annual meeting). Trustee since May 2006.	Senior Advisor, CrossFirst Bank since April 2019; Private Investor, BW Consulting, LLC since 2014;.	11	Director of Equity Metrix, LLC	Significant experience in the financial industry; significant executive experience including past service as an officer of funds in the Highland Funds Complex; significant administrative and managerial experience.
Edward Constantino (9/4/1946)	Trustee	3 year term (expiring at 2023 annual meeting); Trustee since July 2020.		1	Director of NexPoint Residential Trust, Inc. (NYSE:NXRT) since March 2015; Director of NexPoint Real Estate Finance, Inc. (NYSE:NREF) since February 2020; Director of Patriot Bank N.A. since 2010; Trustee and Audit Committee Chairman of St. Francis College in Brooklyn Heights, New York.	Significant experience with overseeing real estate-related and REIT investments, including NXRT and NREF; significant accounting experience, particularly in the real estate field.

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2020****Trustees and Officers****NexPoint Strategic Opportunities Fund**

Name and Date of Birth	Position(s) with the Trust	Term of Office <sup>1</sup> and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Company Complex Overseen by the Trustee	Other Directorships/ Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b>Interested Trustee</b>						
John Honis <sup>2</sup> (6/16/1958)	Trustee	3 year term (expiring at 2021 annual meeting); Trustee since July 2013.	President of Rand Advisors, LLC since August 2013.	11	Manager of Turtle Bay Resort, LLC (August 2011 — December 2018); Manager of American Home Patient (November 2011 to February 2016).	Significant experience in the financial industry; significant managerial and executive experience, including experience as president, chief executive officer or chief restructuring officer of five telecommunication firms; experience on other boards of directors.

- <sup>1</sup> On an annual basis, as a matter of Board policy, the Governance and Compliance Committee reviews each Trustee's performance and determines whether to extend each such Trustee's service for another year. Effective June 2013, the Board adopted a retirement policy wherein the Governance and Compliance Committee shall not recommend the continued service as a Trustee of a Board member who is older than 80 years of age at the time the Governance and Compliance Committee reports its findings to the Board.
- <sup>2</sup> In light of certain relationships between Mr. Honis and historically affiliated entities of the Adviser, including HCMLP, arising out of HCMLP's pending Chapter 11 proceedings, Mr. Honis is treated as an Interested Trustee of the Trust effective January 28, 2020. From May 1, 2015 to January 28, 2020 Mr. Honis was treated as an Independent Trustee of the Trust.

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Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2020****Trustees and Officers****NexPoint Strategic Opportunities Fund**

Name and Date of Birth	Position(s) with the Trust	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years
<b>Officers</b>			
James Dondero (6/29/1962)	President (Principal Executive Officer)	Indefinite Term; President since May 2015	Co-founder of HCM; Chairman of the Board of NexPoint Residential Trust, Inc. since 2015; NexPoint Hospitality Trust, NexPoint Real Estate Finance, Inc., Jernigan Capital, Inc., Texmark Timber Treasury, L.P., Cornerstone Healthcare Group, Metro-Goldwyn-Mayer and SeaOne Holdings, LLC; Portfolio Manager of NHF; GAF; Highland Energy MLP Fund, Highland Small-Cap Equity Fund and Highland Socially Responsible Equity Equity Fund (each a series of HFII); Highland Opportunistic Credit Fund (series of HFI); the BDC; and the Interval Funds.
Frank Waterhouse (4/14/1971)	Treasurer and Principal Accounting Officer	Indefinite Term; Treasurer since May 2015; Principal Accounting Officer since October 2017.	Partner and Chief Financial Officer of HCMFP; Treasurer of the Highland Funds Complex since May 2015; Principal Financial Officer October 2017 to February 2021; Principal Executive Officer February 2018 to February 2021.
Brian Mitts (8/26/1970)	Principal Financial Officer	Indefinite Term; Principal Financial Officer since February 2021.	Chief Financial Officer, Executive Vice President-Finance, Principal Financial Officer and Principal Accounting Officer of NexPoint Real Estate Strategies Fund since December 2017; Chief Financial Officer, Executive Vice President-Finance, Secretary and Treasurer of NexPoint Real Estate Finance, Inc. since February 2020; Director of NexPoint Real Estate Finance, Inc. since June 2019; Chief Operations Officer of the NexPoint Advisors, L.P. real estate platform; Director of NexPoint Residential Trust, Inc. (NYSE: NXRT) since September 2014; Chief Financial Officer, Executive Vice President-Finance and Treasurer of NXRT since March 2015; Chief Financial Officer, Executive VP-Finance, Treasurer and Corporate Secretary of NexPoint Hospitality Trust since December 2018; Chief Financial Officer and Financial and Operations Principal of NexPoint Securities, Inc., from November 2013 to October 2017.
Jason Post (1/9/1979)	Chief Compliance Officer	Indefinite Term; Chief Compliance Officer since September 2015.	Chief Compliance Officer for HCMFA and NexPoint since September 2015; Chief Compliance Officer and Anti-Money Laundering Officer of the Highland Funds Complex since September 2015. Prior to his current role at HCMFA and NexPoint, Mr. Post served as Deputy Chief Compliance Officer and Director of Compliance for HCM.
Dustin Norris (1/6/1984)	Executive Vice President	Indefinite Term; Executive Vice President since April 2019	Head of Distribution and Chief Product Strategist at NexPoint since March 2019; President of NexPoint Securities, Inc. since April 2018; Head of Distribution at HCMFA from November 2017 until March 2019; Chief Product Strategist at HCMFA from September 2015 to March 2019; Director of Product Strategy at HCMFA from May 2014 to September 2015; Officer of the Highland Funds Complex since November 2012.

Table of Contents**ADDITIONAL INFORMATION (unaudited) (concluded)****December 31, 2020  
Trustees and Officers****NexPoint Strategic Opportunities Fund**

Name and Date of Birth	Position(s) with the Trust	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years
<b>Officers</b>			
David Willmore (2/11/1985)	Secretary	Indefinite Term: Secretary since February 2021	Vice President of Finance for NexPoint Real Estate Finance, Inc. and NexPoint Residential Trust, Inc. since February 2020; Senior Manager at NexPoint Residential Trust, Inc. since March 2019; Senior Manager at Highland Capital Management, L.P. from February 2017 to March 2019.

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NexPoint Advisors, L.P.  
2515 McKinney Avenue, Suite 1100  
Dallas, TX 75201

**Transfer Agent**

American Stock Transfer & Trust Company, LLC  
6201 15th Avenue  
Brooklyn, NY 11219

**Custodian**

The Bank of New York Mellon  
240 Greenwich Street  
New York, New York 10286

**Independent Registered Public Accounting Firm**

Cohen & Company, Ltd.  
1350 Euclid Ave., Suite 800  
Cleveland, OH 44115

**Company Counsel**

K&L Gates LLP  
1 Lincoln Street  
Boston, MA 02111

This report has been prepared for shareholders of NexPoint Strategic Opportunities Fund (the "Company"). The Company mails one shareholder report to each shareholder address. If you would like more than one report, please call shareholder services at 1-866-351-4440 to request that additional reports be sent to you.

A description of the policies and procedures that the Company uses to determine how to vote proxies relating to its portfolio securities, and the Company's proxy voting records for the most recent 12-month period ended December 31, are available (i) without charge, upon request, by calling 1-866-351-4440 and (ii) on the Securities and Exchange Commission's website at <http://www.sec.gov>.

The Company files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-PORT within 60 days after the end of the period. The Company's Forms N-PORT are available on the SEC's website at <http://www.sec.gov>. Shareholders may also obtain the Form N-PORT by visiting the Company's website at [www.nexpointgroup.com](http://www.nexpointgroup.com).

On June 18, 2019 and July 15, 2020, the Company submitted a CEO annual certification to the New York Stock Exchange ("NYSE") on which the Company's principal executive officer certified that he was not aware, as of the date, of any violation by the Company of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Company's principal executive officer and principal financial officer made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-PORT relating to, among other things, the Company's disclosure controls and procedures and internal controls over financial reporting, as applicable.

The Statement of Additional Information includes additional information about the Company's Trustees and is available upon request without charge by calling 1-866-351-4440.

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**NEXPOINT**

ADVISORS

**NexPoint Strategic Opportunities Fund**

**6201 15th Avenue**

**Brooklyn, NY 11219**

**NexPoint Strategic Opportunities Fund**

Annual Report, December 31, 2020

[www.nexpointgroup.com](http://www.nexpointgroup.com)

NHF-AR-1220

**Table of Contents****Item 2. Code of Ethics.**

(a) NexPoint Strategic Opportunities Fund (the “Registrant”), as of the end of the period covered by this report, has adopted a code of ethics that applies to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Registrant or a third party.

(b) Not applicable.

(c) There have been no amendments, during the period covered by this report, to a provision of the code of ethics that applies to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Registrant or a third party, and that relates to any element of the code of ethics description.

(d) The Registrant has not granted any waiver, including any implicit waiver, from a provision of the code of ethics that applies to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this Item’s instructions.

(e) Not applicable.

(f) The Registrant’s code of ethics that applies to the Registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions is filed herewith as Exhibit (a)(1).

**Item 3. Audit Committee Financial Expert.**

As of the end of the period covered by the report, the Registrant’s Board of Trustees (the “Board”) has determined that Bryan A. Ward, a member of the Audit & Qualified Legal Compliance Committee of the Board (the “Audit Committee”), is an audit committee financial expert as defined by the U.S. Securities and Exchange Commission (the “SEC”) in Item 3 of Form N-CSR. Mr. Ward is “independent” as defined by the SEC for purposes of this Item 3 of Form N-CSR.

**Item 4. Principal Accountant Fees and Services.****Audit Fees**

(a) The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the Registrant’s annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years are \$365,000 for the fiscal year ended December 31, 2019 and \$155,000 for the fiscal year ended December 31, 2020.

**Audit-Related Fees**

(b) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the Registrant’s financial statements and are not reported under paragraph (a) of this Item are \$28,000 for the fiscal year ended December 31, 2019 and \$0 for the

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fiscal year ended December 31, 2020. The nature of the services related to agreed-upon procedures performed on the issuance of the auditors' reports in connection with the Registrant's 17F-2 security counts.

Tax Fees

(c) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning are \$21,600 for the fiscal year ended December 31, 2019 and \$19,000 for the fiscal year ended December 31, 2020. The nature of the services related to assistance on the Registrant's tax returns and excise tax calculations.

All Other Fees

(d) The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item are \$0 for the fiscal year ended December 31, 2019 and \$0 for the fiscal year ended December 31, 2020.

(e)(1) Disclose the Audit Committee's pre-approval policies and procedures described in paragraph (c)(7) of Rule 2-01 of Regulation S-X:

The Audit Committee shall:

(a) have direct responsibility for the appointment, compensation, retention and oversight of the Registrant's independent auditors and, in connection therewith, to review and evaluate matters potentially affecting the independence and capabilities of the auditors; and

(b) review and pre-approve (including associated fees) all audit and other services to be provided by the independent auditors to the Registrant and all non-audit services to be provided by the independent auditors to the Registrant's investment adviser or any entity controlling, controlled by or under common control with the investment adviser (an "Adviser Affiliate") that provides ongoing services to the Registrant, if the engagement relates directly to the operations and financial reporting of the Registrant; and

(c) establish, to the extent permitted by law and deemed appropriate by the Audit Committee, detailed pre-approval policies and procedures for such services; and

(d) review and consider whether the independent auditors' provision of any non-audit services to the Registrant, the Registrant's investment adviser or an Adviser Affiliate not pre-approved by the Audit Committee are compatible with maintaining the independence of the independent auditors.

(e)(2) The percentage of services described in each of paragraphs (b) through (d) of this Item that were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X are as follows:

(b) 100%

(c) 100%

(d) N/A

(f) The percentage of hours expended on the principal accountant's engagement to audit the Registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was less than fifty percent.

(g) The aggregate non-audit fees billed by the Registrant's principal accountant for services rendered to the Registrant, and rendered to the Registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and an Adviser Affiliate that provides ongoing services to the Registrant for each of the last two fiscal years of the Registrant was \$575,000 for the fiscal year ended December 31, 2019 and \$520,000 for the fiscal year ended December 31, 2020.

(h) The Registrant's Audit Committee has considered whether the provision of non-audit services that were rendered to the Registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management

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and is subcontracted with or overseen by another investment adviser), and an Adviser Affiliate that provides ongoing services to the Registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

**Item 5. Audit Committee of Listed Registrants.**

The Registrant has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). It is composed of the following Trustees, each of whom is not an "interested person" as defined in the 1940 Act:

Dr. Bob Froehlich

Ethan Powell

Bryan A. Ward

Edward Constantino

\*

**Item 6. Investments.**

(a) Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period is included as part of the Annual Report to Shareholders filed under Item 1 of this form.

(b) Not applicable.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.****NEXPOINT ADVISORS, L.P.  
PROXY VOTING POLICY****Purpose and Scope**

The purpose of these voting policies and procedures (the "Policy") is to set forth the principles and procedures by which NexPoint Advisors, L.P. (the "Company") votes or gives consents with respect to the securities owned by Clients for which the Company exercises voting authority and discretion.<sup>1</sup> For avoidance of doubt, this includes any proxy and any shareholder vote or consent, including a vote or consent for a private company or other issuer that does not involve a proxy. These policies and procedures have been designed to help ensure that votes are cast in the best interests of Clients in accordance with the Company's fiduciary duties and Rule 206(4)-6 under the Investment Advisers Act of 1940 (the "Advisers Act").

This Policy applies to securities held in all Client accounts (including Retail Funds and other pooled investment vehicles) as to which the Company has explicit or implicit voting authority. Implicit voting authority exists where the Company's voting authority is implied by a general delegation of investment authority without reservation of proxy voting authority to the Client.

<sup>1</sup>In any case where a Client has instructed the Company to vote in a particular manner on the Client's behalf, those instructions will govern in lieu of parameters set forth in the Policy.

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If the Company has delegated voting authority to an investment sub-adviser with respect to any Retail Fund, such sub-adviser will be responsible for voting all proxies for such Retail Funds in accordance with the sub-adviser's proxy voting policies. The Compliance Department, to provide oversight over the proxy voting by sub-advisers and to ensure that votes are executed in the best interests of the Retail Funds, shall (i) review the proxy voting policies and procedures of each Retail Fund sub-adviser to confirm that they comply with Rule 206(4)-6, both upon engagement of the sub-adviser and upon any material change to the sub-adviser's proxy voting policies and procedures, and (ii) require each such sub-adviser to provide quarterly certifications that all proxies were voted pursuant to the sub-adviser's policies and procedures or to describe any inconsistent votes.

**General Principles**

The Company and its affiliates engage in a broad range of activities, including investment activities for their own accounts and for the accounts of various Clients and providing investment advisory and other services to Clients. In the ordinary course of conducting the Company's activities, the interests of a Client may conflict with the interests of the Company, other Clients and/or the Company's affiliates and their clients. Any conflicts of interest relating to the voting of proxies, regardless of whether actual or perceived, will be addressed in accordance with these policies and procedures. The guiding principle by which the Company votes all proxies is to vote in the best interests of each Client by maximizing the economic value of the relevant Client's holdings, taking into account the relevant Client's investment horizon, the contractual obligations under the relevant advisory agreements or comparable documents and all other relevant facts and circumstances at the time of the vote. The Company does not permit voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

**Voting Procedures***Third-Party Proxy Advisors*

The Company may engage a third-party proxy advisor ("Proxy Advisor") to provide proxy voting recommendations with respect to Client proxies. Proxy Advisor voting recommendation guidelines are generally designed to increase investors' potential financial gain. When considering whether to retain or continue retaining any particular Proxy Advisor, the Compliance Department will ascertain, among other things, whether the Proxy Advisor has the capacity and competency to adequately analyze proxy issues. In this regard, the Compliance Department will consider, among other things: the adequacy and quality of the Proxy Advisor's staffing and personnel; the robustness of its policies and procedures regarding its ability to (a) engage with issuers and ensure that its proxy voting recommendations are based on current and accurate information and (b) identify and address any conflicts of interest and any other considerations that the Compliance Department determines would be appropriate in considering the nature and quality of the services provided by the Proxy Advisor. To identify and address any conflicts that may arise on the part of the Proxy Advisor, the Compliance Department will ensure that the Proxy Advisor notifies the Compliance Department of any relevant business changes or changes to its policies and procedures regarding conflicts.

*Third-Party Proxy Voting Services*

The Company may utilize a third-party proxy voting service ("Proxy Voting Service") to monitor holdings in Client accounts for purposes of determining whether there are upcoming shareholder meetings or similar corporate actions and to execute Client proxies on behalf of the Company pursuant to the Company's instructions, which shall be given in a manner consistent with this Policy. The Compliance Department will oversee each Proxy Voting Service to ensure that proxies have been voted in a manner consistent with the Company's instructions.

*Monitoring*

Subject to the procedures regarding Nonstandard Proxy Notices described below, the Compliance Department of the Company shall have responsibility for monitoring Client accounts for proxy notices. Except as detailed below, if proxy notices are received by other employees of the Company, such employees must promptly forward all proxy or other voting materials to the Compliance Department.



**Table of Contents***Portfolio Manager Review and Instruction*

From time to time, the settlement group of the Company may receive nonstandard proxy notices, regarding matters including, but not limited to, proposals regarding corporate actions or amendments (“Nonstandard Proxy Notices”) with respect to securities held by Clients. Upon receipt of a Nonstandard Proxy Notice, a member of the settlement group (the “Settlement Designee”) shall send an email notification containing all relevant information to the Portfolio Manager(s) with responsibility for the security and [.com]. Generally, the relevant Portfolio Manager(s) shall deliver voting instructions for Nonstandard Proxy Notices by replying to the email notice sent to the

Portfolio Manager(s) and [ .com] by the Settlement Designee or by sending voting instructions to [ .com] and [ .com]. Any conflicts for Nonstandard Proxy Notices should also be disclosed to the Compliance Department. In the event a Portfolio Manager orally conveys voting instructions to the Settlement Designee or any other member of the Company’s settlement group, that Settlement Designee or member of the Company’s settlement group shall respond to the original notice email sent to [ .com] detailing the Portfolio Manager(s) voting instructions.

With regard to standard proxy notices, on a weekly basis, the Compliance Department will send a notice of upcoming proxy votes related to securities held by Clients and the corresponding voting recommendations of the Proxy Advisor to the relevant Portfolio Manager(s). Upon receipt of a proxy notice from the Compliance Department, the Portfolio Manager(s) will review and evaluate the upcoming votes and recommendations. The Portfolio Managers may rely on any information and/or research available to him or her and may, in his or her discretion, meet with members of an issuer’s management to discuss matters of importance to the relevant Clients and their economic interests. Should the Portfolio Manager determine that deviating from the Proxy Advisor’s recommendation is in a Client’s best interest, the Portfolio Manager shall communicate his or her voting instructions to the Compliance Department.

In the event that more than one Portfolio Manager is responsible for making a particular voting decision and such Portfolio Managers are unable to arrive at an agreement as to how to vote with respect to a particular proposal, they should consult with the applicable Chief Compliance Officer (the “CCO”) for guidance.

*Voting*

Upon receipt of the relevant Portfolio Managers’ voting instructions, if any, the Compliance Department will communicate the instructions to the Proxy Voting Service to execute the proxy votes.

*Supplemental Information of Issuers*

In the event that the Company becomes aware that an issuer has filed with the Securities and Exchange Commission (the “SEC”) supplemental information in response to a Proxy Advisor’s voting recommendation, sufficiently in advance of the submission deadline which would reasonably be expected to affect the Company’s voting determination, the Compliance Department will review such supplemental information and provide the supplemental information to the relevant Portfolio Manager(s). The Portfolio Manager shall communicate to the Compliance Department whether or not the previously provided voting instructions should be changed, and the Compliance Department document the extent to which the supplemental information was considered and/or impacted the voting.

**Table of Contents***Non-Votes*

It is the general policy of the Company to vote or give consent on all matters presented to security holders in any vote, and these policies and procedures have been designated with that in mind. However, the Company reserves the right to abstain on any particular vote if, in the judgment of the CCO, or the relevant Portfolio Manager, the effect on the relevant Client's economic interests or the value of the portfolio holding is insignificant in relation to the Client's portfolio, if the costs associated with voting in any particular instance outweigh the benefits to the relevant Clients or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Clients not to vote. Such determination may apply in respect of all Client holdings of the securities or only certain specified Clients, as the Company deems appropriate under the circumstances. As examples, a Portfolio Manager may determine: (a) not to recall securities on loan if, in his or her judgment, the matters being voted upon are not material events affecting the securities and the negative consequences to Clients of disrupting the securities lending program would outweigh the benefits of voting in the particular instance or (b) not to vote proxies relating to certain foreign securities if, in his or her judgment, the expense and administrative inconvenience outweighs the benefits to Clients of voting the securities.

*Conflicts of Interest*

The Company's Compliance Department is responsible for monitoring voting decisions for any conflicts of interest, regardless of whether they are actual or perceived. All voting decisions contrary to the recommendation of a Proxy Advisor require a mandatory conflicts of interest review by the Compliance Department, which will include a consideration of whether the Company or any Portfolio Manager or other person recommending or providing input on how to vote has an interest in the vote that may present a conflict of interest.

In addition, all Company investment professionals are expected to perform their tasks relating to the voting of proxies in accordance with the principles set forth above, according the first priority to the best interest of the relevant Clients. If at any time a Portfolio Manager or any other investment professional becomes aware of a potential or actual conflict of interest regarding any particular voting decision, he or she must contact the Compliance Department promptly and, if in connection with a proxy that has yet to be voted, prior to such vote. If any investment professional is pressured or lobbied, whether from inside or outside the Company, with respect to any particular voting decision, he or she should contact the Compliance Department promptly. The CCO will use his or her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the relevant Clients.

In the event of a conflict, the Company may choose to address such conflict by: (i) voting in accordance with the Proxy Advisor's recommendation; (ii) the CCO determining how to vote the proxy (if the CCO approves deviation from the Proxy Advisor's recommendation, then the CCO shall document the rationale for the vote); (iii) "echo voting" or "mirror voting" the proxy in the same proportion as the votes of other proxy holders that are not Clients; or (iv) with respect to Clients other than Retail Funds, notifying the affected Client of the material conflict of interest and seeking a waiver of the conflict or obtaining such Client's voting instructions. Where the Compliance Department deems appropriate, third parties may be used to help resolve conflicts. In this regard, the CCO or his or her delegate shall have the power to retain fiduciaries, consultants or professionals to assist with voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Where a conflict of interest arises with respect to a voting decision for a Retail Fund, the Company shall disclose the conflict and the rationale for the vote taken to the Retail Fund's Board of Directors/Trustees at the next regularly scheduled quarterly meeting. The Compliance Department will maintain a log documenting the basis for the decision and will furnish the log to the Board of Trustees.

*Material Conflicts of Interest*

The following relationships or circumstances are examples of situations that may give rise to a material conflict of interest for purposes of this Policy. This list is not exclusive or determinative; any potential conflict (including payments of the types described below but less than the specified threshold) should be identified to the Company's Compliance Department:

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- (i) The issuer is a Client of the Company, or of an affiliate, accounting for more than 5% of the Company's or affiliate's annual revenues.
- (ii) The issuer is an entity that reasonably could be expected to pay the Company or its affiliates more than \$1 million through the end of the Company's next two full fiscal years.
- (iii) The issuer is an entity in which a "Covered Person" (as defined in the Company's Policies and Procedures Designed to Detect and Prevent Insider Trading and to Comply with Rule 17j-1 of the Investment Company Act of 1940, as amended (the "Code of Ethics")) has a beneficial interest contrary to the position held by the Company on behalf of Clients.
- (iv) The issuer is an entity in which an officer or partner of the Company or a relative of any such person is or was an officer, director or employee, or such person or relative otherwise has received more than \$150,000 in fees, compensation and other payment from the issuer during the Company's last three fiscal years; provided, however, that the Compliance Department may deem such a relationship not to be a material conflict of interest if the Company representative serves as an officer or director of the issuer at the direction of the Company for purposes of seeking control over the issuer.
- (v) The matter under consideration could reasonably be expected to result in a material financial benefit to the Company or its affiliates through the end of the Company's next two full fiscal years (for example, a vote to increase an investment advisory fee for a Retail Fund advised by the Company or an affiliate).
- (vi) Another Client or prospective Client of the Company, directly or indirectly, conditions future engagement of the Company on voting proxies in respect of any Client's securities on a particular matter in a particular way.
- (vii) The Company holds various classes and types of equity and debt securities of the same issuer contemporaneously in different Client portfolios.
- (viii) Any other circumstance where the Company's duty to serve its Clients' interests, typically referred to as its "duty of loyalty," could be compromised.

Notwithstanding the foregoing, a conflict of interest described above shall not be considered material for the purposes of this Policy in respect of a specific vote or circumstance if:

The securities in respect of which the Company has the power to vote account for less than 1% of the issuer's outstanding voting securities, but only if:

- (i) such securities do not represent one of the 10 largest holdings of such issuer's outstanding voting securities and (ii) such securities do not represent more than 2% of the Client's holdings with the Company.

The matter to be voted on relates to a restructuring of the terms of existing securities or the issuance of new securities or a similar matter arising out of the holding of securities, other than common equity, in the context of a bankruptcy or threatened bankruptcy of the issuer.

**Recordkeeping**

Following the submission of a proxy vote, the Registrant will maintain a report of the vote and all relevant documentation.

The Registrant shall retain records relating to the voting of proxies and the Company shall conduct due diligence, including on Proxy Voting Services and Proxy Advisors, as applicable, to ensure the following records are adequately maintained by the appropriate party:

- (i) Copies of this Policy and any amendments thereto.
- (ii) A current copy of the Proxy Advisor's voting guidelines, as amended.
- (iii) A copy of each proxy statement that the Company receives regarding Client securities, including any supplemental information an issuer files with the SEC that the Company becomes aware of. The Company may rely on a third

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party to make and retain, on the Company's behalf, a copy of a proxy statement, provided that the Company has obtained an undertaking from the third party to provide a copy of the proxy statement promptly upon request.

(iv) Records of each vote cast by the Company on behalf of Clients. The Company may satisfy this requirement by relying on a third party to make and retain, on the Company's behalf, a record of the vote cast, provided that the Company has obtained an undertaking from the third party to provide a copy of the record promptly upon request.

(v) A copy of any documents created by the Company that were material to making a decision how to vote or that memorializes the basis for that decision.

(vi) A copy of each written request for information on how the Company voted proxies on behalf of the Client, and a copy of any written response by the Company to any (oral or written) request for information on how the Company voted.

These records shall be maintained and preserved in an easily accessible place for a period of not less than five years from the end of the Company's fiscal year during which the last entry was made in the records, the first two years in an appropriate office of the Company.<sup>2</sup>

**Enforcement of this Policy**

It shall be the responsibility of the Compliance Department to handle or coordinate the enforcement of this Policy. The Compliance Department will periodically sample proxy voting records to ensure that proxies have been voted in accordance with this Policy, with a particular focus on any proxy votes that require additional analysis (e.g., proxies voted contrary to the recommendations of a Proxy Advisor).

If the Company has essentially immediate access to a book or record (on the Company's proprietary system or otherwise) through a computer located at an appropriate office of the Company, then that book or record will be considered to be maintained at an appropriate office of the Company. "Immediate access" to books and records includes that the Company has the ability to provide promptly to the SEC examination staff hard copies of the books and records or access to the storage medium. The party responsible for the applicable books and records as described above shall also be responsible for ensuring that those books and records for the first two years are either physically maintained in an appropriate office of the Company or that the Company otherwise has essentially immediate access to the required books and records for the first two years.

If the Compliance Department determines that a Proxy Advisor or Proxy Voting Service may have committed a material error, the Compliance Department will investigate the error, taking into account the nature of the error, and seek to determine whether the Proxy Advisor or Proxy Voting Service is taking reasonable steps to reduce similar errors in the future.

In addition, no less frequently than annually, the Compliance Department will review the adequacy of this Policy to ensure that it has been implemented effectively and to confirm that this Policy continues to be reasonably designed to ensure that proxies are voted in the best interest of Clients.

**Disclosures to Clients and Investors**

As a matter of policy, the Company does not disclose how it expects to vote on upcoming proxies. Additionally, the Company does not disclose the way it voted proxies to unaffiliated third parties without a legitimate need to know such information.

**Item 8. Portfolio Managers of Closed-End Management Investment Companies.****(a)(1) Identification of Portfolio Manager(s) or Management Team Members and Description of Role of Portfolio Manager(s) or Management Team Members**

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The Registrant's portfolio manager, who is primarily responsible for the day-to-day management of the Registrant's portfolio, is James Dondero.

**James Dondero** —Mr. Dondero is the founder of NexPoint Advisors, L.P. ("NexPoint") and co-founder of Highland Capital Management Fund Advisors, L.P. ("HCMFA"). Mr. Dondero has over 30 years of experience investing in credit and equity markets and has helped pioneer credit asset classes. Prior to founding NexPoint and HCMFA in 1993, Mr. Dondero served as Chief Investment Officer of Protective Life's GIC subsidiary and helped grow the business from concept to over \$2 billion between 1989 and 1993. His portfolio management experience includes mortgage-backed securities, investment grade corporates, leveraged bank loans, high-yield bonds, emerging market debt, real estate, derivatives, preferred stocks and common stocks. From 1985 to 1989, he managed approximately \$1 billion in fixed income funds for American Express. Mr. Dondero received a BS in Commerce (Accounting and Finance) from the University of Virginia and is a Certified Managerial Accountant. Mr. Dondero has earned the right to use the Chartered Financial Analyst designation. He also serves as President of NexPoint Capital, Inc. and NexPoint Real Estate Strategies Fund. Mr. Dondero currently serves as Chairman for NexBank and serves on the Board of Directors of TexMark Timber Treasury, L.P., Metro-Goldwyn-Mayer and SeaOne Holdings, LLC,

NexPoint Residential Trust, Inc., NexPoint Hospitality Trust and NexPoint Real Estate Finance, Inc.

**(a)(2) Other Accounts Managed by Portfolio Manager(s) or Management Team Member and Potential Conflicts of Interest****Other Accounts Managed by Portfolio Manager(s) or Management Team Member**

The following table provides information about funds and accounts, other than the Registrant, for which the Registrant's portfolio manager is primarily responsible for the day-to-day portfolio management as of December 31, 2020.

**James Dondero**

<u>Type of Accounts</u>	<u>Total # of Accounts Managed</u>	<u>Total Assets (millions)</u>	<u># of Accounts Managed with Performance- Based Advisory Fee</u>	<u>Total Assets with Performance- Based Advisory Fee (millions)</u>
Registered Investment Companies:	9	\$1,800	1	\$ 59
Other Pooled Investment Vehicles:	1	\$ 1,981	1	\$ 1,981
Other Accounts:	—	\$—	—	\$ —

**Potential Conflicts of Interests**

NexPoint Advisors, L.P. ("NexPoint" or the "Adviser") is an affiliate of HCMFA. The Adviser and/or its general partner, limited partners, officers, affiliates and employees provide investment advice to other parties and manage other accounts and private investment vehicles similar to the Trust. For the purposes of this section, the term "NexPoint" shall include the Adviser and its affiliated investment advisors and all affiliates listed on its Form ADV, as filed via an amendment with the SEC October 23, 2020 (CRD No. 163564).

In connection with such other investment management activities, the Adviser and/or its general partner, limited partners, officers, affiliates and employees may decide to invest the funds of one or more other accounts or recommend the investment of funds by other parties, rather than the Registrant's monies, in a particular security or strategy. In addition, the Adviser and such other persons will determine the allocation of funds from the Registrant and such other accounts to investment strategies and techniques on whatever basis they consider appropriate or desirable in their sole and absolute discretion.

NexPoint has built a professional working environment, a firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. NexPoint has adopted policies and procedures that address the allocation of investment opportunities, execution of



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portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, NexPoint furnishes advisory services to numerous clients in addition to the Registrant, and NexPoint may, consistent with applicable law, make investment recommendations to other clients or accounts (including accounts that have performance or higher fees paid to NexPoint or in which portfolio managers have a personal interest in the receipt of such fees) that may be the same as or different from those made to the Registrant. In addition, NexPoint, its affiliates and any of their partners, directors, officers, stockholders or employees may or may not have an interest in the securities whose purchase and sale the Adviser recommends to the Registrant. Actions with respect to securities of the same kind may be the same as or different from the action that the Adviser, or any of its affiliates, or any of their partners, directors, officers, stockholders or employees or any member of their families may take with respect to the same securities. Moreover, the Adviser may refrain from rendering any advice or services concerning securities of companies of which any of the Adviser's (or its affiliates') partners, directors, officers or employees are directors or officers, or companies as to which the Adviser or any of its affiliates or partners, directors, officers and employees of any of them has any substantial economic interest or possesses material non-public information.

The Adviser, its affiliates or their partners, directors, officers or employees similarly serve or may serve other entities that operate in the same or related lines of business, including accounts managed by an investment adviser affiliated with the Adviser. Accordingly, these individuals may have obligations to investors in those entities or funds or to other clients, the fulfillment of which might not be in the best interests of the Registrant. As a result, the Adviser will face conflicts in the allocation of investment opportunities to the Registrant and other funds and clients. In order to enable such affiliates to fulfill their fiduciary duties to each of the clients for which they have responsibility, the Adviser will endeavor to allocate investment opportunities in a fair and equitable manner, pursuant to policies and procedures adopted by the Adviser and its advisory affiliates that are designed to manage potential conflicts of interest, which may, subject to applicable regulatory constraints, involve pro rata co-investment by the funds and such other clients or may involve a rotation of opportunities among the funds and such other clients. The Registrant will only make investments in which the Adviser or an affiliate hold an interest to the extent permitted under the 1940 Act and SEC staff interpretations or pursuant to the terms and conditions of the exemptive order received by the Adviser and certain funds affiliated with the Registrant, dated April 19, 2016. For example, exemptive relief is not required for the Registrant to invest in syndicated deals and secondary loan market transactions in which the Adviser or an affiliate has an interest where price is the only negotiated point. The order applies to all "Investment Companies," including future closed-end investment companies registered under the 1940 Act that are managed by the Adviser, which includes the Registrant. The Registrant, therefore, may in the future invest in accordance with the terms and conditions of the exemptive order. To mitigate any actual or perceived conflicts of interest, allocation of limited offering securities (such as IPOs and registered secondary offerings) to principal accounts that do not include third party investors may only be made after all other client account orders for the security have been filled. However, there can be no assurance that such policies and procedures will in every case ensure fair and equitable allocations of investment opportunities, particularly when considered in hindsight.

Conflicts may arise in cases when clients and/or the Adviser and other affiliated entities invest in different parts of an issuer's capital structure, including circumstances in which one or more clients own private securities or obligations of an issuer and other clients may own public securities of the same issuer. In addition, one or more clients may invest in securities, or other financial instruments, of an issuer that are senior or junior to securities, or financial instruments, of the same issuer that are held by or acquired for, one or more other clients. For example, if such issuer encounters financial problems, decisions related to such securities (such as over the terms of any workout or proposed waivers and amendments to debt covenants) may raise conflicts of interests. In such a distressed situation, a client holding debt securities of the issuer may be better served by a liquidation of the issuer in which it may be paid in full, whereas a client holding equity securities of the issuer might prefer a reorganization that holds the potential to create value for the equity holders. In the event of conflicting interests within an issuer's capital structure, NexPoint will generally pursue the strategy that NexPoint believes best reflects what would be expected to be negotiated in an arm's length transaction, but in all instances with due consideration being given to NexPoint's fiduciary duties to each of its accounts (without regard to the nature of the accounts involved or fees received from such accounts). This strategy may be recommended by one or more NexPoint investment professionals. A single person may make decisions with respect to more than one part of an issuer's capital structure. NexPoint personnel board members may still make recommendations to the applicable investment professional(s). A portfolio manager with respect to any applicable NexPoint registered investment company clients ("Retail

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Accounts”) will make an independent determination as to which course of action he or she determines is in the best interest of the applicable Retail Accounts. NexPoint may use external counsel for guidance and assistance.

The Adviser and its affiliates have both subjective and objective procedures and policies in place designed to manage potential conflicts of interest involving clients so that, for example, investment opportunities are allocated in a fair and equitable manner among the Registrant and such other clients. An investment opportunity that is suitable for multiple clients of the Adviser and its affiliates may not be capable of being shared among some or all of such clients due to the limited scale of the opportunity or other factors, including regulatory restrictions imposed by the 1940 Act. There can be no assurance that the Adviser’s or its affiliates’ efforts to allocate any particular investment opportunity fairly among all clients for whom such opportunity is appropriate will result in an allocation of all or part of such opportunity to the Registrant. Not all conflicts of interest can be expected to be resolved in favor of the Registrant.

Another type of conflict may arise if one client account buys a security and another client account sells or shorts the same security. Currently, such opposing positions are generally not permitted within the same account without prior trade approval by the Adviser’s Chief Compliance Officer. However, a portfolio manager may enter into opposing positions for different clients to the extent each such client has a different investment objective and each such position is consistent with the investment objective of the applicable client. In addition, transactions in investments by one or more affiliated client accounts may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of other client accounts.

Because certain client accounts may have investment objectives, strategies or legal, contractual, tax or other requirements that differ (such as the need to take tax losses, realize profits, raise cash, diversification, etc.), an affiliated adviser may purchase, sell or continue to hold securities for certain client accounts contrary to other recommendations. In addition, an affiliated adviser may be permitted to sell securities or instruments short for certain client accounts and may not be permitted to do so for other affiliated client accounts.

As a result of the Fund’s arrangements with HCMFA, there may be times when the Adviser or its affiliates have interests that differ from those of the Fund’s shareholders, giving rise to a conflict of interest. The Fund’s officers serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as the Fund does, or of investment funds managed by the Adviser or its affiliates. Similarly, the Adviser or its affiliates may have other clients with similar, different or competing investment objectives. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interests of the Fund or its shareholders. For example, the Fund’s officers have, and will continue to have, management responsibilities for other investment funds, accounts or other investment vehicles managed or sponsored by the Adviser and its affiliates. The Fund’s investment objective may overlap, in part or in whole, with the investment objective of such affiliated investment funds, accounts or other investment vehicles. As a result, those individuals may face conflicts in the allocation of investment opportunities among the Registrant and other investment funds or accounts advised by or affiliated with the Adviser. The Adviser will seek to allocate investment opportunities among eligible accounts in a manner that is fair and equitable over time and consistent with its allocation policy. However, the Fund can offer no assurance that such opportunities will be allocated to it fairly or equitably in the short- term or over time.

In addition, it is anticipated that a portion of the Registrant’s assets will be represented by real estate investment trusts (“REITs”), asset backed securities and/or collateralized loan obligations (“CLOs”) sponsored, organized and/or managed by the Adviser and its affiliates or its historical affiliates. The Adviser will monitor for conflicts of interest in accordance with its fiduciary duties and will provide the independent trustees of the Registrant with an opportunity to periodically review the Registrant’s investments in such REITs, asset-backed securities and/or CLOs and assure themselves that continued investment in such securities remains in the best interests of the Registrant and its shareholders. The Adviser may effect client cross-transactions where it causes a transaction to be effected between the Registrant and another client advised by the Adviser or any of its affiliates. The Adviser may engage in a client cross-transaction involving the Registrant any time that the Adviser believes such transaction to be fair to the Registrant and the other client of the Adviser or its affiliates. As further described below, the Adviser may effect principal transactions where the Registrant may make and/or hold an investment, including an investment in securities, in which the Adviser and/or its affiliates have a debt, equity or participation interest, in each

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case in accordance with applicable law, which may include the Adviser obtaining the consent and approval of the Registrant prior to engaging in any such principal transaction between the Registrant and the Adviser or its affiliates.

The Adviser may direct the Registrant to acquire or dispose of investments in cross trades between the Registrant and other clients of the Adviser or its affiliates in accordance with applicable legal and regulatory requirements. In addition, to the extent permitted by the 1940 Act and SEC staff interpretations, the Registrant may make and/or hold an investment, including an investment in securities, in which the Adviser and/or its affiliates have a debt, equity or participation interest, and the holding and sale of such investments by the Registrant may enhance the profitability of the Adviser's own investments in such companies.

**(a)(3) Compensation Structure of Portfolio Manager(s) or Management Team Members**

NexPoint's financial arrangements with its portfolio managers, its competitive compensation and its career path emphasis at all levels reflect the value senior management places on key resources. Compensation may include a variety of components and may vary from year to year based on a number of factors, including the relative performance of a portfolio manager's underlying account, the combined performance of the portfolio managers' underlying accounts, and the relative performance of the portfolio managers' underlying accounts measured against other employees. The principal components of compensation include a base salary, a discretionary bonus and various retirement benefits.

*Base compensation.* Generally, portfolio managers receive base compensation based on their seniority and/or their position with NexPoint, which may include the amount of assets supervised and other management roles within NexPoint. Base compensation is determined by taking into account current industry norms and market data to ensure that NexPoint pays a competitive base compensation.

*Discretionary compensation.* In addition to base compensation, portfolio managers may receive discretionary compensation, which can be a substantial portion of total compensation. Discretionary compensation can include a discretionary cash bonus paid to recognize specific business contributions and to ensure that the total level of compensation is competitive with the market.

Because each person's compensation is based on his or her individual performance, NexPoint does not have a typical percentage split among base salary, bonus and other compensation. Senior portfolio managers who perform additional management functions may receive additional compensation in these other capacities. Compensation is structured such that key professionals benefit from remaining with NexPoint.

**(a)(4) Disclosure of Securities Ownership**

The following table sets forth the dollar range of equity securities beneficially owned by the portfolio manager in the Registrant as of December 31, 2020.

<u>Name of Portfolio Manager</u>	<u>Dollar Ranges of Equity Securities Beneficially Owned by Portfolio Manager</u>
James Dondero	Over \$1,000,000

(b) Not applicable.

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**



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Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2020 to January 31, 2020 <sup>1</sup>	-	-	-	25,000,000
February 1, 2020 to February 29, 2020	-	-	-	25,000,000
March 1, 2020 to March 31, 2020	414,604	8.6668	414,604	21,406,728
April 1, 2020 to April 30, 2020 <sup>2</sup>	-	-	-	72,968,755
May 1, 2020 to May 31, 2020	-	-	-	72,968,755
June 1, 2020 to June 30, 2020	-	-	-	72,968,755
July 1, 2020 to July 31, 2020	98,600	10.1834	98,600	71,964,675
August 1, 2020 to August 31, 2020	-	-	-	71,964,675
September 1, 2020 to September 30, 2020	-	-	-	71,964,675
October 1, 2020 to October 31, 2020	-	-	-	71,964,675
November 1, 2020 to November 30, 2020	-	-	-	71,964,675
December 1, 2020 to December 31, 2020	-	-	-	71,964,675
<b>Total</b>	<b>513,204</b>	<b>8.9581</b>	<b>513,204</b>	<b>71,964,675</b>

(1) On October 25, 2019, the Board of the Fund authorized the repurchase of up to \$25 million of the Fund's shares over a six-month period

(2) On April 24, 2020, the Board authorized the repurchase of up to 10% of the Company's shares over a twelve-month period.

**Item 10. Submission of Matters to a Vote of Security Holders.**

There have been no material changes to the procedures by which the shareholders may recommend nominees to the Registrant's Board.

**Item 11. Controls and Procedures.**

**Table of Contents****(a) Evaluation of Disclosure Controls and Procedures.**

The Registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934 (the "Exchange Act") and the 1940 Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Registrant's management, including the principal executive officer and principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

**Remediation of Material Weakness in Internal Control over Financial Reporting.** As of December 31, 2020, management remediated the material weakness previously identified as of December 31, 2019 relating to the controls designed to ensure the appropriateness of the fair value determinations reached for Level 3 real estate-related holdings (the "Material Weakness"). While this material weakness did not result in a misstatement, it could result in a misstatement to the investment balances or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected.

The steps management took to remediate this Material Weakness included: i) adding additional review procedures by designating a member of the Valuation Committee of the Adviser to monitor and report to the Valuation Committee to ensure that for significant real estate-related holdings, fair values for such holdings are validated through one or more other valuation techniques that are acceptable under ASC 820, and ii) the valuation methodology employed is confirmed by an independent valuation expert at least annually.

As a result of the remediation activities, management has determined that its controls were designed appropriately and at a sufficient level of precision, and have been operating effectively for a sufficient period of time, such that the Material Weakness previously identified as of December 31, 2019 has been remediated as of December 31, 2020.

(b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

**Item 12. Disclosure of Securities Lending Activities for Closed-End Management Investment Companies.**

(a)

- (1) Gross income from securities lending activities: \$362
- (2) All fees and/or compensation for securities lending activities and related services: \$0
- (3) Aggregate fees/compensation: \$0
- (4) Net income from securities lending activities: \$362

(b) The Registrant may lend up to 33 1/3% of the Registrant's total assets held by The Bank of New York ("BNY") as custodian to certain qualified brokers, except those securities which the Registrant or the Adviser specifically identifies as not being available. By lending its investment securities, the Registrant attempts to increase its net investment income through the receipt of interest on the loan. Any gain or loss in the market price of the securities loaned that might occur and any interest or dividends declared during the term of the loan would accrue to the account of the Registrant. Risks of delay in recovery of the securities or even loss of rights in the collateral may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the collateral decreases below the value of the securities loaned. Upon entering into a securities lending transaction, the Registrant receives cash or other securities as collateral in an amount equal to or exceeding 100% of the current market value of the loaned securities with respect to securities of the U.S. government or its agencies, 102% of the current market value of the loaned securities with respect to U.S. securities and 105% of the current market value of the loaned securities with respect to foreign securities. Any cash received as collateral is generally invested by BNY, acting in its capacity as securities lending agent (the "Agent"), in the Dreyfus Treasury Obligations Cash Management Fund. Non-cash collateral is not disclosed in the Registrant's Statement of Assets and Liabilities as it is held by the lending agent on behalf of the Registrant and the Registrant does not have the ability to re-hypothecate those securities. A portion of the dividends received on the collateral may be rebated to the borrower of the securities and the remainder is split between BNY, as the securities lending agent, and the Registrant.

**Item 13. Exhibits.**

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- (a)(1) Code of ethics, or amendment thereto, that is the subject of disclosure required by Item 2 is attached hereto.
- (a)(2) Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.
- (a)(3) Not applicable.
- (a)(4)(i) Certification pursuant to Item 4.01 of Form 8-K under the Exchange Act (17 CFR 249.308) is attached hereto.
- (a)(4)(ii) Letter from former accountant pursuant to Item 304(a) under Regulation S-K is attached hereto.
- (b) Certifications pursuant to Rule 30a-2(b) under the 1940 Act and Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto.

**Table of Contents****SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, and the Investment Company Act of 1940, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**NEXPOINT STRATEGIC OPPORTUNITIES FUND**

By (Signature  
and Title): /s/ James Dondero  
James Dondero  
President and Principal Executive Officer

Date: March 11, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, and the Investment Company Act of 1940, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By  
(Signature  
and Title): /s/ James Dondero  
James Dondero  
President and Principal Executive Officer

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Date: March 11, 2021

By (Signature  
and Title): /s/ Brian Mitts  
Brian Mitts  
Principal Financial Officer and Assistant Treasurer

Date: March 11, 2021

## **EXHIBIT 45**

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

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**FORM N-CSR**

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**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-21869

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**NEXPOINT STRATEGIC  
OPPORTUNITIES FUND**

(Exact name of registrant as specified in charter)

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300 Crescent Court  
Suite 700  
Dallas, Texas 75201  
(Address of principal executive offices)(Zip code)

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NexPoint Advisors, L.P.  
300 Crescent Court  
Suite 700  
Dallas, Texas 75201  
(Name and Address of Agent for Service)

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Registrant's telephone number, including area code: (866) 351-4440

Date of fiscal year end: December 31

Date of reporting period: December 31, 2019

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**Item 1. Reports to Stockholders.**

A copy of the Annual Report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the "1940 Act"), is attached herewith.

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# NEXPOINT

## ADVISORS

# NexPoint Strategic Opportunities Fund

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## Annual Report December 31, 2019

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Beginning on January 1, 2021, as permitted by regulations adopted by the U.S. Securities and Exchange Commission, paper copies of the Fund's annual and semi-annual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Funds' website (highlandfunds.com), and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund electronically by contacting your financial intermediary (such as a broker dealer or bank) or, if you are a direct investor, by contacting the Fund's transfer agent at 1-866-351-4440. You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. If you invest directly with the Fund, you can call 1-866-351-4440 to let the Fund know you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all funds held in your account if you invest through your financial intermediary or all funds held with the fund complex if you invest directly with the Fund.

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# NexPoint Strategic Opportunities Fund

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Economic and market conditions change frequently.  
There is no assurance that the trends described in this report will continue or commence.

**A prospectus must precede or accompany this report. Please read the prospectus carefully before you invest.**

### Privacy Policy

We recognize and respect your privacy expectations, whether you are a visitor to our web site, a potential shareholder, a current shareholder or even a former shareholder.

*Collection of Information.* We may collect nonpublic personal information about you from the following sources:

- **Account applications and other forms, which may include your name, address and social security number, written and electronic correspondence and telephone contacts;**
- **Web site information, including any information captured through the use of “cookies”; and**
- **Account history, including information about the transactions and balances in your accounts with us or our affiliates.**

*Disclosure of Information.* We may share the information we collect with our affiliates. We may also disclose this information as otherwise permitted by law. We do not sell your personal information to third parties for their independent use.

*Confidentiality and Security of Information.* We restrict access to nonpublic personal information about you to our employees and agents who need to know such information to provide products or services to you. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information, although you should be aware that data protection cannot be guaranteed.

Table of Contents**PORTFOLIO MANAGER COMMENTARY (unaudited)****December 31, 2019****NexPoint Strategic Opportunities Fund**

During 2019, the NexPoint Strategic Opportunities Fund (the "Fund", NYSE:NHF) returned 5.66% on net asset value ("NAV") and 4.76% of market value, including reinvested dividends, compared to a total return of 9.31% for the Credit Suisse Hedge Fund Index and 8.62% for the HFRX Global Hedge Fund Index during the same period. Top contributors to performance include Private Real Estate, Freddie Mac K-Deals, Jernigan Capital, Inc. and Fortinet. Some of the largest detractors to performance include Argentine sovereign debt, which detracted approximately 11 basis points on the net asset value, Argentine equity, Fieldwood Energy and Aerie Pharmaceuticals.

NHF	1 Year	3 Year	5 Year	Inception to Date
NAV	5.66%	8.28%	4.62%	5.52%
Market Price	4.76%	6.39%	4.65%	3.68%

On October 25, 2019, the Board of Trustees approved a repurchase program to repurchase up to \$25 million of the Fund's shares over a six-month period. The program allows for the Fund to repurchase shares, if trading at a discount, in open market transactions until the conclusion of the repurchase period on April 24, 2020 (subject to the Fund's available cash, after consideration of reserves necessary for anticipated fund expenses and contingencies).

**Portfolio Highlights**

On April 11, 2019, the Fund announced the commencement of a non-transferable rights offering to purchase additional shares of common stock of the Fund. The offering was a success, with total subscriptions equaling over 230% of the primary offering. The Fund successfully raised \$240 million in new capital to take advantage of accretive and opportunistic investment ideas.

A significant amount of the proceeds of the rights offering have been invested in high conviction private real estate, including: Freddie Mac K-Deals; a portfolio of single-family mortgage loans; and investments made through the Fund's wholly owned private REIT subsidiaries, NexPoint Real Estate Opportunities, LLC ("NREO") and NexPoint Real Estate Capital, LLC ("NREC"). As of December 31, 2019, NREC held preferred equity positions in six multifamily properties representing \$30.5 million of invested capital.

NREO includes several private real estate assets. These investments include, SAFStor, CityPlace Tower, Marriott Modern Uptown Dallas and a single family rental private REIT.

- NREO has an interest in a single family rental private REIT that owns and operates nearly 7,000 cash flowing single family rental homes in 12 markets across the Midwest. The REIT looks to benefit from the fundamental mispricing of workforce single-family rental (SFR) assets in the U.S., leveraging supply-demand imbalances and fragmentation in the market to acquire units at significant discounts to replacement cost and capitalization rates significantly higher than comparable multifamily assets. The workforce SFR sector has been helped by the expansion of the U.S. rental base as well as the well documented shortage of lower priced housing options in the country
- SafStor owns, develops and redevelops single and multi-story self-storage properties. The properties are located in markets with high barriers to entry and are undersupplied. We look for markets that offer low delinquency, high traffic count, and high population growth with above average household income. Property management is performed by reputable operators such as Extra Space Storage and CubeSmart. As of December 31, 2019, NREO had invested \$47.6 million of equity to fund the development of eight individual storage facilities. Additionally, we have 36 projects in the construction or planning phase with expected completion between May 2020 and December 2022. The weighted average yield on cost is 8.6% for all 44 properties. We expect appreciation of the storage portfolio once development is complete.
- CityPlace Tower is a 42-story, 1.35 million square foot, trophy office building located adjacent to the Uptown submarket in Dallas, Texas. NREO acquired the property in 2018 and, according to an appraisal performed by JLL, at a 5.1% discount to the current as-is market value and a 50.8% discount to replacement cost. The prior owners were unwilling to invest significant capital to remain competitive with the property's competitors. For example, due to prior ownership, CityPlace was budgeted to average approximately \$14/square foot in triple net lease ("NNN") rent equivalent during 2019. Similar office assets in the Uptown-Dallas submarket are achieving average NNN rents of \$30/square foot. We are investing significant capital to provide class-A amenities and reposition the asset to achieve higher rental rates in both the office and retail spaces. The office tower will house a 223-key five-star hotel operated by InterContinental Hotels Group. The Hotel will occupy eight of the building's 42 floors and will contain a restaurant, full bar, and lounge. Plans for the restaurant include a terrace overlooking Uptown and Downtown Dallas. The hotel is expected to open in early 2022 and

Annual Report | 1

Table of Contents**PORTFOLIO MANAGER COMMENTARY (unaudited)****December 31, 2019****NexPoint Strategic Opportunities Fund**

is expected to more than double net operating income of the building once stabilized. There are also plans to enhance shared spaces and amenities for tenants by renovating the lobby, introducing concourse-level fast food and retail offerings, and building a new fitness center. We also built a datacenter in a space that was considered unusable and is expected to generate an additional \$700k in ancillary income.

- In March 2019 NREO contributed properties in exchange for shares of the NexPoint Hospitality Trust, which listed on the Toronto Venture Exchange and are traded under the symbol "NHT". In connection with the offering, NHT acquired 11 full-service and select-service hotels located throughout the United States. In July 2019, NHT announced an agreement to acquire Condor Hospitality Trust, Inc. (NYSE American: CDOR) for approximately \$318 million, which would increase NHT's gross asset value to approximately \$700 million. The combined portfolio will expand NHT's footprint to a total of 26 hotels across 11 states and 18 distinct metropolitan statistical areas ("MSAs") with concentrations in Texas, Florida, and Georgia.
- As of December 31, 2019, NREO had invested \$37.3 million of equity to fund the development of an upscale Marriott hotel in the heart of the Uptown submarket of Dallas, Texas. The total project cost is roughly \$105 million and, upon completion, will boast 255 upscale guestrooms with approximately 13,000 square feet of meeting space. The Marriott Uptown will fill a void in the immediate submarket which lacks an affordable, quality hotel for the business traveler. The hotel is scheduled for completion in the 3rd quarter of 2020 and we anticipate significant appreciation potential after completion.

NHF has invested in several Freddie Mac sponsored K-Deals securitizations (more specifically B-Pieces), which have been, in our opinion, a successful and sought-after exclusive securitization program offering a wide-range of multifamily products. As of December 31, 2019, 330 K-Deal transactions have closed for a combined \$353.4 billion in issuance and 17,650 loans originated and securitized with less than 1 basis point of losses. We believe B-Pieces offer an attractive risk-adjusted return with a strong underlying credit profile, pooled diversification, and are backed by an asset class we intimately understand.

**The Fund's Strategy**

The Fund's investment adviser, NexPoint Advisers L.P. (the "Investment Adviser"), manages the Fund pursuant to a multistrategy investment program that attempts to exceed the return of the Fund's benchmark in a transparent, registered fund format with monthly dividends. We will typically allocate the Fund's investments in the following asset classes: public equities, private equity investments, collateralized loan obligation (CLOs) debt, high yield bonds, syndicated floating rate bank loans, real estate assets, CLO equity, non-traditional yield oriented investments and may hedge exposure where necessary.

**Shareholder Loyalty Program**

In July 2012, we developed and implemented a unique and creative Shareholder Loyalty Program (the "Program") that we believe rewards long-term shareholders while aligning the interests of the portfolio manager and other employees of the Investment Adviser and its affiliates with those of the Fund's shareholders. The primary purpose of the Program is to promote shareholder loyalty. Subject to certain limitations, the Program offers shareholders a 2% gross-up on all new contributions made through accounts held by the Program's administrator that are held for at least 12-months after initial purchase date. The Program was offered to employees of NexPoint and affiliates beginning in July 2012 and has increased direct employee ownership in the Fund. All costs of the program, including the cost of the gross-up on purchases and dividend reinvestments, are paid by the Investment Adviser, not by the Fund.

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Table of Contents**FUND PROFILE (unaudited)****NexPoint Strategic Opportunities Fund**

## Objective

NexPoint Strategic Opportunities Fund seeks to provide both current income and capital appreciation.

## Net Assets as of December 31, 2019

\$974 million

## Portfolio Data as of December 31, 2019

The information below provides a snapshot of NexPoint Strategic Opportunities Fund at the end of the reporting period. NexPoint Strategic Opportunities Fund is actively managed and the composition of its portfolio will change over time. Current and future holdings are subject to risk.

**Quality Breakdown as of 12/31/2019**

(%)(<sup>(1)</sup>)

AAA	1.5
BBB	1.6
BB	3.6
B	2.3
CCC	6.1
CC	0.5
NR	84.3

**Sectors as of 12/31/2019 (%)<sup>(1)(2)</sup>**

Real Estate and Real Estate Investment Trust	60.0
Agency and Collateralized Mortgage Obligation	21.2
Financial	20.8
Communication Services	8.6
Energy	4.9

**Top 10 Holdings as of 12/31/2019 (%)<sup>(1)(2)</sup>**

NexPoint Real Estate Opportunities, LLC (Common Stock)	24.4
Jernigan Capital, Inc. 7.00%, (Preferred Stock)	11.2
NexPoint Hospitality Trust (Common Stock)	6.9
FREMF Mortgage Trust 7.70%, 11/25/2026 (Agency Collateralized Mortgage Obligations)	6.0
FREMF Mortgage Trust , 8/25/2025 (Agency Collateralized Mortgage Obligations)	5.5
FREMF Mortgage Trust , 8/25/2028 (Agency Collateralized Mortgage Obligations)	4.8
SFR WLIF I, LLC %, (LLC Interest)	4.1
TerreStar Corporation (Common Stock)	3.8
Specialty Financial Products, Ltd. (Common Stock)	3.6
NexPoint Real Estate Capital (Common Stock)	3.5

<sup>(1)</sup> Quality is calculated as a percentage of total bonds & notes. Sectors and holdings are calculated as a percentage of total net assets. The quality ratings reflected were issued by Standard & Poors, a nationally recognized statistical rating organization. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). Quality ratings reflect the credit quality of the underlying bonds in the Fund's portfolio and not that of the Fund itself. Quality Ratings are subject to change.

<sup>(2)</sup> Sectors and holdings are calculated as a percentage of total net assets.

[Table of Contents](#)**FINANCIAL STATEMENTS**

December 31, 2019

NexPoint Strategic Opportunities Fund

**A guide to understanding each Fund's financial statements**

<b>Investment Portfolio</b>	The Investment Portfolio details all of the Fund's holdings and its market value as of the last day of the reporting period. Portfolio holdings are organized by type of asset and industry to demonstrate areas of concentration and diversification.
<b>Statement of Assets and Liabilities</b>	This statement details the Fund's assets, liabilities, net assets and share price for each share class as of the last day of the reporting period. Net assets are calculated by subtracting all of the Fund's liabilities (including any unpaid expenses) from the total of the Fund's investment and noninvestment assets. The net asset value per share for each class is calculated by dividing net assets allocated to that share class by the number of shares outstanding in that class as of the last day of the reporting period.
<b>Statement of Operations</b>	This statement reports income earned by the Fund and the expenses incurred by the Fund during the reporting period. The Statement of Operations also shows any net gain or loss the Fund realized on the sales of its holdings during the period as well as any unrealized gains or losses recognized over the period. The total of these results represents the Fund's net increase or decrease in net assets from operations.
<b>Statement of Changes in Net Assets</b>	This statement details how the Fund's net assets were affected by its operating results, distributions to shareholders and shareholder transactions (e.g., subscriptions, redemptions and distribution reinvestments) during the reporting period. The Statement of Changes in Net Assets also details changes in the number of shares outstanding.
<b>Statement of Cash Flows</b>	This statement reports net cash and foreign currency provided or used by operating, investing and financing activities and the net effect of those flows on cash and foreign currency during the period.
<b>Financial Highlights</b>	The Financial Highlights demonstrate how the Fund's net asset value per share was affected by the Fund's operating results. The Financial Highlights also disclose the classes' performance and certain key ratios (e.g., net expenses and net investment income as a percentage of average net assets).
<b>Notes to Financial Statements</b>	These notes disclose the organizational background of the Fund, certain of its significant accounting policies (including those surrounding security valuation, income recognition and distributions to shareholders), federal tax information, fees and compensation paid to affiliates and significant risks and contingencies.



Table of Contents**INVESTMENT PORTFOLIO**

As of December 31, 2019

NexPoint Strategic Opportunities Fund

Shares		Value (\$)	Shares		Value (\$)
<b>Common Stock - 63.0%</b>			<b>INFORMATION TECHNOLOGY - 1.6%</b>		
<b>CHEMICALS - 0.0%</b>			271,271	Avaya Holdings Corp. (a)(b)	3,662,159
25,250	Venator Materials (a)(b)	96,707	66,233	CDK Global, Inc. (a)	3,621,620
<b>COMMUNICATION SERVICES - 6.2%</b>			22,650	Enphase Energy (a)(b)	591,844
309,137	Metro-Goldwyn-Mayer, Inc. (b)(q)	23,752,078	12,400	Globant (a)(b)	1,315,020
132,801	TerreStar Corporation (b)(c)(d)(e)(q)	36,808,453	1	MagnaChip Semiconductor (b)	12
		60,560,531	14,900	NXP Semiconductors (a)	1,896,174
<b>CONSUMER DISCRETIONARY - 0.8%</b>			101,800	StoneCo, Class A (a)(b)	4,060,802
38,400	Afya, Class A (a)(b)	1,041,408			15,147,631
2,500	Amazon.com, Inc. (a)(b)	4,619,600	<b>MATERIALS - 0.2%</b>		
4,460	MercadoLibre, Inc. (a)(b)	2,550,853	5,750	Huntsman (a)	138,920
		8,211,861	356,875	MPM Holdings, Inc. (b)	1,784,375
<b>ENERGY - 3.3%</b>			11,164	Omnimax International, Inc. (b)(c)(d)(e)	34,830
336	California Resources (a)(b)	3,034			1,958,125
67,200	Continental Resources, Inc. (a)	2,304,960	<b>MEDIA AND TELECOMMUNICATIONS - 0.1%</b>		
368,680	Fieldwood Energy LLC (b)	7,435,170	13,722	Loral Space & Communications, Inc. (a)(b)	443,495
1,425,351	NextDecade Corp. (a)(b)	8,751,655	<b>METALS &amp; MINERALS - 0.2%</b>		
299,500	Petroleo Brasileiro ADR (a)	4,774,030			
40,000	Pioneer Natural Resources (a)	6,054,800	272,400	Loma Negra Cia Industrial Argentina ADR (a)(b)	2,130,168
40	Transocean (a)(b)	275	<b>PHARMACEUTICALS - 2.8%</b>		
30,885	Williams Cos., Inc. (a)	732,592	489,600	Aerie Pharmaceuticals, Inc. (a)(b)	11,833,632
159,800	YPF ADR (a)	1,850,484	612,991	Heron Therapeutics, Inc. (a)(b)	14,405,288
		31,907,000	110,000	TG Therapeutics, Inc. (a)(b)	1,221,000
<b>FINANCIAL - 5.0%</b>					27,459,920
47,354	American Banknote Corp. (c)(d)	155,795	<b>REAL ESTATE - 11.8%</b>		
63,000	Banco Bradesco ADR (a)	563,850	631,135	Allenby (b)(c)(d)(e)	1
11,600	CIT Group, Inc. (a)	529,308	78,947	Alpine Income Property Trust (a)	1,502,361
666,667	Creative Science Properties, Inc. (b)(f)(g)	10,000,005	2,019,369	Claymore (b)(c)(d)(e)	2
70,240	Grupo Supervielle SA ADR (a)	258,483	293,449	Cresud SACIF y A ADR (a)(b)	2,065,883
237,500	Itau Unibanco Holding ADR (a)	2,173,125	13,370,573	NexPoint Hospitality Trust (e)	66,719,159
38,998,415	Specialty Financial Products, Ltd. (c)(d)(e)	35,254,567	11,389,726	NexPoint Real Estate Capital (c)(d)(e)	34,066,670
		48,935,133	81,229	NexPoint Residential Trust , REIT (a)(e)	3,655,305
<b>GAMING/LEISURE - 0.0%</b>			357,117	Postal Realty Trust, Class A , REIT (a)	6,053,133
					114,062,514
26,712	LLV Holdco LLC - Series A, Membership Interest (b)(c)(d)(e)	—	<b>REAL ESTATE INVESTMENT TRUST - 26.2%</b>		
144	LLV Holdco LLC - Series B, Membership Interest (b)(c)(d)(e)	—			
<b>HEALTHCARE - 1.8%</b>			233,732	Bluerock Residential Growth, Class A , REIT (a)	2,816,471
50,000	Paratek Pharmaceuticals, Inc. (a)(b)	201,500	47,000	Independence Realty Trust, Inc. , REIT (a)	661,760
20,400	Patterson (a)	417,792	439,183	Jernigan Capital, Inc. , REIT (a)	8,405,963
694,994	Portola Pharmaceuticals, Inc. (a)(b)	16,596,457	146,055,529	NexPoint Real Estate Opportunities, LLC, REIT (c)(d)(e)	237,982,879
		17,215,749	1,763,581	United Development Funding IV , REIT (a) (e)	5,149,656
<b>HOUSING - 0.0%</b>					255,016,729
368,150	Westgate Investments LLC (b)(c)(d)	—	<b>UTILITIES - 2.4%</b>		
<b>INDUSTRIALS - 0.6%</b>			327,750	Central Puerto ADR (a)	1,592,865
64,900	American Airlines Group, Inc. (a)	1,861,332	26,220	Entegra TC LLC (c)(d)	—
172,900	Hertz Global Holdings (a)(b)	2,723,175	156,000	Pampa Energia ADR (a)(b)	2,563,080
8	Pendrell Corp. (a)(b)	1,410,200	800,800	Vistra Energy Corp. (a)	18,410,392
		5,994,707			22,566,337
			<b>Total Common Stock (Cost \$670,740,170)</b>		
					611,706,607

See Glossary on page 10 for abbreviations along with accompanying Notes to Financial Statements. | 5



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**INVESTMENT PORTFOLIO (continued)**

**As of December 31, 2019**

**NexPoint Strategic Opportunities Fund**

Shares		Value (\$)	Shares		Value (\$)
<b>Preferred Stock - 30.2%</b>					
<b>FINANCIAL - 15.8%</b>					
14,500	Aberdeen Loan Funding, Ltd. (f)	1,682,725	55,096,698	Series 2019-K97, Class D 0.00%, 1/25/2030 (h)	24,505,358
15,000	Brentwood CLO, Ltd. (f)	7,500,000	598,636,812	Series 2019-K97, Class X2A 0.10%, 7/25/2029 (i)	4,801,067
13,600	Brentwood Investors , 02/01/2022 (f)	6,800,000	135,904,199	Series 2019-K97, Class X2B 0.10%, 1/25/2030 (i)	1,065,489
34,500	Eastland CLO, Ltd. (f)	14,371,551	45,871,176	FREMF Trust, Series 2018-KW04, Class C 0.00%, 12/25/2032 (h)	16,284,268
13,006	Eastland Ltd. , 05/01/2022 (b)(f)	5,417,867		Total Agency Collateralized Mortgage Obligations (Cost \$188,241,423)	206,150,678
70,000	Federal National Mortgage Association 5.13% (a)(b)(g)	1,392,300	<b>LLC Interest (c)(d)(e) - 7.6%</b>		
62,611	Federal National Mortgage Association 8.25% (a)(b)(g)	717,201	40,322,605	SFR WLIF I, LLC	39,730,669
8,960	Federal National Mortgage Association 4.75% (a)(b)(g)	177,318	26,968,904	SFR WLIF II, LLC	26,714,857
7,750	Gleneagles CLO, Ltd. , 12/30/2049 (f)	3,022,500	7,708,491	SFR WLIF III, LLC	7,541,371
62,600	Grayson CLO, Ltd. , 11/01/2021 (f)	26,117,033		Total LLC Interest (Cost \$75,000,000)	73,986,897
13,700	Grayson Investors , 11/01/2021 (f)	5,715,708	<b>U.S. Senior Loans (j) - 4.0%</b>		
42,750	Greenbriar CLO, Ltd. , 11/01/2021 (f)	23,868,750	<b>COMMUNICATION SERVICES - 2.4%</b>		
125,000	Jasper CLO, Ltd. (f)	5,500,000		iHeartCommunications Inc., Initial Term Loan, 1st Lien, 05/01/26 (k)	76,906
10,000	Liberty CLO, Ltd. , 11/01/2017 (f)	3,675,000	76,365	TerreStar Corporation Term Loan, 02/28/22 (c)(d)(e)	424,370
8,500	Red River CLO, Ltd. , 07/27/2018 (f)	2,455,940	425,220	TerreStar Corporation, Term Loan A, cash/0% PIK 02/27/20 (c)(d)(e)	21,686,285
4,871	Rockwall CDO, 08/01/2024 (f)	2,605,985	21,729,744	TerreStar Corporation, Term Loan C, cash/0% PIK 02/27/20 (c)(d)(e)	508,534
4,800	Rockwall CDO, Ltd. (f)	1,248,000	509,553		22,696,095
10,500	Rockwall CDO, Ltd. , 08/01/2021 (f)	2,730,000	<b>GAMING/LEISURE - 1.0%</b>		
6,000	Southfork CLO, Ltd. , 05/01/2017 (f)	600,000		Ginn-LA CS Borrower LLC, Tranche A, 1st Lien, 05/30/20 (c)(d)	—
2,000	Stratford CLO , 11/01/2021 (f)	1,050,000	8,274,215	Ginn-LA CS Borrower LLC, Tranche B Term Loan, 1st Lien, 05/30/19 (c)(d)(k)	—
41,500	Stratford CLO, Ltd. , 11/01/2021 (f)	18,336,360	11,736,674	LLV Holdco, LLC, Revolving Exit Loan, 09/03/20 (c)(d)(e)	9,389,339
35,507	Westchester CLO, Ltd. , 08/01/2022 (f)	18,286,105			9,389,339
		153,270,343	<b>METALS &amp; MINERALS - 0.6%</b>		
<b>REAL ESTATE - 2.2%</b>					
18,508	Creek Pine Holdings, LLC, REIT 10.25% (b)(c)(d)(g)	21,430,783			
<b>REAL ESTATE INVESTMENT TRUST - 12.2%</b>			<b>GAMING/LEISURE - 1.0%</b>		
99,223	Bluerock Residential Growth, Inc., REIT 7.63% (a)(g)	2,581,783	3,860,733	Ginn-LA CS Borrower LLC, Tranche A, 1st Lien, 05/30/20 (c)(d)	—
126,816	Bluerock Residential Growth, Inc., REIT, Series D 7.13% (a)(g)	3,229,712	8,274,215	Ginn-LA CS Borrower LLC, Tranche B Term Loan, 1st Lien, 05/30/19 (c)(d)(k)	—
108,500	Jernigan Capital, Inc., REIT 7.00% (b)(c)(d) (g)	109,277,912	11,736,674	LLV Holdco, LLC, Revolving Exit Loan, 09/03/20 (c)(d)(e)	9,389,339
67,101	RAIT Financial Trust, REIT 7.13%, 08/30/2019 (a)(g)	1,667,460			9,389,339
53,800	RAIT Financial Trust, REIT 7.63%, 04/15/2024 (a)	1,334,240	<b>METALS &amp; MINERALS - 0.6%</b>		
86,294	RAIT Financial Trust, REIT 8.88% (a)(g)	2,464			
		118,093,571	7,341,224	Omnimax International, Inc., Unsecured Term Loan, cash/0% PIK 02/06/21 (c)(d)(e)	6,188,652
	Total Preferred Stock (Cost \$334,788,821)	292,794,697	<b>UTILITIES - 0.0%</b>		
<b>Agency Collateralized Mortgage Obligations - 20.9%</b>					
58,661,484	FREMF Mortgage Trust, Series 2019-KF72, Class C VAR ICE LIBOR USD 1 Month+6.000%, 7.70%, 11/25/2026	58,368,177	92,329,417	Texas Competitive Electric Holdings Co., LLC, Extended Escrow Loan, (l) Total U.S. Senior Loans (Cost \$52,730,774)	83,096
76,080,350	Series 2018-KC02, Class C 0.00%, 8/25/2025 (h)	54,024,657	38,357,182		
96,460,500	Series 2018-K80, Class D 0.00%, 8/25/2028 (h)	47,101,662	<b>Collateralized Loan Obligations - 3.9%</b>		
			6,000,000	Acis CLO, Ltd., Series 2014-3A, Class E VAR ICE LIBOR USD 3 Month+4.750%, 6.66%, 2/1/2026 (m)	5,166,600

6 | See Glossary on page 10 for abbreviations along with accompanying Notes to Financial Statements.

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**INVESTMENT PORTFOLIO (continued)**

**As of December 31, 2019**

**NexPoint Strategic Opportunities Fund**

Shares		Value (\$)	Shares		Value (\$)
<b>Collateralized Loan Obligations (continued)</b>			<b>Master Limited Partnership - 1.5%</b>		
7,500,000	Acis CLO, Ltd., Series 2015-6A, Class SUB 0.00%, 5/1/2027 (m)(n)	2,475,000	<b>ENERGY - 1.5%</b>		
	Acis CLO, Ltd., Series 2014-3A, Class F VAR ICE LIBOR USD 3 Month+5.600%, 7.51%, 2/1/2026 (m)		1,114,600	Energy Transfer LP (a) Total Master Limited Partnerships (Cost \$15,594,221)	14,300,318  14,300,318
5,000,000		3,875,250	<b>Corporate Bonds &amp; Notes - 0.3%</b>		
14,000,000	Acis CLO, Ltd., Series 2013-1A, Class SUB 0.00%, 4/18/2024 (m)(n)	175,000	<b>COMMUNICATION SERVICES - 0.0%</b>		
	ALM VII R-2, Series 2016-7R2A, Class SUBR 0.00%, 10/15/2116 (m)(n)		26,148	iHeartCommunications, Inc. 6.38%, 05/01/26 (a)	28,420
2,250,000	CIFC Funding 2013-II, Series 2013-2A, Class SUB 0.00%, 10/18/2030 (m)(n)	1,145,250	49,013	8.38%, 05/01/27 (a)	54,250
5,462,500		2,185,000	<b>ENERGY - 0.2%</b>		
2,500,000	CIFC Funding 2014, Series 2014-1A, Class SUB 0.00%, 1/18/2031 (m)(n)	1,237,500	18,439,000	Ocean Rig UDW, Inc. 7.25%, 04/01/19 (c)(d)(k)	1,272,291
	CIFC Funding 2014, Series 2014-4RA, Class SUB 0.00%, 10/17/2030 (m)(n)		681	Sable Permian Resources Land 7.38%, 11/01/21	146,000
3,214,500	CIFC Funding, Ltd., Series 2015-1A, Class SUB 0.00%, 1/22/2031 (m)(n)	1,076,857	<b>REAL ESTATE - 0.1%</b>		
3,000,000	Highland Loan Funding, Series 1A 4.84%, 8/1/2020 (c)(d)	504,179	2,000,000	CBL & Associates 5.95%, 12/15/26 (a)	1,204,645
635,386	Highland Park CDO I, Series 2006-1A, Class B VAR LIBOR USD 3 Month+0.550%, 3.20%, 11/25/2051 (m)	1,680,000	<b>UTILITIES - 0.0%</b>		
4,000,000	Highland Park CDO I, Ltd., Series 2006- 1A, Class A2 VAR LIBOR USD 3 Month+0.400%, 3.05%, 11/25/2051 (m)	1,204,317	24,000,000	Texas Competitive Electric Holdings Co., LLC 10.25%, 11/01/49 (k)	115,200
1,204,545	Jamestown CLO IX, Series 2019-9A, Class C2R VAR ICE LIBOR USD 3 Month+4.100%, 6.07%, 10/20/2028 (m)	5,121,791	5,000,000	11.50%, 10/01/20 (k)(l)	16,250
	Jamestown CLO IX, Series 2019-9A, Class DR VAR ICE LIBOR USD 3 Month+6.940%, 8.91%, 10/20/2028 (m)		<b>Total Corporate Bonds &amp; Notes (Cost \$17,673,814)</b>		
6,000,000	Madison Park Funding 3 Month+6.850%, Series 2018-30A, Class F VAR ICE LIBOR USD 3 Month+6.850%, 8.85%, 4/15/2029 (m)	2,070,000	<b>Exchange-Traded Fund - 0.3%</b>		
2,300,000	THL Credit Wind River 2014-2 CLO, Series 2014-2A, Class SUB 0.00%, 1/15/2031 (m)(n)	2,054,691	28,900	Direxion Daily Financial Bull 3X Shares (a) Total Exchange-Traded Funds (Cost \$2,105,241)	2,735,096  2,735,096
5,955,627	Valhalla CLO, Ltd., Series 2004-1A %, 8/1/2020	300,000	<b>Warrants - 0.2%</b>		
1,500,000	Total Collateralized Loan Obligations (Cost \$55,170,978)	38,144,817	<b>ENERGY - 0.0%</b>		
<b>Sovereign Bond - 1.9%</b>			4,071	Arch Coal, Inc., Expires 10/08/2023 (a)(b)	123,148
36,835,000	Argentine Republic Government International Bond, 3.75%, 12/31/38 (a)	18,083,959	<b>INDUSTRIALS - 0.2%</b>		
	Total Sovereign Bonds (Cost \$22,461,215)	18,083,959	8,371,900	American Airlines, (b)(k) Omnimax Holdings, Inc., Expires 12/31/2049 (b)(c)(d)(e)	1,939,769  1,078,000 1,940,847
			<b>INFORMATION TECHNOLOGY - 0.0%</b>		
			179,322	Avaya Holdings, Expires 12/15/2022 (b) Total Warrants (Cost \$251,697)	224,153  2,288,148
			<b>Registered Investment Company - 0.2%</b>		
			107,168	Dividend and Income Fund, Class Common (a) Total Registered Investment Companies (Cost \$1,461,842)	1,442,481  1,442,481

See Glossary on page 10 for abbreviations along with accompanying Notes to Financial Statements. | 7

Table of Contents**INVESTMENT PORTFOLIO (continued)**

As of December 31, 2019

NexPoint Strategic Opportunities Fund

Units	Value (\$)
<b>Rights - 0.2%</b>	
<b>UTILITIES - 0.2%</b>	
1,618,542 Texas Competitive Electric Holdings Co., LLC	1,702,706
Total Rights (Cost \$2,882,250)	1,702,706
<b>Contracts</b>	
<b>Purchased Call Options (b) - 0.1%</b>	
Total Purchased Call Options (Cost \$2,882,250)	1,034,600
<b>Foreign Corporate Bonds &amp; Notes - 0.0%</b>	
<b>NETHERLANDS - 0.0%</b>	
93,180,354 Celtic Pharma Phinco BV, 17.00%, (c)(d)(k)	—
Total Foreign Corporate Bonds & Notes (Cost \$62,254,526)	—
<b>Convertible Bond - 0.0%</b>	
<b>HEALTHCARE - 0.0%</b>	
350,000 Paratek Pharmaceuticals 4.75%, 05/01/24	252,875
Total Convertible Bonds (Cost \$252,915)	252,875
<b>Total Investments - 134.3%</b>	<b>1,305,672,263</b>
(Cost \$1,506,610,426)	
<b>Shares</b>	
<b>Common Stock - (1.1)%</b>	
<b>ENERGY - 0.0%</b>	
(8,451) ESC Seventy Seven	—
<b>INFORMATION TECHNOLOGY - (1.1)%</b>	
(70,750) Texas Instruments, Inc.	(9,076,517)
(13,725) Zillow Group, Class A (o)	(627,782)
(18,000) Zillow Group, Inc., Class C (o)	(826,920)
	(10,531,219)
Total Common Stock (Proceeds \$9,688,433)	(10,531,219)
Total Securities Sold Short - (1.1)% (Proceeds \$9,688,433)	(10,531,219)
<b>Other Assets &amp; Liabilities, Net - (33.2)% (p)</b>	<b>(321,501,741)</b>
<b>Net Assets - 100.0%</b>	<b>973,639,303</b>

- (a) All or part of this security is pledged as collateral for short sales. The market value of the securities pledged as collateral was \$196,828,783.
- (b) Non-income producing security.
- (c) Securities with a total aggregate value of \$588,973,517, or 60.5% of net assets, were classified as Level 3 within the three-tier fair value hierarchy. Please see Notes to Investment Portfolio for an explanation of this hierarchy, as well as a list of unobservable inputs used in the valuation of these instruments.
- (d) Represents fair value as determined by the Fund's Board of Trustees (the "Board"), or its designee in good faith, pursuant to the policies and procedures

- approved by the Board. The Board considers fair valued securities to be securities for which market quotations are not readily available and these securities may be valued using a combination of observable and unobservable inputs. Securities with a total aggregate value of \$588,973,517, or 60.5% of net assets, were fair valued under the Fund's valuation procedures as of December 31, 2019. Please see Notes to Investment Portfolio.
- (e) Affiliated issuer. Assets with a total aggregate market value of \$531,856,677, or 54.6% of net assets, were affiliated with the Fund as of December 31, 2019.
- (f) There is currently no rate available.
- (g) Perpetual security with no stated maturity date.
- (h) Principal only security ("PO"). These types of securities represent the right to receive the monthly principal payments on an underlying pool of mortgages. No payments of interest on the pool are passed through to the "principal only" holder.
- (i) Interest only security ("IO"). These types of securities represent the right to receive the monthly interest payments on an underlying pool of mortgages. Payments of principal on the pool reduce the value of the "interest only" holding.
- (j) Senior loans (also called bank loans, leveraged loans, or floating rate loans) in which the Fund invests generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread (unless otherwise identified, all senior loans carry a variable rate of interest). These base lending rates are generally (i) the Prime Rate offered by one or more major United States banks, (ii) the lending rate offered by one or more European banks such as the London Interbank Offered Rate ("LIBOR") or (iii) the Certificate of Deposit rate. As of December 31, 2019, the LIBOR USD 1 Month and LIBOR USD 3 Month rates were 2.49% and 2.60%, respectively. Senior loans, while exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"), contain certain restrictions on resale and cannot be sold publicly. Senior secured floating rate loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturity shown.
- (k) The issuer is, or is in danger of being, in default of its payment obligation.
- (l) Represents value held in escrow pending future events. No interest is being accrued.
- (m) Variable or floating rate security. The base lending rates are generally the lending rate offered by one or more European banks such as the LIBOR. The interest rate shown reflects the rate in effect December 31, 2019. LIBOR, otherwise known as London Interbank Offered Rate, is the benchmark interest rate that banks charge each other for short-term loans. Current LIBOR rates include 1 month which is equal to 2.49% and 3 months equal to 2.60%.
- (n) Variable or floating rate security, the interest rate of which adjusts periodically based on changes in current interest rates and prepayments on the underlying pool of assets.
- (o) No dividend payable on security sold short.
- (p) As of December 31, 2019, \$10,531,219 in cash was segregated or on deposit with the brokers to cover investments sold short and is included in "Other Assets & Liabilities, Net".
- (q) Restricted Securities. These securities are not registered and may not be sold to the public. There are legal and/or contractual restrictions on resale. The Fund does not have the right to demand that such securities be registered. The values of these securities are determined by valuations provided by pricing services, brokers, dealers, market makers, or in good faith under the procedures established by the Fund's Board of Trustees. Additional Information regarding such securities follows:

Restricted Security	Security Type	Acquisition Date	Cost of Security	Market Value at Period End	Percent of Net Assets
Metro-Goldwyn-Mayer, Inc.	Common Stocks	12/20/2010	\$13,929,926	\$ 23,752,078	2.45%
TerreStar Corporation	Common Stocks	3/16/2018	\$34,089,464	\$ 36,808,453	3.79%

8 | See Glossary on page 10 for abbreviations along with accompanying Notes to Financial Statements.

Table of Contents**INVESTMENT PORTFOLIO (concluded)****As of December 31, 2019****NexPoint Strategic Opportunities Fund**

Future contracts outstanding as of December 31, 2019 were as follows:

Description	Expiration Date	Number of Contracts	Notional Value	Unrealized (Depreciation)	Value
<b>Short Futures:</b>					
Russell 2000 Index E-MINI	March 2020	650	\$ 53,192,181	\$ (1,102,319)	\$(54,294,500)

These are exchange traded future contracts, therefore, a Level 1 fair value security.

Purchased option contracts outstanding as of December 31, 2019 were as follows:

Description	Exercise price	Counterparty	Expiration Date	Number of Contracts	Notional Value	Cost	Value
<b>PURCHASED CALL OPTIONS:</b>							
USD/CNH Call	\$ 7.45	BNP	February 2020	300,000,000	\$2,235,000,000	\$ 699,000	\$ 40,500
USD/CNH Call	\$ 7.70	BNP	October 2020	200,000,000	\$1,540,000,000	1,300,000	557,600
USD/HKD Call	\$ 7.85	BNP	January 2020	250,000,000	\$1,962,000,000	325,000	55,000
USD/HKD Call	\$ 7.80	BNP	June 2020	125,000,000	\$ 975,000,000	558,250	381,500
						<u>\$2,882,250</u>	<u>\$1,034,600</u>

The average amount of borrowing by the Fund on reverse repurchase agreements outstanding during the year ended December 31, 2019 was \$23,523,740 at a weighted average interest rate of 3.47% for BNP Securities and \$89,068,457 at a weighted average interest rate of 3.91% for Mizuho Securities.

Reverse Repurchase Agreements outstanding as of December 31, 2019 were as follows:

Counterparty	Collateral Pledged	Interest Rate	Trade Date	Maturity Date	Repurchase Amount	Principal Amount	Value
BNP	Acis CLO, Ltd., Series 2014-3A, Class E, VAR 3M USD						
	LIBOR+4.750%, 7.33%, 2/1/2026	3.45%	10/15/2019	1/15/2020	\$ (3,327,106)	\$ (6,000,000)	\$(3,302,100)
BNP	Acis CLO, Ltd., Series 2014-3A, Class F, VAR ICE LIBOR USD 3 Month+5.600%, 8.18%, 2/1/2026	3.65%	10/15/2019	1/15/2020	\$ (1,931,350)	(5,000,000)	(1,916,000)
BNP	Argentine Republic Government International Bond, 3.75%, 12/31/38	2.85%	10/9/2019	1/9/2020	\$ (2,543,979)	(8,250,000)	(2,526,975)
BNP	Argentine Republic Government International Bond, 3.75%, 12/31/38	2.85%	10/15/2019	1/15/2020	\$ (1,491,118)	(4,500,000)	(1,481,850)
BNP	Argentine Republic Government International Bond, 3.75%, 12/31/38	2.85%	10/15/2019	1/15/2020	\$ (5,053,232)	(15,250,000)	(5,021,825)
Mizuho	FREMF Mortgage Trust, Series 2018-KC02, Class C, 0.00%, 8/25/2025	3.10%	11/1/2019	12/31/2019	\$(38,588,348)	(76,080,350)	(38,390,000)
Mizuho	FREMF Mortgage Trust, Series 2018-K80, Class D, 0.00%, 8/25/2028	3.10%	11/1/2019	12/31/2019	\$(35,792,980)	(96,360,500)	(35,609,000)
Mizuho	FREMF Mortgage Trust, Series 2018-KF72, Class C, 0.10%, 11/25/2026	3.10%	11/1/2019	12/31/2019	\$ (9,630,502)	(45,871,176)	(9,581,000)
Mizuho	FREMF Mortgage Trust, Series 2019-K97, Class D, 0.00%, 1/25/2030	3.21%	12/20/2019	3/20/2020	\$(18,902,141)	(55,096,698)	(18,750,000)
Mizuho	FREMF Mortgage Trust, Series 2019-K97, Class X2A, 0.01%, 7/25/2029	3.21%	12/20/2019	3/20/2020	\$ (3,483,034)	(598,712,500)	(3,455,000)
Mizuho	FREMF Mortgage Trust, Series 2019-K97, Class X2B, 0.01%, 1/25/2030	3.21%	12/20/2019	3/20/2020	\$ (770,199)	(135,904,199)	(764,000)
Mizuho	FREMF Trust Series 2018-KW04, Class C, 0.00%, 12/25/2032	3.44%	11/27/2019	12/31/2019	\$(18,763,764)	(25,000,000)	(18,703,000)
BNP	Jamestown CLO IX, Series 2019-9A, Class C2R, VAR ICE LIBOR USD 3 Month+4.100%, 6.38%, 10/20/2028	2.80%	12/30/2019	1/29/2020	\$ (4,117,172)	(5,100,000)	(4,116,210)
BNP	Jamestown CLO IX, Series 2019-9A, Class DR, VAR ICE LIBOR USD 3 Month+6.940%, 9.22%, 10/20/2028	3.25%	12/30/2019	1/29/2020	\$ (4,324,173)	(6,000,000)	(4,323,000)
<b>Total Reverse Repurchase Agreements</b>							<u>\$(147,939,960)</u>

See Glossary on page 10 for abbreviations along with accompanying Notes to Financial Statements. | 9

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**GLOSSARY: (abbreviations that may be used in the preceding statements)**

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Currency Abbreviations:

USD United States Dollar

Glossary:

ADR American Depositary Receipt  
CDO Collateralized Debt Obligation  
CLO Collateralized Loan Obligation  
ETF Exchange-Traded Fund  
PIK Payment-in-Kind  
REIT Real Estate Investment Trust

Table of Contents**STATEMENT OF ASSETS AND LIABILITIES**

As of December 31, 2019

NexPoint Strategic Opportunities Fund

	(\$)
<b>Assets</b>	
Investments, at value	773,815,585
Affiliated investments, at value (Note 11)	531,856,677
Total Investments, at value	1,305,672,263
Cash and cash equivalents	329,810
Restricted Cash — Securities Sold Short, written options, and reverse repurchase agreements (Note 2)	17,878,647
Restricted Cash — Futures (Note 2)	2,145,000
Foreign tax reclaim receivable	559
Receivable for:	
Investment sold	21,416,675
Dividends and Interest	4,459,592
Fund shares sold	461,168
Variation margin on Futures contracts	380,998
Due from broker	68,105
Prepaid expenses and other assets	195,977
Total assets	1,353,008,794
<b>Liabilities:</b>	
Line of credit (Note 6)	180,437,786
Due to custodian	8,190,737
Securities sold short, at value (Notes 2 and 8)	10,531,219
Reverse repurchase agreements (Note 3)	147,939,960
Payable for:	
Due to broker	23,620,254
Investments purchased	5,132,663
Investment advisory and administration fees (Note 8)	1,318,265
Audit fees	319,495
Interest expense and commitment fee (Note 6)	1,482,260
Accounting services fees	151,612
Variation margin	71,500
Trustees fees	4,988
Accrued expenses and other liabilities	168,752
Total liabilities	379,369,491
<b>Net Assets Applicable to Common Shares</b>	<b>973,639,303</b>
<b>Net Assets Consist of:</b>	
Paid-in capital in excess of par	1,228,988,136
Total distributable loss	(255,348,833)
<b>Net Assets Applicable to Common Shares</b>	<b>973,639,303</b>
Investments, at cost	1,506,610,426
Proceeds from securities sold short	9,688,433
<b>Common Shares</b>	
Net assets	973,639,303
Shares outstanding (unlimited authorization)	45,851,224
Net asset value per share ( Net assets/shares outstanding)	21.23

See accompanying Notes to Financial Statements. | 11

Table of Contents**STATEMENT OF OPERATIONS**

For the Year Ended December 31, 2019

NexPoint Strategic Opportunities Fund

	(\$)
<b>Investment Income:</b>	
<b>Income:</b>	
Dividends from unaffiliated issuers	29,056,991
Dividends from affiliated issuers (Note 11)	13,242,635
Less: Foreign taxes withheld	(14,511)
Securities lending income (Note 4)	1,227
Interest from affiliated issuers (Note 11)	3,358,198
Interest from unaffiliated issuers	9,503,126
Total income	<u>55,147,666</u>
<b>Expenses:</b>	
Investment advisory (Note 8)	11,725,448
Administration fees (Note 8)	2,352,124
Interest expense and commitment fees (Note 6)	10,935,851
Legal fees	887,609
Accounting service fee	630,104
Audit and tax preparation fees	549,737
Custodian fees	423,212
Reports to shareholders	373,529
Transfer agent fees	239,203
Dividends and fees on securities sold short (Note 2)	187,964
Trustees fees (Note 8)	153,643
Insurance	108,278
Pricing fees	81,625
Tax Expense	21,601
Other	454,361
Total operating expenses before waiver and reimbursement	<u>29,124,289</u>
Less: Expenses waived or borne by the adviser and administrator	(93,000)
Net operating expenses	<u>29,031,289</u>
Net investment income	<u>26,116,377</u>
<b>Net Realized and Unrealized Gain (loss) on Investments</b>	
<b>Realized Gain (Loss) on:</b>	
Investments from unaffiliated issuers	(4,138,749)
Investments in affiliated issuers	(45)
Securities sold short (Note 2)	2,147,995
Written options contracts (Note 3)	8,139,241
Futures contracts (Note 3)	(3,305,751)
Foreign currency related transactions	(3,230,759)
<b>Net Change in Unrealized Appreciation (Depreciation) on:</b>	
Investments from unaffiliated issuers	24,715,793
Investments in affiliated issuers (Note 11)	15,764,375
Securities sold short (Note 2)	(1,614,388)
Futures contracts (Note 3)	(1,102,319)
Foreign currency related translations	2,289,377
Net realized and unrealized gain (loss) on investments	<u>39,664,770</u>
Total increase in net assets resulting from operations	<u>65,781,147</u>

12 | See accompanying Notes to Financial Statements.



Table of Contents**STATEMENT OF CHANGES IN NET ASSETS****NexPoint Strategic Opportunities Fund**

	<b>Year Ended December 31, 2019 (\$)</b>	<b>Year Ended December 31, 2018 (\$)</b>
<b>Increase (Decrease) in Net Assets Operations:</b>		
Net investment income	26,116,377	21,282,563
Accumulated net realized gain (loss) on investments, securities sold short, written options, futures contracts and foreign currency transactions	(388,068)	42,976,190
Net change in unrealized appreciation (depreciation) on investments, securities sold short, written options contracts and translation of assets and liabilities denominated in foreign currency	40,052,838	(24,438,780)
Net increase from operations	65,781,147	39,819,973
<b>Distributions Declared to Common Shareholders:</b>		
Distribution	(15,494,304)	(21,840,799)
Return of capital:	(81,197,706)	(46,180,632)
Total distributions declared to common shareholders:	(96,692,010)	(68,021,431)
Decrease in net assets from operations and distributions	(30,910,863)	(28,201,458)
<b>Share transactions:</b>		
Proceeds from sale of shares (Note 12)	237,277,987	201,766,602
Value of distributions reinvested	4,960,710	1,837,035
Shares repurchased of closed-end fund (Note 1)	(5,399,704)	—
Net increase from shares transactions	236,838,993	203,603,637
Total increase in net assets	205,928,130	175,402,179
<b>Net Assets</b>		
Beginning of year	767,711,173	592,308,994
End of year	973,639,303	767,711,173
<b>Change in Common Shares</b>		
Issued for distribution reinvested	264,738	81,157
Shares issued in rights offering (Note 12)	13,498,570	9,494,823
Shares redeemed (Note 1)	(254,500)	—
Net increase in common shares	13,508,808	9,575,980

See accompanying Notes to Financial Statements. | 13



Table of Contents**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2019

NexPoint Strategic Opportunities Fund

	(\$)
<b>Cash Flows Provided by Operating Activities:</b>	
Net increase in net assets derived from investment operations	65,781,147
<b>Adjustments to reconcile net investment loss to net cash provided by operating activities:</b>	
Purchases of investment securities from unaffiliated issuers	(404,202,413)
Purchases of investment securities from affiliated issuers	(174,759,399)
Proceeds from disposition of investment securities from unaffiliated issuers	306,994,637
Proceeds from disposition of investment securities from affiliated issuers	42,320,639
Purchases of securities sold short	(8,960,820)
Proceeds of securities sold short	17,307,226
Net proceeds received on written options contracts	234,450
Amortization of premiums	(716,548)
Net realized loss on investments from unaffiliated issuers	4,138,749
Net realized loss on investments from affiliated issuers	45
Net realized loss on securities sold short, written options contracts and foreign currency transactions	(6,981,485)
Net change in unrealized appreciation/(depreciation) on investments, unaffiliated investments, securities sold short, swap contracts, written options contracts and translation on assets and liabilities denominated in foreign currency	(17,561,055)
Net change in unrealized appreciation/(depreciation) on affiliated investments	(15,764,375)
Increase in receivable for investments sold	(20,442,193)
Increase in receivable for dividends and interest	(2,273,250)
Increase in due from broker	(68,105)
Increase in foreign tax reclaim receivable	(559)
Increase in prepaid expenses and other assets	(142,776)
Increase in receivable for variation margin	(343,660)
Increase in due to broker	6,770,623
Increase in payable for variation margin	71,500
Increase in payable for investments purchased	2,936,132
Increase in payable for accounting services	151,612
Increase in payables to related parties	296,355
Decrease in payable for distribution and shareholder service fees	(6,468,216)
Increase in payable for commitment fees	734,639
Decrease in accrued expenses and other liabilities	(47,892)
Net cash flow used in operating activities	<u>(210,994,992)</u>
<b>Cash Flows Received from (Used in) Financing Activities:</b>	
Increase in due to custodian	336,431
Increase in notes payable	34,924,807
Proceeds from repo's	53,944,960
Distributions paid in cash	(91,731,300)
Payments on shares redeemed	(5,399,704)
Proceeds from shares sold	236,816,819
Net cash flow provided by financing activities	<u>228,892,013</u>
Effect of exchange rate changes on cash	(941,382)
Net increase in cash	<u>16,955,639</u>
<b>Cash, Cash Equivalents and Restricted Cash:</b>	
Beginning of period	3,397,818
End of period	<u>20,353,457</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>	
Reinvestment of distributions	4,960,710
Cash paid during the period for interest expense and commitment fees	(10,201,212)

\* Restricted cash consists of cash that has been segregated to cover the Portfolio's collateral or margin obligations under derivative contracts. It is separately reported on the Statement of Assets and Liabilities as Restricted Cash — Written Options.

14 | See accompanying Notes to Financial Statements.

Table of Contents**FINANCIAL HIGHLIGHTS****NexPoint Strategic Opportunities Fund**

Selected data for a share outstanding throughout each period is as follows:

	2019	For the Years Ended December 31,			
	2018	2017	2016	2015*	
<b>Net Asset Value, Beginning of Year</b>	\$ 23.74	\$ 26.02	\$ 25.89	\$ 22.92	\$ 53.92
<b>Income from Investment Operations:</b>					
Net investment income <sup>(a)</sup>	0.65	0.75	0.93	4.08	8.75 <sup>(b)</sup>
Net realized and unrealized gain (loss)	0.97	0.83	2.88	1.69	(16.08)
Total from Investment Operations	1.62	1.58	3.81	5.77	(7.33)
<b>Less Distributions Declared to Common Shareholders:</b>					
From net investment income	(0.38)	(0.77)	(2.39)	(2.80)	(2.88)
From return of capital	(2.02)	(1.63)	(0.01)	—	—
From spin-off <sup>(d)</sup>	—	—	—	—	(20.79)
Total distributions declared to Common Shareholders	(2.40)	(2.40)	(2.40)	(2.80)	(23.67)
<b>Issuance of Common Shares<sup>(e)</sup></b>					
Shares issued	(1.73)	(1.46)	(1.28)	—	—
<b>Net Asset Value, End of year<sup>(b)</sup></b>	\$ 21.23	\$ 23.74	\$ 26.02	\$ 25.89	\$ 22.92
<b>Market Value, End of year</b>	\$ 17.71	\$ 19.93	\$ 25.29	\$ 22.77	\$ 20.44
Market Value Total Return <sup>(f)</sup>	4.76%	(8.93)%	27.31%	27.69%	(18.09)%
<b>Ratios to Average Net Assets / Supplemental Data<sup>(d)</sup>:</b>					
Net Assets, End of Period (000's)	\$973,639	\$767,711	\$592,309	\$414,800	\$366,078
<b>Common Shares Information at End of Period:</b>					
<b>Ratios based on average net assets of Common Shares:</b>					
Gross operating expenses <sup>(g)</sup>	3.25%	2.65%	2.58%	3.12%	3.43%
Net investment gain	2.91%	3.02%	3.69%	17.34%	24.23% <sup>(h)</sup>
<b>Ratios based on average Managed Assets (as defined in Notes 8) of Common Shares:</b>					
Gross operating expenses <sup>(g)</sup>	2.48%	2.14%	2.21%	2.17%	2.23%
Net investment gain	2.23%	2.44%	3.16%	12.05%	15.79% <sup>(i)</sup>
Portfolio turnover rate <sup>(j)</sup>	63%	48%	36%	41%	31%
Average commission rate paid <sup>(k)</sup>	\$ 0.0029	\$ 0.0263	\$ 0.0286	\$ 0.0294	\$ 0.0223

\* Per share data prior to October 6, 2015 has been adjusted to give effect to a 4 to 1 reverse stock split.

(a) Net investment income (loss) per share was calculated using average shares outstanding during the period.

(b) Includes non-recurring dividend from NexPoint REIT.

(c) Less than 0.005%.

(d) On April 1, 2015, the Fund completed a spinoff transaction whereby shares of NexPoint Residential Trust, Inc. were distributed to shareholders in a pro-rata taxable distribution.

(e) Shares issued at a discount to NAV. The per share impact was derived by computing (A) the number of shares issued times (B) the difference between the net proceeds per share and NAV divided by (C) the total shares outstanding following the share issuance.

(f) Based on market value per share. Distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's Dividend Reinvestment Plan.

(g) Supplemental expense ratios are shown below:

(h) Net investment income (excluding non-recurring dividend from NexPoint REIT) was 9.76%

(i) Net investment income (excluding non-recurring dividend from NexPoint REIT) was 6.36%

(j) Excludes in-kind activity

(k) Represents the total dollar amount of commissions paid on portfolio transactions divided by total number of portfolio shares purchased and sold for which commissions were charged

See accompanying Notes to Financial Statements. | 15

Table of Contents**FINANCIAL HIGHLIGHTS****NexPoint Strategic Opportunities Fund**

For the Years Ended December 31,  
2019 2018 2017 2016 2015

**Ratios based on average net assets of Common Shares:**

Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)

3.25% 2.65% 2.58% 3.12% 3.43%

Interest expense and commitment fees

1.22% 0.90% 0.69% 0.93% 0.71%

Dividends and fees on securities sold short

— —(c) —(c) 0.07% 0.24%

**Ratios based on average Managed Assets of Common Shares:**

Net operating expenses (net of waiver/reimbursement, if applicable, but gross of all other operating expenses)

2.48% 2.14% 2.21% 2.17% 2.23%

Interest expense and commitment fee

0.93% 0.73% 0.59% 6.50% 4.60%

Dividends and fees on securities sold short

— —(c) —(c) 0.05% 0.15%

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Table of Contents**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019

NexPoint Strategic Opportunities Fund

**Note 1. Organization**

NexPoint Strategic Opportunities Fund (the "Fund") is a Delaware statutory trust and is registered with the U.S. Securities and Exchange Commission (the "SEC") under the Investment Company Act of 1940, as amended (the "1940 Act"), as a non-diversified, closed-end management investment company. This report includes information for the year ended December 31, 2019. The Fund trades on the New York Stock Exchange ("NYSE") under the ticker symbol NHF. The Fund may issue an unlimited number of common shares, par value \$0.001 per share ("Common Shares"). The Fund commenced operations on June 29, 2006. NexPoint Advisors, L.P. ("NexPoint" or "the Investment Adviser"), an affiliate of Highland Capital Management Fund Advisors, L.P. ("HCMFA"), is the investment adviser and administrator to the Fund.

On October 25, 2019, the Board of the Fund authorized the repurchase of up to \$25 million of the Fund's shares over a six-month period. Under this program, the Fund repurchased 254,500 shares through December 2019. Upon retirement of the repurchased shares, the net asset value ("NAV") was \$13.5mm, or \$21.22 per share.

**Note 2. Significant Accounting Policies**

The following summarizes the significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

**Use of Estimates**

The Fund is an investment company that applies the accounting and reporting guidance of Accounting Standards Codification Topic 946 applicable to investment companies. The Fund's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which require the Investment Adviser to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

**Fund Valuation**

The NAV of the Fund's common shares is calculated daily on each day that the NYSE is open for business as of the close of the regular trading session on the NYSE, usually 4:00 PM, Eastern Time. The NAV is calculated by dividing the value of the Fund's net assets attributable to common shares by the numbers of common shares outstanding.

**Valuation of Investments**

In computing the Fund's net assets attributable to its common shares, securities with readily available market quotations on the NYSE, National Association of Securities Dealers Automated Quotation ("NASDAQ") or other nationally recognized exchange, use the closing quotations on the respective exchange for valuation of those securities. Securities for which there are no readily available market quotations will be valued pursuant to policies adopted by the Fund's Board of Trustees (the "Board"). Typically, such securities will be valued at the mean between the most recently quoted bid and ask prices provided by the principal market makers. If there is more than one such principal market maker, the value shall be the average of such means. Securities without a sale price or quotations from principal market makers on the valuation day may be priced by an independent pricing service. Generally, the Fund's loan and bond positions are not traded on exchanges and consequently are valued based on a mean of the bid and ask price from the third-party pricing services or broker-dealer sources that the Investment Adviser has determined to have the capability to provide appropriate pricing services which have been approved by the Board.

Securities for which market quotations are not readily available, or for which the Fund has determined that the price received from a pricing service or broker-dealer is "stale" or otherwise does not represent fair value (such as when events materially affecting the value of securities occur between the time when market price is determined and calculation of the Fund's NAV, will be valued by the Fund at fair value, as determined by the Board or its designee in good faith in accordance with procedures approved by the Board, taking into account factors reasonably determined to be relevant, including, but not limited to: (i) the fundamental analytical data relating to the investment; (ii) the nature and duration of restrictions on disposition of the securities; and (iii) an evaluation of the forces that influence the market in which these securities are purchased and sold. In these cases, the Fund's NAV will reflect the affected portfolio securities' fair value as determined in the judgment of the Board or its designee instead of being determined by the market. Using a fair value pricing methodology to value securities may result in a value that is different from a security's most recent sale price and from the prices used by other investment companies to calculate their NAVs. Determination of fair value is uncertain because it involves subjective judgments and estimates.

There can be no assurance that the Fund's valuation of a security will not differ from the amount that it realizes upon the sale of such security. Those differences could have a material impact to the Fund. The NAV shown in the Fund's financial statements may vary from the NAV published by

Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund**

the Fund as of its period end because portfolio securities transactions are accounted for on the trade date (rather than the day following the trade date) for financial statement purposes.

**Fair Value Measurements**

The Fund has performed an analysis of all existing investments and derivative instruments to determine the significance and character of inputs to their fair value determination. The levels of fair value inputs used to measure the Fund's investments are characterized into a fair value hierarchy. Where inputs for an asset or liability fall into more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is significant to that investment's valuation. The three levels of the fair value hierarchy are described below:

*Level 1* — Quoted unadjusted prices for identical instruments in active markets to which the Fund has access at the date of measurement;

*Level 2* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active, but are valued based on executed trades; broker quotations that constitute an executable price; and alternative pricing sources supported by observable inputs are classified within Level 2. Level 2 inputs are either directly or indirectly observable for the asset in connection with market data at the measurement date; and

*Level 3* — Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. In certain cases, investments classified within Level 3 may include securities for which the Fund has obtained indicative quotes from broker-dealers that do not necessarily represent prices the broker may be willing to trade on, as such quotes can be subject to material management judgment. Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price the asset or liability based on the best available information.

The Investment Adviser has established policies and procedures, as described above and approved by the Board, to ensure that valuation methodologies for investments and financial instruments that are categorized within all levels of the fair value hierarchy are fair and consistent. A Pricing Committee has been established to provide oversight of the valuation policies, processes and procedures, and is comprised of personnel from the Investment Adviser and its affiliates. The Pricing Committee meets monthly to review

the proposed valuations for investments and financial instruments and is responsible for evaluating the overall fairness and consistent application of established policies.

As of December 31, 2019, the Fund's investments consisted of senior loans, asset-backed securities, corporate bonds and notes, foreign bonds, sovereign bonds, common stocks, preferred stocks, exchange-traded funds, warrants, LLC Interests, MLPs, Purchased Options, and securities sold short. The fair value of the Fund's loans, bonds and asset-backed securities are generally based on quotes received from brokers or independent pricing services. Loans, bonds, and asset-backed securities with quotes that are based on actual trades with a sufficient level of activity on or near the measurement date are classified as Level 2 assets. Senior loans, bonds and asset-backed securities that are priced using quotes derived from implied values, indicative bids, or a limited number of actual trades are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable.

The fair value of the Fund's common stocks, preferred stocks, exchange-traded funds, and warrants that are not actively traded on national exchanges are generally priced using quotes derived from implied values, indicative bids, or a limited amount of actual trades and are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable. The Fund's real estate investments include equity interests in limited liability companies and equity issued by Real Estate Investment Trusts ("REITs") that invest in commercial real estate. The fair value of real estate investments that are not actively traded on national exchanges are based on internal models developed by the Investment Adviser. The significant inputs to the models include cash flow projections for the underlying properties, capitalization rates and appraisals performed by independent valuation firms. These inputs are not readily observable, and the Fund has classified the investments as Level 3 assets. Exchange-traded options are valued based on the last trade price on the primary exchange on which they trade. If an option does not trade, the mid-price, which is the mean of the bid and ask price, is utilized to value the option.

At the end of each calendar quarter, the Investment Adviser evaluates the Level 2 and 3 assets and liabilities for changes in liquidity, including but not limited to: whether a broker is willing to execute at the quoted price, the depth and consistency of prices from third party services, and the existence of contemporaneous, observable trades in the market. Additionally, the Investment Adviser evaluates the Level 1 and 2 assets and liabilities on a quarterly basis for changes in listings or delistings on national exchanges. Due to the inherent uncertainty of determining the fair value of investments that



Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund**

do not have a readily available market value, the fair value of the Fund's investments may fluctuate from period to period. Additionally, the fair value of investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ

materially from the values the Fund may ultimately realize. Further, such investments may be subject to legal and other restrictions on resale or otherwise less liquid than publicly traded securities.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Transfers in and out of the levels are recognized at the value at the end of the period.

A summary of the inputs used to value the Fund's assets as of December 31, 2019 is as follows:

	Total value at December 31, 2019	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
<b>NexPoint Strategic Opportunities Fund</b>				
<b>Assets</b>				
Common Stock				
Chemicals	\$ 96,707	\$ 96,707	\$ —	\$ —
Communication Services	60,560,531	—	23,752,078	36,808,453
Consumer Discretionary	8,211,861	8,211,861	—	—
Energy	31,907,000	24,471,830	7,435,170	—
Financial	48,935,133	3,524,766	10,000,005	35,410,362
Gaming/Leisure	—	—	—	—
Healthcare	17,215,749	17,215,749	—	—
Housing	—	—	—	—
Industrials	5,994,707	4,584,507	1,410,200	—
Information Technology	15,147,631	15,147,631	—	—
Materials	1,958,125	138,920	1,784,375	34,830
Media and Telecommunications	443,495	443,495	—	—
Metals & Minerals	2,130,168	2,130,168	—	—
Pharmaceuticals	27,459,920	27,459,920	—	—
Real Estate	114,062,514	79,995,841	—	34,066,673
Real Estate Investment Trust	255,016,729	17,033,850	—	237,982,879
Utilities	22,566,337	22,566,337	—	—
Preferred Stock				
Financial	153,270,343	—	153,270,343	—
Real Estate	21,430,783	—	—	21,430,783
Real Estate Investment Trust	118,093,571	—	8,815,659	109,277,912
Agency Collateralized Mortgage Obligations	206,150,678	—	206,150,678	—
LLC Interest	73,986,897	—	—	73,986,897
U.S. Senior Loans				
Communication Services	22,696,095	—	76,906	22,619,189
Gaming/Leisure	9,389,339	—	—	9,389,339
Metals & Minerals	6,188,652	—	—	6,188,652
Utilities	83,096	—	83,096	—
Collateralized Loan Obligations	38,144,817	—	37,640,638	504,179
Sovereign Bonds	18,083,959	—	18,083,959	—
Master Limited Partnerships				
Energy	14,300,318	14,300,318	—	—
Corporate Bonds & Notes				
Communication Services	82,670	—	82,670	—
Energy	1,272,437	—	146	1,272,291
Real Estate	1,204,645	—	1,204,645	—
Utilities	131,450	—	131,450	—

Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund**

	Total value at December 31, 2019	Level 1 Quoted Price	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Exchange Traded Funds	\$ 2,735,096	\$ 2,735,096	\$ —	\$ —
Warrants				
Energy	123,148	123,148	—	—
Industrials	1,940,847	—	1,939,769	1,078
Information Technology	224,153	224,153	—	—
Registered Investment Companies	1,442,481	1,442,481	—	—
Rights				
Utilities	1,702,706	—	1,702,706	—
Purchased Call Options	1,034,600	—	1,034,600	—
Convertible Bonds	252,875	—	252,875	—
Foreign Corporate Bonds & Notes				
Healthcare <sup>(1)</sup>	—	—	—	—
Netherlands <sup>(1)</sup>	—	—	—	—
<b>Total Assets</b>	<u>1,305,672,263</u>	<u>241,846,778</u>	<u>474,851,968</u>	<u>588,973,517</u>
<b>Liabilities</b>				
Securities Sold Short				
Common Stock				
Energy <sup>(1)</sup>	—	—	—	—
Information Technology	(10,531,219)	(10,531,219)	—	—
<b>Total Liabilities</b>	<u>(10,531,219)</u>	<u>(10,531,219)</u>	<u>—</u>	<u>—</u>
<b>Total</b>	<u>\$ 1,295,141,044</u>	<u>\$231,315,559</u>	<u>\$474,851,968</u>	<u>\$ 588,973,517</u>

(1) This category includes securities with a value of zero.

(2) See Investment Portfolio detail for industry breakout.

The table below sets forth a summary of changes in the Fund's Level 3 assets (assets measured at fair value using significant unobservable inputs) for the year ended December 31, 2019.

	Balance as of 12/31/18	Transfers into Level 3	Transfers Out of Level 3	Net Amortization/ (Accretion) of Premium/ (Discount)	Net Realized Gains/ (Losses)	Net Unrealized Gains/ (Losses)	Net Purchase	Net (Sales)	Distribution to Return Capital	Balance as of 12/31/19	Change in Unrealized
U.S. Senior Loan											
Chemicals	\$ 2,124,595			\$ (43,335)	\$ 31,001	\$ 80,450	\$ —	\$(2,192,712)		\$ —	\$ 167,789
Gaming/Leisure	7,741,953			231,713	(48,563)	1,464,236		—		9,389,339	1,229,841
Metals & Minerals	6,397,453			295,016	—	(1,447,588)	943,771	—		6,188,652	(1,210,954)
Communication											
Services	19,888,704			(2,649)	—	2,254,390	478,898	(155)		22,619,188	2,237,165
Corporate Bonds & Notes											
Energy	1,272,291				(119,120)	119,120	—	—		1,272,291	119,120
Warrant											
Industrials	67,234				—	(66,156)	—	—		1,078	(1,003)
Preferred Stock											
Real Estate	19,438,397				—	1,992,386	—	—		21,430,783	1,062,322
Real Estate											
Investment Trust	112,214,270				—	(9,736,358)	6,800,000	—		109,277,912	(18,603,528)
LLC Interest											
Real Estate	—				—	(1,013,103)	75,000,000	—		73,986,897	(1,013,103)
Collateralized Loan Obligation	497,808	—	—	—	34	41,726	—	(35,389)	—	504,179	5,134

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Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund**

	Balance as of 12/31/18	Transfers into Level 3	Transfers Out of Level 3	Net Amortization/ (Accretion) of Premium/ (Discount)	Net Realized Gains/ (Losses)	Net Unrealized Gains/ (Losses)	Net Purchase	Net (Sales)	Distribution to Return Capital	Balance as of 12/31/19	Change in Unrealized
Common Stock											
Chemicals	\$ 350,505				\$ —	\$ (350,505)		\$ —		\$ —	\$ 654,717
Communication Services	37,032,887				—	(224,434)	\$ —	—		36,808,453	(145,394)
Financial	36,945,152				—	(5,506,796)	5,472,005	(1,500,000)		35,410,362	(5,083,703)
Gaming/Leisure	—				—	0	—	—		0	(0)
Housing	—				—	—	—	—		—	(955,869)
Media & Telecommunications	241,732				(0)	1,568,526	—	(1,810,258)		—	3,137,052
Materials	2,172,094				—	(2,137,264)	—	—		34,830	(32,375)
Real Estate	3				205,352	31,955,963	2,205,354	(300,000)		34,066,672	32,269,866
Real Estate Investment Trust	265,741,734				—	(34,262,137)	45,362,450	(38,859,168)		237,982,879	(65,932,614)
Utilities	—				—	—	—	—		—	—
<b>Total</b>	<b>\$512,126,812</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 480,745</b>	<b>\$ 68,705</b>	<b>\$ (15,267,541)</b>	<b>\$136,262,479</b>	<b>\$ (44,697,682)</b>	<b>\$ —</b>	<b>\$588,973,517</b>	<b>\$ (52,095,536)</b>

Investments designated as Level 3 may include assets valued using quotes or indications furnished by brokers which are based on models or estimates and may not be executable prices. In light of the developing market conditions, the Investment Adviser continues to search for observable data points and evaluate broker quotes and indications received for portfolio investments.

The following is a summary of significant unobservable inputs used in the fair valuation of assets and liabilities categorized within Level 3 of the fair value hierarchy:

Category	Market Value at 12/31/2019	Valuation Technique	Unobservable Inputs	Input Value(s)
Common Stock	\$ 344,303,197	Multiples Analysis	Unadjusted Price/MHz-PoP	\$0.12 - \$0.95
			Risk Discount	55.2% - 59.8%
			Multiple of EBITDA	6.00x - 8.75x
			Liquidity Discount	25%
		Discounted Cash Flow	Discount Rate	11.0% - 20.0%
		Transaction Analysis	Multiple of EBITDA	8.25x - 8.75x
		Transaction Indication of Value	Enterprise Value (\$mm)	\$365.0 - \$771.0
			Transaction Price per Share	\$2.75
		Direct Capitalization Method	Capitalization Rates	5.45% - 7.50%
		Net Asset Value	N/A	N/A
Preferred Stock	130,708,695	Black-Scholes Model	Volatility Assumption	30 - 40%
		Discounted Cash Flow	Discount Rate	11.0%
		Net Asset Value	N/A	N/A
LLC Interest	73,986,897	Discounted Cash Flow	Discount Rate	2.59% - 9.45%
U.S. Senior Loans	38,197,180	Discounted Cash Flow	Discount Rate	11.1%
			Spread Adjustment	0.10%
		Black-Scholes Model	Volatility Assumption	30 - 40%
		Adjusted Appraisal	Liquidity Discount	10%
			Asset Specific Adjustment	10%
Corporate Bonds & Notes	1,272,291	Liquidation Analysis	Claim Amount: Percent of Par	6.9%
Collateralized Loan Obligations	504,179	Discounted Cash Flow	Discount Rate	9.1%
Warrants	1,078	Discounted Cash Flow	Discount Rate	20%
		Multiples Analysis	Multiple of EBITDA	7.0x - 8.75x
		Transaction Analysis	Multiple of EBITDA	8.25x - 8.75x
		Black-Scholes Model	Volatility Assumption	30 - 40%
<b>Total</b>	<b>\$ 588,973,517</b>			

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Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund**

In addition to the unobservable inputs utilized for various valuation methodologies, the Fund frequently uses a combination of two or more valuation methodologies to determine fair value for a single holding. In such instances, the Fund assesses the methodologies and ascribes weightings to each methodology. The weightings ascribed to any individual methodology ranged from as low as 5% to as high as 70% as of December 31, 2019. The selection of weightings is an inherently subjective process, dependent on professional judgement. These selections may have a material impact to the concluded fair value for such holdings.

The significant unobservable input used in the fair value measurement of the Fund's REIT assets are the discount rates and capitalization rates. Significant decreases (increases) in any of those inputs in isolation could result in a significantly higher (lower) fair value measurement.

The significant unobservable input used in the fair value measurement of the Fund's preferred stock asset and LLC interests is the discount rate. Significant decreases (increases) in any of those inputs in isolation could result in a significantly higher (lower) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Fund's common equity securities are: multiple of EBITDA, price/MHz-PoP multiple, risk discount, liquidity discount, discount rate and transaction price. Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the risk discount is accompanied by a directionally opposite change in the assumption for the price/MHz-PoP multiple.

**Security Transactions**

Security transactions are accounted for on the trade date. Realized gains/(losses) on investments sold are recorded on the basis of the specific identification method for both financial statement and U.S. federal income tax purposes taking into account any foreign taxes withheld.

**Income Recognition**

Corporate actions (including cash dividends) are recorded on the ex-dividend date, net of applicable withholding taxes, except for certain foreign corporate actions, which are recorded as soon after ex-dividend date as such information becomes available and is verified. Interest income is recorded on the accrual basis.

Accretion of discount and amortization of premium on taxable bonds and loans are computed to the maturity or call date, if shorter, using the effective yield method. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.

The Fund records distributions received from investments in REITs and partnerships in excess of income from underlying investments as a reduction of cost of investments and/or realized gain. Such amounts are based on estimates if actual amounts are not available, and actual amounts of income, realized gain and return of capital may differ from the estimated amounts. The Fund adjusts the estimated amounts once the issuers provide information about the actual composition of the distributions.

**U.S. Federal Income Tax Status**

The Fund is treated as a separate taxpayer for U.S. federal income tax purposes. The Fund intends to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended, and will distribute substantially all of its taxable income and gains, if any, for the tax year, and as such will not be subject to U.S. federal income taxes. In addition, the Fund intends to distribute, in each calendar year, all of its net investment income, capital gains and certain other amounts, if any, such that the Fund should not be subject to U.S. federal excise tax. Therefore, no U.S. federal income or excise tax provisions are recorded.

The Investment Adviser has analyzed the Fund's tax positions taken on U.S. federal income tax returns for all open tax years (current and prior three tax years), and has concluded that no provision for U.S. federal income tax is required in the Fund's financial statements. The Fund's U.S. federal and state income and U.S. federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue. Furthermore, the Investment Adviser of the Fund is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next 12 months.

The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expenses in the Statement of Operations. During the year ended December 31, 2019, the Fund did not incur any interest or penalties.

**Distributions to Shareholders**

The Fund plans to pay distributions from net investment income monthly and net realized capital gains annually to common shareholders. To permit the Fund to maintain more stable monthly distributions and annual distributions, the Fund may from time to time distribute less than the entire amount of income and gains earned in the relevant month or year, respectively. The undistributed income and gains would be available to supplement future distributions. In certain years, this practice may result in the Fund distributing, during a particular taxable year, amounts in excess of

[Table of Contents](#)**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund**

the amount of income and gains earned therein. Such distributions would result in a portion of each distribution occurring in that year to be treated as a return of capital to shareholders. Shareholders of the Fund will automatically have all distributions reinvested in Common Shares of the Fund issued by the Fund in accordance with the Fund's Dividend Reinvestment Plan (the "Plan") unless an election is made to receive cash. The number of newly issued Common Shares to be credited to each participant's account will be determined by dividing the dollar amount of the dividend by the lesser of (i) the NAV per Common Share determined on the Declaration Date and (ii) the market price per Common Share as of the close of regular trading on the NYSE on the Declaration Date. Participants in the Plan requesting a sale of securities through the plan agent of the Plan are subject to a sales fee and a brokerage commission.

**Cash & Cash Equivalents**

The Fund considers liquid assets deposited with a bank and certain short-term debt instruments of sufficient credit quality with original maturities of three months or less to be cash equivalents. The Fund also considers money market instruments that invest in cash equivalents to be cash equivalents. These investments represent amounts held with financial institutions that are readily accessible to pay Fund expenses or purchase investments. Cash and cash equivalents are valued at cost plus accrued interest, which approximates market value. The value of cash equivalents denominated in foreign currencies is determined by converting to U.S. dollars on the date of the Statement of Assets and Liabilities.

**Foreign Currency**

Accounting records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates using the current 4:00 PM London Time Spot Rate. Fluctuations in the value of the foreign currencies and other assets and liabilities resulting from changes in exchange rates, between trade and settlement dates on securities transactions and between the accrual and payment dates on dividends, interest income and foreign withholding taxes, are recorded as unrealized foreign currency gains/(losses). Realized gains/(losses) and unrealized appreciation/(depreciation) on investment securities and income and expenses are translated on the respective dates of such transactions. The effects of changes in foreign currency exchange rates on investments in securities are not segregated in the Statement of Operations from the effects of changes in market prices of those securities, but are included with the net realized and unrealized gain or loss on investment securities.

**Securities Sold Short**

The Fund may sell securities short. A security sold short is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. When the Fund sells a security short, it must borrow the security sold short from a broker-dealer and deliver it to the buyer upon conclusion of the transaction. A Fund may have to pay a fee to borrow particular securities and is often obligated to pay over any dividends or other payments received on such borrowed securities. In some circumstances, a Fund may be allowed by its prime broker to utilize proceeds from securities sold short to purchase additional investments, resulting in leverage. Securities and cash held as collateral for securities sold short are shown on the Investments Portfolios for the Fund. Cash held as collateral for securities sold short is classified as restricted cash on the Statement of Assets and Liabilities, as applicable. Restricted cash in the amount of \$17,878,647 was held with the broker for the Fund.

When securities are sold short, the Fund intends to limit exposure to a possible market decline in the value of its portfolio securities through short sales of securities that the Investment Adviser believes possess volatility characteristics similar to those being hedged. In addition, the Fund may use short sales for non-hedging purposes to pursue its investment objective. Subject to the requirements of the 1940 Act and the Internal Revenue Code of 1986, as amended (the "Code"), the Fund will not make a short sale if, after giving effect to such sale, the market value of all securities sold short by the Fund exceeds 25% of the value of its total assets. The Fund may make short sales "against the box" without respect to such limitations.

**Other Fee Income**

Fee income may consist of origination/closing fees, amendment fees, administrative agent fees, transaction break-up fees and other miscellaneous fees. Origination fees, amendment fees, and other similar fees are non-recurring fee sources. Such fees are received on a transaction by transaction basis and do not constitute a regular stream of income and are recognized when incurred.

**Note 3. Derivative Transactions**

The Fund is subject to interest rate risk in the normal course of pursuing its investment objectives. The Fund enters into derivative transactions for the purpose of hedging against the effects of changes in the value of portfolio securities due to anticipated changes in market conditions, to gain market exposure for residual and accumulating cash positions and for managing the duration of fixed income investments. As of December 31, 2019 we had no hedge accounting derivatives.

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December 31, 2019

NexPoint Strategic Opportunities Fund

**Futures Contracts**

A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date. The Fund may invest in interest rate, financial and stock or bond index futures contracts subject to certain limitations.

The Fund invests in futures contracts to manage its exposure to the stock and bond markets and fluctuations in currency values. Buying futures tends to increase the Fund's exposure to the underlying instrument while selling futures tends to decrease the Fund's exposure to the underlying instrument, or economically hedge other Fund investments. With futures contracts, there is minimal counterparty credit risk to the Fund since futures contracts are exchange-traded and the exchange's clearinghouse, as counterparty to all traded futures, guarantees the futures against default. A Fund's risks in using these contracts include changes in the value of the underlying instruments, non-performance of the counterparties under the contracts' terms and changes in the liquidity of the secondary market for the contracts. Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they principally trade.

Upon entering into a financial futures contract, the Fund is required to pledge to the broker an amount of cash and/or other assets equal to a certain percentage of the contract amount, known as initial margin deposit. Subsequent payments, known as variation margins, are made or can be received by the Fund each day, depending on the daily fluctuation in the fair value of the underlying security. The Fund records an unrealized gain/(loss) equal to the daily variation margin. Should market conditions move unexpectedly, the Fund may not achieve the anticipated benefits of the futures contracts and may incur a loss. The Fund recognizes a realized gain/(loss) on the expiration or closing of a futures contract.

During the year ended December 31, 2019, the Fund entered into futures transactions for the purpose of hedging against the effects of changes in the value of portfolio securities due to anticipated changes in market conditions, and to gain market exposure for residual and accumulating cash positions. Cash held as collateral for futures contracts is shown on the Consolidated Statement of Assets and Liabilities as "Restricted Cash — Futures."

**Options**

The Fund may utilize options on securities or indices to varying degrees as part of their principal investment strategy. An

option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the security underlying the option at a specified exercise or "strike" price. The writer of an option on a security has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price or to pay the exercise price upon delivery of the underlying security. The Fund may hold options, write option contracts, or both.

If an option written by the Fund expires unexercised, the Fund realizes on the expiration date a capital gain equal to the premium received by the Fund at the time the option was written. If an option purchased by the Fund expires unexercised, the Fund realizes a capital loss equal to the premium paid. Prior to the earlier of exercise or expiration, an exchange-traded option may be closed out by an offsetting purchase or sale of an option of the same series (type, underlying security, exercise price and expiration). There can be no assurance, however, that a closing purchase or sale transaction can be effected when the Fund desires. The Fund will realize a capital gain from a closing purchase transaction if the cost of the closing option is less than the premium received from writing the option, or, if the cost of the closing option is more than the premium received from writing the option, a capital loss. The Fund will realize a capital gain from a closing sale transaction if the premium received from the sale is more than the original premium paid when the option position was opened, or a capital loss, if the premium received from a sale is less than the original premium paid.

**Reverse Repurchase Agreements**

The Fund may engage in reverse repurchase agreement transactions with respect to instruments that are consistent with the Fund's investment objective or policies.

**Additional Derivative Information**

The Fund follows adopted amendments to authoritative guidance on disclosures about derivative instruments and hedging activities which require that the Fund disclose; a) how and why an entity uses derivative instruments; b) how derivative instruments and related hedged items are accounted for; c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows; and d) how the netting of derivatives subject to master netting arrangements (if applicable) affects the net exposure of the Fund related to the derivatives.

Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund**

The fair value of derivative instruments on the Statement of Assets and Liabilities have the following risk exposure at December 31, 2019:

Risk Exposure	Fair Value	
	Asset Derivative	Liability Derivative
Foreign Currency Risk	\$ 1,034,600 <sup>(1)</sup>	\$ —
Equity Price Risk	\$ —	\$ (1,102,319) <sup>(2)</sup>

(1) Statements of Assets and Liabilities location: Unaffiliated investments, at value.

(2) Includes cumulative unrealized appreciation/(depreciation) of futures contracts as reported in the Investment Portfolio and within the components of the net assets section of the Statement of Assets and Liabilities. Only the current day's variation margin is reported within the receivables and/or payables of the Statements of Assets and Liabilities.

The effect of derivative instruments on the Statement of Operations for the year ended December 31, 2019, is as follows:

Risk Exposure	Net Change in Unrealized Appreciation/(Depreciation) on Derivatives	
	Net Realized Gain(Loss) on Derivatives	Unrealized Appreciation/(Depreciation) on Derivatives
Commodity Risk	\$ — <sup>(1)</sup>	\$ —
Equity Price Risk	4,042,059 <sup>(1)(2)(3)</sup>	(1,102,319) <sup>(4)(5)</sup>
Foreign Currency Risk	(3,954,625) <sup>(1)(2)(3)</sup>	(763,950) <sup>(4)</sup>

(1) Statement of Operations location: Realized gain (loss) on future contracts.

(2) Statement of Operations location: Realized gain (loss) on investments from unaffiliated issuers.

(3) Statement of Operations location: Realized gain (loss) on written options contracts.

(4) Statement of Operations location: Net change in unrealized appreciation/(depreciation) on investments.

(5) Statement of Operations location: Net change in unrealized appreciation/(depreciation) on written options contracts.

The average monthly volume of derivative activity for the year ended December 31, 2019, is as follows:

	Units/Contracts	Appreciation/Depreciation
Purchased Options Contracts	352,958,571	—
Written Options Contracts	4,731	—
Futures Contracts <sup>(1)</sup>	—	(44,382)

(1) Futures Contracts average monthly volume is calculated using Appreciation/(Depreciation).

**Note 4. Securities Lending**

Effective November 8, 2019, the Advisor entered into a custody agreement with Bank of New York Mellon ("BNY"). Prior to April 4, 2019, State Street Bank and Trust Company ("State Street") served as the custodian to the Fund.

As of December 31, 2019, the Fund did not participate in securities lending transactions with BNY.

Prior to November 8, 2019, the Fund could seek additional income by making secured loans of its portfolio securities

through its prior custodian, State Street. Such loans would be in an amount not greater than one-third of the value of the Fund's total assets. State Street would charge a fund fees based on a percentage of the securities lending income.

The Fund may make secured loans of its portfolio securities amounting to not more than 33 1/3% of its portfolio securities, thereby realizing additional income. The risks in lending portfolio securities, as with other extensions of credit, consist of possible delays in recovery of the securities or possible loss of rights in the collateral should the borrower fail financially and possible investment losses in the investment of collateral. Pursuant to the Fund's securities lending policy, securities loans are made to borrowers pursuant to agreements requiring that loans be continuously secured by collateral in cash, securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, sovereign debt, convertible bonds, irrevocable letters of credit issued by a bank as acceptable under the Fund's securities lending agreement, initially with a value of 102% or 105% of the market value of the loaned securities and thereafter maintained at a value of 100% of the market value of the loaned securities. The borrower pays to the Fund an amount equal to any interest or dividends received on securities subject to the loan. The Fund retains all or a portion of the interest received on investment of the cash collateral and receives a fee from the borrower.

Securities lending transactions are entered into pursuant to Securities Loan Agreements ("SLA"), which provide the right, in the event of default (including bankruptcy or insolvency) for the non-defaulting party to liquidate the collateral and calculate a net exposure to the defaulting party or request additional collateral. In the event that a borrower defaults, the Fund, as lender, would offset the market value of the collateral received against the market value of the securities loaned. The value of the collateral is typically greater than that of the market value of the securities loaned, leaving the lender with a net amount payable to the defaulting party. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of a SLA counterparty's bankruptcy or insolvency. Under the SLA, the Fund can reinvest cash collateral, or, upon an event of default, resell or repledge the collateral, and the borrower can resell or repledge the loaned securities. The risks of securities lending also include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. To mitigate this risk, the Fund benefits from a borrower default indemnity provided by State Street Bank and Trust Company ("State Street"). State Street's indemnity generally provides for replacement of securities lent or the approximate value thereof.



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December 31, 2019

NexPoint Strategic Opportunities Fund

**Note 5. U.S. Federal Income Tax Information**

The character of income and gains to be distributed is determined in accordance with income tax regulations which may differ from U.S. GAAP. These differences include (but are not limited to) investments organized as partnerships for tax purposes, foreign taxes, investments in futures, losses deferred to off-setting positions, losses deferred due to wash sale transactions and return of capital. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. These reclassifications have no impact on the NAV of the Fund.

For the year ended December 31, 2019, permanent differences chiefly resulting from foreign currency gains and losses, partnership basis adjustments, return of capital distributions from real estate investment trust, passive foreign investment companies, paydowns, controlled foreign corporations and return of capital distributions paid by the fund were identified and reclassified among the components of the Fund's net assets as follows:

Total Distributable Earnings (Loss)	Paid-in-Capital
\$6,966,108	\$ (6,966,108)

For the year ended December 31, 2019, the Fund's most recent tax year end, components of distributable earnings on a tax basis are as follows:

Qualified Late Year Ordinary Loss	Accumulated Capital and Other Losses	Net Tax Appreciation/ (Depreciation)
\$(57,749)	\$(51,636,718)	\$(203,654,367)

For the year ended December 31, 2019, the Fund had capital loss carryovers as indicated below. The capital loss carryovers are available to offset future realized capital gains to the extent provided in the Code and regulations promulgated thereunder. To the extent that these carryover losses are used to offset future capital gains, it is probable that the gains so offset will not be distributed to shareholders because they would be taxable as ordinary income.

No Expiration Long-Term	Total
\$(51,636,718) <sup>(1)</sup>	\$(51,636,718)

<sup>(1)</sup> During the current fiscal year, the Fund utilized \$34,067,597 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2019 and December 31, 2018 (unless otherwise indicated) is as follows:

Distributions Paid From:	2019	2018
Ordinary Income <sup>(1)</sup>	\$ 15,494,304	\$ 21,840,799
Return of Capital	81,197,706	46,180,632

<sup>(1)</sup> For tax purposes, short-term capital gains distributions, if any, are considered ordinary income distributions.

Unrealized appreciation and depreciation at December 31, 2019, based on cost of investments for U.S. federal income tax purposes is:

Gross Appreciation	Gross Depreciation	Net Appreciation/ (Depreciation) <sup>(1)</sup>	Cost
\$102,757,163	\$(306,411,530)	\$ (203,654,367)	\$ 1,510,773,221

<sup>(1)</sup> Any differences between book-basis and tax-basis net unrealized appreciation/(depreciation) are primarily due to wash sales, non-taxable dividends, partnership, Controlled Foreign Corporation and Passive Foreign Investment Company (Qualifying Electing Fund) basis adjustments, REIT basis adjustment and defaulted bonds.

**Qualified Late Year Ordinary and Post October Losses**

Under current laws, certain capital losses and specified losses realized after October 31 may be deferred and treated as occurring on the first day of the following fiscal year. For the fiscal year ended December 31, 2019, the Fund elected to defer \$57,747 of specified losses.

**Note 6. Credit Agreements and Reverse Repurchase Agreement**

On May 16, 2013, the Fund entered into a Committed Facility Agreement with BNP Paribas Prime Brokerage, Inc. ("BNPP PB, Inc.") (the "Committed Facility Agreement"). The current facility size of the Committed Facility Agreement is \$135,000,000 and the Fund is required to pay 0.55% commitment fee on the unused balance and LIBOR + a spread on amounts borrowed. The spread ranges from 0.60% to 1.30% depending on the quality of the holdings pledged to collateralize the loan. The Fund has the right to terminate the Committed Facility Agreement on 90 days' notice, and BNPP PB, Inc. has the right to terminate the Committed Facility Agreement immediately. As of December 31, 2019, the carrying value of the Committed Facility Agreement was \$103,037,786. The fair value of the outstanding Committed Facility Agreement was estimated to be \$103,406,620, and would be categorized as Level 3 within the fair value hierarchy. The fair value was estimated based on discounting the cash flows owed using a discount rate of 0.50% over the 90-day risk free rate.

At December 31, 2019, the Fund's outstanding balance on the Committed Facility Agreement was \$103,037,786.

Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund**

For the year ended December 31, 2019, the average daily note balance was \$98,125,635 at a weighted average interest rate of 2.86%, excluding any commitment fee. With respect to the note balance, interest expense of \$2,807,625 and commitment fee of \$205,626 are included in interest expense in the Statement of Operations.

On November 16, 2017, the Fund entered into an agreement with BNP Paribas Securities Corporation ("BNP Securities") under which it may from time to time enter into reverse repurchase transactions pursuant to the terms of a master repurchase agreement and related annexes (collectively the "Repurchase Agreement"). A reverse repurchase transaction is a repurchase transaction in which the Fund is the seller of securities or other assets and agrees to repurchase them at a date certain or on demand. Pursuant to the Repurchase Agreement, the Fund may agree to sell securities or other assets to BNP Securities for an agreed-upon price (the "Purchase Price"), with a simultaneous agreement to repurchase such securities or other assets from BNP Securities for the Purchase Price plus a price differential that is economically similar to interest. The price differential is negotiated for each transaction. At December 31, 2019, the Fund's outstanding balance on the BNP Securities was \$22,687,960. The Fund's average daily balance was \$23,523,740 at a weighted average interest rate of 3.47% for the days outstanding.

On September 25, 2018, the Fund entered into an agreement with Mizuho Securities USA LLC ("Mizuho Securities") under which it may from time to time enter into reverse repurchase transactions pursuant to the terms of a master repurchase agreement and related annexes (collectively the "Repurchase Agreement"). A reverse repurchase transaction is a repurchase transaction in which the Fund is the seller of securities or other assets and agrees to repurchase them at a date certain or on demand. Pursuant to the Repurchase Agreement, the Fund may agree to sell securities or other assets to Mizuho Securities for an agreed upon price (the "Purchase Price"), with a simultaneous agreement to repurchase such securities or other assets from Mizuho Securities for the Purchase Price plus a price differential that is economically similar to interest. The price differential is negotiated for each transaction. This creates leverage for the Fund because the cash received can be used to purchase other securities.

At December 31, 2019, the Fund's outstanding balance on the Mizuho Securities was \$125,252,000. The Fund's average daily balance was \$89,068,457 at a weighted average interest rate of 3.91% for the days outstanding.

On February 16, 2018, the Fund entered into a bridge credit agreement (the "Bridge Agreement") with KeyBank, NA ("KeyBank") whereby KeyBank agreed to loan the Fund up to \$36,500,000. The interest is paid at a rate of LIBOR + 2.00%. The Fund paid an upfront fee of \$182,500 to KeyBank as a condition to closing. On February 16, 2018, KeyBank loaned \$20 million to the Fund as a part of the Bridge Agreement. On May 29, 2018, the Fund amended the Bridge Agreement with KeyBank whereby KeyBank agreed to loan the Fund up to \$71,500,000 with a refinancing date of August 31, 2018, subject to extensions. The Fund paid an upfront fee of \$52,500 to KeyBank as a condition to add the new maturity and updated commitment. On August 14, 2018, the Fund amended and restated the Bridge Agreement with KeyBank whereby KeyBank agreed to loan the fund up to \$75,000,000. On September 14, 2018, the available balance stepped down to \$60,000,000. During the 2019, the Fund amended the Bridge Agreement several times to provide additional short-term financing of \$37,500,000 and \$40,000,000 ("2019 KeyBank Amendments"). The \$37,500,000 was paid back during the year, and \$22,000,000 remained outstanding on the second 2019 KeyBank Amendments as of December 31, 2019. The Fund paid an upfront fee of \$40,000 to KeyBank as a condition to closing these 2019 KeyBank Amendments. The maturity date is August 29, 2020, subject to extensions, and interest is paid at a rate of LIBOR + 2.00%. As of December 31, 2019, the carrying value of the Committed Facility Agreement was \$77,400,000. The fair value of the outstanding Committed Facility Agreement was estimated to be \$77,676,961, and would be categorized as Level 3 within the fair value hierarchy. The fair value was estimated based on discounting the cash flows owed using a discount rate of 0.50% over the 90-day risk free rate.

For the year ended December 31, 2019, the average daily note balance was \$59,534,247 at a weighted average interest rate of 4.30%, excluding any commitment fee. With respect to the note balance, interest expense of \$2,560,900 and uncommitted balance fee of \$0 are included in interest expense in the Statement of Operations.

Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2019

NexPoint Strategic Opportunities Fund

**Note 7. Asset Coverage**

The Fund is required to maintain 300% asset coverage with respect to amounts outstanding (excluding short-term borrowings) under its various leverage facilities. Asset coverage is calculated by subtracting the Fund's total liabilities, not including any amount representing bank borrowings and senior securities, from the Fund's total assets and dividing the result by the principal amount of the borrowings outstanding. As of the dates indicated below, the Fund's debt outstanding and asset coverage was as follows:

Date	Total Amount Outstanding	% of Asset Coverage of Indebtedness
12/31/2019	\$332,977,746 <sup>(3)</sup>	392.4% <sup>(3)</sup>
12/31/2018	244,107,979 <sup>(3)</sup>	414.5% <sup>(3)</sup>
12/31/2017	31,933,494	1,954.8
12/31/2016	124,983,081	431.9
12/31/2015	186,625,315 <sup>(1)</sup>	296.2 <sup>(1)(2)</sup>
12/31/2014	385,336,455	323.0
12/31/2013	318,500,000	327.5
12/31/2012	225,000,000	311.7
12/31/2011	173,000,000	356.1
12/31/2010	120,000,000	510.6

(1) Excludes borrowings of \$29,300,000 deemed to be short-term in nature.

(2) The Fund closes its net asset value daily, and using asset prices available at the time of the December 31, 2015 NAV close, the Fund calculated asset coverage of greater than 300%. The Fund received updated prices for certain instruments in January that were used for financial reporting purposes as part of this report. These updated prices pushed the percentage of asset coverage down to 296.2%. As of February 4, 2016, the date that the Fund declared the February monthly dividend, the percentage of asset coverage was over 300%.

(3) The KeyBank Bridge Agreement referenced in Note 6 is shared with two subsidiaries, of which the Fund acts as a guarantor for the agreement. As such, an additional \$4.6mm of the subsidiaries borrowings on the KeyBank Bridge Agreement is reflected in the asset coverage table for a comprehensive view of the Asset Coverage of Indebtedness percentage.

**Note 8. Investment Advisory, Administration and Trustee Fees****Investment Advisory Fee**

The Investment Adviser to the Fund receives an annual fee, paid monthly, in an amount equal to 1.00% of the average weekly value of the Fund's Managed Assets. The Fund's "Managed Assets" is an amount equal to the total assets of the Fund, including any form of leverage, minus all accrued expenses incurred in the normal course of operations, but not excluding any liabilities or obligations attributable to investment leverage obtained through

(i) indebtedness of any type (including, without limitation, borrowing through a credit facility or the issuance of debt securities), (ii) the issuance of preferred stock or other preference securities, (iii) the reinvestment of collateral received for securities loaned in accordance with the Fund's investment objectives and policies, and/or (iv) any other means.

**Administration Fee**

The Investment Adviser provides administrative services to the Fund. For its services, the Investment Adviser receives an annual fee, payable monthly, in an amount equal to 0.20% of the average weekly value of the Fund's Managed Assets. Under a separate sub-administration agreement, the Investment Adviser has delegated certain administrative functions to SEI Global Funds Services ("SEI"). The Investment Adviser pays State Street Bank and Trust Company directly for these sub-administration services.

**Fees Paid to Officers and Trustees**

Each Trustee who is not an "interested person" of the Fund as defined in the 1940 Act (the "Independent Trustees") receives an annual retainer of \$150,000 payable in quarterly installments and allocated among each portfolio in the Highland Funds Complex overseen by such Trustee based on relative net assets. Independent Trustees are reimbursed for actual out-of-pocket expenses relating to attendance at meetings, however, the Chairman of the Board and the Chairman of the Audit Committee each receive an additional payment of \$10,000 payable in quarterly installments and allocated among each portfolio in the Highland Funds Complex based on relative net assets. The Independent Trustees do not receive any separate compensation in connection with service on Committees or for attending Board or Committee Meetings. The Trustees do not have any pension or retirement plan. The "Highland Funds Complex" consists of all of the registered investment companies advised by the Investment Adviser or its affiliated advisers and NexPoint Capital, Inc., a closed-end management investment company that has elected to be treated as a business development company under the 1940 Act as of the date of this report.

The Fund pays no compensation to its officers, all of whom are employees of the Investment Adviser or one of its affiliates.

**Indemnification**

Under the Fund's organizational documents, the officers and Trustees have been granted certain indemnification rights against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund may enter into contracts with service providers that contain a variety of indemnification clauses.

The Fund's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated.

**Note 9. Disclosure of Significant Risks and Contingencies**

The primary risks of investing in the Fund are described below in alphabetical order:



Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2019

NexPoint Strategic Opportunities Fund

**Counterparty Risk**

Counterparty risk is the potential loss the Fund may incur as a result of the failure of a counterparty or an issuer to make payments according to the terms of a contract. Counterparty risk is measured as the loss the Fund would record if its counterparties failed to perform pursuant to the terms of their obligations to the Fund. Because the Fund may enter into over-the-counter forwards, options, swaps and other derivative financial instruments, the Fund may be exposed to the credit risk of their counterparties. To limit the counterparty risk associated with such transactions, the Fund conducts business only with financial institutions judged by the Investment Adviser to present acceptable credit risk.

**Emerging Markets Risk**

Any investments in Emerging Market Countries (countries in which the capital markets are developing) may involve greater risks than investments in more developed markets and the prices of such investments may be more volatile. The consequences of political, social or economic changes in these markets may have disruptive effects on the market prices of the Fund's investments and the income they generate, as well as the Fund's ability to repatriate such amounts.

**Illiquid and Restricted Securities Risk**

Certain investments made by the Fund are, and others may be, illiquid, and consequently the Fund may not be able to sell such investments at prices that reflect the Investment Adviser's assessment of their value or the amount originally paid for such investments by the Fund. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale and other factors. Furthermore, the nature of the Fund's investments, especially those in financially distressed companies, may require a long holding period prior to profitability. Restricted securities (i.e., securities acquired in private placement transactions) and illiquid securities may offer higher yields than comparable publicly traded securities. The Fund, however, may not be able to sell these securities when the Investment Adviser considers it desirable to do so or, to the extent they are sold privately, may have to sell them at less than the price of otherwise comparable securities. Restricted securities are subject to limitations on resale which can have an adverse effect on the price obtainable for such securities. Also, if in order to permit resale the securities are registered under the Securities Act at a Fund's expense, the Fund's expenses would be increased. A high percentage of illiquid securities in a Fund creates a risk that such a Fund may not be able to redeem its shares without causing significant dilution to remaining shareholders.

**Leverage Risk**

The Fund may use leverage in its investment program, including the use of borrowed funds and investments in certain

types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Fund purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the Fund's use of leverage would result in a lower rate of return than if the Fund were not leveraged.

**REIT-Specific Risk**

Real estate investments are subject to various risk factors. Generally, real estate investments could be adversely affected by a recession or general economic downturn where the properties are located. Real estate investment performance is also subject to the success that a particular property manager has in managing the property.

**Risks Associated with Options on Securities**

There are several risks associated with transactions in options on securities. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A transaction in options or securities may be unsuccessful to some degree because of market behavior or unexpected events.

When the Fund writes a covered call option, the Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but retains the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation and once an option writer has received an exercise notice, it must deliver the underlying security in exchange for the strike price.

When the Fund writes a covered put option, the Fund bears the risk of loss if the value of the underlying stock declines below the exercise price minus the put premium. If the option is exercised, the Fund could incur a loss if it is required to purchase the stock underlying the put option at a price greater than the market price of the stock at the time of exercise plus the put premium the Fund received when it wrote the option. While the Fund's potential gain in writing a covered put option is limited to distributions earned on the liquid assets securing the put option plus the premium received from the purchaser of the put option, the Fund risks a loss equal to the entire exercise price of the option minus the put premium.

Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2019

NexPoint Strategic Opportunities Fund

**Risks of Investing in Obligations of Stressed, Distressed and Bankrupt Issuers**

The Fund may invest in companies that are troubled, in distress or bankrupt. As such, they are subject to a multitude of legal, industry, market, environmental and governmental forces that make analysis of these companies inherently difficult. Further, the Investment Adviser relies on company management, outside experts, market participants and personal experience to analyze potential investments for the Fund. There can be no assurance that any of these sources will prove credible, or that the resulting analysis will produce accurate conclusions.

**Risks of Investing in Senior Loans**

The risk that the issuer of a senior loan may fail to pay interest or principal when due, and changes in market interest rates may reduce the value of the senior loan or reduce the Fund's returns. The risks associated with senior loans are similar to the risks of high yield debt securities. Senior loans and other debt securities are also subject to the risk of price declines and to increases in interest rates, particularly long-term rates. Senior loans are also subject to the risk that, as interest rates rise, the cost of borrowing increases, which may increase the risk of default. In addition, the interest rates of floating rate loans typically only adjust to changes in short-term interest rates; long-term interest rates can vary dramatically from short-term interest rates. Therefore, senior loans may not mitigate price declines in a long-term interest rate environment. The Fund's investments in senior loans are typically below investment grade and are considered speculative because of the credit risk of their issuers.

On July 27, 2017, the head of the United Kingdom's Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. Due to this announcement, there remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on the Fund or the financial instruments in which the Fund invests cannot yet be determined.

**Risks of Non-Diversification and Other Focused Strategies**

While the Investment Adviser invests in a number of fixed income and equity instruments issued by different issuers and employs multiple investment strategies with respect to the Trust's investment portfolio, it is possible that a significant amount of the Trust's investments could be invested in the instruments of only a few companies or other issuers or that at any particular point in time one investment strategy could be more heavily weighted than the others. The focus of the Trust's investment portfolio in any one issuer would subject the Trust to a greater degree of risk with respect to defaults by such issuer or other adverse events affecting that issuer, and the focus of the portfolio in any one industry or group of industries would subject the Trust to a greater degree of risk with respect to economic downturns relating to such industry or industries. The focus

of the Trust's investment portfolio in any one investment strategy would subject the Trust to a greater degree of risk than if the Trust's investment portfolio were varied in its investments with respect to several investment strategies.

**Reverse Repurchase Agreement Risk**

The Fund may enter into reverse repurchase transactions with BNP Securities or other banks and securities dealers. A reverse repurchase transaction is a repurchase transaction in which the Fund is the seller of, rather than the investor in, securities or other assets and agrees to repurchase them at a date certain or on demand. Use of a reverse repurchase transaction may be preferable to a regular sale and later repurchase of securities or other assets because it avoids certain market risks and transaction costs. Reverse repurchase transactions involve the risk that the market value of securities and/or other assets purchased by the Fund with the proceeds received by the Fund in connection with such reverse repurchase transactions may decline below the market value of the securities the Fund is obligated to repurchase under such reverse repurchase transactions. They also involve the risk that the counterparty liquidates the securities delivered to it by the Fund under the reverse repurchase agreement following the occurrence of an event of default under the reverse repurchase agreement by the Fund. At the time when the Fund enters into a reverse repurchase transactions, liquid securities (cash, U.S. Government securities or other debt obligations) of the Fund having a value at least as great as the Purchase Price of the securities to be purchased will be segregated on the books of the Fund throughout the period of the obligation. The use of these investment strategies may increase net asset value fluctuation.

**Short Sales Risk**

Short sales by the Fund that are not made where there is an offsetting long position in the asset that it is being sold short theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. Short selling allows the Fund to profit from declines in market prices to the extent such decline exceeds the transaction costs and costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. Purchasing securities to close out the short position can itself cause the price of securities to rise further, thereby exacerbating the loss. The Fund may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, the Fund might have difficulty purchasing securities to meet margin calls on its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund****Gain Contingency**

Claymore Holdings, LLC, a partially-owned affiliate of the Fund, is engaged in ongoing litigation that could result in a possible gain contingency to the Fund. The probability, timing, and potential amount of recovery, if any, are unknown.

**Valuation Risk**

Certain of the Fund's assets are fair valued, including the Fund's primary illiquid asset, TerreStar. TerreStar is a nonoperating company that does not currently generate revenue and which primarily derives its value from two spectrum frequencies, the license with respect to one of which was terminated by the FCC and is being contested by TerreStar on technical and public policy grounds. TerreStar currently anticipates such contest may take between 12 to 30 months and expects deployment of its other spectrum asset to require a similar period of time. If TerreStar is ultimately unsuccessful in its efforts, the terminated license

would not be reinstated and the value of the TerreStar equity would likely be materially negatively impacted. The fair valuation of TerreStar involves uncertainty as it is materially dependent on these estimates. With regard to the likelihood of TerreStar regaining the terminated license, the Investment Adviser assigned a high probability of success, based in part in consultation with outside experts.

**Note 10. Investment Transactions****Purchases & Sales of Securities**

The cost of purchases and the proceeds from sales of investments, other than short-term securities, for the period ended December 31, 2019, were as follows:

Purchases	Other Securities	Sales
\$551,735,651		\$ 327,057,035

**Note 11. Affiliated Issuers and Other Affiliate Matters**

Under Section 2 (a)(3) of the Investment Company Act of 1940, as amended, a portfolio company is defined as "affiliated" if a fund owns five percent or more of its outstanding voting securities or if the portfolio company is under common control. The table below shows affiliated issuers of the Fund as of December 31, 2019:

Issuer	Shares at December 31, 2018	Beginning Value as of December 31, 2018	Purchases at Cost	Proceeds from Sales	Distribution to Return Capital	Net Realized Gain/ (Loss) on Sales of Affiliated Issuers	Change Unrealized Appreciation/ Depreciation	Ending Value as of December 31, 2019	Shares at December 31, 2019	Affiliated Income
<b>Majority Owned, Not Consolidated</b>										
NexPoint Real Estate Opportunities, LLC, REIT (Common Stocks)	123,002,415	\$ 231,921,053	\$ 45,362,450	—	\$ (38,859,168)	\$ —	\$ (441,456)	\$ 237,982,879	146,055,529	\$ 4,300,770
NexPoint Real Estate Capital Specialty Financial Products, Ltd. (Common Stocks)	10,837,183	33,820,681	2,014,438	—	(94,648)	—	(1,673,801)	34,066,670	11,389,726	4,530,000
(Common Stocks)	33,685,010	36,821,085	5,472,006	—	(1,500,000)	(1)	(5,538,523)	35,254,567	38,998,415	—
<b>Other Affiliates</b>										
SFR WLIF I, LLC	—	—	40,322,605	—	—	—	(591,936)	39,730,669	40,322,605	2,444,302
SFR WLIF II, LLC	—	—	26,968,904	—	—	—	(254,047)	26,714,857	26,968,904	1,496,257
SFR WLIF III, LLC	—	—	7,708,491	—	—	—	(167,120)	7,541,371	7,708,491	238,109
Gambier Bay LLC <sup>(1)</sup>	2,102,020	241,732	—	—	(1,810,258)	—	1,568,526	—	—	—
LLV Holdco LLC	—	—	—	—	—	—	—	—	—	—
(U.S. Senior Loans, Common Stocks & Warrants)	9,708,922	7,741,953	2,059,233	—	—	—	(411,847)	9,389,339	11,763,530	8,809
NexPoint Residential Trust, Inc.	39,394	1,380,760	1,604,928	—	(76,162)	45	726,156	3,655,305	81,229	3,932
NexPoint Hospitality Trust	—	—	38,859,168	—	—	—	27,859,991	66,719,159	13,370,573	—
TerreStar Corp.	—	—	—	—	—	—	—	—	—	—
(U.S. Senior Loans & Common Stocks)	20,041,413	56,921,591	2,756,182	—	—	—	(250,061)	59,427,642	22,797,318	2,369,995
United Development Funding IV	1,644,786	6,167,948	496,307	—	—	—	(1,514,599)	5,149,656	1,763,581	229,266
Euramax International	—	—	—	—	—	—	—	—	—	—
(U.S. Senior Loans, Common Stocks & Warrants)	6,408,963	8,636,781	943,771	—	—	—	(3,355,992)	6,224,560	7,352,734	979,394

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Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund**

Issuer	Shares at December 31, 2018	Beginning Value as of December 31, 2018	Purchases at Cost	Proceeds from Sales	Distribution to Return Capital	Net Realized Gain/ (Loss) on Sales of Affiliated Issuers	Change Unrealized Appreciation/ Depreciation	Ending Value as of December 31, 2019	Shares at December 31, 2019	Affiliated Income
<b>Other Controlled</b>		\$	\$		\$	\$	\$	\$		\$
Allenby (Common Stocks)	585,035	1	46,100	—	—	—	(46,100)	1	631,135	—
Claymore (Common Stocks)	1,874,553	2	144,816	—	—	—	(144,816)	2	2,019,369	—
<b>Total</b>	<u>209,929,694</u>	<u>\$383,653,587</u>	<u>\$174,759,398</u>	<u>—</u>	<u>\$ (42,340,236)</u>	<u>\$ 44</u>	<u>\$ 3,336,484</u>	<u>\$531,856,677</u>	<u>331,223,139</u>	<u>\$16,600,833</u>

(1) Includes the value of iHeart Communications, Inc. bonds as of December 31, 2019 and subsequent activity.

The Adviser has been historically affiliated through common control with Highland Capital Management, L.P. ("HCMLP"), an SEC-registered investment adviser. On October 16, 2019, HCMLP filed for Chapter 11 bankruptcy protection with the United States Bankruptcy Court for the District of Delaware. The case was subsequently transferred to the United States Bankruptcy Court for the Northern District of Texas. On January 9, 2020, the bankruptcy court approved a change of control of HCMLP, which involved the resignation of James Dondero as the sole director of, and the appointment of an independent board to, HCMLP's general partner. Mr. Dondero will, however, remain as an employee of HCMLP and as portfolio manager for all funds and vehicles for which he currently holds such titles. Nevertheless, given Mr. Dondero's historic role with HCMLP and his continued ownership interest and roles with respect to the Highland platform as a whole, as well as the shared services agreements between HCMLP and our Adviser, the Fund treats HCMLP and its affiliates as its affiliates for purposes hereof.

**Note 12. Rights Offering and Stock Repurchase Plan**

On April 19, 2017, the Fund announced a non-transferable rights offering (the "2017 Offering") to purchase additional shares of common stock of the Fund. Each shareholder of record on May 5, 2017 received one right for each common share held. Holders were entitled to purchase one new share of common stock for every three rights held at a subscription price of \$20.93 per share, which was calculated as the lesser of (1) 95% of the reported net asset value on May 24, 2017 (the "2017 Expiration Date"), or (2) 95% of the average of the last reported sales price of the Fund's common shares on NYSE on the 2017 Expiration Date and on each of the four trading days preceding the 2017 Expiration Date. The 2017 Offering was oversubscribed, with total subscriptions equal to 233% of the primary offering. As a result of the 2017 Offering and the Fund's exercise of an over-allotment option, 6,682,882 additional shares were issued. On November 2,

2016, the Fund announced a stock repurchase plan (the "Repurchase Plan") initially sized at \$10 million as approved by the Board. The Repurchase Plan was scheduled to begin in December 2017 and continue for approximately six months. In connection with the Offering, the Board approved the extension of the Repurchase Plan for a period of one year from the 2017 Expiration Date. The Repurchase Plan expired on May 24, 2018. No repurchases were made as part of the repurchase plan prior to its expiration.

On April 20, 2018, the Fund announced a non-transferable rights offering (the "2018 Offering") to purchase additional shares of common stock of the Fund. Each shareholder of record on May 9, 2018 received one right for each common share held. Holders were entitled to purchase one new share of common stock for every three rights held at a subscription price of \$21.30 per share, which was calculated as the lesser of (1) 95% of the reported net asset value on May 29, 2018 (the "2018 Expiration Date"), or (2) 95% of the average of the last reported sales price of the Fund's common shares on NYSE on the 2018 Expiration Date and on each of the four trading days preceding the 2018 Expiration Date. The 2018 Offering was oversubscribed, with total subscriptions equal to 177% of the primary offering. As a result of the 2018 Offering and the Fund's exercise of an over-allotment option, 9,494,823 additional shares were issued.

On April 11, 2019, the Fund announced a non-transferable rights offering (the "2019 Offering") to purchase additional shares of common stock of the Fund. Each shareholder of record on April 29, 2019 received one right for each common share held. Holders were entitled to purchase one new share of common stock for every three rights held at a subscription price of \$17.77 per share, which was calculated as the lesser of (1) 95% of the reported net asset value on May 22, 2019 (the "2019 Expiration Date"), or (2) 95% of the average of the last reported sales price of the Fund's common shares on NYSE on the 2019 Expiration Date and on each of the four trading days preceding the 2019 Expiration Date. The 2019



Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund**

Offering was oversubscribed, with total subscriptions equal to 231% of the primary offering. As a result of the 2019 Offering and the Fund's exercise of an over-allotment option, 13,498,570 additional shares were issued for \$237.3 million in Proceeds from sale of shares.

After the completion of the audit for the year ended December 31, 2018, a valuation correction was made in equity issued by TerreStar Corporation, affecting the value of the individual positions between March 2018 through January 2019. As a result, it was determined that there was a minor difference in funds received from shareholders who participated in the 2018 Offering. The overpayment of these proceeds, which equates to approximately \$2.6mm from the rights offering, was returned to the investors accounts. This is reflected net in the Proceeds from sale of shares on the Statement of Changes in Net Assets.

**Note 13. New Accounting Pronouncements**

In November 2016, the FASB issued Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this update require the statement of cash flows to explain the change during the period in the total of cash, restricted cash and cash equivalents. Amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. For public entities this update was effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. The Investment Adviser has evaluated the impact of this new guidance and effective April 1, 2018, the Fund no longer reports the change in restricted cash and cash equivalents in the operating and investing sections in our Consolidated Statement of Cash Flows. Restricted cash and cash equivalents are now included in the beginning and end of the period cash and cash equivalents on the Consolidated Statement of Cash Flows. These changes have been applied using a retrospective transition method to each period presented.

In March 2017, the FASB issued Accounting Standards Update 2017-08, Receivables — Nonrefundable Fees and Other Costs (Subtopic 310-20). The amendments in this update shorten the amortization period for certain callable debt securities held at premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For public entities

this update was effective for fiscal years beginning after December 15, 2018, and for interim periods within those fiscal years. The Investment Adviser has evaluated the impact of this new guidance and the adoption of this guidance did not have a material impact on the Fund's consolidated financial statements.

In February 2018, the FASB issued Accounting Standards Update 2018-03, Technical Corrections and Improvements to Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this update provide a variety of technical corrections and improvements to how entities should account for financial instruments. For public entities this update was effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years beginning after June 15, 2018. The Investment Adviser has evaluated the impact of this new guidance and the adoption of this guidance did not have a material impact on the Fund's consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820). The new guidance includes additions and modifications to disclosure requirements for fair value measurements. For public entities, the amendments are effective for consolidated financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Investment Adviser has evaluated the impact of this new guidance and the adoption of this guidance did not have a material impact on the Fund's consolidated financial statements.

**Note 14. Unconsolidated Significant Subsidiaries**

In accordance with Regulation S-X and GAAP, the Fund is not permitted to consolidate any subsidiary or other entity that is not an investment company, including those in which the Fund has a controlling interest unless the business of the controlled subsidiary consists of providing services to the Fund. In accordance with Regulation S-X Rules 3-09 and 4-08(g), the Fund evaluates its unconsolidated controlled subsidiaries as significant subsidiaries under the respective rules. As of December 31, 2019, NexPoint Real Estate Opportunities, LLC was considered a significant unconsolidated subsidiary under Regulation S-X Rule 4-08(g), while NexPoint Real Estate Capital, LLC and Specialty Financial Products Designated Activity Company did not meet the qualifications of a significant subsidiary. All subsidiaries are wholly owned by the Fund. Based on the requirements under Regulation S-X Rule 4-08(g), the

Table of Contents**NOTES TO FINANCIAL STATEMENTS (concluded)****December 31, 2019****NexPoint Strategic Opportunities Fund**

summarized consolidated financial information of these unconsolidated subsidiaries is presented below:

	NexPoint Real Estate Capital, LLC December 31, 2019	NexPoint Real Estate Opportunities, LLC December 31, 2019	Specialty Financial Products Designated Activity Company December 31, 2019
<b>Balance Sheet:</b>			
Current Assets	\$ 657,000	\$ 21,626,000	\$ 395,704
Noncurrent Assets	33,384,000	403,895,000	34,857,990
<b>Total Assets</b>	<b>34,041,000</b>	<b>425,521,000</b>	<b>35,253,694</b>
Current Liabilities	190,000	12,862,000	3,354,938
Noncurrent Liabilities	644,000	226,573,000	31,894,134
<b>Total</b>			
<b>Liabilities</b>	834,000	239,435,000	35,249,072
Preferred Stock	100,000	125,000	—
Non-controlling interest (in consolidated investments)	—	(2,627,000)	—
Invested Equity	33,107,000	188,588,000	—
<b>Total Equity</b>	<b>\$ 33,207,000</b>	<b>\$ 186,086,000</b>	<b>\$ 4,622</b>

	NexPoint Real Estate Capital, LLC For the Year Ended December 31, 2019	NexPoint Real Estate Opportunities, LLC For the Year Ended December 31, 2019	Specialty Financial Products Designated Activity Company For the Year Ended December 31, 2019
<b>Summary of Operations:</b>			
Net Sales	\$ 3,878,000	\$ 41,498,000	\$ 127,709
Gross Profit (Loss)	3,802,000	(5,046,000)	1,000
Net Income (Loss)	3,786,000	(5,014,000)	750
Net Income (Loss) attributable to non-controlling interest (in consolidated investments), preferred shares, and other comprehensive income	16,000	(32,000)	—

**Note 15. Subsequent Events**

The Investment Adviser has evaluated the impact of all subsequent events on the Fund through the date the consolidated financial statements were issued, and has determined that there were no such subsequent events to report which have not already been recorded or disclosed in these financial statements and accompanying notes.

An outbreak of respiratory disease caused by a novel coronavirus was first detected in China in December 2019 and subsequently spread internationally. This coronavirus has resulted in closing borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general concern and uncertainty. The impact of this coronavirus may be short term or may last for an extended period of time and result in a substantial economic downturn. Health crises caused by outbreaks, such as the coronavirus outbreak, may exacerbate other pre-existing political, social and economic risks. The impact of this outbreak, and other epidemics and pandemics that may arise in the future, could negatively affect the worldwide economy, as well as the economies of individual countries, individual companies and the market in general in significant and unforeseen ways. Any such impact could adversely affect a Fund's performance, the performance of the securities in which the Fund invests, lines of credit available to the Fund and may lead to losses on your investment in the Fund.

As a result of decreases in market value of the Fund's assets pledged at derivative counterparties, the Fund has been required to post additional collateral relating to its margin requirements. The Fund has posted all required collateral; however, the Fund's ability to meet future margin calls may be impacted by continued unfavorable market conditions.

Table of Contents**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****To the Board of Trustees and Shareholders of NexPoint Strategic Opportunities Fund:***Opinion on the Financial Statements*

We have audited the accompanying statement of assets and liabilities, including the investment portfolio, of NexPoint Strategic Opportunities Fund (the "Fund") as of December 31, 2019, the related statements of operations and cash flows for the year ended December 31, 2019, the statement of changes in net assets for each of the two years in the period ended December 31, 2019, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2019 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2019, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2019 and the financial highlights for each of the five years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

*Basis for Opinion*

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2019 by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

Dallas, Texas  
April 10, 2020

We have served as the auditor of one or more investment companies of NexPoint Advisors, L.P. and its affiliates since 2004.

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ADDITIONAL INFORMATION (unaudited)

December 31, 2019

NexPoint Strategic Opportunities Fund

Additional Portfolio Information

The Investment Adviser and its affiliates manage other accounts, including registered and private funds and individual accounts. Although investment decisions for the Fund are made independently from those of such other accounts, the Investment Adviser may, consistent with applicable law, make investment recommendations to other clients or accounts that may be the same or different from those made to the Fund, including investments in different levels of the capital structure of a company, such as equity versus senior loans, or that involve taking contradictory positions in multiple levels of the capital structure. The Investment Adviser has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, this may create situations where a client could be disadvantaged because of the investment activities conducted by the Investment Adviser for other client accounts. When the Fund and one or more of such other accounts is prepared to invest in, or desires to dispose of, the same security, available investments or opportunities for each will be allocated in a manner believed by the Investment Adviser to be equitable to the Fund and such other accounts. The Investment Adviser also may aggregate orders to purchase and sell securities for the Fund and such other accounts. Although the Investment Adviser believes that, over time, the potential benefits of participating in volume transactions and negotiating lower transaction costs should benefit all accounts including the Fund, in some cases these activities may adversely affect the price paid or received by the Fund or the size of the position obtained or disposed of by the Fund.

Tax Information

For shareholders that do not have a December 31, 2019 tax year end, this notice is for informational purposes only. For shareholders with a December 31, 2019 tax year end, please consult your tax adviser as to the pertinence of this notice. For the fiscal year ended December 31, 2019, the Fund hereby designates the following items with regard to distributions paid during the year.

Return of Capital	Ordinary Income Distribution	Total Distribution
83.98%	16.02%	100.00%
Dividend Received Deduction <sup>(1)</sup>	Qualified Dividend Income <sup>(2)</sup>	U.S. Government Interest <sup>(3)</sup>
8.53%	10.39%	0.00%
		Interest Related Dividends <sup>(4)</sup>
		20.75%

Short-Term Capital Gain Dividends <sup>(5)</sup>	Qualifying Business Income <sup>(6)</sup>
0.00%	41.50%
<p>(1) Qualifying dividends represent dividends which qualify for the corporate dividends received deduction and is reflected as a percentage of ordinary income distributions (the total of short-term capital gain and net investment income distributions).</p>	
<p>(2) The percentage in this column represents the amount of "Qualifying Dividend Income" as created by the Jobs and Growth Tax Relief Reconciliation Act of 2003 and is reflected as a percentage of ordinary income distributions (the total of short-term capital gain and net investment income distributions). It is the intention of each of the aforementioned Funds to designate the maximum amount permitted by law.</p>	
<p>(3) "U.S. Government Interest" represents the amount of interest that was derived from direct U.S. Government obligations and distributed during the fiscal year. This amount is reflected as a percentage of ordinary income. Generally, interest from direct U.S. Government obligations is exempt from state income tax. Shareholder who are residents of California, Connecticut and New York, these funds have not met the statutory requirements to permit exemption of these amounts from state income tax.</p>	
<p>(4) The percentage in this column represents the amount of "Interest Related Dividends" as created by the American Jobs Creation Act of 2004 and is reflected as a percentage of net investment distributions that is exempt from U.S. withholding tax when paid to foreign investors.</p>	
<p>(5) The percentage in this column represents the amount of "Short-Term Capital Gain Dividend" as created by the American Jobs Creation Act of 2004 and is reflected as a percentage of short-term capital gain distributions that is exempt from U.S. withholding tax when paid to foreign investors.</p>	
<p>(6) The percentage in this column represents the amount of ordinary dividend income that qualified for 20% Business Income Deduction.</p>	

The information herein may differ from the information and distributions taxable to the shareholder for the calendar year ended December 31, 2019. Complete information will be computed and reported with your 2019 Form 1099-DIV.

Dividend Reinvestment Plan

Unless the registered owner of Common Shares elects to receive cash by contacting American Stock Transfer & Trust Company, LLC ("AST" or the "Plan Agent"), as agent for shareholders in administering the Plan, a registered owner will receive newly issued Common Shares for all dividends declared for Common Shares of the Fund. If a registered owner of Common Shares elects not to participate in the Plan, they will receive all dividends in cash paid by check mailed directly to them (or, if the shares are held in street or other nominee name, then to such nominee) by AST, as dividend disbursing agent. Shareholders may elect not to participate in the Plan and to receive all dividends in cash by sending written instructions or by contacting AST, as dividend disbursing agent, at the address set forth below.

Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by contacting the Plan Agent before the dividend record date; otherwise such termination or resumption will be effective with respect to any subsequently declared dividend. Some brokers may automatically elect to receive cash on the

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund**

shareholders' behalf and may reinvest that cash in additional Common Shares of the Fund for them. The Plan Agent will open an account for each shareholder under the Plan in the same name in which such shareholder's Common Shares are registered.

Whenever the Fund declares a dividend payable in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in Common Shares. The Common Shares will be acquired by the Plan Agent through receipt of additional unissued but authorized Common Shares from the Fund ("newly issued Common Shares"). The number of newly issued Common Shares to be credited to each participant's account will be determined by dividing the dollar amount of the dividend by the lesser of (i) the net asset value per Common Share determined on the Declaration Date and (ii) the market price per Common Share as of the close of regular trading on the New York Stock Exchange (the "NYSE") on the Declaration Date.

The Plan Agent maintains all shareholders' accounts in the Plan and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Common Shares in the account of each Plan participant will be held by the Plan Agent on behalf of the Plan participant, and each shareholder proxy will include those shares purchased or received pursuant to the Plan. The Plan Agent will forward all proxy solicitation materials to participants and vote proxies for shares held under the Plan in accordance with the instructions of the participants. In the case of shareholders such as banks, brokers or nominees which hold shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of Common Shares certified from time to time by the record shareholder's name and held for the account of beneficial owners who participate in the Plan. There will be no brokerage charges with respect to Common Shares issued directly by the Fund.

The automatic reinvestment of dividends will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. Accordingly, any taxable dividend received by a participant that is reinvested in additional Common Shares will be subject to federal (and possibly state and local) income tax even though such participant will not receive a corresponding amount of cash with which to pay such taxes. Participants who request a sale of shares through the Plan Agent are subject to a \$2.50 sales fee and pay a brokerage commission of \$0.05 per share sold. The Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. All correspondence concerning the Plan should be directed to the Plan Agent at

American Stock Transfer & Trust Company, LLC 6201 15th Avenue  
Brooklyn, NY 11219; telephone (718) 921-8200.

**Shareholder Loyalty Program**

To promote loyalty and long-term alignment of interests among the Fund's shareholders, the Investment Adviser offers an incentive to shareholders that buy and hold the Fund's common shares for a period of at least twelve months through its Shareholder Loyalty Program (the "Program"). To participate in the Program, existing shareholders must open an account (the "Account") with the Program's administrator, American Stock Transfer & Trust Company ("AST"). Subsequently, if a participant makes contributions to the Account during a defined trading period to purchase shares, the Investment Adviser will make a corresponding contribution equal to 2% of the participant's contributions. For example, if a participant contributes \$10,000 to the Account during a defined trading period to purchase shares, the Adviser will make a corresponding contribution of \$200, to purchase additional shares for the participant (the "Bonus Shares"). In addition, Program participants will not be required to pay any customary selling commissions or distribution fees on the purchase of shares under the Program. The Investment Adviser will bear the costs of brokerage fees in connection with the Program. While the portion of the Fund's common shares that are acquired through the participant's contribution will vest immediately, Bonus Shares will not vest until the first anniversary of the date that the Bonus Shares were purchased. Vested shares will be held in the Account and Bonus Shares will be held in an account at AST for the conditional benefit of the shareholder. Under the Program, participants must purchase a minimum of \$10,000 worth of shares in the initial subscription and \$5,000 in each subsequent subscription, unless the Investment Adviser, in its sole discretion, decides to permit subscriptions for a lesser amount. If the Fund's common shares are trading at a discount, AST will purchase common shares on behalf of participants in open-market purchases. If the Fund's common shares are trading at a premium, AST may purchase common shares on behalf of participants in open market purchases or the Fund may sell common shares to the Shareholder Loyalty Program by means of a prospectus or otherwise. All dividends received on shares that are purchased under the Program will be automatically reinvested through the Program. A participant's interest in a dividend paid to the holder of a vested share will vest immediately. A participant's interest in a dividend paid to the holder of a Bonus Share will vest at the same time that the Bonus Share's vesting requirements are met. In addition, for dividends paid to holders of shares that were purchased with a participant's contributions, the Investment Adviser will make a corresponding contribution to the amount of the reinvested dividend equal to 2% of the dividend amount. AST

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maintains all shareholders' accounts in the Program and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Shares in the account of each Program participant will be held by AST on behalf of the Program participant, and each shareholder proxy will include those shares purchased or received pursuant to a Program. AST will forward all proxy solicitation materials to participants and vote proxies for shares held under the Program in accordance with the instructions of the participants. In the case of shareholders such as banks, brokers or nominees which hold shares for others who are the beneficial owners, AST will administer the Program on the basis of the number of common shares certified from time to time by the record shareholder's name and held for the account of beneficial owners who participate in the Program. The Fund and the Investment Adviser reserve the right to amend or terminate the Program. To help align the interests of the Investment Adviser's employees with the interests of the Fund's shareholders, the Investment Adviser offers a similar program to its employees. Participants in the Program should be aware that their receipt of Bonus Shares under the Program constitutes taxable income to them. In addition, such participants owe taxes on that portion of any distribution that constitutes taxable income in respect of shares of our common stock held in their Program accounts, whether or not such shares of common stock have vested in the hands of the participants. To the extent any payments or distributions under the Program are subject to U.S. federal, state or local taxes, the Fund, any participating affiliate of the Fund or the agent for the Program may satisfy its tax withholding obligation by (1) withholding shares of Stock allocated to the participant's account, (2) deducting cash from the participant's account or (3) deducting cash from any other compensation the participant may receive. Program participants should consult their tax advisers regarding the tax consequences to them of participating in the Program. The Program may create an incentive for shareholders to invest additional amounts in the Fund. Because the Investment Adviser's management fee is based on a percentage of the assets of the Fund, the Program will result in increased net revenues to the Investment Adviser if the increase in the management fee due to the increased asset base offsets the costs associated with establishing and maintaining the Program.

### **Approval of NexPoint Strategic Opportunities Fund Investment Advisory Agreement**

The Fund has retained NexPoint Advisors, L.P. (the "Investment Adviser") to manage the assets of the Fund pursuant to an investment advisory agreement between the Investment Adviser and the Fund (the "Agreement"). The Agreement was initially approved by the Funds' Board of Trustees, including a majority of the Independent Trustees.

Following the initial two-year term, the Agreement continues in effect from year-to-year, provided that such continuance is specifically approved at least annually by the vote of holders of at least a majority of the outstanding shares of the Fund or by the Board of Trustees and, in either event, by a majority of the Independent Trustees of the Fund casting votes in person at a meeting called for such purpose.

During a telephonic meeting held on August 15, 2019, the Board of Trustees gave preliminary consideration to information bearing on the continuation of the Agreement for a one-year period commencing November 1, 2019 with respect to the Fund. The primary objective of the meeting was to ensure that the Trustees had the opportunity to consider matters they deemed relevant in evaluating the continuation of the Agreement, and to request any additional information they considered reasonably necessary for their deliberations.

At an in-person meeting held on September 19-20, 2019, the Board of Trustees, including the Independent Trustees, approved the continuance of the Agreement for a one-year period commencing on November 1, 2019. As part of its review process, the Board requested, through its independent legal counsel, and received from the Investment Adviser, various information and written materials, including: (1) information regarding the financial soundness of the Investment Adviser and the anticipated of the Advisory Agreement to the Investment Adviser; (2) information on the advisory and compliance personnel of the Investment Adviser, including compensation arrangement; (3) information on the internal compliance procedures of the Investment Adviser, including policies and procedures for personal securities transactions and with respect to cybersecurity, business continuity and disaster recovery; (4) comparative information showing how the Fund's fees and expenses compare to those of other registered investment companies and comparable funds managed by the Investment Adviser that follow investment strategies similar to those of the Fund, if any; (5) information regarding the investment performance of the Fund, including comparisons of the Fund's performance against that of other registered investment companies and comparable funds managed by the Investment Adviser that follow investment strategies similar to the Fund, if any; (6) premium and discount information with respect to the Fund; (7) information regarding brokerage and portfolio transactions; and (8) information on any legal proceedings or regulatory audits or investigations affecting the Investment Adviser or its affiliates. After the August 2019 meeting, the Trustees requested that the Investment Adviser provide additional information regarding various matters. In addition, the Board of Trustees received an independent report from FUSE Research Network ("FUSE"), an independent source of



Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund**

investment company data, relating to the Fund's performance and expenses compared to the performance and expenses of a group of funds deemed by FUSE to be comparable to the Fund (the "peer group"), and to a larger group of comparable funds (the "peer universe"). The Board also received data relating to the Fund's leverage and distribution rates as compared to its peer group.

The Board of Trustees' evaluation process with respect to the Investment Adviser is an ongoing one. In this regard, the Board of Trustees also took into account discussions with management and information provided to the Board of Trustees at periodic meetings of the Board of Trustees over the course of the year with respect to the services provided by the Investment Adviser to the Fund, including quarterly performance reports prepared by management containing reviews of investment results and prior presentations from the Investment Adviser with respect to the Fund. The information received and considered by the Board of Trustees in connection with the September 19-20, 2019 meeting and throughout the year was both written and oral.

The Board of Trustees reviewed various factors that were discussed in a legal memorandum provided by independent counsel regarding trustee responsibilities in considering the Advisory Agreement, the detailed information provided by the Investment Adviser and other relevant information and factors. The Board of Trustees also considered other factors (including conditions and trends prevailing generally in the economy, the securities markets, and the industry). The Board of Trustees' conclusions as to the approval of the Advisory Agreement were based on a comprehensive consideration of all information provided to the Trustees without any single factor being dispositive in and of itself.

Some of the factors that figured particularly in the Board of Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. In addition, the Board of Trustees' conclusions may be based in part on its consideration of the advisory arrangements in prior years and on the Board's ongoing regular review of fund performance and operations throughout the year.

Throughout the process, the Board of Trustees had the opportunity to ask questions of and request additional information from the Investment Adviser. The Board of Trustees was assisted by legal counsel for the Trust and the Independent Trustees were also separately assisted by independent legal counsel throughout the process. The Independent Trustees were advised by and met in executive sessions with their independent legal counsel at which no representatives of management were present to discuss the proposed continuation of the Advisory Agreement, including prior to the September 19-20, 2019 meeting.

**The nature, extent, and quality of the services to be provided by the Investment Adviser.**

The Board considered the portfolio management services to be provided by the Investment Adviser under the Advisory Agreement and the activities related to portfolio management, including use of technology, research capabilities and investment management staff. The Board discussed the relevant experience and qualifications of the personnel who would provide advisory services, including the background and experience of the members of the Fund's portfolio management team. The Trustees reviewed the management structure, assets under management and investment philosophies and processes of the Investment Adviser, including with respect to liquidity management. The Board also reviewed and discussed information regarding the Investment Adviser's compliance policies, procedures and personnel, including compensation arrangements and with respect to valuation, cybersecurity, business continuity and disaster recovery. The Board also considered the Investment Adviser's risk management processes. The Board of Trustees took into account the terms of the Advisory Agreement and considered that, the Investment Adviser, subject to the direction of the Board of Trustees, is responsible for providing advice and guidance with respect to the Fund and for managing the investment of the assets of the Fund. The Board of Trustees also took into account that the scope of services provided by the Investment Adviser and the undertakings required of the Investment Adviser in connection with those services, including maintaining and monitoring its own and the Fund's compliance program, had expanded over time as a result of regulatory, market and other developments. In this regard, they considered the Adviser's preparation with respect to the reporting modernization and liquidity risk management requirements required by new SEC regulations. The Board of Trustees also considered the quality of the Investment Adviser's compliance oversight program with respect to the Fund's service providers. The Board of Trustees also considered both the investment advisory services and the nature, quality and extent of any administrative and other non-advisory services, including shareholder servicing and distribution support services, provided to the Fund and its shareholders by the Investment Adviser and its affiliates. The Board also considered the significant risks assumed by the Investment Adviser in connection with the services provided to the Fund, including entrepreneurial risk and ongoing risks including investment, operational, enterprise, litigation, regulatory and compliance risks with respect to the Fund. The Board of Trustees also noted various cost-savings initiatives that had been implemented by the Adviser with respect to the Fund and the other funds in the Highland complex over the years.

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The Board of Trustees also noted that on a regular basis it receives and reviews information from the Fund's Chief Compliance Officer (CCO) regarding the Fund's compliance policies and procedures established pursuant to Rule 38a-1 under the Investment Company Act of 1940.

In considering the nature, extent, and quality of the services provided by the Investment Adviser, the Board also took into account its knowledge of the Investment Adviser's management and the quality of the performance of its duties, through discussions and reports during the preceding year and in past years.

The Board took into account the Investment Adviser's risk assessment, monitoring process and regulatory history. The Board concluded that the Investment Adviser had the quality and depth of personnel and investment methods essential to performing its duties under the Advisory Agreement, and that the nature and the quality of such advisory services supported the approval of the Advisory Agreement.

**The Investment Adviser's historical performance.**

In considering the Fund's performance, the Board of Trustees noted that it reviews at its regularly scheduled meetings information about the Fund's performance results. The Board of Trustees reviewed the historical performance of the Fund over various time periods and reflected on previous discussions regarding matters bearing on the Investment Adviser's performance at its meetings throughout the year. The Board of Trustees discussed the performance of the Fund and considered the relative performance of the Fund and its portfolio management team as compared to that of the Fund's peer group as selected by FUSE, as well as comparable indices. Among other data, the Board of Trustees also received data with respect to the Fund's leverage and distribution rates as compared to its peer group. The Board of Trustees noted that while it found the data provided by FUSE, the independent third-party data provider, generally useful, it recognized its limitations, including in particular that the data may vary depending on the end date selected and the results of the performance comparisons may vary depending on the selection of the peer group. The Board of Trustees also took into account management's discussion of the category in which the Fund was placed for comparative purposes, including any differences between the Fund's investment strategy and the strategy of the funds in the Fund's respective category, as well as compared to the peer group selected by FUSE.

Among other data relating specifically to the Fund's performance, the Board of Trustees considered that the Fund outperformed its benchmark index, the Credit Suisse Hedge Fund USD Index, over the three and ten-year periods ended June 30, 2019; however it underperformed over the one and five-year periods ended June 30, 2019. The Board of Trustees

took note that the Fund underperformed its peer group median over the one and five-year periods; however, it outperformed its peer group median for the ten-year period ended June 30, 2019 and performed in line with its peer group median for the three-year period ended June 30, 2019. The Board of Trustees also considered the success of the Fund's 2019 rights offering and took into account management's discussion of the Fund's performance.

The Board of Trustees concluded that the Fund's overall performance and other relevant factors, including the Adviser's actions to address any underperformance, supported the continuation of the Agreement with respect to the Fund for an additional one-year period.

**The costs of the services to be provided by the Investment Adviser and the profits to be realized by the Investment Adviser and its affiliates from the relationship with the Fund.**

The Board of Trustees also gave consideration to the fees payable under the Agreement, the expenses the Investment Adviser incur in providing advisory services and the profitability to the Investment Adviser from managing the Fund, including: (1) information regarding the financial condition of the Investment Adviser; (2) information regarding the total fees and payments received by the Investment Adviser for its services and, with respect to the Investment Adviser, whether such fees are appropriate given economies of scale and other considerations; (3) comparative information showing (a) the fees payable under the Agreement versus the investment advisory fees of certain registered investment companies and comparable funds that follow investment strategies similar to those of the Fund and (b) the expense ratios of the Fund versus the expense ratios of certain registered investment companies and comparable funds that follow investment strategies similar to those of the Fund; and (4) information regarding the total fees and payments received and the related amounts waived and/or reimbursed by the Investment Adviser for providing administrative services with respect to the Fund under separate agreements and whether such fees are appropriate. The Board of Trustees took into account the management fee structure, including that management fees for the Fund were based on the Fund's total managed assets.

Among other data, the Board of Trustees considered that the Fund's total net expenses were equal to its peer group median, that the Fund's net management fee (including administrative fees) was lower than its peer group median and that the Fund's total net expense was about equal to its peer universe. The Board of Trustees took into account management's discussion of the Fund's expenses. The Board of Trustees also took into consideration the amounts waived and/or reimbursed, if any, where expense caps or advisory fee waivers had been implemented.

Table of Contents**ADDITIONAL INFORMATION (unaudited) (concluded)****December 31, 2019****NexPoint Strategic Opportunities Fund**

The Board of Trustees also considered the so-called “fall-out benefits” to the Investment Adviser with respect to the Fund, such as the reputational value of serving as Investment Adviser to the Fund, potential fees paid to the Investment Adviser’s affiliates by the Fund or portfolio companies for services provided, including administrative services provided to the Fund by the Investment Adviser pursuant to separate agreements, the benefits of scale from investment by the Fund in affiliated funds, and the benefits of research made available to the Investment Adviser by reason of brokerage commissions (if any) generated by the Fund’s securities transactions. The Board of Trustees concluded that the benefits received by the Investment Adviser and its affiliates were reasonable in the context of the relationship between the Investment Adviser and the Fund.

After such review, the Board of Trustees determined that the profitability to the Investment Adviser and its affiliates from their relationship with the Fund was not excessive.

**The extent to which economies of scale would be realized as the Fund grows and whether fee levels reflect these economies of scale for the benefit of shareholders.**

The Board considered the effective fee under the Advisory Agreement for the Fund as a percentage of assets at different asset levels and possible economies of scale that may be realized if the assets of the Fund grow. The Board noted that the Fund does not currently contain breakpoints in its advisory fee schedule. The Board considered the Investment Adviser’s discussion of the Fund’s advisory fee structure. The Board also noted that the Fund’s contractual advisory fee is in line with its peer universe at all asset levels. The Board of Trustees concluded that the fee structures are reasonable, and with respect to the Investment Adviser, should result in a sharing of economies of scale in view of the information

provided. The Board determined to continue to review ways, and the extent to which, economies of scale might be shared between the Investment Adviser on the one hand and shareholders of the Fund on the other.

**Conclusion.**

Following a further discussion of the factors above, it was noted that in considering the approval of the Advisory Agreement, no single factor was determinative to the decision of the Board of Trustees. Rather, after weighing all factors and considerations, including those discussed above, the Board of Trustees, including separately, the Independent Trustees, unanimously agreed that the Advisory Agreement, including the advisory fee to be paid to the Investment Adviser, is fair and reasonable to the Fund in light of the services that the Investment Adviser proposes to provide, the expenses that it incurs and the reasonably foreseeable asset levels of the Fund.

**Submission of Proposal to a Vote of Shareholders**

The annual meeting of shareholders of the Fund was held on June 14, 2019. The following is a summary of the proposal submitted to shareholders for a vote at the meeting and the votes cast.

<u>Proposal</u>	<u>Votes For</u>	<u>Votes Withheld</u>
To elect Ethan Powell as a Class I Trustee of the Fund, to serve for a three-year term expiring at the 2022 Annual Meeting.	27,074,216	1,340,429
To elect Bryan A. Ward as a Class I Trustee of the Fund, to serve for a three-year term expiring at the 2022 Annual Meeting.	27,298,971	1,115,674

In addition to the two Trustees who were elected at the annual meeting, as noted above, the following other Trustees continued in office after the Fund’s annual meeting: Dr. Bob Froehlich, Dustin Norris, Ethan Powell and Bryan A. Ward.

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Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2019  
Trustees and Officers****NexPoint Strategic Opportunities Fund**

The Board provides broad oversight of the operations and affairs of the Funds and protects the interests of shareholders. The Board has overall responsibility to manage and control the business affairs of the Funds, including the complete and exclusive authority to establish policies regarding the management, conduct and operation of the Funds' business. The names and birthdates of the Trustees and officers of the Funds, the year each was first elected or appointed to office, their principal business occupations during the last five years, the number of funds overseen by each Trustee and other directorships or trusteeships they hold are shown below. The business address for each Trustee and officer of the Funds is c/o Highland Capital Management Fund Advisors, L.P., 300 Crescent Court, Suite 700, Dallas, Texas 75201.

The "Highland Funds Complex," as referred to herein, consists of: the Fund, each series of Highland Funds I ("HFI"), each series of Highland Funds II ("HFII"), Highland Global Allocation Fund ("GAF"), Highland Income Fund (formerly, Highland Floating Rate Opportunities Fund) ("HFRO"), NNexPoint Event-Driven Fund ("NEDF"), NexPoint Latin American Opportunities Fund ("NLAF"), NexPoint Real Estate Strategies Fund ("NRESF"), NexPoint Strategic Income Fund ("NSIF"), NexPoint Energy and Materials Opportunities Fund ("NEMO"), NexPoint Discount Strategies Fund ("NDSF"), NexPoint Healthcare Opportunities Fund ("NHOF", and together with NEDF, NLAF, NRESF, NSIF, NEMO and NDSF, the "Interval Funds"), and NexPoint Capital, Inc. (the "BDC"), a closedend management investment company that has elected to be treated as a business development company under the 1940 Act.

Name and Date of Birth	Position(s) with the Fund	Term of Office <sup>1</sup> and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Highland Funds Complex Overseen by the Trustee	Other Directorships/ Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b>Independent Trustees</b>						
Dr. Bob Froehlich Trustee (4/28/1953)		3 year term (expiring at 2020 annual meeting). Trustee since December 2013.	Retired.	20	Trustee of ARC Realty Finance Trust, Inc. (from January 2013 to May 2016); Director of KC Concessions, Inc. (since January 2013); Trustee of Realty Capital Income Funds Trust (from January 2014 to December 2016); Director of American Realty Capital Healthcare Trust II (from January 2013 to June 2016); Director, American Realty Capital Daily Net Asset Value Trust, Inc. (from November 2012 to July 2016); Director of American Sports Enterprise, Inc. (since January 2013); Director of Davidson Investment Advisors (from July 2009 to July 2016); Chairman and owner, Kane County Cougars Baseball Club (since January 2013); Advisory Board of Directors, Internet Connectivity Group, Inc. (from January 2014 to April 2016); Director of AXAR	Significant experience in the financial industry; significant managerial and executive experience; significant experience on other boards of directors, including as a member of several audit committees.



Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund****Trustees and Officers**

Name and Date of Birth	Position(s) with the Fund	Term of Office <sup>1</sup> and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Highland Funds Complex Overseen by the Trustee	Other Directorships/ Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b>Independent Trustees</b>						
					Acquisition Corp. (formerly AR Capital Acquisition Corp.) (from October 2014 to October 2017); Director of The Midwest League of Professional Baseball Clubs, Inc.; Director of Kane County Cougars Foundation, Inc.; Director of Galen Robotics, Inc.; Chairman and Director of FC Global Realty, Inc. (from May 2017 to June 2018); Chairman; Director of First Capital Investment Corp. (from March 2017 to March 2018); and Director and Special Advisor to Vault Data, LLC (since February 2018).	
John Honis <sup>2</sup> (6/16/1958)	Trustee	3 year term (expiring at 2021 annual meeting). Trustee since July 2013.	President of Rand Advisors, LLC since August 2013; and Partner of Highland Capital Management, L.P. ("HCMLP") from February 2007 until his resignation in November 2014.	20	Manager of Turtle Bay Resort, LLC (August 2011 — December 2018); Manager of American Home Patient (November 2011 to February 2016).	Significant experience in the financial industry; significant managerial and executive experience, including experience as president, chief executive officer or chief restructuring officer of five telecommunication firms; experience on other boards of directors.

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund****Trustees and Officers**

Name and Date of Birth	Position(s) with the Fund	Term of Office <sup>1</sup> and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Highland Funds Complex Overseen by the Trustee	Other Directorships/ Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b>Independent Trustees</b>						
Ethan Powell <sup>3</sup> (6/20/1975)	Trustee; Chairman of the Board	3 year term (expiring at 2022 annual meeting). Trustee since December 2013; Chairman of the Board since December 2013; and Executive Vice President and Principal Executive Officer from June 2012 until December 2015.	CEO, Chairman and Founder of Impact Shares LLC since December 2015; Trustee/Director of the Highland Funds Complex from June 2012 until July 2013 and since December 2013; Chief Product Strategist of HCMFA from 2012 until December 2015; Senior Retail Fund Analyst of HCMLP from 2007 until December 2015 and HCMFA from its inception until December 2015; President and Principal Executive Officer of NHF from June 2012 until May 2015; Secretary of NHF from May 2015 until December 2015; Executive Vice President and Principal Executive Officer of HFI and HFII from June 2012 until December 2015; and Secretary of HFI and HFII from November 2010 to May 2015.	20	Trustee of Impact Shares Funds I Trust	Significant experience in the financial industry; significant executive experience including past service as an officer of funds in the Highland Funds Complex; significant administrative and managerial experience.
Bryan A. Ward (2/4/1955)	Trustee	3 year term (expiring at 2022 annual meeting). Trustee since May 2006.	Senior Advisor, CrossFirst Bank since April 2019; Private Investor, BW Consulting, LLC since 2014; Senior Manager, Accenture, LLP (a consulting firm) from 1991 until retirement in 2014.	20	Director of Equity Metrix, LLC	Significant experience in the financial industry; significant executive experience including past service as an officer of funds in the Highland Funds Complex; significant administrative and managerial experience.

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)**

December 31, 2019

NexPoint Strategic Opportunities Fund

Trustees and Officers

Name and Date of Birth	Position(s) with the Fund	Term of Office <sup>1</sup> and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in the Highland Funds Complex Overseen by the Trustee	Other Directorships/ Trusteeships Held During the Past Five Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b>Interested Trustee</b>						
Dustin Norris (1/6/1984)	Trustee	Initial 3 year term (expiring at 2021 annual meeting). Trustee since February 2018; Executive Vice President since April 2019	Head of Distribution and Chief Product Strategist at NexPoint since March 2019; President of NexPoint Securities, Inc. (formerly, Highland Capital Funds Distributor, Inc.) since April 2018; Head of Distribution at HCMFA from November 2017 until March 2019; Secretary of HFRO, GAF, HFI and HFII from October 2017 until April 2019; Assistant Secretary of HFRO and GAF II from August 2017 to October 2017; Chief Product Strategist at HCMFA from September 2015 to March 2019; Director of Product Strategy at HCMFA from May 2014 to September 2015; Assistant Secretary of HFI and HFII from March 2017 to October 2017; Secretary of NHF from December 2015 until April 2019; Assistant Treasurer of NexPoint Real Estate Advisors, L.P. since May 2015; Assistant Treasurer of NexPoint Real Estate Advisors II, L.P. since June 2016; Assistant Treasurer of HFI and HFII from November 2012 to March 2017; Assistant Treasurer of NHF from November 2012 to December 2015; Secretary of the BDC from 2014 until April 2019; and Secretary of the Interval Funds from March 2016 until April 2019.	20	None	Significant experience in the financial industry; significant managerial and executive experience, including experience as an officer of the Highland Funds Complex since 2012.

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Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2019****NexPoint Strategic Opportunities Fund****Trustees and Officers**

- 1 On an annual basis, as a matter of Board policy, the Governance and Compliance Committee reviews each Trustee's performance and determines whether to extend each such Trustee's service for another year. Effective June 2013, the Board adopted a retirement policy wherein the Governance and Compliance Committee shall not recommend the continued service as a Trustee of a Board member who is older than 80 years of age at the time the Governance and Compliance Committee reports its findings to the Board.
- 2 Since May 1, 2015, Mr. Honis has been treated as an Independent Trustee of the Trust. Prior to that date, Mr. Honis was treated as an Interested Trustee because he was a partner of an investment adviser affiliated with the Adviser until his resignation in November 2014. As of May 31, 2019, Mr. Honis was entitled to receive aggregate severance and/or deferred compensation payments of approximately \$390,000 from another affiliate of the Adviser. Mr. Honis also serves as a director of a portfolio company affiliated with the Adviser.  
In addition, Mr. Honis serves as a trustee of a trust that owns substantially all of the economic interest in an investment adviser affiliated with the Adviser. Mr. Honis indirectly receives an asset-based fee in respect of such interest, which is projected to range from \$450,000-\$550,000 annually. Additionally, an investment adviser controlled by Mr. Honis has entered into a shared services arrangement with an affiliate of the Adviser, pursuant to which the affiliate provides back office support in exchange for approximately \$50,000 per quarter. The affiliated adviser was paid \$147,000 and \$208,000 in 2017 and 2018, respectively. In light of these relationships between Mr. Honis and affiliates of the Adviser, it is possible that the SEC might in the future determine Mr. Honis to be an interested person of the Trust.
- 3 Prior to December 8, 2017, Mr. Powell was treated as an Interested Trustee of the Trust for all purposes other than compensation and the Trust's code of ethics.

Name and Date of Birth	Position(s) with the Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years
<b>Officers</b>			
James Dondero (6/29/1962)	President (Principal Executive Officer)	Indefinite Term; President since May 2015	Co-founder of HCM; Chairman of the Board of NexPoint Residential Trust, Inc. since 2015; NexPoint Hospitality Trust, NexPoint Real Estate Finance, Inc., Jernigan Capital, Inc., Texmark Timber Treasury, L.P., Cornerstone Healthcare Group, Metro-Goldwyn-Mayer and SeaOne Holdings, LLC; Portfolio Manager of NHF; GAF; Highland Energy MLP Fund, Highland Small-Cap Equity Fund and Highland Socially Responsible Equity Equity Fund (each a series of HFII); Highland Opportunistic Credit Fund (series of HFI); the BDC; and the Interval Funds.
Frank Waterhouse (4/14/1971)	Treasurer, Principal Accounting Officer, Principal Financial Officer and Principal Executive Officer	Indefinite Term; Treasurer since May 2015. Principal Financial Officer and Principal Accounting Officer since October 2017. Principal Executive Officer since February 2018.	Partner and Chief Financial Officer of HCMLP; Treasurer of the Highland Funds Complex since May 2015.
Clifford Stoops (11/17/1970)	Assistant Treasurer	Indefinite Term; Assistant Treasurer since March 2017.	Chief Accounting Officer at HCMLP; Assistant Treasurer of the Highland Funds Complex since March 2017.
Jason Post (1/9/1979)	Chief Compliance Officer	Indefinite Term; Chief Compliance Officer since September 2015.	Chief Compliance Officer for HCMFA and NexPoint since September 2015; Chief Compliance Officer and Anti-Money Laundering Officer of the Highland Funds Complex since September 2015. Prior to his current role at HCMFA and NexPoint, Mr. Post served as Deputy Chief Compliance Officer and Director of Compliance for HCMLP.

Table of Contents**ADDITIONAL INFORMATION (unaudited) (concluded)****December 31, 2019  
Trustees and Officers****NexPoint Strategic Opportunities Fund**

Name and Date of Birth	Position(s) with the Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years
Dustin Norris (1/6/1984)	Executive Vice President; Trustee	Indefinite Term; Executive Vice President since April 2019; Trustee since February 2018	Head of Distribution and Chief Product Strategist at NexPoint since March 2019; President of NexPoint Securities, Inc. since April 2018; Head of Distribution at HCMFA from November 2017 until March 2019; Chief Product Strategist at HCMFA from September 2015 to March 2019; Director of Product Strategy at HCMFA from May 2014 to September 2015; Officer of the Highland Funds Complex since November 2012.
Lauren Thedford (1/7/1989)	Secretary since April 2019	Indefinite Term; Secretary since April 2019	Associate General Counsel at HCMLP since September 2017; In-House Counsel at HCMLP from January 2015 until September 2017; Secretary of the Highland Funds Complex since April 2019.

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**Investment Adviser**

NexPoint Advisors, L.P.  
200 Crescent Court, Suite 700  
Dallas, TX 75201

**Transfer Agent**

American Stock Transfer & Trust Company, LLC  
6201 15th Avenue  
Brooklyn, NY 11219

**Custodian**

The Bank of New York Mellon  
240 Greenwich Street  
New York, New York 10286

**Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP  
2121 N. Pearl Street, Suite 2000,  
Dallas, TX 75201

**Fund Counsel**

K&L Gates LLP  
1 Lincoln Street  
Boston, MA 02111

This report has been prepared for shareholders of NexPoint Strategic Opportunities Fund (the "Fund"). The Fund mails one shareholder report to each shareholder address. If you would like more than one report, please call shareholder services at 1-866-351-4440 to request that additional reports be sent to you.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities, and the Fund's proxy voting records for the most recent 12-month period ended December 31, are available (i) without charge, upon request, by calling 1-866-351-4440 and (ii) on the Securities and Exchange Commission's website at <http://www.sec.gov>.

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-PORT within sixty days after the end of the period. The Fund's Forms N-PORT are available on the SEC's website at <http://www.sec.gov>. Shareholders may also obtain the Form N-PORT by visiting the Fund's website at [www.NexPointAdvisors.com](http://www.NexPointAdvisors.com).

On June 28, 2018, the Fund submitted a CEO annual certification to the New York Stock Exchange ("NYSE") on which the Fund's principal executive officer certified that he was not aware, as of the date, of any violation by the Fund of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Fund's principal executive officer and principal financial officer made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q relating to, among other things, the Fund's disclosure controls and procedures and internal controls over financial reporting, as applicable.

The Statement of Additional Information includes additional information about the Fund's Trustees and is available upon request without charge by calling 1-866-351-4440.

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**NexPoint Strategic Opportunities Fund**  
6201 15th Avenue  
Brooklyn, NY 11219

**NexPoint Strategic Opportunities Fund**

[www.nexpointfunds.com](http://www.nexpointfunds.com)

Annual Report, December 31, 2019

NHF-AR-1219

- (a) NexPoint Strategic Opportunities Fund (the "Registrant"), as of the end of the period covered by this report, has adopted a code of ethics that applies to the Registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Registrant or a third party.
- (b) Not applicable.
- (c) There have been no amendments, during the period covered by this report, to a provision of the code of ethics that applies to the Registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Registrant or a third party, and that relates to any element of the code of ethics description.
- (d) The Registrant has not granted any waiver, including any implicit waiver, from a provision of the code of ethics that applies to the Registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this Item's instructions.
- (e) Not applicable.
- (f) The Registrant's code of ethics that applies to the Registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions is filed herewith as Exhibit (a)(1).

**Item 3. Audit Committee Financial Expert.**

As of the end of the period covered by the report, the Registrant's Board of Trustees (the "Board") has determined that Bryan A. Ward, a member of the Audit & Qualified Legal Compliance Committee of the Board (the "Audit Committee"), is an audit committee financial expert as defined by the U.S. Securities and Exchange Commission (the "SEC") in Item 3 of Form N-CSR. Mr. Ward is "independent" as defined by the SEC for purposes of this Item 3 of Form N-CSR.

**Item 4. Principal Accountant Fees and Services.**Audit Fees

- (a) The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the Registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years are \$320,500 for the fiscal year ended December 31, 2018 and \$365,000 for the fiscal year ended December 31, 2019.

Audit-Related Fees

- (b) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the Registrant's financial statements and are not reported under paragraph (a) of this Item are \$8,500 for the fiscal year ended December 31, 2018 and \$28,000 for the fiscal year ended December 31, 2019. The nature of the services related to agreed-upon procedures performed on the issuance of the auditors' reports in connection with the Registrant's 17F-2 security counts.

Tax Fees

- (c) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning are \$15,280 for the fiscal year ended December 31, 2018 and \$21,600 for the fiscal year ended December 31, 2019. The nature of the services related to assistance on the Registrant's tax returns and excise tax calculations.

All Other Fees

- (d) The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item are \$0 for the fiscal year ended December 31, 2018 and \$0 for the fiscal year ended December 31, 2019.

- (e)(1) Disclose the Audit Committee's pre-approval policies and procedures described in paragraph (c)(7) of Rule 2-01 of Regulation S-X:

The Audit Committee shall:

- (a) have direct responsibility for the appointment, compensation, retention and oversight of the Registrant's independent auditors and, in connection therewith, to review and evaluate matters potentially affecting the independence and capabilities of the auditors; and

(b) review and pre-approve (including associated fees) all audit and other services to be provided by the independent auditors to the Registrant and all non-audit services to be provided by the independent auditors to the Registrant's investment adviser or any entity controlling, controlled by or under common control with the investment adviser (an "Adviser Affiliate") that provides ongoing services to the Registrant, if the engagement relates directly to the operations and financial reporting of the Registrant; and

(c) establish, to the extent permitted by law and deemed appropriate by the Audit Committee, detailed pre-approval policies and procedures for such services; and

(d) review and consider whether the independent auditors' provision of any non-audit services to the Registrant, the Registrant's investment adviser or an Adviser Affiliate not pre-approved by the Audit Committee are compatible with maintaining the independence of the independent auditors.

(e)(2) The percentage of services described in each of paragraphs (b) through (d) of this Item that were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X are as follows:

(b) 100%

(c) 100%

(d) N/A

(f) The percentage of hours expended on the principal accountant's engagement to audit the Registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was less than fifty percent.

(g) The aggregate non-audit fees billed by the Registrant's principal accountant for services rendered to the Registrant, and rendered to the Registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and an Adviser Affiliate that provides ongoing services to the Registrant for each of the last two fiscal years of the Registrant was \$375,500 for the fiscal year ended December 31, 2018 and \$575,000 for the fiscal year ended December 31, 2019.

(h) The Registrant's Audit Committee has considered whether the provision of non-audit services that were rendered to the Registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and an Adviser Affiliate that provides ongoing services to the Registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

#### Item 5. Audit Committee of Listed Registrants.

The Registrant has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). It is composed of the following Trustees, each of whom is not an "interested person" as defined in the 1940 Act:

Dr. Bob Froehlich

Timothy K. Hui\*

Ethan Powell

Bryan A. Ward

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\* During the period covered by the report Timothy K. Hui was a member of the Audit Committee. Effective March 1, 2019, Mr. Hui retired and Ethan Powell was appointed to the Audit Committee. Mr. Powell is not an "interested person" as defined in the 1940 Act.

#### Item 6. Investments.

(a) Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period is included as part of the Annual Report to Shareholders filed under Item 1 of this form.

(b) Not applicable.

#### Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

##### NEXPOINT ADVISORS, L.P. PROXY VOTING POLICY

##### Purpose and Scope

**UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF  
TEXAS, DALLAS DIVISION**

**In Re: Highland Capital Management, L.P.** § Case No. **19-34054-SGJ-11**  
**NexPoint Advisors, L.P. et al** §

Appellant § 21-03010  
vs. §  
**Highland Capital Management, L.P.** §

Appellee § **3:22-CV-02170-S**

**[126] Judgment (final). Entered on 9/14/2022**

**APPELLANT RECORD  
VOLUME 8**

Davor Rukavina, Esq.  
Texas Bar No. 24030781  
Thomas D. Berghman, Esq.  
Texas Bar No. 24082683  
Julian P. Vasek, Esq.  
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COUNSEL FOR HIGHLAND CAPITAL MANAGEMENT  
FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj11
	§	
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

INDEX

**AMENDED DESIGNATION OF ITEMS FOR THE RECORD ON APPEAL  
BY NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this *Amended Designation of Items for the Record on Appeal*, designating the following items for the record of said appeal:

<u>Item</u>	<u>Docket No.</u>	<u>Description</u>
<b>ADVERSARY PROCEEDING (21-03010-sgj)</b>		
1	128	Joint Notice of Appeal
2	126	Judgment
3		Docket Sheet
4	1	Plaintiff Highland Capital Management, L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief
5	33	Original Answer
6	37	Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters
7	49	Response to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
8	56	Highland Capital Management, L.P.'s Reply In Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
9	90	Advisors' Trial Brief
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11	96	Joint Pretrial Order
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<b>BANKRUPTCY CASE (19-34054-sgj-11)</b>		
13	1826	Application for Allowance of Administrative Expense Claim
14	2274	Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
<b>EVIDENCE AND TRANSCRIPTS (21-03010-SGJ)</b>		
15	115	All exhibits admitted into evidence at trial on April 12, 2022 and April 13, 2022 Thru Vol. 12
16	113	Transcript of April 12, 2022 trial
17	116	Transcript of April 13, 2022 trial
18	122	Transcript of April 27, 2022 closing arguments

RESPECTFULLY SUBMITTED this 4th day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina

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**ATTORNEYS FOR NEXPOINT ADVISORS,  
L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 4th day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

Davor Rukavina, Esq.



The purpose of these voting policies and procedures (the "Policy") is to set forth the principles and procedures by which NexPoint (the "Company") votes or gives consents with respect to the securities owned by Clients for which the Company exercises voting authority and discretion.<sup>1</sup> For avoidance of

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<sup>1</sup> In any case where a Client has instructed the Company to vote in a particular manner on the Client's behalf, those instructions will govern in lieu of parameters set forth in the Policy.

doubt, this includes any proxy and any shareholder vote or consent, including a vote or consent for a private company or other issuer that does not involve a proxy. These policies and procedures have been designed to help ensure that votes are cast in the best interests of Clients in accordance with the Company's fiduciary duties and Rule 206(4)-6 under the Investment Advisers Act of 1940 (the "Advisers Act").

This Policy applies to securities held in all Client accounts (including Retail Funds and other pooled investment vehicles) as to which the Company has explicit or implicit voting authority. Implicit voting authority exists where the Company's voting authority is implied by a general delegation of investment authority without reservation of proxy voting authority to the Client.

If the Company has delegated voting authority to an investment sub-adviser with respect to any Retail Fund, such sub-adviser will be responsible for voting all proxies for such Retail Funds in accordance with the sub-adviser's proxy voting policies. The Compliance Department, to provide oversight over the proxy voting by sub-advisers and to ensure that votes are executed in the best interests of the Retail Funds, shall (i) review the proxy voting policies and procedures of each Retail Fund sub-adviser to confirm that they comply with Rule 206(4)-6, both upon engagement of the sub-adviser and upon any material change to the sub-adviser's proxy voting policies and procedures, and (ii) require each such sub-adviser to provide quarterly certifications that all proxies were voted pursuant to the sub-adviser's policies and procedures or to describe any inconsistent votes.

### **General Principles**

The Company and its affiliates engage in a broad range of activities, including investment activities for their own accounts and for the accounts of various Clients and providing investment advisory and other services to Clients. In the ordinary course of conducting the Company's activities, the interests of a Client may conflict with the interests of the Company, other Clients and/or the Company's affiliates and their clients. Any conflicts of interest relating to the voting of proxies, regardless of whether actual or perceived, will be addressed in accordance with these policies and procedures. The guiding principle by which the Company votes all proxies is to vote in the best interests of each Client by maximizing the economic value of the relevant Client's holdings, taking into account the relevant Client's investment horizon, the contractual obligations under the relevant advisory agreements or comparable documents and all other relevant facts and circumstances at the time of the vote. The Company does not permit voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

### **Voting Procedures**

#### *Third-Party Proxy Advisors*

The Company may engage a third-party proxy advisor ("Proxy Advisor") to provide proxy voting recommendations with respect to Client proxies. Proxy Advisor voting recommendation guidelines are generally designed to increase investors' potential financial gain. When considering whether to retain or continue retaining any particular Proxy Advisor, the Compliance Department will ascertain, among other things, whether the Proxy Advisor has the capacity and competency to adequately analyze proxy issues. In this regard, the Compliance Department will consider, among other things: the adequacy and quality of the Proxy Advisor's staffing and personnel; the robustness of its policies and procedures regarding its ability to (a) ensure that its proxy voting recommendations are based on current and accurate information and (b) identify and address any conflicts of interest and any other considerations that the Compliance Department determines would be appropriate in considering the nature and quality of the services provided by the Proxy Advisor. To identify and address any conflicts that may arise on the part of the Proxy Advisor, the Compliance Department will ensure that the Proxy Advisor notifies the Compliance Department of any relevant business changes or changes to its policies and procedures regarding conflicts.

#### *Third-Party Proxy Voting Services*

The Company may utilize a third-party proxy voting service ("Proxy Voting Service") to monitor holdings in Client accounts for purposes of determining whether there are upcoming shareholder meetings or similar corporate actions and to execute Client proxies on behalf of the Company pursuant to the Company's instructions, which shall be given in a manner consistent with this Policy. The Compliance Department will oversee each Proxy Voting Service to ensure that proxies have been voted in a manner consistent with the Company's instructions.

#### *Monitoring*

Subject to the procedures regarding Nonstandard Proxy Notices described below, the Compliance Department of the Company shall have responsibility for monitoring Client accounts for proxy notices. Except as detailed below, if proxy notices are received by other employees of the Company, such employees must promptly forward all proxy or other voting materials to the Compliance Department.

*Portfolio Manager Review and Instruction*

From time to time, the settlement group of the Company may receive nonstandard proxy notices, regarding matters including, but not limited to, proposals regarding corporate actions or amendments ("Nonstandard Proxy Notices") with respect to securities held by Clients. Upon receipt of a Nonstandard Proxy Notice, a member of the settlement group (the "Settlement Designee") shall send an email notification containing all relevant information to the Portfolio Manager(s) with responsibility for the security and [ .com]. Generally, the relevant Portfolio Manager(s) shall deliver voting instructions for Nonstandard Proxy Notices by replying to the email notice sent to the Portfolio Manager(s) and [ .com] by the Settlement Designee or by sending voting instructions to [ .com] and [ .com]. Any conflicts for Nonstandard Proxy Notices should also be disclosed to the Compliance Department. In the event a Portfolio Manager orally conveys voting instructions to the Settlement Designee or any other member of the Company's settlement group, that Settlement Designee or member of the Company's settlement group shall respond to the original notice email sent to [ .com] detailing the Portfolio Manager(s) voting instructions.

With regard to standard proxy notices, on a weekly basis, the Compliance Department will send a notice of upcoming proxy votes related to securities held by Clients and the corresponding voting recommendations of the Proxy Advisor to the relevant Portfolio Manager(s). Upon receipt of a proxy notice from the Compliance Department, the Portfolio Manager(s) will review and evaluate the upcoming votes and recommendations. The Portfolio Managers may rely on any information and/or research available to him or her and may, in his or her discretion, meet with members of an issuer's management to discuss matters of importance to the relevant Clients and their economic interests. Should the Portfolio Manager determine that deviating from the Proxy Advisor's recommendation is in a Client's best interest, the Portfolio Manager shall communicate his or her voting instructions to the Compliance Department.

In the event that more than one Portfolio Manager is responsible for making a particular voting decision and such Portfolio Managers are unable to arrive at an agreement as to how to vote with respect to a particular proposal, they should consult with the applicable Chief Compliance Officer (the "CCO") for guidance.

*Voting*

Upon receipt of the relevant Portfolio Managers' voting instructions, if any, the Compliance Department will communicate the instructions to the Proxy Voting Service to execute the proxy votes.

*Non-Votes*

It is the general policy of the Company to vote or give consent on all matters presented to security holders in any vote, and these policies and procedures have been designated with that in mind. However, the Company reserves the right to abstain on any particular vote if, in the judgment of the CCO, or the relevant Portfolio Manager, the effect on the relevant Client's economic interests or the value of the portfolio holding is insignificant in relation to the Client's portfolio, if the costs associated with voting in any particular instance outweigh the benefits to the relevant Clients or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Clients not to vote. Such determination may apply in respect of all Client holdings of the securities or only certain specified Clients, as the Company deems appropriate under the circumstances. As examples, a Portfolio Manager may determine: (a) not to recall securities on loan if, in his or her judgment, the matters being voted upon are not material events affecting the securities and the negative consequences to Clients of disrupting the securities lending program would outweigh the benefits of voting in the particular instance or (b) not to vote proxies relating to certain foreign securities if, in his or her judgment, the expense and administrative inconvenience outweighs the benefits to Clients of voting the securities.

*Conflicts of Interest*

The Company's Compliance Department is responsible for monitoring voting decisions for any conflicts of interest, regardless of whether they are actual or perceived. All voting decisions contrary to the recommendation of a Proxy Advisor require a mandatory conflicts of interest review by the Compliance Department, which will include a consideration of whether the Company or any Portfolio Manager or other person recommending or providing input on how to vote has an interest in the vote that may present a conflict of interest.

In addition, all Company investment professionals are expected to perform their tasks relating to the voting of proxies in accordance with the principles set forth above, according the first priority to the best interest of the relevant Clients. If at any time a Portfolio Manager or any other investment professional becomes aware of a potential or actual conflict of interest regarding any particular voting decision, he or she must contact the Compliance Department promptly and, if in connection with a proxy that has yet to be voted, prior to such vote. If any investment professional is pressured or lobbied, whether from inside or outside the Company, with respect to any particular voting decision, he or she should contact the Compliance Department promptly. The CCO will use his or her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the relevant Clients.

In the event of a conflict, the Company may choose to address such conflict by: (i) voting in accordance with the Proxy Advisor's recommendation; (ii) the CCO determining how to vote the proxy (if the CCO approves deviation from the Proxy Advisor's recommendation, then the CCO shall document the rationale for the vote); (iii) "echo voting" or "mirror voting" the proxy in the same proportion as the votes of other proxy holders that are not Clients; or (iv) with respect to Clients other than Retail Funds, notifying the affected Client of the material conflict of interest and seeking a waiver of the conflict or obtaining such Client's voting instructions. Where the Compliance Department deems appropriate, third parties may be used to help resolve conflicts. In this regard, the CCO or his or her

delegate shall have the power to retain fiduciaries, consultants or professionals to assist with voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Where a conflict of interest arises with respect to a voting decision for a Retail Fund, the Company shall disclose the conflict and the rationale for the vote taken to the Retail Fund's Board of Directors/Trustees at the next regularly scheduled quarterly meeting. The Compliance Department will maintain a log documenting the basis for the decision and will furnish the log to the Board of Trustees.

#### *Material Conflicts of Interest*

The following relationships or circumstances are examples of situations that may give rise to a material conflict of interest for purposes of this Policy. This list is not exclusive or determinative; any potential conflict (including payments of the types described below but less than the specified threshold) should be identified to the Company's Compliance Department:

- (i) The issuer is a Client of the Company, or of an affiliate, accounting for more than 5% of the Company's or affiliate's annual revenues.
- (ii) The issuer is an entity that reasonably could be expected to pay the Company or its affiliates more than \$1 million through the end of the Company's next two full fiscal years.
- (iii) The issuer is an entity in which a "Covered Person" (as defined in the Company's Policies and Procedures Designed to Detect and Prevent Insider Trading and to Comply with Rule 17j-1 of the Investment Company Act of 1940, as amended (the "Code of Ethics")) has a beneficial interest contrary to the position held by the Company on behalf of Clients.
- (iv) The issuer is an entity in which an officer or partner of the Company or a relative of any such person is or was an officer, director or employee, or such person or relative otherwise has received more than \$150,000 in fees, compensation and other payment from the issuer during the Company's last three fiscal years; provided, however, that the Compliance Department may deem such a relationship not to be a material conflict of interest if the Company representative serves as an officer or director of the issuer at the direction of the Company for purposes of seeking control over the issuer.
- (v) The matter under consideration could reasonably be expected to result in a material financial benefit to the Company or its affiliates through the end of the Company's next two full fiscal years (for example, a vote to increase an investment advisory fee for a Retail Fund advised by the Company or an affiliate).
- (vi) Another Client or prospective Client of the Company, directly or indirectly, conditions future engagement of the Company on voting proxies in respect of any Client's securities on a particular matter in a particular way.
- (vii) The Company holds various classes and types of equity and debt securities of the same issuer contemporaneously in different Client portfolios.
- (viii) Any other circumstance where the Company's duty to serve its Clients' interests, typically referred to as its "duty of loyalty," could be compromised.

Notwithstanding the foregoing, a conflict of interest described above shall not be considered material for the purposes of this Policy in respect of a specific vote or circumstance if:

The securities in respect of which the Company has the power to vote account for less than 1% of the issuer's outstanding voting securities, but only if: (i) such securities do not represent one of the 10 largest holdings of such issuer's outstanding voting securities and (ii) such securities do not represent more than 2% of the Client's holdings with the Company.

The matter to be voted on relates to a restructuring of the terms of existing securities or the issuance of new securities or a similar matter arising out of the holding of securities, other than common equity, in the context of a bankruptcy or threatened bankruptcy of the issuer.

#### **Recordkeeping**

Following the submission of a proxy vote, the Registrant will maintain a report of the vote and all relevant documentation.

The Registrant shall retain records relating to the voting of proxies and the Company shall conduct due diligence, including on Proxy Voting Services and Proxy Advisors, as applicable, to ensure the following records are adequately maintained by the appropriate party:

- (i) Copies of this Policy and any amendments thereto.
- (ii) A current copy of the Proxy Advisor's voting guidelines, as amended.
- (iii) A copy of each proxy statement that the Company receives regarding Client securities. The Company may rely on a third party to make and retain, on the Company's behalf, a copy of a proxy statement, provided that the Company has obtained an undertaking from the third party to provide a copy of the proxy statement promptly upon request.

- (iv) Records of each vote cast by the Company on behalf of Clients. The Company may satisfy this requirement by relying on a third party to make and retain, on the Company's behalf, a record of the vote cast, provided that the Company has obtained an undertaking from the third party to provide a copy of the record promptly upon request.
- (v) A copy of any documents created by the Company that were material to making a decision how to vote or that memorializes the basis for that decision.
- (vi) A copy of each written request for information on how the Company voted proxies on behalf of the Client, and a copy of any written response by the Company to any (oral or written) request for information on how the Company voted.

These records shall be maintained and preserved in an easily accessible place for a period of not less than five years from the end of the Company's fiscal year during which the last entry was made in the records, the first two years in an appropriate office of the Company.<sup>2</sup>

#### **Enforcement of this Policy**

It shall be the responsibility of the Compliance Department to handle or coordinate the enforcement of this Policy. The Compliance Department will periodically sample proxy voting records to ensure that proxies have been voted in accordance with this Policy, with a particular focus on any proxy votes that require additional analysis (e.g., proxies voted contrary to the recommendations of a Proxy Advisor).

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<sup>2</sup> If the Company has essentially immediate access to a book or record (on the Company's proprietary system or otherwise) through a computer located at an appropriate office of the Company, then that book or record will be considered to be maintained at an appropriate office of the Company. "Immediate access" to books and records includes that the Company has the ability to provide promptly to Securities and Exchange Commission (the "SEC") examination staff hard copies of the books and records or access to the storage medium. The party responsible for the applicable books and records as described above shall also be responsible for ensuring that those books and records for the first two years are either physically maintained in an appropriate office of the Company or that the Company otherwise has essentially immediate access to the required books and records for the first two years.

If the Compliance Department determines that a Proxy Advisor or Proxy Voting Service may have committed a material error, the Compliance Department will investigate the error, taking into account the nature of the error, and seek to determine whether the Proxy Advisor or Proxy Voting Service is taking reasonable steps to reduce similar errors in the future.

In addition, no less frequently than annually, the Compliance Department will review the adequacy of this Policy to ensure that it has been implemented effectively and to confirm that this Policy continues to be reasonably designed to ensure that proxies are voted in the best interest of Clients.

#### **Disclosures to Clients and Investors**

The Company includes a description of its policies and procedures regarding proxy voting in Part 2 of Form ADV, along with a statement that Clients can contact the CCO to obtain a copy of these policies and procedures and information about how the Company voted with respect to a Client's securities. This Policy is, however, subject to change at any time without notice.

As a matter of policy, the Company does not disclose how it expects to vote on upcoming proxies. Additionally, the Company does not disclose the way it voted proxies to unaffiliated third parties without a legitimate need to know such information.

#### **Item 8. Portfolio Managers of Closed-End Management Investment Companies.**

##### **(a)(1) Identification of Portfolio Manager(s) or Management Team Members and Description of Role of Portfolio Manager(s) or Management Team Members**

The Registrant's portfolio manager, who is primarily responsible for the day-to-day management of the Registrant's portfolio, is James Dondero.

*James Dondero* — Mr. Dondero has over 25 years of experience in credit markets. In addition to his role at NexPoint Advisors, L.P. ("NexPoint" or the "Adviser"), Mr. Dondero is the co-founder Highland Capital Management, L.P. ("HCMLP") and NexPoint Advisors, L.P. Mr. Dondero has over 30 years of experience investing in credit and equity markets and has helped pioneer credit asset classes. Prior to founding HCMLP in 1993, Mr. Dondero served as Chief Investment Officer of Protective Life's GIC subsidiary and helped grow the business from concept to over \$2 billion between 1989 and 1993. His portfolio management experience includes mortgage-backed securities, investment grade corporates, leveraged bank loans, high-yield bonds, emerging market debt, real estate, derivatives, preferred stocks and common stocks. From 1985 to 1989, he managed approximately \$1 billion in fixed income funds for American Express. Mr. Dondero received a BS in Commerce (Accounting and Finance) from the University of Virginia, and is a Certified Managerial Accountant. Mr. Dondero has earned the right to use the Chartered Financial Analyst designation. He also serves as President of NexPoint Capital, Inc., NexPoint Real Estate Strategies Fund and NexPoint Healthcare Opportunities Fund. Mr. Dondero currently serves as Chairman of NexBank SSB and



NexPoint Residential Trust, Inc. and serves on the Board of Directors of Metro-Goldwyn-Mayer, NexPoint Hospitality Trust, NexPoint Real Estate Finance, Inc., Jernigan Capital, Inc., Cornerstone Healthcare Group, SeaOne Holdings, LLC and Texmark Timber Treasury, L.P.

(a)(2) **Other Accounts Managed by Portfolio Manager(s) or Management Team Member and Potential Conflicts of Interest**

**Other Accounts Managed by Portfolio Manager(s) or Management Team Member**

The following table provides information about funds and accounts, other than the Registrant, for which the Registrant's portfolio manager is primarily responsible for the day-to-day portfolio management as of December 31, 2019.

*James Dondero*

Type of Accounts	Total # of Accounts Managed	Total Assets (millions)	# of Accounts Managed with Performance- Based Advisory Fee	Total Assets with Performance- Based Advisory Fee (millions)
Registered Investment Companies:	11	\$ 1,508	1	\$ 88
Other Pooled Investment Vehicles:	1	\$ 1,974	1	\$ 1,974
Other Accounts:	—	\$ —	—	\$ —

**Potential Conflicts of Interests**

The Adviser is an affiliate of Highland Capital Management Fund Advisors, L.P. ("HCMFA"). The Adviser and/or its general partner, limited partners, officers, affiliates and employees provide investment advice to other parties and manage other accounts and private investment vehicles similar to the Trust. For the purposes of this section, the term "NexPoint" shall include the Adviser and its affiliated investment advisors, including HCMLP and its affiliates. In connection with such other investment management activities, the Adviser and/or its general partner, limited partners, officers, affiliates and employees may decide to invest the funds of one or more other accounts or recommend the investment of funds by other parties, rather than the Registrant's monies, in a particular security or strategy. In addition, the Adviser and such other persons will determine the allocation of funds from the Registrant and such other accounts to investment strategies and techniques on whatever basis they consider appropriate or desirable in their sole and absolute discretion.

NexPoint has built a professional working environment, a firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. NexPoint has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, NexPoint furnishes advisory services to numerous clients in addition to the Registrant, and NexPoint may, consistent with applicable law, make investment recommendations to other clients or accounts (including accounts that have performance or higher fees paid to NexPoint or in which portfolio managers have a personal interest in the receipt of such fees) that may be the same as or different from those made to the Registrant. In addition, NexPoint, its affiliates and any of their partners, directors, officers, stockholders or employees may or may not have an interest in the securities whose purchase and sale the Adviser recommends to the Registrant. Actions with respect to securities of the same kind may be the same as or different from the action that the Adviser, or any of its affiliates, or any of their partners, directors, officers, stockholders or employees or any member of their families may take with respect to the same securities. Moreover, the Adviser may refrain from rendering any advice or services concerning securities of companies of which any of the Adviser's (or its affiliates') partners, directors, officers or employees are directors or officers, or companies as to which the Adviser or any of its affiliates or partners, directors, officers and employees of any of them has any substantial economic interest or possesses material non-public information. In addition to its various policies and procedures designed to address these issues, NexPoint includes disclosure regarding these matters to its clients in both its Form ADV and investment advisory agreements.

The Adviser, its affiliates or their partners, directors, officers or employees similarly serve or may serve other entities that operate in the same or related lines of business, including accounts managed by an investment adviser affiliated with the Adviser. Accordingly, these individuals may have obligations to investors in those entities or funds or to other clients, the fulfillment of which might not be in the best interests of the Registrant. As a result, the Adviser will face conflicts in the allocation of investment opportunities to the Registrant and other funds and clients. In order to enable such affiliates to fulfill their fiduciary duties to each of the clients for which they have responsibility, the Adviser will endeavor to allocate investment opportunities in a fair and equitable manner, pursuant to policies and procedures adopted by the Adviser and its advisory affiliates that are designed to manage potential conflicts of interest, which may, subject to applicable regulatory constraints, involve pro rata co-investment by the funds and such other clients or may involve a rotation of opportunities among the funds and such other clients. The Registrant will only make investments in which the Adviser or an affiliate hold an interest to the extent permitted under the 1940 Act and SEC staff interpretations or pursuant to the terms and conditions of the exemptive order received by the Adviser and certain funds affiliated with the Registrant, dated April 19, 2016. For example, exemptive relief is not required for the Registrant to invest in syndicated deals and secondary loan market transactions in which the Adviser or an affiliate has an interest where price is the only negotiated point. The order applies to all "Investment Companies," which includes future closed-end investment companies registered under the 1940 Act that are managed by the Adviser, which includes the Registrant. The Registrant, therefore, may in the future invest in accordance with the terms and conditions of the exemptive order. To mitigate any actual or perceived conflicts of interest, allocation of limited offering securities (such as IPOs and registered secondary offerings) to principal accounts that do not include third party investors may only be made after all other client account orders for the security have been filled. However, there can be no assurance

that such policies and procedures will in every case ensure fair and equitable allocations of investment opportunities, particularly when considered in hindsight.

Conflicts may arise in cases when clients invest in different parts of an issuer's capital structure, including circumstances in which one or more clients own private securities or obligations of an issuer and other clients may own public securities of the same issuer. In addition, one or more clients may invest in securities, or other financial instruments, of an issuer that are senior or junior to securities, or financial instruments, of the same issuer that are held by or acquired for, one or more other clients. For example, if such issuer encounters financial problems, decisions related to such securities (such as over the terms of any workout or proposed waivers and amendments to debt covenants) may raise conflicts of interests. In such a distressed situation, a client holding debt securities of the issuer may be better served by a liquidation of the issuer in which it may be paid in full, whereas a client holding equity securities of the issuer might prefer a reorganization that holds the potential to create value for the equity holders. In the event of conflicting interests within an issuer's capital structure, NexPoint will generally pursue the strategy that NexPoint believes best reflects what would be expected to be negotiated in an arm's length transaction with due consideration being given to NexPoint's fiduciary duties to each of its accounts (without regard to the nature of the accounts involved or fees received from such accounts). This strategy may be recommended by one or more NexPoint investment professionals. A single person may represent more than one part of an issuer's capital structure. The recommended course of action will be presented to the conflicts committee for final determination as to how to proceed. NexPoint may elect, but is not required, to assign different teams to make recommendations for different parts of the capital structure as the conflicts committee determines in its discretion. In the event any NexPoint personnel serve on the board of the subject company, they generally recuse themselves from voting on any board matter with respect to a transaction that has an asymmetrical impact on the capital structure. NexPoint personnel board members may still make recommendations to the conflicts committee. If any such persons are also on the conflicts committee, they may recuse themselves from the committee's determination. A portfolio manager with respect to any applicable NexPoint registered investment company clients ("Retail Accounts") participates in such discussions, but makes an independent determination as to which course of action he or she determines is in the best interest of the applicable Retail Accounts. NexPoint may use external counsel for guidance and assistance.

The Adviser and its affiliates have both subjective and objective procedures and policies in place designed to manage potential conflicts of interest involving clients so that, for example, investment opportunities are allocated in a fair and equitable manner among the Registrant and such other clients. An investment opportunity that is suitable for multiple clients of the Adviser and its affiliates may not be capable of being shared among some or all of such clients due to the limited scale of the opportunity or other factors, including regulatory restrictions imposed by the 1940 Act. There can be no assurance that the Adviser's or its affiliates' efforts to allocate any particular investment opportunity fairly among all clients for whom such opportunity is appropriate will result in an allocation of all or part of such opportunity to the Registrant. Not all conflicts of interest can be expected to be resolved in favor of the Registrant.

Another type of conflict may arise if one client account buys a security and another client account sells or shorts the same security. Currently, such opposing positions are generally not permitted within the same account without prior trade approval by the Adviser's Chief Compliance Officer. However, a portfolio manager may enter into opposing positions for different clients to the extent each such client has a different investment objective and each such position is consistent with the investment objective of the applicable client. In addition, transactions in investments by one or more affiliated client accounts may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of other client accounts.

Because certain client accounts may have investment objectives, strategies or legal, contractual, tax or other requirements that differ (such as the need to take tax losses, realize profits, raise cash, diversification, etc.), an affiliated advisor may purchase, sell or continue to hold securities for certain client accounts contrary to other recommendations. In addition, an affiliated advisor may be permitted to sell securities or instruments short for certain client accounts and may not be permitted to do so for other affiliated client accounts.

As a result of the Fund's arrangements with HCMLP, there may be times when Highland, the Adviser or their affiliates have interests that differ from those of the Fund's shareholders, giving rise to a conflict of interest. The Fund's officers serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as the Fund does, or of investment funds managed by the Adviser or its affiliates. Similarly, the Adviser or its affiliates may have other clients with similar, different or competing investment objectives. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interests of the Fund or its shareholders. For example, the Fund's officers have, and will continue to have, management responsibilities for other investment funds, accounts or other investment vehicles managed or sponsored by the Adviser and its affiliates. The Fund's investment objective may overlap, in part or in whole, with the investment objective of such affiliated investment funds, accounts or other investment vehicles. As a result, those individuals may face conflicts in the allocation of investment opportunities among the Registrant and other investment funds or accounts advised by or affiliated with the Adviser. The Adviser will seek to allocate investment opportunities among eligible accounts in a manner that is fair and equitable over time and consistent with its allocation policy. However, the Fund can offer no assurance that such opportunities will be allocated to it fairly or equitably in the short- term or over time.

In addition, it is anticipated that a portion of the Registrant's assets will be represented by real estate investment trusts ("REITs"), asset backed securities and/or collateralized loan obligations ("CLOs") sponsored, organized and/or managed by the Adviser and its affiliates. The Adviser will monitor for conflicts of interest in accordance with its fiduciary duties and will provide the independent trustees of the Registrant with an opportunity to periodically review the Registrant's investments in such REITs, asset-backed securities and/or CLOs and assure themselves that continued investment in such securities remains in the best interests of the Registrant and its shareholders. The Adviser may effect client cross-transactions where it causes a transaction to be effected between the Registrant and another client advised by the Adviser or any of its affiliates. The Adviser may engage in a client cross-transaction involving the Registrant any time that the Adviser believes such transaction to be fair to the Registrant and the other client of the Adviser or its affiliates. As further described

below, the Adviser may effect principal transactions where the Registrant may make and/or hold an investment, including an investment in securities, in which the Adviser and/or its affiliates have a debt, equity or participation interest, in each case in accordance with applicable law, which may include the Adviser obtaining the consent and approval of the Registrant prior to engaging in any such principal transaction between the Registrant and the Adviser or its affiliates.

The Adviser may direct the Registrant to acquire or dispose of investments in cross trades between the Registrant and other clients of the Adviser or its affiliates in accordance with applicable legal and regulatory requirements. In addition, to the extent permitted by the 1940 Act and SEC staff interpretations, the Registrant may make and/or hold an investment, including an investment in securities, in which the Adviser and/or its affiliates have a debt, equity or participation interest, and the holding and sale of such investments by the Registrant may enhance the profitability of the Adviser's own investments in such companies.

NexPoint has been historically affiliated through common control with HCMLP, an SEC-registered investment adviser. On October 16, 2019, HCMLP filed for Chapter 11 bankruptcy protection with the United States Bankruptcy Court for the District of Delaware. The case was subsequently transferred to the United States Bankruptcy Court for the Northern District of Texas. On January 9, 2020, the bankruptcy court approved a change of control of HCMLP, which involved the resignation of James Dondero as the sole director of, and the appointment of an independent board to, HCMLP's general partner. Mr. Dondero will, however, remain as an employee of HCMLP and as portfolio manager for all funds and vehicles for which he currently holds such titles. Nevertheless, given Mr. Dondero's historic role with HCMLP and his continued ownership interest and roles with respect to the Highland platform as a whole, as well as the shared services agreements between HCMLP and NexPoint, we still treat HCMLP and its affiliates as our affiliates for purposes hereof.

NexPoint is not a party to HCMLP's bankruptcy filing. NexPoint is a party to a shared services arrangement with HCMLP. Under this arrangement our Adviser may utilize employees from HCMLP in connection with various services such as human resources, accounting, tax, valuation, information technology services, office space, employees, compliance and legal. We do not expect HCMLP's bankruptcy filings to impact its provision of services to NexPoint at this time.

**(a)(3) Compensation Structure of Portfolio Manager(s) or Management Team Members**

NexPoint's financial arrangements with its portfolio managers, its competitive compensation and its career path emphasis at all levels reflect the value senior management places on key resources. Compensation may include a variety of components and may vary from year to year based on a number of factors, including the relative performance of a portfolio manager's underlying account, the combined performance of the portfolio managers' underlying accounts, and the relative performance of the portfolio managers' underlying accounts measured against other employees. The principal components of compensation include a base salary, a discretionary bonus and various retirement benefits.

*Base compensation.* Generally, portfolio managers receive base compensation based on their seniority and/or their position with NexPoint, which may include the amount of assets supervised and other management roles within NexPoint. Base compensation is determined by taking into account current industry norms and market data to ensure that NexPoint pays a competitive base compensation.

*Discretionary compensation.* In addition to base compensation, portfolio managers may receive discretionary compensation, which can be a substantial portion of total compensation. Discretionary compensation can include a discretionary cash bonus paid to recognize specific business contributions and to ensure that the total level of compensation is competitive with the market.

Because each person's compensation is based on his or her individual performance, NexPoint does not have a typical percentage split among base salary, bonus and other compensation. Senior portfolio managers who perform additional management functions may receive additional compensation in these other capacities. Compensation is structured such that key professionals benefit from remaining with NexPoint.

**(a)(4) Disclosure of Securities Ownership**

The following table sets forth the dollar range of equity securities beneficially owned by the portfolio manager in the Registrant as of December 31, 2019.

Name of Portfolio Manager	Dollar Ranges of Equity Securities Beneficially Owned by Portfolio Manager
James Dondero	Over \$1,000,000

(b) Not applicable.

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**

No such purchases were made by or on behalf of the NexPoint Strategic Opportunities Fund (the "Registrant") or any "affiliated purchaser" during the period covered by this report.



**Item 10. Submission of Matters to a Vote of Security Holders.**

There have been no material changes to the procedures by which the shareholders may recommend nominees to the Registrant's Board.

**Item 11. Controls and Procedures.****(a) Evaluation of Disclosure Controls and Procedures.**

The Registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Investment Company Act of 1940, as amended, is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Registrant's management, including the principal executive officer and principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Within 90 days prior to the filing date of the Shareholder Report on Form N-CSR, Management carried out an evaluation of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures as of December 31, 2019. Based on such evaluation, the principal executive officer and principal financial officer concluded that the Registrant's disclosure controls and procedures were not effective due to a material weakness relating to controls over the application of fair value accounting with respect to the validation of fair value methodologies. The controls were not sufficiently designed to ensure the appropriateness of the fair value determinations reached for Level 3 real estate-related holdings. A material weakness (as defined in Rule 12b-2 under the Exchange Act) is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Registrant's annual or interim financial statements will not be prevented or detected on a timely basis. While this material weakness did not result in a misstatement, it could result in a misstatement to the investment balances or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected.

Management has developed a plan to remediate the material weakness described above. Management utilizes one or more independent valuation experts as part of its existing valuation process for Level 3 real estate-related holdings. Management will undertake additional review procedures by designating a member of the Valuation Committee of the Adviser to monitor and report to the Valuation Committee to ensure that for significant real estate-related holdings, fair values for such holdings are validated through one or more other valuation techniques that are acceptable under ASC 820.

**(b) Changes in Internal Controls.** Other than the planned enhancements to controls noted above, there have been no changes in the Registrant's internal controls or in other factors that could materially affect the internal controls over financial reporting subsequent to the date of their evaluation in connection with the preparation of this Shareholder Report on Form N-CSR**Item 12. Disclosure of Securities Lending Activities for Closed-End Management Investment Companies.****(a)**

- (1) Gross income from securities lending activities: \$0
- (2) All fees and/or compensation for securities lending activities and related services: \$0
- (3) Aggregate fees/compensation: \$0
- (4) Net income from securities lending activities: \$0

**(b)** The Registrant may lend up to 33 1/3% of the Registrant's total assets held by The Bank of New York ("BNY") as custodian to certain qualified brokers, except those securities which the Registrant or the Adviser specifically identifies as not being available. By lending its investment securities, the Registrant attempts to increase its net investment income through the receipt of interest on the loan. Any gain or loss in the market price of the securities loaned that might occur and any interest or dividends declared during the term of the loan would accrue to the account of the Registrant. Risks of delay in recovery of the securities or even loss of rights in the collateral may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the collateral decreases below the value of the securities loaned. Upon entering into a securities lending transaction, the Registrant receives cash or other securities as collateral in an amount equal to or exceeding 100% of the current market value of the loaned securities with respect to securities of the U.S. government or its agencies, 102% of the current market value of the loaned securities with respect to U.S. securities and 105% of the current market value of the loaned securities with respect to foreign securities. Any cash received as collateral is generally invested by BNY, acting in its capacity as securities lending agent (the "Agent"), in the Dreyfus Treasury Obligations Cash Management Fund. Non-cash collateral is not disclosed in the Registrant's Statement of Assets and Liabilities as it is held by the lending agent on behalf of the Registrant and the Registrant does not have the ability to re-hypothecate those securities. A portion of the dividends received on the collateral may be rebated to the borrower of the securities and the remainder is split between BNY, as the securities lending agent, and the Registrant.

**Item 13. Exhibits.**

- (a)(1) Code of ethics, or amendment thereto, that is the subject of disclosure required by Item 2 is attached hereto.
- (a)(2) Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.
- (a)(3) Not applicable.
- (a)(4) Not applicable.
- (b) Certifications pursuant to Rule 30a-2(b) under the 1940 Act and Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, and the Investment Company Act of 1940, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**NEXPOINT STRATEGIC OPPORTUNITIES FUND**

By  
(Signature  
and Title): /s/ James Dondero \_\_\_\_\_  
James Dondero  
President and Principal Executive Officer

Date: April  
10, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, and the Investment Company Act of 1940, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By  
(Signature  
and Title): /s/ James Dondero \_\_\_\_\_  
James Dondero  
President and Principal Executive Officer

Date: April  
10, 2020

By (Signature  
and Title): /s/ Frank Waterhouse \_\_\_\_\_  
Frank Waterhouse  
Treasurer, Principal Accounting Officer  
and Principal Financial Officer

Date: April  
10, 2020

## **EXHIBIT 46**

001366

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

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**Form 10-K**

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(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER: 814-01074

**NexPoint Capital, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

2515 McKinney Avenue, Suite 1100  
Dallas, Texas

(Address of principal executive offices)

38-3926499  
(I.R.S. Employer  
Identification No.)

75201  
( Zip Code)

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

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

Title of each class  
N/A

Trading Symbol(s)  
N/A

Name of each exchange on which registered  
N/A

Securities registered pursuant to Section 12(g) of the Act:  
Common Stock, par value \$0.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

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

Large accelerated filer ☐Accelerated filer ☐Non-accelerated filer ☒Smaller reporting company ☐Emerging growth company ☐If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

There is no established market for the registrant's shares of common stock. The registrant closed the public offering of its shares of common stock in February 14, 2018. Since the registrant closed its public offering it has continued to issue shares pursuant to its distribution reinvestment plan. The most recent price at which the registrant has issued shares pursuant to the distribution reinvestment plan was \$10.75 per share. As of December 31, 2020, the Registrant had 10,475,168 shares of common stock, \$0.001 par value, outstanding.

Documents Incorporated by Reference: Portions of the Registrant's Proxy Statement relating to the Registrant's 2021 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference into Part III of this Annual Report on Form 10-K

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NexPoint Capital, Inc. (the “Company”), which may also be referred to as “we,” “us,” or “our,” incorporated on September 30, 2013 (inception date) as a Delaware limited liability company. The Company is an externally managed, non-diversified, closed-end management investment company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). The Company is an investment company and accordingly follows the Investment Company accounting and reporting guidance under Topic 946 of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification, as amended (“ASC”), Financial Services—Investment Companies. The Company’s investment objective is to generate current income and capital appreciation primarily through investments in middle-market healthcare companies, middle-market companies in non-healthcare sectors, syndicated floating rate debt of large public and nonpublic companies and collateralized loan obligations (“CLOs”). The Company has elected to be treated as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”) and intends each year to qualify and be treated as such.

The Company issued 21,739.13 LLC units to NexPoint Advisors, L.P. (the “Adviser”) on May 27, 2014 (initial fund-raising date), at \$9.20 per share for \$200,000 in total proceeds. On June 10, 2014, the Company converted to a Delaware corporation, NexPoint Capital, Inc. As part of the conversion to a Delaware corporation, the member of the Company converted 21,739.13 LLC units into 21,739.13 shares of the Company’s common stock, representing an equivalent price of \$9.20 per share based on the fair value of the assets contributed by the Adviser in connection with the formation of the Company, as determined by the board of directors (the “Board”).

On September 2, 2014 (commencement of operations), in connection with a private placement of shares of our common stock to the Adviser and its affiliates, the Company issued an aggregate of approximately 1,086,954 shares of common stock at a price of \$9.20 per share, which price represents the public offering price of \$10.00 per share less selling commissions and dealer manager fees, for aggregate proceeds of approximately \$10.0 million.

As a result of the private placement to the Adviser and its affiliates, the Company successfully satisfied the minimum offering requirement and officially commenced operations on September 2, 2014. In connection with the satisfaction of the minimum offering requirement and the commencement of our operations, the Investment Advisory Agreement became effective and the base investment advisory fee and any incentive fees, as applicable, payable to the Adviser under the Investment Advisory Agreement began to accrue. In aggregate as of December 31, 2020, the Adviser controls 2,549,002 total shares, including reinvestment of dividends, for a net amount of approximately \$15.6 million.

The Company has retained the Adviser to manage certain aspects of its affairs on a day-to-day basis. NexPoint Securities, Inc. (the “Dealer Manager”), an entity under common ownership with the Adviser, served as the dealer manager of the continuous public offering prior to the termination of the offering. The Adviser and Dealer Manager are related parties and will receive fees, distributions and other compensation for services related to the continuous public offering and the investment and management of the Company’s assets. The Company’s continuous public offering ended on February 14, 2018.

**Overview of Our Business**

Our investment activities are managed by the Adviser and supervised by the Board, of which a majority of the members are independent of the Company. The Adviser has also entered into a Services Agreement with Skyview Group, Inc. (“Skyview”), effective February 25, 2021, pursuant to which the Adviser will receive



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administrative and operational support services to enable it to provide the required advisory services to the Company. The Adviser will compensate all Adviser and Skyview personnel who provide services to the Company.

Our investment objective is to generate high current income and long-term capital appreciation. We seek to achieve our objective by using the experience of the Adviser's healthcare, credit and structured products teams to source, evaluate and structure investments, identify attractive investment opportunities that are primarily debt investments that generate high income without creating undue risk for the portfolio, make equity investments where we believe there will be attractive risk-adjusted returns that compensate for the lack of current income, and make investments in debt and equity tranches of CLOs that deliver income and high relative value. We will focus on companies that are stable, have positive cash flow, and the ability to grow their business model.

Our investment policy is to invest, under normal circumstances, at least 80% of our total assets in debt and equity of middle market companies, with an emphasis on healthcare companies, syndicated floating rate debt of large public and nonpublic companies, and mezzanine and equity tranches of CLOs. Middle-market companies include companies with annual revenues between \$50 million and \$2.5 billion and syndicated floating rate debt refers to loans and other instruments originated by a bank to a corporation that are sold off, or syndicated, to investors in pieces. We consider a healthcare company to be a company that is engaged in the design, development, production, sale, management or distribution of products, services or facilities used for or in connection with the healthcare industry. Additionally, we consider the term healthcare company to include companies that are materially impacted by the healthcare industry (such as a contractor that derives significant revenue or profit from the construction of hospitals). We may invest without limit in companies that are not in the healthcare sector.

We leverage the expertise of the Adviser with regard to distressed investing and restructuring to make opportunistic investments in distressed companies. We utilize the Adviser's credit underwriting capability to identify the types of companies we believe will provide high current income and/or long-term capital appreciation. In addition to the investments in the healthcare industry, we may invest a portion of our capital in other opportunistic investments in which the Adviser has expertise and where we believe an opportunity exists to achieve above-average risk-adjusted yields and returns. These types of opportunities may include: (1) direct lending or origination investments, (2) investments in stressed or distressed situations, (3) structured product investments, (4) equity investments and (5) other investment opportunities not typically available in other BDCs. Opportunistic investments may range from broadly syndicated deals to direct lending deals in both private and public companies and may include foreign investments. We believe this is the best approach to achieving our dual mandate of attempting to generate a high yield while also attempting to produce capital appreciation.

We seek to invest primarily in securities deemed by the Adviser to be high income generating debt investments and income generating equity securities of privately held companies in the United States. The portfolio may be concentrated primarily in senior floating rate debt securities, although we may invest without limit in securities that rank lower than senior secured instruments and may invest without limit in investments with a fixed rate of interest. We may buy syndicated loans, various tranches of CLOs and other debt instruments in the secondary market as well as originate debt so we can tailor the investment parameters more precisely to our needs. We also may invest a portion of the portfolio in equity securities that are non-income producing, when doing so will help us achieve our objective of long-term capital appreciation. We expect the size of our positions may range from \$1 million to \$20 million, although investments may be larger as our asset base increases. We may selectively make investments in amounts larger than \$20 million in some of our portfolio companies. Prior to raising sufficient capital, we may make smaller investments. We may also invest without limitation in warrants and may also use derivatives, primarily swaps (including equity, variance and volatility swaps), options and futures contracts on securities, interest rates, commodities and/or currencies, as substitutes for direct investments the Company can make. We may also use derivatives such as swaps, options (including options on futures), futures, and foreign currency transactions (e.g., foreign currency swaps, futures and forwards) to any extent deemed by the Adviser to be in the best interest of the Company, and to the extent permitted by the 1940 Act, to

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hedge various investments for risk management and speculative purposes. We may invest up to 15% of our net assets in entities that are excluded from registration under the 1940 Act by virtue of sections 3(c)(1) and 3(c)(7) of the 1940 Act (such as private equity funds or hedge funds). This limitation does not apply to any CLOs, certain of which may rely on section 3(c)(1) or 3(c)(7) of the 1940 Act.

We expect that many of the securities in which we invest will be rated below investment grade by independent rating agencies or would be rated below investment grade if they were rated. These securities, which may be referred to as “junk,” have predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal. In addition, we expect that many of our debt investments will include floating interest rates that reset on a periodic basis and typically will not require the borrowers to pay down the outstanding principal of such debt prior to maturity.

As of December 31, 2020, our investment portfolio, with a total fair value of \$64.7 million, consisted of 45 positions in portfolio companies (calculated as a percentage of investments: 48.3% in first lien senior secured loans, 7.3% in second lien senior secured loans, 10.6% in corporate bonds, 0.6% in asset-backed securities, 0.1% in warrants, 14.9% in common stock, 0.0% in preferred stocks, 10.1% in LLC interests and 8.1% in partnership units.) As of December 31, 2020, the debt investments in our portfolio carry a weighted average cost price of 88.76% on par or stated value, as applicable, and our estimated gross annual portfolio yield (which represents the expected yield to be generated by us on our investment portfolio based on the composition of our portfolio as of such date), prior to leverage costs, was 5.48% based on the amortized cost of our investments. The portfolio yield does not represent an actual investment return to stockholders and does not include income from CLO equity.

**Recent Developments**

On January 5, 2021, the Board of the Company declared a cash distribution of \$0.09 per share of the Company’s common stock, par value \$0.001 per share, payable on January 15, 2021, to the stockholders of record on December 31, 2020.

**Business & Investment Strategies**

We focus our healthcare investments primarily on opportunities in companies we believe will benefit from the long-term changes in the healthcare industry as a result of the aging demographic of Baby Boomers, implementation of payment system reforms and advances in medical technologies. It is our belief that the changing demographic landscape in the United States, where approximately 10,000 people per day turn 65 years of age, coupled with advances in medical technologies that are enabling Americans to live longer, will produce strong growth in demand for healthcare. At the same time, changes in the U.S. healthcare reimbursement system, including the implementation of alternative payment model are creating disruption in the healthcare sector, affecting each sub-sector differently, and will produce a positive impact for some sub-sectors and a negative impact for others. We also believe some companies are better positioned to take advantage of these changes while others will consolidate with stronger players. Based on our deep understanding of the healthcare sector, we believe these developments will create a changing landscape for years to come.

Our primary areas of focus within the healthcare sector will be in the pharmaceuticals, devices, life sciences and facilities sub-sectors as we believe these will be the most significant beneficiaries of technological advances and the implementation of alternative payment models. We will also make opportunistic investments, including short sales, in other sub-sectors we believe will fare poorly during this period of transition.

However, the Adviser and its affiliates have a core competency in other, non-healthcare sectors, specifically in oil and gas and real estate, but also have vast experience investing in all economic sectors. When identifying potential middle-market investments for the portfolio, we focus on the attributes listed below. It is our belief that investments exhibiting these characteristics are the best investments to allow the Company to meet its investment objective with an acceptable level of risk. The attributes discussed below are general guidelines and not all

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investment opportunities may exhibit each of these qualities. Each investment opportunity is analyzed on a case-by-case basis by our investment professionals and the portfolio manager:

- *Focus on growing economic sectors*—We seek companies that operate in or focus a substantial amount of their resources on economic sectors we believe will benefit from the current economic environment, including primarily the healthcare sector. Our view is that some sectors will be adversely impacted by rising rates while others will see tangible benefits. We think companies in our perceived “winning” sectors represent a better risk profile for our investments.
- *High level of inherent value*—We seek companies that have inherent value but need additional financing to implement their business plan fully and realize their full value. These businesses are typically smaller companies that cannot access traditional means of financing but have a solid business where additional investment of capital and economies of scale can unlock an outsized level of value. In some cases, we may take equity stakes in these businesses as well as debt positions to achieve our dual objectives of high current income and long-term capital appreciation.
- *Strong risk/reward characteristics*—We seek investments where we believe we are compensated for the risk assumed. An investment opportunity may become more appealing if the terms of the investment are improved such as the interest rate, or if structural protections are added to decrease our perceived risk.
- *Proven management team*—We seek companies that have proven management teams that understand the impact the upcoming regulatory and interest rate environment will have on their business. We are not seeking investments in start-up companies or companies with unproven technologies or business models or companies with relatively inexperienced management. Our view is that it will take experienced, seasoned veterans to understand and navigate the pitfalls resulting from the Federal Reserve’s actions regarding interest rates and quantitative easing as well as a potentially increasing tax environment and changes to the economy from implementation of value-based payment models and potential repeal and replacement of the ACA. We believe these companies have a better chance of delivering value long-term to investors.
- *Strong cash flow and business models*—We seek stable and proven businesses with strong cash flow that are able to adequately service their debt load. With an increase in interest rates, we believe financing will become more expensive and only companies with steady cash flow and business models will weather the storm. Businesses that have strong infrastructure, business models and processes will be better able to service their debt.
- *Stable and proven businesses*—We seek companies that have a proven business model and strong strategic position within their industry. With the upheaval we believe will be evident in the next few years, we think growing a stable and proven business will be difficult enough. Trying to build out a new business model in a chaotic environment will be exponentially more difficult in our opinion and compensating for that level of risk will be difficult.

**Potential Competitive Strengths**

We believe the breadth, depth and experience of the Adviser’s senior management and investment team provides a significant advantage in sourcing, analyzing, monitoring and managing investment opportunities. As discussed above, the Adviser has entered into a Services Agreement with Skyview pursuant to which the Adviser may utilize Skyview’s back office operations team that has years of experience in settling and tracking bank loan investments and its dedicated team that operates registered funds, works with third party service providers, interacts with portfolio managers to provide timely information and portfolio statistics, and has experience interacting with legal counsel, auditors, other third-party service providers and the Board.

We believe the long-term investment horizon we are afforded through the BDC structure will allow us flexibility to find the investments that will deliver the highest value to our investors. Unlike a typical private

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equity or venture fund, we are not required to return capital once a liquidity event is realized in an underlying investment. With the uncertainties inherent in the Federal Reserve's actions regarding interest rates and quantitative easing, we believe it is difficult to make the best investment decisions if required to work under a finite timeline. Because of the permanent capital vehicle structure, we believe we can offer an institutional-type strategy focused on the healthcare sector with institutional management capabilities to investors.

The Adviser and its affiliates have significant experience investing in the healthcare sector, across all sectors, all asset classes and in structured products. The Adviser and its affiliates' investments have spanned the range from large capitalization companies that are publicly traded to small, privately held companies and to distressed companies that have been successfully turned around. We believe the Adviser and its affiliates' expertise in underwriting credit across all sectors will give us an advantage in identifying and investing in the best middle-market companies in direct lending situations, syndicated loans and CLOs.

The Adviser and its affiliates' credit platform has been through many credit cycles, and the Adviser and its affiliates remain a recognized leader in the credit space, winning numerous industry awards and recognition from peers. The Adviser and its affiliates have a proprietary credit underwriting process and maintain coverage of many public and non-public companies across all sectors. Investments are reviewed by the analyst team and approved by a credit committee that meets daily. The process includes on-going monitoring of all investments.

**Investment Criteria/Guidelines**

We believe there are currently, and will continue to be, significant investment opportunities in middle-market companies and larger private companies, particularly in the healthcare sector and particularly in income producing securities, in the United States. Additionally, we believe there continues to be attractive investment opportunities in the syndicated floating rate debt and CLO markets.

Target businesses will typically exhibit some or all of the following characteristics:

- exposure to healthcare sub-sectors we believe will benefit from implementation of alternative payment models;
- exposure to non-healthcare sub-sectors we believe will benefit from a rising interest rate environment and the Federal Reserve's policies in response to rising rates;
- a U.S. base of operations;
- an experienced management team executing a long-term growth strategy;
- discernable downside protection through recurring revenue or strong tangible asset coverage;
- defensible niche product/service;
- products and services with distinctive competitive advantages or other barriers to entry;
- stable and predictable free cash flows;
- existing indebtedness that may be refinanced on attractive terms;
- low technology and market risk;
- strong customer relationships; and
- low to moderate capital expenditure requirements.

We expect that deal flow and idea generation for investments will primarily originate from the Adviser and its affiliates' existing and extensive network of informal and unconventional deal sources in the middle-market business community. Once potential investments have been identified, we, through our Adviser, will conduct a rigorous due diligence process that draws from our Adviser's investment experience, industry expertise and

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network of contacts. Our Adviser will then work with outside counsel to structure loans with strong creditor protections and contractual controls over borrower operations. Our Adviser will work to obtain extensive operating and financial covenants, detailed reporting requirements, governance rights and board seats to protect our investment while allowing the borrower the necessary flexibility to successfully execute its business plan. We will actively monitor and manage our portfolio with regard to individual company performance as well as general market conditions. Investment decisions on new originations generally will include an analysis of the impact of the new loan on our broader portfolio, including a “top-down” assessment of portfolio structure and risk exposure.

*Investments in Middle-Market Healthcare Companies*

Our portfolio of middle-market investments will have a focus on companies in the healthcare sector as we believe there is a large and growing investment opportunity in this sector. Changes in the U.S. healthcare reimbursement system, including the implementation of value-based payment models and potential repeal and replacement of the Affordable Care Act, are creating a dramatic upheaval in the healthcare sector, affecting each sub-sector differently, and will produce a positive impact for some sub-sectors and a negative impact for others.

We believe some companies are better positioned to take advantage of these changes while others will consolidate with stronger players. Based on our deep understanding of the healthcare sector, we believe these developments will create a changing landscape for years to come.

Healthcare is a defensive and stable sector that has experienced out-sized growth and consistency during the past four decades. There are three primary growth drivers of healthcare: (1) demographics, (2) price inflation and (3) per-person utilization of care. The historical demographic growth rate has been 1.00%. Price inflation in healthcare has added an additional 5.64%, more than double the baseline U.S. GDP growth rate since 1970 of 2.79%. Per-person utilization is a function of access to health insurance as well as aging demographics. In the past three decades, the population above age 90 has tripled and is expected to quadruple over the next three decades. Due to these drivers, healthcare has moved from 3% of GDP in 1980 to approximately 18% today and is expected to continue to grow.

*Investments in Middle-Market Non-Healthcare Companies*

In response to the COVID-19 pandemic, the Federal Reserve (the “Fed”) has successfully maintained low interest rates across the yield curve to support low-cost financing for businesses struggling through challenging economic times. With the roll-out of vaccines and declining incidence of COVID-19 infections, return of economic activity will allow the Fed to begin normalizing interest rates. We believe that as interest rates rise, financing for middle-market companies in all sectors will become more difficult. Furthermore, the capital requirements of business in many sectors will be enormous in coming years as companies catch up on delayed capital spending and make required investments to adapt to structural economic changes brought on by COVID-19. These companies will, in our opinion, turn more and more to specialty finance vehicles, such as us, to procure the capital they need for growth. We view the financing of middle-market companies to be an underserved area, presenting enormous opportunities.

As a large percentage of our investments are expected to be in the form of floating rate debt, we will be able to create a portfolio of middle-market companies that we believe will have an increasing income stream over time, particularly as interest rates increase above their historic lows. Also, as floating rate debt reduces the interest rate risk inherent in longer duration credit instruments, we can build a portfolio that has mostly credit risk, which we believe the Adviser and its affiliates have significant experience at assessing.

*Investments in Large Syndicated Floating Rate Debt*

A large portion of the investments we make in middle-market companies are expected to be in the form of floating rate instruments. Also, a portion of the portfolio will be invested in large syndicated floating rate debt of



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non-public and public companies. Syndicated floating rate debts are loans originated by a bank to a corporation that are sold off, or syndicated, to investors in pieces. Floating rate loans have a base rate that adjusts periodically plus a spread over the base rate. The base rate is typically the three-month London Interbank Offered Rate, or LIBOR, and resets every 90 days. With rates resetting in an environment where the prevailing base rate is increasing, the income stream from a floating rate instrument will increase.

Syndicated floating rate debt offers certain benefits:

*High current income.* Historically, floating rate loans have lower yields than high yield bonds, due in part to better credit and interest-rate risk profile, but still offer an attractive risk-reward income dynamic. However, today floating rate yields are comparable to high-yield bonds.

*Adjustable coupon payment.* Floating rate loans are structured so that interest rates reset on a predetermined schedule. When interest rates rise, coupon payments increase, and vice versa, with little lag time (typically 90 days or less). This feature greatly reduces the interest rate, or duration, risk inherent in high yield bonds, which typically never reset. Therefore, as rates rise, the value of a high yield bond should decline while the value of a floating rate loan should remain stable.

*Priority in event of default.* In the event of a default, floating rate loans typically have a higher position in a company's capital structure, have first claim to assets and greater covenant protection than high yield bonds. As a result, floating rate loans have generally recovered a greater percentage of value than high yield bonds. Also, the default rate for floating rate loans has historically been lower than defaults of high yield bonds.

*Reduced Volatility.* The return of floating rate loans has historically had a low correlation to most asset classes and a negative correlation with some asset classes. Therefore, adding floating rate loans to a portfolio should reduce volatility and risk.

In our view, an allocation to large syndicated floating rate debt provides stable value with high current income and offers the portfolio liquidity.

***Investments in CLOs***

We view CLOs as an excellent way to gain exposure to syndicated floating rate debt at a less expensive price and higher yield with greater upside potential for capital appreciation while minimizing interest rate risk. CLO vehicles are entities formed to manage a portfolio of syndicated bank loans. The CLO vehicle raises capital by issuing equity and multiple tranches of debt and uses the proceeds to buy the underlying portfolio of syndicated bank loans. The syndicated bank loans the CLO is allowed to purchase is limited by criteria established within the documents governing the CLO. The CLO also has certain priority of payment provisions or "waterfall" provisions that benefit the higher rated debt tranches. Documents governing CLOs typically provide for adjustments to the "waterfall" in the event certain tests are triggered, diverting cash to the higher rated debt tranches.

**Investment Process Overview**

*Sourcing.* We believe that identifying middle-market companies that represent attractive debt investment opportunities requires a different sourcing network than is required for investments in larger companies. Whereas larger companies typically hire an investment bank to help develop marketing materials and run a financing process involving a large number of potential lenders to ensure pricing is determined by the market, middle-market companies typically do not have the resources to hire large financial advisers or investment banks. While these lending opportunities are far less competitive, they are more difficult to source.

We expect that deal flow and idea generation for investments will primarily originate from the Adviser and its affiliates' existing and extensive network of informal and unconventional deal sources in the middle-market

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business community. Built over 20 years, this deal sourcing network includes accountants, attorneys, bankers, brokers, insurance agents, consultants, private equity firms and financial advisers who have access to small-cap companies. Additionally, we have forged contacts specific to the healthcare and energy industry that includes all sub-sectors, as well as other sectors.

The contacts in the Adviser's network generally operate outside of the established investment banking infrastructure and typically play a limited introductory role to companies and their management teams. In addition, the Adviser promotes a culture in which sourcing is considered a focus for all of its investment professionals.

*Due Diligence.* We believe it is critical to conduct extensive due diligence on investment targets, and in evaluating new investments. We, through our Adviser, will conduct a rigorous due diligence process that draws from our Adviser's investment experience, industry expertise and network of contacts. Our Adviser intends to conduct extensive due diligence and perform thorough credit analysis on each potential portfolio company investment. In conducting due diligence, we expect that our Adviser will use publicly available information and private information provided by borrowers, their financial sponsors and their advisers. Our Adviser expects to use its relationships with former and current management teams, consultants, competitors, bankers, private equity firms and investment bankers to gain further insights into businesses and industries, generally, and our potential portfolio companies, specifically.

Our due diligence will typically include the following elements (although not all elements will necessarily form part of each due diligence review):

- thorough review of historical and pro forma financial information, including an analysis of collateral coverage, cash flow and valuation multiples and quality of earnings;
- review of capital structure, including leverage and equity amounts, participants and intercreditor arrangements;
- analysis of the business of the prospective portfolio company, including drivers of growth, customer and supplier concentrations, fixed versus variable costs and sensitivity analyses (with a focus on downside scenario analysis);
- analysis of the industry in which the prospective portfolio company operates, including its competitive position, industry size and growth rates, competitive outlook, barriers to entry, and technological, regulatory and similar considerations;
- interviews with management, employees, customers and vendors and analysis of management's track record, quality, breadth and depth;
- anticipated form of any potential restructuring, potential liquidation value and potential for collateral impairment;
- preparation or review of material contracts and loan documents;
- anticipated timing of covenant breaches and default cure provisions;
- research relating to the company's business, industry, markets, products and services;
- background checks on key managers when appropriate; and
- third-party research relating to the company's management, industry, markets, products and services and competitors.

Additional due diligence with respect to any investment may be conducted on our behalf by attorneys and independent accountants as well as other outside advisers, as appropriate.



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*Structuring Originations.* Our Adviser's team has substantial expertise in structuring and documenting loans originated to middle-market companies. Our Adviser works with outside counsel to structure loans with strong creditor protections and contractual controls over borrower operations. Our Adviser works to obtain extensive operating and financial covenants, detailed reporting requirements, governance rights and board seats to protect our investment while allowing the borrower the necessary flexibility to successfully execute its business plan. We believe that our Adviser's extensive experience allows it to anticipate issues and maximize our potential recovery upon the occurrence of adverse events, and our Adviser is able to seek to structure our loan and credit documentation to protect us from risks identified in the due diligence process. Our Adviser also evaluates the broader capital structure of the borrower to ensure that we have strong rights as compared to other participants in the borrower's capital structure.

*Portfolio Management and Monitoring.* We actively monitor and manage our portfolio with regard to individual company performance as well as general market conditions. Investment decisions on new originations generally include an analysis of the impact of the new loan on our broader portfolio, including a "top-down" assessment of portfolio structure and risk exposure. This assessment includes a review of portfolio concentration by issuer, industry, geography and type of credit as well as an evaluation of our portfolio's exposure to macroeconomic factors and cyclical trends.

We believe that consistent, active monitoring of individual companies and the broader market is integral to portfolio management and a critical component of our investment process. Our Adviser uses several methods of evaluating and monitoring the performance and fair value of our investments, including the following:

- frequent discussions with management and sponsors, including board observation rights where possible;
- comparing/analyzing financial performance to the portfolio company's business plan, as well as our internal projections developed at underwriting;
- tracking portfolio company compliance with covenants, as well as other metrics identified at the initial investment stage, such as acquisitions, divestitures, product development and specified management hires; and
- periodic review of each asset in the portfolio and more rigorous monitoring of "watch list" positions.

**Competition**

Our primary competitors to provide financing to middle-market companies include public and private funds, including other business development companies, commercial and investment banks, commercial financing companies, and, to the extent they provide an alternative form of financing, private equity funds. As the economic recovery continues, we expect that we may face enhanced competition in the future. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act will impose on us as a BDC and that the Code will impose on us as a RIC. For additional information concerning the competitive risks we face, see "Risk Factors—Risks Relating to our Business and Structure—The highly competitive market for investment opportunities in which we operate may limit our investment opportunities."

**Administration**

We do not have any direct employees, and our day-to-day investment operations are managed by our Adviser. Our officers will be employees of the Adviser. Some of our executive officers described under "Management of the Company" are also officers of the Adviser. See "The Adviser and the Administrator—Administration Agreement."

**Table of Contents****Regulation**

We have filed an election to be treated as a BDC under the 1940 Act and to be treated as a RIC under Subchapter M of the Code and intend each year to qualify and be eligible to be treated as such. As a RIC, we generally do not have to pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we timely distribute to our stockholders as dividends. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their affiliates (including any Advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors of a BDC be persons other than “interested persons,” as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities.

We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed an “underwriter” as that term is defined in the Securities Act of 1933, as amended, or the Securities Act. Our intention is to not write (sell) or buy put or call options to manage risks associated with the publicly traded securities of our portfolio companies, except that we may enter into hedging transactions to manage the risks associated with interest rate fluctuations to the extent that we are permitted to engage in such hedging transactions without registering with the U.S. Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator. However, we may purchase or otherwise receive warrants to purchase the common stock of our portfolio companies in connection with acquisition financing or other investments. Similarly, in connection with an acquisition, we may acquire rights to require the issuers of acquired securities or their affiliates to repurchase them under certain circumstances. We also do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, we generally cannot acquire more than 3% of the voting stock of any registered investment company, invest more than 5% of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of investment companies in the aggregate. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses. None of these policies is fundamental and each may be changed without stockholder approval.

To the extent that we utilize a REIT subsidiary that directly incurs leverage in the form of debt (as opposed to non-recourse borrowings made through special purpose vehicles), the amount of such recourse leverage used by us will be consolidated and treated as senior securities for purposes of complying with the 1940 Act’s limitations on leverage. Accordingly, it is our present intention to utilize leverage through debt or borrowings in an amount not to exceed 50% of our total assets (i.e., to maintain 200% asset coverage), less the amount of any nonrecourse direct debt or borrowing by a REIT subsidiary, if any. Because a REIT subsidiary’s preferred shares would represent a small amount of leverage by the REIT subsidiary, such leverage will also be consolidated for purposes of complying with the 1940 Act’s limitations on our ability to issue preferred shares.

*Qualifying Assets*

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company’s total assets. The principal categories of qualifying assets relevant to our proposed business are the following:

1. Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the U.S.

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Securities and Exchange Commission ("SEC"). An eligible portfolio company is defined in the 1940 Act as any issuer which:

- a. is organized under the laws of, and has its principal place of business in, the United States;
- b. is not an investment company (other than a small business investment company wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
- c. satisfies any of the following:
  - i. does not have any class of securities listed on a national securities exchange or has any class of securities listed on a national securities exchange subject to a \$250 million market capitalization maximum; or
  - ii. is controlled by a BDC or a group of companies including a BDC, the BDC actually exercises controlling influence over the management or policies of the eligible portfolio company, and, as a result, the BDC has an affiliated person who is a director of the eligible portfolio company.
2. Securities of any eligible portfolio company which we control.
3. Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.
4. Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.
5. Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.
6. Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

The regulations defining and interpreting qualifying assets may change over time. We expect to adjust our investment focus as needed to comply with and/or take advantage of any regulatory, legislative, administrative or judicial actions in this area.

***Managerial Assistance to Portfolio Companies***

In addition, a BDC must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above. However, in order to count portfolio securities as qualifying assets for the purpose of the 70% test, the BDC must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance. When a BDC purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. As our administrator, the Adviser has agreed to provide such managerial assistance on our behalf to portfolio companies that request this assistance. We may receive fees for these services and will reimburse the Adviser for the actual costs incurred in providing managerial assistance on our behalf, subject to the review and approval by the Board, including our independent directors.

**Table of Contents*****Temporary Investments***

Pending investment in other types of qualifying assets, as described above, our investments may consist of cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, so long as such agreements are fully collateralized by cash or securities issued by the U.S. Government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. Our Adviser intends to monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

***Senior Securities***

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase.

We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see “Risk Factors—Risks Relating to our Business and Structure—Regulations governing our operation as a BDC will affect our ability to raise, and the way in which we raise, additional debt or equity capital.”

***Code of Ethics***

We and the Adviser have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. In addition, each code of ethics is attached as an exhibit to the registration statement of which this prospectus is a part and is available on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>. You may also obtain copies of each code of ethics, after paying a duplicating fee, by electronic request at the following Email address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov).

***Proxy Voting Policies and Procedures***

We have delegated our proxy voting responsibility to our Adviser. The Proxy Voting Policies and Procedures of our Adviser are described below. The guidelines are reviewed periodically by our Adviser and our non-interested directors, and, accordingly, are subject to change. For purposes of these Proxy Voting Policies and Procedures described below, “we” “our” and “us” refers to our Adviser.

***Introduction***

As an Adviser registered under the Investment Advisers Act of 1940, as amended (“Advisers Act”), we have a fiduciary duty to act solely in the best interests of our clients. As part of this duty, we recognize that we must vote client securities in a timely manner free of conflicts of interest and in the best interests of our clients.

These policies and procedures for voting proxies for our investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under the Advisers Act.

**Table of Contents*****Proxy Policies***

We vote proxies relating to our clients' portfolio securities in what we perceive to be the best interest of our clients' stockholders. We review on a case-by-case basis each proposal submitted to a stockholder vote to determine its impact on the portfolio securities held by our clients. In most cases, we will vote in favor of proposals that we believe are likely to increase the value of our clients' portfolio securities. Although we will generally vote against proposals that may have a negative impact on our clients' portfolio securities, we may vote for such a proposal if there exist compelling long-term reasons to do so.

Our proxy voting decisions are made by the senior officers who are responsible for monitoring each of clients' investments. To ensure that our vote is not the product of a conflict of interest, we require that: (1) anyone involved in the decision making process disclose to our Chief Compliance Officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (2) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties. Where conflicts of interest may be present, we will disclose such conflicts, including to us, and may request guidance on how to vote such proxies.

***Proxy Voting Records***

You may obtain information without charge about how we voted proxies by making a written request for proxy voting information to: Investor Relations, 2515 McKinney Avenue, Suite 1100, Dallas, Texas 75201, or by calling us collect at (844) 485-9167.

***Privacy Principles***

We are committed to maintaining the privacy of our stockholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any non-public personal information relating to our stockholders. The only information we collect from you is your name, address, number of shares you hold and your social security number. This information is used only so that we can send you annual reports and other information about us, and send you proxy statements or other information required by law. We will maintain physical, electronic and procedural safeguards designed to protect the non-public personal information of our stockholders. We do not disclose any non-public personal information about our stockholders or former stockholders to anyone except as described below.

- *Authorized Employees of the Adviser and Its Affiliates.* It is our policy that only authorized employees of the Adviser and its affiliates with a legitimate business need for the information will have access to it.
- *Service Providers.* We may disclose your personal information to companies that provide services on our behalf, such as record keeping, processing your trades, and mailing you information. These companies are required to protect your information and use it solely for the purpose for which they received it.
- *Courts and Government Officials.* If required by law, we may disclose your personal information in accordance with a court order or at the request of government regulators. Only that information required by law, subpoena, or court order will be disclosed.

***Other***

We are prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, of the SEC. Any person that owns, directly or



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indirectly, five percent or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act, and we are generally prohibited from buying or selling any security from or to, or entering into certain “joint” transactions (which could include investments in the same portfolio company) with such affiliates, absent the prior approval of our independent directors and/or appropriate exemptive relief. Our Adviser and its affiliates, including persons that control, are controlled by, or are under common control with, us or our Adviser, are also considered to be our affiliates under the 1940 Act, and we are generally prohibited from buying or selling any security from or to, or entering into “joint” transactions with such affiliates without the prior approval of our independent directors and, in some cases, exemptive relief from the SEC.

We may, however, invest alongside the Adviser’s, and its affiliates’ other clients in certain circumstances where doing so is consistent with applicable law and SEC staff interpretations and specific exemptive relief from the SEC. For example, we may invest alongside such accounts consistent with guidance promulgated by the staff of the SEC permitting us and such other accounts to purchase interests in a single class of privately placed securities so long as certain conditions are met, including that our Adviser, acting on our behalf and on behalf of other clients, negotiates no term other than price. We and the Adviser have obtained an exemptive order dated April 19, 2016 from the SEC to permit co-investments among the Company and other accounts managed by the Adviser or its affiliates, subject to certain conditions. We may also invest alongside our Adviser’s other clients as otherwise permissible under regulatory guidance, applicable regulations and the allocation policy of our Adviser and its affiliates (including clients that may pay higher fees to the Adviser or its affiliates or in which our portfolio managers have personal interest in the receipt of such fees). If sufficient securities or loan amounts are available to satisfy our and each such account’s proposed demand, we expect that the opportunity will be allocated in accordance with our Adviser’s pre-transaction determination. Where there is an insufficient amount of an investment opportunity to satisfy us and other accounts sponsored or managed by our Adviser or its affiliates, the allocation policy further provides that allocations among us and such other accounts will generally be made pro rata, based on the amount that each such party would have invested if sufficient securities or loan amounts were available. The allocation policies and procedures are intended to assist the Adviser and its affiliates in ensuring that investment opportunities will be allocated to us fairly and equitably.

We will be subject to periodic examination by the SEC for compliance with the 1940 Act. Under the 1940 Act, we are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person’s office.

We and the Adviser will each be required to adopt and implement written policies and procedures reasonably designed to prevent violation of the U.S. federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation, and designate a chief compliance officer to be responsible for administering the policies and procedures.

We are not generally able to issue and sell our common stock at a price below current net asset value per share. We may, however, issue and sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value per share of our common stock if the Board determines that such sale is in the best interests of us and our stockholders, and if our stockholders approve such sale within the preceding 12 months. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of the Board, closely approximates the fair value of such securities.

***Sarbanes-Oxley Act of 2002***

The Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) imposes a wide variety of regulatory requirements on publicly held companies and their insiders. Many of these requirements will affect us. For example:

- pursuant to Rule 13a-14 under the Securities Exchange Act of 1934, as amended (“Exchange Act”), our Chief Executive Officer and Chief Financial Officer must certify the accuracy of the financial statements contained in our periodic reports;

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- pursuant to Item 307 of Regulation S-K under the Securities Act, our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 of the Exchange Act, our management must prepare an annual report regarding its assessment of our internal control over financial reporting.
- pursuant to Item 308 of Regulation S-K under the Securities Act and Rule 13a-15 under the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated under it. We will continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance with that act.

**Brokerage Allocation and Other Practices**

Since we intend to generally acquire and dispose of our investments in privately negotiated transactions, we expect to infrequently use brokers in the normal course of our business. Subject to policies established by the Board, the Adviser will be primarily responsible for the execution of the publicly traded securities portion of our portfolio transactions and the allocation of brokerage commissions. The Adviser does not execute transactions through any particular broker or dealer, but seeks to obtain the best net results for us, considering such factors as (i) price (including the applicable brokerage commission or dealer spread), (ii) size of the order, (iii) difficulty of execution, (iv) operational facilities of the firm, (v) promptness of execution and past history in executing orders, (vi) clearance and settlement capabilities, (vii) research capabilities, (viii) access to markets and distribution network, (ix) the firm's risk and skill in positioning blocks of securities and (x) trade error rate and ability or willingness to correct errors. While the Adviser will generally seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, the Adviser may select a broker based partly upon brokerage, research or other services provided to it and us and any other clients. In return for such services, we may pay a higher commission than other brokers would charge if the Adviser determines in good faith that such commission is reasonable in relation to the services provided.

***Tax Matters***

The following is a general summary of some of the important U.S. federal income tax considerations affecting us and our common shareholders that are "United States persons" within the meaning of the Code, and does not address any state, local, foreign or other tax consequences. It reflects provisions of the Code, existing Treasury regulations, and other applicable authority, as of the date of this annual report. These authorities may be changed, possibly with retroactive effect, or subject to new legislative, administrative, or judicial interpretations. This summary does not purport to be a complete description of the U.S. federal income tax considerations applicable to our common shareholders. For example, except as otherwise specifically noted herein, we have not described certain tax considerations that may be relevant to certain types of holders subject to special treatment under the U.S. federal income tax laws, including shareholders subject to the U.S. federal alternative minimum tax, insurance companies, tax-exempt organizations, pension plans and trusts, RICs, dealers in securities, shareholders holding our shares through tax-advantaged accounts (such as 401(k) plans or individual retirement accounts), financial institutions, shareholders holding our shares as part of a hedge, straddle, or conversion transaction, entities that are not organized under the laws of the United States or a political subdivision thereof, and persons who are neither citizens nor residents of the United States. This summary assumes that investors hold our common shares as capital assets (within the meaning of the Code). Please consult your tax advisor about U.S. federal, state, local, foreign or other tax laws applicable to you, as the tax consequences to an investor in our common shares will depend on the facts of his, her or its particular situation.



Table of Contents**Taxation of the Company**

We have elected to be treated as a RIC under Subchapter M of the Code and intend each year to qualify and to be eligible to be treated as such.

In order to qualify for the special tax treatment accorded RICs and their shareholders, we must, among other things:

- (i) derive at least 90% of our gross income for each taxable year from: (a) dividends, interest (including tax-exempt interest), payments with respect to certain securities loans, gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including but not limited to gains from options, futures and forward contracts) derived with respect to our business of investing in such stock, securities or foreign currencies; and (b) net income derived from interests in “qualified publicly traded partnerships”;
- (ii) diversify our holdings so that, at the end of each quarter of our taxable year, (a) at least 50% of the market value of our total assets consists of cash and cash items, U.S. government securities, the securities of other RICs and other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of our total assets and not more than 10% of the outstanding voting securities of such issuer, and (b) not more than 25% of the value of our total assets is invested, including through corporations in which we own a 20% or more voting stock interest, (x) in the securities (other than U.S. government securities and the securities of other RICs) of any one issuer or of two or more issuers that we control, as determined under applicable Code rules, and that are determined to be engaged in the same business or similar or related trades or businesses, or (y) in the securities of one or more “qualified publicly traded partnerships”; and
- (iii) distribute to our shareholders with respect to each taxable year at least 90% of the sum of our “investment company taxable income” (as that term is defined in the Code, without regard to the deduction for dividends paid—generally taxable ordinary income and the excess, if any, of net short-term capital gains over net long-term capital losses) and any net tax-exempt interest income (the excess of our gross tax-exempt interest over certain disallowed deductions), for such year, in a manner qualifying for the dividends paid deduction.

If we qualify as a RIC (i.e., satisfy the source of income and diversification requirements described in (i) and (ii) above) and satisfy the annual distribution requirement described in (iii) above, we will not be subject to U.S. federal income tax on income distributed in a timely manner to our shareholders in the form of dividends (including Capital Gain Dividends, as defined below).

If, for any taxable year, we were to fail to meet the income, diversification or distribution tests described above, we could in some cases cure such failure, including by paying a corporate-level tax, paying interest, making additional distributions or disposing of certain assets. If we were ineligible to or otherwise did not cure any such failure for any year, or if we were otherwise to fail to qualify as a RIC accorded special tax treatment for such year, we would be subject to tax on our taxable income at corporate rates, and all distributions from earnings and profits, including any distributions of net long-term capital gains, would be taxable to shareholders as ordinary income. Some portions of such distributions might be eligible for the dividends-received deduction in the case of corporate shareholders and might be eligible to be treated as “qualified dividend income” and thus taxable at the lower long-term capital gain rate in the case of shareholders taxed at individual rates, provided, in both cases, the shareholder met certain holding period and other requirements in respect of our shares (as described below). In addition, we might be required to recognize unrealized gains, pay substantial taxes and interest and make substantial distributions before requalifying as a RIC.

We intend to distribute at least annually to our shareholders all or substantially all of our investment company taxable income (computed without regard to the dividends-paid deduction) and, in general, our net capital gain (that is, the excess of net long-term capital gain over net short-term capital loss, in each case

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determined with reference to any loss carryforwards). Any investment company taxable income we retain will be subject to a corporate-level tax at regular corporate rates. We may also retain for investment our net capital gain. If we retain any net capital gain, it will be subject to corporate-level tax at regular corporate rates on the amount retained, but we may designate the retained amount as undistributed capital gains in a timely notice to our shareholders who would then, in turn, be (i) required to include in income for U.S. federal income tax purposes, as long-term capital gain, their shares of such undistributed amount, and (ii) entitled to credit their proportionate shares of the tax we paid on such undistributed amount against their U.S. federal income tax liabilities, if any, and to claim refunds on a properly-filed U.S. tax return to the extent the credit exceeds such liabilities. If we make this designation, for U.S. federal income tax purposes, the tax basis of shares owned by one of our shareholders would be increased by an amount equal to the difference between the amount of undistributed capital gains included in the shareholder's gross income under clause (i) of the preceding sentence and the tax deemed paid by the shareholder under clause (ii) of the preceding sentence. We are not required to, and there can be no assurance we will, make this designation if we retain all or a portion of our net capital gain in a taxable year.

In determining its net capital gain, including in connection with determining the amount available to support a Capital Gain Dividend (as defined below), its taxable income, and its earnings and profits, a RIC generally may elect to treat part or all of any post-October capital loss (defined as any net capital loss attributable to the portion of the taxable year after October 31 or, if there is no such loss, the net long-term capital loss or net short-term capital loss attributable to such portion of the taxable year) or late-year ordinary loss (generally, the sum of its net ordinary loss from the sale, exchange or other taxable disposition of property, attributable to the portion of the taxable year after October 31, as if incurred in the succeeding taxable year.

If in a calendar year we fail to distribute at least an amount equal to the sum of 98% of our ordinary income for such year and 98.2% of our capital gain net income (adjusted for certain ordinary losses) for the one-year period ending on October 31 of such year (unless an election is made to use our taxable year), plus any such undistributed amounts from the prior year, we will be subject to a nondeductible 4% excise tax on the undistributed amounts. For purposes of the required excise tax distribution, a RIC's ordinary gains and losses from the sale, exchange or other taxable disposition of property that would otherwise be taken into account after October 31 of a calendar year generally (unless an election is made to use our taxable year) are treated as arising on January 1 of the following calendar year. Also, for these purposes, we will be treated as having distributed any amount on which we have been subject to corporate income tax in the taxable year ending with the calendar year. We reserve the right to pay the excise tax when circumstances warrant.

We are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our qualification as a RIC, including the diversification test described above. If we dispose of assets in order to meet the distribution test described above or to avoid the excise tax on undistributed amounts, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

We are not permitted to deduct capital losses in excess of capital gains ("net capital losses") against our net investment income. Instead, potentially subject to certain limitations, we may carry net capital losses from any taxable year forward to subsequent taxable years to offset capital gains, if any, realized during such subsequent taxable year. Capital loss carryforwards are reduced to the extent they offset current-year net realized capital gains, whether we retain or distribute such gains. Net capital losses will be carried forward to one or more subsequent taxable years without expiration to offset capital gains realized during such subsequent taxable years; any such carryforward losses will retain their character as short-term or long-term.

Our ability to use net capital losses may be limited following the occurrence of certain (i) acquisitive reorganizations and (ii) shifts in the ownership of our shares by a shareholder owning or treated as owning 5% or

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more of our shares (each, an “ownership change”). The Code may similarly limit our ability to use any of our other capital losses, or ordinary losses, that have accrued but have not been recognized (i.e., “built-in” losses) at the time of an ownership change to the extent they are realized within the five-year period following the ownership change.

**Distributions to Shareholders**

Distributions not in excess of our current and accumulated earnings and profits are taxable to shareholders even if we paid them from income or gains, we earned before a shareholder invested in our shares (and such income and gains thus were included in the price the shareholder paid for its shares). Such distributions are taxable whether shareholders receive them in cash or reinvest them in additional shares through our distribution reinvestment plan. A shareholder who reinvests such distributions in shares through our distribution reinvestment plan will be treated as having received a dividend equal to the fair market value of the new shares issued to the shareholder.

Dividends and other distributions we pay are generally treated under the Code as received by shareholders at the time the dividend or distribution is made. However, a dividend paid to shareholders in January of a year generally is deemed to have been paid by us on December 31 of the preceding year, if the dividend was declared and payable to shareholders of record on a date in October, November or December of that preceding year.

The price of common shares purchased at any time may reflect the amount of a forthcoming distribution. If you purchase common shares just prior to a distribution, you will receive a distribution that will be taxable to you even though it economically represents in part a return of your invested capital.

Your broker or other intermediary will send you information after the end of each year setting forth the amount and tax status of any dividends or other distributions, we pay to you.

For U.S. federal income tax purposes, distributions of investment income are generally taxable as ordinary income. Taxes on distributions of capital gains are determined by how long we have owned or are treated as having owned the investments that generated them, rather than how long a shareholder has owned his or her shares. In general, we will recognize long-term capital gain or loss on investments we have owned (or are deemed to have owned) for more than one year, and short-term capital gain or loss on investments we have owned (or are deemed to have owned) for one year or less. Distributions of net capital gain that we properly report as capital gain dividends (“Capital Gain Dividends”) will generally be taxable to shareholders as long-term capital gains. Distributions from capital gains are generally made after applying any available capital loss carryforwards. Distributions of net short-term capital gain (that is, the excess of net short-term capital gain over net long-term capital loss) will generally be taxable to shareholders receiving such distributions as ordinary income. Distributions of investment income we report as derived from “qualified dividend income” will be taxed in the hands of individuals at the rates applicable to long-term capital gain, provided holding period and other requirements are met at both the shareholder and corporate level. We do not expect a significant portion of our distributions to be derived from qualified dividend income.

In order for some portion of the dividends received by one of our shareholders to be qualified dividend income, we must meet holding period and other requirements with respect to some portion of the dividend-paying stocks in our portfolio and the shareholder must meet holding period and other requirements with respect to our shares. In general, a dividend will not be treated as qualified dividend income (at either the corporate or shareholder level) (1) if the dividend is received with respect to any share of stock held for fewer than 61 days during the 121-day period beginning on the date which is 60 days before the date on which such share becomes ex-dividend with respect to such dividend (or, in the case of certain preferred stock, 91 days during the 181-day period beginning 90 days before such date), (2) to the extent that the recipient is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property, (3) if the recipient elects to have the dividend income treated as investment income for

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purposes of the limitation on deductibility of investment interest, or (4) if the dividend is received from a foreign corporation that is (a) not eligible for the benefits of a comprehensive income tax treaty with the United States (with the exception of dividends paid on stock of such a foreign corporation readily tradable on an established securities market in the United States) or (b) treated as a passive foreign investment company.

In general, dividends of net investment income received by our corporate shareholders will qualify for the dividends-received deduction generally available to corporations to the extent of the amount of eligible dividends we receive from domestic corporations for the taxable year. A dividend we receive will not be treated as a qualifying dividend (i) if it has been received with respect to any share of stock that we have held for less than 46 days (91 days in the case of certain preferred stock) during the 91-day period beginning on the date which is 45 days before the date on which such share becomes ex-dividend with respect to such dividend (during the 181-day period beginning 90 days before such date in the case of certain preferred stock) or (ii) to the extent that we are under an obligation (pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. Moreover, the dividends-received deduction may be disallowed or reduced (i) if the corporate shareholder fails to satisfy the foregoing requirements with respect to our shares or (ii) by application of various provisions of the Code (for instance, the dividends-received deduction is reduced in the case of a dividend received on debt-financed portfolio stock (generally, stock acquired with borrowed funds)). We do not expect a significant portion of our distributions to be eligible for this corporate dividends-received deduction.

Any distribution of income that is attributable to (i) income we receive in lieu of dividends with respect to securities on loan pursuant to a securities lending transaction or (ii) dividend income we receive on securities we temporarily purchased from a counterparty pursuant to a repurchase agreement under which for U.S. federal income tax purposes we are treated as a lender, such distribution will not constitute qualified dividend income to individual shareholders and will not be eligible for the dividends-received deduction for corporate shareholders.

Effective for taxable years beginning after December 31, 2017 and before January 1, 2026, the Code generally allows individuals and certain other non-corporate entities a deduction for 20% of “qualified publicly traded partnership income,” such as income from MLPs, and a deduction for 20% of qualified REIT dividends. Recently issued proposed regulations, which are currently in effect, allow a RIC to pass the character of its qualified REIT dividends through to its shareholders provided certain holding period requirements are met. As a result, a shareholder in the Company will be eligible receive the benefit of the same 20% deduction with respect to any qualified REIT dividends included in Company distributions that is available to direct investors in REITs, but a shareholder in the Company will not currently receive the benefit of the 20% deduction with respect to any MLP income included in Company distributions.

The Code generally imposes a 3.8% Medicare contribution tax on the “net investment income” of certain individuals, estates and trusts to the extent their income exceeds certain amounts. Net investment income generally includes for this purpose dividends we pay, including any capital gain dividends and net capital gains recognized on the sale or exchange of our shares. Shareholders are advised to consult their tax advisors regarding the possible implications of this additional tax on their investment with us.

If for any taxable year we were not a “publicly offered” RIC within the meaning of Code Section 67(c)(2)(B), certain of our direct and indirect expenses, including the management fee, the incentive fee and certain other advisory expenses, would be subject to special “pass-through” rules. Such rules would treat these expenses as additional dividends to certain of our direct or indirect shareholders (generally including other RICs that are not “publicly offered,” individuals and entities that compute their taxable income in the same manner as an individual) and, under current law, are not deductible by those shareholders that are individuals (or entities that compute their taxable income in the same manner as an individual).

**Table of Contents****Return of Capital Distributions**

If, for any taxable year, our total distributions exceed both current and accumulated earnings and profits, the excess will generally be treated as a tax-free return of capital up to the amount of your tax basis in our shares. The amount treated as a tax-free return of capital will reduce your tax basis in our shares, thereby increasing your potential gain or reducing your potential loss on the subsequent sale of our shares. Any amounts distributed to you in excess of your tax basis in our shares will be taxable to you as capital gain.

Distributions we pay with respect to our shares are generally subject to U.S. federal income tax as described herein to the extent they do not exceed our realized income and gains, even though such dividends and distributions may economically represent a return of a particular shareholder's investment. Such distributions are likely to occur in respect of shares purchased at a time when our net asset value reflects either unrealized gains, or realized but undistributed income or gains, that were therefore included in the price the shareholder paid. Such distributions may reduce the value of our shares below the shareholder's cost basis in those shares. As described above, we are required to distribute realized income and gains regardless of whether our net asset value also reflects unrealized losses.

**Tax Implications of Certain Investments**

Some debt obligations with a fixed maturity date of more than one year from the date of issuance that we acquire in the secondary market may be treated as having "market discount." Very generally, market discount is the excess of the stated redemption price of a debt obligation (or in the case of an obligation issued with OID (as defined below), its "revised issue price") over the purchase price of such obligation. Subject to the discussion below regarding Section 451 of the Code, generally, any gain recognized on the disposition of, and any partial payment of principal on, a debt obligation having market discount is treated as ordinary income to the extent the gain, or principal payment, does not exceed the "accrued market discount" on such debt obligation. Alternatively, a holder may elect to accrue market discount currently. As of the date of this prospectus, we have made this election, and therefore we are required to include currently any accrued market discount on such debt obligations in our taxable income (as ordinary income) and thus distribute it over the terms of the obligations, even though payment of those amounts is not received until a later time, upon partial or full repayment or disposition of the applicable debt obligations. We reserve the right to revoke this election at any time pursuant to applicable IRS procedures. The rate at which market discount accrues, and thus is included in our income, will depend upon which of the permitted accrual methods we elect.

In addition, some debt obligations with a fixed maturity date of more than one year from the date of issuance (and zero-coupon debt obligations with a fixed maturity date of more than one year from the date of issuance) that we originate or acquire will be treated as debt obligations that are issued originally at a discount. Generally, the amount of the original issue discount ("OID") is treated as interest income and is included in taxable income (and we are required to distribute it) over the term of the debt obligation, even though payment of that amount is not received until a later time, upon partial or full repayment or disposition of the debt obligation. In addition, payment-in-kind ("PIK") securities we originate or acquire will give rise to income which is required to be distributed and is taxable even though we receive no interest payment in cash on the security during the year in which the income was accrued.

Some debt obligations with a fixed maturity date of one year or less from the date of issuance that we originate or acquire may be treated as having OID or, in certain cases, "acquisition discount" (very generally, the excess of the stated redemption price over the purchase price). Generally, we will be required to include the OID or acquisition discount in income (as ordinary income) over the term of the debt obligation and thus distribute it over the term of the debt obligation, even though payment of that amount is not received until a later time, upon partial or full repayment or disposition of the debt obligation. The rate at which OID or acquisition discount accrues, and thus is included in our income, will depend upon which of the permitted accrual methods we elect.

Some preferred securities may include provisions that permit the issuer, at its discretion, to defer the payment of distributions for a stated period without any adverse consequences to the issuer. If we own a



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preferred security that is deferring the payment of its distributions, we may be required to report income for U.S. federal income tax purposes to the extent of any such deferred distribution even though we have not yet actually received the cash distribution.

As a result of holding the foregoing kinds of obligations, we may be required to pay out as an income distribution each year an amount which is greater than the total amount of cash interest (or dividends in the case of preferred securities) we actually received. Such distributions may be made from, among other things, our cash assets or cash generated from our liquidation of portfolio securities. We may realize gains or losses from such liquidations. In the event we realize net long-term or short-term capital gains from such transactions, our shareholders may receive a larger capital gain or ordinary dividend, respectively, than they would in the absence of such transactions.

Investments in distressed debt obligations that are at risk of or in default present special tax issues. Tax rules are not entirely clear about issues such as whether and to what extent we should recognize market discount on these debt obligations; when we may cease to accrue interest, OID or market discount; when and to what extent we may take deductions for bad debts or worthless securities; and how we should allocate payments received on obligations in default between principal and income. We will address these and other related issues when, as and if we invest in such obligations, in order to seek to ensure that we distribute sufficient income to preserve our eligibility for treatment as a RIC and do not become subject to U.S. federal income or excise tax.

A portion of the OID accrued on certain high-yield discount obligations we own may not be deductible to the issuer and will instead be treated as a dividend paid by the issuer for purposes of the dividends-received deduction. In such cases, if the issuer of the obligation is a domestic corporation, dividend payments we make may be eligible for the dividends-received deduction to the extent of the deemed dividend portion of such OID.

Our transactions in foreign currencies, foreign currency-denominated debt obligations and certain foreign currency options, futures contracts and forward contracts (and similar instruments) may give rise to ordinary income or loss to the extent such income or loss results from fluctuations in the value of the foreign currency concerned. Such ordinary income treatment may accelerate our distributions to shareholders and increase the distributions taxed to shareholders as ordinary income. We cannot carry forward any net ordinary losses so created to offset income or gains earned in subsequent years.

Special tax rules may change the treatment of gains and losses we recognize when we make certain investments outside the United States. The application of these special rules may accelerate or increase our recognition of ordinary income or loss, and affect the timing, amount and/or character of our distributions. In addition, dividend, interest, capital gains and other income we receive from investments outside the United States may be subject to withholding and other taxes imposed by foreign countries. Tax treaties between the United States and other countries may reduce or eliminate such taxes. We do not expect that we will be eligible to elect to treat any foreign taxes we pay as paid by our shareholders, and therefore shareholders will not be entitled to claim a credit or deduction for such taxes on their own tax returns. Foreign taxes we pay or are withheld from us will reduce the return from our underlying investments.

Some of our investments outside the United States, including our CLO investments, may be treated as investments in passive foreign investment companies ("PFICs"), as defined below, and could subject us to U.S. federal income tax (including interest charges) on distributions received from a PFIC or on proceeds received from the disposition of shares in a PFIC, which tax cannot be eliminated by making distributions to our shareholders. However, we may elect to avoid the imposition of that tax. For example, we may elect to treat a PFIC as a "qualified electing fund" ("QEF") (i.e., make a "QEF election"), in which case we will be required to include our share of the PFIC's income and net capital gain annually, regardless of whether it receives any distribution from the PFIC. Alternatively, we may elect to mark the gains (and to a limited extent the losses) in such holdings "to the market" as though we had sold (and, solely for purposes of this mark-to-market election, repurchased) our holdings in those PFICs on the last day of our taxable year. Such gains and losses are treated as

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ordinary income and loss. The QEF and mark-to-market elections may have the effect of accelerating the recognition of income (without the receipt of cash) and increasing the amount required to be distributed for us to avoid taxation. Making either of these elections therefore may require us to liquidate other investments (including when it is not advantageous to do so) to meet our distribution requirement, which also may accelerate the recognition of gain and affect our total return. Dividends paid by PFICs will not be eligible to be treated as qualified dividend income. In addition, whether a foreign corporation is a PFIC is not always entirely clear. Therefore, there is a risk, for example, that we may not realize that a foreign corporation in which we invest is a PFIC for U.S. federal tax purposes and thus we may fail to timely make a QEF or mark-to-market election in respect of that corporation, in which event we could be subject to the U.S. federal income taxes and interest charges described above.

A PFIC is any foreign corporation in which (i) 75% or more of the gross income for the taxable year is passive income, or (ii) the average percentage of the assets (generally by value, but by adjusted tax basis in certain cases) that produce, or are held for the production of, passive income is at least 50%. Generally, passive income for this purpose means dividends, interest (including income equivalent to interest), royalties, rents, annuities, the excess of gains over losses from certain property transactions and commodities transactions, income from certain notional principal contracts, and foreign currency gains. Passive income for this purpose does not include rents and royalties received by the foreign corporation from active business and certain income received from related persons.

If we own (directly or indirectly) 10% or more of the total combined voting power of all classes of stock of a foreign corporation or 10% or more of the total value of shares of all classes of stock of a foreign corporation that is treated as a controlled foreign corporation ("CFC") (including equity tranche investments and certain debt tranche investments in a CLO treated as CFC), we are a "U.S. Shareholder" for purposes of the CFC provisions of the Code. A CFC is a foreign corporation that, on any day of its taxable year, is owned (directly, indirectly, or constructively) more than 50% (measured by voting power or value) by U.S. Shareholders. A U.S. Shareholder is required to include in gross income for U.S. federal income tax purposes for each taxable year of the U.S. Shareholder its pro rata share of its CFC's "subpart F income" for the CFC's taxable year ending within the U.S. Shareholder's taxable year whether or not such income is actually distributed by the CFC. Subpart F income generally includes interest, OID, dividends, net gains from the disposition of stocks or securities, net gains from transactions (including futures, forward, and similar transactions) in commodities, receipts with respect to securities loans, and net payments received with respect to equity swaps and similar derivatives. Subpart F income is treated as ordinary income, regardless of the character of the CFC's underlying income. To the extent we invest in CFCs, if any, and recognize subpart F income in excess of actual cash distributions from such CFCs, if any, we may be required to sell assets (including when it is not advantageous to do so) to generate the cash necessary to distribute as dividends to our shareholders all of our income and gains and therefore to eliminate any corporate-level tax liability.

We may make certain investments through one or more wholly-owned entities treated as corporations for U.S. federal income tax purposes. Such corporations may be required to pay U.S. federal, state and local corporate income or other tax on their earnings, which ultimately will reduce the return on our underlying investments.

Income we realize from or the proceeds of dispositions of our non-U.S. investments may be subject to non-U.S. withholding or other taxes. We may otherwise be subject to non-U.S. taxation on repatriation proceeds generated from those investments or to other transaction-based non-U.S. taxes on those investments. Those withholding taxes or other taxes as well as any U.S. withholding taxes applicable to our investments, including in respect of investments in our wholly-owned subsidiaries, if any, will reduce the return on our investments.

Our derivative transactions, as well as any of our other hedging, short sale or similar transactions, may be subject to one or more special tax rules (including, for instance, notional principal contract, mark-to-market, constructive sale, straddle, wash sale and short-sale rules). These rules may affect whether gains and losses we



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recognize are treated as ordinary or capital and/or as short-term or long-term, accelerate our recognition of income or gains, defer losses, and cause adjustments in the holding periods of our securities. The rules could therefore affect the amount, timing and/or character of our distributions to shareholders.

Because the tax rules applicable to derivative financial instruments are in some cases uncertain under current law, an adverse determination or future guidance by the IRS with respect to these rules (which determination or guidance could be retroactive) may affect whether we have made sufficient distributions, and otherwise satisfied the relevant requirements, to maintain our qualification as a RIC and avoid a corporate-level tax.

Certain of our derivative transactions and investments in foreign currency-denominated instruments, and any of our transactions in foreign currencies and hedging activities, are likely to produce a difference between our book income and the sum of our taxable income and net tax-exempt income (if any). If such a difference arises, and our book income is less than the sum of our taxable income and net tax-exempt income (if any), we could be required to make distributions exceeding book income to qualify as a RIC that is accorded special tax treatment and to avoid a corporate-level tax. In the alternative, if our book income exceeds the sum of our taxable income and net tax-exempt income (if any), the distribution (if any) of such excess generally will be treated as (i) a dividend to the extent of our remaining earnings and profits (including earnings and profits arising from any tax-exempt income), (ii) thereafter, as a return of capital to the extent of the recipient's basis in its shares, and (iii) thereafter, as gain from the sale or exchange of a capital asset.

Pursuant to a notice issued by the IRS and Treasury Regulations that have yet to be issued but may apply retroactively, a portion of our income (including income allocated from certain pass-through entities) that is attributable to a residual interest in a real estate mortgage investment conduit or taxable mortgage pool (referred to in the Code as an "excess inclusion") will be subject to U.S. federal income tax in all events. This notice also provides, and the regulations are expected to provide, that excess inclusion income of a RIC will be allocated to shareholders of the RIC in proportion to the dividends received by such shareholders, with the same consequences as if the shareholders held the related interest directly. As a result, to the extent we invest in any such interests, it may not be a suitable investment for certain tax-exempt shareholders. Although we do not expect to make investments that generate or pass-through excess inclusion income in the manner described above, we may make such investments, and may need to make certain elections set forth in the IRS notice governing such matters.

In general, excess inclusion income allocated to shareholders (i) cannot be offset by net operating losses (subject to a limited exception for certain thrift institutions), (ii) will constitute unrelated business taxable income ("UBTI") to entities (including a qualified pension plan, an individual retirement account, a 401(k) plan, a Keogh plan or other tax-exempt entity) subject to tax on UBTI, thereby potentially requiring such an entity that is allocated excess inclusion income, and otherwise might not be required to file a U.S. federal income tax return, to file such a tax return and pay tax on such income, and (iii) in the case of a non-U.S. shareholder, will not qualify for any reduction in U.S. federal withholding tax. A shareholder will be subject to U.S. federal income tax on such inclusions notwithstanding any exemption from such income tax otherwise available under the Code.

Our ability to pursue our investment strategy, including a strategy focused on investments in CLOs, certain debt instruments and the generation of fee income, may be limited by our intention to qualify as a RIC and our strategy may bear adversely on our ability to so qualify.

**Backup Withholding**

Your broker or other intermediary may be required to withhold, for U.S. federal backup withholding tax purposes, a portion of the dividends, distributions and redemption proceeds payable to a non-corporate shareholder who fails to provide the broker or other intermediary with the shareholder's correct taxpayer identification number (in the case of an individual, generally, such individual's social security number) or to

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make the required certification, or who has been notified by the IRS that such shareholder is subject to backup withholding. Certain shareholders are exempt from backup withholding. Backup withholding is not an additional tax and any amount withheld may be refunded or credited against your U.S. federal income tax liability, if any, provided that you furnish the required information to the IRS.

**Sale or Exchange of Our Shares**

If you sell or otherwise dispose of our common shares, you will generally recognize a gain or loss in an amount equal to the difference between your tax basis in such shares and the amount you receive in exchange for such shares. Any such gain or loss generally will be long-term capital gain or loss if you have held (or are treated as having held) such shares for more than one year at the time of sale. All or a portion of any loss you realize on a taxable sale or exchange of your shares will be disallowed if you acquire other shares from us (whether through the automatic reinvestment of dividends or otherwise) within a 61-day period beginning 30 days before and ending 30 days after your sale or exchange of our shares. In such case, the basis of the shares acquired will be adjusted to reflect the disallowed loss. In addition, any loss realized upon a taxable sale or exchange of our shares held (or deemed held) by you for six months or less will be treated as long-term, rather than short-term, to the extent of any capital gain dividends received (or deemed received) by you with respect to those shares.

You may be entitled to offset your Capital Gain Dividends with capital loss. The Code contains a number of statutory provisions affecting the circumstances under which capital loss may be offset against capital gain and limiting the use of loss from certain investments and activities. Accordingly, if you have capital losses, we urge you to consult your tax advisor.

Upon the sale or exchange of our common shares, your broker or other intermediary generally will be required to provide you and the IRS with cost basis and certain other related tax information about the shares you sold or exchanged. This cost basis reporting requirement is effective for shares purchased, including through dividend reinvestment. Please consult your broker or other intermediary for more information regarding available methods for cost basis reporting and how to select a particular method. Please consult your tax advisor to determine which available cost basis method is best for you.

When we make a tender offer for our shares (as described in “Share Repurchase Program”) and you tender all common shares you hold, or are considered to be holding, and you do not hold (directly or by attribution) any other units of our shares (e.g., preferred shares, if any), you will be treated as having sold your shares and generally will realize a capital gain or loss. If you tender fewer than all of your common shares or continue to hold (directly or by attribution) other units of our shares (e.g., preferred shares, if any), there is some risk that you may be treated as having received a distribution under Section 301 of the Code (“Section 301 distribution”) unless the redemption is treated as being either (i) “substantially disproportionate” or (ii) otherwise “not essentially equivalent to a dividend” under the relevant rules of the Code. A Section 301 distribution is not treated as a sale or exchange giving rise to a capital gain or loss, but rather is treated as a dividend to the extent supported by our current and accumulated earnings and profits, with the excess treated as a return of capital reducing your tax basis in Company shares, and thereafter as capital gain. Where a redeeming shareholder is treated as receiving a dividend, there is a risk that non-tendering shareholders whose interests in the Company increase as a result of such tender will be treated as having received a taxable distribution from us. Dividend treatment of a tender would also affect the amount and character of income that we are required to distribute for the year in which the redemption occurred. It is possible that such a dividend would qualify as “qualified dividend income”; otherwise, it would be taxable as ordinary income. To the extent we recognize net gains on the liquidation of portfolio securities to meet such tenders, we will be required to make additional distributions to our common shareholders.

**Non-U.S. Shareholders**

Distributions we pay to shareholders that are not “U.S. persons” within the meaning of the Code (“foreign shareholders”) and that we properly report as (1) Capital Gain Dividends, (2) interest-related dividends, and

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(3) short-term capital gain dividends, each as defined below and subject to certain conditions described below, generally are not subject to withholding of U.S. federal income tax.

In general, the Code defines (1) “short-term capital gain dividends” as distributions of net short-term capital gains in excess of net long-term capital losses and (2) “interest-related dividends” as distributions from U.S. source interest income of types similar to those not subject to U.S. federal income tax if earned directly by an individual foreign shareholder, in each case to the extent such distributions are properly reported as such by us in a written notice to shareholders. The exceptions to withholding for Capital Gain Dividends and short-term capital gain dividends do not apply to (A) distributions to an individual foreign shareholder who is present in the United States for a period or periods aggregating 183 days or more during the year of the distribution and (B) distributions attributable to gain that is treated as effectively connected with the conduct by the foreign shareholder of a trade or business within the United States under special rules regarding the disposition of U.S. real property interests. The exception to withholding for “interest-related dividends” does not apply to distributions to a foreign shareholder (A) that has not provided a satisfactory statement that the beneficial owner is not a U.S. person, (B) to the extent that the dividend is attributable to certain interest on an obligation if the foreign shareholder is the issuer or is a 10% shareholder of the issuer, (C) that is within certain foreign countries that have inadequate information exchange with the United States, or (D) to the extent the dividend is attributable to interest paid by a person that is a related person of the foreign shareholder and the foreign shareholder is a controlled foreign corporation. We are permitted to report such part of our dividends as interest-related and/or short-term capital gain dividends as are eligible, but are not required to do so. In the case of shares held through an intermediary, the intermediary may withhold even if we report all or a portion of a payment as an interest-related or short-term capital gain dividend to shareholders.

Foreign shareholders should contact their intermediaries regarding the application of these rules to their accounts.

Distributions to foreign shareholders other than Capital Gain Dividends, interest-related dividends, and short-term capital gain dividends (e.g., dividends attributable to dividend and foreign-source interest income or to short-term capital gains or U.S. source interest income to which the exception from withholding described above does not apply) are generally subject to withholding of U.S. federal income tax at a rate of 30% (or lower applicable treaty rate).

A foreign shareholder is not, in general, subject to U.S. federal income tax on gains (and is not allowed a deduction for losses) realized on the sale of our shares unless (i) such gain is effectively connected with the conduct of a trade or business carried on by such holder within the United States, (ii) in the case of an individual holder, the holder is present in the United States for a period or periods aggregating 183 days or more during the year of the sale and certain other conditions are met, or (iii) certain special rules relating to gain attributable to the sale or exchange of U.S. real property interests apply to the foreign shareholder’s sale of our shares.

Foreign shareholders with respect to whom income from us is effectively connected with a trade or business conducted by the foreign shareholder within the United States will in general be subject to U.S. federal income tax on the income derived from us at the graduated rates applicable to U.S. citizens, residents or domestic corporations, whether such income is received in cash or reinvested in additional units of our shares and, in the case of a foreign corporation, may also be subject to a branch profits tax. If a foreign shareholder is eligible for the benefits of a tax treaty, any effectively connected income or gain will generally be subject to U.S. federal income tax on a net basis only if it is also attributable to a permanent establishment maintained by the shareholder in the United States. More generally, foreign shareholders who are residents of a country with an income tax treaty with the United States may obtain different tax results than those described herein and are urged to consult their tax advisors.

In order to have qualified for any exemption from withholding described above (to the extent applicable) or for lower withholding tax rates under income tax treaties, or to establish an exemption from backup withholding,

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a foreign shareholder must have complied with applicable certification and filing requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN, Form W-8BEN-E or substitute form). Foreign shareholders should contact their tax advisors in this regard.

Special rules (including withholding and reporting requirements) apply to foreign partnerships and those holding our shares through foreign partnerships. Additional considerations may apply to foreign trusts and estates. Investors holding our shares through foreign entities should consult their tax advisors.

A foreign shareholder may be subject to state and local tax and to the U.S. federal estate tax in addition to the U.S. federal tax on income referred to above.

**Other Reporting and Withholding Requirements**

Sections 1471-1474 of the Code, and the U.S. Treasury Regulations and IRS guidance issued thereunder (collectively, "FATCA"), generally require us to obtain information sufficient to identify the status of each of our shareholders under FATCA or under an applicable intergovernmental agreement (an "IGA"). If a shareholder fails to provide the required information or otherwise fails to comply with FATCA or an IGA, we or our agent may be required to withhold under FATCA 30% of ordinary dividends that we pay to that shareholder and, after December 31, 2018, 30% of the gross proceeds of the sale, redemption or exchange of our shares and certain capital gain dividends we pay to that shareholder. If we make a payment that is subject to FATCA withholding, we, or our agent, are required to withhold even if the payment would otherwise be exempt from withholding under rules applicable to non-U.S. shareholders (e.g., Capital Gain Dividends, short-term capital gain dividends and interest-related dividends). You are urged to consult your tax advisor regarding the applicability of FATCA and any other reporting requirements. In addition, foreign countries are considering, and may implement, laws similar in purpose and scope to FATCA.

**The discussions set forth herein do not constitute tax advice, and you are urged to consult your own tax adviser to determine the specific U.S. federal, state, local and foreign tax consequences to you of investing with us.**

**Item 1A. Risk Factors.**

*Before you invest in our shares you should be aware of various risks associated with an investment in shares of our common stock, as well as risks generally associated with investment in a company with investment objectives, investment policies, capital structure or trading markets similar to ours. You should carefully consider these risk factors, together with all of the other information included in this annual report on Form 10-K and the other reports and documents filed by us with the SEC before you decide whether to make an investment in our common stock. The risks set out below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or results of operations. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment.*

Geopolitical concerns and other global events, including, without limitation, trade conflict, national and international political circumstances (including wars, terrorist acts or security operations) and pandemics or other severe public health events, have contributed and may continue to contribute to volatility in global equity and debt markets. Such concerns have contributed and may continue to contribute to volatility in global equity and debt markets.

An outbreak of respiratory disease caused by a novel coronavirus was first detected in China in December 2019 and subsequently spread internationally. This coronavirus has resulted in the closing of borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general anxiety and economic uncertainty.

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It is not known how long any negative impacts, or any future impacts of other significant events such as a substantial economic downturn, will last. Health crises caused by outbreaks of disease, such as the coronavirus, may exacerbate other pre-existing political, social and economic risks. This outbreak, and other epidemics and pandemics that may arise in the future, could negatively affect the global economy, as well as the economies of individual countries, individual companies and the market in general in significant and unforeseen ways. For example, a widespread health crisis such as a global pandemic could cause substantial market volatility, exchange trading suspensions and closures, and impact a Company's ability to complete repurchase requests. Any such impact could adversely affect a Company's performance, the performance of the securities in which a Company invests, lines of credit available to a Company and may lead to losses on your investment in a Company. In addition, the increasing interconnectedness of markets around the world may result in many markets being affected by events or conditions in a single country or region or events affecting a single or small number of issuers.

The United States responded to the coronavirus pandemic and resulting economic distress with fiscal and monetary stimulus packages, including the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") passed in late March 2020. The CARES Act provides for over \$2.2 trillion in resources to small businesses, state and local governments, and individuals that have been adversely impacted by the COVID-19 pandemic. In mid-March 2020, the Fed cut interest rates to historically low levels and announced a new round of quantitative easing, including purchases of corporate and municipal government bonds. The Fed also enacted various programs to support liquidity operations and funding in the financial markets, including expanding its reverse repurchase agreement operations, which added \$1.5 trillion of liquidity to the banking system; establishing swap lines with other major central banks to provide dollar funding; establishing a program to support money market funds; easing various bank capital buffers; providing funding backstops for businesses to provide bridging loans for up to four years; and providing funding to help credit flow in asset-backed securities markets. In addition, the Fed plans to extend credit to small and medium-sized businesses. There is no assurance that the U.S. government's support in response to COVID-19 economic distress will offset the adverse impact to securities in which the Company may invest and future governmental support is not guaranteed.

In addition to the factors described above, other factors described herein that may affect market, economic and geopolitical conditions, and thereby adversely affect our business include, without limitation:

- economic slowdown in the U.S. and internationally;
- changes in interest rates and/or a lack of availability of credit in the U.S. and internationally;
- commodity price volatility; and
- changes in law and/or regulation, and uncertainty regarding government and regulatory policy.

**Risks Relating to our Business and Structure****Operating under the constraints imposed on us as a BDC and RIC may hinder the achievement of our investment objective.**

The 1940 Act and the Code impose numerous constraints on the operations of business development companies and RICs that do not apply to certain other investment vehicles managed by the Adviser and its affiliates. Business development companies are required, for example, to invest at least 70% of their total assets primarily in securities of U.S. private or thinly traded public companies, cash, cash equivalents, U.S. government securities and other high-quality debt instruments that mature in one year or less from the date of investment. Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as qualifying assets only if such issuer has a common equity market capitalization that is less than \$250 million at the time of such investment. In addition, qualification for the special tax treatment accorded RICs and their shareholders requires satisfaction of source-of-income, asset diversification and distribution requirements. We and our Adviser have limited



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experience operating under the constraints applicable to BDCs, which may hinder our ability to take advantage of attractive investment opportunities and to achieve our investment objective. As a result, we cannot assure you that our Adviser will be able to operate our business successfully under these constraints. Any failure to do so could subject us to enforcement action by the SEC, cause us to fail to satisfy the requirements for qualifying to be treated as a RIC, cause us to fail the 70% test described above or otherwise have a material adverse effect on our business, financial condition or results of operations.

We may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could violate the 1940 Act provisions applicable to business development companies and possibly lose our status as a BDC, which would have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inopportune times in order to comply with the 1940 Act. If we need to dispose of such investments quickly, it may be difficult to do so on favorable terms, or at all. For example, we may have difficulty finding a buyer and, even if we do find a buyer, we may have to sell such investments for less than we could have received if we were able to sell them at a later time.

**We depend upon key personnel of the Adviser and its affiliates.**

We are an externally managed BDC and therefore we do not have any internal management capacity or employees. We will depend on the diligence, skill and network of business contacts of the Adviser to achieve our investment objective. We expect the Adviser to evaluate, negotiate, structure, close and monitor our investments in accordance with the terms of the Investment Advisory Agreement.

We depend upon the senior professionals of the Adviser to maintain relationships with potential sources of lending opportunities, and we intend to rely heavily upon these relationships to provide us with potential investment opportunities. We cannot assure you that these individuals will continue to indirectly provide investment advice to us. We do not intend to purchase any "key person" insurance coverage respecting such investment personnel. If these individuals do not maintain their existing relationships with our Adviser, maintain existing relationships or develop new relationships with other sources of investment opportunities, we may not be able to grow our investment portfolio. In addition, individuals with whom the senior professionals of our Adviser have relationships are not obligated to provide us with investment opportunities. Therefore, we can offer no assurance that such relationships will generate investment opportunities for us.

**If our Adviser is unable to manage our investments effectively, we may be unable to achieve our investment objective.**

Our ability to achieve our investment objective will depend upon our ability to manage and grow our business. This will depend, in turn, on our Adviser's ability to identify, invest in and monitor companies that meet our investment criteria. The achievement of our investment objective on a cost-effective basis will depend upon our Adviser's execution of our investment process, its ability to provide competent, attentive and efficient services to us and our access to financing on acceptable terms. Our Adviser will have substantial responsibilities under the Investment Advisory Agreement. The personnel of our Adviser are engaged in other business activities and may be called upon to provide managerial assistance to our portfolio companies, either of which could distract them, divert their time and attention such that they could no longer dedicate a significant portion of their time to our businesses or otherwise slow our rate of investment. Any failure to manage our business and our future growth effectively could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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**An investment in our shares is not an investment in existing funds, accounts or other investment vehicles managed by the Adviser or its affiliates except to the extent that we, consistent with the 1940 Act, invest in such entities. Our performance, therefore, is distinct from the prior performance of such entities.**

Our primary focus in making investments generally differs from that of existing investment funds, accounts or other investment vehicles that are or have been managed or sponsored by the Adviser or its affiliates. In addition, investors in our common stock are not acquiring an interest in any such investment funds, accounts or other investment vehicles that are or have been managed or sponsored by the Adviser or its affiliates. While we may consider co-investing in portfolio investments with other investment funds, accounts or investment vehicles managed or sponsored by the Adviser or its affiliates, our ability to make such investments will be limited by the 1940 Act, including, potentially, requiring the prior approval of our independent directors. We and the Adviser have obtained an exemptive order dated April 19, 2016 from the SEC to permit co-investments among the Company and other accounts managed by the Adviser or its affiliates, subject to certain conditions. We may also invest alongside our Adviser's other clients as otherwise permissible under regulatory guidance, applicable regulations and the allocation policy of our Adviser and its affiliates. We also cannot assure you that we will replicate the historical results achieved by the Adviser or its affiliates, and we caution you that our investment returns could be substantially lower than the returns achieved by them in prior periods. Additionally, all or a portion of the prior results may have been achieved in particular market conditions which may never be repeated.

**The highly competitive market for investment opportunities in which we operate may limit our investment opportunities.**

A number of entities compete with us to make the types of investments we plan to make in middle-market companies. We compete with public and private funds, including other business development companies, commercial and investment banks, commercial financing companies, and, to the extent they provide an alternative form of financing, private equity funds. Additionally, as competition for investment opportunities increases, alternative investment vehicles, such as hedge funds, may invest in middle-market companies. As a result of these new entrants, competition for investment opportunities in middle-market companies may intensify. Many of our potential competitors are substantially larger and have access to considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us which could allow them to offer more favorable terms to borrowers. In addition, some of our competitors have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions the 1940 Act imposes on us as a BDC. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective. Participants in our industry compete on several factors, including price, flexibility in transaction structuring, customer service, reputation, market knowledge and speed in decision-making. We will not seek to compete primarily based on the interest rates we offer, and we believe that some of our competitors may make loans with interest rates that are lower than the rates we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. However, if we match our competitors' pricing, terms and structure, we may reduce our net investment income and increase our risk of credit loss.

**The global capital markets are in a period of disruption and instability. These market conditions materially and adversely affected debt and equity capital markets in the United States and abroad, which could have a negative impact on our business, financial condition and results of operations.**

Uncertainties surrounding the sovereign debt of a number of European Union (EU) countries and the viability of the EU have disrupted and may in the future disrupt markets in the United States and around the world. If one or more countries leave the EU or the EU dissolves, the world's securities markets likely will be



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significantly disrupted. In June 2016, the United Kingdom approved a referendum to leave the EU, commonly referred to as “Brexit.” Effective January 31, 2020, the UK ceased to be a member of the EU and, following a transition period during which the EU and the UK Government engaged in a series of negotiations regarding the terms of the UK’s future relationship with the EU, the EU and the UK Government signed an agreement on December 30, 2020 regarding the economic relationship between the UK and the EU. This agreement became effective on a provisional basis on January 1, 2021. There remains significant market uncertainty regarding Brexit’s ramifications, and the range of potential outcomes of possible political, regulatory, economic, and market outcomes are difficult to predict. The uncertainty resulting from the transition period may affect other countries in the EU and elsewhere, cause volatility within the EU, or trigger prolonged economic downturns in certain countries within the EU. In addition, Brexit may create additional and substantial economic stresses for the UK, including a contraction of the UK economy and price volatility in UK stocks, decreased trade, capital outflows, devaluation of the British pound, wider corporate bond spreads due to uncertainty and declines in business and consumer spending as well as foreign direct investment. Brexit may also adversely affect UK-based financial firms that have counterparties in the EU or participate in market infrastructure (trading venues, clearing houses, settlement facilities) based in the EU. These events and resulting market volatility may have an adverse effect on the performance of the Company. Political and military events, including in North Korea, Venezuela, Syria, and other areas of the Middle East, and nationalist unrest in Europe and South America, also may cause market disruptions.

Any return of the U.S. or global economic downturn or a recession period in the United States could adversely impact our investments. In addition, social and political tensions and conflict around the world, and particularly in the Middle East, may continue to contribute to increased market volatility, may have long-term effects on the U.S. and worldwide financial markets and may cause further economic uncertainty or deterioration in the United States and worldwide. We do not know how long the financial markets will continue to be affected by these events and cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets, the global economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so, and we may not timely anticipate or manage existing, new or additional risks, contingencies or developments, including regulatory developments in the current or future market environment.

While these conditions persist, we and other companies in the financial services sector may be required to, or may choose to, seek access to alternative markets for debt and equity capital. Equity capital may be difficult to raise because, subject to certain limited exceptions, as a BDC, we are not generally able to issue and sell our common stock at a price below net asset value per share without first obtaining approval for such issuance from our stockholders and independent directors. In addition, the debt capital that will be available to us, if at all, may be at a higher cost and on terms and conditions that may be less favorable than we expect, which, if incurred, could negatively affect our financial performance and results in the future. In addition, the portfolio companies in which we invest may not be able to service or refinance their debt, which could materially and adversely affect our financial condition, as we could experience reduced income or even losses. The inability to raise capital and the risk of portfolio company defaults may have a negative effect on our business, financial condition and results of operations. Another prolonged period of market illiquidity may also cause us to reduce the volume of loans we originate and/or fund below historical levels and adversely affect the value of our portfolio investments, which could have a material and adverse effect on our business, financial condition and results of operations.

Moreover, recent market conditions have made, and may in the future make, it difficult to extend the maturity of or refinance our existing indebtedness and any failure to do so could have a material adverse effect on our business, financial condition and results of operations. The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments.

Capital markets volatility also affects our investment valuations. While most of our investments will not be publicly traded, applicable accounting standards require us to assume as part of our valuation process that our

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investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). As a result, volatility in the capital markets can adversely affect our valuations.

**We have elected to be treated as a RIC and intend each year to qualify and to be eligible to be treated as such. If we fail to qualify for treatment as a RIC, we will, among other things, be subject to corporate-level income tax.**

We have elected to be treated as a RIC under Subchapter M of the Code and intend each year to qualify and be eligible to be treated as such. In order to qualify for the special tax treatment accorded RICs and their shareholders, we must meet certain gross income, diversification and distribution requirements. A RIC generally is not subject to tax at the corporate level on income and gains from investments that are timely distributed to shareholders. Our ability to pursue our investment strategy, including a strategy focused on investments in CLOs, certain debt instruments and the generation of fee income, may be limited or adversely affected by our intention to qualify as a RIC and our strategy may bear adversely on our ability to so qualify. Our failure to qualify as a RIC would result in, among other things, corporate-level taxation, and consequently, a reduction in the value of an investment in our shares.

If we failed to qualify for treatment as a RIC, we would be subject to tax on all our taxable income at regular corporate rates and all of our distributions from earnings and profits (including from net long-term capital gains) would be taxable to stockholders as ordinary income. We would not be able to deduct distributions to stockholders, nor would we be required to make such distributions. Distributions, including distributions of net long-term capital gain, would generally be taxable to our stockholders as ordinary dividend income to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate stockholders would be eligible to claim a dividends-received deduction with respect to such dividends, and non-corporate stockholders would generally be able to treat such dividends as “qualified dividend income,” which is subject to reduced rates of U.S. federal income tax. To the extent such distributions exceed our current and accumulated earnings and profits, such excess distributions will be treated first as a return of capital to the extent of a stockholder’s tax basis in his or her shares, and then as a capital gain. Reducing a stockholder’s tax basis will have the effect of increasing his or her gain (or reducing loss) on a subsequent sale of shares. If we fail to qualify as a RIC for a period greater than two consecutive taxable years, to qualify as a RIC in a subsequent year we may be subject to regular corporate tax on any net built-in gains with respect to certain of our assets (i.e., the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if we had been liquidated) that we elect to recognize on requalification or when recognized over the next ten years.

**Our distributions may exceed our net investment income. As a result, portions of the distributions that we make may represent a return of capital to you for tax purposes, which will lower your tax basis in your shares and reduce the amount of funds we have available for investment in targeted assets.**

A return of capital is a return of your investment rather than a return of earnings or gains derived from our investment activities and will be made after the offering, including any fees payable to our Adviser. Although a return of capital is not currently taxable, it will lower your tax basis in your shares, which may increase your gain or decrease your loss in connection with a sale of our shares.

**We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.**

For U.S. federal income tax purposes, we will include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in connection with the making of a loan or possibly in other circumstances, or PIK interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discount, which could be significant relative to our overall investment assets and increases in loan balances as a result of PIK interest will be included

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in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we will not receive in cash.

Accordingly, in order to qualify for the special tax treatment accorded RICs and their shareholders, we may be required to distribute income accrued prior to the receipt of cash and thus we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements.

**We may retain a portion of our earnings and be subject to excise tax on such earnings.**

If we fail to distribute in a calendar year at least an amount equal to the sum of 98% of our ordinary income for such year and 98.2% of our capital gain net income (adjusted for certain ordinary losses) for the one-year period ending on October 31 of such year (unless an election is made to use our taxable year), plus any such undistributed amounts from the prior year, we will be subject to a nondeductible 4% excise tax on the undistributed amounts. We reserve the right to pay the excise tax when circumstances warrant.

**Potential tax consequences if we were not a “publicly offered” RIC**

If for any taxable year we were not a “publicly offered” RIC within the meaning of Code Section 67(c)(2)(B), certain of our direct and indirect expenses, including the management fee, the incentive fee and certain other advisory expenses, would be subject to special “pass-through” rules. Such rules would treat these expenses as additional dividends to certain of our direct or indirect shareholders (generally including other RICs that are not “publicly offered,” individuals and entities that compute their taxable income in the same manner as an individual) and, under current law, are not deductible by those shareholders that are individuals (or entities that compute their taxable income in the same manner as an individual).

To qualify for the special tax treatment accorded to RICs and their shareholders, we must, among other things, distribute to our shareholders with respect to each taxable year at least 90% of the sum of our “investment company taxable income” (as that term is defined in the Code, without regard to the deduction for dividends paid—generally taxable ordinary income and the excess, if any, of net short-term capital gains over net long-term capital losses) and any net tax-exempt interest income (the excess of our gross tax-exempt interest over certain disallowed deductions), for such year, in a manner qualifying for the dividends paid deduction. If we were not a “publicly offered” RIC within the meaning of Code Section 67(c)(2)(B) for any taxable year, such status would potentially render distributions to our shareholders non-deductible by virtue of the terms of our distribution reinvestment plan, which would bear adversely on our ability to satisfy the distribution requirements to qualify as a RIC accorded special tax treatment for such year.

**If we make loans to borrowers that include PIK interest or accretion of original issue discount provisions, this could increase the risk of default by our borrowers.**

Some of the loans we make or acquire may provide for the payment by borrowers of PIK interest or accreted original issue discount at maturity. Such loans have the effect of deferring a borrower’s payment obligation until the end of the term of the loan, which may make it difficult for us to identify and address developing problems with borrowers in terms of their ability to repay us. Particularly in a rising interest rate environment, loans containing PIK and original issue discount provisions can give rise to negative amortization on a loan, resulting in a borrower owing more at the end of the term of a loan than what it owed when the loan was originated. Any such developments may increase the risk of default on our loans by borrowers.

**Any PIK interest payments we receive will increase our assets under management and, as a result, will increase the amount of base management fees payable by us to our Adviser.**

Certain of our debt investments may contain provisions providing for the payment of PIK interest. Because PIK interest results in an increase in the size of the loan balance of the underlying loan, the receipt by us of PIK

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interest will have the effect of increasing our assets under management. As a result, because the base management fee that we pay to our Adviser is based on the value of our consolidated gross assets, the receipt by us of PIK interest will result in an increase in the amount of the base management fee payable by us regardless of whether the PIK interest income is ever realized. In addition, any such increase in a loan balance due to the receipt of PIK interest will cause such loan to accrue interest on the higher loan balance, which will result in an increase in our pre-incentive fee net investment income and, as a result, an increase in incentive fees that are payable by us to our Adviser.

**Regulations governing our operation as a BDC will affect our ability to raise, and the way in which we raise, additional debt or equity capital.**

We expect that we will require a substantial amount of capital. We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as “senior securities,” up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we will be permitted as a BDC to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments at a time when such sales may be disadvantageous and, depending on the nature of our leverage, repay a portion of our indebtedness.

*Senior Securities.* If we issue senior securities, we will be exposed to typical risks associated with leverage, including an increased risk of loss. If we issue preferred stock, such securities would rank “senior” to common stock in our capital structure, and preferred stockholders would have separate voting rights, dividend and liquidation rights, and possibly other rights, preferences or privileges more favorable than those granted to holders of our common stock. Furthermore, the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for our common stockholders or otherwise be in your best interest.

*Additional Common Stock.* The Board may decide to issue common stock to finance our operations rather than issuing debt or other senior securities. As a BDC, we are not generally able to issue and sell our common stock at a price below current net asset value per share. We may, however, issue or sell our common stock at a price below the current net asset value of the common stock, or sell warrants, options or rights to acquire such common stock, at a price below the current net asset value of the common stock if the Board determines that such sale is in the best interests of us and our stockholders, and if our stockholders approve such sale within 12 months prior to such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of the Board, closely approximates the fair value of such securities. We also may conduct rights offerings at prices per share less than the net asset value per share, subject to the requirements of the 1940 Act. If we raise additional funds by issuing additional common stock or senior securities convertible into, or exchangeable for, our common stock, the ownership percentage of our stockholders at that time would decrease, and our stockholders may experience dilution.

**If we enter into securitization transactions, we may be subject to additional risks.**

In addition to issuing securities to raise capital as described above, we may securitize our loans to generate cash for funding new investments. To securitize loans, we may create a wholly-owned subsidiary, contribute a pool of loans to the subsidiary and have the subsidiary issue primarily investment grade debt securities to purchasers who we would expect to be willing to accept a substantially lower interest rate than the loans earn. Even though we expect the pool of loans that we contribute to any such securitization vehicle to be rated below investment grade, because the securitization vehicle’s portfolio of loans would secure all of the debt issued by such vehicle, a portion of such debt may be rated investment grade, subject in each case to market conditions that may require such portion of the debt to be over collateralized and various other restrictions. If applicable accounting pronouncements or SEC staff guidance require us to consolidate the securitization vehicle’s financial

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statements with our financial statements, any debt issued by it would be generally treated as if it were issued by us for purposes of the asset coverage ratio applicable to us. In such case, we would expect to retain all or a portion of the equity and/or subordinated notes in the securitization vehicle. Our retained equity would be exposed to any losses on the portfolio of loans before any of the debt securities would be exposed to such losses. Accordingly, if the pool of loans experienced a low level of losses due to defaults, we would earn an incremental amount of income on our retained equity, but we would be exposed, up to the amount of equity we retained, to that proportion of any losses we would have experienced if we had continued to hold the loans in our portfolio. We would have no direct ability to enforce the payment obligations on the loans contributed to the securitization vehicle. We may hold subordinated debentures in any such securitization vehicle and, if so, we would not consider such securities to be senior securities. An inability to successfully securitize our loan portfolio could limit our ability to grow our business and fully execute our business strategy and adversely affect our earnings, if any. Moreover, the successful securitization of a portion of our loan portfolio might expose us to losses as the residual loans in which we do not sell interests will tend to be those that are riskier and less liquid. Any fee payable under any servicing or collateral management agreement in respect of the securitization would be offset in an amount equal to the base management fee payable under the Investment Advisory Agreement.

As part of the securitization transaction, we would likely enter into an agreement under which we would be required to repurchase any loan (or participation interest therein) which was sold to the securitization vehicle in breach of any representation or warranty made by us with respect to such loan on the date such loan was sold.

The structure of a securitization transaction is intended to prevent, in the event of our bankruptcy, the consolidation of the securitization vehicle with our operations. If the true sale of these assets were not respected in the event of our insolvency, a trustee or debtor-in-possession might reclaim the assets of the securitization vehicle for our estate. However, in doing so, we would become directly liable for all of the indebtedness then outstanding under the securitization transaction, which would equal the full amount of debt of the securitization vehicle reflected on our consolidated balance sheet.

Recourse to us by the securitization vehicle would be limited and generally consistent with the terms of other similarly structured finance transactions. In a securitization transaction, we would sell and/or contribute to the securitization vehicle all of our ownership interest in certain of our portfolio loans and participations for the purchase price and other consideration set forth in the securitization agreement. This transfer would be structured by its terms to provide limited recourse to us by the securitization vehicle relating to certain representations and warranties with respect to certain characteristics including title and quality of the portfolio loans that were transferred to the securitization vehicle. If we breached these representations and warranties and such breach materially and adversely affected the value of the portfolio loans or the interests of holders of notes issued by the securitization vehicle, then we could be required to (a) cure such breach in all material respects, (b) repurchase the portfolio loan or loans subject to such breach or (c) remove the portfolio loan or loans subject to such breach from the pool of loans and other assets held by the securitization vehicle and substitute a portfolio loan or loans that meet the requirements of the securitization documents. This repurchase and substitution obligation of us would constitute the sole remedy available against us for any breach of a representation or warranty related to the portfolio loans transferred to the securitization vehicle.

**We intend to finance our investments with borrowed money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.**

The use of leverage magnifies the potential for gain or loss on amounts invested. We expect to incur leverage through a credit facility and, from time to time, intend to incur additional leverage to the extent permitted under the 1940 Act. The use of leverage is generally considered a speculative investment technique and increases the risks associated with investing in our securities. In the future, we may borrow from, and issue senior securities, to banks, insurance companies and other lenders. Holders of these senior securities will have fixed dollar claims on our assets that are superior to the claims of our common stockholders, and we would expect such holders to seek recovery against our assets in the event of a default. We may pledge up to 100% of



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our assets and may grant a security interest in all of our assets under the terms of any debt instruments into which we may enter. In addition, under the terms of any credit facility or other debt instrument we enter into, we are likely to be required by its terms to use the net proceeds of any investments that we sell to repay a portion of the amount borrowed under such facility or instrument before applying such net proceeds to any other uses.

If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged, thereby magnifying losses or eliminating our equity stake in a leveraged investment. Similarly, any decrease in our revenue or income will cause our net income to decline more sharply than it would have had we not borrowed. Such a decline would also negatively affect our ability to make dividend payments on our common stock or preferred stock. Our ability to service our debt will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of our use of leverage, including interest expenses and any increase in the management fee payable to our Adviser.

As a BDC, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which includes all of our borrowings and any preferred stock that we may issue in the future, of at least 150%. If this ratio declines below 150%, we cannot incur additional debt and could be required to sell a portion of our investments to repay some debt at a time when it is disadvantageous to do so. This could have a material adverse effect on our operations, and we may not be able to make distributions. The amount of leverage that we employ will depend on the Adviser's and the Board's assessment of market conditions and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to obtain credit on terms acceptable to us or at all.

In addition, the terms of indebtedness that we incur in the future could impose financial and operating covenants that restrict our business activities, including limitations that may hinder our ability to finance additional loans and investments or make the distributions required to qualify for the special tax treatment accorded RICs and their shareholders under the Code. Furthermore, the terms of any credit facility and other indebtedness that we incur in the future may contain various covenants which, if not complied with, could accelerate repayment, thereby materially and adversely affecting our liquidity, financial condition, results of operations and our ability to pay distributions to our stockholders.

As of December 31, 2020, the Company did not utilize any leverage.

**We may enter into reverse repurchase agreements, which are another form of leverage.**

We may enter into reverse repurchase agreements. A repurchase agreement is an agreement by a bank or other financial institution to buy securities or another asset with a corresponding agreement that it will resell these same securities or assets to the same seller for an agreed-upon price on a certain day (often the next day). A reverse repurchase agreement is the same as a repurchase agreement, but from the perspective of the buyer rather than the seller. Under a reverse repurchase agreement, we will pledge our assets as collateral to secure a short-term loan. Generally, the other party to the agreement makes the loan in an amount equal to a percentage of the fair value of the pledged collateral. At the maturity of the reverse repurchase agreement, we will be required to repay the loan and correspondingly release our collateral.

Our use of reverse repurchase agreements, if any, involves many of the same risks involved in our use of leverage, as the proceeds from reverse repurchase agreements generally will be invested in additional securities. There is a risk that the market value of the securities acquired in the reverse repurchase agreement may decline below the price of the securities that we have sold but we will remain obligated to repurchase pursuant to the terms of the repurchase agreement.

In addition, there is a risk that the market value of the securities retained by us may decline. If a buyer of securities under a reverse repurchase agreement were to file for bankruptcy or experience insolvency, we may be

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adversely affected. Also, in entering into reverse repurchase agreements, we would bear the risk of loss to the extent that the proceeds of such agreements at settlement are less than the fair value of the underlying securities being pledged.

Reverse repurchase agreements are considered leverage under the 1940 Act. We may “set aside” liquid assets, or engage in other appropriate measures, to “cover” obligations with respect to transactions in reverse repurchase agreements. As a result of such segregation, our obligations under such transactions will not be considered senior securities representing indebtedness for purposes of the 1940 Act and our use of leverage through reverse repurchase agreements will not be limited by the 1940 Act.

**We are exposed to risks resulting from the current low interest rate environment.**

Since we will borrow money to make investments, our net investment income depends, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. The current, historically low interest rate environment can, depending on our cost of capital, depress our net investment income, even though the terms of our investments generally will include a minimum interest rate. In addition, any reduction in the level of interest rates on new investments relative to interest rates on our current investments could adversely impact our net investment income, reducing our ability to service the interest obligations on, and to repay the principal of, our indebtedness, as well as our capacity to pay dividends. Any such developments would result in a decline in our net asset value and in the trading price of our common stock.

**When interest rates increase, floating rate interest rate reset features on debt instruments may make it more difficult for borrowers to repay their loans, and separately, will make it easier for the Adviser to meet its income incentive fee threshold without any additional effort.**

A rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments, particularly since our strategy includes investments in floating rate loans. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle and may result in a substantial increase of the amount of incentive fees payable to the Adviser with respect to Pre-Incentive Fee Net Investment Income.

There is also a risk that our borrowers will be unable to pay escalating interest amounts if general interest rates rise, resulting in a default under their loan documents with us. This could also cause borrowers to shift cash from other productive uses to the payment of interest, which may have a material adverse effect on their business and operations and could, over time, lead to increased defaults. In addition, increasing payment obligations under floating rate loans may cause borrowers to refinance or otherwise repay our loans earlier than they otherwise would, requiring us to incur management time and expense to re-deploy such proceeds, including on terms that may not be as favorable as our existing loans. We expect that many of our debt investments will include floating interest rates that reset on a periodic basis and typically do not require the borrowers to pay down the outstanding principal of such debt prior to maturity. These features of our debt investments will increase our risk of losing a substantial amount of our investments if borrowers are unable to pay the increased interest resulting from these reset provisions or if borrowers are unable to repay or refinance their debts at maturity.

Because loans are not ordinarily registered with the SEC or any state securities commission or listed on any securities exchange, there is usually less publicly available information about such instruments. In addition, loans may not be considered “securities” for purposes of the federal securities laws and, as a result, as a purchaser of these instruments, we may not be entitled to the anti-fraud protections of the federal securities laws. In the course of investing in such instruments, we may come into possession of material nonpublic information and, because of prohibitions on trading in securities of issuers while in possession of such information, we may be unable to enter into a transaction in a publicly traded security of that issuer when it would otherwise be advantageous for us to do so. Alternatively, we may choose not to receive material nonpublic information about an issuer of such loans, with the result that we may have less information about such issuers than other investors who transact in such assets.



**Table of Contents****Any failure on our part to maintain our status as a BDC would reduce our operating flexibility.**

If we lose our status as a BDC, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility. For example, if we were to be regulated as a closed-end investment company under the 1940 Act, we would be further limited in the amount of leverage we could incur and would face additional restrictions governing our ability to engage in transactions with our affiliates.

**Since we intend to use debt to finance our investments, and we may use debt financing, changes in interest rates may affect our cost of capital and net investment income.**

Interest rate fluctuations may have a substantial negative impact on our investments, the value of our common stock and our rate of return on invested capital. Since we intend to use debt to finance investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates when we have debt outstanding, our cost of funds will increase, which could reduce our net investment income. Conversely, in periods of falling interest rates, the probability that our loans and other investments in portfolio companies will be pre-paid increases. In such periods, we can offer no assurance that we will be able to make new loans on the same terms, or at all. If we cannot make new loans on terms that are the same or better than the investments that are repaid, then our results of operations and financial condition will be adversely affected. We expect that our investments will be financed primarily with equity and long-term debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. These activities may limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations. Additionally, our ability to engage in hedging transactions may also be adversely affected by recent rules adopted by the CFTC, unless we register with the CFTC as a commodity pool operator.

You should also be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle rate and may result in a substantial increase in the amount of incentive fees payable to our Adviser with respect to Pre-Incentive Fee Net Investment Income.

**There are significant potential conflicts of interest that could affect our investment returns.**

As a result of our arrangements with the Adviser, there may be times when our Adviser has interests that differ from those of our stockholders, giving rise to a conflict of interest.

**There are conflicts of interest related to the obligations of the Adviser or its affiliates to other clients.**

The Adviser or its affiliates may have other clients with similar, different or competing investment objectives. In serving in these multiple capacities, they may have obligations to other clients or investors in those other entities, the fulfillment of which may not be in the best interests of us or our stockholders. For example, our Adviser and its affiliates manage or sponsor other investment funds, accounts or other investment vehicles. Our investment objective may overlap with the investment objectives of such affiliated investment funds, accounts or other investment vehicles. As a result, our Adviser may face conflicts of interest in the allocation of investment opportunities among us and other investment funds, accounts or other investment vehicles advised by or affiliated with our Adviser. Our Adviser will seek to allocate investment opportunities among eligible accounts in a manner that is fair and equitable over time and consistent with its allocation policy. However, we can offer no assurance that such opportunities will be allocated to us fairly or equitably in the short-term or over time. Where

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we are able to co-invest consistent with the requirements of the 1940 Act and SEC exemptive relief, if sufficient securities or loan amounts are available to satisfy our and each such account's proposed demand, the opportunity will be allocated in accordance with our Adviser's pre-transaction determination and the requirements of the exemptive relief. If there is an insufficient amount of an investment opportunity to satisfy our demand and that of other accounts sponsored or managed by our Adviser or its affiliates, the allocation policy and exemptive relief further provides that allocations among us and such other accounts will generally be made pro rata based on the amount that each such party would have invested if sufficient loan amounts were available. However, there can be no assurance that we will be able to participate in all suitable investment opportunities.

**Our Adviser or its affiliates may, from time to time, possess material non-public information, limiting our investment discretion.**

Principals of our Adviser and its affiliates may serve as directors of, or in a similar capacity with, companies in which we invest, the securities of which are purchased or sold on our behalf. If we obtain material nonpublic information with respect to public companies, or we become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, we could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on us.

**Our management and incentive fee structure may create incentives for our Adviser that are not fully aligned with the interests of our stockholders and may induce our Adviser to make speculative investments.**

In the course of our investing activities, we will pay management and incentive fees to our Adviser. The incentive fee payable by us to our Adviser may create an incentive for our Adviser to make investments on our behalf that are risky or more speculative than would be the case in the absence of such a compensation arrangement. The management fee is based on our consolidated gross assets. As a result, investors in our common stock will invest on a "gross" basis and receive distributions on a "net" basis after expenses, resulting in a lower rate of return than one might achieve through direct investments. Because the management fee is based on our consolidated gross assets, our Adviser will benefit if and when we issue additional equity, incur debt or use leverage. The use of leverage will increase the likelihood of default under any credit facility or other debt instruments we enter into, which would disfavor the holders of our common stock, including investors in this offering.

Under the incentive fee structure, our Adviser may benefit when capital gains are recognized and, because our Adviser determines when a holding is sold, our Adviser controls the timing of the recognition of such capital gains. The Board is charged with protecting our interests by monitoring how our Adviser addresses these and other conflicts of interest associated with its management services and compensation. While they are not expected to review or approve each investment or realization, our independent directors will periodically review our Adviser's services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors will consider whether such fees and our expenses (including those related to leverage) remain appropriate. As a result of this arrangement, our Adviser or its affiliates may from time to time have interests that differ from those of our stockholders. Unlike that portion of the incentive fee based on income, there is no hurdle rate applicable to the incentive fee based on net capital gains. As a result, our Adviser may seek to invest more capital in investments that are likely to result in capital gains as compared to income producing securities. This practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

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**The Investment Advisory Agreement and the Administration Agreement with the Adviser were not negotiated on an arm's length basis and may not be as favorable to us as if they had been negotiated with an unaffiliated third party.**

The Investment Advisory Agreement and the Administration Agreement were negotiated between related parties. Consequently, their terms, including fees payable to our Adviser, may not be as favorable to us as they might be had they been negotiated with an unaffiliated third party. In addition, in deciding whether and how vigorously to enforce our rights and remedies under these agreements, our Board may, to the extent consistent with applicable law, take into account the value of our ongoing relationship with our Adviser, our administrator and their respective affiliates.

**Our ability to enter into transactions with our affiliates will be restricted, which may limit the scope of investments available to us.**

We are prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, of the SEC. Any person that owns, directly or indirectly, five percent or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act, and we are generally prohibited from buying or selling any security from or to or entering into certain "joint" transactions (which could include investments in the same portfolio company) with such affiliates, absent the prior approval of our independent directors. Our Adviser and its affiliates, including persons that control, are controlled by, or are under common control with, us or our Adviser, are also considered to be our affiliates under the 1940 Act, and we are generally prohibited from buying or selling any security from or to, or entering into "joint" transactions with such affiliates without the prior approval of our independent directors and, in some cases, exemptive relief from the SEC.

We may, however, invest alongside the Adviser's, and its affiliates' other clients in certain circumstances where doing so is consistent with applicable law, SEC staff interpretations and/or appropriate exemptive relief from the SEC. For example, we may invest alongside such accounts consistent with guidance promulgated by the staff of the SEC permitting us and such other accounts to purchase interests in a single class of privately placed securities so long as certain conditions are met, including that our Adviser, acting on our behalf and on behalf of other clients, negotiates no term other than price. We and the Adviser have obtained an exemptive order dated April 19, 2016 from the SEC to permit co-investments among the Company and other accounts managed by the Adviser or its affiliates, subject to certain conditions. We may also invest alongside our Adviser's other clients as otherwise permissible under regulatory guidance, applicable regulations and the allocation policy of our Adviser and its affiliates. Under this allocation policy, a calculation, based on the type of investment, will be applied to determine the amount of each opportunity to be allocated to us. This allocation policy will be periodically reviewed by our Adviser and approved by our independent directors. We expect that these determinations will be made similarly for other accounts sponsored or managed by our Adviser and its affiliates. If sufficient securities or loan amounts are available to satisfy our and each such account's proposed demand, we expect that the opportunity will be allocated in accordance with our Adviser's pre-transaction determination. Where there is an insufficient amount of an investment opportunity to satisfy us and other accounts sponsored or managed by our Adviser or its affiliates, the allocation policy further provides that allocations among us and such other accounts will generally be made pro rata based on the amount that each such party would have invested if sufficient securities or loan amounts were available. These allocation policies and procedures are intended to assist the Adviser and its affiliates in ensuring that investment opportunities will be allocated to us fairly and equitably.

In situations where co-investment with other accounts managed by our Adviser or its affiliates is not permitted or appropriate, our Adviser and its affiliates will need to decide which client will proceed with the investment. Our Adviser's allocation policy provides, in such circumstances, for investments to be allocated on a random or rotational basis to assure that all clients have fair and equitable access to such investment opportunities. Moreover, except in certain circumstances, we will be unable to invest in any issuer in which a fund managed by our Adviser or its affiliates has previously invested. Similar restrictions limit our ability to

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transact business with our officers or directors or their affiliates. These restrictions may limit the scope of investment opportunities that would otherwise be available to us.

**The Adviser may be entitled to receive substantial compensation from us if we consummate a liquidity event, which could negatively impact our investment returns.**

In the future, the Board may consider various types of transactions to provide liquidity to stockholders, including: (i) a listing of our shares on a national securities exchange; (ii) a merger or another transaction approved by the Board in which our stockholders will receive cash or securities of a listed company; and (3) a sale of all or substantially all of our assets for cash or other consideration. In the event that the Board approves a sale or merger of our company, it is likely that such a transaction would cause a termination of the Investment Advisory Agreement. Upon the termination of the Investment Advisory Agreement, we would be potentially required to make a one-time payment to the Adviser in an amount based upon the market value of its interest in us as of the date of termination. This potential obligation to make a substantial payment to the Adviser in the event of sale or merger of our company or sale of our assets may limit the amount that our stockholders will receive upon the consummation of a liquidity event.

**Because we expect to distribute substantially all of our ordinary income and net realized capital gains to our stockholders, we will need additional capital to finance our growth and such capital may not be available on favorable terms, or at all.**

We will need capital to fund growth in our investment portfolio. We may issue debt securities or borrow from financial institutions in order to obtain this additional capital. A reduction in the availability of new capital could limit our ability to grow. We will be required to distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to our stockholders to qualify for the special tax treatment accorded RICs and their stockholders. As a result, these earnings will not be available to fund new investments. If we fail to obtain additional capital to fund new investments, this could limit our ability to grow, which may have an adverse effect on the value of our securities.

In addition, as a BDC, we are generally required to maintain a ratio of at least 200% of total assets to total borrowings, which may restrict our ability to borrow in certain circumstances.

**The valuation process for certain of our portfolio holdings creates a conflict of interest.**

Many of our portfolio investments are expected to be made in the form of securities that are not publicly traded. As a result, the Board will determine the fair value of these securities in good faith as described elsewhere in this annual report. In connection with that determination, investment professionals from our Adviser will provide the Board with portfolio company valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. The participation of our Adviser's investment professionals in our valuation process, could result in a conflict of interest as the management fee paid to our Adviser is based, in part, on our consolidated gross assets.

**Many of our portfolio investments will be recorded at fair value as determined in good faith by the Board. As a result, there will be uncertainty as to the value of our portfolio investments.**

Many of our portfolio investments will take the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable, and we value these securities at fair value as determined in good faith by the Board, a committee thereof or by the Adviser pursuant to Board approved policies and procedures including to reflect significant events affecting the value of our securities. As discussed in more detail under "Discussion of Operating Plans—Critical Accounting Policies," most, if not all, of our investments (other than cash and cash equivalents) are expected to be classified as Level 3 under ASC Topic 820, Fair Value Measurement. This means that our portfolio valuations are based on

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unobservable inputs and our own assumptions about how market participants would price the asset or liability in question. Inputs into the determination of fair value of our portfolio investments requires significant management judgment or estimation.

Even if observable market data are available, such information may be the result of consensus pricing information or broker quotes, which include a disclaimer that the broker would not be held to such a price in an actual transaction. Consensus pricing is a methodology for the determination of fair value based on quotations from market makers. These quotations include a disclaimer that the market maker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimers materially reduces the reliability of such information. We have retained the services of one or more independent service providers to review the valuation of these securities periodically. The types of factors that the Board may take into account in determining the fair value of our investments generally include, as appropriate, comparison to publicly traded securities including such factors as yield, maturity and measures of credit quality, the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. In addition, the determination of fair value and thus the amount of unrealized losses we may incur in any year, is, to a degree, subjective, in that it is based on unobservable inputs and certain assumptions. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

Each quarter, the fair value of each investment in our portfolio, that is not publicly-traded is determined in good faith by the Board or by the Adviser, pursuant to Board-approved policies and procedures. Any changes in fair value are recorded in our statement of operations as a net change in unrealized appreciation or depreciation.

**We may experience fluctuations in our quarterly results.**

We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rate payable on the senior securities we acquire, the default rate on such securities, the level of our expenses, variations in, and the timing of the recognition of, realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

**Changes in laws or regulations governing our operations may adversely affect our business or cause us to alter our business strategy.**

We and our portfolio companies will be subject to regulation at the local, state and federal level. We are also subject to federal, state and local laws and are subject to judicial and administrative decisions that affect our operations, including maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure proceedings and other trade practices. If these laws, regulations or decisions change, or if we expand our business into additional jurisdictions, we may have to incur significant expenses in order to comply or we might have to restrict our operations. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we or our portfolio companies are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect. In particular, in July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, became law. The Dodd-Frank Act set forth a legislative framework for the regulation of the financial services industry generally, including certain over-the-counter derivatives, such as swaps, in which the Company may invest. The effects of the Dodd-Frank Act on the financial services industry depends, in large part, upon the extent to which regulators exercise the authority



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granted to them and the approaches taken in implementing regulations. While the continued impact of the Dodd-Frank Act on us and our portfolio companies may not be known for an extended period of time, the Dodd-Frank Act, along with other legislative and regulatory proposals directed at the financial services industry or affecting taxation that are proposed or pending in the U.S. Congress, may negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies, intensify the regulatory supervision of us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies. In addition, if we do not comply with applicable laws and regulations, we could lose any licenses we hold for the conduct of our business and may be subject to civil fines and criminal penalties. Significant uncertainty currently exists in the market regarding the ramifications of any repeal or reform of certain parts of the Dodd Frank Act, and the range and potential implications of possible political, regulatory, economic and market outcomes are difficult to predict.

Further, new Rule 18f-4 (the “Derivatives Rule”), adopted by the SEC on October 28, 2020, replaces the asset segregation regime of Investment Company Act Release No. 10666 (“Release 10666”) with a new framework for the use of derivatives by registered funds. For a fund using a significant amount of derivatives, the Derivatives Rule requires a fund to adopt and/or implement: (i) value at risk limitations in lieu of asset segregation requirements; (ii) a written derivatives risk management program; (iii) new Board oversight responsibilities; and (iv) new reporting and recordkeeping requirements. The Derivatives Rule provides an exception for a fund with derivatives exposure not exceeding 10% of its net assets, excluding certain currency and interest rate hedging transactions. In addition, the Derivatives Rule provides special treatment for reverse repurchase agreements and similar financing transactions and unfunded commitment agreements. In 2022, the SEC will rescind Release 10666 and withdraw letters and similar guidance addressing a fund’s use of derivatives and require a fund to comply with the Derivatives Rule.

Additionally, changes to the laws and regulations governing our operations related to permitted investments may cause us to alter our investment strategy in order to avail ourselves of new or different opportunities. Such changes could result in material differences to the strategies and plans set forth in this prospectus and may shift our investment focus from the areas of expertise of our Adviser to other types of investments in which our Adviser may have little or no expertise or experience. Any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment.

**The Board may change our investment objective, operating policies and strategies without prior notice or stockholder approval.**

The Board has the authority to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval (except as required by the 1940 Act). However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and value of our stock. Nevertheless, the effects of any such changes may adversely affect our business and impact our ability to make distributions and since our shares are not expected to be listed on a national securities exchange for the foreseeable future, stockholders will be limited in their ability to sell their shares in response to any changes in our investment objective, operating policies and strategies.

**We will incur significant costs as a result of being a public company.**

As a public company, we will incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act and other rules implemented by the SEC.

**Table of Contents****Provisions of the General Corporation Law of the State of Delaware and our certificate of incorporation and bylaws could deter takeover attempts and have an adverse effect on the price of our common stock.**

The General Corporation Law of the State of Delaware (“DGCL”), contains provisions that may discourage, delay or make more difficult a change in control of us or the removal of our directors. Our certificate of incorporation and bylaws contain provisions that limit liability and provide for indemnification of our directors and officers. These provisions and others also may have the effect of deterring hostile takeovers or delaying changes in control or management. We are subject to Section 203 of the DGCL, the application of which is subject to any applicable requirements of the 1940 Act. This section generally prohibits us from engaging in mergers and other business combinations with stockholders that beneficially own 15% or more of our voting stock, or with their affiliates, unless our directors or stockholders approve the business combination in the prescribed manner. The Board will adopt a resolution exempting from Section 203 of the DGCL any business combination between us and any other person, subject to prior approval of such business combination by the Board, including approval by a majority of our directors who are not “interested persons.” If the resolution exempting business combinations is repealed or the Board does not approve a business combination, Section 203 of the DGCL may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer.

We have also adopted measures that may make it difficult for a third party to obtain control of us, including provisions of our certificate of incorporation classifying the Board in three classes serving staggered three-year terms, and provisions of our certificate of incorporation authorizing the Board to classify or reclassify shares of our unissued preferred stock in one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our certificate of incorporation, without stockholder approval, to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our certificate of incorporation and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders. In addition, if we issue preferred stock, such securities would rank “senior” to common stock in our capital structure, resulting in preferred stockholders having separate voting rights, dividend and liquidation rights, and possibly other rights, preferences or privileges more favorable than those granted to holders of our common stock.

**Our Adviser can resign on 120 days’ notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.**

Our Adviser has the right, under the Investment Advisory Agreement, to resign at any time upon not less than 120 days’ written notice, whether we have found a replacement or not. If our Adviser resigns, we may not be able to find a new Adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 120 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by our Adviser and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition and results of operations.

The Adviser has the right to resign under the Administration Agreement, whether we have found a replacement or not. If the Adviser resigns, we may not be able to find a new administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected. In addition, the coordination of our internal management and administrative activities is likely to suffer



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if we are unable to identify and reach an agreement with a service provider or individuals with the expertise possessed by the Adviser. Even if we are able to retain a comparable service provider or individuals to perform such services, whether internal or external, their integration into our business and lack of familiarity with our operations may result in additional costs and time delays that may adversely affect our business, financial condition and results of operations.

**As a public company, we will be subject to regulations not applicable to private companies, such as provisions of the Sarbanes-Oxley Act. Efforts to comply with such regulations will involve significant expenditures, and non-compliance with such regulations may adversely affect us.**

As a public company, we will be subject to regulations not applicable to private companies, including provisions of the Sarbanes-Oxley Act and the related rules and regulations promulgated by the SEC. Our management will be required to report on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act and rules and regulations of the SEC thereunder. We will be required to review on an annual basis our internal control over financial reporting, and on a quarterly and annual basis, to evaluate and disclose changes in our internal control over financial reporting. Once we no longer qualify as an emerging growth company, Section 404 of the Sarbanes-Oxley Act will generally require an attestation from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. We cannot be certain as to the timing of the completion of our evaluation, testing and remediation actions or the impact of the same on our operations, and we may not be able to ensure that the process is effective or that our internal control over financial reporting is or will be effective in a timely manner. In the event that we are unable to develop or maintain an effective system of internal controls and maintain or achieve compliance with the Sarbanes-Oxley Act and related rules, we may be adversely affected.

**We depend on information systems, and systems failures could significantly disrupt our business, which may, in turn, negatively affect our ability to pay dividends to our stockholders.**

Our business depends on the communications and information systems of the Adviser. In addition, certain of these systems are provided to the Adviser by third-party service providers. Any failure or interruption of such systems, including as a result of the termination of an agreement with any such third-party service provider, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

Cyber-attacks, disruptions, or failures that affect our service providers or counterparties may adversely affect us and our stockholders, including by causing losses for us or impairing our operations. For example, our or our service providers' assets or sensitive or confidential information may be misappropriated, data may be corrupted, and operations may be disrupted (e.g., cyber-attacks or operational failures may cause the release of private stockholder information or confidential information, interfere with the processing of stockholder transactions, impact the ability to calculate our NAV, and impede trading). In addition, cyber-attacks, disruptions, or failures may cause reputational damage and subject us or our service providers to regulatory fines, litigation costs, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. While we and our service providers may establish business continuity and other plans and

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processes to address the possibility of cyber-attacks, disruptions, or failures, there are inherent limitations in such plans and systems, including that they do not apply to third parties, such as other market participants, as well as the possibility that certain risks have not been identified or that unknown threats may emerge in the future. Similar types of operational and technology risks are also present for issuers of our investments, which could have material adverse consequences for such issuers, and may cause our investments to lose value. In addition, cyber-attacks involving our counterparty could affect such counterparty's ability to meet its obligations to us, which may result in losses to us and our stockholders. Furthermore, as a result of cyber-attacks, disruptions, or failures, an exchange or market may close or issue trading halts on specific securities or the entire market, which may result in us being, among other things, unable to buy or sell certain securities or financial instruments or unable to accurately price its investments. We cannot directly control any cybersecurity plans and systems put in place by its service providers, our counterparties, issuers in which we invest, or securities markets and exchanges.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

**If we internalize our management functions, your interest in us could be diluted, and we could incur other significant costs associated with being self-managed.**

The Board may decide in the future to pursue exemptive relief from the SEC in order to internalize our management functions. If we do so, we may elect to negotiate to acquire the Adviser's assets and personnel. At this time, we cannot anticipate the form or amount of consideration or other terms relating to any such acquisition. Such consideration could take many forms, including cash payments, promissory notes and shares of our common stock. The payment of such consideration could result in dilution of your interest as a stockholder and could reduce the earnings per share attributable to your investment.

In addition, while we would no longer bear the costs of the various fees and expenses, we expect to pay to the Adviser under the Investment Advisory Agreement, we would incur the compensation and benefits costs of our officers and other employees and consultants that are being paid by the Adviser or its affiliates. In addition, we may issue equity awards to officers, employees and consultants. These awards would decrease net income and may further dilute your investment in us. We cannot reasonably estimate the amount of fees we would save or the costs we would incur if we became self-managed. If the expenses we assume as a result of an internalization are higher than the expenses we avoid paying to the Adviser, our earnings per share would be lower as a result of the internalization than it otherwise would have been, potentially decreasing the amount of funds available to distribute to our stockholders and the value of our shares. As we are currently organized, we do not have any employees. If we elect to internalize our operations, we would employ personnel and would be subject to potential liabilities commonly faced by employers, such as workers disability and compensation claims and other employee-related liabilities and grievances.

If we internalize our management functions, we could have difficulty integrating these functions as a standalone entity. Currently, individuals employed by the Adviser and its affiliates perform asset management and general and administrative functions, including accounting and financial reporting, for multiple entities. These personnel have a great deal of know-how and experience. We may fail to properly identify the appropriate mix of personnel and capital needs to operate as a standalone entity. An inability to manage an internalization transaction effectively could thus result in our incurring excess costs and/or suffering deficiencies in our disclosure controls and procedures or our internal control over financial reporting. Such deficiencies could cause us to incur additional costs, and our management's attention could be diverted from effectively managing our investments.

Internalization transactions have also, in some cases, been the subject of litigation. Even if these claims are without merit, we could be forced to spend significant amounts of money defending such claims, which would reduce the amount of funds we have available for investment in targeted assets.

**Table of Contents****We, through our investment in a REIT Subsidiary, may be subject to the risks associated with investing in real estate-related securities.**

We may form a REIT Subsidiary that is generally subject to the same investment policies and restrictions as we are. The adviser would not charge an additional fee on assets held in the REIT Subsidiary. We intend to limit investments in any REIT Subsidiaries and related entities to the extent necessary to qualify as a RIC for tax purposes. In general, and subject to certain exceptions not applicable here, a RIC is not permitted to invest, including through corporations in which the RIC owns a 20% or more voting stock interest, more than 25% of its total assets in any one issuer, or in any two or more issuers which the taxpayer controls and which are determined to be engaged in the same or similar trades or businesses or related trades or businesses. Investments in REITs such as a REIT Subsidiary may be affected by changes in the real estate markets generally as well as changes in the values of the specific properties owned by a REIT or securing the mortgages owned by the REIT. REITs are dependent upon the management skill and abilities of those persons or entities responsible for managing their investments. REITs are by definition not diversified as their permitted investments are significantly limited by the provisions of the Code.

Because of minimum distribution requirements imposed by the Code, REITs tend to be dependent on the acquisition of assets with high positive cash flows. The minimum distribution requirements also tend to limit the degree to which REITs can retain and redeploy capital. REITs are particularly vulnerable to defaults by their borrowers and there are significant limitations on their ability to realize income from property acquired as a result of foreclosure. REITs investing in healthcare properties are subject to complex rules on how they can acquire and operate those properties while maintaining their REIT status.

**Risks Related to our Investments****Our investments may be risky, and you could lose all or part of your investment.**

We invest primarily in debt investments and to a lesser extent, selected equity investments in middle-market healthcare companies. The portfolio companies in which we invest may have, or may be permitted to incur, other debt ranking equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying senior creditors, the portfolio company may not have sufficient assets to repay its obligation to us in full, or at all. In the case of debt ranking equally with debt securities in which we invest, we would have to share any distributions on an equal and ratable basis with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

*Secured Loans.* When we extend first lien senior secured, second lien senior secured and unitranche loans, we will generally take a security interest in the available assets of these portfolio companies, including the equity interests of their subsidiaries. We expect this security interest to help mitigate the risk that we will not be repaid. However, there is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. Also, in the case of first lien loans, our lien may be subordinated to claims of other creditors and, in the case of second lien loans, our lien will be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies.

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The rights we may have with respect to the collateral securing loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of such senior debt. Under a typical intercreditor agreement, at any time that obligations benefiting from first-priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first-priority liens:

- the ability to commence enforcement proceedings against the collateral;
- the ability to control the conduct of such proceedings;
- the approval of amendments to collateral documents;
- releases of liens on the collateral; and
- waivers of past defaults under collateral documents.

We may not have the ability to control or direct such actions, even if our rights are adversely affected.

*Mezzanine Loans.* Our mezzanine investments will generally be subordinated to senior loans and will generally be unsecured. This may result in greater risk and volatility or a loss of principal. These investments may involve additional risks that could adversely affect our investment returns. To the extent interest payments associated with such debt are deferred, such debt may be subject to greater fluctuations in valuations, and such debt could subject us and our stockholders to non-cash income as described above under “Risk Factors—Risks Relating to our Business and Structure—We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.” Since we generally will not receive any substantial repayments of principal prior to the maturity of our mezzanine debt investments, such investments are riskier than amortizing loans. We can offer no assurance that the proceeds, if any, from sales of collateral securing other loans of a portfolio company would be sufficient to satisfy our unsecured obligations after payment in full of all secured loan obligations. If such proceeds were not sufficient to repay the outstanding secured loan obligations, then our unsecured claims would rank equally with the unpaid portion of such secured creditors’ claims against the portfolio company’s remaining assets, if any.

We expect in the future to invest in securities that are rated below investment grade by rating agencies or that may be rated below investment grade if they were so rated. Below investment grade securities, which are often referred to as ‘junk bonds,’ are viewed as speculative investments because of concerns with respect to the issuer’s capacity to pay interest and repay principal.

*Derivative Transactions.* We may invest without limitation in warrants and may also use derivatives, primarily swaps (including equity, variance and volatility swaps), options and futures contracts on securities, interest rates, commodities and/or currencies, as substitutes for direct investments the Company can make. We may also use derivatives such as swaps, options (including options on futures), futures, and foreign currency transactions (e.g., foreign currency swaps, futures and forwards) to any extent deemed by the Adviser to be in the best interest of the Company, and to the extent permitted by the 1940 Act, to hedge various investments for risk management and speculative purposes (collectively, “Derivative Transactions”). We may use any or all types of Derivative Transactions which we are authorized to use at any time; no particular strategy will dictate the use of one type of Derivative Transaction rather than another, as use of any authorized Derivative Transaction will be a function of numerous variables, including market conditions. Derivative Transactions involve certain risks and special considerations. Risks of Derivative Transactions include the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative instruments. Furthermore, the ability to successfully use Derivative Transactions depends on the Adviser’s ability to predict pertinent market movements. Because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may not only result in the loss of the entire investment, but may also expose the Company to the possibility of a loss exceeding the original amount invested. Thus, the use

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of Derivative Transactions may result in losses greater than if they had not been used, may require the Company to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Company can realize on an investment or may cause the Company to hold a security that it might otherwise sell. The use of foreign currency transactions can result in the Company incurring losses as a result of the imposition of exchange controls, the suspension of settlements or the inability of the Company to deliver or receive a specified currency. Additionally, amounts paid by the Company as premiums and cash or other assets held in margin accounts with respect to Derivative Transactions are not otherwise available to the Company for investment purposes.

If a put or call option purchased by the Company is not sold when it has remaining value, and if the market price of the underlying security remains equal to or greater than the exercise price (in the case of a put), or remains less than or equal to the exercise price (in the case of a call), the Company will lose its entire investment in the option.

Also, where a put or call option on a particular security is purchased to hedge against price movements in a related security, the price of the put or call option may move more or less than the price of the related security. If restrictions on exercise were imposed, the Company might be unable to exercise an option it had purchased. If the Company were unable to close out an option that it had purchased on a security, it would have to exercise the option in order to realize any profit or the option may expire worthless.

In addition, as noted above, the SEC adopted the Derivatives Rule in October 2020, which introduces a new framework for the use by registered investment companies of derivatives and many related instruments.

The Company's Derivative Transactions are generally subject to numerous special and complex tax rules. Because the tax rules applicable to such transactions may be uncertain under current law, an adverse determination or future IRS guidance with respect to these rules (which determination or guidance could be retroactive) may affect whether the Company has made sufficient distributions, and otherwise satisfied the relevant requirements, to maintain its qualification as a RIC and avoid Company-level U.S. federal income or excise taxes. The Company's investments in derivative instruments may be limited by the Company's intention to qualify for treatment as a RIC and could adversely affect the Company's ability to so qualify.

*Equity Investments.* We may make selected equity investments. In addition, when we invest in first lien, second lien, unitranche or mezzanine loans, we may acquire warrants to purchase equity securities. Our goal is ultimately to dispose of these equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. The value of equity interests acquired by the Company could decline if the financial condition of the companies in which the Company holds an equity interest declines, or if overall market and economic conditions deteriorate. An issuer's financial condition could decline as a result of poor management decisions, competitive pressures, technological obsolescence, undue reliance on suppliers, labor issues, shortages, corporate restructurings, fraudulent disclosures, irregular and/or unexpected activity among retail investors or other factors. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

**We are subject to risks associated with middle-market companies.**

Investing in middle-market companies involves a number of significant risks, including:

- these companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;



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- they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns;
- they are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- generally, little public information exists about these companies, and we are required to rely on our Adviser to obtain adequate information to evaluate the potential returns from investing in these companies;
- they generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, our executive officers, directors and our Adviser may, in the ordinary course of business, be named as defendants in litigation arising from our investments in these portfolio companies; and
- they may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

**We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited by the 1940 Act with respect to the proportion of our assets that may be invested in securities of a single issuer.**

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. Our election to be treated as an intention to qualify and be eligible to be treated as a RIC, however, has its own diversification requirement with which we intend to comply. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond the asset diversification requirements associated with our qualification as a RIC under the Code and certain contractual diversification requirements under a credit facility or other agreements, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

**Our portfolio may be concentrated in a limited number of portfolio companies, industries and/or sectors which will subject us to a risk of significant loss if any of these companies defaults on its obligations under any of its debt instruments or if there is a downturn in a particular industry or sector.**

Our portfolio may be concentrated in a limited number of portfolio companies, industries and/or sectors. Beyond the asset diversification requirements associated with our qualification as a RIC under the Code and certain contractual diversification requirements of a credit facility or other agreements, we do not have fixed guidelines for diversification. As a result, the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, our investments may be concentrated in relatively few industries or sectors. As a result, a downturn in any particular industry or sector in which we are invested could also significantly impact the aggregate returns we realize.

**The lack of liquidity in our investments may adversely affect our business.**

We will generally make investments in private companies. Private companies have reduced access to the capital markets, resulting in diminished capital resources and ability to withstand financial distress. Furthermore,

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substantially all of our investments in private companies will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities.

The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we have material non-public information regarding such portfolio company or if an investment is held by one of our subsidiaries and is subject to contractual limitations on sale, such as the limitations on transfer of assets under certain circumstances under a credit facility. These and similar risks may also be applicable to thinly-traded companies in which we may invest.

**Price declines and illiquidity in the corporate debt markets may adversely affect the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.**

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by the Board under our valuation policy and process. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments:

- a comparison of the portfolio company's securities to publicly traded securities;
- the enterprise value of a portfolio company;
- the nature and realizable value of any collateral;
- the portfolio company's ability to make payments and its earnings;
- the markets in which the portfolio company does business; and
- changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation. We record decreases in the market values or fair values of our investments as unrealized depreciation. Declines in prices and liquidity in the corporate debt markets may result in significant net unrealized depreciation in our portfolio. The effect of all of these factors on our portfolio may reduce our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**The Adviser may effectuate short sales that subject us to unlimited loss potential.**

The Adviser may enter into transactions in which it sells a security it does not own, which we refer to as a short sale, in anticipation of a decline in the market value of the security. Short sales for our account theoretically will involve unlimited loss potential since the market price of securities sold short may continuously increase. Under adverse market conditions, the Adviser might have difficulty purchasing securities to meet short sale delivery obligations and may have to cover short sales at suboptimal prices. Further, if other short positions of the same security are closed out at the same time, a "short squeeze" can occur where demand exceeds the supply for the security sold short. A short squeeze makes it more likely that the Adviser will need to replace the borrowed security at an unfavorable price.

**Our investments in the healthcare industry are subject to numerous risks, including competition, extensive government regulation and commercial difficulties.**

Our investments in portfolio companies in the healthcare industry, particularly the pharmaceuticals, devices, life sciences and facilities sub-sectors are subject to numerous risks. The successful and timely implementation of



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the business model of our healthcare portfolio companies depends on their ability to adapt to changing technologies and introduce new products. As competitors continue to introduce competitive products, the development and acquisition of innovative products and technologies that improve efficacy, safety and cost-effectiveness are important to the success of such portfolio companies. The success of new product offerings will depend on many factors, including the ability to properly anticipate and satisfy customer needs, obtain regulatory approvals on a timely basis, develop and manufacture products in an economic and timely manner, obtain or maintain advantageous positions with respect to intellectual property, and differentiate products from those of competitors. Failure by our portfolio companies to introduce planned products or other new products or to introduce products on schedule could have a material adverse effect on our business, financial condition and results of operations.

Further, the development of products by pharmaceuticals, devices, life sciences and facilities companies in the healthcare industry requires significant research and development, clinical trials and regulatory approvals. The results of product development efforts may be affected by a number of factors, including the ability to innovate, develop and manufacture new products, complete clinical trials, obtain regulatory approvals and reimbursement in the United States and abroad, or gain and maintain market approval of products. In addition, regulatory review processes by U.S. and foreign agencies may extend longer than anticipated as a result of decreased funding and tighter fiscal budgets. Further, patents attained by others can preclude or delay the commercialization of a product. There can be no assurance that any products now in development will achieve technological feasibility, obtain regulatory approval, or gain market acceptance. Failure can occur at any point in the development process, including after significant funds have been invested. Products may fail to reach the market or may have only limited commercial success because of efficacy or safety concerns, failure to achieve positive clinical outcomes, inability to obtain necessary regulatory approvals, failure to achieve market adoption, limited scope of approved uses, excessive costs to manufacture, the failure to establish or maintain intellectual property rights, or the infringement of intellectual property rights of others.

**Changes in healthcare laws and other regulations applicable to some of our portfolio companies' businesses may constrain their ability to offer their products and services.**

There has also been an increased political and regulatory focus on healthcare laws in recent years, and new legislation could have a material effect on the business and operations of some of our portfolio companies by increasing their compliance and other costs of doing business, requiring significant systems enhancements, or rendering their products or services less profitable or obsolete. In particular, the Food and Drug Administration ("FDA"), has established regulations, guidelines and policies to govern the development and approval of pharmaceuticals and medical devices, as have foreign regulatory authorities, which affect some of our portfolio companies. Any change in regulatory requirements due to the adoption by the FDA and/or foreign regulatory authorities of new legislation, regulations, or policies may require some of our portfolio companies to amend existing clinical trial protocols or add new clinical trials to comply with these changes. Such amendments to existing protocols and/or clinical trial applications or the need for new ones, may significantly impact the cost, timing and completion of the clinical trials. Also, may have adverse effects on certain healthcare sub-sectors due to changes in payer-mix, patient volumes, as well as other changes to the current law.

**We may hold the debt securities of leveraged companies that may, due to the significant volatility of such companies, enter into bankruptcy proceedings.**

Leveraged companies may experience bankruptcy or similar financial distress. The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversary proceedings and are beyond the control of the creditors. A bankruptcy filing by an issuer may adversely and permanently affect the issuer. If the proceeding is converted to a liquidation, the value of the issuer may not equal the liquidation value that was believed to exist at the time of our investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor's return on investment can be adversely affected by delays until a plan of reorganization or liquidation ultimately becomes effective. The administrative

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costs in connection with a bankruptcy proceeding are frequently high and would be paid out of the debtor's estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, our influence with respect to the class of securities or other obligations we own may be lost by increases in the number and amount of claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain claims that have priority by law (for example, claims for taxes) may be substantial, eroding the value of any recovery by holders of other securities of the bankrupt entity.

Depending on the facts and circumstances of our investments and the extent of our involvement in the management of a portfolio company, upon the bankruptcy of a portfolio company, a bankruptcy court may recharacterize our debt investments as equity interests and subordinate all or a portion of our claim to that of other creditors. This could occur even though we may have structured our investment as senior debt.

**Economic recessions or downturns could impair the ability of our portfolio companies to repay loans and increase our costs, which, in turn, could increase our non-performing assets, decrease the value of our portfolio, reduce our volume of new loans and otherwise harm our operating results.**

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions may also decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from making new investments, increase credit losses and harm our operating results, which could have an adverse effect on our results of operations.

**We may be subject to risks associated with syndicated loans.**

From time to time, we may acquire interests in syndicated loans. Under the documentation for such loans, a financial institution or other entity typically is designated as the administrative agent and/or collateral agent. This agent is granted a lien on any collateral on behalf of the other lenders and distributes payments on the indebtedness as they are received. The agent is the party responsible for administering and enforcing the loan and generally may take actions only in accordance with the instructions of a majority or two-thirds of the holders of commitments and/or principal amount of the associated indebtedness. In most cases, we do not expect to hold a sufficient amount of the indebtedness to be able to compel any actions by the agent. For example, in many cases, our investments may represent less than the amount of associated indebtedness sufficient to compel such actions or represent subordinated debt which is precluded from acting and, consequently, we would only be able to direct such actions if instructions from us were made in conjunction with other holders of associated indebtedness that together with us compose the requisite percentage of the related indebtedness then entitled to take action. Conversely, if holders of the required amount of the associated indebtedness (excluding amounts held by us) desire to take certain actions, such actions may be taken even if we did not support such actions. Furthermore, if an investment is subordinated to one or more senior loans made to the applicable obligor, our ability to exercise such rights may be subordinated to the exercise of such rights by the senior lenders. Accordingly, we may be precluded from directing such actions unless we act together with other holders of the indebtedness. If we are unable to direct such actions, we cannot assure you that the actions taken will be in our best interests.

If an investment is a syndicated revolving loan or delayed drawdown loan, other lenders may fail to satisfy their full contractual funding commitments for such loan, which could create a breach of contract, result in a lawsuit by the obligor against the lenders and adversely affect the fair market value of our investment.

There is a risk that a loan agent may become bankrupt or insolvent. Such an event would delay, and possibly impair, any enforcement actions undertaken by holders of the associated indebtedness, including attempts to

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realize upon the collateral securing the associated indebtedness and/or direct the agent to take actions against the related obligor or the collateral securing the associated indebtedness and actions to realize on proceeds of payments made by obligors that are in the possession or control of any other financial institution. In addition, we may be unable to remove the agent in circumstances in which removal would be in our best interests. Moreover, agent loans typically allow for the agent to resign with certain advance notice.

**Our investments in CLOs may be riskier and less transparent to us and our stockholders than direct investments in the underlying companies.**

We intend to invest in CLOs. Generally, there may be less information available to us regarding the underlying debt investments held by CLOs than if we had invested directly in the debt of the underlying companies. As a result, our stockholders will not know the details of the underlying securities of the CLOs in which we will invest. Our CLO investments will also be subject to the risk of leverage associated with the debt issued by such CLOs and the repayment priority of senior debt holders in such CLOs. Our investments in prospective portfolio companies may be risky, and we could lose all or part of our investment.

**Our financial results may be affected adversely if one or more of our equity or mezzanine debt investments in a CLO vehicle defaults on its payment obligations or fails to perform as we expect.**

We intend to invest in the equity and mezzanine tranches in CLOs, which involve a number of significant risks. CLOs are typically highly levered, and therefore the equity and mezzanine tranches that we will invest in are subject to a higher risk of total loss. In particular, investors in CLOs indirectly bear risks of the underlying debt investments held by such CLOs. We will generally have the right to receive payments only from the CLOs, and will generally not have direct rights against the underlying borrowers or the entity that sponsored the CLOs. Although it is difficult to predict whether the prices of indices and securities underlying CLOs will rise or fall, these prices (and, therefore, the prices of the CLOs) will be influenced by the same types of political and economic events that affect issuers of securities and capital markets generally.

The investments we intend to make in CLOs will likely be thinly traded or have only a limited trading market. CLO investments are typically privately offered and sold in the primary and secondary markets. As a result, investments in CLOs may be characterized as illiquid securities. In addition to the general risks associated with investing in debt securities, CLOs carry additional risks, including, but not limited to: (i) the possibility that distributions from the underlying loans will not be adequate to make interest or other payments; (ii) the quality of the underlying loans may decline in value or default; and (iii) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the CLO or unexpected investment results. Further, our investments in equity and mezzanine tranches of CLOs will be subordinate to the senior debt tranches thereof.

Investments in structured vehicles, including equity and mezzanine debt instruments issued by CLOs, involve risks, including credit risk and market risk. Changes in interest rates and credit quality may cause significant price fluctuations. Additionally, changes in the underlying loans held by a CLO may cause payments on the instruments we hold to be reduced, either temporarily or permanently. Structured investments, particularly the subordinated interests in which we invest, are less liquid than many other types of securities and may be more volatile than the loans underlying the CLOs in which we invest.

**Certain tax consequences of our investments**

There are various tax risks with respect to some of our investments, including but not limited to, the risks discussed below.

Some of our investments outside the United States, including our CLO investments, may be treated as investments in passive foreign investment companies ("PFICs"), as defined below, and could subject us to U.S.

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federal income tax (including interest charges) on distributions received from a PFIC or on proceeds received from the disposition of shares in a PFIC, which tax cannot be eliminated by making distributions to our shareholders. However, we may elect to avoid the imposition of that tax. For example, we may elect to treat a PFIC as a “qualified electing fund” (“QEF”) (i.e., make a “QEF election”), in which case we will be required to include our share of the PFIC’s income and net capital gain annually, regardless of whether it receives any distribution from the PFIC. Alternatively, we may elect to mark the gains (and to a limited extent the losses) in such holdings “to the market” as though we had sold (and, solely for purposes of this mark-to-market election, repurchased) our holdings in those PFICs on the last day of our taxable year. Such gains and losses are treated as ordinary income and loss. The QEF and mark-to-market elections may have the effect of accelerating the recognition of income (without the receipt of cash) and increasing the amount required to be distributed for us to avoid taxation. Making either of these elections therefore may require us to liquidate other investments (including when it is not advantageous to do so) to meet our distribution requirement, which also may accelerate the recognition of gain and affect our total return.

If we own (directly or indirectly) 10% or more of the total combined voting power of all classes of stock of a foreign corporation or 10% or more of the total value of shares of all classes of stock of a foreign corporation that is treated as a controlled foreign corporation (“CFC”) (including equity tranche investments and certain debt tranche investments in a CLO treated as CFC), we are a “U.S. Shareholder” for purposes of the CFC provisions of the Code. A CFC is a foreign corporation that, on any day of its taxable year, is owned (directly, indirectly, or constructively) more than 50% (measured by voting power or value) by U.S. Shareholders. A U.S. Shareholder is required to include in gross income for U.S. federal income tax purposes for each taxable year of the U.S. Shareholder its pro rata share of its CFC’s “subpart F income” for the CFC’s taxable year ending within the U.S. Shareholder’s taxable year whether or not such income is actually distributed by the CFC. Subpart F income is treated as ordinary income, regardless of the character of the CFC’s underlying income. To the extent we invest in CFCs, if any, and recognize subpart F income in excess of actual cash distributions from such CFCs, if any, we may be required to sell assets (including when it is not advantageous to do so) to generate the cash necessary to distribute as dividends to our shareholders all of our income and gains and therefore to eliminate any corporate-level tax liability.

Investments in distressed debt obligations that are at risk of or in default present special tax issues. Tax rules are not entirely clear about issues such as whether and to what extent we should recognize market discount on these debt obligations, when we may cease to accrue interest, OID or market discount, when and to what extent we may take deductions for bad debts or worthless securities and how we should allocate payments received on obligations in default between principal and income. We will address these and other related issues when, as and if we invest in such obligations, in order to seek to ensure that we distribute sufficient income to preserve our eligibility for treatment as a RIC and do not become subject to U.S. federal income or excise tax.

Our derivative transactions, as well as any of our other hedging, short sale or similar transactions, may be subject to one or more special tax rules (including, for instance, notional principal contract, mark-to-market, constructive sale, straddle, wash sale and short-sale rules). These rules may affect whether gains and losses we recognize are treated as ordinary or capital and/or as short-term or long-term, accelerate our recognition of income or gains, defer losses, and cause adjustments in the holding periods of our securities. The rules could therefore affect the amount, timing and/or character of our distributions to shareholders.

Because the tax rules applicable to derivative financial instruments are in some cases uncertain under current law, an adverse determination or future guidance by the IRS with respect to these rules (which determination or guidance could be retroactive) may affect whether we have made sufficient distributions, and otherwise satisfied the relevant requirements, to maintain our qualification as a RIC and avoid a corporate-level tax.

To qualify for the special tax treatment accorded RICs and their shareholders, we must meet certain source-of-income, asset diversification and annual distribution requirements. Our ability to pursue our investment

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strategy may be limited or adversely affected by our intention to qualify as a RIC and our strategy may bear adversely on our ability to so qualify.

**We may not realize gains from our equity investments.**

When we invest in mezzanine loans or senior secured loans, we may also invest in the equity securities of the borrower or acquire warrants or other equity securities as well. In addition, we may invest directly in the equity securities of portfolio companies. Our goal is ultimately to dispose of such equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not realize gains from our equity interests, and any gains that we do realize on the disposition of such equity interests may not be sufficient to offset any other losses we experience.

**Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio, and our ability to make follow-on investments in certain portfolio companies may be restricted.**

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as “follow-on” investments, in order to:

- increase or maintain in whole or in part our equity ownership percentage;
- exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or
- attempt to preserve or enhance the value of our investment.

We will have the discretion to make any follow-on investments, subject to the availability of capital resources, the limitations of the 1940 Act, the requirements associated with qualifying for the special tax treatment accorded RICs and their shareholders and contractual requirements under a credit facility or otherwise. We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. The failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we do not want to increase our exposure to the portfolio company, because we prefer other opportunities or because we are inhibited by compliance with BDC requirements, or our contractual requirements or the desire to qualify for the special tax treatment accorded RICs and their shareholders.

**Because we may not hold controlling equity interests in our portfolio companies, we may not be in a position to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments.**

Although we intend to take controlling equity positions in some of our portfolio companies, we do not intend to take a controlling equity interest in all of our portfolio companies. In addition, we may not be in a position to control any portfolio company by investing in its debt securities. As a result, we will be subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity for the debt and equity investments that we will typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company, and we may therefore suffer a decrease in the value of our investments.

**Defaults by issuers of our holdings will harm our operating results.**

A portfolio company’s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets. This could trigger



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cross-defaults under other agreements and jeopardize such portfolio company's ability to meet its obligations under the debt or equity securities that we hold. Our investments in loans of such issuers may be placed on non-accrual status under those circumstances, if principal and/or interest payments become overdue or if there is a reasonable doubt that principal or interest will be collected. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company. A payment default on a loan to a portfolio company or a default leading to the acceleration of debt of a portfolio company could cause the loan to such portfolio company held by us to become, or to be deemed to be, a defaulted obligation under a credit facility. This, in turn, could result in a coverage test under a credit facility not being met and the diversion of distributions of assets to pay down debt under the credit facility rather than to make distributions. Such a portfolio company default could also lead to an event of default and acceleration under a credit facility and liquidation by the related lender of the assets securing the credit facility. Any such diversion of cash flow or any event of default could result in our being unable to make distributions to our stockholders in amounts sufficient to qualify for the special tax treatment accorded RICs and their shareholders, or at all, and could have a material adverse effect on our business, financial condition and results of operations. Investments in issuers that are in default or that have been placed on non-accrual status have in the past represented and may in the future represent a significant portion of our portfolio.

**Our Adviser's liability will be limited under the Investment Advisory Agreement, and we have agreed to indemnify our Adviser against certain liabilities, which may lead our Adviser to act in a riskier manner on our behalf than it would when acting for its own account.**

Under the Investment Advisory Agreement, our Adviser will not assume any responsibility to us other than to render the services called for under that agreement, and it will not be responsible for any action of the Board in following or declining to follow our Adviser's advice or recommendations. Our Adviser maintains a contractual, as opposed to a fiduciary, relationship with us. Under the terms of the Investment Advisory Agreement, our Adviser, its officers, members, personnel, and any person controlling or controlled by our Adviser will not be liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary's stockholders or partners for acts or omissions performed in accordance with and pursuant to the Investment Advisory Agreement, except those resulting from acts constituting negligence or misconduct. In addition, we have agreed to indemnify our Adviser and each of its officers, directors, members, managers and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Investment Advisory Agreement, except where attributable to negligence or misconduct. These protections may lead our Adviser to act in a riskier manner when acting on our behalf than it would when acting for its own account.

**We may be obligated to pay our Adviser incentive compensation even if we incur a net loss due to a decline in the value of our portfolio.**

Our Investment Advisory Agreement entitles our Adviser to receive incentive compensation on income regardless of any capital losses. In such case, we may be required to pay our Adviser incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or if we incur a net loss for that quarter.

Any incentive fee payable by us that relates to our net investment income may be computed and paid on income that may include interest that has been accrued but not yet received. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously included in the calculation of the incentive fee will become uncollectible. Our Adviser is not under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued income that we never received as a result of a default by an entity on the obligation that resulted in the accrual of such income, and such circumstances would result in our paying an incentive fee on income we never received.

**Table of Contents****We may not apply or be approved for an SBIC license.**

An affiliate of the Company may apply for a license to form an SBIC. If such an application is made and approved and the SBA so permits, we anticipate that the SBIC license would be transferred to a wholly-owned subsidiary of ours. Following such transfer, we anticipate that the SBIC subsidiary would be allowed to issue SBA-guaranteed debentures, subject to certain regulatory requirements. SBA guaranteed debentures carry long-term fixed rates that are generally lower than rates on comparable bank and other debt. We cannot assure that we will make an application for an SBIC license, be successful in receiving an SBIC license from the SBA or that the SBA will permit such license to be transferred to us. If we do receive an SBIC license, there is no minimum amount of SBA-guaranteed debentures that must be allocated to us.

**Our portfolio companies may prepay loans, which prepayment may reduce our yields if capital returned cannot be invested in transactions with equal or greater expected yields.**

The loans in our investment portfolio may be prepayable at any time. It is not clear at this time when each loan may be prepaid. Whether a loan is prepaid will depend both on the continued positive performance of the portfolio company and the existence of favorable financing market conditions that allow such company the ability to replace existing financing with less expensive capital. As market conditions change, we do not know when, and if, prepayment may occur for each portfolio company. In the case of some of these loans, having the loan prepaid may reduce the achievable yield for us if the capital returned cannot be invested in transactions with equal or greater expected yields, which could have a material adverse effect on our business, financial condition and results of operations.

**The disposition of our investments may result in contingent liabilities.**

We currently expect that a significant portion of our investments will involve private securities. In connection with the disposition of an investment in a private company, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to certain potential liabilities. These arrangements may result in contingent liabilities that ultimately yield funding obligations that must be satisfied through our return of certain distributions previously made to us.

**We may expose ourselves to risks if we engage in hedging transactions.**

If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may borrow under a credit facility in currencies selected to minimize our foreign currency exposure or use instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions caused by these risks does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline for other reasons. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price. Our ability to engage in hedging transactions may also be adversely affected by recent rules adopted by the CFTC unless we register as a commodity pool operator. While we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent



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us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

**Investments in securities of foreign companies, if any, may involve significant risks in addition to the risks inherent in U.S. investments.**

We may make investments in securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

In addition, any investments we make that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk, or, that if we do, such strategies will be effective.

**We may invest in foreign sovereign debt and the foreign governmental issuers of debt of the governmental authorities that control repayment of the debt may be unable or unwilling to repay principal or pay interest when due.**

Investments in sovereign debt involve special risks. Foreign governmental issuers of debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due. In the event of default, there may be limited or no legal recourse. Political conditions, especially a sovereign entity's willingness to meet the terms of its debt obligations, are of considerable significance. The ability of a foreign sovereign issuer, especially an emerging market country, to make timely payments on its debt obligations will also be strongly influenced by the sovereign issuer's balance of payments, including export performance, its access to international credit facilities and investments, fluctuations of interest rates and the extent of its foreign reserves. In addition, there is no bankruptcy proceeding with respect to sovereign debt on which a sovereign has defaulted and the Company may be unable to collect all or part of its investment in a particular issue. Foreign investment in certain sovereign debt is restricted or controlled to varying degrees, including requiring governmental approval for the repatriation of income, capital or proceeds of sales by foreign investors. These restrictions or controls may at times limit or preclude foreign investment in certain sovereign debt and increase our costs and expenses.

**We are not obligated to complete a liquidity event by a specified date; therefore, it will be difficult for an investor to sell his or her shares.**

We intend to seek to complete a liquidity event for our stockholders within five years following the completion of our offering stage. We expect that the Board, in the exercise of the requisite standard of care applicable to directors under Delaware law, will determine to pursue a liquidity event when it believes that then-current market conditions are favorable for a liquidity event, and that such a transaction is in the best interests of our stockholders. A liquidity event could include (1) a listing of our shares on a national securities exchange, (2) the sale of all or substantially all of our assets either on a complete portfolio basis or individually followed by a liquidation or (3) a merger or another transaction approved by the Board in which our stockholders likely will receive cash or shares of a publicly traded company. However, there can be no assurance that we will complete a liquidity event within such time or at all. If we do not successfully complete a liquidity event, liquidity for an investor's shares will be limited to our share repurchase program, which we have no obligation to maintain.

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**We intend to offer to repurchase your shares on a quarterly basis. Only a limited number of shares will be repurchased, however, and, to the extent you are able to sell your shares under the repurchase program, you may not be able to recover the amount of your investment in those shares.**

We intend to commence tender offers to allow you to tender your shares on a quarterly basis at a price equal to 90% of our public offering price in effect on the date of repurchase. The share repurchase program will include numerous restrictions that limit your ability to sell your shares. We intend to limit the number of shares repurchased pursuant to our share repurchase program as follows:

- we currently intend to limit the number of shares to be repurchased during any calendar year to the number of shares we can repurchase with the proceeds we receive from the sale of shares of our common stock under our distribution reinvestment plan, although at the discretion of the Board, we may also use cash on hand, cash available from borrowings and cash from liquidation of securities investments as of the end of the applicable period to repurchase shares;
- we will limit the number of shares to be repurchased in any calendar year to 10% of the weighted average number of shares outstanding in the prior calendar year, or 2.5% in each quarter;
- unless you tender all of your shares, you must tender at least 25% of the shares you have purchased and must maintain a minimum balance of \$2,500 subsequent to submitting a portion of your shares for repurchase by us; and
- to the extent that the number of shares tendered for repurchase exceeds the number of shares we are able to repurchase, we will repurchase shares as nearly as may be pro-rata, except as permitted by Rule 13e-4 of the Exchange Act, not on a first-come, first-served basis. Further, we will have no obligation to repurchase shares if the repurchase would violate the restrictions on distributions under federal law or Delaware law, which prohibits distributions that would cause a corporation to fail to meet statutory tests of solvency. These limits may prevent us from accommodating all repurchase requests made in any year. The Board may amend, suspend or terminate the repurchase program upon 30 days' notice. We will notify you of such developments (1) in our quarterly reports or (2) by means of a separate mailing to you, accompanied by disclosure in a current or periodic report under the Exchange Act. In addition, although we have adopted a share repurchase program, we will have discretion to not repurchase your shares, to suspend the plan and to cease repurchases. Further, the plan has many limitations and should not be relied upon as a method to sell shares promptly or at a desired price.

**The timing of our repurchase offers pursuant to our share repurchase program may be at a time that is disadvantageous to our stockholders.**

When we make quarterly repurchase offers pursuant to our share repurchase program, we may offer to repurchase shares at a price that is lower than the price that investors paid for shares. As a result, to the extent investors have the ability to sell their shares to us as part of our share repurchase program, the price at which an investor may sell shares, which we expect to be 90% of the offering price in effect on the date of repurchase, may be lower than what an investor paid in connection with the purchase of shares.

In addition, in the event an investor chooses to participate in our share repurchase program, the investor will be required to provide us with notice of intent to participate prior to knowing what the net asset value per share will be on the repurchase date. Although an investor will have the ability to withdraw a repurchase request prior to the repurchase date, to the extent an investor seeks to sell shares to us as part of our share repurchase program, the investor will be required to do so without knowledge of what the repurchase price of our shares will be on the repurchase date.

**There is a risk that you may not receive distributions or that our distributions may not grow over time.**

We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. Also, due to the asset coverage test applicable to

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us as a BDC, we may be limited in our ability to make distributions. Finally, if more stockholders receive cash dividends and other distributions rather than opt to participate in our distribution reinvestment plan, we may be forced to liquidate some of our investments and raise cash in order to make distribution payments. All distributions will be paid at the discretion of the Board and will depend on our earnings, our financial condition, qualification for the special tax treatment accorded RICs and their shareholders, compliance with applicable BDC regulations and such other factors as the Board may deem relevant from time to time. We cannot assure you that we will pay distributions to our stockholders in the future.

**Investing in our shares may involve an above average degree of risk and is intended for long-term investors.**

The investments we make in accordance with our investment objective and strategies may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in our shares may not be suitable for an investor with a lower risk tolerance. In addition, our common stock is intended for long-term investors.

**We may allocate the net proceeds from the offering in ways with which you may not agree.**

We will have significant flexibility in investing the net proceeds of our public offering. You will be unable to evaluate the manner in which the net proceeds of the offering will be invested or the economic merit of our expected investments and, as a result, we may use the net proceeds from the offering to invest in investments with which you may not agree. We intend to invest, under normal circumstances, at least 80% of our total assets in debt and equity of middle-market companies, with an emphasis on healthcare companies, syndicated floating rate debt of large public and non-public companies and mezzanine and equity tranches of CLOs. Additionally, we will not provide you with information on potential investments prior to our acquisition of such investments. In addition, we have flexibility under our investment policy to invest a significant portion of our assets in investments that are not debt or equity investments in middle-market companies. The failure of our management to apply net proceeds from this offering effectively or find investments that meet our investment criteria in sufficient time or on acceptable terms could result in unfavorable returns and could cause a material adverse effect on you.

**Table of Contents****Item 1B.      *Unresolved Staff Comments***

None

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We do not own any real estate or other physical properties materially important to our operation. Our headquarters are located at 2515 McKinney Avenue, Suite 1100, Dallas, Texas 75201. We believe that our office facilities are suitable and adequate for our business as it is presently conducted.

**Table of Contents****Item 3.      *Legal Proceedings***

Although we may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise, neither the Company nor any of its subsidiaries is currently a party to any pending material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against the Company or against its subsidiaries.

**Table of Contents****Item 4.      *Mine Safety Disclosures***

Not applicable.



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## PART II

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****Market Information**

There is currently no secondary market for our common stock, and we do not expect that a secondary market for our shares will develop in the foreseeable future. No shares of our common stock have been authorized for issuance under any equity compensation plans.

Set forth below is a chart describing the classes of our securities outstanding as of December 31, 2020:

	<u>Title of Class</u>	<u>Amount Authorized</u>	<u>Amount Held by Us or for Our Account</u>	<u>Amount Outstanding Exclusive of Amount Under Column</u>
Common Stock		200,000,000	—	10,475,168
Preferred Stock		25,000,000	—	—

As of December 31, 2020, we had 1,774 record holders of our common stock.

**Share Repurchase Program**

On a quarterly basis, the Company intends to offer to repurchase shares of common stock on such terms as may be determined by the Board in its complete and absolute discretion unless, in the judgment of the independent directors of the Board, such repurchases would not be in the best interests of the Company's stockholders or would violate applicable law. The Company will conduct such repurchase offers in accordance with the requirements of Rule 13e-4 of the Exchange Act and the 1940 Act. Any offer to repurchase shares of common stock will be conducted solely through tender offer materials mailed to each stockholder.

The Company currently intends to limit the number of shares of common stock to be repurchased during any calendar year to the number of shares of common stock it can repurchase with the proceeds it receives from the sale of shares of common stock under its distribution reinvestment plan. At the discretion of the Board, the Company may also use cash on hand, cash available from borrowings and cash from liquidation of securities investments as of the end of the applicable period to repurchase shares of common stock. In addition, the Company will limit the number of shares of common stock to be repurchased in any calendar year to 10.0% of the weighted average number of shares of common stock outstanding in the prior calendar year, or 2.5% in each quarter, though the actual number of shares of common stock that the Company offers to repurchase may be less in light of the limitations noted above. The Company intends to offer to repurchase such shares of common stock at a price equal to 90% of the offering price in effect on each date of repurchase. In months in which the Company repurchases shares of common stock pursuant to its share repurchase program, it expects to conduct repurchases on the same date that it holds its first weekly closing in such month for the sale of shares of common stock in its continuous public offering. The Board may amend, suspend or terminate the share repurchase program at any time, upon 30 days' notice.

We will repurchase shares from a stockholder in the event of the stockholder's death or Qualifying Disability, as defined below, upon such shares being presented to us for repurchase. The repurchase price for repurchases in connection with a stockholder's death or Qualifying Disability will be the NAV as determined for the next weekly pricing period commencing after the receipt by our transfer agent of a repurchase request in proper form.

We will not be obligated to repurchase shares if more than 360 days have elapsed since the date of the death or Qualifying Disability of a stockholder. Further, the Board will have no obligation to repurchase shares if it would cause us to violate federal law or Delaware law. Moreover, the Board has the right to suspend or terminate

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this repurchase right to the extent that it determines it is in our best interest to do so. This repurchase right will terminate on the date that our shares are listed on a national securities exchange or are included for quotation in a national securities market. All shares to be repurchased must be (i) fully transferable and not be subject to any liens or other encumbrances and (ii) free from any restrictions on transfer. If we determine that a lien or other encumbrance or restriction exists against the shares requested to be repurchased, we will not repurchase any such shares.

In order for a disability to be considered a “Qualifying Disability,” (1) the stockholder must receive a determination of disability based upon a physical or mental condition or impairment arising after the date the stockholder acquired the shares to be repurchased, and (2) such determination of disability must be made by the governmental agency responsible for reviewing the disability retirement benefits that the stockholder could be eligible to receive (the “Applicable Governmental Agency”). For purposes of this repurchase right, Applicable Governmental Agencies are limited to the following:

- if the stockholder paid Social Security taxes and, therefore, could be eligible to receive Social Security disability benefits, then the Applicable Governmental Agency is the Social Security Administration, or the agency charged with the responsibility for administering Social Security disability benefits at that time if other than the Social Security Administration;
- if the stockholder did not pay Social Security taxes and, therefore, could not be eligible to receive Social Security disability benefits, but the stockholder could be eligible to receive disability benefits under the Civil Service Retirement System (the “CSRS”), then the Applicable Governmental Agency is the U.S. Office of Personnel Management or the agency charged with the responsibility for administering CSRS benefits at that time if other than the U.S. Office of Personnel Management; or
- if the stockholder did not pay Social Security taxes and, therefore, could not be eligible to receive Social Security benefits, but suffered a disability that resulted in the stockholder’s discharge from military service under conditions that were other than dishonorable and, therefore, could be eligible to receive military disability benefits, then the Applicable Governmental Agency is the Department of Veterans Affairs or the agency charged with the responsibility for administering military benefits at that time if other than the Department of Veterans Affairs.

Disability determinations by governmental agencies for purposes other than those listed above, including, but not limited to, workers’ compensation insurance, the administration or enforcement of the Rehabilitation Act or Americans with Disabilities Act, or waiver of insurance premiums, will not entitle a stockholder to the repurchase right. Further, as the following disabilities do not entitle a worker to Social Security disability benefits, they do not qualify the stockholder for the repurchase right, except in the limited circumstances when the stockholder is awarded disability benefits by one of the Applicable Governmental Agencies described above: (a) disabilities occurring after the legal retirement age; and (b) disabilities that do not render a worker incapable of performing substantial gainful activity.

All stockholder repurchase requests must be accompanied by: (1) the investor’s initial application for disability benefits and (2) a Social Security Administration Notice of Award, a U.S. Office of Personnel Management determination of disability under CSRS, a Department of Veterans Affairs record of disability-related discharge or such other documentation issued by the Applicable Governmental Agency that we deem acceptable and that demonstrates an award of disability benefits.

If you tender all common shares you hold, or are considered to be holding, and you do not hold (directly or by attribution) any other units of our shares (e.g., preferred shares, if any), you will be treated as having sold your shares and generally will realize a capital gain or loss. If you tender fewer than all of your common shares or continue to hold (directly or by attribution) other units of our shares (e.g., preferred shares, if any), you may be treated as having received a distribution under Section 301 of the Code (“Section 301 distribution”) unless the redemption is treated as being either (i) “substantially disproportionate” or (ii) otherwise “not essentially

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equivalent to a dividend” under the relevant rules of the Code. A Section 301 distribution is not treated as a sale or exchange giving rise to a capital gain or loss, but rather is treated as a dividend to the extent supported by our current and accumulated earnings and profits, with the excess treated as a return of capital reducing your tax basis in Company shares, and thereafter as capital gain. In such a case, there is a risk that non-tendering shareholders whose interests in us increase as a result of such tender will be treated as having received a taxable distribution from us.

To the extent we recognize net gains on the liquidation of portfolio securities to meet such tenders, we will be required to make additional distributions to our common shareholders.

**Issuer Purchases of Equity Securities**

<u>Date</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Program</u>
October 8, 2014	652,174	\$ 9.20	0
March 31, 2016	3,232	8.55	3,232
December 31, 2016	4,169	9.24	4,169
March 31, 2017	58,893	9.59	58,893
June 30, 2017	23,441	9.59	23,441
September 30, 2017	37,284	9.36	37,284
December 31, 2017	10,820	9.52	10,820
March 31, 2018	73,736	9.89	73,736
June 30, 2018	142,605	9.69	142,605
September 30, 2018	73,877	9.61	73,877
December 31, 2018	183,934	8.75	183,934
March 31, 2019	125,146	8.51	125,146
June 30, 2019	71,112	8.69	71,112
September 30, 2019	127,126	8.58	127,126
December 31, 2019	131,082	8.41	131,082
March 31, 2020	49,418	4.88	49,418
June 30, 2020	45,916	5.87	45,916
September 30, 2020	51,384	6.09	51,384
December 31, 2020	77,523	6.16	77,523

For the year ended December 31, 2020, and the year ended December 31, 2019 the Company did not repurchase any shares as part of its death and disability program. For the year ended December 31, 2018, the Company also repurchased 3,752 shares as part of its death and disability program. For the year ended December 31, 2016, the Company also repurchased 15,553 shares as part of its death and disability program. For the years ended December 31, 2017, 2015 and 2014, the Company did not repurchase any shares as part of its death and disability program.

**Distributions**

Subject to the Board’s discretion and applicable legal restrictions, we intend to authorize and declare ordinary cash distributions on a weekly basis to be paid out quarterly. We will then calculate each stockholder’s specific distribution amount for the period using record and declaration dates, and each stockholder’s distributions will begin to accrue on the date we accept each stockholder’s subscription for shares of our common stock. From time to time, we may also pay special interim distributions in the form of cash or shares of common stock at the discretion of the Board. We also intend to distribute any net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) at least annually out of the assets legally available for such distributions. For example, the Board may periodically declare share distributions in order to reduce our

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NAV per share if necessary, to ensure that we do not sell shares at a price below NAV per share. Each year a statement on Form 1099-DIV, identifying the source of the distributions (i.e., paid from ordinary income, paid from net capital gains on the sale of securities, and/or a return of capital, which is generally a nontaxable distribution), will be mailed to our stockholders. Our distributions may exceed our earnings and profits. As a result, a portion of the distributions we make may represent a return of capital for tax purposes. A return of capital is a return of your investment rather than a return of earnings or gains derived from our investment activities and will be made after deduction of the fees and expenses payable in connection with the offering, including any fees payable to the Adviser. There can be no assurance that we will be able to pay distributions at a specific rate or at all.

In order to qualify for the special tax treatment accorded RICs and their shareholders, we must, among other things, distribute to our stockholders for each taxable year at least 90% of our investment company taxable income, which is generally our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, on an annual basis out of the assets legally available for such distributions. In addition, we also intend to distribute any realized net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) at least annually out of the assets legally available for such distributions.

We have adopted an “opt in” distribution reinvestment plan for our stockholders. As a result, if we make a cash distribution, then stockholders will receive distributions in cash unless they specifically “opt in” to the distribution reinvestment plan so as to reinvest their cash distributions in additional shares of our common stock. However, certain state authorities or regulators may impose restrictions from time to time that may prevent or limit a stockholder’s ability to participate in our distribution reinvestment plan. If you do not elect to participate in the plan, you will automatically receive any distributions we declare in cash. Stockholders who receive distributions in the form of shares of common stock will generally be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash.

We intend to use newly issued shares to implement the plan. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable by the NAV determined in the last weekly closing of the month.

We may fund our cash distributions to stockholders from any sources of funds available to us, including offering proceeds, borrowings, net investment income from operations, capital gains proceeds from the sale of assets, non-capital gains proceeds from the sale of assets and expense reimbursements from the Adviser. We have not established limits on the amount of funds we may use from available source to make distributions.

On a quarterly basis, we will send information to all stockholders of record regarding distributions paid to our stockholders in such quarter.

Please see below for a table detailing the dividends paid for the year ended December 31, 2020:

<u>Payable Date</u>	<u>Dividend/ Share(1)</u>	<u>Total Dividend(1)</u>	<u>Dividends Reinvested(2)(3)</u>
12/31/2020(3)	\$ 0.090	\$ 942,766	\$ —
9/30/2020	0.090	944,487	347,961
4/27/2020	0.060	633,540	241,202
3/27/2020	0.060	629,128	237,068
2/27/2020	0.060	631,127	245,478
1/30/2020	0.060	628,352	396,837
1/02/2020(2)	—	—	396,214
<b>Total</b>	<b>\$ 0.420</b>	<b>\$4,409,400</b>	<b>\$ 1,864,760</b>

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- <sup>1</sup> For the current period, there were no dividends classified as a return of capital.
- <sup>2</sup> The December 2019 Dividend was reinvested in January 2020, see total December 2019 Dividend in table below.
- <sup>3</sup> The December 2020 Dividend was reinvested in January 2021.

Please see below for a table detailing the dividends paid for the year ended December 31, 2019:

<u>Payable Date</u>	<u>Dividend/ Share(1)</u>	<u>Total Dividend(1)</u>	<u>Dividends Reinvested(2)(3)</u>
1/02/2020	\$ 0.060	\$ 625,526	\$ —
11/28/2019	0.060	630,505	398,908
10/30/2019	0.060	627,684	397,044
10/02/2019	0.060	632,534	397,215
8/28/2019	0.060	628,890	398,232
7/31/2019	0.060	627,743	395,900
6/26/2019	0.060	624,201	396,249
5/30/2019	0.060	625,758	398,933
5/01/2019	0.060	623,117	396,582
3/27/2019	0.060	620,420	392,542
2/27/2019	0.060	625,257	397,969
1/30/2019	0.060	622,648	397,645
1/03/2019(2)	—	—	456,444
<b>Total</b>	<b>\$ 0.720</b>	<b>\$7,514,283</b>	<b>\$ 4,823,663</b>

- <sup>1</sup> For the current period, there were no dividends classified as a return of capital.
- <sup>2</sup> The December 2018 Dividend was reinvested in January 2019, see total December 2018 Dividend in table below.
- <sup>3</sup> The December 2019 Dividend will be reinvested in January 2020.

Please see below for a table detailing the dividends paid for the year ended December 31, 2018:

<u>Payable Date</u>	<u>Dividend/ Share</u>	<u>Total Dividend(1)</u>	<u>Dividends Reinvested(2)</u>
1/03/2019	\$ 0.069	\$ 721,979	\$ —
11/28/2018	0.055	579,638	370,940
10/31/2018	0.069	721,071	461,560
9/26/2018	0.055	578,884	369,031
8/29/2018	0.055	576,777	367,935
8/01/2018	0.069	717,708	459,995
6/27/2018	0.055	579,962	367,710
5/30/2018	0.055	577,847	368,895
5/02/2018	0.069	719,079	459,922
3/28/2018	0.055	577,343	367,026
2/28/2018	0.055	566,708	368,154
1/31/2018	0.069	683,782	451,968
<b>Total</b>	<b>\$ 0.730</b>	<b>\$7,600,778</b>	<b>\$4,413,136</b>

- <sup>1</sup> For the current year, there were no dividends classified as a return of capital.
- <sup>2</sup> The December 2018 Dividend will be reinvested in January 2019.

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Please see below for a table detailing the dividends paid for the year ended December 31, 2017:

<u>Payable Date</u>	<u>Dividend/ Share</u>	<u>Total Dividend(1)</u>	<u>Dividends Reinvested</u>
12/27/2017	\$ 0.055	\$ 532,460	\$ 351,929
11/29/2017	0.055	517,804	341,262
11/1/2017	0.069	636,662	417,795
9/27/2017	0.055	505,439	331,096
8/30/2017	0.055	497,727	328,315
8/2/2017	0.069	610,689	403,364
6/28/2017	0.055	481,256	318,649
5/31/2017	0.069	580,257	385,226
4/26/2017	0.055	445,910	295,916
3/29/2017	0.055	431,714	286,868
3/1/2017	0.055	418,078	277,772
2/1/2017	0.069	499,353	332,190
<b>Total</b>	<b>\$ 0.716</b>	<b>\$6,157,349</b>	<b>\$4,070,382</b>

<sup>1</sup> For the current year, there were no dividends classified as a return of capital.

Please see below for a table detailing the dividends paid for the year ended December 31, 2016:

<u>Payable Date</u>	<u>Dividend/ Share</u>	<u>Total Dividend(1)</u>	<u>Dividends Reinvested</u>
12/28/2016	\$ 0.055	\$ 382,152	\$ 255,650
11/30/2016	0.055	368,541	247,396
11/2/2016	0.069	430,784	292,800
9/30/2016	0.055	321,955	220,312
8/31/2016	0.069	377,172	261,451
7/30/2016	0.055	277,907	200,860
6/29/2016 <sup>(2)</sup>	0.055	255,731	190,535
6/1/2016 <sup>(3)</sup>	0.067	280,557	216,628
4/29/2016	0.058	228,769	177,275
3/31/2016	0.058	196,318	161,095
2/29/2016	0.058	178,122	152,304
1/29/2016	0.058	166,836	146,197
<b>Total</b>	<b>\$ 0.712</b>	<b>\$3,464,844</b>	<b>\$2,522,503</b>

<sup>1</sup> For the current year, there were no dividends classified as a return of capital.

<sup>2</sup> On May 12, 2016, the Board approved a \$0.002 per share monthly increase to the dividend, which was normalized to the weekly distribution schedule starting in June 2016.

<sup>3</sup> Beginning in May 2016, we began declaring dividends weekly.

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Please see below for a table detailing the dividends paid for the year ended December 31, 2015:

<b><u>Payable Date</u></b>	<b><u>Dividend/ Share</u></b>	<b><u>Total Dividend(t)</u></b>	<b><u>Dividends Reinvested</u></b>
12/31/2015	\$ 0.058	\$ 155,396	\$ 139,260
11/30/2015	0.058	147,122	137,008
10/30/2015	0.058	141,377	134,845
9/30/2015	0.058	134,498	130,315
8/31/2015	0.058	128,773	124,959
7/31/2015	0.058	125,195	122,496
6/30/2015	0.058	117,215	115,203
5/29/2015	0.058	114,540	112,647
4/30/2015	0.058	108,525	107,595
3/31/2015	0.058	104,842	104,543
2/27/2015	0.058	100,082	100,044
1/30/2015	0.050	69,054	69,022
<b>Total</b>	<b><u>\$ 0.688</u></b>	<b><u>\$1,446,619</u></b>	<b><u>\$1,397,937</u></b>

<sup>1</sup> Of the total dividends shown, \$262,760 was classified as a return of capital.



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The following selected financial data for the years ended December 31, 2020, 2019, 2018, 2017, and 2016 is derived from our financial statements, which have been audited by Cohen & Company, Ltd. (2020) and PricewaterhouseCoopers, LLP (“PwC”), our independent registered public accounting firm. The data should be read in conjunction with our financial statements and related notes thereto and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this annual report on Form 10-K.

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
<b>Statements of operations data:</b>					
Total investment income	\$ 4,813,182	\$ 7,847,493	\$ 7,568,407	\$ 7,434,820	\$ 4,679,654
Expenses					
Total expenses	2,593,741	4,838,086	4,300,176	4,296,083	3,357,229
Expenses waived or reimbursed by the Advisor	(349,488)	(147,269)	(427,420)	(1,955,190)	(2,024,665)
Net expenses	<u>2,244,253</u>	<u>4,690,817</u>	<u>3,872,756</u>	<u>2,340,893</u>	<u>1,332,564</u>
Net investment income	2,568,929	3,156,676	3,695,651	5,093,927	3,347,090
Net realized gain (loss) on investments, securities sold short and total return swaps	(27,366,934)	389,680	2,844,449	663,709	1,408,557
Net change in unrealized appreciation (depreciation) on investments, securities sold short and total return swaps	3,898,727	5,644,539	(12,749,374)	1,710,536	2,870,451
Net increase from amounts committed by affiliates	—	—	—	—	872,000
Net increase (decrease) in net assets resulting from operations	<u>\$ (20,899,278)</u>	<u>\$ 9,190,895</u>	<u>\$ (6,209,274)</u>	<u>\$ 7,468,172</u>	<u>\$ 8,498,098</u>
<b>Distributions to stockholders:</b>					
Net investment income	\$ (4,409,400)	\$ (7,514,283)	\$ (7,600,778)	\$ (6,157,349)	\$ (3,464,844)
Realized Gains	—	—	—	—	—
Return of capital	—	—	—	—	—
<b>Total distributions to stockholders</b>	<u>(4,409,400)</u>	<u>(7,514,283)</u>	<u>(7,600,778)</u>	<u>(6,157,349)</u>	<u>(3,464,844)</u>
<b>Per share information—basic and diluted:</b>					
Net increase (decrease) in net assets resulting from operations <sup>(1)</sup>	<u>\$ (1.98)</u>	<u>\$ 0.88</u>	<u>\$ (0.60)</u>	<u>\$ 0.87</u>	<u>\$ 1.76</u>
<b>Balance sheet data:</b>					
Total assets	<u>\$ 65,784,836</u>	<u>\$ 130,697,027</u>	<u>\$ 125,482,590</u>	<u>\$ 123,306,379</u>	<u>\$ 87,473,718</u>
Total net assets	<u>\$ 64,190,472</u>	<u>\$ 88,935,553</u>	<u>\$ 86,310,963</u>	<u>\$ 94,859,957</u>	<u>\$ 67,292,954</u>

(1) The per share data was derived by using the weighted average shares outstanding during the period.

**Table of Contents****Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The information contained in this section should be read in conjunction with our unaudited financial statements and related notes thereto included elsewhere in this annual report on Form 10-K. In this report, "we," "us" and "our" refer to NexPoint Capital, Inc (the "Company").

**Forward-Looking Statements**

Some of the statements in this annual report on Form 10-K constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this annual report on Form 10-K may include statements as to:

- our future operating results;
- changes in healthcare technologies, finance and regulations adversely affecting our portfolio companies or financing model;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, which could result in changes to the value of our assets;
- our business prospects and the prospects of the companies in which we may invest;
- the impact of the investments that we expect to make;
- the impact of increased competition;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we may invest;
- the ability of our portfolio companies to achieve their objectives;
- impact and effects of the recent outbreak of COVID-19 on the future financial performance of the Company;
- the relative and absolute performance of our Adviser;
- our current and expected financings and investments;
- our ability to make distributions to our stockholders;
- the adequacy of our cash resources, financing sources and working capital;
- the timing and amount of cash flows, distributions and dividends, if any, from our portfolio companies;
- our use of financial leverage;
- the ability of the Adviser, to locate suitable investments for us and to monitor and administer our investments;
- the ability of the Adviser or its affiliates to attract and retain highly talented professionals;
- our ability to maintain our qualification as a regulated investment company, or RIC, and as a BDC;
- the impact on our business of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations issued thereunder;
- the effect of changes to tax legislation and our tax position; and
- the tax status of the enterprises in which we may invest.

Such forward-looking statements may include statements preceded by, followed by or that otherwise include the words "may," "might," "will," "intend," "should," "could," "can," "would," "expect," "believe," "estimate,"

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“anticipate,” “predict,” “potential,” “plan” or similar words. The forward-looking statements contained in this quarterly report on Form 10-Q involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth elsewhere in this annual report on Form 10-K and as “Risk Factors” in the prospectus relating to the continuous public offering of our common stock.

We have based the forward-looking statements included in this annual report on Form 10-K on information available to us on the date of this annual report on Form 10-K. Except as required by the federal securities laws, we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise. Stockholders are advised to consult any additional disclosures that we may make directly to stockholders or through reports that we may file in the future with the U.S. Securities and Exchange Commission (the “SEC”), including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. The forward-looking statements and projections contained in this annual report on Form 10-K are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). This annual report on Form 10-K may contain statistics and other data that have been obtained from or compiled from information made available by third-party service providers. We have not independently verified such statistics or data.

**Overview**

We were formed in Delaware on September 30, 2013 and formally commenced operations on September 2, 2014. We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the Investment Company Act of 1940, as amended (the “1940 Act”). In addition, for U.S. federal income tax purposes, we have elected to be treated as a RIC (Regulated Investment Company) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”) with retroactive effect to the date we elected to be treated as a BDC. As a BDC, we are also subject to certain constraints, including limitations imposed by the 1940 Act and the Code.

NexPoint Advisors, L.P. (the “Adviser”), which serves as the Adviser of the Company, is registered with the SEC as an Adviser under the Investment Advisers Act of 1940, as amended. Under the general supervision of our board of directors (the “Board”) the Adviser will carry out the investment and reinvestment of the net assets of the Company, will furnish continuously an investment program with respect to the Company, and determine which securities should be purchased, sold or exchanged. In addition, the Adviser will supervise and provide oversight of the Company’s service providers.

The Adviser has also entered into a Services Agreement with Skyview Group, Inc. (“Skyview”), effective February 25, 2021, pursuant to which the Adviser will receive administrative and operational support services to enable it to provide the required advisory services to the Company. The Adviser will compensate all Adviser and Skyview personnel who provide services to the Company.

Our investment objective is to generate high current income and long-term capital appreciation. We seek to achieve our objective by using the experience of the healthcare, credit and structured products teams of the Adviser and its affiliates to source, evaluate and structure investments, identify attractive investment opportunities that are primarily debt investments that generate high income without creating undue risk for the portfolio, make equity investments where we believe there will be attractive risk-adjusted returns that compensate for the lack of current income, and make investments in debt and equity tranches of collateralized loan obligations, or CLOs, that deliver income and high relative value. We will focus on companies that are stable, have positive cash flow and the ability to grow their business model.

Our investment policy is to invest, under normal circumstances, at least 80% of our total assets in debt and equity of middle-market companies, with an emphasis on healthcare companies, syndicated floating rate debt of

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large public and nonpublic companies and mezzanine and equity tranches of CLOs. Middle-market companies include companies with annual revenues between \$50,000,000 and \$2,500,000,000 and syndicated floating rate debt refers to loans and other instruments originated by a bank to a corporation that are sold off, or syndicated, to investors in pieces. We consider a healthcare company to be a company that is engaged in the design, development, production, sale, management or distribution of products, services or facilities used for or in connection with the healthcare industry. Additionally, we consider companies that are materially impacted by the healthcare industry (such as a contractor that derives significant revenue or profit from the construction of hospitals) as being engaged in the healthcare industry. We may invest without limit in companies that are not in the healthcare sector.

We will leverage the expertise of our Adviser with regard to distressed investing and restructuring to make opportunistic investments in distressed companies. We will utilize the Adviser's credit underwriting capability to identify the types of companies we believe will provide high current income and/or long-term capital appreciation. In addition to the investments in the healthcare industry, we may invest a portion of our capital in other opportunistic investments in which the Adviser has expertise and where we believe an opportunity exists to achieve above average risk adjusted yields and returns. These types of opportunities may include: (1) direct lending or origination investments, (2) investments in stressed or distressed situations, (3) structured product investments, (4) equity investments and (5) other investment opportunities not typically available in other BDCs. Opportunistic investments may range from broadly syndicated deals to direct lending deals in both private and public companies and may include foreign investments. We believe this is the best approach to achieving our dual mandate of attempting to generate a high yield while also attempting to produce capital appreciation.

We seek to invest primarily in securities deemed by the Adviser to be high income generating debt investments and income generating equity securities of privately held companies in the United States. We expect the portfolio will be concentrated primarily in senior floating rate debt securities, although we may invest without limit in securities which rank lower than senior secured instruments and may invest without limit in investments with a fixed rate of interest. We will buy syndicated loans, various tranches of CLOs and other debt instruments in the secondary market as well as originate debt so we can tailor the investment parameters more precisely to our needs. We also intend to invest a portion of the portfolio in equity securities that are non-income producing, when doing so will help us achieve our objective of long-term capital appreciation. We expect the size of our positions will range from less than \$1,000,000 to \$20,000,000, although investments may be larger as our asset base increases. We may selectively make investments in amounts larger than \$20,000,000 in some of our portfolio companies. While our asset base increases, we may make smaller investments. We may invest up to 15% of our net assets in entities that are excluded from registration under the 1940 Act by virtue of section 3(c)(1) and 3(c)(7) of the 1940 Act (such as private equity funds or hedge funds). This limitation does not apply to any CLOs, certain of which may rely on Section 3(c)(1) or 3(c)(7) of the 1940 Act.

We expect that many of the securities in which we invest will be rated below investment grade by independent rating agencies or would be rated below investment grade if they were rated. These securities, which may be referred to as "junk", have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. In addition, we expect that many of our debt investments will include floating interest rates that reset on a periodic basis and typically will not require the borrowers to pay down the outstanding principal of such debt prior to maturity.

We and the Adviser have obtained an exemptive order dated April 19, 2016 from the SEC to permit co-investments among the Company and certain other accounts managed by the Adviser or its affiliates, subject to certain conditions.

*Public Offering*

As a result of a series of private placements to the Adviser, we successfully satisfied the minimum offering requirement and officially commenced operations on September 2, 2014. In connection with the satisfaction of

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the minimum offering requirement and the commencement of our operations, the Investment Advisory Agreement became effective and the base management fee and any incentive fees, as applicable, payable to the Adviser under the Investment Advisory Agreement began to accrue. In aggregate as of December 31, 2020 the Adviser controls 2,549,002 total shares, including reinvestment of dividends, for a net amount of approximately \$15.6 million. In February 2018, we closed our continuous public offering of shares of common stock.

*Revenues*

We generate a significant portion of our total revenue in the form of interest on the debt securities that we hold. We expect that the senior debt we invest in will generally have stated terms of 3 to 5 years and that the subordinated debt we invest in will generally have stated terms of 5 to 7 years. Our senior and subordinated debt investments bear interest at a fixed or floating rate. Interest on debt securities is generally payable monthly, quarterly or semiannually. In addition, some of our investments provide for deferred interest payments or payment-in-kind, or PIK, interest. We may also generate revenues in the form of dividends and other distributions on the equity or other securities we may hold. In addition, we may generate revenues in the form of commitment, closing, origination, structuring or diligence fees, monitoring fees, fees for providing managerial assistance, consulting fees, prepayment fees and performance-based fees. Any such fees generated in connection with our investments will be recognized as earned.

*Expenses*

We expect that our primary operating expenses will include the payment of fees to the Adviser under the Investment Advisory Agreement, our allocable portion of overhead expenses under the Administration Agreement and other operating costs described below. Prior to December 20, 2017, the Adviser was waiving most fees, subject to possible recoupment for expenses pertaining to periods from and after June 10, 2016. Effective December 20, 2017, the Adviser ended its voluntary waiver of advisory and administration fees. We bear all out-of-pocket costs and expenses of our operations and transactions, including:

- our organization (expenses initially paid by the Adviser until sufficient equity proceeds are raised);
- calculating our net asset value and net asset value per share (including the costs and expenses of independent valuation firms);
- fees and expenses, including travel expenses, incurred by the Adviser or payable to third parties in performing due diligence on prospective portfolio companies, monitoring our investments and, if necessary, enforcing our rights;
- interest payable on debt, if any, incurred to finance our investments;
- the costs of this and all future offerings of common shares and other securities, and other incurrence of debt;
- the base management fee and any incentive fee;
- distributions on our shares;
- administration fees payable to the Adviser under the Administration Agreement;
- transfer agent and custody fees and expenses;
- the actual costs incurred by the Adviser as our administrator in providing managerial assistance to those portfolio companies that request it;
- amounts payable to third parties relating to, or associated with, evaluating, making and disposing of investments;
- brokerage fees and commissions;
- registration fees;

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- listing fees;
- taxes;
- director fees and expenses;
- costs associated with our reporting and compliance obligations under the 1940 Act and applicable U.S. federal and state securities laws;
- the costs of any reports, proxy statements or other notices to our stockholders, including printing costs;
- costs of holding stockholder meetings;
- our fidelity bond;
- directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- litigation, indemnification and other non-recurring or extraordinary expenses;
- direct costs and expenses of administration and operation, including audit and legal costs;
- fees and expenses associated with marketing efforts, including deal sourcing fees and marketing to financial sponsors;
- dues, fees and charges of any trade association of which we are a member; and
- all other expenses reasonably incurred by us or the Adviser in connection with administering our business.

During periods of asset growth, we expect our general and administrative expenses to be relatively stable or decline as a percentage of total assets and increase during periods of asset declines.

*Expense Limitation*

Pursuant to an expense limitation agreement (the “Expense Limitation Agreement”), the Adviser is contractually obligated to waive fees and, if necessary, pay or reimburse certain other expenses to limit ordinary “Other Expenses” to 1.0% of the quarter-end value of the Company’s gross assets through the one-year anniversary of the effective date of the registration statement. Under the Expense Limitation Agreement, “Other Expenses” are all expenses with the exception of advisor and administration fees, organization and offering costs and the following: (i) interest, taxes, dividends tied to short sales, brokerage commissions, and other expenditures which are capitalized in accordance with U.S. GAAP; (ii) expenses incurred indirectly as a result of investments in other investment companies and pooled investment vehicles; (iii) other expenses attributable to, and incurred as a result of, our investments; (iv) expenses payable to the Adviser, as administrator, for providing significant managerial assistance to our portfolio companies; and (v) other extraordinary expenses (including litigation expenses) not incurred in the ordinary course of our business. The obligation will automatically renew for one-year terms unless it is terminated by the Company or the Adviser upon written notice within 120 days of the end of the current term or upon termination of the Investment Advisory Agreement. The Expense Limitation Agreement will continue through at least April 30, 2021.

Any expenses waived or reimbursed by the Adviser pursuant to the Expense Limitation Agreement are subject to possible recoupment by the Adviser within three years from the date of the waiver or reimbursement. The recoupment by the Adviser will be limited to the amount of previously waived or reimbursed expenses and cannot cause the Company’s expenses to exceed any expense limitation in place at the time of recoupment or waiver.

*Reimbursable Expenses Table*

The cumulative total of fees waived by the Adviser under the Expense Limitation Agreement which are recoupable as of December 31, 2020, are \$924,177. This balance, and the balances in the tables below, only



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include amounts pertaining to the Expense Limitation Agreement, and do not include waived advisory and administration fees subject to recoupment discussed elsewhere herein.

The following table reflects the 2020 quarterly fee waivers and expense reimbursements due from the Adviser as of December 31, 2020, which are subject to recoupment by the Adviser.

Quarter Ended	Yearly Cumulative Other Expenses	Yearly Expense Limitation	Yearly Cumulative Expense Reimbursement	Quarterly Recoupable/ (Recouped) Amount	Recoupment Eligibility Expiration
December 31, 2020	\$ 989,447	\$639,959	\$ 349,488	\$ 101,541	December 31, 2023
September 30, 2020	687,228	439,281	247,947	94,039	September 30, 2023
June 30, 2020	445,585	291,677	153,908	(30,539)	June 30, 2023
March 31, 2020	257,226	72,779	184,447	184,447	March 31, 2023

The following table reflects the 2019 quarterly fee waivers and expense reimbursements due from the Adviser as of December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019, which may become subject to recoupment by the Adviser.

Quarter Ended	Yearly Cumulative Other Expenses	Yearly Expense Limitation	Yearly Cumulative Expense Reimbursement	Quarterly Recoupable/ (Recouped) Amount	Recoupment Eligibility Expiration
December 31, 2019	\$ 1,098,789	\$951,520	\$ 147,269	\$ 50,130	December 31, 2022
September 30, 2019	849,345	752,206	97,139	(17,417)	September 30, 2022
June 30, 2019	586,411	471,855	114,556	75,592	June 30, 2022
March 31, 2019	295,177	256,213	38,964	38,964	March 31, 2022

The following table reflects the 2018 quarterly fee waivers and expense reimbursements due from the Adviser as of December 31, 2018, September 30, 2018, June 30, 2018 and March 31, 2018, which are subject to recoupment by the Adviser.

Quarter Ended	Yearly Cumulative Other Expenses	Yearly Expense Limitation	Yearly Cumulative Expense Reimbursement	Quarterly Recoupable/ (Recouped) Amount	Recoupment Eligibility Expiration
December 31, 2018	\$ 1,352,097	\$924,677	\$ 427,420	\$ 279,079	December 31, 2021
September 30, 2018	950,045	801,704	148,341	23,992	September 30, 2021
June 30, 2018	613,809	489,460	124,349	44,203	June 30, 2021
March 31, 2018	341,882	261,736	80,146	80,146	March 31, 2021

During the year ended December 31, 2020, \$329,296 of expense reimbursements that were eligible for recoupment by the Adviser expired.

There can be no assurance that the Expense Limitation Agreement will remain in effect beyond April 30, 2021 or that the Adviser will reimburse any portion of our expenses in future quarters not covered by the Expense Limitation Agreement. Amounts shown do not include the amounts committed by the Adviser to voluntarily reimburse the Company for unrealized losses, all of which are not recoupable.

**Portfolio Investment Activity for the year ended December 31, 2020, 2019 and 2018**

During the year ended December 31, 2020, we made long investments in portfolio companies and other investments totaling \$54,511,342. During the same period, we generated proceeds from sales and principal repayments on long investments of \$72,368,347. As of December 31, 2020, our investment portfolio, with a total fair value of \$64.7 million, consisted of 45 positions in portfolio companies (calculated as a percentage of



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investments: 48.3% in first lien senior secured loans, 7.3% in second lien senior secured loans, 10.6% in corporate bonds, 0.6% in asset-backed securities, 0.1% in warrants, 14.9% in common stock, 0.0% in preferred stocks, 10.1% in LLC interests and 8.1% in partnership units.) As of December 31, 2020, there were no investments under the TRS with BNP Paribas in our portfolio. On a look-through basis, the debt investments in our portfolio carry a weighted average cost price of 88.76% on par or stated value, as applicable, and our estimated gross annual portfolio yield (which represents the expected yield to be generated by us on our investment portfolio based on the composition of our portfolio as of such date), prior to leverage costs, was 5.48% based on the amortized cost of our investments. The portfolio yield does not represent an actual investment return to stockholders and does not include income from CLO equity. As of December 31, 2020, there were no positions held in the TRS.

During the year ended December 31, 2019, we made long investments in portfolio companies and other investments totaling \$42,308,348. During the same period, we generated proceeds from sales and principal repayments on long investments of \$44,370,241. As of December 31, 2019, our investment portfolio, with a total fair value of \$100.4 million, consisted of 54 positions in portfolio companies (calculated as a percentage of investments: 7.7% in first lien senior secured loans, 0.3% in second lien senior secured loans, 0.0% in escrow loans, 3.7% in unsecured loans, 40.6% in corporate bonds, 0.7% in asset-backed securities, 2.1% in closed-end mutual funds, 0.1% in warrants, 22.9% in common stock, 8.5% in preferred stocks, 9.3% in LLC Interests, 4.0% in mortgage-backed-securities, and 0.1% in rights). As of December 31, 2019, including investments underlying the TRS with BNP Paribas on a look-through basis, the debt investments in our portfolio carry a weighted average cost price of 97.24% on par or stated value, as applicable, and our estimated gross annual portfolio yield (which represents the expected yield to be generated by us on our investment portfolio based on the composition of our portfolio as of such date), prior to leverage costs, was 6.66% based on the amortized cost of our investments. The portfolio yield does not represent an actual investment return to stockholders and does not include income from CLO equity.

During the year ended December 31, 2018, we made long investments in portfolio companies and other investments totaling \$64,748,316. During the same period, we sold long investments for proceeds of \$54,849,304. As of December 31, 2018, our investment portfolio, with a total fair value of \$96.2 million, consisted of 45 positions in portfolio companies (calculated as a percentage of total net assets: 9.7% in first lien senior secured loans, 5.0% in second lien senior secured loans, 0.0% in escrow loans, 4.0% in unsecured loans, 50.9% in corporate bonds, 1.1% in asset-backed securities, 1.4% in closed-end mutual funds, 0.1% in warrants, 22.9% in common stock, 4.9% in preferred stocks, and 0.0% in rights). As of December 31, 2018, including investments underlying the TRS with BNP Paribas on a look-through basis, the debt investments in our portfolio carry a weighted average cost price of 94.66% on par or stated value, as applicable, and our estimated gross annual portfolio yield (which represents the expected yield to be generated by us on our investment portfolio based on the composition of our portfolio as of such date), prior to leverage costs, was 6.92% based on the amortized cost of our investments. The portfolio yield does not represent an actual investment return to stockholders and does not include income from CLO equity.

**Table of Contents***Total Portfolio Activity*

The following tables present selected information regarding our portfolio investment activity for the years ended December 31, 2020, 2019 and 2018:

<u>Net Investment Activity</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Purchases	\$ 54,511,342	\$ 42,308,348	\$ 64,748,316
Proceeds from Securities Sold Short	—	—	—
Payment-in-kind	400,250	635,742	517,567
Purchases of Securities Sold Short	—	—	—
Sales and Principal Repayments	(72,368,347)	(43,370,241)	(54,849,304)
<b>Net Portfolio Activity</b>	<b>\$ (17,456,755)</b>	<b>\$ (1,426,151)</b>	<b>\$ 10,416,579</b>

<u>New Investment Activity by Asset Class</u>	<u>For the Year Ended December 31, 2020</u>		<u>For the Year Ended December 31, 2019</u>		<u>For the Year Ended December 31, 2018</u>	
	<u>Purchases</u>	<u>Percentage</u>	<u>Purchases</u>	<u>Percentage</u>	<u>Purchases</u>	<u>Percentage</u>
Senior Secured Loans—First Lien	\$27,159,682	49.7%	\$ 7,342,761	17.4%	\$25,960,529	40.1%
Senior Secured Loans—Second Lien	6,299,722	11.6%	—	0.0%	3,527,778	5.4%
Corporate Bonds—Senior Unsecured	4,842,635	8.9%	9,315,445	22.0%	21,092,094	32.6%
Equities	3,583,987	6.6%	7,913,146	18.7%	8,738,042	13.5%
LLC Interests	6,312,618	11.6%	7,000,000	16.5%	—	0.0%
Mortgage-Backed-Securities	—	0.0%	4,000,000	9.5%	—	0.0%
Closed-End Mutual Funds	—	0.0%	994,448	2.4%	1,429,865	2.2%
Preferred Stocks	—	0.0%	5,689,561	13.4%	4,000,008	6.2%
Warrants	—	0.0%	52,987	0.1%	—	0.0%
<b>Total Investments</b>	<b>\$54,511,342</b>	<b>100.0%</b>	<b>\$42,308,348</b>	<b>100.0%</b>	<b>\$64,748,316</b>	<b>100.0%</b>

The following tables summarize the composition of our investment portfolio at amortized cost and fair value as of December 31, 2020 and December 31, 2019:

<u>December 31, 2020</u>			
<u>Portfolio Composition by Investment Type</u>	<u>Amortized Cost(1)</u>	<u>Fair Value</u>	<u>Percentage of Portfolio (at fair value)</u>
Senior Secured Loans—First Lien	\$ 30,123,122	\$31,276,803	48.4%
Senior Secured Loans—Second Lien	4,742,429	4,745,268	7.3%
Asset-Backed Securities	671,187	363,767	0.6%
LLC Interests	7,000,000	6,535,245	10.1%
Corporate Bonds	6,736,607	6,883,952	10.6%
Common Stocks	7,774,595	9,615,455	14.9%
Preferred Stock	3,051,714	—	0.0%
Warrants	52,988	33,902	0.1%
Partnership Units	6,312,618	5,214,223	8.1%
<b>Total Invested Assets</b>	<b>\$ 66,465,260</b>	<b>\$64,668,615</b>	<b>100%</b>

(1) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.

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December 31, 2019			
<u>Portfolio Composition by Investment Type</u>	<u>Amortized Cost(1)</u>	<u>Fair Value</u>	<u>Percentage of Portfolio (at fair value)</u>
Senior Secured Loans—First Lien	\$ 8,473,042	\$ 7,683,965	7.7%
Senior Secured Loans—Second Lien	553,265	326,838	0.3%
Senior Secured Loans—Escrow Loan	79,372	1,925	0.0%
Unsecured Loans	4,195,580	3,713,191	3.7%
Asset-Backed Securities	896,536	743,520	0.7%
Mortgage-Backed Securities	3,996,530	3,994,444	4.0%
LLC Interest	9,189,561	9,358,646	9.3%
Closed-End Mutual Funds	2,419,467	2,136,410	2.1%
Corporate Bonds	42,275,712	40,822,499	40.6%
Common Stocks	20,812,044	23,018,795	22.9%
Preferred Stocks	10,285,555	8,491,470	8.5%
Warrants	52,988	74,598	0.1%
Rights	148,370	61,391	0.1%
<b>Total Invested Assets</b>	<b>\$ 103,378,022</b>	<b>\$100,427,692</b>	<b>100%</b>

(1) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.

The following tables summarize the amortized cost and the fair value of the Company's invested assets by class of financial asset as of December 31, 2020 and December 31, 2019 to include, on a look-through basis, the investments underlying the TRS, as disclosed in Note 7 of the financial statements included herein. There were no positions in the TRS as of December 31, 2020. The investments underlying the TRS had a notional amount of \$50,904,830 and a market value of \$47,899,681 as of December 31, 2019.

December 31, 2020			
<u>Portfolio Composition by Investment Type</u>	<u>Amortized Cost(1)</u>	<u>Fair Value</u>	<u>Percentage of Portfolio (at fair value)</u>
Senior Secured Loans—First Lien	\$ 30,123,122	\$31,276,803	48.4%
Senior Secured Loans—Second Lien	4,742,429	4,745,268	7.3%
Asset-Backed Securities	671,187	363,767	0.6%
LLC Interests	7,000,000	6,535,245	10.1%
Corporate Bonds	6,736,607	6,883,952	10.6%
Common Stocks	7,774,595	9,615,455	14.9%
Preferred Stock	3,051,714	—	0.0%
Warrants	52,988	33,902	0.1%
Partnership Units	6,312,618	5,214,223	8.1%
<b>Total Invested Assets</b>	<b>\$ 66,465,260</b>	<b>\$64,668,615</b>	<b>100%</b>

(1) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.

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December 31, 2019			
<u>Portfolio Composition by Investment Type</u>	<u>Amortized Cost(1)</u>	<u>Fair Value</u>	<u>Percentage of Portfolio (at fair value)</u>
Senior Secured Loans—First Lien	\$ 51,120,740	\$ 47,656,091	32.1%
Senior Secured Loans—Second Lien	8,810,397	8,254,393	5.6%
Senior Secured Loans—Escrow Loan	79,372	1,925	0.0%
Unsecured Loans	4,195,580	3,713,191	2.5%
Asset-Backed Securities	896,536	743,520	0.5%
Mortgage-Backed Mutual Funds	3,996,530	3,994,444	2.7%
Closed-End Mutual Funds	2,419,467	2,136,410	1.4%
Corporate Bonds	42,275,712	40,822,499	27.6%
Common Stocks	20,812,044	23,018,795	15.5%
LLC interest	9,189,561	9,358,646	6.3%
Preferred Stocks	10,285,555	8,491,470	5.7%
Warrants	52,988	74,598	0.1%
Rights	148,370	61,391	0.0%
<b>Total Invested Assets</b>	<b>\$ 154,282,852</b>	<b>\$148,327,373</b>	<b>100.0%</b>

(1) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.

The following table presents certain selected information regarding the composition of our investment portfolio as of December 31, 2020 and December 31, 2019:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Number of Investments	45	54
% Variable Rate (based on fair value)	82%(1)	56%(1)
% Non-Income Producing Equity or Other Investments (based on fair value)	18%(1)	9%(1)
Weighted Average Cost Price of Investments (as a % of par or stated value)	88.76%(1)	97.24%(1)
Weighted Average Credit Rating of Investments that were Rated	Caa1(1)	B3(1)
% of Fixed Income Investments on Non-Accrual (based on fair value)	0.2%(1)	0.1%(1)

(1) Includes value of investments underlying the TRS.

**Table of Contents***Portfolio Composition by Strategy and Industry*

The table below summarizes the composition of our investment portfolio by strategy and enumerates the percentage, by fair value, of the total portfolio assets in such strategies as of December 31, 2020 and December 31, 2019:

<b>Portfolio Composition by Strategy</b>	<b>December 31, 2020</b>		<b>December 31, 2019</b>	
	<b>Fair Value</b>	<b>Percentage of Portfolio</b>	<b>Fair Value</b>	<b>Percentage of Portfolio</b>
Broadly Syndicated—Private	\$ 5,491,997	8.5%	\$ 4,611,683	4.6%
Broadly Syndicated—Public	386,613	0.6%	21,598,588	21.5%
Middle-Market	58,426,238	90.3%	73,473,901	73.2%
Opportunistic/Other	363,767	0.6%	743,520	0.7%
<b>Total Invested Assets</b>	<b>\$64,668,615</b>	<b>100.0%</b>	<b>\$100,427,692</b>	<b>100.0%</b>

Broadly syndicated debt refers to loans and other instruments originated by a bank to a large corporation (both private and public) that are sold off, or syndicated, to investors in pieces. Middle-Market companies include companies with annual revenues between \$50 million and \$2.5 billion.

The table below describes investments by industry classification and enumerates the percentage, by fair value, of the total portfolio assets in such industries as of December 31, 2020 and December 31, 2019:

<b>Industry Classifications</b>	<b>December 31, 2020</b>		<b>December 31, 2019</b>	
	<b>Fair Value</b>	<b>Percentage of Portfolio</b>	<b>Fair Value</b>	<b>Percentage of Portfolio</b>
Chemicals	\$ 42,500	0.1%	\$ 42,500	0.0%
Consumer Products	2,070,427	3.2%	2,000,000	2.0%
Energy	422,827	0.7%	6,745,696	6.7%
Financials	1,488,767	2.3%	12,900,074	12.9%
Healthcare	40,209,053	62.2%	44,383,560	44.2%
Materials	—	0.0%	3,734,736	3.7%
Media/Telecommunications	386,613	0.6%	2,457,365	2.5%
Real Estate Investment Trusts (REITs)	1,186,113	1.8%	13,458,505	13.4%
Real Estate	11,111,826	17.2%	6,432,657	6.4%
Retail	532,642	0.8%	1,124,467	1.1%
Service	59,183	0.1%	59,183	0.1%
Telecommunication Services	5,491,997	8.5%	4,611,683	4.6%
Manufacturing	1,666,667	2.6%	—	0.0%
<b>Total Invested Assets</b>	<b>\$64,668,615</b>	<b>100.0%</b>	<b>\$100,427,692</b>	<b>100.0%</b>

As of December 31, 2020, the Company was an “affiliated person,” as defined in the 1940 Act, of NexPoint Real Estate Finance, LLC, NexPoint Capital REIT, LLC, and NexPoint Residential Trust, Inc. In general, under the 1940 Act, we are presumed to “control” a portfolio company if we owned 25% or more of its voting securities or we had the power to exercise control over the management or policies of such portfolio company and would be an “affiliated person” of a portfolio company if we owned 5% or more of its voting securities.

**Summary Description of Portfolio Companies/Investments**

As of December 31, 2020, and December 31, 2019, 62.2% and 45% (based on fair value), respectively, of our portfolio consisted of healthcare related and opportunistic investments. Information regarding these investments is provided below, and includes investments underlying the TRS on a look-through basis.

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Information regarding these investments is provided below. This additional information is limited to publicly available information, and does not address credit worthiness or financial viability of the issuer, or our future plans as it relates to a specific investment:

***Healthcare Investments***

*Envision Healthcare Corp.*: As of December 31, 2020, and December 31, 2019, we held first lien senior secured loans of Envision Healthcare Corp. with an aggregate fair value of \$4.9 million and \$0.9 million, respectively. Envision Healthcare Corporation is a nationwide provider of healthcare clinical solutions, including physician-led services, ambulatory services, and post-acute services, in addition to being one of the largest owner and operator of ambulatory surgery centers. As of December 30, 2020, the company delivered physician services to more than 2,000 clinical departments in healthcare facilities in 44 states through a 25,000 physician and other healthcare professional employee team. In addition, the company operated 255 ambulatory surgery centers in 34 states with approximately 2,000 physician partners and 1,000 other affiliated physicians.

*BW NHHC Holdco, Inc.*: As of December 31, 2020, and December 31, 2019, we held first lien senior secured loans of BW NHHC Holdco, Inc. with an aggregate fair value of \$4.0 million and \$0 million, respectively. The company is one of the nation's largest providers of home-based care, with a footprint in the Northeast, Midwest and South. They are a transformational company, which provides quality comprehensive care continuum of personal care, skilled home health, hospice care and behavioral health. The company is comprised of 35,000 caregivers serving over 60,000 patients and their families daily, in 225 locations across 16 states. During the quarter ended December 31, 2020, the company had an average of 11,824 episodic census in their skilled services segment, 769 admits in their hospice segment, and 2,009 hours in their personal care services segment.

*RXB Holdings, Inc.*: As of December 31, 2020, and December 31, 2019, we held first lien senior secured loans of RXB Holdings, Inc. with an aggregate fair value of \$4.0 million and \$0.0 million, respectively. RXB Holdings, Inc is a pharmacy benefits optimization platform that serves primarily the small and mid-sized employer market and provides a more curated and competitive pharmacy benefits marketplace for its employer customer base. As of December 31, 2020, the company generated \$27.6M in quarterly pharmacy benefit manager fees.

*Surgery Center Holdings, Inc.*: As of December 31, 2020, and December 31, 2019, we held corporate bonds of Surgery Center Holdings, Inc. with an aggregate fair value of \$3.7 million and \$11.9 million, respectively. Surgery Center Holdings, Inc. is a leading healthcare services company with a differentiated outpatient delivery model focused on providing high quality, cost effective solutions for surgical and related ancillary care. As of December 31, 2020, the company owned or operated a portfolio of 126 surgical facilities, comprised of 110 ambulatory surgery centers and 16 surgical hospitals in 30 states

*RadNet, Inc.*: As of December 31, 2020, and December 31, 2019, we held first lien senior secured loans of RadNet, Inc. with an aggregate fair value of \$3.5 million and \$0.0 million, respectively. As of December 31, 2020, the company owns and/or manages more than 334 centers that offer a variety of diagnostic imaging services, including magnetic resonance imaging (MRI), computed tomography (CT), PET scanning, X-ray, ultrasound, and mammography. Its facilities are typically organized in regional clusters around urban hubs. RadNet contracts with groups of radiologists and other third parties to provide the actual medical services while it runs the administration of the facilities and takes a cut of the revenues plus a management fee. It also develops and sells radiology software and provides teleradiology interpretation services.

**Results of Operations for the years ended December 31, 2020, 2019, and 2018*****Revenues***

We generate a significant portion of our investment income in the form of interest on the debt securities we purchase or originate. We have invested primarily in broadly syndicated bank loans of private companies. Bank

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loans generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread. The base lending rate is typically the three-month LIBOR. The settlement of bank loans differs from the settlement of many other equity or debt instruments. Bank loans are manually settled through the agent by assignment. As a result, settlement can take an undetermined amount of time. Currently, according to data provided by Markit Partners, bank loans settle, on average, on the seventeenth day after the trade date. Generally, interest does not begin to accrue to the buyer until seven business days after the trade date.

Our CLO equity pays quarterly dividends based on excess cash flow available after the CLO's payment "waterfall" provisions. Both Grayson and PAMCO CLOs are past their respective investment periods, and as a result, excess cash flow is expected to decline over time. We, therefore, expect that the quarterly dividends paid by the investment will similarly decline.

*Expenses*

For the years ended December 31, 2020, 2019, and 2018 respectively, we had total net operating expenses of \$2,244,253 or \$0.21 per share, \$4,690,817 or \$0.45 per share, \$3,872,756 or \$0.37 per share. Our operating expenses include base management fees attributed to the Adviser of \$1,192,535, \$1,966,697, and \$2,025,178 for the year ended December 31, 2020, 2019, and 2018. Of these amounts, \$0, \$0, and \$0 were voluntarily waived. Our expenses also include administrative services expenses attributed to the Adviser of \$245,534, \$399,100, and \$409,789 for the years ended December 31, 2020, 2019 and 2018, respectively.

Amounts waived for management fees or administrative services expenses pertaining to periods prior to June 10, 2016 are not recoupable, but amounts waived for management fees or administrative services expenses pertaining to periods from and after June 10, 2016 are subject to recoupment by the Adviser within three years from the date that such fees were otherwise payable, provided that the recoupment will be limited to the amount of such voluntarily waived fees from and after June 10, 2016 and will not cause the sum of the Company's advisory fees, administration fees, Other Expenses, and any recoupment to exceed the annual rate of 3.40% of average gross assets. Effective December 20, 2017, the Adviser ended its voluntary waiver of advisory fees.

Amounts waived and subject to recoupment pertaining to advisory and administration fees are shown below:

<u>Period Ended</u>	<u>Advisory Fees Waived and Subject to Recoupment<sup>(1)</sup></u>	<u>Administrator fees Waived and Subject to Recoupment<sup>(1)</sup></u>	<u>Recoupment Eligibility Expiration</u>
December 31, 2017	\$ 413,916	\$ 75,906	Expired
September 30, 2017	305,288	69,308	Expired
June 30, 2017	389,733	77,947	Expired
March 31, 2017	390,969	78,194	Expired
December 31, 2016	366,861	73,372	Expired
September 30, 2016	343,320	68,664	Expired
June 30, 2016	74,421	14,884	Expired
<b>Total</b>	<b>\$ 2,284,508</b>	<b>\$ 458,275</b>	

- (1) The Adviser has permanently waived the recoupment of any advisory fees or administration fees calculated on the portion of gross assets attributable to the receivable from Adviser balance on the Statement of Assets and Liabilities.

In addition, cumulatively from inception through June 10, 2016, the Adviser voluntarily waived \$930,143 and \$186,042 of advisory fees and administration fees, respectively, all of which are not recoupable.



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Our other expenses subject to the Expense Limitation Agreement for years ended December 31, 2020, 2019, and 2018 were \$989,447, \$1,098,789, and \$1,352,097, respectively, and consisted of the following:

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Audit and tax fees	\$ 223,648	\$ 249,463	\$ 217,586
Legal fees	81,141	53,438	201,688
Custodian and accounting service fees	312,199	318,085	315,384
Reports to stockholders	82,492	68,888	59,427
Stock transfer fee	248,563	329,695	405,227
Directors' fees	20,123	19,553	19,804
Other expenses	21,281	59,667	132,981
<b>Total</b>	<b>\$ 989,447</b>	<b>\$ 1,098,789</b>	<b>\$ 1,352,097</b>

Please refer to the Expense Limitation section above for further details on expense reimbursements.

*Net Investment Income*

We earned net investment income of \$2,568,929 or \$0.24 per share, \$3,156,676 or \$0.30 per share, \$3,695,651 or \$0.36 per share for the years ended December 31, 2020, 2019, and 2018, respectively.

*Net Realized Gains or Losses*

We had sales or principal repayments of \$72,368,347, \$44,370,241, and \$54,849,304, during the years ended December 31, 2020, 2019, and 2018, respectively, from which we realized net gains/(losses) of \$(20,436,938), \$(1,140,590), and 1,675,246, respectively. Additionally, during the year ended December 31, 2020, 2019, and 2018, we realized gains/(losses) on total return swaps of \$(6,929,996), \$1,530,270 and \$1,169,203, respectively.

*Net Change in Unrealized Appreciation (Depreciation) on Investments*

For the years ended December 31, 2020, 2019, and 2018, the net change in unrealized appreciation (depreciation) on investments totaled \$1,153,685 or \$0.11 per share, \$5,842,089 or \$0.56 per share, and \$(10,765,705) or \$(1.04) per share, respectively. The net change in unrealized appreciation (depreciation) on our investments during the year ended December 31, 2020, was primarily driven by the performance of TerreStar Corp. Common Stock, BW NHHHC Holdco, Inc. Senior Secure Loan and the and the Advantage Sales & Marketing, Inc. Second Lien Term Loan, respectively. The net change in unrealized appreciation (depreciation) on our investments during the year ended December 31, 2019 was primarily driven by the performance in Independence Realty Trust, Inc. Common Stock, and the net change during the year ended December 31, 2018 was primarily driven by the performance in Quorum Health Corp. Common Stock.

*Net Increase from Payment from Affiliates*

For the year ended December 31, 2016, the Adviser committed \$872,000 to the Company to voluntarily reimburse the Company for unrealized losses sustained. No amounts were committed for the years ended December 31, 2020, 2019 and 2018. Cumulatively since inception, the Adviser has committed \$2,275,000 to voluntarily reimburse the Company for such losses. Had these payments not been made, the NAV as of December 31, 2020 would have been lower. These payments are shown in the Statement of Operations as net increase from amounts committed by affiliates, if applicable, and are not recoupable.

**Table of Contents***Net Increase (Decrease) in Net Assets Resulting from Operations*

For the years ended December 31, 2020, 2019 and 2018, the net increase/(decrease) in net assets resulting from operations was \$(20,899,278) or \$(1.98) per share, \$9,190,895 or \$0.88 per share, and \$(6,209,274) or \$(0.60) per share, respectively.

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Income	\$ 4,813,182	\$ 7,847,493	\$ 7,568,407
Expenses	(2,244,253)	(4,690,817)	(3,872,756)
Net Realized Gain/(Loss)	(27,366,934)	389,680	2,844,449
Net Unrealized Appreciation (Depreciation)	3,898,727	5,644,539	12,749,374
Net increase from amounts committed by affiliates	—	—	—
<b>Total</b>	<b><u><u>\$(20,899,278)</u></u></b>	<b><u><u>\$ 9,190,895</u></u></b>	<b><u><u>\$(6,209,274)</u></u></b>

**Financial Condition, Liquidity and Capital Resources**

As of December 31, 2020, and December 31, 2019, we had cash and cash equivalents of \$729,467 and \$7,764,892, respectively. As of December 31, 2020, and December 31, 2019, \$525,975 and \$7,745,979 was held in the State Street U.S. Government Money Market Fund, and \$203,492 and \$18,913 was held in a custodial account with State Street Bank and Trust Company, respectively. Cash and cash equivalents are available to fund new investments, pay operating expenses and pay distributions.

In aggregate as of December 31, 2020, the Adviser controls 2,549,002 total shares, including reinvestment of dividends, for a net amount of approximately \$15.6 million.

The sales commissions and dealer manager fees related to the sale of our common stock were \$0, \$0, and \$413,024, for the years ended December 31, 2020, 2019, and 2018 and were offset against capital in excess of par value on the financial statements.

We expect to generate cash flows primarily from fees, interest and dividends earned from our investments, as well as principal repayments and proceeds from sales of our investments.

Prior to investing in securities of portfolio companies, we invest the net proceeds from the issuance of shares of common stock under our distribution reinvestment plan and from sales and paydowns of existing investments primarily in cash, cash equivalents, U.S. government securities, repurchase agreements, high-quality debt instruments maturing in one year or less from the time of investment, consistent with our BDC election and our election to be treated as a RIC. Additionally, we may invest in higher yielding, liquid credit investments such as bank loans and corporate notes and bonds, which are considered “junk” as they are rated below investment grade, to the extent that at time of purchase 70% of our portfolio is in qualified investments as required by rules and regulations under the 1940 Act.

On October 19, 2017, the Company entered into a financing arrangement (the “Financing Arrangement”) with BNP Paribas Prime Brokerage International, Ltd., BNP Prime Brokerage, Inc., and BNP Paribas (together, the “BNPP Entities”). Under the Financing Agreement, the BNPP Entities may make margin loans to the Company at a rate of one-month LIBOR + 1.30%. The BNPP Entities have the right to cap the amount of margin loans with prior notice to the Company. The Financing Arrangement could be terminated by either the Company or the BNPP Entities with 179 days’ notice.

On April 15, 2020, the Financing Arrangement was paid down and closed. As of December 31, 2020, and December 31, 2019, \$0 and \$33,714,864, respectively, were outstanding under the Financing Arrangement.

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For the year ended December 31, 2020, 2019, and 2018, the components of total interest expense were as follows:

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Direct interest expense	\$ 176,711	\$ 1,233,085	\$ 759,234
Commitment fees	(204)	204	—
Amortization of financing costs	—	—	—
<b>Total</b>	<b>\$ 176,707</b>	<b>\$ 1,233,289</b>	<b>\$ 759,234</b>

On June 13, 2017, the Company, entered into the TRS with BNP Paribas over one or more loans, with a maximum aggregate notional amount of the portfolio debt securities subject to the TRS of \$40 million. On April 2, 2018, the Company amended and restated the TRS Agreement with BNP Paribas to increase the maximum aggregate notional amount of the portfolio debt securities subject to the TRS to \$60 million.

On June 10, 2020, the TRS expired. As of December 31, 2019, the TRS had a notional amount of \$50,904,830 and a market value of \$47,899,681. As December 31, 2019, cash collateral of \$21,400,000 was posted against the TRS. See Note 7 to the financial statements included herein for additional information on the TRS.

While we are authorized to issue preferred stock, we do not currently anticipate issuing any.

**Contractual Obligations and Off-Balance Sheet Arrangements**

We may become a party to financial instruments with off-balance sheet risk in the normal course of our business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of December 31, 2020 and December 31, 2019, we had no outstanding commitments to fund investments.

We have certain contracts under which we have material future commitments. We have entered into the Investment Advisory Agreement with the Adviser in accordance with the 1940 Act. Under the Investment Advisory Agreement, the Adviser provides us with investment advisory and management services. For these services, we pay (1) a management fee equal to a percentage of the average value of our gross assets and (2) an incentive fee based on our performance.

The incentive fee consists of two parts. The first part, which is calculated and payable quarterly in arrears, equals Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter and is subject to a hurdle rate, expressed as a rate of return on our net assets, equal to 1.875% per quarter. As a result, the Adviser will not earn this incentive fee for any quarter until our pre-incentive fee net investment income for such quarter exceeds the hurdle rate of 1.875%. Once our pre-incentive fee net investment income in any quarter exceeds the hurdle rate, the Adviser will be entitled to a “catch-up” fee equal to the amount of the pre-incentive fee net investment income in excess of the hurdle rate, until our pre-incentive fee net investment income for such quarter equals 2.34375% of the Company’s net assets at the end of such quarter. This “catch-up” feature allows the Adviser to recoup the fees foregone as a result of the existence of the hurdle rate. Thereafter, the Adviser will receive 20.0% of our pre-incentive fee net investment income. For purposes of calculating this part of the incentive fee, “Pre-Incentive Fee Net Investment Income” means interest income, distribution income and any other income (including any other fees, other than fees for providing managerial assistance, such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base

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management fee, expenses payable under the Administration Agreement and any interest expense and any dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero-coupon securities), accrued income that we have not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

The second part of the incentive fee, which is referred to as the incentive fee on capital gains, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement). This fee equals 20.0% of our incentive fee capital gains, which will equal our realized capital gains on a cumulative basis from formation, calculated as of the end of the applicable period, computed net of all realized capital losses (proceeds less amortized cost) and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gains incentive fees. We will accrue for the capital gains incentive fee, which, if earned, will be paid annually. We will accrue for the capital gains incentive fee based on net realized and unrealized gains; however, under the terms of the Investment Advisory Agreement, the fee payable to the Adviser will be based on realized gains and no such fee will be payable with respect to unrealized gains unless and until such gains are actually realized. For the years ended December 31, 2020 and December 31, 2019, the Company incurred \$0 and \$0 of incentive fees on capital gains, respectively. Since inception, the Company has accrued \$0 of incentive fees on capital gains in aggregate. Effective December 20, 2017, the Adviser ended its voluntary waiver of incentive fees. No such fees have been paid with respect to realized gains as of December 31, 2020.

Under the Administration Agreement, the Adviser furnishes us with office facilities and equipment, provides us clerical, bookkeeping and record keeping services at such facilities and provides us with other administrative services necessary to conduct our day-to-day operations. We will reimburse the Adviser for the allocable portion (subject to the review and approval of the Board) of overhead and other expenses incurred by it in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions and our allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs, to the extent that such expenses do not exceed an annual rate of 0.4% of our gross assets. The Adviser also provides on our behalf significant managerial assistance to those portfolio companies to which we are required to offer to provide such assistance and any expenses payable to the Adviser for such managerial assistance are not subject to the cap on reimbursement.

Our organization and offering costs together are limited to 1% of total gross proceeds raised and are not due and payable to the Adviser to the extent they exceed that amount. The cumulative aggregate amount of organization and offering costs exceeds 1% of total proceeds raised. Subsequent to the termination of the Offering, the Adviser forfeited the right to reimbursement of the remaining \$4,305,091 of these costs.

If any of the contractual obligations discussed above is terminated, our costs under any new agreements that we enter into may increase. In addition, we would likely incur significant time and expense in locating alternative parties to provide the services we receive under our Investment Advisory Agreement and our Administration Agreement. Any new investment advisory agreement would also be subject to approval by our stockholders.

If for any taxable year we were not a “publicly offered” RIC within the meaning of Code Section 67(c)(2)(B), certain of our direct and indirect expenses, including the management fee, the incentive fee and certain other advisory expenses, would be subject to special “pass-through” rules. Such rules would treat these expenses as additional dividends to certain of our direct or indirect stockholders (generally including individuals and entities that compute their taxable income in the same manner as an individual) and as deductible by those stockholders, subject to the 2% “floor” on miscellaneous itemized deductions and other significant limitations on itemized deductions set forth in the Code.

Table of Contents**Distributions**

In order to qualify for the special tax treatment accorded RICs and their shareholders, we are required under the Code, among other things, to distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, or “investment company taxable income,” to our stockholders on an annual basis. We intend to authorize and declare quarterly distributions to be paid quarterly to our stockholders as determined by the Board. In addition, we also intend to distribute any realized net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) at least annually.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of our distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage requirements applicable to us as a BDC under the 1940 Act. If we do not distribute a certain percentage of our income annually, we will suffer adverse U.S. federal income tax consequences, including possible failure to qualify for the special tax treatment accorded RICs and their shareholders. We cannot assure stockholders that they will receive any distributions.

To the extent our taxable earnings fall below the total amount of our distributions for a taxable year, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes. Thus, the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our income or gains. Stockholders should read any written disclosure accompanying a distribution payment carefully and should not assume that the source of any distribution is our ordinary income or gains. Required distributions are driven by tax laws and thus tax accounting applies, not GAAP. Therefore, it is possible that we pay more in required distributions than we earn for book purposes. For the years ended 2020, 2019, and 2018, the Company did not distribute in excess of net investment income.

We have adopted an “opt in” distribution reinvestment plan for our stockholders. As a result, if we declare a cash distribution, our stockholders will receive distributions in cash unless they specifically “opt in” to the distribution reinvestment plan to have their cash distributions reinvested in additional shares of our common stock. However, certain state authorities or regulators may impose restrictions from time to time that may prevent or limit a stockholder’s ability to participate in our distribution reinvestment plan. Although distributions paid in the form of additional shares of our common stock will generally be subject to U.S. federal, state and local taxes in the same manner as cash distributions, stockholders participating in our dividend reinvestment plan will not receive any corresponding cash distributions with which to pay any such applicable taxes.

On June 24, 2020, the Board of Directors approved a change in its dividend and capital gains distribution schedule from monthly distributions to quarterly distributions, effective immediately. The first quarterly distribution was paid on October 12, 2020 to shareholders of record as of September 30, 2020. For the year ended December 31, 2020, the Company made the following distributions:

<u>Payable Date</u>	<u>Dividend/ Share(1)</u>	<u>Total Dividend(1)</u>	<u>Dividends Reinvested(2)(3)</u>
12/31/2020(3)	\$ 0.090	\$ 942,766	\$ —
9/30/2020	0.090	944,487	347,961
4/27/2020	0.060	633,540	241,202
3/27/2020	0.060	629,128	237,068
2/27/2020	0.060	631,127	245,478
1/30/2020	0.060	628,352	396,837
1/2/2020(2)	—	—	396,214
<b>Total</b>	<b>\$ 0.420</b>	<b>\$4,409,400</b>	<b>\$ 1,864,760</b>

<sup>1</sup> For the current period, there were no dividends classified as a return of capital.

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- <sup>2</sup> The December 2019 Dividend was reinvested in January 2020, see total December 2019 Dividend in table below.  
<sup>3</sup> The December 2020 Dividend was reinvested in January 2021.

For the year ended December 31, 2019, the Company made the following distributions:

<u>Payable Date</u>	<u>Dividend/ Share(1)</u>	<u>Total Dividend(1)</u>	<u>Dividends Reinvested(2)(3)</u>
1/02/2020	\$ 0.060	\$ 625,526	\$ —
11/28/2019	0.060	630,505	398,908
10/30/2019	0.060	627,684	397,044
10/02/2019	0.060	632,534	397,215
8/28/2019	0.060	628,890	398,232
7/31/2019	0.060	627,743	395,900
6/26/2019	0.060	624,201	396,249
5/30/2019	0.060	625,758	398,933
5/01/2019	0.060	623,117	396,582
3/27/2019	0.060	620,420	392,542
2/27/2019	0.060	625,257	397,969
1/30/2019	0.060	622,648	397,645
1/03/2019(2)	—	—	456,444
<b>Total</b>	<b>\$ 0.720</b>	<b>\$7,514,283</b>	<b>\$ 4,823,663</b>

- <sup>1</sup> For the current period, there were no dividends classified as a return of capital.  
<sup>2</sup> The December 2018 Dividend was reinvested in January 2019, see total December 2018 Dividend in table below.  
<sup>3</sup> The December 2019 Dividend will be reinvested in January 2020.

For the year ended December 31, 2018, the Company made the following distributions:

<u>Payable Date</u>	<u>Dividend/ Share</u>	<u>Total Dividend(1)</u>	<u>Dividends Reinvested(2)</u>
1/03/2019	\$ 0.069	\$ 721,979	\$ —
11/28/2018	0.055	579,638	370,940
10/31/2018	0.069	721,071	461,560
9/26/2018	0.055	578,884	369,031
8/29/2018	0.055	576,777	367,935
8/01/2018	0.069	717,708	459,995
6/27/2018	0.055	579,962	367,710
5/30/2018	0.055	577,847	368,895
5/02/2018	0.069	719,079	459,922
3/28/2018	0.055	577,343	367,026
2/28/2018	0.055	566,708	368,154
1/31/2018	0.069	683,782	451,968
<b>Total</b>	<b>\$ 0.730</b>	<b>\$7,600,778</b>	<b>\$4,413,136</b>

- <sup>1</sup> For the current year, there were no dividends classified as a return of capital.  
<sup>2</sup> The December 2018 Dividend will be reinvested in January 2019.



**Table of Contents****Related Party Transactions**

We have entered into a number of business relationships with affiliated or related parties, including the following:

- We entered into the Investment Advisory Agreement with the Adviser. James Dondero, our president, controls the Adviser by virtue of his control of its general partner, NexPoint Advisors GP, LLC.
- Pursuant to an expense limitation agreement, the Adviser has agreed to waive fees or, if necessary, reimburse us to limit certain expenses to 1.0% of the quarter-end value of our gross assets.
- The Adviser provides us with the office facilities and administrative services necessary to conduct our day-to-day operations pursuant to the Administration Agreement.
- The dealer manager, NexPoint Securities, Inc., is an affiliate of the Adviser.
- In aggregate as of December 31, 2020, the Adviser controls 2,549,002 total shares, including reinvestment of dividends, for a net amount of approximately \$15.6 million.
- Cumulatively since inception, the Adviser has paid \$2,275,000 to voluntarily reimburse the Company for certain unrealized losses on investments. Had these payments not been made, the NAV as of December 31, 2020 would have been lower. These payments are not recoupable by the Adviser.

The Adviser and its affiliates also sponsor, or manage, and may in the future sponsor or manage, other investment funds, accounts or investment vehicles (together referred to as “accounts”) that have investment mandates that are similar, in whole and in part, with ours. The Adviser and its affiliates may determine that an investment is appropriate for us and for one or more of those other accounts. In such event, depending on the availability of such investment and other appropriate factors, and pursuant to the Adviser’s allocation policy and co-investment relief, the Adviser or its affiliates may determine that we should invest side-by-side with one or more other accounts. We do not intend to make any investments if they are not permitted by applicable law and interpretive positions of the SEC and its staff, or if they are inconsistent with the Adviser’s allocation procedures and co-investment relief.

In addition, we and the Adviser have each adopted a formal code of ethics that governs the conduct of our and the Adviser’s officers, directors and employees. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Delaware General Corporations Law.

**Critical Accounting Policies**

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ. We have identified the following as critical accounting policies.

***Fair Value of Financial Instruments***

We will value our investments in accordance with ASC Topic 820, Fair Value Measurements and Disclosure, or ASC Topic 820. ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about assets and liabilities measured at fair value. ASC Topic 820’s definition of fair value focuses on exit price in the principal, or most advantageous, market and prioritizes the use of market-based inputs over entity-specific inputs within a measurement of fair value.

The portfolio will often include debt investments and equity investments that are fair valued. The portion of our portfolio that receives values from independent third parties are valued at their mid quotations obtained from



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unaffiliated market makers, other financial institutions that trade in similar investments or based on prices provided by independent third-party pricing services. For investments where there are no available bid quotations, fair value is derived using proprietary models that consider the analyses of independent valuation agents as well as credit risk, liquidity, market credit spreads, and other applicable factors for similar transactions.

Due to the nature of our strategy, our portfolio will include relatively illiquid investments that are privately held. Valuations of privately held investments are inherently uncertain, may fluctuate over short periods of time and may be based on estimates. The determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

The Board, or its designee in good faith, is responsible for determining the fair value of the portfolio investments that are not publicly traded, whose market prices are not readily available on a quarterly basis in good faith or any other situation where portfolio investments require a fair value determination.

The valuation process is conducted at the end of each fiscal quarter, with a portion of our valuations of portfolio companies without market quotations subject to review by the independent valuation firms each quarter. When an external event with respect to one of our portfolio companies, such as a purchase transaction, public offering or subsequent equity sale occurs, we expect to use the pricing indicated by such external event to corroborate our valuation.

With respect to investments for which market quotations are not readily available, the Board and the adviser undertakes a multi-step valuation process each quarter, as described below:

- The valuation process begins with each portfolio company or investment being initially valued by investment professionals of the Adviser responsible for credit monitoring or independent third-party valuation firms.
- Preliminary valuation conclusions are then documented and discussed with a committee comprised of certain senior management employees of the Adviser (the "Valuation Committee").
- The Audit and Qualified Legal Compliance Committee of the Board reviews these valuations.
- At least once each quarter, the valuations for approximately one quarter of the portfolio investments that have been fair valued are reviewed by an independent valuation firm such that, over the course of a year, each material portfolio investment that has been fair valued shall have been reviewed by an independent valuation firm at least once.
- Based on this information, the Board discusses valuations and determines the fair value of each investment in our portfolio in good faith.

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As of December 31, 2020, the Company held the following investments for which a sufficient level of current, reliable market quotations were not available:

<b><u>Instrument</u></b>	<b><u>Type</u></b>	<b><u>Fair Value</u></b>
Grayson Investor Corp	Asset-Backed Securities	\$ 286,000
PAMCO CLO 1997-1A B	Asset-Backed Securities	77,767
American Banknote Corp.	Common Stocks	1,125,000
Creative Science Properties, Inc.	Common Stocks	1,661,000
SteadyMed Ltd.	Common Stocks	40,405
TerreStar Corp.	Common Stocks	4,630,427
NexPoint Capital REIT, LLC	LLC Interests	228,215
TRU KIDS	Common Stocks	532,642
Western States Life Insurance	Common Stocks	59,183
SFR WLIF III, LLC	LLC Interests	1,493,629
SFR WLIF II, LLC	LLC Interests	2,742,974
US GAMING LLC	LLC Interests	2,070,427
TerreStar Corp.	Senior Secured Loans	653,280
TerreStar Corp.	Senior Secured Loans	154,659
TerreStar Corp.	Senior Secured Loans	27,631
TerreStar Corp.	Senior Secured Loans	26,000
Galena Biopharma, Inc.	Warrant	1
Gemphire Therapeutics, Inc.	Warrant	—
SCYNEXIS, Inc.	Warrant	—

As of December 31, 2019, the Company held the following investments for which a sufficient level of current, reliable market quotations were not available:

<b><u>Instrument</u></b>	<b><u>Type</u></b>	<b><u>Fair Value</u></b>
PAMCO CLO 1997-1A B	Asset-Backed Securities	\$ 139,629
American Banknote Corp	Common Stocks	2,467,500
OmniMax International, Inc.	Common Stocks	20,898
SteadyMed Ltd.	Common Stocks	40,405
TerreStar Corp.	Common Stocks	3,890,081
NexPoint Capital REIT, LLC	LLC Interests	2,425,989
SFR WLIF III, LLC	LLC Interests	1,615,315
SFR WLIF II, LLC	LLC Interests	3,317,342
US GAMING LLC	LLC Interests	2,000,000
TerreStar Corp.	Senior Secured Loans	583,470
TerreStar Corp.	Senior Secured Loans	138,132
OmniMax International, Inc	Unsecured Loans	3,713,191
Galena Biopharma, Inc.	Warrant	—
Gemphire Therapeutics, Inc.	Warrant	1,340
OmniMax International, Inc.	Warrant	647
SCYNEXIS, Inc.	Warrant	28,497

Prior to its termination, the Company valued the TRS in accordance with the TRS Agreement. Pursuant to the TRS Agreement, the value of the TRS was based on the increase or decrease in the value of the loans underlying the TRS, together with accrued interest income, interest expense and certain other expenses incurred under the TRS. The loans underlying the TRS were valued based on indicative bid prices provided by an independent third-party pricing service. Bid prices reflected the highest price that market participants may be willing to pay. These valuations are sent to the Company for review and testing.

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The Valuation Committee and the Board reviewed and approved the value of the TRS, as well as the value of the loans underlying the TRS, on a quarterly basis. To the extent the Valuation Committee or the Board had any questions or concerns regarding the valuation of the loans underlying the TRS, such valuation was discussed or challenged pursuant to the terms of the TRS Agreement. For additional information on the TRS, see Note 7 to the financial statements included herein. The TRS expired on June 10, 2020.

***Organization Costs***

Organization costs include the cost of incorporation, such as the cost of legal services and other fees pertaining to our organization. Organization costs, together with offering costs, are limited to 1% of total gross proceeds raised in the offering and are not due and payable to the Adviser to the extent they exceed that amount. For the year ended December 31, 2020, 2019, and 2018, the Adviser did not incur any organization costs on our behalf.

***Offering Costs***

Our offering costs include legal fees, promotional costs and other costs pertaining to the public offering of our shares of common stock and are capitalized and amortized to expense over one year. For the years ended December 31, 2020, 2019 and 2018, the Adviser incurred offering costs of \$0, \$0, and \$238,568, respectively, on our behalf. For the years ended December 31, 2020, 2019 and 2018, the Company capitalized \$0, 61,462 and \$282,156, respectively, of offering costs. Of the capitalized offering costs, \$5,445, \$184,847 and \$381,881 were amortized to expense during the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, and December 31, 2019, \$0 and \$0 remained on the Statement of Assets and Liabilities, respectively.

Organization costs and offering costs are limited to 1% of total gross proceeds raised in this offering and are not due and payable to the Adviser to the extent they exceed that amount. As of December 31, 2020, the cumulative aggregate amount of \$5,327,574 of organization and offering costs exceeds 1% of total proceeds raised. Subsequent to the termination of the Offering, the Adviser forfeited the right to reimbursement of the remaining \$4,305,091 of these costs.

***Investment Transactions and Related Investment Income and Expense***

We record our investment transactions on a trade date basis, which is the date when we have determined that all material terms have been defined for the transactions. These transactions could possibly settle on a subsequent date depending on the transaction type. All related revenue and expenses attributable to these transactions are reflected on the Statements of Operations commencing on the trade date unless otherwise specified by the transaction documents. Realized gains and losses on investment transactions are recorded on the specific identification method. We accrue interest income if we expect that ultimately, we will be able to collect it. Generally, when an interest payment default occurs on a loan in our portfolio, or if our management otherwise believes that the issuer of the loan will not be able to service the loan and other obligations, we place the loan on non-accrual status and will cease recognizing interest income on that loan until all principal and interest is current through payment or until a restructuring occurs, such that the interest income is deemed to be collectible. However, we remain contractually entitled to this interest. We may make exceptions to this policy if the loan has sufficient collateral value and is in the process of collection. Accrued interest is written off when it becomes probable that such interest will not be collected, and the amount of uncollectible interest can be reasonably estimated. We also accrue for delayed compensation, which is a pricing adjustment payable by the parties to a secondary loan trade that closes late, intended to assure that neither party derives an economic advantage from the delay. Delayed compensation begins calculating at the loan's specific coupon rate if a trade hasn't settled within 7 business days of trading. Original issue discounts, market discounts or premiums are accreted or amortized using the effective interest method as interest income and will be accreted or amortized over the maturity period of the investments. We will record prepayment premiums on loans and debt securities as interest income. Dividend income, if any, will be recognized on an accrual basis to the extent that we expect to collect such amount.

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We may have investments in our portfolio that contain a PIK interest provision. Any PIK interest will be added to the principal balance of such investments and is recorded as income, if the portfolio company valuation indicates that such PIK interest is collectible. In order to qualify for the special tax treatment accorded RICs and their shareholders, substantially all of our income (including PIK interest) must be distributed to stockholders in the form of dividends, even if we have not collected any cash.

Interest expense is recorded on an accrual basis. Certain expenses related to legal and tax consultation, due diligence, rating fees, valuation expenses and independent collateral appraisals may arise when we make certain investments.

***Loan Origination, Facility, Commitment and Amendment Fees***

We may receive fees in addition to interest income from loans during the life of the investment. We may receive origination fees upon the origination of an investment. These origination fees are initially deferred and deducted from the cost basis of the investment and subsequently accreted into income over the term of the loan. We may receive facility, commitment and amendment fees, which are paid to us on an ongoing basis. Facility fees, sometimes referred to as asset management fees, are accrued as a percentage periodic fee on the base amount (either the funded facility amount or the committed principal amount). Commitment fees are based upon the undrawn portion committed by us and are recorded on an accrual basis. Amendment fees are paid in connection with loan amendments and waivers and are accounted for upon completion of the amendments or waivers, generally when such fees are receivable. Any such fees are included in other income on the Statements of Operations.

***Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation***

We measure net realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized upfront fees and prepayment penalties. Net change in unrealized appreciation or depreciation will reflect the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

***U.S. Federal Income Taxes***

We have elected to be treated as a RIC under Subchapter M of the Code and intend each year to qualify and be eligible to be treated as such. As a RIC, we generally will not have to pay corporate-level federal income taxes on any investment company taxable income or net capital gains that we distribute as dividends to our stockholders. In order to qualify for the special tax treatment accorded RICs and their shareholders, we must meet certain gross income, diversification, and distribution requirements.

***Recent Accounting Pronouncements***

Please refer to Note 2 to the financial statements included herein for discussion of recent accounting pronouncements.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

We are subject to financial market risks, most significantly changes in interest rates. As of December 31, 2020, 82% (based on fair value) of the investments in our portfolio had floating interest rates. These investments are usually based on a floating LIBOR and typically have interest rate reset provisions that adjust applicable interest rates under such loans to current market rates on a monthly or quarterly basis.

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Pursuant to the terms of the TRS, we pay fees to BNP Paribas a rate equal to one-month LIBOR plus 2.00% per annum on the utilized notional amount of the loans subject to the TRS in exchange for the right to receive the economic benefit of a pool of loans having a maximum notional market value amount of \$60,000,000. The TRS expired on June 10, 2020. Pursuant to the terms of the Financing Arrangement, we pay fees to the BNPP entities at floating rate based on the asset type, but generally one-month LIBOR plus 1.30% per annum on the amount borrowed.

To the extent that any present or future credit facilities or other financing arrangements that we or any of our subsidiaries enter into are based on a floating interest rate, we will be subject to risks relating to changes in market interest rates. In periods of rising interest rates when we or our subsidiaries have such debt outstanding, or financing arrangements in effect, our interest expense would increase, which could reduce our net investment income, especially to the extent we hold fixed rate investments.

A rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments, especially to the extent that we predominantly hold variable-rate investments, and to declines in the value of any fixed-rate investments we hold. To the extent that a majority of our investments may be in variable-rate investments, an increase in interest rates could make it easier for us to meet or exceed the hurdle rate for the income incentive fee payable to the Adviser and may result in a substantial increase in our net investment income, and also to the amount of incentive fees payable to our Adviser with respect to our increasing pre-incentive fee net investment income.

In July 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Alternative Reference Rates Committee (“ARRC”) has proposed the Secured Overnight Financing Rate (“SOFR”) as the recommended alternative to USD-LIBOR for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR. ARRC has proposed a paced market transition plan to SOFR from USD-LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to USD-LIBOR. We have material contracts that are indexed to USD-LIBOR and are monitoring this activity and evaluating the related risks.

In connection with the COVID-19 pandemic, the U.S. Federal Reserve and other central banks have reduced certain interest rates and LIBOR has decreased. A prolonged reduction in interest rates will reduce our gross investment income and could result in a decrease in our net investment income if such decreases in LIBOR are not offset by a corresponding increase in the spread over LIBOR that we earn on any portfolio investments, a decrease in our operating expenses, including with respect to our income incentive fee, or a decrease in the interest rate of our floating interest rate liabilities tied to LIBOR.

Assuming that the Statement of Assets and Liabilities as of December 31, 2020 were to remain constant and that we took no actions to alter our existing interest rate sensitivity, the following table shows the annualized impact of hypothetical base rate changes in interest rates.

Change in interest rates	Increase (decrease) in interest income	(Increase) decrease in interest expense	Increase (decrease) in NII
Down 25 basis points	\$ —	\$—	\$ —
Up 50 basis points	184,113	—	184,113
Up 100 basis points	368,227	—	368,227
Up 200 basis points	736,454	—	736,454
Up 300 basis points	1,104,681	—	1,104,681

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Although we believe that this analysis is indicative of our existing sensitivity to interest rate changes, it does not adjust for changes in the credit market, credit quality, the size and composition of the assets in our portfolio and other business developments, including borrowing under future credit facilities or other borrowing. Accordingly, we can offer no assurances that actual results would not differ materially from the analysis above.

We may in the future hedge against interest rate fluctuations by using standard hedging instruments such as interest rate swaps, futures, options and forward contracts to the limited extent permitted under the 1940 Act and applicable commodities laws. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to the investments in our portfolio with fixed interest rates.

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**Item 8.**      *Financial Statements and Supplementary Data*

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Table of Contents**NexPoint Capital, Inc.****Statements of Assets and Liabilities**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Assets</b>		
Unaffiliated investments, at fair value (cost of \$54,444,617 and \$97,920,246, respectively)	\$ 54,031,676	\$ 94,674,323
Affiliated investments, at fair value (cost of \$12,020,643 and \$5,457,776, respectively)(1)	10,636,939	5,753,369
Cash and cash equivalents	729,467	7,764,892
Due from counterparty(2)	—	21,400,000
Dividends and interest receivable	285,212	1,042,105
Receivable from Adviser(3)	101,542	50,130
Prepaid expenses	—	12,208
Total assets	<u>65,784,836</u>	<u>130,697,027</u>
<b>Liabilities</b>		
Credit facilities payable(4)	—	33,714,864
Payable for investments purchased	—	2,533,314
Payable on total return swap(2)	—	11,458
Unrealized depreciation on total return swap(2)	—	2,745,042
Common stock repurchased	—	1,102,405
Payable to Adviser(3)	423,537	570,453
Interest expense and commitment fees payable	—	80,207
Accrued expenses and other liabilities	228,062	378,205
Distributions payable	942,765	625,526
Total liabilities	<u>1,594,364</u>	<u>41,761,474</u>
Commitments and contingencies(5)		
<b>Net assets</b>		
Preferred stock, \$0.001 par value (25,000,000 shares authorized, 0 shares issued and outstanding)	—	—
Common stock, \$0.001 par value (200,000,000 shares authorized, 10,475,168 and 10,425,431 shares issued and outstanding, respectively)	10,475	10,425
Paid-in capital in excess of par	92,354,786	93,412,260
Distributable earnings (accumulated loss)	(28,174,789)	(4,487,132)
<b>Total net assets</b>	<u>\$ 64,190,472</u>	<u>\$ 88,935,553</u>
Net asset value per share of common stock	<u>\$ 6.13</u>	<u>\$ 8.53</u>

(1) See Note 10 for a discussion of affiliated investments.

(2) See Note 7 for a discussion of total return swaps.

(3) See Note 4 for a discussion of related party transactions and arrangements.

(4) See Note 7 for a discussion of credit facility.

(5) See Note 4 and Note 8 for a discussion of the commitments and contingencies of the Company (as defined in Note 1).

See Notes to Financial Statements

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## NexPoint Capital, Inc.

## Statements of Operations

	For the Year Ended December 31,		
	2020	2019	2018
<b>Investment income:</b>			
Interest	\$ 3,288,205	\$ 5,853,384	\$ 6,395,740
Interest paid in kind	400,250	635,742	517,567
Dividend income from unaffiliated investments	50,318	1,068,673	547,408
Dividend income from affiliated investments <sup>(1)</sup>	965,874	239,799	97,209
Other fee income	108,535	49,895	10,483
Total investment income	4,813,182	7,847,493	7,568,407
<b>Expenses:</b>			
Investment advisory fees <sup>(2)</sup>	1,192,535	1,966,697	2,025,178
Custodian and accounting service fees	312,199	318,085	315,384
Stock transfer fee	248,563	329,695	405,227
Administration fees <sup>(2)</sup>	245,534	399,100	409,789
Audit and tax fees	223,648	249,463	217,586
Interest expense and commitment fees <sup>(3)</sup>	176,707	1,233,289	759,234
Reports to stockholders	82,492	68,888	59,427
Legal fees	81,141	53,438	201,688
Directors' fees <sup>(2)</sup>	20,123	19,553	19,804
Other expenses	10,799	194,433	296,318
Capital gains incentive fees <sup>(2)</sup>	—	—	(594,306)
Amortized offering costs	—	5,445	184,847
Total expenses	2,593,741	4,838,086	4,300,176
Expenses (waived) or recouped by the Adviser <sup>(2)</sup>	(349,488)	(147,269)	(427,420)
Net expenses	2,244,253	4,690,817	3,872,756
Net investment income	2,568,929	3,156,676	3,695,651
<b>Net realized and unrealized gains (losses) on investments:</b>			
Net realized gain/(loss) on:			
Unaffiliated investments and securities sold short	(18,985,829)	(1,140,590)	1,672,824
Affiliated investments <sup>(1)</sup>	(1,451,109)	—	2,422
Total return swaps <sup>(4)</sup>	(6,929,996)	1,530,270	1,169,203
Net change in unrealized appreciation (depreciation) on:			
Unaffiliated investments and securities sold short	2,832,982	3,032,796	(8,249,366)
Affiliated investments <sup>(1)</sup>	(1,679,297)	2,809,293	(2,516,339)
Total return swaps <sup>(4)</sup>	2,745,042	(197,550)	(1,983,669)
Net realized and unrealized gains (losses)	(23,468,207)	6,034,219	(9,904,925)
Net increase/(decrease) in net assets resulting from operations	(20,899,278)	9,190,895	(6,209,274)
<b>Per share information—basic and diluted per common share</b>			
Net investment income:	\$ 0.24	\$ 0.30	\$ 0.36
Earnings (loss) per share:	\$ (1.98)	\$ 0.88	\$ (0.60)
Weighted average shares outstanding:	10,525,271	10,441,061	10,358,148

- (1) See Note 10 for a discussion of affiliated investments.  
(2) See Note 4 for a discussion of related party transactions and arrangements.  
(3) See Note 7 for a discussion of credit facility.  
(4) See Note 7 for a discussion of total return swaps.

See Notes to Financial Statements

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**NexPoint Capital, Inc.**  
**Statements of Changes in Net Assets**

	<u>Common Stock</u>		<u>Paid in</u>	<u>Distributable</u>	<u>Total</u>
	<u>Shares</u>	<u>Par</u>	<u>Capital in</u>	<u>Earnings</u>	<u>Net Assets</u>
		<u>Amount</u>	<u>Excess of Par</u>		
<b>Balance at December 31, 2017</b>	9,804,321	\$ 9,804	\$87,656,780	\$ 7,193,373	\$ 94,859,957
<b>Increase (decrease) in net assets resulting from operations</b>					
Net investment income	—	—	—	3,695,651	3,695,651
Net realized gain (loss) on investments and securities sold short	—	—	—	1,675,246	1,675,246
Net realized gain (loss) on total return swaps <sup>(1)</sup>	—	—	—	1,169,203	1,169,203
Net change in unrealized appreciation (depreciation) on investments and securities sold short	—	—	—	(10,765,705)	(10,765,705)
Net change in unrealized appreciation (depreciation) on total return swaps	—	—	—	(1,983,669)	(1,983,669)
Shareholder distributions:					
Issuance of common stock	538,995	539	5,314,944	—	5,315,483
Repurchase of common stock	(477,904)	(478)	(4,467,083)	—	(4,467,561)
Reinvestment of common stock	456,915	457	4,412,679	—	4,413,136
Distributions to stockholders	—	—	—	(7,600,778)	(7,600,778)
Total increase (decrease) for the year ended December 31, 2018	518,006	518	5,260,540	(13,810,052)	(8,548,994)
Tax reclassification of stockholders' equity in accordance with GAAP	—	—	(314,911)	314,911	—
<b>Balance at December 31, 2018</b>	<u>10,322,327</u>	<u>\$10,322</u>	<u>\$92,602,409</u>	<u>\$ (6,301,768)</u>	<u>\$ 86,310,963</u>
<b>Distributions to shareholders per share</b>	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.73</u>	<u>\$ 0.73</u>

(1) See Note 7 for a discussion on Total Return Swaps.

See Notes to Financial Statements

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**NexPoint Capital, Inc.**  
**Statements of Changes in Net Assets**

	<u>Common Stock</u>		<u>Paid in</u>	<u>Distributable</u>	<u>Total</u>
	<u>Shares</u>	<u>Par Amount</u>	<u>Capital in Excess of Par</u>	<u>Earnings</u>	<u>Net Assets</u>
<b>Balance at December 31, 2018</b>	10,322,327	\$10,322	\$92,602,409	\$ (6,301,768)	\$86,310,963
<b>Increase (decrease) in net assets resulting from operations</b>					
Net investment income	—	—	—	3,156,676	3,156,676
Net realized gain (loss) on investments and securities sold short	—	—	—	(1,140,590)	(1,140,590)
Net realized gain (loss) on total return swaps <sup>(1)</sup>	—	—	—	1,530,270	1,530,270
Net change in unrealized appreciation (depreciation) on investments and securities sold short	—	—	—	5,842,089	5,842,089
Net change in unrealized appreciation (depreciation) on total return swaps <sup>(1)</sup>	—	—	—	(197,550)	(197,550)
Shareholder distributions:					
Issuance of common stock	—	—	—	—	—
Repurchase of common stock	(454,468)	(455)	(3,875,230)	—	(3,875,685)
Reinvestment of common stock	557,572	558	4,823,105	—	4,823,663
Distributions to stockholders	—	—	—	(7,514,283)	(7,514,283)
Total increase (decrease) for the year ended December 31, 2019	103,104	103	947,875	1,676,612	2,624,590
Tax reclassification of stockholders' equity in accordance with GAAP	—	—	(138,024)	138,024	—
<b>Balance at December 31, 2019</b>	<u>10,425,431</u>	<u>\$10,425</u>	<u>\$93,412,260</u>	<u>\$ (4,487,132)</u>	<u>\$88,935,553</u>
<b>Distributions to shareholders per share</b>	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.72</u>	<u>\$ 0.72</u>

(1) See Note 7 for a discussion on Total Return Swaps.

See Notes to Financial Statements

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**NexPoint Capital, Inc.**  
**Statements of Changes in Net Assets**

	<u>Common Stock</u>		<u>Paid in</u>	<u>Distributable</u>	<u>Total</u>
	<u>Shares</u>	<u>Par</u>	<u>Capital in</u>	<u>Earnings</u>	<u>Net Assets</u>
		<u>Amount</u>	<u>Excess of Par</u>		
<b>Balance at December 31, 2019</b>	10,425,431	\$10,425	\$93,412,260	\$ (4,487,132)	\$ 88,935,553
<b>Increase (decrease) in net assets resulting from operations</b>					
Net investment income	—	—	—	2,568,929	2,568,929
Net realized gain (loss) on investments and securities sold short	—	—	—	(20,436,938)	(20,436,938)
Net realized gain (loss) on total return swaps <sup>(1)</sup>	—	—	—	(6,929,996)	(6,929,996)
Net change in unrealized appreciation (depreciation) on investments and securities sold short	—	—	—	1,153,685	1,153,685
Net change in unrealized appreciation (depreciation) on total return swaps <sup>(1)</sup>	—	—	—	2,745,042	2,745,042
Shareholder distributions:					
Issuance of common stock	—	—	—	—	—
Repurchase of common stock	(224,241)	(224)	(1,300,939)	—	(1,301,163)
Reinvestment of common stock	273,978	274	1,864,486	—	1,864,760
Distributions to stockholders	—	—	—	(4,409,400)	(4,409,400)
Total increase (decrease) for the year ended December 31, 2020	49,737	50	563,547	(25,308,678)	(24,745,081)
Tax reclassification of stockholders' equity in accordance with GAAP	—	—	(1,621,021)	1,621,021	—
<b>Balance at December 31, 2020</b>	<u>10,475,168</u>	<u>\$10,475</u>	<u>\$92,354,786</u>	<u>\$(28,174,789)</u>	<u>\$ 64,190,472</u>
<b>Distributions to shareholders per share</b>	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.42</u>	<u>\$ 0.42</u>

(1) See Note 7 for a discussion on Total Return Swaps.

See Notes to Financial Statements

Table of Contents**NexPoint Capital, Inc.****Statements of Cash Flows**

	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Cash flows provided by (used in) operating activities</b>			
Net increase (decrease) in net assets resulting from operations	\$(20,899,278)	\$ 9,190,895	\$ (6,209,274)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:			
Purchases of investment securities	(54,511,342)	(42,308,348)	(64,748,316)
Payment-in-kind investments	(400,250)	(635,742)	(517,567)
Proceeds from sales and principal repayments of investment securities	72,368,347	44,370,241	54,849,304
Net realized (gain) loss on investments	20,436,938	1,140,590	(1,675,246)
Net change in unrealized (appreciation) depreciation on investments	(1,153,685)	(5,842,089)	10,765,705
Net change in unrealized (appreciation) depreciation on total return swaps	(2,745,042)	197,550	1,983,669
Amortization of premium/discount, net	(980,931)	(922,503)	(901,409)
Amortization of capitalized offering costs	—	5,445	184,847
Increase (decrease) in operating assets and liabilities:			
(Increase) decrease in receivable for investments sold	—	—	2,768,395
(Increase) decrease in dividends and interest receivable	756,893	135,112	84,945
(Increase) decrease in receivable from Adviser	(51,412)	(50,130)	—
(Increase) decrease in prepaid expenses	12,208	(1,278)	79,618
(Increase) decrease in due from counterparty	21,400,000	(820,000)	(6,760,000)
(Increase) decrease in receivable due on total return swap	—	366,952	(183,437)
Increase (decrease) in payable for investments purchased	(2,533,314)	(39,962)	620,124
Increase (decrease) in payable to Adviser	(146,916)	278,549	(4,188)
Increase (decrease) in incentive fees payable	—	—	(594,306)
Increase (decrease) in interest expense and commitment fees payable	(80,207)	72,500	(45,149)
Increase (decrease) in accrued expenses and other liabilities	(150,143)	(67,099)	(37,885)
Increase (decrease) in payable on total return swap	(11,458)	11,458	—
Net cash flow provided by (used in) operating activities	<u>31,310,408</u>	<u>5,082,141</u>	<u>(10,340,170)</u>
<b>Cash flows provided by (used in) financing activities</b>			
Proceeds from issuance of common stock, net of receivable for common stock sold	—	—	5,321,118
Repurchase of common stock, net of payable	(2,403,568)	(2,773,280)	(4,570,565)
Distributions paid in cash	(2,227,401)	(2,787,073)	(2,465,663)
Offering costs paid, net of due to Adviser	—	—	(61,462)
(Decrease) in credit facilities payable	(40,971,777)	(15,748,575)	(37,045,614)
Increase in credit facilities payable	7,256,913	16,879,474	45,229,579
Net cash flow provided by (used in) financing activities	<u>(38,345,833)</u>	<u>(4,429,454)</u>	<u>6,407,393</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u><b>(7,035,425)</b></u>	<u><b>652,687</b></u>	<u><b>(3,932,777)</b></u>
<b>Cash and cash equivalents</b>			
Beginning of the year	7,764,892	7,112,205	11,044,982
End of the year	<u>\$ 729,467</u>	<u>\$ 7,764,892</u>	<u>\$ 7,112,205</u>
<b>Supplemental disclosure and non-cash financing activities</b>			
Paid-in-kind interest income	\$ 400,250	\$ 635,742	\$ 517,567
Cash paid during the period for interest	\$ 256,914	\$ 1,160,789	\$ 804,383
Reinvestment of distributions paid	\$ 1,864,760	\$ 4,823,663	\$ 4,413,136
Local and excise taxes paid	\$ 47,000	\$ 212,579	\$ 168,836

See Notes to Financial Statements

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**NexPoint Capital, Inc.**  
**Schedule of Investments**  
**As of December 31, 2020**

Portfolio Company <sup>(1)(2)</sup>	Interest Rate	Base Rate Floor	Maturity Date	Principal Amount	Amortized Cost <sup>(3)</sup>	Fair Value
<b>Senior Secured Loans—56.1%<sup>(4)</sup></b>						
Energy—0.7%						
Fieldwood Energy, LLC (First Lien Term Loan) <sup>(5)</sup>			4/11/2022	\$ 1,800,549	\$ 1,797,905	\$ 422,004
Fieldwood Energy, LLC (Second Lien Term Loan) <sup>(5)</sup>			4/11/2023	567,797	555,600	823
						<u>422,827</u>
Healthcare—51.5%						
Air Methods Corp. (First Lien Term Loan) <sup>(6)</sup>	L + 350	1.00%	4/22/2024	1,962,492	1,541,038	1,900,674
Auris Luxembourg III S.a.r.l. (First Lien Term Loan) <sup>(7)(8)</sup>	L + 375	0.00%	2/27/2026	2,540,954	2,530,710	2,461,549
BioClinica Holding I, LP (First Lien Term Loan) <sup>(7)</sup>	L + 425	1.00%	10/20/2023	1,932,103	1,743,186	1,930,905
BW NHHC Holdco, Inc. (First Lien Term Loan) <sup>(6)</sup>	L + 500	0.00%	5/15/2025	4,513,889	3,048,509	3,988,698
CNT Holdings I Corp. (Second Lien Term Loan) <sup>(6)</sup>	L + 675	0.75%	10/16/2028	1,500,000	1,492,584	1,530,000
Covenant Surgical Partners, Inc. (First Lien Delayed Draw Term Loan) <sup>(9)</sup>	4% Fixed		7/1/2026	333,333	761	(5,833)
Covenant Surgical Partners, Inc. (First Lien Term Loan) <sup>(7)</sup>	L + 400	0.00%	7/1/2026	1,645,937	1,649,733	1,617,133
Envision Healthcare Corp. (First Lien Term Loan) <sup>(7)</sup>	L + 375	0.00%	10/10/2025	5,887,406	4,395,759	4,937,355
Global Medical Response, Inc. (First Lien Term Loan) <sup>(6)</sup>	L + 425	1.00%	3/14/2025	3,400,802	3,097,724	3,375,296
Patterson Medical Holdings, Inc. (First Lien Term Loan) <sup>(6)</sup>	L + 475	1.00%	8/29/2022	2,421,410	2,165,282	2,345,741
RadNet, Inc. (First Lien Term Loan) <sup>(6)(8)</sup>	L + 375	1.00%	6/30/2023	3,462,143	3,370,868	3,461,711
RxBenefits, Inc. (First Lien Term Loan) <sup>(6)</sup>	L + 525	0.75%	12/17/2027	4,000,000	3,920,077	3,980,000
Sound Inpatient Physicians (Second Lien Term Loan) <sup>(7)</sup>	L + 675	1.00%	6/26/2026	1,555,556	1,448,342	1,547,778
						<u>33,071,007</u>
Manufacturing—2.6%						
Truck Hero, Inc. (Second Lien Term Loan) <sup>(7)</sup>	L + 825	1.00%	4/17/2025	1,666,667	1,245,903	1,666,667
Telecommunication Services—1.3%						
TerreStar Corp. (First Lien Term Loan E) <sup>(10)(11)</sup>	11% PIK		2/27/2022	653,280	653,280	653,280
TerreStar Corp. (First Lien Term Loan F) <sup>(10)(11)</sup>	11% PIK		2/28/2022	154,659	154,659	154,659
TerreStar Corp. (First Lien Term Loan G) <sup>(10)(11)</sup>	11% PIK		2/28/2022	27,631	27,631	27,631
TerreStar Corp. (First Lien Term Loan H) <sup>(10)(11)</sup>	11% PIK		2/28/2022	26,000	26,000	26,000
						<u>861,570</u>
<b>Total Senior Secured Loans</b>						<u><b>36,022,071</b></u>

*See Notes to Financial Statements.*



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**NexPoint Capital, Inc.**  
**Schedule of Investments (continued)**  
**As of December 31, 2020**

**Asset-Backed Securities—0.5%**

## Financials—0.5%

Grayson Investor Corp.(8)(10)(11)(12) (13)(14)	11/1/2021	\$ 800	\$ 456,000	\$ 286,000
PAMCO CLO 1997-1A B(8)(10)(11)(12) (14)(15)		374,239	215,187	<u>77,767</u>

363,767**Total Asset-Backed Securities****363,767****Corporate Bonds—10.7%**

## Healthcare—10.2%

Hadrian Merger Sub, Inc.(12)	8.500%	5/1/2026	2,728,000	2,343,691	2,826,371
Surgery Center Holdings(8)(12)	6.750%	7/1/2025	3,630,000	3,494,669	<u>3,704,869</u>

6,531,240

## Media/Telecommunications—0.5%

iHeartCommunications, Inc.(8)	8.375%	5/1/2027	214,073	584,792	228,903
iHeartCommunications, Inc.(8)	6.375%	5/1/2026	115,507	313,455	<u>123,809</u>

352,712**Total Corporate Bonds****6,883,952****Common Stocks—15.0%****Shares**

## Chemicals—0.1%

MPM Holdings, Inc.(16)		8,500	17,000	<u>42,500</u>
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## Financials—1.8%

American Banknote Corp.(10)(11)(16)		750,000	2,062,500	<u>1,125,000</u>
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## Healthcare—0.9%

Amryt Pharma, PLC(8)(16)(17)		40,000	500,000	566,400
SteadyMed Ltd.(8)(10)(11)(16)		54,749	14,508	<u>40,405</u>

606,805

## Real Estate—2.6%

IQHQ, Inc.(10)(11)		100,000	1,500,000	<u>1,661,000</u>
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## Real Estate Investment Trust (REIT)—1.5%

NexPoint Residential Trust, Inc.(8)(18)		22,640	708,025	<u>957,898</u>
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## Retail—0.8%

Tru Kids, Inc.(10)(11)(16)		237	1,119,168	<u>532,642</u>
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## Service—0.1%

Western States Life Insurance(10)(11) (16)		237	253,404	<u>59,183</u>
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## Telecommunication Services—7.2%

TerreStar Corp.(10)(11)(16)		14,035	1,599,990	<u>4,630,427</u>
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**Total Common Stocks****9,615,455****LLC Interests—10.2%**

## Consumer Products—3.2%

US GAMING LLC(10)(11)(16)		2,000	2,000,000	<u>2,070,427</u>
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## Real Estate—6.6%

SFR WLIF III, LLC(10)(11)(18)		1,651,112	1,651,112	1,493,629
SFR WLIF II, LLC (10) (11) (18)		3,348,888	3,348,888	<u>2,742,974</u>

4,236,603

## Real Estate Investment Trust (REIT)—0.4%

NexPoint Capital REIT, LLC(10)(11)(18) (19)		100	—	<u>228,215</u>
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**Total LLC Interests****6,535,245***See Notes to Financial Statements.*

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**NexPoint Capital, Inc.**  
**Schedule of Investments (continued)**  
**As of December 31, 2020**

**Partnership Units—8.1%**

Real Estate—8.1%

NexPoint Real Estate Finance Operating  
Partnership, LP(18)

315,631	\$ 6,312,618	<u>\$ 5,214,223</u>
		<u><b>5,214,223</b></u>

**Total Partnership Units**

Preferred  
Dividend  
Rate

**Preferred Stocks—0.0%**

Real Estate Investment Trust (REIT)—0.0%

RAIT Financial Trust(20)

8.875%

148,057	3,051,714	<u>—</u>
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**Total Preferred Stocks****Warrants—0.1%**

Healthcare—0.0%

Galena Biopharma,  
Inc.(10)(11)(16)

1/12/2021	1,500,054	—	1
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Gemphire Therapeutics, Inc.(10)(11)(16)

3/15/2022	4,752	—	—
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SCYNEXIS, Inc.(10)(11)(16)

6/21/2021	19,500	—	—
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		<u>1</u>	
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Media/Telecommunications—0.1%

iHeartMedia, Inc.(8)(16)

5/1/2039	2,875	52,988	33,901
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**Total Warrants**

		<u>33,902</u>	
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**Total Investments—100.7%**

	<u>\$ 66,465,260</u>	<u>\$ 64,668,615</u>	
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Cash Equivalents—0.8%(21)

		\$ 525,975	
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Other Assets &amp; Liabilities, net—(1.5%)

		\$ (1,004,118)	
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**Net Assets—100.0%**

		<u>\$ 64,190,472</u>	
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- (1) Unless otherwise noted, the Company did not “control” and was not an “affiliated person” of any of its portfolio companies, each as defined in the Investment Company Act of 1940, as amended (the “1940 Act”). In general, under the 1940 Act, the Company would be presumed to “control” a portfolio company if it owned 25% or more of its voting securities or had the power to exercise control over the management or policies of such portfolio company, and would be an “affiliated person” of a portfolio company if it owned 5% or more of its voting securities. Additionally, companies under common control (e.g., companies with a common owner of greater than 25% of their respective voting securities) are affiliates under the 1940 Act.
- (2) All investments are denominated in United States Dollars.
- (3) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.
- (4) Senior secured loans in which the Company invests generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread (unless otherwise identified, all senior secured loans carry a variable rate of interest). These base lending rates are generally (i) the Prime Rate offered by one or more major United States banks, (ii) the lending rate offered by one or more European banks such as the London Interbank Offered Rate (“LIBOR”) or (iii) the coupon rate. Rate shown represents the actual rate at December 31, 2020. Senior secured loans, while exempt from registration under the Securities Act of 1933 (the “1933 Act”), contain certain restrictions on resale and cannot be sold publicly. Senior secured floating rate loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturity shown.
- (5) The investment is on non-accrual status as of December 31, 2020.
- (6) The interest rate on these investments is subject to a base rate of 3-Month LIBOR, which at December 31, 2020 was 0.24%. The LIBOR rate used to calculate interest is the higher of the prevailing 3 month LIBOR rate in effect on the date of the quarterly reset, or the LIBOR base rate floor shown.

*See Notes to Financial Statements.*

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**NexPoint Capital, Inc.**  
**Schedule of Investments (continued)**  
**As of December 31, 2020**

- (7) The interest rate on these investments is subject to a base rate of 1-Month LIBOR, which at December 31, 2020 was 0.14%. The LIBOR rate used to calculate interest is the higher of the prevailing 1 month LIBOR rate in effect on the date of the monthly reset, or the LIBOR base rate floor shown.
- (8) The investment is not a qualifying asset under Section 55 of the 1940 Act. A business development company, such as the Company, may not acquire any asset other than a qualifying asset, unless at the time the acquisition is made, qualifying assets represent at least 70% of the business development company's total assets. Non-qualifying assets represented 18.2% of the Company's total assets as of December 31, 2020.
- (9) The investment has an unfunded commitment as of December 31, 2020. The unfunded loan commitment may be subject to a commitment termination date that may expire prior to the maturity date stated. The negative cost, if applicable, is the result of the capitalized discount being greater than the principal amount outstanding on the loan. The negative fair value, if applicable, is the result of the capitalized discount on the loan. For further details see Note 8.
- (10) Classified as Level 3 within the three-tier fair value hierarchy. Please see Note 2 for an explanation of this hierarchy, as well as a list of unobservable inputs used in the valuation of these instruments.
- (11) Represents fair value as determined by the Company's Board of Directors (the "Board"), or its designee in good faith, pursuant to the policies and procedures approved by the Board. The Board considers fair valued securities to be securities for which market quotations are not readily available and these securities may be valued using a combination of observable and unobservable inputs. Securities with a total aggregate value of \$15,809,240 or 24.6% of net assets were fair valued under the Company's valuation procedures as of December 31, 2020.
- (12) Securities exempt from registration under Rule 144A of the 1933 Act. These securities may only be resold in transactions exempt from registration to qualified institutional buyers. As of December 31, 2020, these securities amounted to \$6,895,007, or 10.7% of net assets.
- (13) The investment is considered to be the equity tranche of the issuer.
- (14) Securities of collateralized loan obligations where an affiliate of the Adviser serves as collateral manager.
- (15) The issuer is in default of its payment obligation, or is in danger of default.
- (16) Non-income producing security.
- (17) Securities exempt from registration under the Securities Act of 1933 (the "Securities Act"), and may be deemed to be "restricted securities" under the Securities Act. As of December 31, 2020, the aggregate fair value of these securities is \$566,400 or 0.9% of the Company's net assets. The acquisition dates of the restricted securities are as follows:

<u>Investment</u>	<u>Acquisition Date</u>
Amryt Pharma, PLC—Common Stock	12/7/20

- (18) Represents an affiliated issuer. Assets with a total aggregate fair value of \$10,636,939, or 16.6% of net assets, were affiliated with the Company as of December 31, 2020 see Note 10.
- (19) The investment is deemed to be a "controlled affiliated person" of the Company because the Company owns, either directly or indirectly, 25% or more of the portfolio company's outstanding voting securities or has the power to exercise control over management or policies of such portfolio company. See Note 4 "Related Party Transactions and Arrangements".
- (20) The issuer has suspended the quarterly dividend for this security.
- (21) State Street U.S. Government Money Market Fund.

**Glossary**

PIK Payment-in-Kind

*See Notes to Financial Statements.*

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**NexPoint Capital, Inc.**  
**Schedule of Investments**  
**As of December 31, 2019**

<b>Portfolio Company(1)(2)</b>	<b>Interest Rate</b>	<b>Base Rate Floor</b>	<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Amortized Cost(3)</b>	<b>Fair Value</b>
<b>Senior Secured Loans—9.0%(4)</b>						
Energy—2.1%						
Fieldwood Energy, LLC (First Lien Term Loan)(5)	L + 525	1.00%	4/11/2022	\$ 1,800,549	\$ 1,797,034	\$ 1,514,208
Fieldwood Energy, LLC (Second Lien Term Loan)(5)	L + 725	1.00%	4/11/2023	567,797	553,265	326,838
						<u>1,841,046</u>
Healthcare—5.7%						
Auris Luxembourg III S.a.r.l. (First Lien Term Loan)(6)(7)	L + 375	0.00%	2/27/2026	2,566,812	2,554,699	2,583,933
Covenant Surgical Partners, Inc. (First Lien Delayed Draw Term Loan)(5)(8)	L + 400	0.00%	7/1/2026	333,333	833	833
Covenant Surgical Partners, Inc. (First Lien Term Loan)(5)(8)	L + 400	0.00%	7/1/2026	1,666,667	1,670,833	1,670,833
Envision Healthcare Corp. (First Lien Term Loan)(6)(8)	L + 375	0.00%	10/10/2025	997,481	862,821	855,754
						<u>5,111,353</u>
Media/Telecommunications—0.4%						
iHeartCommunications, Inc. (First Lien Term Loan)(5)	L + 400	0.00%	5/1/2026	333,537	863,774	336,802
Telecommunication Services—0.8%						
TerreStar Corp. (First Lien Term Loan)(9)(10)	11% PIK		2/27/2020	584,639	584,639	583,470
TerreStar Corp. (First Lien Term Loan)(9)(10)	11% PIK		2/28/2022	138,409	138,409	138,132
						<u>721,602</u>
Utility—0.0%						
Texas Competitive Electric Holdings Company, LLC (TXU) (Escrow Loan)(11)(12)				3,500,000	79,372	1,925
<b>Total Senior Secured Loans</b>						<u><b>8,012,728</b></u>
<b>Unsecured Loans—4.2%</b>						
Materials—4.2%						
OmniMax International, Inc.(5)(9)(10)	14% PIK, 2% Cash		2/6/2021	4,404,735	4,195,580	3,713,191
<b>Total Unsecured Loans</b>						<u><b>3,713,191</b></u>
<b>Asset-Backed Securities—0.8%</b>						
Financials—0.8%						
Grayson Investor Corp.(7)(13)(14)(15)			11/1/2021	800	456,000	333,764
Highland Park CDO I Ltd. 2006 1A.A2(5)(7)(13)(15)	L + 40		11/25/2051	270,178	225,349	270,127
PAMCO CLO 1997-1A B(7)(9)(10)(13)(15)(16)				374,239	215,187	139,629
						<u>743,520</u>
<b>Total Asset-Backed Securities</b>						<u><b>743,520</b></u>
<b>Mortgage-Backed Securities—4.5%</b>						
Financials—4.5%						
FREMF 2019-KF60 Mortgage Trust(6)(13)			2/25/2026	4,002,449	3,996,530	3,994,444
<b>Total Mortgage-Backed Securities</b>						<u><b>3,994,444</b></u>
<b>Closed-End Mutual Funds—2.4%</b>						
Financials—2.4%						
NexPoint Strategic Opportunities Fund(7)(17)(18)				120,633	2,419,467	2,136,410
<b>Total Closed-End Mutual Funds</b>						<u><b>2,136,410</b></u>

*See Notes to Financial Statements.*

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**NexPoint Capital, Inc.**  
**Schedule of Investments (continued)**  
**As of December 31, 2019**

<b>Portfolio Company(1)(2)</b>	<b>Interest Rate</b>	<b>Base Rate Floor</b>	<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Amortized Cost(3)</b>	<b>Fair Value</b>
<b>Corporate Bonds—45.9%</b>						
Financials—1.7%						
Freedom Mortgage Corp.(13)(18)	8.250%		4/15/2025	\$ 1,500,000	\$ 1,500,000	\$ 1,474,200
Healthcare—43.8%						
ASP AMC Merger Sub, Inc.(13)(18)	8.000%		5/15/2025	7,325,000	6,948,779	4,892,478
Endo Finance LLC / Endo Finco Inc.(7)(13)(18)	6.000%		7/15/2023	4,500,000	3,877,424	3,262,455
Ortho-Clinical Diagnostics(13)(18)	6.625%		5/15/2022	11,217,000	10,862,655	11,174,863
Surgery Center Holdings(7)(13)(18)	6.750%		7/1/2025	11,858,000	11,246,267	11,892,566
Valeant Pharmaceuticals International, Inc.(7)(13)(18)	6.125%		4/15/2025	7,500,000	6,942,340	7,764,863
						<u>38,987,225</u>
Media/Telecommunications—0.4%						
iHeartCommunications, Inc.(18)	6.375%		5/1/2026	114,206	313,455	124,127
iHeartCommunications, Inc.(18)	8.375%		5/1/2027	214,073	584,792	236,947
						<u>361,074</u>
<b>Total Corporate Bonds</b>						<b><u>40,822,499</u></b>
<b>Common Stocks—25.9%</b>						
Chemicals—0.0%						
MPM Holdings, Inc.(12)				8,500	17,000	42,500
Energy—5.5%						
Energy Transfer Equity L.P.(7)(18)				75,000	1,438,740	962,250
Enterprise Products Partners L.P.(7)(18)				140,000	3,424,740	3,942,400
						<u>4,904,650</u>
Financials—2.8%						
American Banknote Corp.(9)(10)(12)				750,000	2,062,500	2,467,500
Healthcare—0.3%						
Quorum Health Corp.(12)				224,600	1,284,134	214,740
SteadyMed Ltd.(7)(9)(10)(12)				54,749	14,508	40,405
						<u>255,145</u>
Materials—0.0%						
OmniMax International, Inc.(9)(10)(12)				6,698	663,116	20,898
Media/Telecommunications—1.9%						
Clear Channel Outdoor Holding, Inc.(12)(18)				124,986	631,179	357,460
iHeartMedia, Inc.(12)(18)				80,350	2,182,708	1,357,915
						<u>1,715,375</u>
Real Estate Investment Trusts (REITs)—6.9%						
NexPoint Residential Trust, Inc.(7)(17)(18)				26,466	848,748	1,190,970
City Office REIT, Inc.(7)(18)				108,000	1,480,753	1,460,160
Independence Realty Trust, Inc.(7)(18)				246,727	2,146,330	3,473,916
						<u>6,125,046</u>
Retail—1.3%						
Tru Kids, Inc.(12)				237	1,139,661	1,124,467
Service—0.1%						
Western States Life Insurance(12)				237	255,681	59,183
Telecommunication Services—4.4%						
TerreStar Corp.(9)(10)(12)				14,035	1,599,990	3,890,081
Utility—2.7%						
Vistra Energy Corp.(18)				105,000	1,622,256	2,413,950
<b>Total Common Stocks</b>						<b><u>23,018,795</u></b>

*See Notes to Financial Statements.*

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**NexPoint Capital, Inc.**  
**Schedule of Investments (continued)**  
**As of December 31, 2019**

<b>LLC Interests—10.5%</b>				
Consumer Products—2.3%				
US GAMING LLC(9)(10)(12)	2,000	\$	2,000,000	\$ 2,000,000
Real Estate—5.5%				
SFR WLIF III, LLC(9)(10)	1,651,112		1,651,112	1,615,315
SFR WLIF II, LLC(9)(10)	3,348,888		3,348,888	3,317,342
				<u>4,932,657</u>
Real Estate Investment Trust (REIT)—2.7%				
NexPoint Capital REIT, LLC(9)(10)(17)(22)	100		2,189,561	2,425,989
<b>Total LLC Interests</b>				<u><b>9,358,646</b></u>
				<b>Preferred Dividend Rate</b>
<b>Preferred Stocks—9.5%</b>				
Financials—2.3%				
Tectonic Financial, Inc.	9.000%	200,000	2,000,000	2,084,000
Real Estate—1.7%				
Creative Science Properties, Inc.		100,000	1,500,000	1,500,000
Real Estate Investment Trusts (REITs)—5.5%				
Braemar Hotels & Resorts, Inc.(7)(18)	5.500%	258,065	3,733,840	4,903,235
RAIT Financial Trust(18)(19)	8.875%	148,057	3,051,715	4,235
				<u>4,907,470</u>
<b>Total Preferred Stocks</b>				<u><b>8,491,470</b></u>
<b>Rights—0.1%</b>				
Utility—0.1%				
Texas Competitive Electric Holdings Company, LLC (TXU)(12)		58,356	148,370	61,391
<b>Total Rights</b>				<u><b>61,391</b></u>
<b>Warrants—0.1%</b>				
Healthcare—0.0%				
Galena Biopharma, Inc.(10)(12)	1/12/2021	1,500,054	—	—
Gemphire Therapeutics, Inc.(10)(12)	3/15/2022	4,752	—	1,340
SCYNEXIS, Inc.(10)(12)	6/21/2021	195,000	—	28,497
				<u>29,837</u>
Materials—0.0%				
OmniMax International, Inc.(9)(10)(12)	8/6/2025	207	—	647
Media/Telecommunications—0.1%				
iHeartMedia, Inc.(12)	5/1/2039	2,875	52,988	44,114
<b>Total Warrants</b>				<u><b>74,598</b></u>
<b>Total Investments—112.9%</b>			<b>\$ 103,378,022</b>	<b>\$ 100,427,692</b>
Cash Equivalents—8.7%(20)				\$ 7,764,892
Other Assets & Liabilities, net—(21.6%)				\$ (19,257,031)
<b>Net Assets—100.0%</b>				<u><b>\$ 88,935,553</b></u>
			<b>Notional Amount(21)</b>	<b>Unrealized Depreciation</b>
<b>Total Return Swap—(3.1%)</b>				
BNP Paribas TRS Facility (Note 7)			50,904,830	(2,745,042)

*See Notes to Financial Statements.*

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**NexPoint Capital, Inc.**  
**Schedule of Investments (continued)**  
**As of December 31, 2019**

- (1) Unless otherwise noted, the Company did not “control” and was not an “affiliated person” of any of its portfolio companies, each as defined in the Investment Company Act of 1940, as amended (the “1940 Act”). In general, under the 1940 Act, the Company would be presumed to “control” a portfolio company if it owned 25% or more of its voting securities or had the power to exercise control over the management or policies of such portfolio company, and would be an “affiliated person” of a portfolio company if it owned 5% or more of its voting securities. Additionally, companies under common control (e.g., companies with a common owner of greater than 25% of their respective voting securities) are affiliates under the 1940 Act.
- (2) All investments are denominated in United States Dollars.
- (3) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.
- (4) Senior secured loans in which the Company invests generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread (unless otherwise identified, all senior secured loans carry a variable rate of interest). These base lending rates are generally (i) the Prime Rate offered by one or more major United States banks, (ii) the lending rate offered by one or more European banks such as the London Interbank Offered Rate (“LIBOR”) or (iii) the coupon rate. Rate shown represents the actual rate at December 31, 2019. Senior secured loans, while exempt from registration under the Securities Act of 1933 (the “1933 Act”), contain certain restrictions on resale and cannot be sold publicly. Senior secured floating rate loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturity shown.
- (5) The interest rate on these investments is subject to a base rate of 3-Month LIBOR, which at December 31, 2019 was 1.91%. The LIBOR rate used to calculate interest is the higher of the prevailing 3 month LIBOR rate in effect on the date of the quarterly reset, or the LIBOR base rate floor shown.
- (6) The interest rate on these investments is subject to a base rate of 1-Month LIBOR, which at December 31, 2019 was 1.76%. The LIBOR rate used to calculate interest is the higher of the prevailing 1 month LIBOR rate in effect on the date of the monthly reset, or the LIBOR base rate floor shown.
- (7) The investment is not a qualifying asset under Section 55 of the 1940 Act. A business development company, such as the Company, may not acquire any asset other than a qualifying asset, unless at the time the acquisition is made, qualifying assets represent at least 70% of the business development company’s total assets. Non-qualifying assets represented 29.4% of the Company’s total assets as of December 31, 2019.
- (8) All or a portion of this position has not settled. Full contract rates do not take effect until settlement date.
- (9) Classified as Level 3 within the three-tier fair value hierarchy. Please see Note 2 for an explanation of this hierarchy, as well as a list of unobservable inputs used in the valuation of these instruments.
- (10) Represents fair value as determined by the Company’s Board of Directors (the “Board”), or its designee in good faith, pursuant to the policies and procedures approved by the Board. The Board considers fair valued securities to be securities for which market quotations are not readily available and these securities may be valued using a combination of observable and unobservable inputs. Securities with a total aggregate value of \$20,382,436 or 22.9% of net assets were fair valued under the Company’s valuation procedures as of December 31, 2019.
- (11) The investment represents value held in escrow pending future events. No interest is being accrued.
- (12) Non-income producing security.
- (13) Securities exempt from registration under Rule 144A of the 1933 Act. These securities may only be resold in transactions exempt from registration to qualified institutional buyers. As of December 31, 2019, these securities amounted to \$45,199,389, or 50.8% of net assets.
- (14) The investment is considered to be the equity tranche of the issuer.
- (15) Securities of collateralized loan obligations where an affiliate of the Adviser serves as collateral manager.
- (16) The issuer is in default of its payment obligation, or is in danger of default.
- (17) Represents an affiliated issuer. Assets with a total aggregate market value of \$5,753,369, or 6.5% of net assets, were affiliated with the Company as of December 31, 2019 (see Note 10).
- (18) All or part of this security is pledged as collateral for margin/facility borrowings. The market value of the securities pledged as collateral was \$63,025,400.
- (19) The issuer has suspended the quarterly dividend for this security.
- (20) State Street U.S. Government Money Market Fund.
- (21) Notional value of the underlying securities in the Total Return Swap is calculated by multiplying par by the initial price.
- (22) The investment is deemed to be a “controlled affiliated person” of the Company because the Company owns, either directly or indirectly, 25% or more of the portfolio company’s outstanding voting securities or has the power to exercise control over management or policies of such portfolio company. See Note 4 “Related Party Transactions and Arrangements”.

*See Notes to Financial Statements.*



**Table of Contents****NexPoint Capital, Inc.  
Notes to Financial Statements****Note 1 — Organization**

NexPoint Capital, Inc. (the “Company”) is an externally managed, non-diversified, closed-end management investment company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). The Company follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 946 *Financial Services — Investment Companies*. The Company’s investment objective is to generate current income and capital appreciation primarily through investments in middle-market healthcare companies, middle-market companies in non-healthcare sectors, syndicated floating rate debt of large public and nonpublic companies and collateralized loan obligations. The Company has elected to be treated for federal income tax purposes, and intends to qualify annually thereafter, as a regulated investment company (“RIC”), under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). In this report, “we,” “us” and “our” refer to NexPoint Capital, Inc.

The Company was formed in Delaware on September 30, 2013 and formally commenced operations on September 2, 2014 upon satisfying the minimum offering requirement by raising gross proceeds of \$10.0 million in connection with a private placement with NexPoint Advisors, L.P. (the “Adviser”), our external advisor. In aggregate through December 31, 2020, the Adviser controls 2,549,002 total shares, including reinvestment of dividends, for a net amount of approximately \$15.6 million.

The Company has retained the Adviser to manage certain aspects of its affairs on a day-to-day basis. NexPoint Securities, Inc. (the “Dealer Manager”), an entity under common ownership with the Adviser, served as the dealer manager of the Company’s continuous public offering prior to the termination of the offering. The Adviser and Dealer Manager are related parties and will receive fees and other compensation for services related to the investment and management of the Company’s assets and the continuous public offering. The Company’s continuous public offering ended on February 14, 2018.

**Note 2 — Summary of Significant Accounting Policies*****Basis of Accounting***

The accompanying financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Additionally, the accompanying financial statements of the Company and related financial information have been prepared pursuant to the requirements for reporting on Form 10-K and Article 6 of Regulation S-X.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

***Statements of Cash Flows***

Information on financial transactions which have been settled through the receipt or disbursement of cash is presented in the Statements of Cash Flows. The cash amount shown in the Statements of Cash Flows is the amount included within the Company’s Statements of Assets and Liabilities and includes cash on hand at its custodian bank.

**Table of Contents*****Cash and Cash Equivalents***

The Company considers liquid assets deposited with a bank and certain short-term debt instruments with original maturities of three months or less to be cash equivalents. These investments represent amounts held with financial institutions that are readily accessible to pay Company expenses or purchase investments. Cash and cash equivalents are valued at cost plus accrued interest, which approximates fair value. The value of cash equivalents denominated in foreign currencies, if any, is determined by converting to U.S. dollars on the date of the Statements of Assets and Liabilities. As of December 31, 2020 and 2019, the Company had cash and cash equivalents of \$729,467 and \$7,764,892, respectively. As of December 31, 2020 and 2019, \$525,975 and \$7,745,979 was held in the State Street U.S. Government Money Market Fund, and \$203,492 and \$18,913 was held in a custodial account with State Street Bank and Trust Company, respectively.

***Securities Sold Short and Restricted Cash***

The Company may sell securities short. A security sold short is a transaction in which the Company sells a security it does not own in anticipation that the market price of that security will decline. When the Company sells a security short, it must borrow the security sold short from a broker-dealer and deliver it to the buyer upon conclusion of the transaction. The Company may have to pay a fee to borrow particular securities and is often obligated to pay over any dividends or other payments received on such borrowed securities. Cash held as collateral for securities sold short is classified as restricted cash on the Statements of Assets and Liabilities. Securities held as collateral for securities sold short are shown on the Schedule of Investments for the Company, as applicable. As of December 31, 2020 and 2019, the Company did not have any securities sold short.

When securities are sold short, the Company intends to limit exposure to a possible market decline in the value of its portfolio companies through short sales of securities that the Adviser believes possess volatility characteristics similar to those being hedged. In addition, the Company may use short sales for non-hedging purposes to pursue its investment objective. Subject to the requirements of the 1940 Act and the Code, the Company will not make a short sale if, after giving effect to such sale, the market value of all securities sold short by the Company exceeds 25% of the value of its total assets.

***Other Fee Income***

Fee income may consist of origination/closing fees, amendment fees, administrative agent fees, transaction break-up fees and other miscellaneous fees. Origination fees, amendment fees, and other similar fees are non-recurring fee sources. Such fees are received on a transaction by transaction basis and do not constitute a regular stream of income. For the years ended December 31, 2020, 2019 and 2018 the Company recognized \$108,535, \$49,895 and \$10,483 of fee income, respectively.

***Fair Value of Financial Instruments***

It is the Company's policy to hold the investments at fair value. Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosure ("ASC Topic 820") defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, which includes inputs such as quoted prices for similar securities in active markets and quoted prices for identical securities where there is little or no activity in the market; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company determines the net asset value of its investment portfolio each quarter, or more frequently as needed. Securities that are publicly-traded are valued at the reported closing price on the valuation date.

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Securities that are not publicly-traded are valued at fair value as determined in good faith by the board of directors of the Company (the “Board”) or by the Adviser, pursuant to board-approved policies and procedures. In connection with that determination, the Adviser will provide the Board with portfolio company valuations which are based on relevant inputs, including indicative dealer quotes, values of like securities, recent portfolio company financial statements and forecasts, and valuations prepared by third-party valuation services.

With respect to investments for which market quotations are not readily available, the Board and the Adviser undertake a multi-step valuation process each quarter, as described below:

- The valuation process begins with each portfolio company or investment being initially valued by investment professionals of the Adviser responsible for credit monitoring or independent third party valuation firms.
- Preliminary valuation conclusions are then documented and discussed with a committee comprised of certain senior management employees of the Adviser (the “Valuation Committee”).
- The Audit and Qualified Legal Compliance Committee of the Board reviews these valuations.
- At least once each quarter, the valuations for approximately one quarter of the portfolio investments that have been fair valued are reviewed by an independent valuation firm such that, over the course of a year, each material portfolio investment that has been fair valued shall have been reviewed by an independent valuation firm at least once.
- Based on this information, the Board discusses valuations and determines the fair value of each investment in the portfolio in good faith.

As of December 31, 2020, the Company held the following investments for which a sufficient level of current, reliable market quotations were not available:

<b>Instrument</b>	<b>Type</b>	<b>Fair value</b>
Grayson Investor Corp.	Asset-Backed Securities	\$ 286,000
PAMCO CLO 1997-1A B	Asset-Backed Securities	77,767
American Banknote Corp.	Common Stocks	1,125,000
IQHQ, Inc.	Common Stocks	1,661,000
SteadyMed Ltd.	Common Stocks	40,405
TerreStar Corp.	Common Stocks	4,630,427
Tru Kids, Inc.	Common Stocks	532,642
Western States Life Insurance	Common Stocks	59,183
NexPoint Capital REIT, LLC	LLC Interests	228,215
SFR WLIF III, LLC	LLC Interests	1,493,629
SFR WLIF II, LLC	LLC Interests	2,742,974
US GAMING LLC	LLC Interests	2,070,427
TerreStar Corp.	Senior Secured Loans	653,280
TerreStar Corp.	Senior Secured Loans	154,659
TerreStar Corp.	Senior Secured Loans	27,631
TerreStar Corp.	Senior Secured Loans	26,000
Galena Biopharma, Inc.	Warrants	1
Gemphire Therapeutics, Inc.	Warrants	—
SCYNEXIS, Inc.	Warrants	—

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As of December 31, 2019, the Company held the following investments for which a sufficient level of current, reliable market quotations were not available:

<u>Instrument</u>	<u>Type</u>	<u>Fair value</u>
PAMCO CLO 1997-1A B	Asset-Backed Securities	\$ 139,629
American Banknote Corp.	Common Stocks	2,467,500
OmniMax International, Inc.	Common Stocks	20,898
SteadyMed Ltd.	Common Stocks	40,405
TerreStar Corp.	Common Stocks	3,890,081
NexPoint Capital REIT, LLC	LLC Interests	2,425,989
SFR WLIF III, LLC	LLC Interests	1,615,315
SFR WLIF II, LLC	LLC Interests	3,317,342
US GAMING LLC	LLC Interests	2,000,000
TerreStar Corp.	Senior Secured Loans	583,470
TerreStar Corp.	Senior Secured Loans	138,132
OmniMax International, Inc.	Unsecured Loans	3,713,191
Galena Biopharma, Inc.	Warrants	—
Gemphire Therapeutics, Inc.	Warrants	1,340
OmniMax International, Inc.	Warrants	647
SCYNEXIS, Inc.	Warrants	28,497

Determination of fair value involves subjective judgments and estimates. Accordingly, the notes to the Company's financial statements will refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, in the Company's financial statements. Below is a description of factors that the Valuation Committee and the Board may consider when valuing the Company's debt and equity investments.

Valuation of fixed income investments, such as loans and debt securities, depends upon a number of factors, including prevailing interest rates for like securities, expected volatility in future interest rates, call features, put features and other relevant terms of the debt. For investments without readily available market prices, the Company may incorporate these factors into discounted cash flow models to arrive at fair value. Other factors that the Valuation Committee and the Board may consider include the borrower's ability to adequately service its debt, the fair market value of the portfolio company in relation to the face amount of its outstanding debt and the quality of collateral securing the Company's debt investments.

The Company's equity investments in portfolio companies for which there is no liquid public market will be valued at fair value. The Valuation Committee and the Board, in its analysis of fair value, may consider various factors, such as multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA"), cash flows, net income, revenues or, in limited instances, book value or liquidation value. All of these factors may be subject to adjustments based upon the particular circumstances of a portfolio company or the Company's actual investment position. For example, adjustments to EBITDA may take into account compensation to previous owners or acquisition, recapitalization, restructuring or other related items.

The Valuation Committee and the Board may also look to private merger and acquisition statistics, public trading multiples discounted for illiquidity and other factors, valuations implied by third-party investments in the portfolio companies or industry practices in determining fair value. The Valuation Committee and the Board may also consider the size and scope of a portfolio company and its specific strengths and weaknesses, as well as any other factors it deems relevant in assessing the value. Generally, the value of the Company's equity interests in public companies for which market quotations are readily available will be based upon the most recent closing public market price.

If the Company receives warrants or other equity-linked securities at nominal or no additional cost in connection with an investment in a debt security, the Company will allocate the cost basis in the investment

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between the debt securities and any such warrants or other equity-linked securities received at the time of origination. The Valuation Committee and the Board will subsequently value these warrants or other equity-linked securities received at fair value.

As applicable, the Company values its Level 2 assets by using the midpoint of the prevailing bid and ask prices from dealers on the date of the relevant period end, which is provided by an independent third-party pricing service and screened for validity by such service. For investments for which the third-party pricing service is unable to obtain quoted prices, the Company obtains bid and ask prices directly from dealers who make a market in such investments.

To the extent that the Company holds investments for which no active secondary market exists and, therefore, no bid and ask prices can be readily obtained, the Valuation Committee and the Board utilize an independent third-party valuation service to value such investments in a manner consistent with the Company's multistep valuation process previously described.

The Company periodically benchmarks the bid and ask prices received from the third-party pricing service and/or dealers, as applicable, and valuations received from the third-party valuation service against the actual prices at which it purchases and sells its investments. The Company believes that these prices are reliable indicators of fair value. The Valuation Committee and the Board review and approve the valuation determinations made with respect to these investments in a manner consistent with the Company's valuation procedures.

As of December 31, 2020, the Company's investments consisted of senior secured loans, bonds, asset-backed securities, common stocks, LLC interests, preferred stocks, corporate bonds, partnership units and warrants, which may be purchased for a fraction of the price of the underlying securities. The fair value of the Company's loans, bonds and asset-backed securities are generally based on quotes received from brokers or independent pricing services. Loans, bonds and asset-backed securities with quotes that are based on actual trades with a sufficient level of activity on or near the measurement date are classified as Level 2 assets. Loans, bonds and asset-backed securities that are priced using quotes derived from implied values, indicative bids or a limited number of actual trades are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable.

The fair value of the Company's common stocks and options that are not actively traded on national exchanges are generally priced using quotes derived from implied values, indicative bids, or a limited amount of actual trades and are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable. Exchange traded options are valued based on the last trade price on the primary exchange on which they trade. If an option does not trade, the mid-price is utilized to value the option.

Prior to its termination, the Company valued the total return swaps ("TRS") in accordance with the agreement (the "TRS Agreement") with BNP Paribas ("BNP Paribas") that established the TRS. Pursuant to the TRS Agreement, the value of the TRS was based on the increase or decrease in the value of the loans underlying the TRS, together with accrued interest income, interest expense and certain other expenses incurred under the TRS. The loans underlying the TRS were valued based on indicative bid prices provided by an independent third-party pricing service. Bid prices reflected the highest price that market participants may have been willing to pay. These valuations were sent to the Company for review and testing. For additional information on the TRS, see Note 7.

At the end of each calendar quarter, the Adviser evaluates the Level 2 and 3 investments for changes in liquidity, including: whether a broker is willing to execute at the quoted price, the depth and consistency of prices from third party services, and the existence of contemporaneous, observable trades in the market. Additionally, management evaluates the Level 1 and 2 assets and liabilities on a quarterly basis for changes in listings or delistings on national exchanges.

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Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market price, the fair value of the Company's investments may fluctuate from period to period. Additionally, the fair value of investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values the Company may ultimately realize. Further, such investments may be subject to legal and other restrictions on resale or otherwise less liquid than publicly traded securities.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments. The following are summaries of the Company's investments categorized within the fair value hierarchy as of December 31, 2020 and 2019:

<u>Investments</u>	<u>December 31, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Senior Secured Loans				
Energy	\$ —	\$ 422,827	\$ —	\$ 422,827
Healthcare	—	33,071,007	—	33,071,007
Manufacturing	—	1,666,667	—	1,666,667
Telecommunication Services	—	—	861,570	861,570
Asset-Backed Securities				
Financials	—	—	363,767	363,767
Corporate Bonds				
Healthcare	—	6,531,240	—	6,531,240
Media/Telecommunications	—	352,712	—	352,712
Common Stocks				
Chemicals	—	42,500	—	42,500
Financials	—	—	1,125,000	1,125,000
Healthcare	566,400	—	40,405	606,805
Real Estate	—	—	1,661,000	1,661,000
Real Estate Investment Trusts (REITs)	957,898	—	—	957,898
Retail	—	—	532,642	532,642
Service	—	—	59,183	59,183
Telecommunication Services	—	—	4,630,427	4,630,427
LLC Interests				
Consumer Products	—	—	2,070,427	2,070,427
Real Estate	—	—	4,236,603	4,236,603
Real Estate Investment Trusts (REITs)	—	—	228,215	228,215
Partnership Units				
Real Estate	—	5,214,223	—	5,214,223
Preferred Stock <sup>(1)</sup>	—	—	—	—
Warrants				
Healthcare	—	—	1	1
Media/Telecommunications	—	33,901	—	33,901
<b>Total Assets</b>	<b>\$1,524,298</b>	<b>\$47,335,077</b>	<b>\$15,809,240</b>	<b>\$64,668,615</b>
<b>Total Investments</b>	<b>\$1,524,298</b>	<b>\$47,335,077</b>	<b>\$15,809,240</b>	<b>\$64,668,615</b>

(1) Includes RAIT Financial Trust Preferred Stock at zero value.



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<u>Investments</u>	<u>December 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Senior Secured Loans				
Energy	\$ —	\$ 1,841,046	\$ —	\$ 1,841,046
Healthcare	—	5,111,353	—	5,111,353
Media/Telecommunications	—	336,802	—	336,802
Telecommunication Services	—	—	721,602	721,602
Utility	—	1,925	—	1,925
Unsecured Loans				
Materials	—	—	3,713,191	3,713,191
Asset-Backed Securities				
Financials	—	603,891	139,629	743,520
Mortgage-Backed Securities	—	3,994,444	—	3,994,444
Closed-End Mutual Funds	2,136,410	—	—	2,136,410
Corporate Bonds				
Financials	—	1,474,200	—	1,474,200
Healthcare	—	38,987,225	—	38,987,225
Media/Telecommunications	—	361,074	—	361,074
Common Stocks				
Chemicals	—	42,500	—	42,500
Energy	4,904,650	—	—	4,904,650
Financials	—	—	2,467,500	2,467,500
Healthcare	214,740	—	40,405	255,145
Materials	—	—	20,898	20,898
Media/Telecommunications	1,715,375	—	—	1,715,375
Real Estate Investment Trusts (REITs)	6,125,046	—	—	6,125,046
Retail	—	1,124,467	—	1,124,467
Service	—	59,183	—	59,183
Telecommunication Services	—	—	3,890,081	3,890,081
Utility	2,413,950	—	—	2,413,950
LLC Interests				
Consumer Products	—	—	2,000,000	2,000,000
Real Estate	—	—	4,932,657	4,932,657
Real Estate Investment Trusts (REITs)	—	—	2,425,989	2,425,989
Preferred Stocks				
Financials	—	2,084,000	—	2,084,000
Real Estate	—	1,500,000	—	1,500,000
Real Estate Investment Trusts (REITs)	4,903,235	4,235	—	4,907,470
Rights	—	61,391	—	61,391
Warrants				
Healthcare	—	29,837	—	29,837
Materials	—	—	647	647
Media/Telecommunications	—	44,114	—	44,114
<b>Total Assets</b>	<b><u>\$22,413,406</u></b>	<b><u>\$57,661,687</u></b>	<b><u>\$20,352,599</u></b>	<b><u>\$100,427,692</u></b>
<b>Liabilities</b>				
Warrants	\$ —	\$ —	\$ —	\$ —
Derivatives				
Total Return Swap Contracts	\$ —	\$ —	\$ (2,745,042)	\$ (2,745,042)
<b>Total Liabilities</b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$ (2,745,042)</u></b>	<b><u>\$ (2,745,042)</u></b>
<b>Total Investments net of Swap Contracts</b>	<b><u>\$22,413,406</u></b>	<b><u>\$57,661,687</u></b>	<b><u>\$17,607,557</u></b>	<b><u>\$ 97,682,650</u></b>



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The table below sets forth a summary of changes in the Company's Level 3 investments (measured at fair value using significant unobservable inputs) for the year ended December 31, 2020.

	Balance as of December 31, 2019	Transfers into Level 3	Transfer out of Level 3	Net amortization (accretion) of premium/ (discount)	Net realized gains/ (losses)	Net change in unrealized gains/ (losses)	Purchases/ PIK	(Sales and redemptions)	Balance as of December 31, 2020	Change in unrealized gain/(loss) on Level 3 securities still held at period end
<b>Investments:</b>										
<b>Assets</b>										
Senior Secured Loans										
Telecommunication Services	\$ 721,602	\$ —	\$ —	\$ —	\$ —	\$ 1,446	\$ 138,522	\$ —	\$ 861,570	\$ 1,446
Unsecured Loans										
Materials	3,713,191	—	—	124,719	(2,746,641)	482,389	313,727	(1,887,385)	—	—
Asset-Backed Securities										
Financials	139,629	333,764	—	—	—	(109,626)	—	—	363,767	(109,626)
Common Stocks										
Financials	2,467,500	—	—	—	—	(1,342,500)	—	—	1,125,000	(1,342,500)
Healthcare	40,405	—	—	—	—	—	—	—	40,405	—
Materials	20,898	—	—	—	(663,116)	642,218	—	—	—	—
Real Estate	—	1,500,000	—	—	—	161,000	—	—	1,661,000	161,000
Retail	—	1,124,467	—	—	—	(571,332)	—	(20,493)	532,642	(571,332)
Service	—	59,183	—	—	—	2,277	—	(2,277)	59,183	2,277
Telecommunication Services	3,890,081	—	—	—	—	740,346	—	—	4,630,427	740,346
LLC Interests										
Consumer Products	2,000,000	—	—	—	—	70,427	—	—	2,070,427	70,427
Real Estate	4,932,657	—	—	—	—	(696,054)	—	—	4,236,603	(696,054)
Real Estate Investment Trusts (REITs)	2,425,989	—	—	—	—	(8,213)	—	(2,189,561)	228,215	(8,213)
Warrants										
Healthcare	—	29,837	—	—	—	(29,836)	—	—	1	(29,836)
Materials	647	—	—	—	—	(647)	—	—	—	—
Total	<u>\$ 20,352,599</u>	<u>\$ 3,047,251</u>	<u>\$ —</u>	<u>\$ 124,719</u>	<u>\$ (3,409,757)</u>	<u>\$ (658,105)</u>	<u>\$ 452,249</u>	<u>\$ (4,099,716)</u>	<u>\$ 15,809,240</u>	<u>\$ (1,782,065)</u>
<b>Liabilities</b>										
Total Return Swaps <sup>(1)</sup>	<u>\$ (2,745,042)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (6,929,996)</u>	<u>\$ 2,745,042</u>	<u>\$ 7,425,035</u>	<u>\$ (495,039)</u>	<u>\$ —</u>	<u>\$ —</u>

- (1) During the year ended December 31, 2020, the Company recognized a net realized loss on the TRS amounting to \$6,929,996. The realized losses of the derivative instruments during the year ended December 31, 2020 serve as indicators of the volume of derivative activity for the Company. The Company received \$483,581 in cash payments from the TRS during the period and paid \$7,425,035, with a decrease of \$11,458 in payable from BNP Paribas for the year ended December 31, 2020.

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The table below sets forth a summary of changes in the Company's Level 3 investments (measured at fair value using significant unobservable inputs) for the year ended December 31, 2019.

	Balance as of December 31, 2018	Transfers into Level 3	Transfer out of Level 3	Net amortization (accretion) of premium/ (discount)	Net realized gains/ (losses)	Net change in unrealized gains/ (losses)	Purchases/ PIK	(Sales and redemptions)	Balance as of December 31, 2019	Change in unrealized gain/(loss) on Level 3 securities still held at period end
<b>Investments:</b>										
<b>Assets</b>										
Senior Secured Loans										
Telecommunication Services	\$ 522,845	\$ —	\$ —	\$ —	\$ —	\$ (923)	\$ 199,680	\$ —	\$ 721,602	\$ (923)
Unsecured Loans										
Materials	3,838,472	—	—	175,174	—	(866,717)	566,262	—	3,713,191	(866,717)
Asset-Backed Securities										
Financials	144,044	—	—	—	—	(4,415)	—	—	139,629	(4,415)
Common Stocks										
Financials	—	—	—	—	—	405,000	2,062,500	—	2,467,500	405,000
Healthcare	14,509	—	—	—	—	25,896	—	—	40,405	25,896
Materials	1,303,257	—	—	—	—	(1,282,359)	—	—	20,898	(1,282,359)
Media/										
Telecommunications	1,055,803	—	—	—	—	2,422,882	—	(3,478,685)	—	2,422,882
Telecommunication Services	3,913,800	—	—	—	—	(23,719)	—	—	3,890,081	(23,719)
LLC Interests										
Consumer Products	—	—	—	—	—	—	2,000,000	—	2,000,000	—
Real Estate	—	—	—	—	—	(67,343)	5,000,000	—	4,932,657	(67,343)
Real Estate Investment Trusts (REITs)	—	—	—	—	—	236,428	2,189,561	—	2,425,989	236,428
Warrants										
Materials	40,340	—	—	—	—	(39,693)	—	—	647	(39,693)
Total	<u>\$ 10,833,070</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 175,174</u>	<u>\$ —</u>	<u>\$ 805,037</u>	<u>\$ 12,018,003</u>	<u>\$ (3,478,685)</u>	<u>\$ 20,352,599</u>	<u>\$ 805,037</u>
<b>Liabilities</b>										
Total Return Swaps <sup>(1)</sup>	<u>\$ (2,547,492)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (197,550)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2,745,042)</u>	<u>\$ (197,550)</u>

- (1) During the year ended December 31, 2019, the Company recognized a net realized gain on the TRS amounting to \$1,530,270. The Company received \$1,918,837 in cash payments from the TRS during the period and paid \$10,157, with a decrease of \$366,952 in receivable from, and an increase of \$11,458 in payable to BNP Paribas for the year ended December 31, 2019.

Investments designated as Level 3 may include investments valued using quotes or indications furnished by brokers which are based on models or estimates and may not be executable prices. In light of the developing market conditions, the Adviser continues to search for observable data points and evaluate broker quotes and indications received for investments. Determination of fair values is uncertain because it involves subjective judgments and estimates that are unobservable. Transfers from Level 2 to Level 3 are due to a decrease in market activity (e.g. frequency of trades), which resulted in a decrease of available market inputs to determine price. For the year ended December 31, 2020, there were 6 transfers from Level 2 to Level 3. For the year ended December 31, 2019, there were no transfers from Level 2 to Level 3. Transfers from Level 3 to Level 2 and from Level 2 to Level 1 are due to an increase in market activity (e.g. frequency of trades), which resulted in an increase of available market inputs to determine price.

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The following are summaries of significant unobservable inputs used in the fair valuations of investments categorized within Level 3 of the fair value hierarchy as of December 31, 2020 and 2019:

<b>Investment</b>	<b>Fair value at December 31, 2020</b>	<b>Valuation technique</b>	<b>Unobservable inputs</b>	<b>Range of input value(s) (weighted average)</b>
LLC Interest	\$6,535,245	Discounted Cash Flow	Discount Rate	1.28% -11.30%
			Long Term Growth Rate	6.90%
		Net Asset Value	Net Asset Value	\$0.82 - \$2,282.15
		Multiples Analysis	Multiple of EBITDA	3.50x -7.95x
Common Stock	8,048,657	Discounted Cash Flow	Discount Rate	15.50%
		Multiples Analysis	Multiple of EBITDA	3.50x - 7.00x
			Unadjusted Price/MHz-PoP	\$0.09 - \$0.95
			Liquidity Discount	25%
			Enterprise Value (\$mm)	\$771.00
		Transaction Indication of Value	Transaction Price Per Share	\$2.75 - \$16.61
			Multiple of EBITDA	8.00x
			Cash Offer per Share	\$2,500
			Probability Assessment	20%
		Probability Weighted Expected Return		
Senior Secured Loans	861,570	Discounted Cash Flow	Discount Rate	11.00%
Asset-Backed Securities	363,767	Discounted Cash Flow	Discount Rate	21.00%
		Third Party Indication of Value	Broker Quote	Various
Warrants	1	Black-Scholes Model	Volatility Assumption	78.9% - 429.9%
<b>Total</b>	<b>\$15,809,240</b>			

<b>Investment</b>	<b>Fair value at December 31, 2019</b>	<b>Valuation technique</b>	<b>Unobservable inputs</b>	<b>Range of input value(s) (weighted average)</b>
LLC Interest	\$9,358,646	Discounted Cash Flow	Discount Rate	2.59% - 12.5%
		Net Asset Value	N/A	N/A
		Cost Basis	N/A	N/A
Common Stock	6,418,884	Discounted Cash Flow	Discount Rate	16.0% - 20.0%
		Multiples Analysis	Multiple of EBITDA	6.00x - 8.75x
			Unadjusted Price/MHz-PoP	\$0.12 - \$0.95
			Risk Discount	55.2% - 59.8%
			Liquidity Discount	25%
			Multiple of EBITDA	8.25x - 8.75x
			Enterprise Value (\$mm)	\$365.0 - \$771.0
		Transaction Analysis	Transaction Price Per Share	\$2.75
		Transaction Indication of Value	Volatility Assumption	30% - 40%
			Cash Payment Value	\$4.46
		Black-Scholes Model	Probability Assessment	20%
		Implied Value		
Senior Secured Loans	721,602	Discounted Cash Flow	Discount Rate	11.10%
			Spread Adjustment	0.10%
Unsecured Loans	3,713,191	Black-Scholes Model	Volatility Assumption	30% - 40%
Asset-Backed Securities	139,629	Discounted Cash Flow	Discount Rate	21.00%
Warrants	647	Discounted Cash Flow	Discount Rate	20.0%
		Multiples Analysis	Multiple of EBITDA	7.0x - 8.75x
		Transaction Analysis	Multiple of EBITDA	8.25x - 8.75x
		Black-Scholes Model	Volatility Assumption	30% - 40%
<b>Total</b>	<b>\$20,352,599</b>			
Total Return Swaps	\$(2,745,042)	Third Party Pricing Vendor	N/A	N/A

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The significant unobservable inputs used in the fair value measurement of the Company's LLC interests are: discount rate, multiples of EBITDA and long-term growth rate. Significant increases (decreases) in those inputs in isolation could result in a significantly lower (higher) fair value measurement. The significant unobservable inputs used in the fair value measurement of the Company's common equity securities are: multiple of EBITDA, price/MHz-PoP multiple, liquidity discount, discount rate, probability assessment and transaction price. Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Company's bank loan securities are: discount rate and spread adjustment. Significant increases (decreases) in either of those inputs in isolation could result in a significantly lower (higher) fair value measurement. The significant unobservable inputs used in the fair value measurement of the Company's asset-backed securities are: discount rate and broker quote indication of value. Significant increases (decreases) in either of those inputs in isolation could result in a significantly lower (higher) fair value measurement.

***Derivative Transactions***

The Company is subject to equity price risk, interest rate risk and foreign currency exchange rate risk in the normal course of pursuing its investment objective. The Company may invest without limitation in warrants and may also use derivatives, primarily swaps (including equity, variance and volatility swaps), options and futures contracts on securities, interest rates, commodities and/or currencies, as substitutes for direct investments the Company can make. The Company may also use derivatives such as swaps, options (including options on futures), futures, and foreign currency transactions (e.g., foreign currency swaps, futures and forwards) to any extent deemed by the Adviser to be in the best interest of the Company, and to the extent permitted by the 1940 Act, to hedge various investments for risk management and speculative purposes. For additional information on the TRS, please see Note 7.

***Options***

The Company purchases options, subject to certain limitations. The Company may invest in options contracts to manage its exposure to the stock and bond markets and fluctuations in foreign currency values. Writing puts and buying calls tend to increase the Company's exposure to the underlying instrument while buying puts and writing calls tend to decrease the Company's exposure to the underlying instrument, or economically hedge other Company investments. The Company's risks in using these contracts include changes in the value of the underlying instruments, nonperformance of the counterparties under the contracts' terms and changes in the liquidity of the secondary market for the contracts. Options are valued at the last sale price, or if no sales occurred on that day, at the last quoted bid price. As of and during the year ended December 31, 2020 and December 31, 2019, the Company did not hold options.

***Investment Transactions***

Investment transactions are accounted for on trade date. Realized gains/(losses) on investments sold are recorded on the basis of specific identification method for both financial statement and U.S. federal income tax purposes. Payable for investments purchased and receivable for investments sold on the Statements of Assets and Liabilities, if any, represents the cost of purchases and proceeds from sales of investment securities, respectively, for trades that have been executed but not yet settled.

***Income Recognition***

Corporate actions (including cash dividends from common stock and equity tranches of asset-backed securities) are recorded on the ex-dividend date, net of applicable withholding taxes, except for certain foreign corporate actions, which are recorded as soon after the ex-dividend date as such information becomes available.

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Interest income is recorded on the accrual basis. The Company does not accrue as a receivable for interest or dividends on loans, asset-backed securities and other securities if there is a reason to doubt the Company's ability to collect such income. For loans with contractual PIK (payment-in-kind) interest income, which represents contractual interest accrued and added to the loan balance that generally becomes due at maturity, we will not accrue PIK interest if we believe that the PIK interest is no longer collectible. Loan origination fees, original issue discount and market discount are capitalized and such amounts are amortized as interest income over the respective term of the loan or security. Upon the prepayment of a loan or security, any unamortized loan origination fees and original issue discount are recorded as interest income.

Accretion of discounts and amortization of premiums on taxable bonds, loans and asset-backed securities are computed to the call or maturity date, whichever is shorter, using the effective yield method. Withholding taxes on foreign dividends have been provided for in accordance with the Company's understanding of the applicable country's tax rules and rates.

***Organization and Offering Costs***

Organization costs are paid by the Adviser and include the cost of incorporating, such as the cost of legal services and other fees pertaining to our organization. Offering costs include legal fees, promotional costs and other costs pertaining to the public offering of our shares of common stock and are also paid by the Adviser. Prior to the termination of the offering, as we raised proceeds, these organization and offering costs were expensed and became payable to the Adviser. Organization and offering costs are limited to 1% of total gross proceeds raised and are not due and payable to the Adviser to the extent they exceed that amount. Please refer to Note 4 for additional information on Organization and Offering Costs.

***Paid-in Capital***

The proceeds from the issuance of common stock as presented on the Company's Statements of Changes in Net Assets is presented net of selling commissions and fees for the years ended December 31, 2020, 2019 and 2018. Selling commissions and fees of \$0, \$0, and \$413,024 were paid for the years ended December 31, 2020, 2019 and 2018, respectively.

***Earnings Per Share***

In accordance with the provisions of ASC Topic 260—*Earnings per Share* ("ASC 260"), basic earnings per share is computed by dividing earnings available to common stockholders by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis.

The following table sets forth the computation of the weighted average basic and diluted net increase in net assets per share from operations:

	For the year ended December 31,		
	2020	2019	2018
Net increase (decrease) in net assets from operations	\$(20,899,278)	\$ 9,190,895	\$(6,209,274)
Weighted average common shares outstanding	10,525,271	10,441,061	10,358,148
Earnings (loss) per common share-basic and diluted	\$ (1.98)	\$ 0.88	\$ (0.60)

**Table of Contents****Distributions**

Distributions to the Company's stockholders will be recorded as of the record date. Subject to the discretion of the Board and applicable legal restrictions, the Company intends to authorize and declare ordinary cash distributions on a weekly basis and pay such distributions on a quarterly basis. Net realized capital gains, if any, will generally be distributed or deemed distributed at least every 12-month period.

On June 24, 2020, the Board approved a change in its dividend and capital gains distribution schedule from monthly distributions to quarterly distributions, effective immediately. The first quarterly distribution was paid on October 12, 2020 to shareholders of record as of September 30, 2020. The dividends are expected to be declared in the amount of \$0.09 per share of the Company's common stock to the stockholders of record at each quarter end.

**Recent Accounting Pronouncements**

In March 2017, the FASB issued Accounting Standards Update ("ASU") 2017-08, *Receivables – Nonrefundable Fees and Other Costs* (Subtopic 310-20). The amendments in this update shorten the amortization period for certain callable debt securities held at premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For the Company, this update was effective for the fiscal year beginning on January 1, 2020. There is no material impact to the financial statements.

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" which provides optional exceptions for applying GAAP to contract modifications, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. ASU No. 2020-04 is elective and effective for all entities as of March 12, 2020 through December 31, 2022. The Company is currently evaluating the impact of ASU No. 2020-04.

**Note 3 — Investment Portfolio**

The following table shows the composition of the Company's invested assets by industry classification at fair value at December 31, 2020:

<b>Assets</b>	<b><u>Fair value</u></b>	<b><u>Percentage</u></b>
Healthcare	\$40,209,053	62.2%
Real Estate	11,111,826	17.2%
Telecommunication Services	5,491,997	8.5%
Consumer Products	2,070,427	3.2%
Manufacturing	1,666,667	2.6%
Financials	1,488,767	2.3%
Real Estate Investment Trusts (REITs)	1,186,113	1.8%
Retail	532,642	0.8%
Energy	422,827	0.6%
Media/Telecommunications	386,613	0.6%
Service	59,183	0.1%
Chemicals	42,500	0.1%
<b>Total Assets</b>	<b><u>\$64,668,615</u></b>	<b><u>100.0%</u></b>

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The following table shows the composition of the Company's invested assets by industry classification at fair value at December 31, 2019:

	<u>Fair value</u>	<u>Percentage</u>
<b>Assets</b>		
Healthcare	\$ 44,383,560	44.2%
Real Estate Investment Trusts (REITs)	13,458,505	13.4%
Financials	12,900,074	12.9%
Energy	6,745,696	6.7%
Real Estate	6,432,657	6.4%
Telecommunication Services	4,611,683	4.6%
Materials	3,734,736	3.7%
Utility	2,477,266	2.5%
Media/Telecommunications	2,457,365	2.4%
Consumer Products	2,000,000	2.0%
Retail	1,124,467	1.1%
Service	59,183	0.1%
Chemicals	42,500	0.0%
<b>Total Assets</b>	<b><u>\$100,427,692</u></b>	<b><u>100.0%</u></b>

The following table summarizes the amortized cost and the fair value of the Company's invested assets by class of financial asset as of December 31, 2020:

	<u>Amortized Cost</u>	<u>Fair value</u>	<u>Percentage of Portfolio (at Fair Value)</u>
<b>Assets</b>			
Senior Secured Loans — First Lien	\$ 30,123,122	\$31,276,803	48.3%
Senior Secured Loans — Second Lien	4,742,429	4,745,268	7.3%
Asset-Backed Securities	671,187	363,767	0.6%
Corporate Bonds	6,736,607	6,883,952	10.6%
Common Stocks	7,774,595	9,615,455	14.9%
LLC Interests	7,000,000	6,535,245	10.1%
Partnership Units	6,312,618	5,214,223	8.1%
Preferred Stocks	3,051,714	—	0.0%
Warrants	52,988	33,902	0.1%
<b>Total Assets</b>	<b><u>\$ 66,465,260</u></b>	<b><u>\$64,668,615</u></b>	<b><u>100.0%</u></b>



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The following table summarizes the amortized cost and the fair value of the Company's invested assets by class of financial asset as of December 31, 2019:

<b>Assets</b>	<b><u>Amortized cost</u></b>	<b><u>Fair value</u></b>	<b><u>Percentage of portfolio (at fair value)</u></b>
Senior Secured Loans — First Lien	\$ 8,473,042	\$ 7,683,965	7.7%
Senior Secured Loans — Second Lien	553,265	326,838	0.3%
Senior Secured Loans — Escrow Loan	79,372	1,925	0.0%
Unsecured Loans	4,195,580	3,713,191	3.7%
Asset-Backed Securities	896,536	743,520	0.7%
Mortgage-Backed Securities	3,996,530	3,994,444	4.0%
Closed-End Mutual Funds	2,419,467	2,136,410	2.1%
Corporate Bonds	42,275,712	40,822,499	40.6%
Common Stocks	20,812,044	23,018,795	22.9%
LLC Interests	9,189,561	9,358,646	9.3%
Preferred Stocks	10,285,555	8,491,470	8.5%
Rights	148,370	61,391	0.1%
Warrants	52,988	74,598	0.1%
<b>Total Assets</b>	<b><u>\$103,378,022</u></b>	<b><u>\$100,427,692</u></b>	<b><u>100.0%</u></b>

The following table summarizes the amortized cost and the fair value of the Company's invested assets as of December 31, 2019 to include, on a look-through basis, the investments underlying the TRS, as disclosed in Note 7. The investments underlying the TRS had a notional amount and market value of \$50,904,830 and \$47,899,681, respectively, as of December 31, 2019.

<b>Assets</b>	<b><u>Amortized cost</u></b>	<b><u>Fair value</u></b>	<b><u>Percentage of portfolio (at fair value)</u></b>
Senior Secured Loans — First Lien	\$ 51,120,740	\$ 47,656,091	32.1%
Senior Secured Loans — Second Lien	8,810,397	8,254,393	5.6%
Senior Secured Loans — Escrow Loan	79,372	1,925	0.0%
Unsecured Loans	4,195,580	3,713,191	2.5%
Asset-Backed Securities	896,536	743,520	0.5%
Mortgage-Backed Securities	3,996,530	3,994,444	2.7%
Closed-End Mutual Funds	2,419,467	2,136,410	1.4%
Corporate Bonds	42,275,712	40,822,499	27.6%
Common Stocks	20,812,044	23,018,795	15.5%
LLC Interests	9,189,561	9,358,646	6.3%
Preferred Stocks	10,285,555	8,491,470	5.7%
Rights	148,370	61,391	0.0%
Warrants	52,988	74,598	0.1%
<b>Total Assets</b>	<b><u>\$154,282,852</u></b>	<b><u>\$148,327,373</u></b>	<b><u>100.0%</u></b>

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The following table shows the composition of the Company's invested assets by geographic classification at December 31, 2020:

<b><u>Geography</u></b> <b><u>Assets</u></b>	<b><u>Fair value</u></b>	<b><u>Percentage</u></b>
Cayman Islands <sup>(1)</sup>	\$ 363,767	0.6%
Great Britain <sup>(1)</sup>	566,400	0.9%
Luxembourg <sup>(1)</sup>	2,461,549	3.8%
United States	61,276,899	94.7%
<b>Total Assets</b>	<b>\$64,668,615</b>	<b>100.0%</b>

(1) Investment denominated in USD.

The following table shows the composition of the Company's invested assets by geographic classification at December 31, 2019:

<b><u>Geography</u></b> <b><u>Assets</u></b>	<b><u>Fair value</u></b>	<b><u>Percentage</u></b>
Cayman Islands <sup>(1)</sup>	\$ 743,520	0.7%
Luxembourg <sup>(1)</sup>	2,583,933	2.6%
United States	97,100,239	96.7%
<b>Total Assets</b>	<b>\$100,427,692</b>	<b>100.0%</b>

(1) Investment denominated in USD.

**Note 4 — Related Party Transactions and Arrangements*****Investment Advisory Fee***

Payments for investment advisory services under the Company's investment advisory agreement (the "Investment Advisory Agreement") and administrative services agreement (the "Administration Agreement") are equal to (a) a base management fee calculated at an annual rate of 2.0% of the average value of the Company's gross assets at the end of the two most recently completed calendar quarters and (b) an incentive fee based on the Company's performance. Effective June 5, 2017, the Investment Advisory Agreement and the Administration Agreement were amended to exclude cash and cash equivalents from the calculation of gross assets for the purpose of calculating investment advisory and administration fees.

For the years ended December 31, 2020, 2019 and 2018, the Company incurred investment advisory fees payable to the Adviser of \$1,192,535, \$1,966,697 and \$2,025,178, respectively. Amounts waived for investment advisory fees or administrative fees pertaining to periods prior to June 10, 2016 are not recoupable, but amounts waived for investment advisory fees or administrative fees pertaining to periods from and after June 10, 2016 are subject to recoupment by the Adviser within three years from the date that such fees were otherwise payable, provided that the recoupment will be limited to the amount of such voluntarily waived fees from and after June 10, 2016 and will not cause the sum of the Company's investment advisory fees, administration fees, Other Expenses (as defined under "Expense Limits and Reimbursements" below), and any recoupment to exceed the annual rate of 3.40% of average gross assets. Effective December 20, 2017, the Adviser ended its voluntary waiver of advisory fees.

***Incentive Fee***

The incentive fee consists of two parts. The first part, which is referred to as the subordinated incentive fee on income, is calculated and payable quarterly in arrears, and equals 20.0% of "pre-incentive fee net investment

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income” for the immediately preceding quarter and is subject to a hurdle rate, expressed as a rate of return on the Company’s net assets, as defined in the Investment Advisory Agreement, equal to 1.875% per quarter. As a result, the Adviser will not earn this incentive fee for any quarter until the Company’s pre-incentive fee net investment income for such quarter exceeds the hurdle rate of 1.875%. Once the Company’s pre-incentive fee net investment income in any quarter exceeds the hurdle rate, the Adviser will be entitled to a “catch-up” fee equal to the amount of the pre-incentive fee net investment income in excess of the hurdle rate, until the Company’s pre-incentive fee net investment income for such quarter equals 2.34375% of the Company’s net assets at the end of such quarter. This “catch-up” feature allows the Adviser to recoup the fees foregone as a result of the existence of the hurdle rate in that quarter. Thereafter, the Adviser will receive 20.0% of the Company’s pre-incentive fee net investment income from the quarter.

The second part of the incentive fee, which is referred to as the incentive fee on capital gains, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement). This fee equals 20.0% of the Company’s incentive fee capital gains, which will equal the Company’s realized capital gains on a cumulative basis from formation, calculated as of the end of the applicable period, computed net of all realized capital losses (proceeds less amortized cost) and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gains incentive fees. The Company will accrue for the capital gains incentive fee, which, if earned, will be paid annually. The Company will accrue for the capital gains incentive fee based on net realized and unrealized gains; however, under the terms of the Investment Advisory Agreement, the fee payable to the Adviser will be based on realized gains and no such fee will be payable with respect to unrealized gains unless and until such gains are actually realized.

For the years ended December 31, 2020, 2019 and 2018, the Company incurred \$0, \$0 and recognized a reduction of \$(594,306) of incentive fees on capital gains, respectively. Since inception, the Company has accrued \$0 of incentive fees on capital gains in aggregate. Effective December 20, 2017, the Adviser ended its voluntary waiver of incentive fees. No such fees have been paid with respect to realized gains to the Adviser as of December 31, 2020.

***Administration Fee***

Pursuant to the Administration Agreement with the Adviser, the Company also reimburses the Adviser for expenses necessary for its performance of services related to the Company’s administration and operations. The amount of the reimbursement will be the lesser of (1) the Company’s allocable portion of overhead and other expenses incurred by the Adviser in performing its obligations under the Administration Agreement and (2) 0.40% of the Company’s average gross assets, (excluding cash and cash equivalents). The Adviser is required to allocate the cost of such services to the Company based on objective factors such as assets, revenues, time allocations and/or other reasonable metrics. The Board assesses the reasonableness of such reimbursements based on the breadth, depth and quality of such services as compared to the estimated cost to the Company of obtaining similar services from third-party service providers known to be available. In addition, the Board will consider whether any single third-party service provider would be capable of providing all such services at comparable cost and quality. Finally, the Board will compare the total amount paid to the Adviser for such services as a percentage of the Company’s net assets to the same ratio as reported by other comparable BDCs.

For the years ended December 31, 2020, 2019 and 2018, the Company incurred administration fees payable to the Adviser of \$245,534, \$399,100 and \$409,789, respectively. Amounts waived for management fees or administrative services expenses pertaining to periods prior to June 10, 2016 are not recoupable, but amounts waived for management fees or administrative services, expenses pertaining to periods from and after June 10, 2016 are subject to recoupment by the Adviser within three years from the date that such fees were otherwise payable, provided that the recoupment will be limited to the amount of such voluntarily waived fees from and after June 10, 2016 and will not cause the sum of the Company’s advisory fees, administration fees, Other Expenses, and any recoupment to exceed the annual rate of 3.40% of average gross assets. Effective December 20, 2017, the Adviser ended its voluntary waiver of administration fees.

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Amounts waived and subject to recoupment pertaining to investment advisory and administration fees are shown below.

<u>Period ended</u>	<u>Advisory fees waived and subject to recoupment(1)</u>	<u>Administration fees waived and subject to recoupment(1)</u>	<u>Recoupment eligibility expiration</u>
December 31, 2017	\$ 413,916	\$ 75,906	Expired
September 30, 2017	305,288	69,308	Expired
June 30, 2017	389,733	77,947	Expired
March 31, 2017	390,969	78,194	Expired
December 31, 2016	366,861	73,372	Expired
September 30, 2016	343,320	68,664	Expired
June 30, 2016	74,421	14,884	Expired
<b>Total</b>	<b>\$ 2,284,508</b>	<b>\$ 458,275</b>	

- (1) The Adviser has permanently waived the recoupment of any advisory fees or administration fees calculated on the portion of gross assets attributable to the receivable from Adviser balance on the Statements of Assets and Liabilities. The amounts shown have been reduced by this waiver.

In addition, cumulatively since inception through June 10, 2016, the Adviser has voluntarily waived \$930,143 and \$186,042 of advisory fees and administration fees, respectively, all of which are not recoupable.

***Organization and Offering Costs***

Organization costs include the cost of incorporating, such as the cost of legal services and other fees pertaining to our organization, and are paid by the Adviser. For the years ended December 31, 2020, 2019 and 2018, the Adviser did not incur or pay organization costs on our behalf.

Offering costs include legal fees, promotional costs and other costs pertaining to the public offering of our shares of common stock, and are capitalized and amortized to expense over one year. For the years ended December 31, 2020, 2019 and 2018, the Adviser incurred and paid offering costs of \$0, \$0 and \$238,568, respectively, on our behalf. For the years ended December 31, 2020, 2019, and 2018, the Company capitalized \$0, \$0, and \$61,462 of offering costs, respectively. Of this amounts, \$0, \$5,445, and \$184,847 were amortized to expense during the years ended December 31, 2020, 2019, and 2018, respectively. As of December 31, 2020 and 2019, \$0 and \$0 remained on the Statements of Assets and Liabilities, respectively.

Organization costs and offering costs are limited to 1% of total gross proceeds raised in the offering and are not due and payable to the Adviser to the extent they exceed that amount. As of December 31, 2020, the cumulative aggregate amount of \$5,327,574 of organization and offering costs exceeds 1% of total proceeds raised. Subsequent to the termination of the offering, the Adviser forfeited the right to reimbursement of the remaining \$4,305,091 of these costs.

***Fees Paid to Officers and Directors***

Each director receives an annual retainer of \$150,000 payable in quarterly installments and allocated among each portfolio in the Fund Complex based on relative net assets. Directors are reimbursed for actual out-of-pocket expenses relating to attendance at meetings, however, the Chairman of the Board and the Chairman of the Audit and Qualified Legal Committee each receive an additional payment of \$10,000 payable in quarterly installments and allocated among each portfolio in the Fund Complex based on relative net assets. The Directors do not receive any separate compensation in connection with service on Committees or for attending Board or Committee Meetings. They do not have any pension or retirement plan. The "Fund Complex" consists of all of the registered investment companies advised by the Adviser and any affiliates as of the period covered by this

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report. The Company pays no compensation to any of its officers, all of whom are employed by the Adviser, its affiliates or Skyview. Effective January 28, 2020, Mr. Honis is treated as an “interested person” of the Company (as defined in the 1940 Act) in light of certain relationships between Mr. Honis and certain affiliates of the Adviser, including Highland Capital Management, L.P. (“HCMLP”), arising out of HCMLP’s pending Chapter 11 proceedings.

For the years ended December 31, 2020, 2019 and 2018, the Company recorded an expense relating to director fees of \$20,123, \$19,553 and \$19,804, respectively, which represents the allocation of the director fees to the Company. As of December 31, 2020, there was no expenses payable relating to director fees.

***Expense Limits and Reimbursements***

Pursuant to an expense limitation agreement, the Adviser is contractually obligated to waive fees and, if necessary, pay or reimburse certain other expenses to limit the ordinary “Other Expenses” to 1.0% of the quarter-end value of the Company’s gross assets through the one year anniversary of the effective date of the registration statement (the “Expense Limitation Agreement”). Under the Expense Limitation Agreement, “Other Expenses” are all expenses with the exception of advisor and administration fees, organization and offering costs and the following: (i) interest, taxes, dividends tied to short sales, brokerage commissions, and other expenditures which are capitalized in accordance with U.S. GAAP; (ii) expenses incurred indirectly as a result of investments in other investment companies and pooled investment vehicles; (iii) other expenses attributable to, and incurred as a result of, our investments; (iv) expenses payable to the Adviser, as administrator, for providing significant managerial assistance to our portfolio companies; and (v) other extraordinary expenses (including litigation expenses) not incurred in the ordinary course of our business. The obligation will automatically renew for one-year terms unless it is terminated by the Company or the Adviser upon written notice within 120 days of the end of the current term or upon termination of the Investment Advisory Agreement. The Expense Limitation Agreement will continue through at least April 30, 2021.

Any expenses waived or reimbursed by the Adviser pursuant to the Expense Limitation Agreement are subject to possible recoupment by the Adviser within three years from the date of the waiver or reimbursement. The recoupment by the Adviser will be limited to the amount of previously waived or reimbursed expenses and cannot cause the Company’s expenses to exceed any expense limitation in place at the time of recoupment or waiver.

***Reimbursable Expenses Table***

The cumulative total of fees waived by the Adviser under the Expense Limitation Agreement, which are recoupable as of December 31, 2020 is \$924,177. This balance, and the balances in the tables below, only include amounts pertaining to the Expense Limitation Agreement, and do not include waived advisory and administration fees subject to recoupment discussed earlier in Note 4. The following table reflects the fee waivers and expense reimbursements due from the Adviser as of December 31, 2020, September 30, 2020, June 30, 2020 and March 31, 2020, which may become subject to recoupment by the Adviser.

<b><u>Period ended</u></b>	<b><u>Yearly cumulative other expense</u></b>	<b><u>Yearly expense limitation</u></b>	<b><u>Yearly cumulative expense reimbursement</u></b>	<b><u>Quarterly recoupable/ (recouped) amount</u></b>	<b><u>Recoupment eligibility expiration</u></b>
December 31, 2020	\$ 989,447	\$ 639,959	\$ 349,488	\$ 101,541	December 31, 2023
September 30, 2020	687,228	439,281	247,947	94,039	September 30, 2023
June 30, 2020	445,585	291,677	153,908	(30,539)	June 30, 2023
March 31, 2020	257,226	72,779	184,447	184,447	March 31, 2023

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The following table reflects the fee waivers and expense reimbursements due from the Adviser as of December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019, which may become subject to recoupment by the Adviser.

<u>Period ended</u>	<u>Yearly cumulative other expense</u>	<u>Yearly expense limitation</u>	<u>Yearly cumulative expense reimbursement</u>	<u>Quarterly recoupable/ (recouped) amount</u>	<u>Recoupment eligibility expiration</u>
December 31, 2019	\$ 1,098,789	\$ 951,520	\$ 147,269	\$ 50,130	December 31, 2022
September 30, 2019	849,345	752,206	97,139	(17,417)	September 30, 2022
June 30, 2019	586,411	471,855	114,556	75,592	June 30, 2022
March 31, 2019	295,177	256,213	38,964	38,964	March 31, 2022

The following table reflects the fee waivers and expense reimbursements due from the Adviser as of December 31, 2018, September 30, 2018, June 30, 2018 and March 31, 2018, which may become subject to recoupment by the Adviser.

<u>Period ended</u>	<u>Yearly cumulative other expense</u>	<u>Yearly expense limitation</u>	<u>Yearly cumulative expense reimbursement</u>	<u>Quarterly recoupable/ (recouped) amount</u>	<u>Recoupment eligibility expiration</u>
December 31, 2018	\$ 1,352,097	\$ 924,677	\$ 427,420	\$ 279,079	December 31, 2021
September 30, 2018	950,045	801,704	148,341	23,992	September 30, 2021
June 30, 2018	613,809	489,460	124,349	44,203	June 30, 2021
March 31, 2018	341,882	261,736	80,146	80,146	March 31, 2021

The following table reflects the fee waivers and expense reimbursements due from the Adviser as of December 31, 2017, September 30, 2017, June 30, 2017 and March 31, 2017, which may become subject to recoupment by the Adviser.

<u>Period ended</u>	<u>Yearly cumulative other expense</u>	<u>Yearly expense limitation</u>	<u>Yearly cumulative expense reimbursement</u>	<u>Quarterly recoupable/ (recouped) amount</u>	<u>Recoupment eligibility expiration</u>
December 31, 2017	\$ 1,304,585	\$ 975,289	\$ 329,296	\$ —	Expired
September 30, 2017	983,110	531,679	451,431	—	Expired
June 30, 2017	631,906	433,428	198,478	—	Expired
March 31, 2017	329,791	182,226	147,565	—	Expired

During the year ended December 31, 2020, \$329,296 of expense reimbursements that were eligible for recoupment by the Adviser expired.

There can be no assurance that the Expense Limitation Agreement will remain in effect or that the Adviser will reimburse any portion of the Company's expenses in future quarters not covered by the Expense Limitation Agreement. Amounts shown do not include the amounts committed by the Adviser to voluntarily reimburse the Company for unrealized losses, all of which are not recoupable.

**Net Increase from Amounts Committed by Affiliates**

For the years ended December 31, 2020, 2019 and 2018, the Adviser did not voluntarily reimburse the Company for unrealized losses sustained. Cumulatively since inception, the Adviser has committed \$2,275,000 to voluntarily reimburse the Company for such losses. Had these commitments not been made, the net asset value ("NAV") as of December 31, 2020 would have been lower by approximately this amount. These commitments are shown in the Statements of Operations as net increase from amounts committed by affiliates and are not recoupable.



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Amounts committed and paid by the Adviser to reimburse for unrealized losses are nonrecurring, and investors should not expect the Adviser to make similar commitments or payments in the future.

***Receivable from Adviser / Payable to Adviser***

As of December 31, 2020 and December 31, 2019, \$101,542 and \$50,130 were owed from the Adviser to the Company, respectively, largely related to the expense limitation agreement.

As of December 31, 2020 and December 31, 2019, the Company owed \$423,537 and \$570,453, respectively, to the Adviser, largely related to advisory fees, and administration fees.

***Indemnification***

Under the Company's organizational documents, the officers and Directors have been granted certain indemnification rights against certain liabilities that may arise out of performance of their duties to the Company. Additionally, in the normal course of business, the Company may enter into contracts with service providers that contain a variety of indemnification clauses. The Company's maximum exposure under these arrangements is dependent on future claims that may be made against the Company and, therefore, cannot be estimated.

**Note 5 — U.S. Federal Income Tax Information**

The Company has elected to be treated for federal income tax purposes, and intends to qualify annually, as a RIC under Subchapter M of the Code. To maintain its qualification as a RIC, the Company must, among other things, meet certain source-of-income and asset diversification requirements and distribute to its stockholders, for each taxable year, at least 90% of its "investment company taxable income," which is generally the Company's net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses. As a RIC, the Company will not be subject to corporate-level federal income taxes on any income that it timely distributes to its stockholders. The Company intends to make distributions in an amount sufficient to maintain its RIC status each year and to avoid any federal income taxes on income so distributed. The Company will also be subject to nondeductible federal excise taxes if it does not distribute at least 98% of net ordinary income, 98.2% of any capital gain net income, if any, and any recognized and undistributed income from prior years on which it paid no federal income taxes.

The character of income and capital gains to be distributed is determined in accordance with the Code, U.S. Treasury regulations, and other applicable authority, which may differ from GAAP. These differences include (but are not limited to) investments organized as partnerships for tax purposes, total return swaps, loan investments, and losses deferred due to wash sale transactions. Reclassifications are made to the Company's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under the Code, U.S. Treasury regulations, and other applicable authority. These reclassifications have no impact on net investment income, realized gains or losses, or net asset value of the Company. The calculation of net investment income per share in the Financial Highlights table excludes these adjustments.

As of December 31, 2020, 2019 and 2018, the Company made the following permanent book tax differences and reclasses:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Paid in capital excess of par value	\$(1,621,021)	\$ (138,024)	\$ (314,911)
Distributions in excess of net investment income <sup>(1)</sup>	1,541,871	2,583,485	2,654,803
Accumulated realized gains <sup>(1)</sup>	79,150	(2,445,461)	(2,339,892)

(1) Amounts are included in distributable earnings (accumulated loss) on the Statement of Assets and Liabilities.



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During the year ended December 31, 2020, the differences between book and tax accounting were due primarily to non-deductible excise taxes and partnerships, basis adjustments of loan investments, distribution re-designations and non-REIT return of capital.

For the years ended December 31, 2020, 2019 and 2018, the Company's tax year end, components of distributable earnings on a tax basis are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Undistributed ordinary income	\$ 687,291	\$ 45,019	\$ 1,821,034
Net tax appreciation/(depreciation)	(6,021,808)	(3,044,798)	(9,471,326)
Undistributed capital gains	—	—	1,368,718
Other temporary differences	1,315,827	(289,344)	(20,194)

For the years ended December 31, 2020, 2019 and 2018, the Company had \$(24,156,099), \$(1,198,009) and \$0 of capital loss carryovers, respectively.

The tax character of shareholder distributions attributable to the fiscal years ended December 31, 2020, 2019 and 2018, were as follows:

<b>Paid Distributions attributable to:</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Ordinary income	\$4,409,400	\$6,276,791	\$6,964,121
Return of capital	—	—	—
Long term gain	—	1,237,492	636,657

Unrealized appreciation and depreciation at December 31, 2020, 2019 and 2018, based on cost of investments for U.S. federal income tax purposes were as follows:

	<u>Gross appreciation</u>	<u>Gross (depreciation)</u>	<u>Net appreciation/ (depreciation)</u>	<u>Cost</u>
December 31, 2020	\$ 7,723,451	\$ (13,745,259)	\$(6,021,808)	\$ 70,690,423
December 31, 2019	8,606,619	(11,651,417)	(3,044,798)	102,532,406
December 31, 2018	5,726,720	(15,198,046)	(9,471,326)	105,156,185

The tax adjustments that impact cost are wash sales, partnerships and basis adjustments on loan investments.

**Uncertainty in Income Taxes**

The Company will evaluate its tax positions to determine if the tax positions taken meet the minimum recognition threshold in connection with accounting for uncertainties in income tax positions taken or expected to be taken for the purposes of measuring and recognizing tax benefits or liabilities in the financial statements. Recognition of a tax benefit or liability with respect to an uncertain tax position is required only when the position is "more likely than not" to be sustained assuming examination by taxing authorities. The Company's tax returns are subject to examination by the Internal Revenue Service for a period of three fiscal years after they are filed. The Company recognizes interest and penalties, if any, related to unrecognized tax liabilities as income tax expense in the Statements of Operations. During the years ended December 31, 2020, 2019 and 2018, the Company did not incur any interest or penalties. Furthermore, management of the Company is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next 12 months.

**Note 6 — Share Repurchase Program**

On a quarterly basis, the Company intends to offer to repurchase shares of common stock on such terms as may be determined by the Board in its complete and absolute discretion unless, in the judgment of directors who

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are not “interested persons” of the Company (as defined in the 1940 Act), such repurchases would not be in the best interests of the Company’s stockholders or would violate applicable law. The Company will conduct such repurchase offers in accordance with the requirements of Rule 13e-4 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the 1940 Act. Any offer to repurchase shares of common stock will be conducted solely through tender offer materials mailed to each stockholder.

The Company currently intends to limit the number of shares of common stock to be repurchased during any calendar year to the number of shares of common stock it can repurchase with the proceeds it receives from the sale of shares of common stock under its distribution reinvestment plan. At the discretion of the Board, the Company may also use cash on hand, cash available from borrowings and cash from liquidation of securities investments as of the end of the applicable period to repurchase shares of common stock. In addition, the Company will limit the number of shares of common stock to be repurchased in any calendar year to 10.0% of the weighted average number of shares of common stock outstanding in the prior calendar year, or 2.5% in each quarter, though the actual number of shares of common stock that the Company offers to repurchase may be less in light of the limitations noted above. The Company intends to offer to repurchase such shares of common stock at a price (i) not less than the net asset value per share (the “NAV Per Share”) of the Company’s common stock next calculated following the Expiration Date, and (ii) not more than 2.5% greater than the NAV Per Share as of such date. The Board may amend, suspend or terminate the share repurchase program at any time, upon 30 days’ notice.

The Company conducted its tender offer for the first quarter of 2020 from February 24, 2020, until expiration of March 23, 2020 at 4:00 p.m. New York City time, during which the Company offered to purchase for cash up to 2.5% of its outstanding shares of common stock. During the first quarter tender offer, 49,418 shares of the Company were tendered for repurchase, constituting approximately 0.47% of the Company’s outstanding shares. The 49,418 shares reflects the net effect of tenders cancelled as a result of COVID-19 market volatility.

The Company conducted its tender offer for the second quarter of 2020 from May 22, 2020, until expiration of June 22, 2020 at 4:00 p.m. New York City time, during which the Company offered to purchase for cash up to 2.5% of its outstanding shares of common stock. During the second quarter tender offer, 45,916 shares of the Company were tendered for repurchase, constituting approximately 0.44% of the Company’s outstanding shares.

The Company conducted its tender offer for the third quarter of 2020 from August 21, 2020, until expiration on September 21, 2020 at 4:00 p.m. New York City time, during which the Company offered to purchase for cash up to 2.5% of its outstanding shares of common stock. During the third quarter tender offer, 51,384 shares of the Company were tendered for repurchase, constituting approximately 0.49% of the Company’s outstanding shares.

The Company conducted its tender for the fourth quarter of 2020 from November 20, 2020, until expiration on December 21, 2020 at 4:00 p.m. New York City time, during which the Company offered to purchase for cash up to 2.5% of its outstanding shares of common stock. During the fourth quarter tender offer, 77,523 shares of the Company were tendered for repurchase, constituting approximately 0.74% of the Company’s outstanding shares.

For the year ended December 31, 2020, the Company repurchased 0 shares as part of its death and disability repurchase program.

**Note 7 — Credit Facility and Leverage Facilities**

On October 19, 2017, the Company entered into a financing arrangement (the “Financing Arrangement”) with BNP Paribas Prime Brokerage International, Ltd., BNP Prime Brokerage, Inc., and BNP Paribas (together, the “BNPP Entities”). Under the Financing Agreement, the BNPP Entities may make margin loans to the

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Company at a rate of one-month LIBOR + 1.30%. The BNPP Entities have the right to cap the amount of margin loans with prior notice to the Company. The Financing Arrangement may be terminated by either the Company or the BNPP Entities with 179 days notice. On April 15, 2020, the Financing Arrangement was paid down and closed. At December 31, 2020, there were no current outstanding or fair value amounts. At December 31, 2019, current outstanding and fair value amounts were \$33,714,864 and \$33,975,517, respectively.

For the years ended December 31, 2020, 2019 and 2018, the components of total interest expense were as follows:

	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Direct interest expense	\$ 176,911	\$ 1,233,085	\$ 759,234
Commitment fees	(204)	204	—
Amortization of financing costs	—	—	—
<b>Total interest expense</b>	<b>\$ 176,707</b>	<b>\$ 1,233,289</b>	<b>\$ 759,234</b>
Average daily amount outstanding	22,670,341 <sup>(1)</sup>	35,934,346	22,875,571
Weighted average interest rate	2.67%(1)	3.43%	3.32%

- (1) The Financing Arrangement with BNP was fully paid down and closed as of April 15, 2020, the average daily amount outstanding is calculated through April 15, 2020, and the maximum borrowed amount during the year was \$33,800,877. The 2.67% represents the weighted average interest rate from January 1, 2020 through April 15, 2020.

The Company is required to maintain 200% asset coverage with respect to its borrowings outstanding. Asset coverage is calculated by subtracting the Company's total liabilities, not including any amount representing bank loans and senior securities, from the Company's total assets and dividing the result by the principal amount of the borrowings outstanding. As of the dates indicated below, the Company's borrowings outstanding and asset coverage was as follows:

Year ended	Total amount outstanding	% of asset coverage
12/31/2020	\$ —	—%
12/31/2019	63,219,694	241%
12/31/2018	67,767,021	227%
12/31/2017	46,540,921	304%
12/31/2016	11,200,000	701%
12/31/2015	—	n/a
12/31/2014	—	n/a

**BNP Paribas Total Return Swap**

On June 13, 2017, the Company entered into the TRS with BNP Paribas over one or more loans, with a maximum aggregate notional amount of the portfolio debt securities subject to the TRS of \$40 million. The agreements between the Company and BNP Paribas, which collectively establish the TRS, are referred to herein as the "TRS Agreement."

On April 2, 2018, the Company amended and restated the TRS Agreement with BNP Paribas. The amended and restated TRS Agreement, effective April 10, 2018 increased the maximum aggregate notional amount of the portfolio debt securities subject to the TRS to \$60 million. On June 10, 2020, the TRS expired.

A TRS is a contract in which one party agrees to make payments to another party based on the increase, if any, in the market value of the asset(s) underlying the TRS, which may include a specified security, basket of

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securities or securities indices during a specified period, and the other party agrees to make payments to the first party based on the decrease, if any, in the market value of such underlying assets plus periodic payments based on a fixed or variable interest rate. A TRS effectively adds leverage to a portfolio by providing investment exposure to an underlying asset without owning or taking physical custody of the underlying asset. A TRS often offers lower financing costs than are offered through more traditional borrowing arrangements.

Each individual security subject to the TRS, and the portfolio of securities taken as a whole, had to meet certain criteria described in the TRS Agreement, including a requirement that the securities underlying the TRS were rated by either Moody's or S&P, and, if rated by Moody's, have a rating of at least Caa3 and, if rated by S&P, have a rating of at least CCC-. Under the terms of the TRS, BNP Paribas determined whether there had been a failure to satisfy the portfolio criteria in the TRS but could, in its sole discretion, permit assets that did not meet the minimum portfolio criteria set forth in the TRS. If BNP Paribas had determined that an asset failed to meet the minimum portfolio criteria, BNP Paribas could have exercised certain rights, including increasing the amount of collateral the Company was required to provide to it or terminating all or part of the TRS, subject to certain conditions. The Company received from BNP Paribas interest and fees payable to holders of the securities included in the portfolio. The Company paid interest to BNP Paribas generally based on a percentage of the notional amount of the securities subject to the TRS. In addition, upon the termination or repayment of any security subject to the TRS, the Company had either received from BNP Paribas the appreciation in the value of such security or had paid to BNP Paribas any depreciation in the value of such security.

Under the terms of the TRS, the Company or BNP Paribas were required to post additional collateral, on a dollar-for-dollar basis, in certain circumstances, including in the event of depreciation or appreciation in the value of the underlying loans. The limit on the additional collateral that the Company was required to post pursuant to the TRS was equal to the difference between the full notional amount of the loans underlying the TRS and the amount of cash collateral already posted by the Company. The amount of collateral required to be posted was determined primarily on the basis of the aggregate value of the underlying securities.

The Company had the option to terminate the TRS at any time more than one month prior to the TRS's scheduled termination date upon providing no less than 30 days' prior notice to BNP Paribas.

For purposes of the asset coverage ratio test applicable to the Company as a BDC, the Company would have treated the outstanding notional amount of the TRS, less the initial amount of any cash collateral required to be posted by the Company under the TRS, as a senior security for the life of that instrument. As of December 31, 2020, the company has \$0 in receivable from BNP Paribas for the year ended December 31, 2020.

Further, for purposes of Section 55(a) under the 1940 Act, the Company treats each security underlying the TRS as a qualifying asset if such security is a loan and the obligor on such loan is an eligible portfolio company, and as a non-qualifying asset if the obligor is not an eligible portfolio company.

As of December 31, 2020, there were no positions held in the TRS.

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The following is a summary of the underlying loans subject to the TRS as of December 31, 2019:

<u>Underlying Loan</u>	<u>Industry</u>	<u>Interest</u>	<u>Base Rate Floor</u>	<u>Maturity Date</u>	<u>Notional Amount(1)</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Advantage Sales & Marketing, Inc. (Second Lien Term Loan)	Service	L + 650	1.00%	7/25/2022	\$2,853,750	\$2,640,000	\$ (213,750)
Air Medical Group Holdings (First Lien Term Loan)	Aerospace	L + 425	1.00%	3/14/2025	3,917,518	3,791,960	(125,558)
ASP AMC Merger Sub, Inc. (First Lien Term Loan)	Healthcare	L + 350	1.00%	4/21/2024	1,822,226	1,730,025	(92,201)
VVC Holding Corp. (First Lien Term Loan)	Healthcare	L + 450	0.00%	2/11/2026	5,905,504	5,964,975	59,471
BioClinica, Inc. (First Lien Term Loan)	Healthcare	L + 425	1.00%	10/20/2023	1,874,140	1,893,662	19,522
Employbridge, LLC (First Lien Term Loan)	Service	L + 450	1.00%	4/18/2025	767,142	751,799	(15,343)
Endo Luxembourg Finance Company I S.a r.l. (First Lien Term Loan)	Healthcare	L + 425	0.75%	4/27/2024	3,959,091	3,762,121	(196,970)
Envision Healthcare Corp. (First Lien Term Loan)	Healthcare	L + 375	0.00%	10/10/2025	4,671,563	4,207,500	(464,063)
Granite Acquisition, Inc. (Second Lien Term Loan)	Utility	L + 725	1.00%	12/19/2022	3,736,715	3,704,222	(32,493)
BW NHHC Holdco, Inc. (First Lien Term Loan)	Healthcare	L + 500	0.00%	5/15/2025	4,537,384	3,420,139	(1,117,245)
Lanai Holdings II, Inc. (First Lien Term Loan)	Healthcare	L + 475	1.00%	8/28/2022	2,449,958	2,300,085	(149,873)
Radnet Management Inc. (First Lien Term Loan)		L + 350	1.00%	7/1/2023	1,492,721	1,485,331	(7,390)
Sound Inpatient Physicians (First Lien Term Loan)	Healthcare	L + 675	0.00%	6/28/2026	1,575,000	1,567,222	(7,778)
Truck Hero, Inc. (Second Lien Term Loan)	Manufacturing	L + 825	1.00%	4/21/2025	1,666,667	1,583,333	(83,334)
Vyair Medical, Inc. (First Lien Term Loan)	Healthcare	L + 475	1.00%	4/30/2025	4,794,592	4,295,155	(499,437)
Weight Watchers International, Inc. (First Lien Term Loan)	Service	L + 475	0.75%	11/29/2024	4,880,859	4,802,152	(78,707)
<b>Total</b>							<b><u>\$(3,005,149)</u></b>
<b>Accrued income and liabilities</b>							<b><u>260,107</u></b>
<b>Total TRS Fair Value</b>							<b><u>\$(2,745,042)</u></b>

(1) Notional value of the underlying securities in the TRS is calculated by multiplying par by the initial price.

As of December 31, 2020 and December 31, 2019, the Company had posted \$0 and \$21,400,000, respectively, of cash collateral against the TRS held in an account at the Company's custodian bank, which is shown as due from counterparty on the Statements of Assets and Liabilities.

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During the year ended December 31, 2020, the Company recognized a net realized loss on the TRS amounting to \$6,929,996. The realized losses of the derivative instruments during the year ended December 31, 2020 serve as indicators of the volume of derivative activity for the Company. The Company received \$483,581 in cash payments from the TRS during the period and paid \$7,425,035, with a decrease of \$11,458 in payable from BNP Paribas for the year ended December 31, 2020. During the year ended December 31, 2020, the Company recognized a \$2,745,042 change in unrealized gain on the TRS.

As a result of decreases in the market value of certain of the Company's assets pledged at derivative counterparties, the Company was required to post additional collateral relating to its margin requirements. The Company experienced delays posting collateral with one counterparty and received an Event of Default notice dated March 23, 2020; however, the Company covered the margin call on March 24, 2020 and received a formal waiver on the Event of Default notice from the counterparty dated April 2, 2020.

**Note 8 — Economic Dependency and Commitments and Contingencies**

The Adviser has entered into a Services Agreement with Skyview Group, Inc. ("Skyview"), effective February 25, 2021, pursuant to which the Adviser will receive administrative and operational support services to enable it to provide the required advisory services to the Company. The Adviser will compensate all Adviser and Skyview personnel who provide services to the Company.

From time to time, the Company may be involved in legal proceedings in the normal course of its business. Although the outcome of such litigation cannot be predicted with any clarity, management is of the opinion, based on the advice of legal counsel, that final dispositions of any litigation should not have a material adverse effect on the financial position of the Company as of December 31, 2020.

Unfunded commitments to provide funds to portfolio companies are not recorded in the Company's Statements of Assets and Liabilities. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The Company has sufficient liquidity to fund these commitments. As of December 31, 2020, the Company had one unfunded debt commitment with an aggregate unfunded commitment of \$333,333. For additional details regarding the Company's unfunded debt investments, see the Company's Schedule of Investments as of December 31, 2020.

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties that provide general indemnification. The Company's maximum exposure under these agreements is unknown, as this would involve future claims that may be made against the Company that have not occurred. The Company believes the risk of material obligations under these indemnities to be low.

**Note 9 — Market and Other Risk Factors**

The primary risks of investing in the Company are described below in alphabetical order:

***Concentration Risk***

The Company is classified as a non-diversified investment company within the meaning of the 1940 Act, which means that it is not limited by the 1940 Act with respect to the proportion of the Company's assets that it may invest in securities of a single issuer. To the extent that the Company assumes large positions in the securities of a small number of issuers, the Company's net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. The Company may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond the asset diversification requirements associated with the Company's qualification as a RIC under the Code and certain contractual diversification requirements under a credit facility or other agreements, the Company does not have fixed guidelines for diversification, and its investments could be



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concentrated in relatively few portfolio companies. As a result, the aggregate returns the Company realizes may be significantly adversely affected if a small number of investments perform poorly or if the Company needs to write down the value of any one investment. Additionally, the Company's investments may be concentrated in relatively few industries. As a result, a downturn in any particular industry in which the Company is invested could also significantly impact the aggregate returns realized.

***Covenant-Lite Loans Risk***

Loans in which the Company invests include covenant-lite loans, which carry more risk to the lender than traditional loans as they may contain fewer or less restrictive covenants on the borrower than traditionally included in loan documentation or may contain other borrowerfriendly characteristics. The Company may experience relatively greater difficulty or delays in enforcing its rights on its holdings of certain covenant-lite loans and debt securities than its holdings of loans or securities with the usual covenants.

***Counterparty Credit Risk***

Counterparty credit risk is the potential loss the Company may incur as a result of the failure of a counterparty or an issuer to make payments according to the terms of a contract. Counterparty credit risk is measured as the loss the Company would record if its counterparties failed to perform pursuant to the terms of their obligations to the Company. Because the Company may enter into over-the-counter forwards, options, swaps and other derivative financial instruments, the Company may be exposed to the credit risk of its counterparties. To limit the counterparty credit risk associated with such transactions, the Company conducts business only with financial institutions judged by the Adviser to present acceptable credit risk.

***Credit Risk***

Debt securities are subject to the risk of non-payment of scheduled interest and/or principal. Non-payment would result in a reduction of income to the Company, a reduction in the value of the obligation experiencing non-payment and a potential decrease in the Company's net asset value.

Investments rated below investment grade are commonly referred to as high-yield, high risk or "junk debt." They are regarded as predominantly speculative with respect to the issuing company's continuing ability to meet principal and/or interest payments. Investments in high yield debt and high yield senior loans may result in greater net asset value fluctuation than if the Company did not make such investments. Corporate debt obligations, including senior loans, are subject to the risk of non-payment of scheduled interest and/or principal.

Non-payment would result in a reduction of income to the Company, a reduction in the value of the corporate debt obligation experiencing non-payment and a potential decrease in the net asset value of the Company. Some of the loans the Company makes or acquires may provide for the payment by borrowers of Payment-In-Kind ("PIK") interest or accreted original issue discount at maturity. Such loans have the effect of deferring a borrower's payment obligation until the end of the term of the loan, which may make it difficult for the Company to identify and address developing problems with borrowers in terms of their ability to repay debt. Particularly in a rising interest rate environment, loans containing PIK and original issue discount provisions can give rise to negative amortization on a loan, resulting in a borrower owing more at the end of the term of a loan than what it owed when the loan was originated. Any such developments may increase the risk of default on the Company's loans by borrowers.

Because loans are not ordinarily registered with the SEC or any state securities commission or listed on any securities exchange, there is usually less publicly available information about such instruments. In addition, loans may not be considered "securities" for purposes of the anti-fraud protections of the federal securities laws and, as a result, as a purchaser of these instruments, the Company may not be entitled to the anti-fraud protections of the federal securities laws. In the course of investing in such instruments, the Company may come into possession of



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material nonpublic information and, because of prohibitions on trading in securities of issuers while in possession of such information, the Company may be unable to enter into a transaction in a publicly-traded security of that issuer when it would otherwise be advantageous for us to do so. Alternatively, the Company may choose not to receive material nonpublic information about an issuer of such loans, with the result that the Company may have less information about such issuers than other investors who transact in such assets.

***Foreign Securities Risk***

Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of the Company are maintained) and the various foreign currencies in which the Company's portfolio securities will be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; and (iv) the extension of credit, especially in the case of sovereign debt.

***Illiquid Securities Risk***

The Company will generally make investments in private companies. Substantially all of these investments will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of the Company's investments may make it difficult for the Company to sell such investments if the need arises. In addition, if it is required to liquidate all or a portion of its portfolio quickly, the Company may realize significantly less than the value at which it has previously recorded its investments. In addition, it may face other restrictions on its ability to liquidate an investment in a portfolio company to the extent that it has material non-public information regarding such portfolio company or if an investment is held by one of its subsidiaries and is subject to contractual limitations on sale, such as the limitations on transfer of assets under certain circumstances under a credit facility.

The Company seeks to address its short-term liquidity needs by carefully managing the settlements of its portfolio transactions, including transactions in loans, by maintaining short-term liquid assets sufficient to meet reasonably anticipated obligations, and by maintaining the Credit Facility.

***Interest Rate Risk***

Interest Rate risk is the risk that fixed income securities will decline in value because of changes in interest rates. When interest rates decline, the value of fixed rate securities already held by the Company can be expected to rise. Conversely, when interest rates rise, the value of existing fixed rate portfolio securities can be expected to decline. A company with a longer average portfolio duration will be more sensitive to changes in interest rates than a fund with a shorter average portfolio duration.

On July 27, 2017, the head of the United Kingdom's Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. Please refer to "LIBOR Transition and Associated Risk" for more information.

***Investments in Foreign Markets Risk***

Investments in foreign markets involve special risks and considerations not typically associated with investing in the United States. These risks include revaluation of currencies, high rates of inflation, restrictions on repatriation of income and capital, and adverse political and economic developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls, tariffs and taxes, subject to delays in settlements, and their prices may be more volatile. The Company may be subject to capital gains and

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repatriation taxes imposed by certain countries in which they invest. Such taxes are generally based on income and/or capital gains earned or repatriated. Taxes are accrued based upon net investment income, net realized gains and net unrealized appreciation as income and/or capital gains are earned.

***Leverage Risk***

The Company may use leverage in its investment program, including the use of borrowed funds and investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Company purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the Company's use of leverage would result in a lower rate of return than if the Company were not leveraged.

***LIBOR Transition and Associated Risk***

LIBOR is the average offered rate for various maturities of short-term loans between major international banks who are members of the British Bankers Association. LIBOR is the most common benchmark interest rate index used to make adjustments to variable-rate loans. It is used throughout global banking and financial industries to determine interest rates for a variety of financial instruments (such as debt instruments and derivatives) and borrowing arrangements.

Certain instruments held by the Company pay an interest rate based on the London Interbank Offered Rate (LIBOR), which is the average offered rate for various maturities of short-term loans between certain major international banks. LIBOR is expected to be phased out by the end of 2021. While the effect of the phase out cannot yet be determined, it may result in, among other things, increased volatility or illiquidity in markets for instruments based on LIBOR and changes in the value of such instruments. However, the outbreak of COVID-19 may adversely impact the timing of transition planning, and we continue to assess the potential impact of the COVID-19 outbreak on our transition plans. Although, at this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates, whether the COVID-19 outbreak will have further effect on LIBOR transition timelines or plans, or other reforms to LIBOR that may be enacted in the United States, United Kingdom or elsewhere.

Due to manipulation allegations in 2012 and reduced activity in the financial markets that it measures, in July 2017, the Financial Conduct Authority (the "FCA"), the United Kingdom financial regulatory body, announced a desire to phase out the use of LIBOR by the end of 2021. As a result, plans are underway to phase out the use of LIBOR by the end of 2021. Although the period from the FCA announcement until the end of 2021 is generally expected to be enough time for market participants to transition to the use of a different benchmark for new securities and transactions, there remains uncertainty regarding the future utilization of LIBOR and the specific replacement rate or rates. As such, the potential effect of a transition away from LIBOR on a Fund or the financial instruments utilized by a Fund cannot yet be determined. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that currently rely on LIBOR. The transition may also result in a change in (i) the value of certain instruments held by a Fund, (ii) the cost of temporary borrowing for a Fund, or (iii) the effectiveness of related Fund transactions such as hedges, as applicable. When LIBOR is discontinued, the LIBOR replacement rate may be lower than market expectations, which could have an adverse impact on the value of preferred and debt-securities with floating or fixed-to-floating rate coupons. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could result in losses to adversely impact a Fund. Since the usefulness of LIBOR as a benchmark could deteriorate during the transition period, these effects could occur prior to the end of 2021.

**Table of Contents*****Options Risk***

There are several risks associated with transactions in options on securities. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A transaction in options or securities may be unsuccessful to some degree because of market behavior or unexpected events.

When the Company writes a covered call option, the Company forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but retains the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation and once an option writer has received an exercise notice, it must deliver the underlying security in exchange for the strike price.

When the Company writes a covered put option, the Company bears the risk of loss if the value of the underlying stock declines below the exercise price minus the put premium. If the option is exercised, the Company could incur a loss if it is required to purchase the stock underlying the put option at a price greater than the market price of the stock at the time of exercise plus the put premium the Company received when it wrote the option. While the Company's potential gain in writing a covered put option is limited to distributions earned on the liquid assets securing the put option plus the premium received from the purchaser of the put option, the Company risks a loss equal to the entire exercise price of the option minus the put premium.

***Pandemics and Associated Economic Disruption Risk***

An outbreak of respiratory disease caused by a novel coronavirus was first detected in China in December 2019 and subsequently spread internationally. This coronavirus has resulted in the closing of borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general anxiety and economic uncertainty. It is not known how long any negative impacts, or any future impacts of other significant events such as a substantial economic downturn, will last. Health crises caused by outbreaks of disease, such as the coronavirus, may exacerbate other pre-existing political, social and economic risks. This outbreak, and other epidemics and pandemics that may arise in the future, could negatively affect the global economy, as well as the economies of individual countries, individual companies and the market in general in significant and unforeseen ways. For example, a widespread health crisis such as a global pandemic could cause substantial market volatility, exchange trading suspensions and closures, impact the Company's ability to complete tender offer requests, and affect Company performance. Any such impact could adversely affect the Company's performance, the performance of the issuers in which the Company invests, lines of credit available to the Company and may lead to losses on your investment in the Company. In addition, the increasing interconnectedness of markets around the world may result in many markets being affected by events or conditions in a single country or region or events affecting a single or small number of issuers.

***Senior Loans Risk***

The risk that the issuer of a senior loan may fail to pay interest or principal when due, and changes in market interest rates may reduce the value of the senior loan or reduce the Company's returns. The risks associated with senior loans are similar to the risks of high yield debt securities. Senior loans and other debt securities are also subject to the risk of price declines and to increases in interest rates, particularly long-term rates. Senior loans are also subject to the risk that, as interest rates rise, the cost of borrowing increases, which may increase the risk of default. In addition, the interest rates of floating rate loans typically only adjust to changes in short-term interest rates; long-term interest rates can vary dramatically from short-term interest rates. Therefore, senior loans may not mitigate price declines in a long-term interest rate environment. The Company's investments in senior loans are typically below investment grade and are considered speculative because of the credit risk of their issuers.

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LIBOR is the average offered rate for various maturities of short-term loans between major international banks who are members of the British Bankers Association. LIBOR is the most common benchmark interest rate index used to make adjustments to variable-rate loans. It is used throughout global banking and financial industries to determine interest rates for a variety of financial instruments (such as debt instruments and derivatives) and borrowing arrangements. Due to manipulation allegations in 2012 and reduced activity in the financial markets that it measures, in July 2017, the Financial Conduct Authority, the United Kingdom financial regulatory body, announced a desire to phase out the use of LIBOR by the end of 2021. Please refer to “LIBOR Transition and Associated Risk” for more information.

***Structured Finance Securities Risk***

A portion of the Company’s investments may consist of equipment trust certificates, collateralized mortgage obligations, collateralized bond obligations, collateralized loan obligations or similar instruments. Such structured finance securities are generally backed by an asset or a pool of assets, which serve as collateral. Depending on the type of security, the collateral may take the form of a portfolio of mortgage loans or bonds or other assets. The Company and other investors in structured finance securities ultimately bear the credit risk of the underlying collateral. In some instances, the structured finance securities are issued in multiple tranches, offering investors various maturity and credit risk characteristics, often categorized as senior, mezzanine and subordinated/equity according to their degree of risk. The riskiest securities are the equity tranche, which bears the bulk of defaults from the bonds or loans serving as collateral, and thus may protect the other, more senior tranches from default. If there are defaults or the relevant collateral otherwise underperforms, scheduled payments to senior tranches of such securities take precedence over those of mezzanine tranches, and scheduled payments to mezzanine tranches take precedence over those to subordinated/equity tranches. A senior tranche typically has higher ratings and lower yields than the underlying securities, and may be rated investment grade. Despite the protection from the equity tranche, other tranches can experience substantial losses due to actual defaults, increased sensitivity to defaults due to previous defaults and the disappearance of protecting tranches, market anticipation of defaults and aversion to certain structured finance securities as a class.

***Short-Selling Risk***

Short sales by the Company that are not made where there is an offsetting long position in the asset that it is being sold short theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. Short selling allows the Company to profit from declines in market prices to the extent such decline exceeds the transaction costs and costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. Purchasing securities to close out the short position can itself cause the price of securities to rise further, thereby exacerbating the loss. The Company may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, the Company might have difficulty purchasing securities to meet margin calls on its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales. Further, if other short positions of the same security are closed out at the same time, a “short squeeze” can occur where demand exceeds the supply for the security sold short. A short squeeze makes it more likely that the Adviser will need to replace the borrowed security at an unfavorable price.

***Valuation Risk***

Certain of the Company’s assets are fair valued, including the Company’s investment in equity issued by TerreStar Corporation (“TerreStar”). TerreStar does not currently generate revenue and primarily derives its value from holding licenses of two wireless spectrum assets. The license with respect to one such spectrum asset was previously terminated by the FCC and subsequently restored on April 30, 2020 on a limited conditional basis. The restoration of such license requires TerreStar to meet certain deployment milestones for wireless

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medical telemetry service (“WMTS”) during a 39-month period. Upon satisfaction of the deployment milestones, TerreStar will be able use such spectrum for other services besides WMTS as long as those services do not interfere with WMTS and TerreStar continues to provide WMTS.

If TerreStar is unsuccessful in satisfying such deployment milestones, or if other services cannot be implemented in a manner that does not interfere with WMTS, the value of the TerreStar equity would likely be materially negatively impacted. In determining the fair value of TerreStar, the Adviser has assigned a high probability of success on both conditions based on consultation with the company and its consultants.

**Note 10 — Affiliated Investments**

Under Section 2(a)(3) of the 1940 Act, a portfolio company is defined as “affiliated” if a fund owns five percent or more of its outstanding voting securities or if the portfolio company is under common control. The table below shows affiliated issuers of the Company as of December 31, 2020:

Affiliated investments	Shares at December 31, 2019	Fair value as of December 31, 2019	Transfers in (at cost)	Purchases	Sales	Realized gains (losses)	Change in unrealized appreciation/ (depreciation)	Fair value as of December 31, 2020	Shares at December 31, 2020	Affiliated Dividend income
NexPoint Strategic Opportunities Fund	120,633	\$ 2,136,410	\$ —	\$ —	\$ (976,094)	\$ (1,443,373)	\$ 283,057	\$ —	—	\$ 54,253
NexPoint Residential Trust, Inc.	26,466	1,190,970	—	38,138	(171,125)	(7,736)	(92,349)	957,898	22,640	5,922
NexPoint Capital REIT, LLC <sup>(1)</sup>	100	2,425,989	—	—	(2,189,561)	—	(8,213)	228,215	100	124,322
NexPoint Real Estate Finance, LLC	—	—	—	6,312,618	(6,312,618)	—	—	—	—	301,921
NexPoint Real Estate Finance Operating Partnership, LP	—	—	—	6,312,618	—	—	(1,098,395)	5,214,223	315,631	126,252
SFR WLIF III, LLC	—	—	1,651,112	—	—	—	(157,483)	1,493,629	1,651,112	82,295
SFR WLIF II, LLC	—	—	3,348,888	—	—	—	(605,914)	2,742,974	3,348,888	270,909
<b>Total affiliated investments</b>	<b>147,199</b>	<b>\$ 5,753,369</b>	<b>\$5,000,000</b>	<b>\$12,663,374</b>	<b>\$ (9,649,398)</b>	<b>\$ (1,451,109)</b>	<b>\$ (1,679,297)</b>	<b>\$ 10,636,939</b>	<b>5,338,371</b>	<b>\$965,874</b>

- (1) The investment is deemed to be a “controlled affiliated person” of the Company because the Company owns, either directly or indirectly, 25% or more of the portfolio company’s outstanding voting securities or has the power to exercise control over management or policies of such portfolio company. See Note 4 “Related Party Transactions and Arrangements”.

Table of Contents**Note 11 — Financial Highlights**

Selected data for a share outstanding throughout the years ended December 31, 2020, 2019, 2018, 2017 and 2016 is as follows:

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Common shares per share operating performance:					
<b>Net asset value, beginning of period</b>	\$ 8.53	\$ 8.36	\$ 9.68	\$ 9.47	\$ 8.02
<b>Income from investment operations:</b>					
Net investment income <sup>(1)</sup>	0.24	0.30	0.36	0.59	0.69
Net realized and unrealized gain (loss)	(2.22)	0.59	(0.96)	0.32	1.25
Commitments by affiliates	—	—	—	—	0.18
Total from investment operations	(1.98)	0.89	(0.60)	0.91	2.12
<b>Less distribution declared to common shareholders:</b>					
From net investment income	(0.42)	(0.60)	(0.73)	(0.72)	(0.71)
From net realized gains	—	(0.12)	—	—	—
Total distributions declared to common shareholders	(0.42)	(0.72)	(0.73)	(0.72)	(0.71)
<b>Capital share transactions</b>					
Issuance of common stock <sup>(2)</sup>	—	—	0.01	0.02	0.04
Shares tendered <sup>(1)</sup>	—	0.00 <sup>(3)</sup>	0.00 <sup>(3)</sup>	0.00 <sup>(3)</sup>	0.00 <sup>(3)</sup>
<b>Net asset value, end of period</b>	<u>\$ 6.13</u>	<u>\$ 8.53</u>	<u>\$ 8.36</u>	<u>\$ 9.68</u>	<u>\$ 9.47</u>
Net asset value total return <sup>(4)</sup>	(23.17)%	10.86%	(6.75)%	10.06%	27.61% <sup>(5)</sup>
<b>Ratio and supplemental data:</b>					
Net assets, end of period (in 000's)	\$ 64,190	\$ 88,936	\$ 86,311	\$ 94,860	\$ 67,293
Shares outstanding, end of period	10,475,168	10,425,431	10,322,327	9,804,321	7,102,226
<b>Common share information at end of period:</b>					
<b>Ratios based on weighted average net assets of common shares:</b>					
Gross operating expenses	3.99%	5.36%	4.32%	5.21%	7.56%
Fees and expenses waived or reimbursed	(0.54)%	(0.16)%	(0.43)%	(2.37)%	(4.56)%
Net operating expenses	3.45%	5.20%	3.89%	2.84%	3.00%
Net investment income (loss) before fees waived or reimbursed	3.41%	3.33%	3.28%	3.80%	2.98%
Net investment income (loss) after fees waived or reimbursed	3.95%	3.50%	3.71%	6.17%	7.54%
Ratio of interest and credit facility expenses to average net assets	0.27%	1.37%	0.76%	0.13%	0.36%
Ratio of incentive fees to average net assets <sup>(6)(7)</sup>	— %	— %	(0.60)%	0.51%	0.40%
Portfolio turnover rate	83%	42%	55%	113%	60%
Asset coverage ratio	— %	241%	227%	304%	701%
Weighted average commission rate paid <sup>(8)</sup>	\$ 0.0328	\$ 0.0331	\$ 0.0380	\$ 0.0225	\$ 0.0094

(1) Per share data was calculated using weighted average shares outstanding during the period.

(2) The continuous issuance of common stock may cause an incremental increase in net asset value per share due to the sale of shares at the then prevailing public offering price and the receipt of net proceeds per share



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by the Company in excess of net asset value per share on each subscription closing date. The per share data was derived by computing (i) the sum of (A) the number of shares issued in connection with subscriptions and/or distribution reinvestment on each share transaction date times (B) the differences between the net proceeds per share and the net asset value per share on each share transaction date, divided by (ii) the total shares outstanding at the end of the period.

- (3) Amount rounds to less than \$0.005 per share.
- (4) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, and assume no sales charge. Distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Company's Dividend Reinvestment Plan. Had the Adviser not absorbed a portion of expenses, total returns would have been lower.
- (5) For the year ended December 31, 2016, 1.65% of the Company's total return consists of a voluntary reimbursement by the adviser for unrealized investment losses, and is included in Net realized and unrealized gain (loss). Excluding this item, total return would have been 25.96%.
- (6) Annualized.
- (7) All incentive fees were waived for the year ended December 31, 2016.
- (8) Represents the total dollar amount of commissions paid on portfolio transactions divided by total number of portfolio shares purchased and sold for which commissions were charged.



Table of Contents**Note 12 — Selected Quarterly Financial Data (Unaudited)**

	Quarter ended			
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Total investment income	\$ 879,937	\$ 1,119,639	\$ 1,104,672	\$ 1,708,934
Total investment income per common share	0.09	0.11	0.10	0.16
Net investment income	283,131	694,133	636,915	954,750
Net investment income per common share	0.02	0.07	0.06	0.09
Net realized and unrealized gain (loss)	2,382,200	1,957,963	7,947,407	(35,755,777)
Net realized and unrealized gain (loss) per common share	0.26	0.18	0.75	(3.41)
Net increase (decrease) in net assets resulting from operations	2,665,331	2,652,096	8,584,322	(34,801,027)
Basic and diluted earnings (loss) per common share	0.28	0.25	0.81	(3.32)
Net asset value per common share at end of quarter	6.13	5.96	5.80	5.05

	Quarter ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total investment income	\$ 1,838,426	\$ 1,979,996	\$ 2,040,664	\$ 1,988,407
Total investment income per common share	0.18	0.19	0.20	0.19
Net investment income	717,956	731,993	876,514	830,213
Net investment income per common share	0.07	0.07	0.08	0.08
Net realized and unrealized gain (loss)	368,975	1,061,490	(577,223)	5,180,977
Net realized and unrealized gain (loss) per common share	0.04	0.10	(0.06)	0.50
Net increase (decrease) in net assets resulting from operations	1,086,931	1,793,483	299,291	6,011,190
Basic and diluted earnings (loss) per common share	0.10	0.17	0.03	0.58
Net asset value per common share at end of quarter	8.53	8.61	8.62	8.77

The sum of quarterly per share amounts may not equal per share amounts reported for the years ended December 31, 2020 and 2019. This is due to changes in the number of weighted average shares outstanding and the effects of rounding for each period.

**Note 13 — Subsequent Events**

The Company has evaluated subsequent events through the date on which these financial statements were issued.

The Adviser has entered into a Services Agreement with Skyview Group, Inc. ("Skyview"), effective February 25, 2021, pursuant to which the Adviser will receive administrative and operational support services to enable it to provide the required advisory services to the Company. The Adviser will compensate all Adviser and Skyview personnel who provide services to the Company.

Table of Contents**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Board of Directors of  
NexPoint Capital, Inc.

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of NexPoint Capital, Inc. (the “Company”) as of December 31, 2020, the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations, changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020, by correspondence with the custodian, agent banks, transfer agents, issuers and brokers; when replies were not received from brokers, we performed other auditing procedures. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Valuation of Portfolio Investments — Certain Level 3 Portfolio Investments in Loans, Asset Backed Securities, Common Stocks, LLC Interests and Warrants Valued Using Significant Unobservable Inputs Developed by Management*

**Table of Contents***Critical Audit Matter Description*

As discussed in note 2 to the financial statements, the Company held investments classified as Level 3 investments under accounting principles generally accepted in United States of America. These investments are valued using various valuation techniques to estimate the fair value of investments based on the specific characteristics of the investments and certain significant unobservable inputs. The fair value of the Company's level 3 investments was approximately \$15.8 million of the Company's \$64.6 million total investments at fair value as of December 31, 2020.

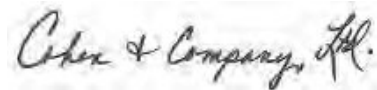
We identified the valuation of Level 3 investments as a critical audit matter because of the judgments necessary for management to select valuation techniques and to use significant unobservable inputs to estimate the fair value. This required a high degree of auditor judgment and extensive audit effort, including the need to involve fair value specialists who possess significant valuation experience, to evaluate the appropriateness of the valuation techniques and the significant unobservable inputs, when performing audit procedures to audit management's estimate of fair value of Level 3 investments.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to valuation techniques and unobservable inputs used by management to estimate the fair value of Level 3 investments included the following, among others:

- Evaluating the appropriateness of the valuation techniques used and testing the significant unobservable inputs by comparing them to external sources.
- Evaluating the appropriateness of significant changes in valuation techniques or significant unobservable inputs used in the valuations.
- Testing the accuracy of the underlying data used by the Company in its analysis.
- Comparing the significant assumptions used by management to current industry and economic trends.
- Performing sensitivity analysis of significant assumptions to evaluate changes in the fair value estimate.
- Utilizing our fair value specialists to develop an independent estimate of the fair value in instances where the selection of valuation techniques or significant unobservable inputs were more subjective, and compared our estimates to management's estimates.
- Utilizing our fair value specialists to develop an independent fair value range for certain investments and comparison of management's estimate to each of the independently developed fair value ranges.
- Developing the independent fair value range involved testing the data used in the models and developing significant unobservable inputs in order to evaluate the reasonableness of management's fair value estimate for a portion of the Level 3 investments.
- For investments where management's process for determining the fair value was tested, professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of comparative yields and discount rates used by management for certain investments.
- Evaluating management's ability to reasonably estimate fair value by comparing management's historical estimates to subsequent transactions, taking into account changes in market or investment specific conditions, where applicable.

We have served as the auditor of one or more of NexPoint Advisors, LP's investment companies since 2018.



COHEN & COMPANY, LTD.  
Cleveland, Ohio  
March 31, 2021

Table of Contents**Report of Independent Registered Public Accounting Firm****To the Board of Directors and Shareholders of NexPoint Capital, Inc.*****Opinion on the Financial Statements***

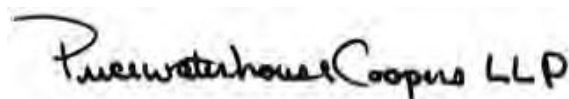
We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of NexPoint Capital, Inc. (the “Company”) as of December 31, 2019, and the related statements of operations, changes in net assets and cash flows for each of the two years in the period ended December 31, 2019, including the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations, changes in its net assets and its cash flows for each of the two years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2019 by correspondence with the custodian and brokers; when replies have not been received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.



Dallas, Texas  
April 14, 2020

We served as the auditor of one or more investment companies of NexPoint Advisors, L.P. and its affiliates from 2004 through 2019.

**Table of Contents****Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

On June 8, 2020, the Company dismissed PricewaterhouseCoopers LLP ("PwC") as the Company's independent registered public accounting firm, effective on such date. The decision to dismiss PwC was approved by the audit committee and by the full Board. On June 18, 2020, the Company approved the appointment of Cohen & Company Ltd. ("Cohen") as the Company's independent registered public accounting firm. Cohen was engaged by the Company on July 2, 2020.

PwC's report on the Company's financial statements for the fiscal years ended December 31, 2019 and December 31, 2018 did not contain any adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the Company's fiscal years ended December 31, 2019 and December 31, 2018 and the subsequent interim period through June 8, 2020, during which PwC served as the Company's independent registered public accounting firm, there were no: (1) disagreements (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement, or (2) reportable events (as described in Item 304(a)(1)(v) of Regulation S-K).

The Company provided PwC with a copy of the disclosures proposed to be made in this form 10-K and requested that PwC furnish the Company with a letter addressed to the Commission stating whether it agrees with the statements made by the Company's in response to Item 304(a) of Regulation S-K, and, if not, stating the respects in which it does not agree. The PwC letter was filed on form 8-K, Exhibit 16 on 6/12/2020, (Letter from PwC as required by Item 304(a) of Regulation S-K).

During the year ended December 31, 2019 and December 31, 2018 and the subsequent interim period through June 8, 2020, neither Management, the Company nor anyone on its behalf, consulted Cohen regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the financial statements of the Company and no written report or oral advice was provided to the Company's by Cohen or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

**Table of Contents****Item 9A. Controls and Procedures****Evaluation of Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Investment Company Act of 1940, as amended, is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Company's management ("Management"), including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's Management, including the principal executive officer and principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the period covered by this report, we, including our president and chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon that evaluation and subject to the foregoing, our president and chief financial officer concluded that the Company's disclosure controls and procedures were effective.

**Remediation of Material Weaknesses in Internal Control over Financial Reporting**

As of December 31, 2020, Management remediated the material weakness previously identified as of December 31, 2019 relating to the application of fair value accounting with respect to the validation of fair value methodologies. Specifically, the controls were not sufficiently designed to ensure the appropriateness of the fair value determinations reached for Level 3 real estate-related holdings. While this control deficiency did not result in a misstatement, it could have resulted in a misstatement to the investment balances or disclosures that would have resulted in a material misstatement to the annual or interim financial statements that would not be prevented or detected.

Management remediated the material weakness by designating a member of the Adviser's Valuation Committee to monitor and report to the Valuation Committee to ensure that for significant real estate-related holdings, fair values for such holdings are validated through one or more other valuation techniques that are acceptable under ASC 820.

As a result of the remediation activities, Management has determined that Management's controls were designed appropriately and at a sufficient level of precision, and have been operating effectively for a sufficient period of time, such that the material weakness previously identified as of December 31, 2019 has been remediated as of December 31, 2020.

**Changes in Internal Control over Financial Reporting**

There have been no material changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

Table of Contents**PART III****Item 10. Directors, Executive Officers and Corporate Governance**

The information required by Item 10 is hereby incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2021 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of the Company's fiscal year.

**Item 11. Executive Compensation**

The information required by Item 11 is hereby incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2021 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of the Company's fiscal year.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by Item 12 is hereby incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2021 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of the Company's fiscal year.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by Item 13 is hereby incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2021 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of the Company's fiscal year.

**Item 14. Principal Accountant Fees and Services**

The information required by Item 14 is hereby incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2021 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of the Company's fiscal year.



Table of Contents**PART IV****Item 15: Exhibits****(a)(1) Financial Statements**

- (1) Financial Statements — Refer to Item 8 starting on page 99
- (2) Financial Statement Schedules — None
- (3) Exhibits

Number	Description
3.1	<u>Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit (a)(3) to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on December 12, 2014).</u>
3.2	<u>Amended and Restated Bylaws (Incorporated by reference to Exhibit (b)(3) to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on December 12, 2014).</u>
4.1	<u>Forms of Subscription Agreement (Incorporated by reference to the Prospectus Appendix A, Appendix B and Appendix C filed with Post-Effective Amendment No. 7 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on May 11, 2017).</u>
4.2	<u>Distribution Reinvestment Plan (Incorporated by reference to Exhibit (e) to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on December 12, 2014).</u>
10.1	<u>Amended and Restated Investment Advisory Agreement (Incorporated by reference to Exhibit (g)(1) to Post-Effective Amendment No. 8 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on September 30, 2017).</u>
10.2	<u>Sub-Administration and Accounting Agreement (Incorporated by reference to Company's Registration Statement on Form N-2 (File No. 333-216277) filed on February 27, 2017).</u>
10.3	<u>Amended and Restated Administration Agreement (Incorporated by reference to Exhibit (k)(2) to Post-Effective Amendment No. 8 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on September 30, 2017).</u>
10.4	<u>Dealer Manager Agreement (Incorporated by reference to Post-Effective Amendment No. 4 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on March 2, 2016).</u>
10.5	<u>Form of Participating Broker-Dealer Agreement (Included as Exhibit A to the Dealer Manager Agreement).</u>
10.6	<u>Custodian Agreement (Incorporated by reference to Post-Effective Amendment No. 4 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on March 2, 2016).</u>
10.7	<u>Form of Agency Agreement (Incorporated by reference to Pre-Effective Amendment No. 3 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on July 24, 2014).</u>
10.8	<u>Escrow Agreement (Incorporated by reference to Post-Effective Amendment No. 4 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on March 2, 2016).</u>
10.9	<u>Expense Limitation Agreement (Incorporated by reference to Post-Effective Amendment No. 4 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on March 2, 2016).</u>
10.10	<u>Control Agreement, dated and effective as of September 9, 2017, by and between NexPoint Capital, Inc. and BNP Paribas Prime Brokerage International, Ltd. and State Street Bank and Trust Company ((Incorporated by reference to Exhibit 10.10 to Registrants Quarterly Report on 10-Q (File No. 814-01074) filed on November 9, 2017).</u>

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Number	Description
10.11	<u>Master Confirmation for Loan Total Return Swap Transactions, dated and effective as of September 13, 2017, by and between NexPoint Capital Inc. and BNP Paribas Prime Brokerage International, Ltd. (Incorporated by reference to Exhibit 10.11 to Registrants Quarterly Report on 10-Q (File No. 814-01074) filed on November 9, 2017).</u>
10.13	<u>U.S. PB Agreement, dated and effective as of October 19, 2017, by and between NexPoint Capital, Inc. and BNP Paribas Prime Brokerage, Inc. (Incorporated by reference to Exhibit 10.2 to Registrants Current Report on 8-K (File No. 814-01074) filed on October 19, 2017).</u>
10.14	<u>International PB Agreement, dated and effective as of October 19, 2017, by and between NexPoint Capital, Inc., BNP Paribas Prime Brokerage International, Ltd., and BNP Paribas acting through its New York branch (Incorporated by reference to Exhibit 10.3 to Registrants Current Report on 8-K (File No. 814-01074) filed on October 19, 2017).</u>
10.15	<u>U.S. Triparty Agreement, dated and effective as of October 19, 2017, by and between NexPoint Capital, Inc., BNP Paribas Prime Brokerage, Inc. and Street Bank and Trust Company (Incorporated by reference to Exhibit 10.4 to Registrants Current Report on 8-K (File No. 814-01074) filed on October 19, 2017).</u>
10.16	<u>International Triparty Agreement, dated and effective as of October 19, 2017, by and between NexPoint Capital, Inc., BNP Paribas Prime Brokerage International, Ltd., and State Street Bank and Trust Company, as custodian (Incorporated by reference to Exhibit 10.5 to Registrants Current Report on 8-K (File No. 814-01074) filed on October 23, 2017).</u>
10.17	<u>Amended and Restated Master Confirmation for Loan Total Return Swap Transactions, dated and effective as of April 2, 2018, by and between NexPoint Capital, Inc. and BNP Paribas (Incorporated by reference to Exhibit 10.1 to Registrants Current Report on 8-K (File No. 814-01074) filed on April 2, 2018).</u>
10.18	<u>Letter from PwC as required by Item 304(a) of Regulation S-K (Incorporated by reference to Exhibit 16 to Registrants Current Report on 8-K (File No. 814-01074) filed on June 12, 2020).</u>
31.1*	<u>Certifications by President pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u>
31.2*	<u>Certifications by Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u>
32.1*	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*</u>

\* Filed herewith

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

**NEXPOINT CAPITAL, INC.**

Date: March 31, 2021

By: /s/ Frank Waterhouse  
 Name: Frank Waterhouse  
 Title: Treasurer, Chief Accounting Officer and Principal Financial Officer

KNOW ALL MEN BY THESE PRESENT, each person whose signature appears below hereby constitutes and appoints each of Frank Waterhouse and Dustin Norris as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ James D. Dondero</u> James D. Dondero	President (Principal Executive Officer)	March 31, 2021
<u>/s/ Frank Waterhouse</u> Frank Waterhouse	Chief Financial Officer (Treasurer, Principal Accounting Officer and Principal Financial Officer)	March 31, 2021
<u>/s/ Dr. Bob Froehlich</u> Dr. Bob Froehlich	Director	March 31, 2021
<u>/s/ John Honis</u> John Honis	Director	March 31, 2021
<u>/s/ Ethan Powell</u> Ethan K. Powell	Director	March 31, 2021
<u>/s/ Bryan A. Ward</u> Bryan A. Ward	Director	March 31, 2021

## **EXHIBIT 47**

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

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**Form 10-K**

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(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_  
COMMISSION FILE NUMBER: 814-01074

**NexPoint Capital, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

38-3926499  
(I.R.S. Employer  
Identification No.)

300 Crescent Court, Suite 700  
Dallas, Texas  
(Address of principal executive offices)

75201  
(Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Securities registered pursuant to Section 12(g) of the Act:  
Common Stock, par value \$0.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒.Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒.Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

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

Large accelerated filer ☐Accelerated filer ☐Non-accelerated filer ☒Smaller reporting company ☐Emerging growth company ☐If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

There is no established market for the registrant's shares of common stock. The registrant closed the public offering of its shares of common stock in February 14, 2018. Since the registrant closed its public offering it has continued to issue shares pursuant to its distribution reinvestment plan. The most recent price at which the registrant has issued shares pursuant to the distribution reinvestment plan was \$10.75 per share. As of December 31, 2019, the Registrant had 10,425,431 shares of common stock, \$0.001 par value, outstanding.

Documents Incorporated by Reference: Portions of the Registrant's Proxy Statement relating to the Registrant's 2020 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference into Part III of this Annual Report on Form 10-K

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NexPoint Capital, Inc. (the “Company”), which may also be referred to as “we,” “us,” or “our,” incorporated on September 30, 2013 (inception date) as a Delaware limited liability company. The Company is an externally managed, non-diversified, closed-end management investment company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). The Company is an investment company and accordingly follows the Investment Company accounting and reporting guidance under Topic 946 of the Financial Accounting Standards Board’s (“FASBs”) Accounting Standard Codification, as amended (“ASC”), Financial Services—Investment Companies. The Company’s investment objective is to generate current income and capital appreciation primarily through investments in middle-market healthcare companies, middle-market companies in non-healthcare sectors, syndicated floating rate debt of large public and nonpublic companies and collateralized loan obligations (“CLOs”). The Company has elected to be treated as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”) and intends each year to qualify and be treated as such.

The Company issued 21,739.13 LLC units to NexPoint Advisors, L.P., (the “Adviser”) on May 27, 2014 (initial fund raising date), at \$9.20 per share for \$200,000 in total proceeds. On June 10, 2014, the Company converted to a Delaware corporation, NexPoint Capital, Inc. As part of the conversion to a Delaware corporation, the member of the Company converted 21,739.13 LLC units into 21,739.13 shares of the Company’s common stock, representing an equivalent price of \$9.20 per share based on the fair value of the assets contributed by the Adviser in connection with the formation of the Company, as determined by the board of directors (the “Board”).

On September 2, 2014 (commencement of operations), in connection with a private placement of shares of our common stock to the Adviser and its affiliates, the Company issued an aggregate of approximately 1,086,954 shares of common stock at a price of \$9.20 per share, which price represents the public offering price of \$10.00 per share less selling commissions and dealer manager fees, for aggregate proceeds of approximately \$10.0 million.

As a result of the private placement to the Adviser and its affiliates, the Company successfully satisfied the minimum offering requirement and officially commenced operations on September 2, 2014. In connection with the satisfaction of the minimum offering requirement and the commencement of our operations, the Investment Advisory Agreement became effective and the base investment advisory fee and any incentive fees, as applicable, payable to the Adviser under the Investment Advisory Agreement began to accrue. In aggregate as of December 31, 2019, the Adviser controls 2,513,370 total shares, including reinvestment of dividends, for a net amount of approximately \$21.4 million.

The Company has retained the Adviser to manage certain aspects of its affairs on a day-to-day basis. NexPoint Securities, Inc. (formerly, Highland Capital Funds Distributor, Inc.) (the “Dealer Manager”), an entity under common ownership with the Adviser, served as the dealer manager of the continuous public offering prior to the termination of the offering. The Adviser and Dealer Manager are related parties and will receive fees, distributions and other compensation for services related to the continuous public offering and the investment and management of the Company’s assets. The Company’s continuous public offering ended on February 14, 2018.

**Overview of Our Business**

Our investment activities are managed by the Adviser and supervised by the Board, of which a majority of the members are independent of the Company.



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Our investment objective is to generate high current income and long-term capital appreciation. We seek to achieve our objective by using the experience of the healthcare, credit and structured products teams of Highland Capital Management, L.P. and its affiliates ("Highland") to source, evaluate and structure investments, identify attractive investment opportunities that are primarily debt investments that generate high income without creating undue risk for the portfolio, make equity investments where we believe there will be attractive risk-adjusted returns that compensate for the lack of current income, and make investments in debt and equity tranches of CLOs that deliver income and high relative value. We will focus on companies that are stable, have positive cash flow, and the ability to grow their business model.

Our investment policy is to invest, under normal circumstances, at least 80% of our total assets in debt and equity of middle market companies, with an emphasis on healthcare companies, syndicated floating rate debt of large public and nonpublic companies, and mezzanine and equity tranches of CLOs. Middle-market companies include companies with annual revenues between \$50 million and \$2.5 billion and syndicated floating rate debt refers to loans and other instruments originated by a bank to a corporation that are sold off, or syndicated, to investors in pieces. We consider a healthcare company to be a company that is engaged in the design, development, production, sale, management or distribution of products, services or facilities used for or in connection with the healthcare industry. Additionally, we consider the term healthcare company to include companies that are materially impacted by the healthcare industry (such as a contractor that derives significant revenue or profit from the construction of hospitals). We may invest without limit in companies that are not in the healthcare sector.

We leverage the expertise of Highland with regard to distressed investing and restructuring to make opportunistic investments in distressed companies. We utilize the Highland credit underwriting capability to identify the types of companies we believe will provide high current income and/or long-term capital appreciation. In addition to the investments in the healthcare industry, we may invest a portion of our capital in other opportunistic investments in which the Adviser has expertise and where we believe an opportunity exists to achieve above-average risk-adjusted yields and returns. These types of opportunities may include: (1) direct lending or origination investments, (2) investments in stressed or distressed situations, (3) structured product investments, (4) equity investments and (5) other investment opportunities not typically available in other BDCs. Opportunistic investments may range from broadly syndicated deals to direct lending deals in both private and public companies and may include foreign investments. We believe this is the best approach to achieving our dual mandate of attempting to generate a high yield while also attempting to produce capital appreciation.

We seek to invest primarily in securities deemed by the Adviser to be high income generating debt investments and income generating equity securities of privately held companies in the United States. The portfolio may be concentrated primarily in senior floating rate debt securities, although we may invest without limit in securities that rank lower than senior secured instruments and may invest without limit in investments with a fixed rate of interest. We may buy syndicated loans, various tranches of CLOs and other debt instruments in the secondary market as well as originate debt so we can tailor the investment parameters more precisely to our needs. We also may invest a portion of the portfolio in equity securities that are non-income producing, when doing so will help us achieve our objective of long-term capital appreciation. We expect the size of our positions may range from \$1 million to \$20 million, although investments may be larger as our asset base increases. We may selectively make investments in amounts larger than \$20 million in some of our portfolio companies. Prior to raising sufficient capital, we may make smaller investments. We may also invest without limitation in warrants and may also use derivatives, primarily swaps (including equity, variance and volatility swaps), options and futures contracts on securities, interest rates, commodities and/or currencies, as substitutes for direct investments the Company can make. We may also use derivatives such as swaps, options (including options on futures), futures, and foreign currency transactions (e.g., foreign currency swaps, futures and forwards) to any extent deemed by the Adviser to be in the best interest of the Company, and to the extent permitted by the 1940 Act, to hedge various investments for risk management and speculative purposes. We may invest up to 15% of our net assets in entities that are excluded from registration under the 1940 Act by virtue of sections 3(c)(1) and 3(c)(7) of the 1940 Act (such as private equity funds or hedge funds). This limitation does not apply to any CLOs, certain of which may rely on section 3(c)(1) or 3(c)(7) of the 1940 Act.

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We expect that many of the securities in which we invest will be rated below investment grade by independent rating agencies or would be rated below investment grade if they were rated. These securities, which may be referred to as “junk,” have predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal. In addition, we expect that many of our debt investments will include floating interest rates that reset on a periodic basis and typically will not require the borrowers to pay down the outstanding principal of such debt prior to maturity.

As of December 31, 2019, our investment portfolio, with a total fair value of \$100.4 million, consisted of 54 positions in portfolio companies (calculated as a percentage of total net assets: 7.7% in first lien senior secured loans, 0.3% in second lien senior secured loans, 0.0% in escrow loans, 3.7% in unsecured loans, 40.6% in corporate bonds, 0.7% in asset-backed securities, 2.1% in closed-end mutual funds, 0.1% in warrants, 22.9% in common stock, 8.5% in preferred stocks, 9.3% in LLC Interests, 4.0% in mortgage-backed-securities, and 0.1% in rights). As of December 31, 2019, including investments underlying the TRS with BNP Paribas on a look-through basis, the debt investments in our portfolio carry a weighted average cost price of 97.24% on par or stated value, as applicable, and our estimated gross annual portfolio yield (which represents the expected yield to be generated by us on our investment portfolio based on the composition of our portfolio as of such date), prior to leverage costs, was 6.66% based on the amortized cost of our investments. The portfolio yield does not represent an actual investment return to stockholders and does not include income from CLO equity.

**Recent Developments**

On October 2, 2019, the board of directors (the “Board”) of NexPoint Capital, Inc. (the “Company”) declared a cash distribution of \$0.06 per share of the Company’s common stock, par value \$0.001 per share, payable on November 27, 2019, to the stockholders of record on November 25, 2019.

On October 30, 2019, the board of directors (the “Board”) of NexPoint Capital, Inc. (the “Company”) declared a cash distribution of \$0.06 per share of the Company’s common stock, par value \$0.001 per share, payable on January 2, 2020, to the stockholders of record on December 30, 2019.

**Business & Investment Strategies**

We focus our healthcare investments primarily on opportunities in companies we believe will benefit from the long-term changes in the healthcare industry as a result of the aging demographic of Baby Boomers, implementation of payment system reforms and advances in medical technologies. It is our belief that the changing demographic landscape in the United States, where approximately 10,000 people per day turn 65 years of age, coupled with advances in medical technologies that are enabling Americans to live longer, will produce strong growth in demand for healthcare. At the same time, changes in the U.S. healthcare reimbursement system, including the implementation of value-based payment models and potential repeal and replacement of the Affordable Care Act (the “ACA”), are creating dramatic upheaval in the healthcare sector, affecting each sub-sector differently, and will produce a positive impact for some sub-sectors and a negative impact for others. We also believe some companies are better positioned to take advantage of these changes while others will consolidate with stronger players. Based on our deep understanding of the healthcare sector, we believe these developments will create a changing landscape for years to come.

Our primary areas of focus within the healthcare sector will be in the pharmaceuticals, devices, life sciences and facilities sub-sectors as we believe these will be the most significant beneficiaries of technological advances and the implementation of alternative payment models. We will also make opportunistic investments, including

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short sales, in other sub-sectors we believe will fare poorly during this period of transition. Although we believe the potential repeal and replacement of the ACA will create upheaval for the healthcare industry, we also believe this upheaval will create substantial opportunities for investors with a knowledge of how it will impact the industry.

However, the Adviser and its affiliates have a core competency in other, non-healthcare sectors, specifically in oil and gas and real estate, but also have vast experience investing in all economic sectors. When identifying potential middle-market investments for the portfolio, we focus on the attributes listed below. It is our belief that investments exhibiting these characteristics are the best investments to allow the Company to meet its investment objective with an acceptable level of risk. The attributes discussed below are general guidelines and not all investment opportunities may exhibit each of these qualities. Each investment opportunity is analyzed on a case-by-case basis by our investment professionals and the portfolio manager:

- *Focus on growing economic sectors*—We seek companies that operate in or focus a substantial amount of their resources on economic sectors we believe will benefit from the current economic environment, including primarily the healthcare sector. Our view is that some sectors will be adversely impacted by rising rates while others will see tangible benefits. We think companies in our perceived “winning” sectors represent a better risk profile for our investments.
- *High level of inherent value*—We seek companies that have inherent value but need additional financing to implement their business plan fully and realize their full value. These businesses are typically smaller companies that cannot access traditional means of financing but have a solid business where additional investment of capital and economies of scale can unlock an outsized level of value. In some cases, we may take equity stakes in these businesses as well as debt positions to achieve our dual objectives of high current income and long-term capital appreciation.
- *Strong risk/reward characteristics*—We seek investments where we believe we are compensated for the risk assumed. An investment opportunity may become more appealing if the terms of the investment are improved such as the interest rate, or if structural protections are added to decrease our perceived risk.
- *Proven management team*—We seek companies that have proven management teams that understand the impact the upcoming regulatory and interest rate environment will have on their business. We are not seeking investments in start-up companies or companies with unproven technologies or business models or companies with relatively inexperienced management. Our view is that it will take experienced, seasoned veterans to understand and navigate the pitfalls resulting from the Federal Reserve’s actions regarding interest rates and quantitative easing as well as a potentially increasing tax environment and changes to the economy from implementation of value-based payment models and potential repeal and replacement of the ACA. We believe these companies have a better chance of delivering value long-term to investors.
- *Strong cash flow and business models*—We seek stable and proven businesses with strong cash flow that are able to adequately service their debt load. With an increase in interest rates, we believe financing will become more expensive and only companies with steady cash flow and business models will weather the storm. Businesses that have strong infrastructure, business models and processes will be better able to service their debt.
- *Stable and proven businesses*—We seek companies that have a proven business model and strong strategic position within their industry. With the upheaval we believe will be evident in the next few years, we think growing a stable and proven business will be difficult enough. Trying to build out a new business model in a chaotic environment will be exponentially more difficult in our opinion and compensating for that level of risk will be difficult.

**Table of Contents****Potential Competitive Strengths**

We believe the breadth, depth and experience of the Adviser's senior management team, together with the extensive resources of Highland's investment team, provides a significant advantage in sourcing, analyzing, monitoring and managing investment opportunities. The Adviser and its affiliates have a large back office operations team that has years of experience in settling and tracking bank loan investments. The Adviser and its affiliates also have a dedicated team that operates registered funds, works with third party service providers, interacts with portfolio managers to provide timely information and portfolio statistics, and has experience interacting with legal counsel, auditors, other third party service providers and the Board.

We believe the long-term investment horizon we are afforded through the business development company structure will allow us flexibility to find the investments that will deliver the highest value to our investors. Unlike a typical private equity or venture fund, we are not required to return capital once a liquidity event is realized in an underlying investment. With the uncertainties inherent in the Federal Reserve's actions regarding interest rates and quantitative easing and the potential repeal and replacement of the ACA, we believe it is difficult to make the best investment decisions if required to work under a finite time line. Because of the permanent capital vehicle structure, we believe we can offer an institutional-type strategy focused on the healthcare sector with institutional management capabilities to investors.

The Adviser and its affiliates have significant experience investing in the healthcare sector, across all sectors, all asset classes and in structured products. The Adviser and its affiliates' investments have spanned the range from large capitalization companies that are publicly traded to small, privately held companies and to distressed companies that have been successfully turned around. We believe the Adviser and its affiliates' expertise in underwriting credit across all sectors will give us an advantage in identifying and investing in the best middle-market companies in direct lending situations, syndicated loans and CLOs.

The Adviser and its affiliates' credit platform has been through many credit cycles, and the Adviser and its affiliates remain a recognized leader in the credit space, winning numerous industry awards and recognition from peers. The Adviser and its affiliates have a proprietary credit underwriting process and maintain coverage of many public and non-public companies across all sectors. Investments are reviewed by the analyst team and approved by a credit committee that meets daily. The process includes on-going monitoring of all investments. Highland and its affiliates have a team of 7 investment professionals dedicated to the healthcare sector.

**Investment Criteria/Guidelines**

We believe there are currently, and will continue to be, significant investment opportunities in middle-market companies and larger private companies, particularly in the healthcare sector and particularly in income producing securities, in the United States. Additionally, we believe there continues to be attractive investment opportunities in the syndicated floating rate debt and CLO markets.

Target businesses will typically exhibit some or all of the following characteristics:

- exposure to healthcare sub-sectors we believe will benefit from implementation of alternative payment models;
- exposure to non-healthcare sub-sectors we believe will benefit from a rising interest rate environment and the Federal Reserve's policies in response to rising rates;
- a U.S. base of operations;
- an experienced management team executing a long-term growth strategy;
- discernable downside protection through recurring revenue or strong tangible asset coverage;
- defensible niche product/service;

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- products and services with distinctive competitive advantages or other barriers to entry;
- stable and predictable free cash flows;
- existing indebtedness that may be refinanced on attractive terms;
- low technology and market risk;
- strong customer relationships; and
- low to moderate capital expenditure requirements.

We expect that deal flow and idea generation for investments will primarily originate from the Adviser and its affiliates' existing and extensive network of informal and unconventional deal sources in the middle-market business community. Once potential investments have been identified, we, through our investment adviser, will conduct a rigorous due diligence process that draws from our investment adviser's investment experience, industry expertise and network of contacts. Our investment adviser will then work with outside counsel to structure loans with strong creditor protections and contractual controls over borrower operations. Our investment adviser will work to obtain extensive operating and financial covenants, detailed reporting requirements, governance rights and board seats to protect our investment while allowing the borrower the necessary flexibility to successfully execute its business plan. We will actively monitor and manage our portfolio with regard to individual company performance as well as general market conditions. Investment decisions on new originations generally will include an analysis of the impact of the new loan on our broader portfolio, including a "top-down" assessment of portfolio structure and risk exposure.

*Investments in Middle-Market Healthcare Companies*

Our portfolio of middle-market investments will have a focus on companies in the healthcare sector as we believe there is a large and growing investment opportunity in this sector. Changes in the U.S. healthcare reimbursement system, including the implementation of value-based payment models and potential repeal and replacement of the Affordable Care Act, are creating a dramatic upheaval in the healthcare sector, affecting each sub-sector differently, and will produce a positive impact for some sub-sectors and a negative impact for others.

We believe some companies are better positioned to take advantage of these changes while others will consolidate with stronger players. Based on our deep understanding of the healthcare sector, we believe these developments will create a changing landscape for years to come.

Healthcare is a defensive and stable sector that has experienced out-sized growth and consistency during the past four decades. There are three primary growth drivers of healthcare: (1) demographics, (2) price inflation and (3) per-person utilization of care. The historical demographic growth rate has been 1.00%. Price inflation in healthcare has added an additional 5.64%, almost double the baseline U.S. GDP growth rate since 1970 of 2.79%. Per-person utilization is a function of access to health insurance as well as aging demographics. In the past three decades, the population above age 90 has tripled and is expected to quadruple over the next three decades. Due to these drivers, healthcare has moved from 3% of GDP in 1980 to approximately 18% today and is expected to continue to grow.

*Investments in Middle-Market Non-Healthcare Companies*

Since 2015, the economy has been close to full employment, it doesn't appear to be overheating as many feared earlier this year. The Federal Reserve instituted a zero-interest rate policy and has been successful in keeping rates low across the yield curve. This also means the Federal Reserve can continue normalizing interest rates, and eventually stop raising them altogether. Although the underlying strength of the economy is not in doubt, equity investors seem nervous about what the coming year will bring.



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Despite these headwinds, we believe the healthcare sector continues to flourish. We believe that as interest rates rise, financing for middle-market companies in all sectors will become more difficult. The capital requirements of business in many sectors will be enormous in the coming years. These companies will, in our opinion, turn more and more to specialty finance vehicles, such as us, to procure the capital they need for growth. We view the financing of middle-market companies to be an underserved area, presenting enormous opportunities.

As a large percentage of our investments are expected to be in the form of floating rate debt, we will be able to create a portfolio of middle-market companies that we believe will have an increasing income stream over time, particularly as interest rates increase above their historic lows. Also, as floating rate debt reduces the interest rate risk inherent in longer duration credit instruments, we can build a portfolio that has mostly credit risk, which we believe the Adviser and its affiliates have significant experience at assessing.

*Investments in Large Syndicated Floating Rate Debt*

A large portion of the investments we make in middle-market companies are expected to be in the form of floating rate instruments. Also, a portion of the portfolio will be invested in large syndicated floating rate debt of non-public and public companies. Syndicated floating rate debts are loans originated by a bank to a corporation that are sold off, or syndicated, to investors in pieces. Floating rate loans have a base rate that adjusts periodically plus a spread over the base rate. The base rate is typically the three-month London Interbank Offered Rate, or LIBOR, and resets every 90 days. On July 27, 2017, the head of the United Kingdom's Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. Due to this announcement, there remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on the Company or the financial instruments in which the Company invests cannot yet be determined. With rates resetting in an environment where the prevailing base rate is increasing, the income stream from a floating rate instrument will increase. Syndicated floating rate debt offers certain benefits:

*High current income.* Historically, floating rate loans have lower yields than high yield bonds, due in part to better credit and interest-rate risk profile, but still offer an attractive risk-reward income dynamic. However, today floating rate yields are comparable to high-yield bonds.

*Adjustable coupon payment.* Floating rate loans are structured so that interest rates reset on a predetermined schedule. When interest rates rise, coupon payments increase, and vice versa, with little lag time (typically 90 days or less). This feature greatly reduces the interest rate, or duration, risk inherent in high yield bonds, which typically never reset. Therefore, as rates rise, the value of a high yield bond should decline while the value of a floating rate loan should remain stable.

*Priority in event of default.* In the event of a default, floating rate loans typically have a higher position in a company's capital structure, have first claim to assets and greater covenant protection than high yield bonds. As a result, floating rate loans have generally recovered a greater percentage of value than high yield bonds. Also, the default rate for floating rate loans has historically been lower than defaults of high yield bonds.

*Reduced Volatility.* The return of floating rate loans has historically had a low correlation to most asset classes and a negative correlation with some asset classes. Therefore, adding floating rate loans to a portfolio should reduce volatility and risk.

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In our view, an allocation to large syndicated floating rate debt provides stable value with high current income and offers the portfolio liquidity.

*Investments in CLOs*

We view CLOs as an excellent way to gain exposure to syndicated floating rate debt at a less expensive price and higher yield with greater upside potential for capital appreciation while minimizing interest rate risk. CLO vehicles are entities formed to manage a portfolio of syndicated bank loans. The CLO vehicle raises capital by issuing equity and multiple tranches of debt and uses the proceeds to buy the underlying portfolio of syndicated bank loans. The syndicated bank loans the CLO is allowed to purchase is limited by criteria established within the documents governing the CLO. The CLO also has certain priority of payment provisions or “waterfall” provisions that benefit the higher rated debt tranches. Documents governing CLOs typically provide for adjustments to the “waterfall” in the event certain tests are triggered, diverting cash to the higher rated debt tranches.

**Investment Process Overview**

*Sourcing.* We believe that identifying middle-market companies that represent attractive debt investment opportunities requires a different sourcing network than is required for investments in larger companies. Whereas larger companies typically hire an investment bank to help develop marketing materials and run a financing process involving a large number of potential lenders to ensure pricing is determined by the market, middle-market companies typically do not have the resources to hire large financial advisers or investment banks. While these lending opportunities are far less competitive, they are more difficult to source.

We expect that deal flow and idea generation for investments will primarily originate from the Adviser and its affiliates’ existing and extensive network of informal and unconventional deal sources in the middle-market business community. Built over 20 years, this deal sourcing network includes accountants, attorneys, bankers, brokers, insurance agents, consultants, private equity firms and financial advisers who have access to small-cap companies. Additionally, we have forged contacts specific to the healthcare and energy industry that includes all sub-sectors, as well as other sectors.

The contacts in the Adviser’s network generally operate outside of the established investment banking infrastructure and typically play a limited introductory role to companies and their management teams. In addition, the Adviser promotes a culture in which sourcing is considered a focus for all of its investment professionals.

*Due Diligence.* We believe it is critical to conduct extensive due diligence on investment targets, and in evaluating new investments. We, through our investment adviser, will conduct a rigorous due diligence process that draws from our investment adviser’s investment experience, industry expertise and network of contacts. Our investment adviser intends to conduct extensive due diligence and perform thorough credit analysis on each potential portfolio company investment. In conducting due diligence, we expect that our investment adviser will use publicly available information and private information provided by borrowers, their financial sponsors and their advisers. Our investment adviser expects to use its relationships with former and current management teams, consultants, competitors, bankers, private equity firms and investment bankers to gain further insights into businesses and industries, generally, and our potential portfolio companies, specifically.

Our due diligence will typically include the following elements (although not all elements will necessarily form part of each due diligence review):

- thorough review of historical and pro forma financial information, including an analysis of collateral coverage, cash flow and valuation multiples and quality of earnings;
- review of capital structure, including leverage and equity amounts, participants and intercreditor arrangements;



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- analysis of the business of the prospective portfolio company, including drivers of growth, customer and supplier concentrations, fixed versus variable costs and sensitivity analyses (with a focus on downside scenario analysis);
- analysis of the industry in which the prospective portfolio company operates, including its competitive position, industry size and growth rates, competitive outlook, barriers to entry, and technological, regulatory and similar considerations;
- interviews with management, employees, customers and vendors and analysis of management's track record, quality, breadth and depth;
- anticipated form of any potential restructuring, potential liquidation value and potential for collateral impairment;
- preparation or review of material contracts and loan documents;
- anticipated timing of covenant breaches and default cure provisions;
- research relating to the company's business, industry, markets, products and services;
- background checks on key managers when appropriate; and
- third-party research relating to the company's management, industry, markets, products and services and competitors.

Additional due diligence with respect to any investment may be conducted on our behalf by attorneys and independent accountants as well as other outside advisers, as appropriate.

*Structuring Originations.* Our investment adviser's team has substantial expertise in structuring and documenting loans originated to middle-market companies. Our investment adviser works with outside counsel to structure loans with strong creditor protections and contractual controls over borrower operations. Our investment adviser works to obtain extensive operating and financial covenants, detailed reporting requirements, governance rights and board seats to protect our investment while allowing the borrower the necessary flexibility to successfully execute its business plan. We believe that our investment adviser's extensive experience allows it to anticipate issues and maximize our potential recovery upon the occurrence of adverse events, and our investment adviser is able to seek to structure our loan and credit documentation to protect us from risks identified in the due diligence process. Our investment adviser also evaluates the broader capital structure of the borrower to ensure that we have strong rights as compared to other participants in the borrower's capital structure.

*Portfolio Management and Monitoring.* We actively monitor and manage our portfolio with regard to individual company performance as well as general market conditions. Investment decisions on new originations generally include an analysis of the impact of the new loan on our broader portfolio, including a "top-down" assessment of portfolio structure and risk exposure. This assessment includes a review of portfolio concentration by issuer, industry, geography and type of credit as well as an evaluation of our portfolio's exposure to macroeconomic factors and cyclical trends.

We believe that consistent, active monitoring of individual companies and the broader market is integral to portfolio management and a critical component of our investment process. Our investment adviser uses several methods of evaluating and monitoring the performance and fair value of our investments, including the following:

- frequent discussions with management and sponsors, including board observation rights where possible;
- comparing/analyzing financial performance to the portfolio company's business plan, as well as our internal projections developed at underwriting;

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- tracking portfolio company compliance with covenants, as well as other metrics identified at the initial investment stage, such as acquisitions, divestitures, product development and specified management hires; and
- periodic review of each asset in the portfolio and more rigorous monitoring of “watch list” positions.

**Competition**

Our primary competitors to provide financing to middle-market companies include public and private funds, including other business development companies, commercial and investment banks, commercial financing companies, and, to the extent they provide an alternative form of financing, private equity funds. As the economic recovery continues, we expect that we may face enhanced competition in the future. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act will impose on us as a business development company and that the Code will impose on us as a RIC. For additional information concerning the competitive risks we face, see “Risk Factors—Risks Relating to our Business and Structure—The highly competitive market for investment opportunities in which we operate may limit our investment opportunities.”

**Administration**

We do not have any direct employees, and our day-to-day investment operations are managed by our investment adviser. Our officers will be employees of the Adviser. Some of our executive officers described under “Management of the Company” are also officers of the Adviser. See “The Adviser and the Administrator—Administration Agreement.”

**Regulation**

We have filed an election to be treated as a business development company under the 1940 Act and to be treated as a RIC under Subchapter M of the Code and intend each year to qualify and be eligible to be treated as such. As a RIC, we generally do not have to pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we timely distribute to our stockholders as dividends. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors of a business development company be persons other than “interested persons,” as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a business development company unless approved by a majority of our outstanding voting securities.

We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed an “underwriter” as that term is defined in the Securities Act of 1933, as amended, or the Securities Act. Our intention is to not write (sell) or buy put or call options to manage risks associated with the publicly traded securities of our portfolio companies, except that we may enter into hedging transactions to manage the risks associated with interest rate fluctuations to the extent that we are permitted to engage in such hedging transactions without registering with the U.S. Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator. However, we may purchase or otherwise receive warrants to purchase the common stock of our portfolio companies in connection with acquisition financing or other investments. Similarly, in connection with an acquisition, we may acquire rights to require the issuers of acquired securities or their

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affiliates to repurchase them under certain circumstances. We also do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, we generally cannot acquire more than 3% of the voting stock of any registered investment company, invest more than 5% of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of investment companies in the aggregate. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses. None of these policies is fundamental and each may be changed without stockholder approval.

To the extent that we utilize a REIT subsidiary that directly incurs leverage in the form of debt (as opposed to non-recourse borrowings made through special purpose vehicles), the amount of such recourse leverage used by us will be treated as senior securities for purposes of complying with the 1940 Act's limitations on leverage. Accordingly, it is our present intention to utilize leverage through debt or borrowings in an amount not to exceed 50% of our total assets (i.e., to maintain 200% asset coverage), less the amount of any nonrecourse direct debt or borrowing by a REIT subsidiary, if any. Because a REIT subsidiary's preferred shares would represent a small amount of leverage by the REIT subsidiary, such leverage will also be complying with the 1940 Act's limitations on our ability to issue preferred shares.

**Qualifying Assets**

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our proposed business are the following:

1. Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the U.S. Securities and Exchange Commission ("SEC"). An eligible portfolio company is defined in the 1940 Act as any issuer which:
  - a. is organized under the laws of, and has its principal place of business in, the United States;
  - b. is not an investment company (other than a small business investment company wholly owned by the business development company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
  - c. satisfies any of the following:
    - i. does not have any class of securities listed on a national securities exchange or has any class of securities listed on a national securities exchange subject to a \$250 million market capitalization maximum; or
    - ii. is controlled by a business development company or a group of companies including a business development company, the business development company actually exercises controlling influence over the management or policies of the eligible portfolio company, and, as a result, the business development company has an affiliated person who is a director of the eligible portfolio company.
2. Securities of any eligible portfolio company which we control.
3. Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

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4. Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.
5. Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.
6. Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

The regulations defining and interpreting qualifying assets may change over time. We expect to adjust our investment focus as needed to comply with and/or take advantage of any regulatory, legislative, administrative or judicial actions in this area.

***Managerial Assistance to Portfolio Companies***

In addition, a business development company must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above. However, in order to count portfolio securities as qualifying assets for the purpose of the 70% test, the business development company must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance. When a business development company purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means any arrangement whereby the business development company, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. As our administrator, the Adviser has agreed to provide such managerial assistance on our behalf to portfolio companies that request this assistance. We may receive fees for these services and will reimburse the Adviser for the actual costs incurred in providing managerial assistance on our behalf, subject to the review and approval by the Board, including our independent directors.

***Temporary Investments***

Pending investment in other types of qualifying assets, as described above, our investments may consist of cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, so long as such agreements are fully collateralized by cash or securities issued by the U.S. Government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. Our investment adviser intends to monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

***Senior Securities***

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase.

We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see “Risk Factors—Risks Relating to our Business and Structure—Regulations governing our operation as a business development company will affect our ability to raise, and the way in which we raise, additional debt or equity capital.”

**Table of Contents*****Code of Ethics***

We and the Adviser have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. Each code of ethics is attached as an exhibit to the registration statement of which this prospectus is a part, and is available on the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>. You may also obtain copies of each code of ethics, after paying a duplicating fee, by electronic request at the following Email address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov).

***Proxy Voting Policies and Procedures***

We have delegated our proxy voting responsibility to our investment adviser. The Proxy Voting Policies and Procedures of our investment adviser are described below. The guidelines are reviewed periodically by our investment adviser and our non-interested directors, and, accordingly, are subject to change. For purposes of these Proxy Voting Policies and Procedures described below, "we" "our" and "us" refers to our investment adviser.

***Introduction***

As an investment adviser registered under the Investment Advisers Act of 1940, as amended ("Advisers Act"), we have a fiduciary duty to act solely in the best interests of our clients. As part of this duty, we recognize that we must vote client securities in a timely manner free of conflicts of interest and in the best interests of our clients.

These policies and procedures for voting proxies for our investment Advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under the Advisers Act.

***Proxy Policies***

We vote proxies relating to our clients' portfolio securities in what we perceive to be the best interest of our clients' stockholders. We review on a case-by-case basis each proposal submitted to a stockholder vote to determine its impact on the portfolio securities held by our clients. In most cases, we will vote in favor of proposals that we believe are likely to increase the value of our clients' portfolio securities. Although we will generally vote against proposals that may have a negative impact on our clients' portfolio securities, we may vote for such a proposal if there exists compelling long-term reasons to do so.

Our proxy voting decisions are made by the senior officers who are responsible for monitoring each of clients' investments. To ensure that our vote is not the product of a conflict of interest, we require that: (1) anyone involved in the decision making process disclose to our Chief Compliance Officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (2) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties. Where conflicts of interest may be present, we will disclose such conflicts, including to us, and may request guidance on how to vote such proxies.

***Proxy Voting Records***

You may obtain information without charge about how we voted proxies by making a written request for proxy voting information to: Investor Relations, 300 Crescent Court, Suite 700, Dallas, Texas 75201, or by calling us collect at (844) 485-9167.



**Table of Contents*****Privacy Principles***

We are committed to maintaining the privacy of our stockholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any non-public personal information relating to our stockholders. The only information we collect from you is your name, address, number of shares you hold and your social security number. This information is used only so that we can send you annual reports and other information about us, and send you proxy statements or other information required by law. We will maintain physical, electronic and procedural safeguards designed to protect the non-public personal information of our stockholders. We do not disclose any non-public personal information about our stockholders or former stockholders to anyone except as described below.

- *Authorized Employees of the Adviser and Its Affiliates.* It is our policy that only authorized employees of the Adviser and its affiliates with a legitimate business need for the information will have access to it.
- *Service Providers.* We may disclose your personal information to companies that provide services on our behalf, such as record keeping, processing your trades, and mailing you information. These companies are required to protect your information and use it solely for the purpose for which they received it.
- *Courts and Government Officials.* If required by law, we may disclose your personal information in accordance with a court order or at the request of government regulators. Only that information required by law, subpoena, or court order will be disclosed.

***Other***

We are prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, of the SEC. Any person that owns, directly or indirectly, five percent or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act, and we are generally prohibited from buying or selling any security from or to, or entering into certain "joint" transactions (which could include investments in the same portfolio company) with such affiliates, absent the prior approval of our independent directors and/or appropriate exemptive relief. Our investment adviser and its affiliates, including persons that control, are controlled by, or are under common control with, us or our investment adviser, are also considered to be our affiliates under the 1940 Act, and we are generally prohibited from buying or selling any security from or to, or entering into "joint" transactions with such affiliates without the prior approval of our independent directors and, in some cases, exemptive relief from the SEC.

We may, however, invest alongside the Adviser's, and its affiliates' other clients in certain circumstances where doing so is consistent with applicable law and SEC staff interpretations and specific exemptive relief from the SEC. For example, we may invest alongside such accounts consistent with guidance promulgated by the staff of the SEC permitting us and such other accounts to purchase interests in a single class of privately placed securities so long as certain conditions are met, including that our investment adviser, acting on our behalf and on behalf of other clients, negotiates no term other than price. We, Highland Capital Management Fund Advisors L.P. and the Adviser have obtained an exemptive order dated April 19, 2016 from the SEC to permit co-investments among the Company and other accounts managed by the Adviser or its affiliates, subject to certain conditions. We may also invest alongside our investment adviser's other clients as otherwise permissible under regulatory guidance, applicable regulations and the allocation policy of our investment adviser and its affiliates (including clients that may pay higher fees to NexPoint Advisors or its affiliates or in which our portfolio managers have personal interest in the receipt of such fees). If sufficient securities or loan amounts are available to satisfy our and each such account's proposed demand, we expect that the opportunity will be

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allocated in accordance with our investment adviser's pre-transaction determination. Where there is an insufficient amount of an investment opportunity to satisfy us and other accounts sponsored or managed by our investment adviser or its affiliates, the allocation policy further provides that allocations among us and such other accounts will generally be made pro rata, based on the amount that each such party would have invested if sufficient securities or loan amounts were available. The allocation policies and procedures are intended to assist NexPoint Advisors and its affiliates in ensuring that investment opportunities will be allocated to us fairly and equitably.

We will be subject to periodic examination by the SEC for compliance with the 1940 Act. Under the 1940 Act, we are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a business development company, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We and the Adviser will each be required to adopt and implement written policies and procedures reasonably designed to prevent violation of the U.S. federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation, and designate a chief compliance officer to be responsible for administering the policies and procedures.

We are not generally able to issue and sell our common stock at a price below current net asset value per share. We may, however, issue and sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value per share of our common stock if the Board determines that such sale is in the best interests of us and our stockholders, and if our stockholders approve such sale within the preceding 12 months. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of the Board, closely approximates the fair value of such securities.

***Sarbanes-Oxley Act of 2002***

The Sarbanes-Oxley Act of 2002 ("the Sarbanes-Oxley Act") imposes a wide variety of regulatory requirements on publicly held companies and their insiders. Many of these requirements will affect us. For example:

- pursuant to Rule 13a-14 under the Securities Exchange Act of 1934, as amended ("Exchange Act"), our Chief Executive Officer and Chief Financial Officer must certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 of Regulation S-K under the Securities Act, our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 of the Exchange Act, our management must prepare an annual report regarding its assessment of our internal control over financial reporting.
- pursuant to Item 308 of Regulation S-K under the Securities Act and Rule 13a-15 under the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated under it. We will continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance with that act.



**Table of Contents****Brokerage Allocation and Other Practices**

Since we intend to generally acquire and dispose of our investments in privately negotiated transactions, we expect to infrequently use brokers in the normal course of our business. Subject to policies established by the Board, the Adviser will be primarily responsible for the execution of the publicly traded securities portion of our portfolio transactions and the allocation of brokerage commissions. The Adviser does not execute transactions through any particular broker or dealer, but seeks to obtain the best net results for us, considering such factors as (i) price (including the applicable brokerage commission or dealer spread), (ii) size of the order, (iii) difficulty of execution, (iv) operational facilities of the firm, (v) promptness of execution and past history in executing orders, (vi) clearance and settlement capabilities, (vii) research capabilities, (viii) access to markets and distribution network, (ix) the firm's risk and skill in positioning blocks of securities and (x) trade error rate and ability or willingness to correct errors. While the Adviser will generally seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, the Adviser may select a broker based partly upon brokerage, research or other services provided to it and us and any other clients. In return for such services, we may pay a higher commission than other brokers would charge if the Adviser determines in good faith that such commission is reasonable in relation to the services provided.

***Tax Matters***

The following is a general summary of some of the important U.S. federal income tax considerations affecting us and our common shareholders that are "United States persons" within the meaning of the Code, and does not address any state, local, foreign or other tax consequences. It reflects provisions of the Code, existing Treasury regulations, and other applicable authority, as of the date of this prospectus. These authorities may be changed, possibly with retroactive effect, or subject to new legislative, administrative, or judicial interpretations. This summary does not purport to be a complete description of the U.S. federal income tax considerations applicable to our common shareholders. For example, except as otherwise specifically noted herein, we have not described certain tax considerations that may be relevant to certain types of holders subject to special treatment under the U.S. federal income tax laws, including shareholders subject to the U.S. federal alternative minimum tax, insurance companies, tax-exempt organizations, pension plans and trusts, RICs, dealers in securities, shareholders holding our shares through tax-advantaged accounts (such as 401(k) plans or individual retirement accounts), financial institutions, shareholders holding our shares as part of a hedge, straddle, or conversion transaction, entities that are not organized under the laws of the United States or a political subdivision thereof, and persons who are neither citizens nor residents of the United States. This summary assumes that investors hold our common shares as capital assets (within the meaning of the Code). Please consult your tax advisor about U.S. federal, state, local, foreign or other tax laws applicable to you, as the tax consequences to an investor in our common shares will depend on the facts of his, her or its particular situation.

**Taxation of the Company**

We have elected to be treated as a RIC under Subchapter M of the Code and intend each year to qualify and to be eligible to be treated as such.

In order to qualify for the special tax treatment accorded RICs and their shareholders, we must, among other things:

- (i) derive at least 90% of our gross income for each taxable year from: (a) dividends, interest (including tax-exempt interest), payments with respect to certain securities loans, gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including but not limited to gains from options, futures and forward contracts) derived with respect to our business of investing in such stock, securities or foreign currencies; and (b) net income derived from interests in "qualified publicly traded partnerships";
- (ii) diversify our holdings so that, at the end of each quarter of our taxable year, (a) at least 50% of the market value of our total assets consists of cash and cash items, U.S. government securities, the

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securities of other RICs and other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of our total assets and not more than 10% of the outstanding voting securities of such issuer, and (b) not more than 25% of the value of our total assets is invested, including through corporations in which we own a 20% or more voting stock interest, (x) in the securities (other than U.S. government securities and the securities of other RICs) of any one issuer or of two or more issuers that we control, as determined under applicable Code rules, and that are determined to be engaged in the same business or similar or related trades or businesses, or (y) in the securities of one or more “qualified publicly traded partnerships”; and

- (iii) distribute to our shareholders with respect to each taxable year at least the sum of 90% of our “investment company taxable income” (as that term is defined in the Code, without regard to the deduction for dividends paid—generally taxable ordinary income and the excess, if any, of net short-term capital gains over net long-term capital losses) and 90% of any net tax-exempt interest income (the excess of our gross tax-exempt interest over certain disallowed deductions), for such year, in a manner qualifying for the dividends paid deduction.

If we qualify as a RIC (i.e., satisfy the source of income and diversification requirements described in (i) and (ii) above) and satisfy the annual distribution requirement described in (iii) above, we will not be subject to U.S. federal income tax on income distributed in a timely manner to our shareholders in the form of dividends (including Capital Gain Dividends, as defined below).

If, for any taxable year, we were to fail to meet the income, diversification or distribution tests described above, we could in some cases cure such failure, including by paying a corporate-level tax, paying interest, making additional distributions or disposing of certain assets. If we were ineligible to or otherwise did not cure any such failure for any year, or if we were otherwise to fail to qualify as a RIC accorded special tax treatment for such year, we would be subject to tax on our taxable income at corporate rates, and all distributions from earnings and profits, including any distributions of net long-term capital gains, would be taxable to shareholders as ordinary income. Some portions of such distributions might be eligible for the dividends-received deduction in the case of corporate shareholders and might be eligible to be treated as “qualified dividend income” and thus taxable at the lower long-term capital gain rate in the case of shareholders taxed at individual rates, provided, in both cases, the shareholder met certain holding period and other requirements in respect of our shares (as described below). In addition, we might be required to recognize unrealized gains, pay substantial taxes and interest and make substantial distributions before requalifying as a RIC.

We intend to distribute at least annually to our shareholders all or substantially all of our investment company taxable income (computed without regard to the dividends-paid deduction) and, in general, our net capital gain (that is, the excess of net long-term capital gain over net short-term capital loss, in each case determined with reference to any loss carryforwards). Any investment company taxable income we retain will be subject to a corporate-level tax at regular corporate rates. We may also retain for investment our net capital gain. If we retain any net capital gain, it will be subject to corporate-level tax at regular corporate rates on the amount retained, but we may designate the retained amount as undistributed capital gains in a timely notice to our shareholders who would then, in turn, be (i) required to include in income for U.S. federal income tax purposes, as long-term capital gain, their shares of such undistributed amount, and (ii) entitled to credit their proportionate shares of the tax we paid on such undistributed amount against their U.S. federal income tax liabilities, if any, and to claim refunds on a properly-filed U.S. tax return to the extent the credit exceeds such liabilities. If we make this designation, for U.S. federal income tax purposes, the tax basis of shares owned by one of our shareholders would be increased by an amount equal to the difference between the amount of undistributed capital gains included in the shareholder’s gross income under clause (i) of the preceding sentence and the tax deemed paid by the shareholder under clause (ii) of the preceding sentence. We are not required to, and there can be no assurance we will, make this designation if we retain all or a portion of our net capital gain in a taxable year.

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In determining its net capital gain, including in connection with determining the amount available to support a Capital Gain Dividend (as defined below), its taxable income, and its earnings and profits, a RIC generally may elect to treat part or all of any post-October capital loss (defined as any net capital loss attributable to the portion of the taxable year after October 31 or, if there is no such loss, the net long-term capital loss or net short-term capital loss attributable to such portion of the taxable year) or late-year ordinary loss (generally, the sum of its net ordinary loss from the sale, exchange or other taxable disposition of property, attributable to the portion of the taxable year after October 31), as if incurred in the succeeding taxable year.

If in a calendar year we fail to distribute at least an amount equal to the sum of 98% of our ordinary income for such year and 98.2% of our capital gain net income (adjusted for certain ordinary losses) for the one-year period ending on October 31 of such year (unless an election is made to use our taxable year), plus any such undistributed amounts from the prior year, we will be subject to a nondeductible 4% excise tax on the undistributed amounts. For purposes of the required excise tax distribution, a RIC's ordinary gains and losses from the sale, exchange or other taxable disposition of property that would otherwise be taken into account after October 31 of a calendar year generally (unless an election is made to use our taxable year) are treated as arising on January 1 of the following calendar year. Also, for these purposes, we will be treated as having distributed any amount on which we have been subject to corporate income tax in the taxable year ending with the calendar year. We reserve the right to pay the excise tax when circumstances warrant.

We are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our qualification as a RIC, including the diversification test described above. If we dispose of assets in order to meet the distribution test described above or to avoid the excise tax on undistributed amounts, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

We are not permitted to deduct capital losses in excess of capital gains ("net capital losses") against our net investment income. Instead, potentially subject to certain limitations, we may carry net capital losses from any taxable year forward to subsequent taxable years to offset capital gains, if any, realized during such subsequent taxable year. Capital loss carryforwards are reduced to the extent they offset current-year net realized capital gains, whether we retain or distribute such gains. Net capital losses will be carried forward to one or more subsequent taxable years without expiration to offset capital gains realized during such subsequent taxable years; any such carryforward losses will retain their character as short-term or long-term.

Our ability to use net capital losses may be limited following the occurrence of certain (i) acquisitive reorganizations and (ii) shifts in the ownership of our shares by a shareholder owning or treated as owning 5% or more of our shares (each, an "ownership change"). The Code may similarly limit our ability to use any of our other capital losses, or ordinary losses, that have accrued but have not been recognized (i.e., "built-in" losses) at the time of an ownership change to the extent they are realized within the five-year period following the ownership change.

**Distributions to Shareholders**

Distributions not in excess of our current and accumulated earnings and profits are taxable to shareholders even if we paid them from income or gains we earned before a shareholder invested in our shares (and such income and gains thus were included in the price the shareholder paid for its shares). Such distributions are

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taxable whether shareholders receive them in cash or reinvest them in additional shares through our distribution reinvestment plan. A shareholder who reinvests such distributions in shares through our distribution reinvestment plan will be treated as having received a dividend equal to the fair market value of the new shares issued to the shareholder.

Dividends and other distributions we pay are generally treated under the Code as received by shareholders at the time the dividend or distribution is made. However, a dividend paid to shareholders in January of a year generally is deemed to have been paid by us on December 31 of the preceding year, if the dividend was declared and payable to shareholders of record on a date in October, November or December of that preceding year.

The price of common shares purchased at any time may reflect the amount of a forthcoming distribution. If you purchase common shares just prior to a distribution, you will receive a distribution that will be taxable to you even though it economically represents in part a return of your invested capital.

Your broker or other intermediary will send you information after the end of each year setting forth the amount and tax status of any dividends or other distributions we pay to you.

For U.S. federal income tax purposes, distributions of investment income are generally taxable as ordinary income. Taxes on distributions of capital gains are determined by how long we have owned or are treated as having owned the investments that generated them, rather than how long a shareholder has owned his or her shares. In general, we will recognize long-term capital gain or loss on investments we have owned (or are deemed to have owned) for more than one year, and short-term capital gain or loss on investments we have owned (or are deemed to have owned) for one year or less. Distributions of net capital gain that we properly report as capital gain dividends ("Capital Gain Dividends") will generally be taxable to shareholders as long-term capital gains. Distributions from capital gains are generally made after applying any available capital loss carryforwards. Distributions of net short-term capital gain (that is, the excess of net short-term capital gain over net long-term capital loss) will generally be taxable to shareholders receiving such distributions as ordinary income. Distributions of investment income we report as derived from "qualified dividend income" will be taxed in the hands of individuals at the rates applicable to long-term capital gain, provided holding period and other requirements are met at both the shareholder and corporate level. We do not expect a significant portion of our distributions to be derived from qualified dividend income.

In order for some portion of the dividends received by one of our shareholders to be qualified dividend income, we must meet holding period and other requirements with respect to some portion of the dividend-paying stocks in our portfolio and the shareholder must meet holding period and other requirements with respect to our shares. In general, a dividend will not be treated as qualified dividend income (at either the corporate or shareholder level) (1) if the dividend is received with respect to any share of stock held for fewer than 61 days during the 121-day period beginning on the date which is 60 days before the date on which such share becomes ex-dividend with respect to such dividend (or, in the case of certain preferred stock, 91 days during the 181-day period beginning 90 days before such date), (2) to the extent that the recipient is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property, (3) if the recipient elects to have the dividend income treated as investment income for purposes of the limitation on deductibility of investment interest, or (4) if the dividend is received from a foreign corporation that is (a) not eligible for the benefits of a comprehensive income tax treaty with the United States (with the exception of dividends paid on stock of such a foreign corporation readily tradable on an established securities market in the United States) or (b) treated as a passive foreign investment company.

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In general, dividends of net investment income received by our corporate shareholders will qualify for the dividends-received deduction generally available to corporations to the extent of the amount of eligible dividends we receive from domestic corporations for the taxable year. A dividend we receive will not be treated as a qualifying dividend (i) if it has been received with respect to any share of stock that we have held for less than 46 days (91 days in the case of certain preferred stock) during the 91-day period beginning on the date which is 45 days before the date on which such share becomes ex-dividend with respect to such dividend (during the 181-day period beginning 90 days before such date in the case of certain preferred stock) or (ii) to the extent that we are under an obligation (pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. Moreover, the dividends-received deduction may be disallowed or reduced (i) if the corporate shareholder fails to satisfy the foregoing requirements with respect to our shares or (ii) by application of various provisions of the Code (for instance, the dividends-received deduction is reduced in the case of a dividend received on debt-financed portfolio stock (generally, stock acquired with borrowed funds)). We do not expect a significant portion of our distributions to be eligible for this corporate dividends-received deduction.

Any distribution of income that is attributable to (i) income we receive in lieu of dividends with respect to securities on loan pursuant to a securities lending transaction or (ii) dividend income we receive on securities we temporarily purchased from a counterparty pursuant to a repurchase agreement under which for U.S. federal income tax purposes we are treated as a lender, such distribution will not constitute qualified dividend income to individual shareholders and will not be eligible for the dividends-received deduction for corporate shareholders.

Effective for taxable years beginning after December 31, 2017 and before January 1, 2026, the Code generally allows individuals and certain other non-corporate entities a deduction for 20% of “qualified publicly traded partnership income,” such as income from MLPs, and a deduction for 20% of qualified REIT dividends. Recently issued proposed regulations, which are currently in effect, allow a RIC to pass the character of its qualified REIT dividends through to its shareholders provided certain holding period requirements are met. As a result, a shareholder in the Company will be eligible to receive the benefit of the same 20% deduction with respect to any qualified REIT dividends included in Company distributions that is available to direct investors in REITs, but a shareholder in the Company will not currently receive the benefit of the 20% deduction with respect to any MLP income included in Company distributions.

The Code generally imposes a 3.8% Medicare contribution tax on the “net investment income” of certain individuals, estates and trusts to the extent their income exceeds certain amounts. Net investment income generally includes for this purpose dividends we pay, including any capital gain dividends and net capital gains recognized on the sale or exchange of our shares. Shareholders are advised to consult their tax advisors regarding the possible implications of this additional tax on their investment with us.

If for any taxable year we were not a “publicly offered” RIC within the meaning of Code Section 67(c)(2)(B), certain of our direct and indirect expenses, including the management fee, the incentive fee and certain other advisory expenses, would be subject to special “pass-through” rules. Such rules would treat these expenses as additional dividends to certain of our direct or indirect shareholders (generally including other RICs that are not “publicly offered,” individuals and entities that compute their taxable income in the same manner as an individual) and, under current law, are not deductible by those shareholders that are individuals (or entities that compute their taxable income in the same manner as an individual).

**Return of Capital Distributions**

If, for any taxable year, our total distributions exceed both current and accumulated earnings and profits, the excess will generally be treated as a tax-free return of capital up to the amount of your tax basis in our shares. The amount treated as a tax-free return of capital will reduce your tax basis in our shares, thereby increasing your potential gain or reducing your potential loss on the subsequent sale of our shares. Any amounts distributed to you in excess of your tax basis in our shares will be taxable to you as capital gain.

Distributions we pay with respect to our shares are generally subject to U.S. federal income tax as described herein to the extent they do not exceed our realized income and gains, even though such dividends and distributions may economically represent a return of a particular shareholder’s investment. Such distributions are



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likely to occur in respect of shares purchased at a time when our net asset value reflects either unrealized gains, or realized but undistributed income or gains, that were therefore included in the price the shareholder paid. Such distributions may reduce the value of our shares below the shareholder's cost basis in those shares. As described above, we are required to distribute realized income and gains regardless of whether our net asset value also reflects unrealized losses.

**Tax Implications of Certain Investments**

Some debt obligations with a fixed maturity date of more than one year from the date of issuance that we acquire in the secondary market may be treated as having "market discount." Very generally, market discount is the excess of the stated redemption price of a debt obligation (or in the case of an obligation issued with OID (as defined below), its "revised issue price") over the purchase price of such obligation. Subject to the discussion below regarding Section 451 of the Code, generally, any gain recognized on the disposition of, and any partial payment of principal on, a debt obligation having market discount is treated as ordinary income to the extent the gain, or principal payment, does not exceed the "accrued market discount" on such debt obligation. Alternatively, a holder may elect to accrue market discount currently. As of the date of this prospectus, we have made this election, and therefore we are required to include currently any accrued market discount on such debt obligations in our taxable income (as ordinary income) and thus distribute it over the terms of the obligations, even though payment of those amounts is not received until a later time, upon partial or full repayment or disposition of the applicable debt obligations. We reserve the right to revoke this election at any time pursuant to applicable IRS procedures. The rate at which market discount accrues, and thus is included in our income, will depend upon which of the permitted accrual methods we elect.

In addition, some debt obligations with a fixed maturity date of more than one year from the date of issuance (and zero-coupon debt obligations with a fixed maturity date of more than one year from the date of issuance) that we originate or acquire will be treated as debt obligations that are issued originally at a discount. Generally, the amount of the original issue discount ("OID") is treated as interest income and is included in taxable income (and we are required to distribute it) over the term of the debt obligation, even though payment of that amount is not received until a later time, upon partial or full repayment or disposition of the debt obligation. In addition, payment-in-kind ("PIK") securities we originate or acquire will give rise to income which is required to be distributed and is taxable even though we receive no interest payment in cash on the security during the year in which the income was accrued.

Some debt obligations with a fixed maturity date of one year or less from the date of issuance that we originate or acquire may be treated as having OID or, in certain cases, "acquisition discount" (very generally, the excess of the stated redemption price over the purchase price). Generally, we will be required to include the OID or acquisition discount in income (as ordinary income) over the term of the debt obligation and thus distribute it over the term of the debt obligation, even though payment of that amount is not received until a later time, upon partial or full repayment or disposition of the debt obligation. The rate at which OID or acquisition discount accrues, and thus is included in our income, will depend upon which of the permitted accrual methods we elect.

Some preferred securities may include provisions that permit the issuer, at its discretion, to defer the payment of distributions for a stated period without any adverse consequences to the issuer. If we own a preferred security that is deferring the payment of its distributions, we may be required to report income for U.S. federal income tax purposes to the extent of any such deferred distribution even though we have not yet actually received the cash distribution.

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As a result of holding the foregoing kinds of obligations, we may be required to pay out as an income distribution each year an amount which is greater than the total amount of cash interest (or dividends in the case of preferred securities) we actually received. Such distributions may be made from, among other things, our cash assets or cash generated from our liquidation of portfolio securities. We may realize gains or losses from such liquidations. In the event we realize net long-term or short-term capital gains from such transactions, our shareholders may receive a larger capital gain or ordinary dividend, respectively, than they would in the absence of such transactions.

Investments in distressed debt obligations that are at risk of or in default present special tax issues. Tax rules are not entirely clear about issues such as whether and to what extent we should recognize market discount on these debt obligations; when we may cease to accrue interest, OID or market discount; when and to what extent we may take deductions for bad debts or worthless securities; and how we should allocate payments received on obligations in default between principal and income. We will address these and other related issues when, as and if we invest in such obligations, in order to seek to ensure that we distribute sufficient income to preserve our eligibility for treatment as a RIC and do not become subject to U.S. federal income or excise tax.

A portion of the OID accrued on certain high-yield discount obligations we own may not be deductible to the issuer and will instead be treated as a dividend paid by the issuer for purposes of the dividends-received deduction. In such cases, if the issuer of the obligation is a domestic corporation, dividend payments we make may be eligible for the dividends-received deduction to the extent of the deemed dividend portion of such OID.

Our transactions in foreign currencies, foreign currency-denominated debt obligations and certain foreign currency options, futures contracts and forward contracts (and similar instruments) may give rise to ordinary income or loss to the extent such income or loss results from fluctuations in the value of the foreign currency concerned. Such ordinary income treatment may accelerate our distributions to shareholders and increase the distributions taxed to shareholders as ordinary income. We cannot carry forward any net ordinary losses so created to offset income or gains earned in subsequent years.

Special tax rules may change the treatment of gains and losses we recognize when we make certain investments outside the United States. The application of these special rules may accelerate or increase our recognition of ordinary income or loss, and affect the timing, amount and/or character of our distributions. In addition, dividend, interest, capital gains and other income we receive from investments outside the United States may be subject to withholding and other taxes imposed by foreign countries. Tax treaties between the United States and other countries may reduce or eliminate such taxes. We do not expect that we will be eligible to elect to treat any foreign taxes we pay as paid by our shareholders, and therefore shareholders will not be entitled to claim a credit or deduction for such taxes on their own tax returns. Foreign taxes we pay or are withheld from us will reduce the return from our underlying investments.

Some of our investments outside the United States, including our CLO investments, may be treated as investments in passive foreign investment companies ("PFICs"), as defined below, and could subject us to U.S. federal income tax (including interest charges) on distributions received from a PFIC or on proceeds received from the disposition of shares in a PFIC, which tax cannot be eliminated by making distributions to our shareholders. However, we may elect to avoid the imposition of that tax. For example, we may elect to treat a PFIC as a "qualified electing fund" ("QEF") (i.e., make a "QEF election"), in which case we will be required to include our share of the PFIC's income and net capital gain annually, regardless of whether it receives any distribution from the PFIC. Alternatively, we may elect to mark the gains (and to a limited extent the losses) in such holdings "to the market" as though we had sold (and, solely for purposes of this mark-to-market election, repurchased) our holdings in those PFICs on the last day of our taxable year. Such gains and losses are treated as ordinary income and loss. The QEF and mark-to-market elections may have the effect of accelerating the recognition of income (without the receipt of cash) and increasing the amount required to be distributed for us to avoid taxation. Making either of these elections therefore may require us to liquidate other investments (including when it is not advantageous to do so) to meet our distribution requirement, which also may accelerate



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the recognition of gain and affect our total return. Dividends paid by PFICs will not be eligible to be treated as qualified dividend income. In addition, whether a foreign corporation is a PFIC is not always entirely clear. Therefore, there is a risk, for example, that we may not realize that a foreign corporation in which we invest is a PFIC for U.S. federal tax purposes and thus we may fail to timely make a QEF or mark-to-market election in respect of that corporation, in which event we could be subject to the U.S. federal income taxes and interest charges described above.

A PFIC is any foreign corporation in which (i) 75% or more of the gross income for the taxable year is passive income, or (ii) the average percentage of the assets (generally by value, but by adjusted tax basis in certain cases) that produce, or are held for the production of, passive income is at least 50%. Generally, passive income for this purpose means dividends, interest (including income equivalent to interest), royalties, rents, annuities, the excess of gains over losses from certain property transactions and commodities transactions, income from certain notional principal contracts, and foreign currency gains. Passive income for this purpose does not include rents and royalties received by the foreign corporation from active business and certain income received from related persons.

If we own (directly or indirectly) 10% or more of the total combined voting power of all classes of stock of a foreign corporation or 10% or more of the total value of shares of all classes of stock of a foreign corporation that is treated as a controlled foreign corporation (“CFC”) (including equity tranche investments and certain debt tranche investments in a CLO treated as CFC), we are a “U.S. Shareholder” for purposes of the CFC provisions of the Code. A CFC is a foreign corporation that, on any day of its taxable year, is owned (directly, indirectly, or constructively) more than 50% (measured by voting power or value) by U.S. Shareholders. A U.S. Shareholder is required to include in gross income for U.S. federal income tax purposes for each taxable year of the U.S. Shareholder its pro rata share of its CFC’s “subpart F income” for the CFC’s taxable year ending within the U.S. Shareholder’s taxable year whether or not such income is actually distributed by the CFC. Subpart F income generally includes interest, OID, dividends, net gains from the disposition of stocks or securities, net gains from transactions (including futures, forward, and similar transactions) in commodities, receipts with respect to securities loans, and net payments received with respect to equity swaps and similar derivatives. Subpart F income is treated as ordinary income, regardless of the character of the CFC’s underlying income. To the extent we invest in CFCs, if any, and recognize subpart F income in excess of actual cash distributions from such CFCs, if any, we may be required to sell assets (including when it is not advantageous to do so) to generate the cash necessary to distribute as dividends to our shareholders all of our income and gains and therefore to eliminate any corporate-level tax liability.

We may make certain investments through one or more wholly-owned entities treated as corporations for U.S. federal income tax purposes. Such corporations may be required to pay U.S. federal, state and local corporate income or other tax on their earnings, which ultimately will reduce the return on our underlying investments.

Income we realize from or the proceeds of dispositions of our non-U.S. investments may be subject to non-U.S. withholding or other taxes. We may otherwise be subject to non-U.S. taxation on repatriation proceeds generated from those investments or to other transaction-based non-U.S. taxes on those investments. Those withholding taxes or other taxes as well as any U.S. withholding taxes applicable to our investments, including in respect of investments in our wholly-owned subsidiaries, if any, will reduce the return on our investments.

Our derivative transactions, as well as any of our other hedging, short sale or similar transactions, may be subject to one or more special tax rules (including, for instance, notional principal contract, mark-to-market, constructive sale, straddle, wash sale and short-sale rules). These rules may affect whether gains and losses we recognize are treated as ordinary or capital and/or as short-term or long-term, accelerate our recognition of income or gains, defer losses, and cause adjustments in the holding periods of our securities. The rules could therefore affect the amount, timing and/or character of our distributions to shareholders.

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Because the tax rules applicable to derivative financial instruments are in some cases uncertain under current law, an adverse determination or future guidance by the IRS with respect to these rules (which determination or guidance could be retroactive) may affect whether we have made sufficient distributions, and otherwise satisfied the relevant requirements, to maintain our qualification as a RIC and avoid a corporate-level tax.

Certain of our derivative transactions and investments in foreign currency-denominated instruments, and any of our transactions in foreign currencies and hedging activities, are likely to produce a difference between our book income and the sum of our taxable income and net tax-exempt income (if any). If such a difference arises, and our book income is less than the sum of our taxable income and net tax-exempt income (if any), we could be required to make distributions exceeding book income to qualify as a RIC that is accorded special tax treatment and to avoid a corporate-level tax. In the alternative, if our book income exceeds the sum of our taxable income and net tax-exempt income (if any), the distribution (if any) of such excess generally will be treated as (i) a dividend to the extent of our remaining earnings and profits (including earnings and profits arising from any tax-exempt income), (ii) thereafter, as a return of capital to the extent of the recipient's basis in its shares, and (iii) thereafter, as gain from the sale or exchange of a capital asset.

Pursuant to a notice issued by the IRS and Treasury Regulations that have yet to be issued but may apply retroactively, a portion of our income (including income allocated from certain pass-through entities) that is attributable to a residual interest in a real estate mortgage investment conduit or taxable mortgage pool (referred to in the Code as an "excess inclusion") will be subject to U.S. federal income tax in all events. This notice also provides, and the regulations are expected to provide, that excess inclusion income of a RIC will be allocated to shareholders of the RIC in proportion to the dividends received by such shareholders, with the same consequences as if the shareholders held the related interest directly. As a result, to the extent we invest in any such interests, it may not be a suitable investment for certain tax-exempt shareholders. Although we do not expect to make investments that generate or pass-through excess inclusion income in the manner described above, we may make such investments, and may need to make certain elections set forth in the IRS notice governing such matters.

In general, excess inclusion income allocated to shareholders (i) cannot be offset by net operating losses (subject to a limited exception for certain thrift institutions), (ii) will constitute unrelated business taxable income ("UBTI") to entities (including a qualified pension plan, an individual retirement account, a 401(k) plan, a Keogh plan or other tax-exempt entity) subject to tax on UBTI, thereby potentially requiring such an entity that is allocated excess inclusion income, and otherwise might not be required to file a U.S. federal income tax return, to file such a tax return and pay tax on such income, and (iii) in the case of a non-U.S. shareholder, will not qualify for any reduction in U.S. federal withholding tax. A shareholder will be subject to U.S. federal income tax on such inclusions notwithstanding any exemption from such income tax otherwise available under the Code.

Our ability to pursue our investment strategy, including a strategy focused on investments in CLOs, certain debt instruments and the generation of fee income, may be limited by our intention to qualify as a RIC and our strategy may bear adversely on our ability to so qualify.

**Backup Withholding**

Your broker or other intermediary may be required to withhold, for U.S. federal backup withholding tax purposes, a portion of the dividends, distributions and redemption proceeds payable to a non-corporate shareholder who fails to provide the broker or other intermediary with the shareholder's correct taxpayer identification number (in the case of an individual, generally, such individual's social security number) or to make the required certification, or who has been notified by the IRS that such shareholder is subject to backup withholding. Certain shareholders are exempt from backup withholding. Backup withholding is not an additional tax and any amount withheld may be refunded or credited against your U.S. federal income tax liability, if any, provided that you furnish the required information to the IRS.

**Table of Contents****Sale or Exchange of Our Shares**

If you sell or otherwise dispose of our common shares, you will generally recognize a gain or loss in an amount equal to the difference between your tax basis in such shares and the amount you receive in exchange for such shares. Any such gain or loss generally will be long-term capital gain or loss if you have held (or are treated as having held) such shares for more than one year at the time of sale. All or a portion of any loss you realize on a taxable sale or exchange of your shares will be disallowed if you acquire other shares from us (whether through the automatic reinvestment of dividends or otherwise) within a 61-day period beginning 30 days before and ending 30 days after your sale or exchange of our shares. In such case, the basis of the shares acquired will be adjusted to reflect the disallowed loss. In addition, any loss realized upon a taxable sale or exchange of our shares held (or deemed held) by you for six months or less will be treated as long-term, rather than short-term, to the extent of any capital gain dividends received (or deemed received) by you with respect to those shares.

You may be entitled to offset your Capital Gain Dividends with capital loss. The Code contains a number of statutory provisions affecting the circumstances under which capital loss may be offset against capital gain and limiting the use of loss from certain investments and activities. Accordingly, if you have capital losses we urge you to consult your tax advisor.

Upon the sale or exchange of our common shares, your broker or other intermediary generally will be required to provide you and the IRS with cost basis and certain other related tax information about the shares you sold or exchanged. This cost basis reporting requirement is effective for shares purchased, including through dividend reinvestment. Please consult your broker or other intermediary for more information regarding available methods for cost basis reporting and how to select a particular method. Please consult your tax advisor to determine which available cost basis method is best for you.

When we make a tender offer for our shares (as described in “Share Repurchase Program”) and you tender all common shares you hold, or are considered to be holding, and you do not hold (directly or by attribution) any other units of our shares (e.g., preferred shares, if any), you will be treated as having sold your shares and generally will realize a capital gain or loss. If you tender fewer than all of your common shares or continue to hold (directly or by attribution) other units of our shares (e.g., preferred shares, if any), there is some risk that you may be treated as having received a distribution under Section 301 of the Code (“Section 301 distribution”) unless the redemption is treated as being either (i) “substantially disproportionate” or (ii) otherwise “not essentially equivalent to a dividend” under the relevant rules of the Code. A Section 301 distribution is not treated as a sale or exchange giving rise to a capital gain or loss, but rather is treated as a dividend to the extent supported by our current and accumulated earnings and profits, with the excess treated as a return of capital reducing your tax basis in Company shares, and thereafter as capital gain. Where a redeeming shareholder is treated as receiving a dividend, there is a risk that non-tendering shareholders whose interests in the Company increase as a result of such tender will be treated as having received a taxable distribution from us. Dividend treatment of a tender would also affect the amount and character of income that we are required to distribute for the year in which the redemption occurred. It is possible that such a dividend would qualify as “qualified dividend income”; otherwise, it would be taxable as ordinary income. To the extent we recognize net gains on the liquidation of portfolio securities to meet such tenders, we will be required to make additional distributions to our common shareholders.

**Non-U.S. Shareholders**

Distributions we pay to shareholders that are not “U.S. persons” within the meaning of the Code (“foreign shareholders”) and that we properly report as (1) Capital Gain Dividends, (2) interest-related dividends, and (3) short-term capital gain dividends, each as defined below and subject to certain conditions described below, generally are not subject to withholding of U.S. federal income tax.

In general, the Code defines (1) “short-term capital gain dividends” as distributions of net short-term capital gains in excess of net long-term capital losses and (2) “interest-related dividends” as distributions from U.S.

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source interest income of types similar to those not subject to U.S. federal income tax if earned directly by an individual foreign shareholder, in each case to the extent such distributions are properly reported as such by us in a written notice to shareholders. The exceptions to withholding for Capital Gain Dividends and short-term capital gain dividends do not apply to (A) distributions to an individual foreign shareholder who is present in the United States for a period or periods aggregating 183 days or more during the year of the distribution and (B) distributions attributable to gain that is treated as effectively connected with the conduct by the foreign shareholder of a trade or business within the United States under special rules regarding the disposition of U.S. real property interests. The exception to withholding for "interest-related dividends" does not apply to distributions to a foreign shareholder (A) that has not provided a satisfactory statement that the beneficial owner is not a U.S. person, (B) to the extent that the dividend is attributable to certain interest on an obligation if the foreign shareholder is the issuer or is a 10% shareholder of the issuer, (C) that is within certain foreign countries that have inadequate information exchange with the United States, or (D) to the extent the dividend is attributable to interest paid by a person that is a related person of the foreign shareholder and the foreign shareholder is a controlled foreign corporation. We are permitted to report such part of our dividends as interest-related and/or short-term capital gain dividends as are eligible, but are not required to do so. In the case of shares held through an intermediary, the intermediary may withhold even if we report all or a portion of a payment as an interest-related or short-term capital gain dividend to shareholders.

Foreign shareholders should contact their intermediaries regarding the application of these rules to their accounts.

Distributions to foreign shareholders other than Capital Gain Dividends, interest-related dividends, and short-term capital gain dividends (e.g., dividends attributable to dividend and foreign-source interest income or to short-term capital gains or U.S. source interest income to which the exception from withholding described above does not apply) are generally subject to withholding of U.S. federal income tax at a rate of 30% (or lower applicable treaty rate).

A foreign shareholder is not, in general, subject to U.S. federal income tax on gains (and is not allowed a deduction for losses) realized on the sale of our shares unless (i) such gain is effectively connected with the conduct of a trade or business carried on by such holder within the United States, (ii) in the case of an individual holder, the holder is present in the United States for a period or periods aggregating 183 days or more during the year of the sale and certain other conditions are met, or (iii) certain special rules relating to gain attributable to the sale or exchange of U.S. real property interests apply to the foreign shareholder's sale of our shares.

Foreign shareholders with respect to whom income from us is effectively connected with a trade or business conducted by the foreign shareholder within the United States will in general be subject to U.S. federal income tax on the income derived from us at the graduated rates applicable to U.S. citizens, residents or domestic corporations, whether such income is received in cash or reinvested in additional units of our shares and, in the case of a foreign corporation, may also be subject to a branch profits tax. If a foreign shareholder is eligible for the benefits of a tax treaty, any effectively connected income or gain will generally be subject to U.S. federal income tax on a net basis only if it is also attributable to a permanent establishment maintained by the shareholder in the United States. More generally, foreign shareholders who are residents of a country with an income tax treaty with the United States may obtain different tax results than those described herein, and are urged to consult their tax advisors.

In order to have qualified for any exemption from withholding described above (to the extent applicable) or for lower withholding tax rates under income tax treaties, or to establish an exemption from backup withholding, a foreign shareholder must have complied with applicable certification and filing requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN, Form W-8BEN-E or substitute form). Foreign shareholders should contact their tax advisors in this regard.

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Special rules (including withholding and reporting requirements) apply to foreign partnerships and those holding our shares through foreign partnerships. Additional considerations may apply to foreign trusts and estates. Investors holding our shares through foreign entities should consult their tax advisors.

A foreign shareholder may be subject to state and local tax and to the U.S. federal estate tax in addition to the U.S. federal tax on income referred to above.

**Other Reporting and Withholding Requirements**

Sections 1471-1474 of the Code, and the U.S. Treasury Regulations and IRS guidance issued thereunder (collectively, "FATCA"), generally require us to obtain information sufficient to identify the status of each of our shareholders under FATCA or under an applicable intergovernmental agreement (an "IGA"). If a shareholder fails to provide the required information or otherwise fails to comply with FATCA or an IGA, we or our agent may be required to withhold under FATCA 30% of ordinary dividends that we pay to that shareholder. If we make a payment that is subject to FATCA withholding, we, or our agent, are required to withhold even if the payment would otherwise be exempt from withholding under rules applicable to non-U.S. shareholders (e.g., interest-related dividends). You are urged to consult your tax advisor regarding the applicability of FATCA and any other reporting requirements. In addition, foreign countries are considering, and may implement, laws similar in purpose and scope to FATCA.

**The discussions set forth herein do not constitute tax advice, and you are urged to consult your own tax adviser to determine the specific U.S. federal, state, local and foreign tax consequences to you of investing with us.**



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*Before you invest in our shares you should be aware of various risks associated with an investment in shares of our common stock, as well as risks generally associated with investment in a company with investment objectives, investment policies, capital structure or trading markets similar to ours. You should carefully consider these risk factors, together with all of the other information included in this prospectus before you decide whether to make an investment in our common stock. The risks set out below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or results of operations. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our net asset value and the trading price of our common stock could decline and you may lose all or part of your investment.*

Geopolitical concerns and other global events, including, without limitation, trade conflict, national and international political circumstances (including wars, terrorist acts or security operations) and pandemics or other severe public health events, have contributed and may continue to contribute to volatility in global equity and debt markets. 2019 was a year of significant geopolitical concerns, including, among other things, uncertainty regarding re-opening of the U.S. government after a shutdown in early 2019, trade tensions, most notably between China and the U.S., resulting from the implementation of tariffs by the U.S. and retaliatory tariffs by other countries on the U.S., continued tensions with North Korea over its ballistic missile testing and nuclear programs, ongoing hostilities in the Middle East and the possibility of their escalation, uncertainty regarding the U.K.'s ongoing negotiation of the circumstances surrounding its withdrawal from the European Union and impeachment proceedings of President Trump in the United States. Such concerns have contributed and may continue to contribute to volatility in global equity and debt markets.

Recently, the outbreak of the novel coronavirus in many countries continues to adversely impact global commercial activity, particularly in China, and has contributed to significant volatility in financial markets. The global impact of the outbreak has been rapidly evolving, and as cases of the virus have continued to be identified in additional countries, many countries have reacted by instituting quarantines and restrictions on travel. Such actions are creating disruption in global supply chains, and adversely impacting a number of industries, such as transportation, hospitality and entertainment. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to our and our funds' performance and financial results. In addition to the factors described above, other factors described herein that may affect market, economic and geopolitical conditions, and thereby adversely affect our business include, without limitation: • economic slowdown in the U.S. and internationally; • changes in interest rates and/or a lack of availability of credit in the U.S. and internationally; • commodity price volatility; and • changes in law and/or regulation, and uncertainty regarding government and regulatory policy.

**Risks Relating to our Business and Structure****Operating under the constraints imposed on us as a business development company and RIC may hinder the achievement of our investment objective.**

The 1940 Act and the Code impose numerous constraints on the operations of business development companies and RICs that do not apply to certain other investment vehicles managed by the Adviser and its affiliates. Business development companies are required, for example, to invest at least 70% of their total assets primarily in securities of U.S. private or thinly traded public companies, cash, cash equivalents, U.S. government securities and other high-quality debt instruments that mature in one year or less from the date of investment. Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as qualifying assets only if such issuer has a common equity market capitalization that is less than \$250 million at the time of such investment. In addition, qualification for the special tax treatment accorded RICs and their shareholders requires satisfaction of source-of-income, asset diversification and distribution requirements. We and our investment adviser have limited experience operating under the constraints applicable to BDCs, which may hinder our ability to take advantage of attractive investment opportunities and to achieve our investment objective. As a result, we cannot assure you that our investment adviser will be able to operate our business successfully under these constraints. Any failure to do so could subject us to enforcement action by the SEC, cause us to fail to satisfy the requirements for qualifying to be treated as a RIC, cause us to fail the 70% test described above or otherwise have a material adverse effect on our business, financial condition or results of operations.

We may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could violate the 1940 Act provisions applicable to business development companies and possibly lose our status as a business development company, which would have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inopportune times in order to comply with the 1940 Act. If we need to dispose of such investments quickly, it may be difficult to do so on favorable terms, or at all. For example, we may have difficulty finding a buyer and, even if we do find a buyer, we may have to sell such investments for less than we could have received if we were able to sell them at a later time.

**We depend upon key personnel of the Adviser and its affiliates.**

We are an externally managed business development company and therefore we do not have any internal management capacity or employees. We will depend on the diligence, skill and network of business contacts of our investment adviser to achieve our investment objective. We expect that our investment adviser will evaluate, negotiate, structure, close and monitor our investments in accordance with the terms of the Investment Advisory Agreement.

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We depend upon the senior professionals of our investment adviser to maintain relationships with potential sources of lending opportunities, and we intend to rely heavily upon these relationships to provide us with potential investment opportunities. We cannot assure you that these individuals will continue to indirectly provide investment advice to us. We do not intend to purchase any "key person" insurance coverage respecting such investment personnel. If these individuals do not maintain their existing relationships with our investment adviser, maintain existing relationships or develop new relationships with other sources of investment opportunities, we may not be able to grow our investment portfolio. In addition, individuals with whom the senior professionals of our investment adviser have relationships are not obligated to provide us with investment opportunities. Therefore, we can offer no assurance that such relationships will generate investment opportunities for us.

**If our investment adviser is unable to manage our investments effectively, we may be unable to achieve our investment objective.**

Our ability to achieve our investment objective will depend upon our ability to manage and grow our business. This will depend, in turn, on our investment adviser's ability to identify, invest in and monitor companies that meet our investment criteria. The achievement of our investment objective on a cost-effective basis will depend upon our investment adviser's execution of our investment process, its ability to provide competent, attentive and efficient services to us and our access to financing on acceptable terms. Our investment adviser will have substantial responsibilities under the Investment Advisory Agreement. The personnel of our investment adviser are engaged in other business activities and may be called upon to provide managerial assistance to our portfolio companies, either of which could distract them, divert their time and attention such that they could no longer dedicate a significant portion of their time to our businesses or otherwise slow our rate of investment. Any failure to manage our business and our future growth effectively could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**An investment in our shares is not an investment in existing funds, accounts or other investment vehicles managed by the Adviser or its affiliates except to the extent that we, consistent with the 1940 Act, invest in such entities. Our performance, therefore, is distinct from the prior performance of such entities.**

Our primary focus in making investments generally differs from that of existing investment funds, accounts or other investment vehicles that are or have been managed or sponsored by the Adviser or its affiliates. In addition, investors in our common stock are not acquiring an interest in any such investment funds, accounts or other investment vehicles that are or have been managed or sponsored by the Adviser or its affiliates. While we may consider co-investing in portfolio investments with other investment funds, accounts or investment vehicles managed or sponsored by the Adviser or its affiliates, our ability to make such investments will be limited by the 1940 Act, including, potentially, requiring the prior approval of our independent directors. We, Highland Capital Management Fund Advisors L.P. and the Adviser have obtained an exemptive order dated April 19, 2016 from the SEC to permit co-investments among the Company and other accounts managed by the Adviser or its affiliates, subject to certain conditions. We may also invest alongside our investment adviser's other clients as otherwise permissible under regulatory guidance, applicable regulations and the allocation policy of our investment adviser and its affiliates. We also cannot assure you that we will replicate the historical results achieved by the Adviser or its affiliates, and we caution you that our investment returns could be substantially lower than the returns achieved by them in prior periods. Additionally, all or a portion of the prior results may have been achieved in particular market conditions which may never be repeated.

**The highly competitive market for investment opportunities in which we operate may limit our investment opportunities.**

A number of entities compete with us to make the types of investments we plan to make in middle- market companies. We compete with public and private funds, including other business development companies, commercial and investment banks, commercial financing companies, and, to the extent they provide an



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alternative form of financing, private equity funds. Additionally, as competition for investment opportunities increases, alternative investment vehicles, such as hedge funds, may invest in middle-market companies. As a result of these new entrants, competition for investment opportunities in middle-market companies may intensify. Many of our potential competitors are substantially larger and have access to considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us which could allow them to offer more favorable terms to borrowers. In addition, some of our competitors have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions the 1940 Act imposes on us as a business development company. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective. Participants in our industry compete on several factors, including price, flexibility in transaction structuring, customer service, reputation, market knowledge and speed in decision-making. We will not seek to compete primarily based on the interest rates we offer, and we believe that some of our competitors may make loans with interest rates that are lower than the rates we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. However, if we match our competitors' pricing, terms and structure, we may reduce our net investment income and increase our risk of credit loss.

**The global capital markets are in a period of disruption and instability. These market conditions materially and adversely affected debt and equity capital markets in the United States and abroad, which could have a negative impact on our business, financial condition and results of operations.**

Beginning in 2007, and continuing through 2012, the global capital markets experienced a period of disruption resulting in increasing spreads between the yields realized on riskier debt securities and those realized on securities perceived to be risk free, such as U.S. Treasuries, as well as a lack of liquidity in the debt capital markets, significant write-offs in the financial services sector and the re-pricing of credit risk in the syndicated loan market. These events were accompanied by the deterioration of the housing market, illiquid market conditions, declining business and consumer confidence and the failure of certain major financial institutions. These events contributed to a worsening of general economic conditions that materially and adversely affected the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. These conditions may return or worsen in the future including as a result of actions of the U.S. government, such as spending cuts, government shutdowns or other similar actions.

Since 2010, several European Union countries, including Greece, Spain, Italy, Portugal and Ireland, have faced severe budget issues, some of which are disrupting the economies of those countries and other European Union countries. There have been significant concerns about national-level support for the euro and the coordination of fiscal and wage policy among European Economic and Monetary Union ("EMU")-member countries, and these concerns may persist or worsen. It is possible that one or more EMU member countries could abandon the euro and return to a national currency and/or that the euro will cease to exist as a single currency in its current form. The effects of such an abandonment or a country's forced expulsion from the euro on that country, the rest of the EMU, and global markets are impossible to predict, but are likely to be negative. The exit of any country out of the euro may have an extremely destabilizing effect on other Eurozone countries and their economies and a negative effect on the global economy as a whole. Such an exit by one country may also increase the possibility that additional countries may exit the euro should they face similar financial difficulties. In addition, in the event of one or more countries' exit from the euro, or withdrawal from the European Union ("EU") it may be difficult to value investments denominated in euros or in a replacement currency. On January 31, 2020, the United Kingdom left the EU and there commenced a transition period during which the EU and the United Kingdom will negotiate and agree on the nature of their future relationship. Significant uncertainty remains in the market regarding the ramifications of that development, and the range and potential implications of possible political, regulatory, economic and market outcomes are difficult to predict.

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Any return of the U.S. or global economic downturn or a recession period in the United States could adversely impact our investments. In addition, social and political tensions and conflict around the world, and particularly in the Middle East, may continue to contribute to increased market volatility, may have long-term effects on the U.S. and worldwide financial markets and may cause further economic uncertainty or deterioration in the United States and worldwide. We do not know how long the financial markets will continue to be affected by these events and cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets, the global economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so, and we may not timely anticipate or manage existing, new or additional risks, contingencies or developments, including regulatory developments in the current or future market environment.

While these conditions persist, we and other companies in the financial services sector may be required to, or may choose to, seek access to alternative markets for debt and equity capital. Equity capital may be difficult to raise because, subject to certain limited exceptions, as a business development company, we are not generally able to issue and sell our common stock at a price below net asset value per share without first obtaining approval for such issuance from our stockholders and independent directors. In addition, the debt capital that will be available to us, if at all, may be at a higher cost and on terms and conditions that may be less favorable than we expect, which, if incurred, could negatively affect our financial performance and results in the future. In addition, the portfolio companies in which we invest may not be able to service or refinance their debt, which could materially and adversely affect our financial condition, as we could experience reduced income or even losses. The inability to raise capital and the risk of portfolio company defaults may have a negative effect on our business, financial condition and results of operations. Another prolonged period of market illiquidity may also cause us to reduce the volume of loans we originate and/or fund below historical levels and adversely affect the value of our portfolio investments, which could have a material and adverse effect on our business, financial condition and results of operations.

Moreover, recent market conditions have made, and may in the future make, it difficult to extend the maturity of or refinance our existing indebtedness and any failure to do so could have a material adverse effect on our business, financial condition and results of operations. The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments.

Capital markets volatility also affects our investment valuations. While most of our investments will not be publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). As a result, volatility in the capital markets can adversely affect our valuations.

**We have elected to be treated as a RIC and intend each year to qualify and to be eligible to be treated as such. If we fail to qualify for treatment as a RIC, we will, among other things, be subject to corporate-level income tax.**

We have elected to be treated as a RIC under Subchapter M of the Code and intend each year to qualify and be eligible to be treated as such. In order to qualify for the special tax treatment accorded RICs and their shareholders, we must meet certain gross income, diversification and distribution requirements. A RIC generally is not subject to tax at the corporate level on income and gains from investments that are timely distributed to shareholders. Our ability to pursue our investment strategy, including a strategy focused on investments in CLOs, certain debt instruments and the generation of fee income, may be limited or adversely affected by our intention to qualify as a RIC and our strategy may bear adversely on our ability to so qualify. Our failure to qualify as a RIC would result in, among other things, corporate-level taxation, and consequently, a reduction in the value of an investment in our shares.

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If we failed to qualify for treatment as a RIC, we would be subject to tax on all of our taxable income at regular corporate rates and all of our distributions from earnings and profits (including from net long-term capital gains) would be taxable to stockholders as ordinary income. We would not be able to deduct distributions to stockholders, nor would we be required to make such distributions. Distributions, including distributions of net long-term capital gain, would generally be taxable to our stockholders as ordinary dividend income to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate stockholders would be eligible to claim a dividends-received deduction with respect to such dividends, and non-corporate stockholders would generally be able to treat such dividends as “qualified dividend income,” which is subject to reduced rates of U.S. federal income tax. To the extent such distributions exceed our current and accumulated earnings and profits, such excess distributions will be treated first as a return of capital to the extent of a stockholder’s tax basis in his or her shares, and then as a capital gain. Reducing a stockholder’s tax basis will have the effect of increasing his or her gain (or reducing loss) on a subsequent sale of shares. If we fail to qualify as a RIC for a period greater than two consecutive taxable years, to qualify as a RIC in a subsequent year we may be subject to regular corporate tax on any net built-in gains with respect to certain of our assets (i.e., the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if we had been liquidated) that we elect to recognize on requalification or when recognized over the next ten years.

**Our distributions may exceed our net investment income, particularly during any period before we have substantially invested the net proceeds from our public offering. As a result, portions of the distributions that we make may represent a return of capital to you for tax purposes, which will lower your tax basis in your shares and reduce the amount of funds we have available for investment in targeted assets.**

A return of capital is a return of your investment rather than a return of earnings or gains derived from our investment activities and will be made after deduction of the fees and expenses payable in connection with the offering, including any fees payable to our investment adviser. Although a return of capital is not currently taxable, it will lower your tax basis in your shares, which may increase your gain or decrease your loss in connection with a sale of our shares.

**We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.**

For U.S. federal income tax purposes, we will include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in connection with the making of a loan or possibly in other circumstances, or PIK interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discount, which could be significant relative to our overall investment assets, and increases in loan balances as a result of PIK interest will be included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we will not receive in cash.

Accordingly, in order to qualify for the special tax treatment accorded RICs and their shareholders, we may be required to distribute income accrued prior to the receipt of cash and thus we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements.

**We may retain a portion of our earnings and be subject to excise tax on such earnings.**

If we fail to distribute in a calendar year at least an amount equal to the sum of 98% of our ordinary income for such year and 98.2% of our capital gain net income (adjusted for certain ordinary losses) for the one-year period ending on October 31 of such year (unless an election is made to use our taxable year), plus any such undistributed amounts from the prior year, we will be subject to a nondeductible 4% excise tax on the undistributed amounts. We reserve the right to pay the excise tax when circumstances warrant.

**Table of Contents****Potential tax consequences if we were not a “publicly offered” RIC**

If for any taxable year we were not a “publicly offered” RIC within the meaning of Code Section 67(c)(2)(B), certain of our direct and indirect expenses, including the management fee, the incentive fee and certain other advisory expenses, would be subject to special “pass-through” rules. Such rules would treat these expenses as additional dividends to certain of our direct or indirect shareholders (generally including other RICs that are not “publicly offered,” individuals and entities that compute their taxable income in the same manner as an individual) and, under current law, are not deductible by those shareholders that are individuals (or entities that compute their taxable income in the same manner as an individual).

To qualify for the special tax treatment accorded to RICs and their shareholders, we must, among other things, distribute to our shareholders with respect to each taxable year at least the sum of 90% of our “investment company taxable income” (as that term is defined in the Code, without regard to the deduction for dividends paid—generally taxable ordinary income and the excess, if any, of net short-term capital gains over net long-term capital losses) and 90% of any net tax-exempt interest income (the excess of our gross tax-exempt interest over certain disallowed deductions), for such year, in a manner qualifying for the dividends paid deduction.

**If we make loans to borrowers that include PIK interest or accretion of original issue discount provisions, this could increase the risk of default by our borrowers.**

Some of the loans we make or acquire may provide for the payment by borrowers of PIK interest or accreted original issue discount at maturity. Such loans have the effect of deferring a borrower’s payment obligation until the end of the term of the loan, which may make it difficult for us to identify and address developing problems with borrowers in terms of their ability to repay us. Particularly in a rising interest rate environment, loans containing PIK and original issue discount provisions can give rise to negative amortization on a loan, resulting in a borrower owing more at the end of the term of a loan than what it owed when the loan was originated. Any such developments may increase the risk of default on our loans by borrowers.

**Any PIK interest payments we receive will increase our assets under management and, as a result, will increase the amount of base management fees payable by us to our investment adviser.**

Certain of our debt investments may contain provisions providing for the payment of PIK interest. Because PIK interest results in an increase in the size of the loan balance of the underlying loan, the receipt by us of PIK interest will have the effect of increasing our assets under management. As a result, because the base management fee that we pay to our investment adviser is based on the value of our gross assets, the receipt by us of PIK interest will result in an increase in the amount of the base management fee payable by us regardless of whether the PIK interest income is ever realized. In addition, any such increase in a loan balance due to the receipt of PIK interest will cause such loan to accrue interest on the higher loan balance, which will result in an increase in our pre-incentive fee net investment income and, as a result, an increase in incentive fees that are payable by us to our investment adviser.

**Regulations governing our operation as a business development company will affect our ability to raise, and the way in which we raise, additional debt or equity capital.**

We expect that we will require a substantial amount of capital in addition to the net proceeds of this offering. We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as “senior securities,” up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we will be permitted as a business development company to

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issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments at a time when such sales may be disadvantageous and, depending on the nature of our leverage, repay a portion of our indebtedness.

*Senior Securities.* If we issue senior securities, we will be exposed to typical risks associated with leverage, including an increased risk of loss. If we issue preferred stock, such securities would rank “senior” to common stock in our capital structure, and preferred stockholders would have separate voting rights, dividend and liquidation rights, and possibly other rights, preferences or privileges more favorable than those granted to holders of our common stock. Furthermore, the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for our common stockholders or otherwise be in your best interest.

*Additional Common Stock.* The Board may decide to issue common stock to finance our operations rather than issuing debt or other senior securities. As a business development company, we are not generally able to issue and sell our common stock at a price below current net asset value per share. We may, however, issue or sell our common stock at a price below the current net asset value of the common stock, or sell warrants, options or rights to acquire such common stock, at a price below the current net asset value of the common stock if the Board determines that such sale is in the best interests of us and our stockholders, and if our stockholders approve such sale within 12 months prior to such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of the Board, closely approximates the fair value of such securities. We also may conduct rights offerings at prices per share less than the net asset value per share, subject to the requirements of the 1940 Act. If we raise additional funds by issuing additional common stock or senior securities convertible into, or exchangeable for, our common stock, the ownership percentage of our stockholders at that time would decrease, and our stockholders may experience dilution.

**If we enter into securitization transactions, we may be subject to additional risks.**

In addition to issuing securities to raise capital as described above, we may securitize our loans to generate cash for funding new investments. To securitize loans, we may create a wholly-owned subsidiary, contribute a pool of loans to the subsidiary and have the subsidiary issue primarily investment grade debt securities to purchasers who we would expect to be willing to accept a substantially lower interest rate than the loans earn. Even though we expect the pool of loans that we contribute to any such securitization vehicle to be rated below investment grade, because the securitization vehicle’s portfolio of loans would secure all of the debt issued by such vehicle, a portion of such debt may be rated investment grade, subject in each case to market conditions that may require such portion of the debt to be over collateralized and various other restrictions. If applicable accounting pronouncements or SEC staff guidance require us to consolidate the securitization vehicle’s financial statements with our financial statements, any debt issued by it would be generally treated as if it were issued by us for purposes of the asset coverage ratio applicable to us. In such case, we would expect to retain all or a portion of the equity and/or subordinated notes in the securitization vehicle. Our retained equity would be exposed to any losses on the portfolio of loans before any of the debt securities would be exposed to such losses. Accordingly, if the pool of loans experienced a low level of losses due to defaults, we would earn an incremental amount of income on our retained equity but we would be exposed, up to the amount of equity we retained, to that proportion of any losses we would have experienced if we had continued to hold the loans in our portfolio. We would have no direct ability to enforce the payment obligations on the loans contributed to the securitization vehicle. We may hold subordinated debentures in any such securitization vehicle and, if so, we would not consider such securities to be senior securities. An inability to successfully securitize our loan portfolio could limit our ability to grow our business and fully execute our business strategy and adversely affect our earnings, if any. Moreover, the successful securitization of a portion of our loan portfolio might expose us to losses as the residual loans in which we do not sell interests will tend to be those that are riskier and less liquid. Any fee payable under any servicing or collateral management agreement in respect of the securitization would be offset in an amount equal to the base management fee payable under the Investment Advisory Agreement.



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As part of the securitization transaction, we would likely enter into an agreement under which we would be required to repurchase any loan (or participation interest therein) which was sold to the securitization vehicle in breach of any representation or warranty made by us with respect to such loan on the date such loan was sold.

The structure of a securitization transaction is intended to prevent, in the event of our bankruptcy, the consolidation of the securitization vehicle with our operations. If the true sale of these assets were not respected in the event of our insolvency, a trustee or debtor-in-possession might reclaim the assets of the securitization vehicle for our estate. However, in doing so, we would become directly liable for all of the indebtedness then outstanding under the securitization transaction, which would equal the full amount of debt of the securitization vehicle reflected on our balance sheet.

Recourse to us by the securitization vehicle would be limited and generally consistent with the terms of other similarly structured finance transactions. In a securitization transaction, we would sell and/or contribute to the securitization vehicle all of our ownership interest in certain of our portfolio loans and participations for the purchase price and other consideration set forth in the securitization agreement. This transfer would be structured by its terms to provide limited recourse to us by the securitization vehicle relating to certain representations and warranties with respect to certain characteristics including title and quality of the portfolio loans that were transferred to the securitization vehicle. If we breached these representations and warranties and such breach materially and adversely affected the value of the portfolio loans or the interests of holders of notes issued by the securitization vehicle, then we could be required to (a) cure such breach in all material respects, (b) repurchase the portfolio loan or loans subject to such breach or (c) remove the portfolio loan or loans subject to such breach from the pool of loans and other assets held by the securitization vehicle and substitute a portfolio loan or loans that meet the requirements of the securitization documents. This repurchase and substitution obligation of us would constitute the sole remedy available against us for any breach of a representation or warranty related to the portfolio loans transferred to the securitization vehicle.

**We intend to finance our investments with borrowed money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.**

The use of leverage magnifies the potential for gain or loss on amounts invested. We expect to incur leverage through a credit facility and, from time to time, intend to incur additional leverage to the extent permitted under the 1940 Act. The use of leverage is generally considered a speculative investment technique and increases the risks associated with investing in our securities. In the future, we may borrow from, and issue senior securities, to banks, insurance companies and other lenders. Holders of these senior securities will have fixed dollar claims on our assets that are superior to the claims of our common stockholders, and we would expect such holders to seek recovery against our assets in the event of a default. We may pledge up to 100% of our assets and may grant a security interest in all of our assets under the terms of any debt instruments into which we may enter. In addition, under the terms of any credit facility or other debt instrument we enter into, we are likely to be required by its terms to use the net proceeds of any investments that we sell to repay a portion of the amount borrowed under such facility or instrument before applying such net proceeds to any other uses.

If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged, thereby magnifying losses or eliminating our equity stake in a leveraged investment. Similarly, any decrease in our revenue or income will cause our net income to decline more sharply than it would have had we not borrowed. Such a decline would also negatively affect our ability to make dividend payments on our common stock or preferred stock. Our ability to service our debt will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of our use of leverage, including interest expenses and any increase in the management fee payable to our investment adviser.

As a business development company, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which includes all of our borrowings and any preferred stock that we

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may issue in the future, of at least 150%. If this ratio declines below 150%, we cannot incur additional debt and could be required to sell a portion of our investments to repay some debt at a time when it is disadvantageous to do so. This could have a material adverse effect on our operations, and we may not be able to make distributions. The amount of leverage that we employ will depend on the Adviser's and the Board's assessment of market conditions and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to obtain credit on terms acceptable to us or at all.

In addition, the terms of indebtedness that we incur in the future could impose financial and operating covenants that restrict our business activities, including limitations that may hinder our ability to finance additional loans and investments or make the distributions required to qualify for the special tax treatment accorded RICs and their shareholders under the Code. Furthermore, the terms of any credit facility and other indebtedness that we incur in the future may contain various covenants which, if not complied with, could accelerate repayment, thereby materially and adversely affecting our liquidity, financial condition, results of operations and our ability to pay distributions to our stockholders.

Assuming the utilization of leverage in the amount of 30% of the Company's total assets and an annual interest rate of 3.80% payable on such leverage based on market rates as of December 31, 2018, the additional income that the Company must earn (net of expenses) in order to cover such leverage is 1.6% of net asset value (NAV). Actual costs of leverage may be higher or lower than that assumed in the example.

The following table is designed to illustrate the effect on the return to a holder of the Company's common stock of leverage in the amount of approximately 30% of the Company's total assets, assuming hypothetical annual returns of the Company's investment portfolio of minus 10% to plus 10%. As the table shows, leverage generally increases the return to holders of common shares when portfolio return is positive and greater than the cost of leverage and decreases when the return is negative or less than the cost of leverage. The figures appearing in the table are hypothetical and actual returns may be greater or less than those appearing in the table.

**Assumed Return on Our Portfolio (Net of Expenses)**  
**Corresponding return to common stockholder**

<b>-10%</b>	<b>-5%</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>
-15.9%	-8.8%	-1.6%	5.5%	12.7%

**We may enter into reverse repurchase agreements, which are another form of leverage.**

We may enter into reverse repurchase agreements. A repurchase agreement is an agreement by a bank or other financial institution to buy securities or another asset with a corresponding agreement that it will resell these same securities or assets to the same seller for an agreed-upon price on a certain day (often the next day). A reverse repurchase agreement is the same as a repurchase agreement, but from the perspective of the buyer rather than the seller. Under a reverse repurchase agreement, we will pledge our assets as collateral to secure a short-term loan. Generally, the other party to the agreement makes the loan in an amount equal to a percentage of the fair value of the pledged collateral. At the maturity of the reverse repurchase agreement, we will be required to repay the loan and correspondingly release our collateral.

Our use of reverse repurchase agreements, if any, involves many of the same risks involved in our use of leverage, as the proceeds from reverse repurchase agreements generally will be invested in additional securities. There is a risk that the market value of the securities acquired in the reverse repurchase agreement may decline below the price of the securities that we have sold but we will remain obligated to repurchase pursuant to the terms of the repurchase agreement.

In addition, there is a risk that the market value of the securities retained by us may decline. If a buyer of securities under a reverse repurchase agreement were to file for bankruptcy or experience insolvency, we may be adversely affected. Also, in entering into reverse repurchase agreements, we would bear the risk of loss to the extent that the proceeds of such agreements at settlement are less than the fair value of the underlying securities being pledged.



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Reverse repurchase agreements are considered leverage under the 1940 Act. We may “set aside” liquid assets, or engage in other appropriate measures, to “cover” obligations with respect to transactions in reverse repurchase agreements. As a result of such segregation, our obligations under such transactions will not be considered senior securities representing indebtedness for purposes of the 1940 Act and our use of leverage through reverse repurchase agreements will not be limited by the 1940 Act.

**We are exposed to risks resulting from the current low interest rate environment.**

Since we will borrow money to make investments, our net investment income depends, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. The current, historically low interest rate environment can, depending on our cost of capital, depress our net investment income, even though the terms of our investments generally will include a minimum interest rate. In addition, any reduction in the level of interest rates on new investments relative to interest rates on our current investments could adversely impact our net investment income, reducing our ability to service the interest obligations on, and to repay the principal of, our indebtedness, as well as our capacity to pay dividends. Any such developments would result in a decline in our net asset value and in the trading price of our common stock.

**If interest rates increase, floating rate interest rate reset features on debt instruments may make it more difficult for borrowers to repay their loans, and separately, will make it easier for the Adviser to meet its income incentive fee threshold without any additional effort.**

A rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments, particularly since our strategy includes investments in floating rate loans. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle and may result in a substantial increase of the amount of incentive fees payable to the Adviser with respect to Pre-Incentive Fee Net Investment Income.

There is also a risk that our borrowers will be unable to pay escalating interest amounts if general interest rates rise, resulting in a default under their loan documents with us. This could also cause borrowers to shift cash from other productive uses to the payment of interest, which may have a material adverse effect on their business and operations and could, over time, lead to increased defaults. In addition, increasing payment obligations under floating rate loans may cause borrowers to refinance or otherwise repay our loans earlier than they otherwise would, requiring us to incur management time and expense to re-deploy such proceeds, including on terms that may not be as favorable as our existing loans. We expect that many of our debt investments will include floating interest rates that reset on a periodic basis and typically do not require the borrowers to pay down the outstanding principal of such debt prior to maturity. These features of our debt investments will increase our risk of losing a substantial amount of our investments if borrowers are unable to pay the increased interest resulting from these reset provisions or if borrowers are unable to repay or refinance their debts at maturity.

Because loans are not ordinarily registered with the SEC or any state securities commission or listed on any securities exchange, there is usually less publicly available information about such instruments. In addition, loans may not be considered “securities” for purposes of the federal securities laws and, as a result, as a purchaser of these instruments, we may not be entitled to the anti-fraud protections of the federal securities laws. In the course of investing in such instruments, we may come into possession of material nonpublic information and, because of prohibitions on trading in securities of issuers while in possession of such information, we may be unable to enter into a transaction in a publicly-traded security of that issuer when it would otherwise be advantageous for us to do so. Alternatively, we may choose not to receive material nonpublic information about an issuer of such loans, with the result that we may have less information about such issuers than other investors who transact in such assets.

**Table of Contents****Any failure on our part to maintain our status as a business development company would reduce our operating flexibility.**

If we lose our status as a business development company, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility. For example, if we were to be regulated as a closed-end investment company under the 1940 Act, we would be further limited in the amount of leverage we could incur and would face additional restrictions governing our ability to engage in transactions with our affiliates.

**Since we intend to use debt to finance our investments, and we may use debt financing subsequent to the offering, changes in interest rates may affect our cost of capital and net investment income.**

Interest rate fluctuations may have a substantial negative impact on our investments, the value of our common stock and our rate of return on invested capital. Since we intend to use debt to finance investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates when we have debt outstanding, our cost of funds will increase, which could reduce our net investment income. Conversely, in periods of falling interest rates, the probability that our loans and other investments in portfolio companies will be pre-paid increases. In such periods, we can offer no assurance that we will be able to make new loans on the same terms, or at all. If we cannot make new loans on terms that are the same or better than the investments that are repaid, then our results of operations and financial condition will be adversely affected. We expect that our investments will be financed primarily with equity and long-term debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. These activities may limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations. Additionally, our ability to engage in hedging transactions may also be adversely affected by recent rules adopted by the CFTC, unless we register with the CFTC as a commodity pool operator.

You should also be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle rate and may result in a substantial increase in the amount of incentive fees payable to our investment adviser with respect to Pre-Incentive Fee Net Investment Income.

**There are significant potential conflicts of interest that could affect our investment returns.**

As a result of our arrangements with the Adviser, there may be times when our investment adviser has interests that differ from those of our stockholders, giving rise to a conflict of interest.

**There are conflicts of interest related to the obligations of the Adviser or its affiliates to other clients.**

The Adviser or its affiliates may have other clients with similar, different or competing investment objectives. In serving in these multiple capacities, they may have obligations to other clients or investors in those other entities, the fulfillment of which may not be in the best interests of us or our stockholders. For example, our investment adviser and its affiliates manage or sponsor other investment funds, accounts or other investment vehicles. Our investment objective may overlap with the investment objectives of such affiliated investment funds, accounts or other investment vehicles. As a result, our investment adviser may face conflicts of interest in the allocation of investment opportunities among us and other investment funds, accounts or other investment vehicles advised by or affiliated with our investment adviser. Our investment adviser will seek to allocate

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investment opportunities among eligible accounts in a manner that is fair and equitable over time and consistent with its allocation policy. However, we can offer no assurance that such opportunities will be allocated to us fairly or equitably in the short-term or over time. Where we are able to co-invest consistent with the requirements of the 1940 Act and SEC exemptive relief, if sufficient securities or loan amounts are available to satisfy our and each such account's proposed demand, the opportunity will be allocated in accordance with our investment adviser's pre-transaction determination and the requirements of the exemptive relief. If there is an insufficient amount of an investment opportunity to satisfy our demand and that of other accounts sponsored or managed by our investment adviser or its affiliates, the allocation policy and exemptive relief further provides that allocations among us and such other accounts will generally be made pro rata based on the amount that each such party would have invested if sufficient loan amounts were available. However, there can be no assurance that we will be able to participate in all suitable investment opportunities.

**Our investment adviser or its affiliates may, from time to time, possess material non-public information, limiting our investment discretion.**

Principals of our investment adviser and its affiliates may serve as directors of, or in a similar capacity with, companies in which we invest, the securities of which are purchased or sold on our behalf. If we obtain material nonpublic information with respect to public companies, or we become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, we could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on us.

**Our management and incentive fee structure may create incentives for our investment adviser that are not fully aligned with the interests of our stockholders and may induce our investment adviser to make speculative investments.**

In the course of our investing activities, we will pay management and incentive fees to our investment adviser. The incentive fee payable by us to our investment adviser may create an incentive for our investment adviser to make investments on our behalf that are risky or more speculative than would be the case in the absence of such a compensation arrangement. The management fee is based on our gross assets. As a result, investors in our common stock will invest on a "gross" basis and receive distributions on a "net" basis after expenses, resulting in a lower rate of return than one might achieve through direct investments. Because the management fee is based on our gross assets, our investment adviser will benefit if and when we issue additional equity, incur debt or use leverage. The use of leverage will increase the likelihood of default under any credit facility or other debt instruments we enter into, which would disfavor the holders of our common stock, including investors in this offering.

Under the incentive fee structure, our investment adviser may benefit when capital gains are recognized and, because our investment adviser determines when a holding is sold, our investment adviser controls the timing of the recognition of such capital gains. The Board is charged with protecting our interests by monitoring how our investment adviser addresses these and other conflicts of interest associated with its management services and compensation. While they are not expected to review or approve each investment or realization, our independent directors will periodically review our investment adviser's services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors will consider whether such fees and our expenses (including those related to leverage) remain appropriate. As a result of this arrangement, our investment adviser or its affiliates may from time to time have interests that differ from those of our stockholders. Unlike that portion of the incentive fee based on income, there is no hurdle rate applicable to the incentive fee based on net capital gains. As a result, our investment adviser may seek to invest more capital in investments that are likely to result in capital gains as compared to income producing securities. This practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

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**The Investment Advisory Agreement and the Administration Agreement with the Adviser were not negotiated on an arm's length basis and may not be as favorable to us as if they had been negotiated with an unaffiliated third party.**

The Investment Advisory Agreement and the Administration Agreement were negotiated between related parties. Consequently, their terms, including fees payable to our investment adviser, may not be as favorable to us as they might be had they been negotiated with an unaffiliated third party. In addition, in deciding whether and how vigorously to enforce our rights and remedies under these agreements, our Board may, to the extent consistent with applicable law, take into account the value of our ongoing relationship with our investment adviser, our administrator and their respective affiliates.

**Our ability to enter into transactions with our affiliates will be restricted, which may limit the scope of investments available to us.**

We are prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, of the SEC. Any person that owns, directly or indirectly, five percent or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act, and we are generally prohibited from buying or selling any security from or to, or entering into certain "joint" transactions (which could include investments in the same portfolio company) with such affiliates, absent the prior approval of our independent directors. Our investment adviser and its affiliates, including persons that control, are controlled by, or are under common control with, us or our investment adviser, are also considered to be our affiliates under the 1940 Act, and we are generally prohibited from buying or selling any security from or to, or entering into "joint" transactions with such affiliates without the prior approval of our independent directors and, in some cases, exemptive relief from the SEC.

We may, however, invest alongside the Adviser's, and its affiliates' other clients in certain circumstances where doing so is consistent with applicable law, SEC staff interpretations and/or appropriate exemptive relief from the SEC. For example, we may invest alongside such accounts consistent with guidance promulgated by the staff of the SEC permitting us and such other accounts to purchase interests in a single class of privately placed securities so long as certain conditions are met, including that our investment adviser, acting on our behalf and on behalf of other clients, negotiates no term other than price. We, Highland Capital Management Fund Advisors L.P. and the Adviser have obtained an exemptive order dated April 19, 2016 from the SEC to permit co-investments among the Company and other accounts managed by the Adviser or its affiliates, subject to certain conditions. We may also invest alongside our investment adviser's other clients as otherwise permissible under regulatory guidance, applicable regulations and the allocation policy of our investment adviser and its affiliates. Under this allocation policy, a calculation, based on the type of investment, will be applied to determine the amount of each opportunity to be allocated to us. This allocation policy will be periodically reviewed by our investment adviser and approved by our independent directors. We expect that these determinations will be made similarly for other accounts sponsored or managed by our investment adviser and its affiliates. If sufficient securities or loan amounts are available to satisfy our and each such account's proposed demand, we expect that the opportunity will be allocated in accordance with our investment adviser's pre- transaction determination. Where there is an insufficient amount of an investment opportunity to satisfy us and other accounts sponsored or managed by our investment adviser or its affiliates, the allocation policy further provides that allocations among us and such other accounts will generally be made pro rata based on the amount that each such party would have invested if sufficient securities or loan amounts were available. These allocation policies and procedures are intended to assist the Adviser and its affiliates in ensuring that investment opportunities will be allocated to us fairly and equitably.

In situations where co-investment with other accounts managed by our investment adviser or its affiliates is not permitted or appropriate, our investment adviser and its affiliates will need to decide which client will proceed with the investment. Our investment adviser's allocation policy provides, in such circumstances, for investments to be allocated on a random or rotational basis to assure that all clients have fair and equitable access

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to such investment opportunities. Moreover, except in certain circumstances, we will be unable to invest in any issuer in which a fund managed by our investment adviser or its affiliates has previously invested. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates. These restrictions may limit the scope of investment opportunities that would otherwise be available to us.

**The Adviser may be entitled to receive substantial compensation from us when we consummate a liquidity event, which could negatively impact our investment returns.**

In the future, the Board may consider various types of transactions to provide liquidity to stockholders, including: (i) a listing of our shares on a national securities exchange; (ii) a merger or another transaction approved by the Board in which our stockholders will receive cash or securities of a listed company; and (3) a sale of all or substantially all of our assets for cash or other consideration. In the event that the Board approves a sale or merger of our company, it is likely that such a transaction would cause a termination of the Investment Advisory Agreement. Upon the termination of the Investment Advisory Agreement, we would be potentially required to make a one-time payment to the Adviser in an amount based upon the market value of its interest in us as of the date of termination. This potential obligation to make a substantial payment to the Adviser in the event of sale or merger of our company or sale of our assets may limit the amount that our stockholders will receive upon the consummation of a liquidity event and create a conflict of interest for those directors who are affiliated with the Adviser.

**Because we expect to distribute substantially all of our ordinary income and net realized capital gains to our stockholders, we will need additional capital to finance our growth and such capital may not be available on favorable terms, or at all.**

We will need capital to fund growth in our investment portfolio in addition to the net proceeds of this offering. We may issue debt securities or borrow from financial institutions in order to obtain this additional capital. A reduction in the availability of new capital could limit our ability to grow. We will be required to distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to our stockholders to qualify for the special tax treatment accorded RICs and their stockholders. As a result, these earnings will not be available to fund new investments. If we fail to obtain additional capital to fund new investments, this could limit our ability to grow, which may have an adverse effect on the value of our securities.

In addition, as a business development company, we are generally required to maintain a ratio of at least 200% of total assets to total borrowings, which may restrict our ability to borrow in certain circumstances.

**The valuation process for certain of our portfolio holdings creates a conflict of interest.**

Many of our portfolio investments are expected to be made in the form of securities that are not publicly traded. As a result, the Board will determine the fair value of these securities in good faith as described elsewhere in this prospectus. In connection with that determination, investment professionals from our investment adviser will provide the Board with portfolio company valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. The participation of our investment adviser's investment professionals in our valuation process, and the indirect pecuniary interest in our investment adviser by certain members of the Board, could result in a conflict of interest as the management fee paid to our investment adviser is based, in part, on our gross assets.

**Many of our portfolio investments will be recorded at fair value as determined in good faith by the Board. As a result, there will be uncertainty as to the value of our portfolio investments.**

Many of our portfolio investments will take the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable, and we value



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these securities at fair value as determined in good faith by the Board, a committee thereof or by the Adviser pursuant to board approved procedures including to reflect significant events affecting the value of our securities. As discussed in more detail under “Discussion of Operating Plans — Critical Accounting Policies,” most, if not all, of our investments (other than cash and cash equivalents) are expected to be classified as Level 3 under ASC Topic 820, Fair Value Measurement. This means that our portfolio valuations are based on unobservable inputs and our own assumptions about how market participants would price the asset or liability in question. Inputs into the determination of fair value of our portfolio investments requires significant management judgment or estimation.

Even if observable market data are available, such information may be the result of consensus pricing information or broker quotes, which include a disclaimer that the broker would not be held to such a price in an actual transaction. Consensus pricing is a methodology for the determination of fair value based on quotations from market makers. These quotations include a disclaimer that the market maker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimers materially reduces the reliability of such information. We have retained the services of one or more independent service providers to review the valuation of these securities periodically. The types of factors that the Board may take into account in determining the fair value of our investments generally include, as appropriate, comparison to publicly traded securities including such factors as yield, maturity and measures of credit quality, the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company’s ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. In addition, the determination of fair value and thus the amount of unrealized losses we may incur in any year, is, to a degree, subjective, in that it is based on unobservable inputs and certain assumptions. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

Each quarter, the Board determines the fair value of each investment in our portfolio. Any changes in fair value are recorded in our statement of operations as a net change in unrealized appreciation or depreciation.

**We may experience fluctuations in our quarterly results.**

We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rate payable on the senior securities we acquire, the default rate on such securities, the level of our expenses, variations in, and the timing of the recognition of, realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

**Changes in laws or regulations governing our operations may adversely affect our business or cause us to alter our business strategy.**

We and our portfolio companies will be subject to regulation at the local, state and federal level. We are also subject to federal, state and local laws and are subject to judicial and administrative decisions that affect our operations, including maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure proceedings and other trade practices. If these laws, regulations or decisions change, or if we expand our business into additional jurisdictions, we may have to incur significant expenses in order to comply or we might have to restrict our operations. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we or our portfolio companies are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect. In particular, in July 2010, the Dodd-Frank Wall Street Reform

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and Consumer Protection Act, or the Dodd-Frank Act, became law. The scope of the Dodd-Frank Act impacts many aspects of the financial services industry, and it requires the development and adoption of many implementing or removing regulations that will continue for several years following its enactment. The effects of the Dodd-Frank Act on the financial services industry will depend, in large part, upon the extent to which regulators exercise the authority granted to them and the approaches taken in implementing regulations. While the impact of the Dodd-Frank Act on us and our portfolio companies may not be known for an extended period of time, the Dodd-Frank Act, including future rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals directed at the financial services industry or affecting taxation that are proposed or pending in the U.S. Congress, may negatively impact the operations, cash flows or financial condition of us or our portfolio companies, impose additional costs on us or our portfolio companies, intensify the regulatory supervision of us or our portfolio companies or otherwise adversely affect our business or the business of our portfolio companies. In addition, if we do not comply with applicable laws and regulations, we could lose any licenses we hold for the conduct of our business and may be subject to civil fines and criminal penalties. Significant uncertainty currently exists in the market regarding the ramifications of any repeal or reform of certain parts of the Dodd-Frank Act, and the range and potential implications of possible political, regulatory, economic and market outcomes are difficult to predict.

Additionally, changes to the laws and regulations governing our operations related to permitted investments may cause us to alter our investment strategy in order to avail ourselves of new or different opportunities. Such changes could result in material differences to the strategies and plans set forth in this prospectus and may shift our investment focus from the areas of expertise of our investment adviser to other types of investments in which our investment adviser may have little or no expertise or experience. Any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment.

**The Board may change our investment objective, operating policies and strategies without prior notice or stockholder approval.**

The Board has the authority to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval (except as required by the 1940 Act). However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a business development company. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and value of our stock. Nevertheless, the effects of any such changes may adversely affect our business and impact our ability to make distributions and since our shares are not expected to be listed on a national securities exchange for the foreseeable future, stockholders will be limited in their ability to sell their shares in response to any changes in our investment objective, operating policies and strategies.

**We will incur significant costs as a result of being a public company.**

As a public company, we will incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act and other rules implemented by the SEC.

**Provisions of the General Corporation Law of the State of Delaware and our certificate of incorporation and bylaws could deter takeover attempts and have an adverse effect on the price of our common stock.**

The General Corporation Law of the State of Delaware ("DGCL"), contains provisions that may discourage, delay or make more difficult a change in control of us or the removal of our directors. Our certificate of incorporation and bylaws contain provisions that limit liability and provide for indemnification of our directors and officers. These provisions and others also may have the effect of deterring hostile takeovers or delaying changes in control or management. We are subject to Section 203 of the DGCL, the application of which is



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subject to any applicable requirements of the 1940 Act. This section generally prohibits us from engaging in mergers and other business combinations with stockholders that beneficially own 15% or more of our voting stock, or with their affiliates, unless our directors or stockholders approve the business combination in the prescribed manner. The Board will adopt a resolution exempting from Section 203 of the DGCL any business combination between us and any other person, subject to prior approval of such business combination by the Board, including approval by a majority of our directors who are not “interested persons.” If the resolution exempting business combinations is repealed or the Board does not approve a business combination, Section 203 of the DGCL may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer.

We have also adopted measures that may make it difficult for a third party to obtain control of us, including provisions of our certificate of incorporation classifying the Board in three classes serving staggered three-year terms, and provisions of our certificate of incorporation authorizing the Board to classify or reclassify shares of our unissued preferred stock in one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our certificate of incorporation, without stockholder approval, to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our certificate of incorporation and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders. In addition, if we issue preferred stock, such securities would rank “senior” to common stock in our capital structure, resulting in preferred stockholders having separate voting rights, dividend and liquidation rights, and possibly other rights, preferences or privileges more favorable than those granted to holders of our common stock.

**Our investment adviser can resign on 120 days’ notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.**

Our investment adviser has the right, under the Investment Advisory Agreement, to resign at any time upon not less than 120 days’ written notice, whether we have found a replacement or not. If our investment adviser resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 120 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by our investment adviser and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition and results of operations.

The Adviser has the right to resign under the Administration Agreement, whether we have found a replacement or not. If the Adviser resigns, we may not be able to find a new administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected. In addition, the coordination of our internal management and administrative activities is likely to suffer if we are unable to identify and reach an agreement with a service provider or individuals with the expertise possessed by the Adviser. Even if we are able to retain a comparable service provider or individuals to perform such services, whether internal or external, their integration into our business and lack of familiarity with our operations may result in additional costs and time delays that may adversely affect our business, financial condition and results of operations.

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**As a public company, we will be subject to regulations not applicable to private companies, such as provisions of the Sarbanes-Oxley Act. Efforts to comply with such regulations will involve significant expenditures, and non-compliance with such regulations may adversely affect us.**

As a public company, we will be subject to regulations not applicable to private companies, including provisions of the Sarbanes-Oxley Act and the related rules and regulations promulgated by the SEC. Our management will be required to report on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act and rules and regulations of the SEC thereunder. We will be required to review on an annual basis our internal control over financial reporting, and on a quarterly and annual basis, to evaluate and disclose changes in our internal control over financial reporting. Section 404 of the Sarbanes-Oxley Act will generally require an attestation from our independent registered public accounting firm over financial reporting. We cannot be certain as to the timing of the completion of our evaluation, testing and remediation actions or the impact of the same on our operations, and we may not be able to ensure that the process is effective or that our internal control over financial reporting is or will be effective in a timely manner. In the event that we are unable to develop or maintain an effective system of internal controls and maintain or achieve compliance with the Sarbanes-Oxley Act and related rules, we may be adversely affected.

**We depend on information systems, and systems failures could significantly disrupt our business, which may, in turn, negatively affect our ability to pay dividends to our stockholders.**

Our business depends on the communications and information systems of the Adviser. In addition, certain of these systems are provided to the Adviser by third-party service providers. Any failure or interruption of such

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systems, including as a result of the termination of an agreement with any such third-party service provider, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

Cyber-attacks, disruptions, or failures that affect our service providers or counterparties may adversely affect us and our stockholders, including by causing losses for us or impairing our operations. For example, our or our service providers' assets or sensitive or confidential information may be misappropriated, data may be corrupted, and operations may be disrupted (e.g., cyber-attacks or operational failures may cause the release of private stockholder information or confidential information, interfere with the processing of stockholder transactions, impact the ability to calculate our NAV, and impede trading). In addition, cyber-attacks, disruptions, or failures may cause reputational damage and subject us or our service providers to regulatory fines, litigation costs, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. While we and our service providers may establish business continuity and other plans and processes to address the possibility of cyber-attacks, disruptions, or failures, there are inherent limitations in such plans and systems, including that they do not apply to third parties, such as other market participants, as well as the possibility that certain risks have not been identified or that unknown threats may emerge in the future. Similar types of operational and technology risks are also present for issuers of our investments, which could have material adverse consequences for such issuers, and may cause our investments to lose value. In addition, cyber-attacks involving our counterparty could affect such counterparty's ability to meet its obligations to us, which may result in losses to us and our stockholders. Furthermore, as a result of cyber-attacks, disruptions, or failures, an exchange or market may close or issue trading halts on specific securities or the entire market, which may result in us being, among other things, unable to buy or sell certain securities or financial instruments or unable to accurately price its investments. We cannot directly control any cybersecurity plans and systems put in place by its service providers, our counterparties, issuers in which we invest, or securities markets and exchanges.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

**If we internalize our management functions, your interest in us could be diluted, and we could incur other significant costs associated with being self-managed.**

The Board may decide in the future to pursue exemptive relief from the SEC in order to internalize our management functions. If we do so, we may elect to negotiate to acquire the Adviser's assets and personnel. At this time, we cannot anticipate the form or amount of consideration or other terms relating to any such acquisition. Such consideration could take many forms, including cash payments, promissory notes and shares of our common stock. The payment of such consideration could result in dilution of your interest as a stockholder and could reduce the earnings per share attributable to your investment.

In addition, while we would no longer bear the costs of the various fees and expenses we expect to pay to the Adviser under the Investment Advisory Agreement, we would incur the compensation and benefits costs of our officers and other employees and consultants that are being paid by the Adviser or its affiliates. In addition,

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we may issue equity awards to officers, employees and consultants. These awards would decrease net income and may further dilute your investment in us. We cannot reasonably estimate the amount of fees we would save or the costs we would incur if we became self-managed. If the expenses we assume as a result of an internalization are higher than the expenses we avoid paying to the Adviser, our earnings per share would be lower as a result of the internalization than it otherwise would have been, potentially decreasing the amount of funds available to distribute to our stockholders and the value of our shares. As we are currently organized, we do not have any employees. If we elect to internalize our operations, we would employ personnel and would be subject to potential liabilities commonly faced by employers, such as workers disability and compensation claims and other employee-related liabilities and grievances.

If we internalize our management functions, we could have difficulty integrating these functions as a standalone entity. Currently, individuals employed by the Adviser and its affiliates perform asset management and general and administrative functions, including accounting and financial reporting, for multiple entities. These personnel have a great deal of know-how and experience. We may fail to properly identify the appropriate mix of personnel and capital needs to operate as a standalone entity. An inability to manage an internalization transaction effectively could thus result in our incurring excess costs and/or suffering deficiencies in our disclosure controls and procedures or our internal control over financial reporting. Such deficiencies could cause us to incur additional costs, and our management's attention could be diverted from effectively managing our investments.

Internalization transactions have also, in some cases, been the subject of litigation. Even if these claims are without merit, we could be forced to spend significant amounts of money defending such claims, which would reduce the amount of funds we have available for investment in targeted assets.

**We, through our investment in a REIT Subsidiary, may be subject to the risks associated with investing in real estate-related securities.**

We may form a REIT Subsidiary that is generally subject to the same investment policies and restrictions as we are. NexPoint Advisors would not charge an additional fee on assets held in the REIT Subsidiary. We intend to limit investments in any REIT Subsidiaries and related entities to the extent necessary to qualify as a RIC for tax purposes. In general, and subject to certain exceptions not applicable here, a RIC is not permitted to invest, including through corporations in which the RIC owns a 20% or more voting stock interest, more than 25% of its total assets in any one issuer, or in any two or more issuers which the taxpayer controls and which are determined to be engaged in the same or similar trades or businesses or related trades or businesses. Investments in REITs such as a REIT Subsidiary may be affected by changes in the real estate markets generally as well as changes in the values of the specific properties owned by a REIT or securing the mortgages owned by the REIT. REITs are dependent upon the management skill and abilities of those persons or entities responsible for managing their investments. REITs are by definition not diversified as their permitted investments are significantly limited by the provisions of the Code.

Because of minimum distribution requirements imposed by the Code, REITs tend to be dependent on the acquisition of assets with high positive cash flows. The minimum distribution requirements also tend to limit the degree to which REITs can retain and redeploy capital. REITs are particularly vulnerable to defaults by their borrowers and there are significant limitations on their ability to realize income from property acquired as a result of foreclosure. REITs investing in healthcare properties are subject to complex rules on how they can acquire and operate those properties while maintaining their REIT status.

**Risks Related to our Investments****Our investments may be risky, and you could lose all or part of your investment.**

We invest primarily in debt investments and to a lesser extent, selected equity investments in middle-market healthcare companies. The portfolio companies in which we invest may have, or may be permitted to incur, other

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debt ranking equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying senior creditors, the portfolio company may not have sufficient assets to repay its obligation to us in full, or at all. In the case of debt ranking equally with debt securities in which we invest, we would have to share any distributions on an equal and ratable basis with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

*Secured Loans.* When we extend first lien senior secured, second lien senior secured and unitranche loans, we will generally take a security interest in the available assets of these portfolio companies, including the equity interests of their subsidiaries. We expect this security interest to help mitigate the risk that we will not be repaid. However, there is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. Also, in the case of first lien loans, our lien may be subordinated to claims of other creditors and, in the case of second lien loans, our lien will be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies.

The rights we may have with respect to the collateral securing loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of such senior debt. Under a typical intercreditor agreement, at any time that obligations benefiting from first-priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first-priority liens:

- the ability to commence enforcement proceedings against the collateral;
- the ability to control the conduct of such proceedings;
- the approval of amendments to collateral documents;
- releases of liens on the collateral; and
- waivers of past defaults under collateral documents.

We may not have the ability to control or direct such actions, even if our rights are adversely affected.

*Mezzanine Loans.* Our mezzanine investments will generally be subordinated to senior loans and will generally be unsecured. This may result in greater risk and volatility or a loss of principal. These investments may involve additional risks that could adversely affect our investment returns. To the extent interest payments associated with such debt are deferred, such debt may be subject to greater fluctuations in valuations, and such debt could subject us and our stockholders to non-cash income as described above under "Risk Factors—Risks Relating to our Business and Structure—We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income." Since we generally will not receive any substantial repayments of principal prior to the maturity of our mezzanine debt investments, such investments are riskier than amortizing loans. We can offer no assurance that the proceeds, if any, from sales of collateral securing other loans of a portfolio company would be sufficient to satisfy our unsecured obligations after payment in full of all secured loan obligations. If such proceeds were not sufficient to repay the outstanding secured loan obligations, then our unsecured claims would rank equally with the unpaid portion of such secured creditors' claims against the portfolio company's remaining assets, if any.



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We expect in the future to invest in securities that are rated below investment grade by rating agencies or that may be rated below investment grade if they were so rated. Below investment grade securities, which are often referred to as ‘junk bonds,’ are viewed as speculative investments because of concerns with respect to the issuer’s capacity to pay interest and repay principal.

*Derivative Transactions.* We may invest without limitation in warrants and may also use derivatives, primarily swaps (including equity, variance and volatility swaps), options and futures contracts on securities, interest rates, commodities and/or currencies, as substitutes for direct investments the Company can make. We may also use derivatives such as swaps, options (including options on futures), futures, and foreign currency transactions (e.g., foreign currency swaps, futures and forwards) to any extent deemed by the Adviser to be in the best interest of the Company, and to the extent permitted by the 1940 Act, to hedge various investments for risk management and speculative purposes (collectively, “Derivative Transactions”). We may use any or all types of Derivative Transactions which we are authorized to use at any time; no particular strategy will dictate the use of one type of Derivative Transaction rather than another, as use of any authorized Derivative Transaction will be a function of numerous variables, including market conditions. Derivative Transactions involve certain risks and special considerations. Risks of Derivative Transactions include the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative instruments. Furthermore, the ability to successfully use Derivative Transactions depends on the Adviser’s ability to predict pertinent market movements. Because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may not only result in the loss of the entire investment, but may also expose the Company to the possibility of a loss exceeding the original amount invested. Thus, the use of Derivative Transactions may result in losses greater than if they had not been used, may require the Company to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Company can realize on an investment or may cause the Company to hold a security that it might otherwise sell. The use of foreign currency transactions can result in the Company incurring losses as a result of the imposition of exchange controls, the suspension of settlements or the inability of the Company to deliver or receive a specified currency. Additionally, amounts paid by the Company as premiums and cash or other assets held in margin accounts with respect to Derivative Transactions are not otherwise available to the Company for investment purposes.

If a put or call option purchased by the Company is not sold when it has remaining value, and if the market price of the underlying security remains equal to or greater than the exercise price (in the case of a put), or remains less than or equal to the exercise price (in the case of a call), the Company will lose its entire investment in the option.

Also, where a put or call option on a particular security is purchased to hedge against price movements in a related security, the price of the put or call option may move more or less than the price of the related security. If restrictions on exercise were imposed, the Company might be unable to exercise an option it had purchased. If the Company were unable to close out an option that it had purchased on a security, it would have to exercise the option in order to realize any profit or the option may expire worthless.

In addition, the SEC proposed a rule under the 1940 Act regulating the use by registered investment companies of derivatives and many related instruments. That rule, if adopted as proposed, would, among other things, restrict the Company’s ability to engage in derivatives transactions or so increase the cost of derivatives transactions that the Company would be unable to implement its investment strategy.

The Company’s Derivative Transactions are generally subject to numerous special and complex tax rules. Because the tax rules applicable to such transactions may be uncertain under current law, an adverse determination or future IRS guidance with respect to these rules (which determination or guidance could be retroactive) may affect whether the Company has made sufficient distributions, and otherwise satisfied the relevant requirements, to maintain its qualification as a RIC and avoid Company-level U.S. federal income or

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excise taxes. The Company's investments in derivative instruments may be limited by the Company's intention to qualify for treatment as a RIC and could adversely affect the Company's ability to so qualify.

*Equity Investments.* We may make selected equity investments. In addition, when we invest in first lien, second lien, unitranche or mezzanine loans, we may acquire warrants to purchase equity securities. Our goal is ultimately to dispose of these equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

**We are subject to risks associated with middle-market companies.**

Investing in middle-market companies involves a number of significant risks, including:

- these companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;
- they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns;
- they are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- generally, little public information exists about these companies, and we are required to rely on our investment adviser to obtain adequate information to evaluate the potential returns from investing in these companies;
- they generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, our executive officers, directors and our investment adviser may, in the ordinary course of business, be named as defendants in litigation arising from our investments in these portfolio companies; and
- they may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

**We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited by the 1940 Act with respect to the proportion of our assets that may be invested in securities of a single issuer.**

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. Our election to be treated as and intention to qualify and be eligible to be treated as a RIC, however, has its own diversification requirement with which we intend to comply. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond the asset diversification requirements associated with our qualification as a RIC under the Code and certain contractual diversification requirements under a credit facility or other agreements, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.



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**Our portfolio may be concentrated in a limited number of portfolio companies, industries and/or sectors which will subject us to a risk of significant loss if any of these companies defaults on its obligations under any of its debt instruments or if there is a downturn in a particular industry or sector.**

Our portfolio may be concentrated in a limited number of portfolio companies, industries and/or sectors. Beyond the asset diversification requirements associated with our qualification as a RIC under the Code and certain contractual diversification requirements of a credit facility or other agreements, we do not have fixed guidelines for diversification. As a result, the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, our investments may be concentrated in relatively few industries or sectors. As a result, a downturn in any particular industry or sector in which we are invested could also significantly impact the aggregate returns we realize.

**The lack of liquidity in our investments may adversely affect our business.**

We will generally make investments in private companies. Private companies have reduced access to the capital markets, resulting in diminished capital resources and ability to withstand financial distress. Furthermore, substantially all of our investments in private companies will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities.

The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we have material non-public information regarding such portfolio company or if an investment is held by one of our subsidiaries and is subject to contractual limitations on sale, such as the limitations on transfer of assets under certain circumstances under a credit facility. These and similar risks may also be applicable to thinly-traded companies in which we may invest.

**Price declines and illiquidity in the corporate debt markets may adversely affect the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.**

As a business development company, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by the Board under our valuation policy and process. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments:

- a comparison of the portfolio company's securities to publicly traded securities;
- the enterprise value of a portfolio company;
- the nature and realizable value of any collateral;
- the portfolio company's ability to make payments and its earnings;
- the markets in which the portfolio company does business; and
- changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation. We record decreases in the market values or fair values of our investments as unrealized depreciation. Declines in prices and liquidity in the corporate debt markets may result in significant net unrealized depreciation in our portfolio. The effect of all of these factors on our portfolio may reduce our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**Table of Contents****The Adviser may effectuate short sales that subject us to unlimited loss potential.**

The Adviser may enter into transactions in which it sells a security it does not own, which we refer to as a short sale, in anticipation of a decline in the market value of the security. Short sales for our account theoretically will involve unlimited loss potential since the market price of securities sold short may continuously increase. Under adverse market conditions, the Adviser might have difficulty purchasing securities to meet short sale delivery obligations and may have to cover short sales at suboptimal prices.

**Our investments in the healthcare industry are subject to numerous risks, including competition, extensive government regulation and commercial difficulties.**

Our investments in portfolio companies in the healthcare industry, particularly the pharmaceuticals, devices, life sciences and facilities sub-sectors are subject to numerous risks. The successful and timely implementation of the business model of our healthcare portfolio companies depends on their ability to adapt to changing technologies and introduce new products. As competitors continue to introduce competitive products, the development and acquisition of innovative products and technologies that improve efficacy, safety and cost-effectiveness are important to the success of such portfolio companies. The success of new product offerings will depend on many factors, including the ability to properly anticipate and satisfy customer needs, obtain regulatory approvals on a timely basis, develop and manufacture products in an economic and timely manner, obtain or maintain advantageous positions with respect to intellectual property, and differentiate products from those of competitors. Failure by our portfolio companies to introduce planned products or other new products or to introduce products on schedule could have a material adverse effect on our business, financial condition and results of operations.

Further, the development of products by pharmaceuticals, devices, life sciences and facilities companies in the healthcare industry requires significant research and development, clinical trials and regulatory approvals. The results of product development efforts may be affected by a number of factors, including the ability to innovate, develop and manufacture new products, complete clinical trials, obtain regulatory approvals and reimbursement in the United States and abroad, or gain and maintain market approval of products. In addition, regulatory review processes by U.S. and foreign agencies may extend longer than anticipated as a result of decreased funding and tighter fiscal budgets. Further, patents attained by others can preclude or delay the commercialization of a product. There can be no assurance that any products now in development will achieve technological feasibility, obtain regulatory approval, or gain market acceptance. Failure can occur at any point in the development process, including after significant funds have been invested. Products may fail to reach the market or may have only limited commercial success because of efficacy or safety concerns, failure to achieve positive clinical outcomes, inability to obtain necessary regulatory approvals, failure to achieve market adoption, limited scope of approved uses, excessive costs to manufacture, the failure to establish or maintain intellectual property rights, or the infringement of intellectual property rights of others.

**Changes in healthcare laws and other regulations applicable to some of our portfolio companies' businesses may constrain their ability to offer their products and services.**

There has also been an increased political and regulatory focus on healthcare laws in recent years, and new legislation could have a material effect on the business and operations of some of our portfolio companies by increasing their compliance and other costs of doing business, requiring significant systems enhancements, or rendering their products or services less profitable or obsolete. In particular, the Food and Drug Administration ("FDA"), has established regulations, guidelines and policies to govern the development and approval of pharmaceuticals and medical devices, as have foreign regulatory authorities, which affect some of our portfolio companies. Any change in regulatory requirements due to the adoption by the FDA and/or foreign regulatory authorities of new legislation, regulations, or policies may require some of our portfolio companies to amend existing clinical trial protocols or add new clinical trials to comply with these changes. Such amendments to existing protocols and/or clinical trial applications or the need for new ones, may significantly impact the cost,

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timing and completion of the clinical trials. Also, any potential repeal and replace or overhaul to the Affordable Care Act may have adverse effects on certain healthcare sub-sectors due to changes in payer-mix, patient volumes, as well as other changes to the current law.

**We may hold the debt securities of leveraged companies that may, due to the significant volatility of such companies, enter into bankruptcy proceedings.**

Leveraged companies may experience bankruptcy or similar financial distress. The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversary proceedings and are beyond the control of the creditors. A bankruptcy filing by an issuer may adversely and permanently affect the issuer. If the proceeding is converted to a liquidation, the value of the issuer may not equal the liquidation value that was believed to exist at the time of our investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor's return on investment can be adversely affected by delays until a plan of reorganization or liquidation ultimately becomes effective. The administrative costs in connection with a bankruptcy proceeding are frequently high and would be paid out of the debtor's estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, our influence with respect to the class of securities or other obligations we own may be lost by increases in the number and amount of claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain claims that have priority by law (for example, claims for taxes) may be substantial, eroding the value of any recovery by holders of other securities of the bankrupt entity.

Depending on the facts and circumstances of our investments and the extent of our involvement in the management of a portfolio company, upon the bankruptcy of a portfolio company, a bankruptcy court may recharacterize our debt investments as equity interests and subordinate all or a portion of our claim to that of other creditors. This could occur even though we may have structured our investment as senior debt.

**Economic recessions or downturns could impair the ability of our portfolio companies to repay loans and increase our costs, which, in turn, could increase our non-performing assets, decrease the value of our portfolio, reduce our volume of new loans and otherwise harm our operating results.**

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions may also decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from making new investments, increase credit losses and harm our operating results, which could have an adverse effect on our results of operations.

**We may be subject to risks associated with syndicated loans.**

From time to time, we may acquire interests in syndicated loans. Under the documentation for such loans, a financial institution or other entity typically is designated as the administrative agent and/or collateral agent. This agent is granted a lien on any collateral on behalf of the other lenders and distributes payments on the indebtedness as they are received. The agent is the party responsible for administering and enforcing the loan and generally may take actions only in accordance with the instructions of a majority or two-thirds of the holders of commitments and/or principal amount of the associated indebtedness. In most cases, we do not expect to hold a sufficient amount of the indebtedness to be able to compel any actions by the agent. For example, in many cases, our investments may represent less than the amount of associated indebtedness sufficient to compel such actions or represent subordinated debt which is precluded from acting and, consequently, we would only be able to direct

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such actions if instructions from us were made in conjunction with other holders of associated indebtedness that together with us compose the requisite percentage of the related indebtedness then entitled to take action. Conversely, if holders of the required amount of the associated indebtedness (excluding amounts held by us) desire to take certain actions, such actions may be taken even if we did not support such actions. Furthermore, if an investment is subordinated to one or more senior loans made to the applicable obligor, our ability to exercise such rights may be subordinated to the exercise of such rights by the senior lenders. Accordingly, we may be precluded from directing such actions unless we act together with other holders of the indebtedness. If we are unable to direct such actions, we cannot assure you that the actions taken will be in our best interests.

If an investment is a syndicated revolving loan or delayed drawdown loan, other lenders may fail to satisfy their full contractual funding commitments for such loan, which could create a breach of contract, result in a lawsuit by the obligor against the lenders and adversely affect the fair market value of our investment.

There is a risk that a loan agent may become bankrupt or insolvent. Such an event would delay, and possibly impair, any enforcement actions undertaken by holders of the associated indebtedness, including attempts to realize upon the collateral securing the associated indebtedness and/or direct the agent to take actions against the related obligor or the collateral securing the associated indebtedness and actions to realize on proceeds of payments made by obligors that are in the possession or control of any other financial institution. In addition, we may be unable to remove the agent in circumstances in which removal would be in our best interests. Moreover, agent loans typically allow for the agent to resign with certain advance notice.

**Our investments in CLOs may be riskier and less transparent to us and our stockholders than direct investments in the underlying companies.**

We intend to invest in CLOs. Generally, there may be less information available to us regarding the underlying debt investments held by CLOs than if we had invested directly in the debt of the underlying companies. As a result, our stockholders will not know the details of the underlying securities of the CLOs in which we will invest. Our CLO investments will also be subject to the risk of leverage associated with the debt issued by such CLOs and the repayment priority of senior debt holders in such CLOs. Our investments in prospective portfolio companies may be risky, and we could lose all or part of our investment.

**Our financial results may be affected adversely if one or more of our equity or mezzanine debt investments in a CLO vehicle defaults on its payment obligations or fails to perform as we expect.**

We intend to invest in the equity and mezzanine tranches in CLOs, which involve a number of significant risks. CLOs are typically highly levered, and therefore the equity and mezzanine tranches that we will invest in are subject to a higher risk of total loss. In particular, investors in CLOs indirectly bear risks of the underlying debt investments held by such CLOs. We will generally have the right to receive payments only from the CLOs, and will generally not have direct rights against the underlying borrowers or the entity that sponsored the CLOs. Although it is difficult to predict whether the prices of indices and securities underlying CLOs will rise or fall, these prices (and, therefore, the prices of the CLOs) will be influenced by the same types of political and economic events that affect issuers of securities and capital markets generally.

The investments we intend to make in CLOs will likely be thinly traded or have only a limited trading market. CLO investments are typically privately offered and sold in the primary and secondary markets. As a result, investments in CLOs may be characterized as illiquid securities. In addition to the general risks associated with investing in debt securities, CLOs carry additional risks, including, but not limited to: (i) the possibility that distributions from the underlying loans will not be adequate to make interest or other payments; (ii) the quality of the underlying loans may decline in value or default; and (iii) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the CLO or unexpected investment results. Further, our investments in equity and mezzanine tranches of CLOs will be subordinate to the senior debt tranches thereof.

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Investments in structured vehicles, including equity and mezzanine debt instruments issued by CLOs, involve risks, including credit risk and market risk. Changes in interest rates and credit quality may cause significant price fluctuations. Additionally, changes in the underlying loans held by a CLO may cause payments on the instruments we hold to be reduced, either temporarily or permanently. Structured investments, particularly the subordinated interests in which we invest, are less liquid than many other types of securities and may be more volatile than the loans underlying the CLOs in which we invest.

**Certain tax consequences of our investments**

There are various tax risks with respect to some of our investments, including but not limited to, the risks discussed below.

Some of our investments outside the United States, including our CLO investments, may be treated as investments in passive foreign investment companies ("PFICs"), as defined below, and could subject us to U.S. federal income tax (including interest charges) on distributions received from a PFIC or on proceeds received from the disposition of shares in a PFIC, which tax cannot be eliminated by making distributions to our shareholders. However, we may elect to avoid the imposition of that tax. For example, we may elect to treat a PFIC as a "qualified electing fund" ("QEF") (i.e., make a "QEF election"), in which case we will be required to include our share of the PFIC's income and net capital gain annually, regardless of whether it receives any distribution from the PFIC. Alternatively, we may elect to mark the gains (and to a limited extent the losses) in such holdings "to the market" as though we had sold (and, solely for purposes of this mark-to-market election, repurchased) our holdings in those PFICs on the last day of our taxable year. Such gains and losses are treated as ordinary income and loss. The QEF and mark-to-market elections may have the effect of accelerating the recognition of income (without the receipt of cash) and increasing the amount required to be distributed for us to avoid taxation. Making either of these elections therefore may require us to liquidate other investments (including when it is not advantageous to do so) to meet our distribution requirement, which also may accelerate the recognition of gain and affect our total return.

If we own (directly or indirectly) 10% or more of the total combined voting power of all classes of stock of a foreign corporation or 10% or more of the total value of shares of all classes of stock of a foreign corporation that is treated as a controlled foreign corporation ("CFC") (including equity tranche investments and certain debt tranche investments in a CLO treated as CFC), we are a "U.S. Shareholder" for purposes of the CFC provisions of the Code. A CFC is a foreign corporation that, on any day of its taxable year, is owned (directly, indirectly, or constructively) more than 50% (measured by voting power or value) by U.S. Shareholders. A U.S. Shareholder is required to include in gross income for U.S. federal income tax purposes for each taxable year of the U.S. Shareholder its pro rata share of its CFC's "subpart F income" for the CFC's taxable year ending within the U.S. Shareholder's taxable year whether or not such income is actually distributed by the CFC. Subpart F income is treated as ordinary income, regardless of the character of the CFC's underlying income. To the extent we invest in CFCs, if any, and recognize subpart F income in excess of actual cash distributions from such CFCs, if any, we may be required to sell assets (including when it is not advantageous to do so) to generate the cash necessary to distribute as dividends to our shareholders all of our income and gains and therefore to eliminate any corporate-level tax liability.

Investments in distressed debt obligations that are at risk of or in default present special tax issues. Tax rules are not entirely clear about issues such as whether and to what extent we should recognize market discount on these debt obligations, when we may cease to accrue interest, OID or market discount, when and to what extent we may take deductions for bad debts or worthless securities and how we should allocate payments received on obligations in default between principal and income. We will address these and other related issues when, as and if we invest in such obligations, in order to seek to ensure that we distribute sufficient income to preserve our eligibility for treatment as a RIC and do not become subject to U.S. federal income or excise tax.

Our derivative transactions, as well as any of our other hedging, short sale or similar transactions, may be subject to one or more special tax rules (including, for instance, notional principal contract, mark-to-market,



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constructive sale, straddle, wash sale and short-sale rules). These rules may affect whether gains and losses we recognize are treated as ordinary or capital and/or as short-term or long-term, accelerate our recognition of income or gains, defer losses, and cause adjustments in the holding periods of our securities. The rules could therefore affect the amount, timing and/or character of our distributions to shareholders.

Because the tax rules applicable to derivative financial instruments are in some cases uncertain under current law, an adverse determination or future guidance by the IRS with respect to these rules (which determination or guidance could be retroactive) may affect whether we have made sufficient distributions, and otherwise satisfied the relevant requirements, to maintain our qualification as a RIC and avoid a corporate-level tax.

To qualify for the special tax treatment accorded RICs and their shareholders, we must meet certain source-of-income, asset diversification and annual distribution requirements. Our ability to pursue our investment strategy may be limited or adversely affected by our intention to qualify as a RIC and our strategy may bear adversely on our ability to so qualify.

**We may not realize gains from our equity investments.**

When we invest in mezzanine loans or senior secured loans, we may also invest in the equity securities of the borrower or acquire warrants or other equity securities as well. In addition, we may invest directly in the equity securities of portfolio companies. Our goal is ultimately to dispose of such equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not realize gains from our equity interests, and any gains that we do realize on the disposition of such equity interests may not be sufficient to offset any other losses we experience.

**Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio, and our ability to make follow-on investments in certain portfolio companies may be restricted.**

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as “follow-on” investments, in order to:

- increase or maintain in whole or in part our equity ownership percentage;
- exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or
- attempt to preserve or enhance the value of our investment.

We will have the discretion to make any follow-on investments, subject to the availability of capital resources, the limitations of the 1940 Act, the requirements associated with qualifying for the special tax treatment accorded RICs and their shareholders and contractual requirements under a credit facility or otherwise. We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. The failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we do not want to increase our exposure to the portfolio company, because we prefer other opportunities or because we are inhibited by compliance with business development company requirements, or our contractual requirements or the desire to qualify for the special tax treatment accorded RICs and their shareholders.

**Table of Contents****Because we may not hold controlling equity interests in our portfolio companies, we may not be in a position to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments.**

Although we intend to take controlling equity positions in some of our portfolio companies, we do not intend to take a controlling equity interest in all of our portfolio companies. In addition, we may not be in a position to control any portfolio company by investing in its debt securities. As a result, we will be subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity for the debt and equity investments that we will typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company, and we may therefore suffer a decrease in the value of our investments.

**Defaults by issuers of our holdings will harm our operating results.**

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets. This could trigger cross-defaults under other agreements and jeopardize such portfolio company's ability to meet its obligations under the debt or equity securities that we hold. Our investments in loans of such issuers may be placed on non-accrual status under those circumstances, if principal and/or interest payments become overdue or if there is a reasonable doubt that principal or interest will be collected. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company. A payment default on a loan to a portfolio company or a default leading to the acceleration of debt of a portfolio company could cause the loan to such portfolio company held by us to become, or to be deemed to be, a defaulted obligation under a credit facility. This, in turn, could result in a coverage test under a credit facility not being met and the diversion of distributions of assets to pay down debt under the credit facility rather than to make distributions. Such a portfolio company default could also lead to an event of default and acceleration under a credit facility and liquidation by the related lender of the assets securing the credit facility. Any such diversion of cash flow or any event of default could result in our being unable to make distributions to our stockholders in amounts sufficient to qualify for the special tax treatment accorded RICs and their shareholders, or at all, and could have a material adverse effect on our business, financial condition and results of operations. Investments in issuers that are in default or that have been placed on non-accrual status have in the past represented and may in the future represent a significant portion of our portfolio.

**Our investment adviser's liability will be limited under the Investment Advisory Agreement, and we have agreed to indemnify our investment adviser against certain liabilities, which may lead our investment adviser to act in a riskier manner on our behalf than it would when acting for its own account.**

Under the Investment Advisory Agreement, our investment adviser will not assume any responsibility to us other than to render the services called for under that agreement, and it will not be responsible for any action of the Board in following or declining to follow our investment adviser's advice or recommendations. Our investment adviser maintains a contractual, as opposed to a fiduciary, relationship with us. Under the terms of the Investment Advisory Agreement, our investment adviser, its officers, members, personnel, and any person controlling or controlled by our investment adviser will not be liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary's stockholders or partners for acts or omissions performed in accordance with and pursuant to the Investment Advisory Agreement, except those resulting from acts constituting negligence or misconduct. In addition, we have agreed to indemnify our investment adviser and each of its officers, directors, members, managers and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Investment Advisory Agreement, except where attributable to negligence or misconduct. These protections may lead our investment adviser to act in a riskier manner when acting on our behalf than it would when acting for its own account.



**Table of Contents****We may be obligated to pay our investment adviser incentive compensation even if we incur a net loss due to a decline in the value of our portfolio.**

Our Investment Advisory Agreement entitles our investment adviser to receive incentive compensation on income regardless of any capital losses. In such case, we may be required to pay our investment adviser incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or if we incur a net loss for that quarter.

Any incentive fee payable by us that relates to our net investment income may be computed and paid on income that may include interest that has been accrued but not yet received. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously included in the calculation of the incentive fee will become uncollectible. Our investment adviser is not under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued income that we never received as a result of a default by an entity on the obligation that resulted in the accrual of such income, and such circumstances would result in our paying an incentive fee on income we never received.

**We may not apply or be approved for an SBIC license.**

An affiliate of the Company may apply for a license to form an SBIC. If such an application is made and approved and the SBA so permits, we anticipate that the SBIC license would be transferred to a wholly-owned subsidiary of ours. Following such transfer, we anticipate that the SBIC subsidiary would be allowed to issue SBA-guaranteed debentures, subject to certain regulatory requirements. SBA guaranteed debentures carry long-term fixed rates that are generally lower than rates on comparable bank and other debt. We cannot assure that we will make an application for an SBIC license, be successful in receiving an SBIC license from the SBA or that the SBA will permit such license to be transferred to us. If we do receive an SBIC license, there is no minimum amount of SBA-guaranteed debentures that must be allocated to us.

**Our portfolio companies may prepay loans, which prepayment may reduce our yields if capital returned cannot be invested in transactions with equal or greater expected yields.**

The loans in our investment portfolio may be prepayable at any time. It is not clear at this time when each loan may be prepaid. Whether a loan is prepaid will depend both on the continued positive performance of the portfolio company and the existence of favorable financing market conditions that allow such company the ability to replace existing financing with less expensive capital. As market conditions change we do not know when, and if, prepayment may occur for each portfolio company. In the case of some of these loans, having the loan prepaid may reduce the achievable yield for us if the capital returned cannot be invested in transactions with equal or greater expected yields, which could have a material adverse effect on our business, financial condition and results of operations.

**The disposition of our investments may result in contingent liabilities.**

We currently expect that a significant portion of our investments will involve private securities. In connection with the disposition of an investment in a private company, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to certain potential liabilities. These arrangements may result in contingent liabilities that ultimately yield funding obligations that must be satisfied through our return of certain distributions previously made to us.

**We may expose ourselves to risks if we engage in hedging transactions.**

If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may borrow under a credit facility in currencies selected to minimize our foreign currency exposure or use

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instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions caused by these risks does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline for other reasons. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price. Our ability to engage in hedging transactions may also be adversely affected by recent rules adopted by the CFTC unless we register as a commodity pool operator. While we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

**Investments in securities of foreign companies, if any, may involve significant risks in addition to the risks inherent in U.S. investments.**

We may make investments in securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

In addition, any investments we make that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk, or, that if we do, such strategies will be effective.

**We may invest in foreign sovereign debt and the foreign governmental issuers of debt of the governmental authorities that control repayment of the debt may be unable or unwilling to repay principal or pay interest when due.**

Investments in sovereign debt involve special risks. Foreign governmental issuers of debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due. In the event of default, there may be limited or no legal recourse. Political conditions, especially a sovereign entity's willingness to meet the terms of its debt obligations, are of considerable significance. The ability of a foreign sovereign issuer, especially an emerging market country, to make timely payments on its debt obligations will also be strongly influenced by the sovereign issuer's balance of payments, including export performance, its access to international credit facilities and investments, fluctuations of interest rates and the extent of its foreign reserves. In addition, there is no bankruptcy proceeding with respect to sovereign debt on which a sovereign has defaulted and the Company may be unable to collect all or part of its investment in a particular issue. Foreign investment in certain sovereign debt is restricted or controlled to varying degrees, including requiring governmental approval for the repatriation of income, capital or proceeds of sales by

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foreign investors. These restrictions or controls may at times limit or preclude foreign investment in certain sovereign debt and increase our costs and expenses.

**We are not obligated to complete a liquidity event by a specified date; therefore, it will be difficult for an investor to sell his or her shares.**

We intend to seek to complete a liquidity event for our stockholders within five years following the completion of our offering stage. We expect that the Board, in the exercise of the requisite standard of care applicable to directors under Delaware law, will determine to pursue a liquidity event when it believes that then-current market conditions are favorable for a liquidity event, and that such a transaction is in the best interests of our stockholders. A liquidity event could include (1) a listing of our shares on a national securities exchange, (2) the sale of all or substantially all of our assets either on a complete portfolio basis or individually followed by a liquidation or (3) a merger or another transaction approved by the Board in which our stockholders likely will receive cash or shares of a publicly traded company. However, there can be no assurance that we will complete a liquidity event within such time or at all. If we do not successfully complete a liquidity event, liquidity for an investor's shares will be limited to our share repurchase program, which we have no obligation to maintain.

**We intend to offer to repurchase your shares on a quarterly basis. Only a limited number of shares will be repurchased, however, and, to the extent you are able to sell your shares under the repurchase program, you will not be able to recover the amount of your investment in those shares.**

We intend to commence tender offers to allow you to tender your shares on a quarterly basis at a price equal to 90% of our public offering price in effect on the date of repurchase. The share repurchase program will include numerous restrictions that limit your ability to sell your shares. We intend to limit the number of shares repurchased pursuant to our share repurchase program as follows:

- we currently intend to limit the number of shares to be repurchased during any calendar year to the number of shares we can repurchase with the proceeds we receive from the sale of shares of our common stock under our distribution reinvestment plan, although at the discretion of the Board, we may also use cash on hand, cash available from borrowings and cash from liquidation of securities investments as of the end of the applicable period to repurchase shares;
- we will limit the number of shares to be repurchased in any calendar year to 10% of the weighted average number of shares outstanding in the prior calendar year, or 2.5% in each quarter;
- unless you tender all of your shares, you must maintain a minimum balance of \$2,500 subsequent to submitting a portion of your shares for repurchase by us; and
- to the extent that the number of shares tendered for repurchase exceeds the number of shares we are able to repurchase, we will repurchase shares as nearly as may be pro-rata, except as permitted by Rule 13e-4 of the Exchange Act, not on a first-come, first-served basis. Further, we will have no obligation to repurchase shares if the repurchase would violate the restrictions on distributions under federal law or Delaware law, which prohibits distributions that would cause a corporation to fail to meet statutory tests of solvency. These limits may prevent us from accommodating all repurchase requests made in any year. The Board may amend, suspend or terminate the repurchase program upon 30 days' notice. We will notify you of such developments (1) in our quarterly reports or (2) by means of a separate mailing to you, accompanied by disclosure in a current or periodic report under the Exchange Act. In addition, although we have adopted a share repurchase program, we will have discretion to not repurchase your shares, to suspend the plan and to cease repurchases. Further, the plan has many limitations and should not be relied upon as a method to sell shares promptly or at a desired price.

**Table of Contents****The timing of our repurchase offers pursuant to our share repurchase program may be at a time that is disadvantageous to our stockholders.**

When we make quarterly repurchase offers pursuant to our share repurchase program, we may offer to repurchase shares at a price that is lower than the price that investors paid for shares in this offering. As a result, to the extent investors have the ability to sell their shares to us as part of our share repurchase program, the price at which an investor may sell shares, which we expect to be 90% of the offering price in effect on the date of repurchase, may be lower than what an investor paid in connection with the purchase of shares in this offering.

In addition, in the event an investor chooses to participate in our share repurchase program, the investor will be required to provide us with notice of intent to participate prior to knowing what the net asset value per share will be on the repurchase date. Although an investor will have the ability to withdraw a repurchase request prior to the repurchase date, to the extent an investor seeks to sell shares to us as part of our share repurchase program, the investor will be required to do so without knowledge of what the repurchase price of our shares will be on the repurchase date.

**There is a risk that you may not receive distributions or that our distributions may not grow over time.**

We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. Also, due to the asset coverage test applicable to us as a business development company, we may be limited in our ability to make distributions. Finally, if more stockholders receive cash dividends and other distributions rather than opt to participate in our distribution reinvestment plan, we may be forced to liquidate some of our investments and raise cash in order to make distribution payments. All distributions will be paid at the discretion of the Board and will depend on our earnings, our financial condition, qualification for the special tax treatment accorded RICs and their shareholders, compliance with applicable business development company regulations and such other factors as the Board may deem relevant from time to time. We cannot assure you that we will pay distributions to our stockholders in the future.

**Investing in our shares may involve an above average degree of risk and is intended for long-term investors.**

The investments we make in accordance with our investment objective and strategies may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in our shares may not be suitable for an investor with a lower risk tolerance. In addition, our common stock is intended for long-term investors.

**We may allocate the net proceeds from the offering in ways with which you may not agree.**

We will have significant flexibility in investing the net proceeds of our public offering. You will be unable to evaluate the manner in which the net proceeds of the offering will be invested or the economic merit of our expected investments and, as a result, we may use the net proceeds from the offering to invest in investments with which you may not agree. We intend to invest, under normal circumstances, at least 80% of our total assets in debt and equity of middle-market companies, with an emphasis on healthcare companies, syndicated floating rate debt of large public and non-public companies and mezzanine and equity tranches of CLOs. Additionally, we will not provide you with information on potential investments prior to our acquisition of such investments. In addition, we have flexibility under our investment policy to invest a significant portion of our assets in investments that are not debt or equity investments in middle-market companies. The failure of our management to apply net proceeds from this offering effectively or find investments that meet our investment criteria in sufficient time or on acceptable terms could result in unfavorable returns and could cause a material adverse effect on you.

**Table of Contents****Item 1B.      *Unresolved Staff Comments***

None

**Item 2.      *Properties***

We do not own any real estate or other physical properties materially important to our operation. Our headquarters are located at 300 Crescent Court, Suite 700, Dallas, Texas 75201. We believe that our office facilities are suitable and adequate for our business as it is presently conducted.

**Item 3.      *Legal Proceedings***

Although we may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise, neither we nor the Adviser is currently a party to any pending material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us or against the Adviser.

**Item 4.      *Mine Safety Disclosures***

Not applicable.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****Market Information**

There is currently no secondary market for our common stock, and we do not expect that a secondary market for our shares will develop in the foreseeable future. No shares of our common stock have been authorized for issuance under any equity compensation plans.

Set forth below is a chart describing the classes of our securities outstanding as of December 31, 2019:

<u>Title of Class</u>	<u>Amount Authorized</u>	<u>Amount Held by Us or for Our Account</u>	<u>Amount Outstanding Exclusive of Amount Under Column</u>
Common Stock	200,000,000	—	10,425,431
Preferred Stock	25,000,000	—	—

As of December 31, 2019, we had 1,861 record holders of our common stock.

**Share Repurchase Program**

On a quarterly basis, the Company intends to offer to repurchase shares of common stock on such terms as may be determined by the Board in its complete and absolute discretion unless, in the judgment of the independent directors of the Board, such repurchases would not be in the best interests of the Company's stockholders or would violate applicable law. The Company will conduct such repurchase offers in accordance with the requirements of Rule 13e-4 of the Exchange Act and the 1940 Act. In months in which the Company repurchases shares of common stock, it may, but will not necessarily, conduct repurchases on the same date that it holds its first weekly closing for the sale of shares of common stock in its public offering. Any offer to repurchase shares of common stock will be conducted solely through tender offer materials mailed to each stockholder.

The Company currently intends to limit the number of shares of common stock to be repurchased during any calendar year to the number of shares of common stock it can repurchase with the proceeds it receives from the sale of shares of common stock under its distribution reinvestment plan. At the discretion of the Board, the Company may also use cash on hand, cash available from borrowings and cash from liquidation of securities investments as of the end of the applicable period to repurchase shares of common stock. In addition, the Company will limit the number of shares of common stock to be repurchased in any calendar year to 10.0% of the weighted average number of shares of common stock outstanding in the prior calendar year, or 2.5% in each quarter, though the actual number of shares of common stock that the Company offers to repurchase may be less in light of the limitations noted above. The Company intends to offer to repurchase such shares of common stock at a price equal to 90% of the offering price in effect on each date of repurchase. In months in which the Company repurchases shares of common stock pursuant to its share repurchase program, it expects to conduct repurchases on the same date that it holds its first weekly closing in such month for the sale of shares of common stock in its continuous public offering. The Board may amend, suspend or terminate the share repurchase program at any time, upon 30 days' notice.

We will repurchase shares from a stockholder in the event of the stockholder's death or Qualifying Disability, as defined below, upon such shares being presented to us for repurchase. The repurchase price for repurchases in connection with a stockholder's death or Qualifying Disability will be the NAV as determined for the next weekly pricing period commencing after the receipt by our transfer agent of a repurchase request in proper form.



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We will not be obligated to repurchase shares if more than 360 days have elapsed since the date of the death or Qualifying Disability of a stockholder. Further, the Board will have no obligation to repurchase shares if it would cause us to violate federal law or Delaware law. Moreover, the Board has the right to suspend or terminate this repurchase right to the extent that it determines it is in our best interest to do so. This repurchase right will terminate on the date that our shares are listed on a national securities exchange or are included for quotation in a national securities market. All shares to be repurchased must be (i) fully transferable and not be subject to any liens or other encumbrances and (ii) free from any restrictions on transfer. If we determine that a lien or other encumbrance or restriction exists against the shares requested to be repurchased, we will not repurchase any such shares.

In order for a disability to be considered a “Qualifying Disability,” (1) the stockholder must receive a determination of disability based upon a physical or mental condition or impairment arising after the date the stockholder acquired the shares to be repurchased, and (2) such determination of disability must be made by the governmental agency responsible for reviewing the disability retirement benefits that the stockholder could be eligible to receive (the “Applicable Governmental Agency”). For purposes of this repurchase right, Applicable Governmental Agencies are limited to the following:

- if the stockholder paid Social Security taxes and, therefore, could be eligible to receive Social Security disability benefits, then the Applicable Governmental Agency is the Social Security Administration or the agency charged with the responsibility for administering Social Security disability benefits at that time if other than the Social Security Administration;
- if the stockholder did not pay Social Security taxes and, therefore, could not be eligible to receive Social Security disability benefits, but the stockholder could be eligible to receive disability benefits under the Civil Service Retirement System (the “CSRS”), then the Applicable Governmental Agency is the U.S. Office of Personnel Management or the agency charged with the responsibility for administering CSRS benefits at that time if other than the U.S. Office of Personnel Management; or
- if the stockholder did not pay Social Security taxes and, therefore, could not be eligible to receive Social Security benefits, but suffered a disability that resulted in the stockholder’s discharge from military service under conditions that were other than dishonorable and, therefore, could be eligible to receive military disability benefits, then the Applicable Governmental Agency is the Department of Veterans Affairs or the agency charged with the responsibility for administering military benefits at that time if other than the Department of Veterans Affairs.

Disability determinations by governmental agencies for purposes other than those listed above, including, but not limited to, workers’ compensation insurance, the administration or enforcement of the Rehabilitation Act or Americans with Disabilities Act, or waiver of insurance premiums, will not entitle a stockholder to the repurchase right. Further, as the following disabilities do not entitle a worker to Social Security disability benefits, they do not qualify the stockholder for the repurchase right, except in the limited circumstances when the stockholder is awarded disability benefits by one of the Applicable Governmental Agencies described above: (a) disabilities occurring after the legal retirement age; and (b) disabilities that do not render a worker incapable of performing substantial gainful activity.

All stockholder repurchase requests must be accompanied by: (1) the investor’s initial application for disability benefits and (2) a Social Security Administration Notice of Award, a U.S. Office of Personnel Management determination of disability under CSRS, a Department of Veterans Affairs record of disability-related discharge or such other documentation issued by the Applicable Governmental Agency that we deem acceptable and that demonstrates an award of disability benefits.

If you tender all common shares you hold, or are considered to be holding, and you do not hold (directly or by attribution) any other units of our shares (e.g., preferred shares, if any), you will be treated as having sold your shares and generally will realize a capital gain or loss. If you tender fewer than all of your common shares or



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continue to hold (directly or by attribution) other units of our shares (e.g., preferred shares, if any), you may be treated as having received a distribution under Section 301 of the Code ("Section 301 distribution") unless the redemption is treated as being either (i) "substantially disproportionate" or (ii) otherwise "not essentially equivalent to a dividend" under the relevant rules of the Code. A Section 301 distribution is not treated as a sale or exchange giving rise to a capital gain or loss, but rather is treated as a dividend to the extent supported by our current and accumulated earnings and profits, with the excess treated as a return of capital reducing your tax basis in Company shares, and thereafter as capital gain. In such a case, there is a risk that non-tendering shareholders whose interests in us increase as a result of such tender will be treated as having received a taxable distribution from us.

To the extent we recognize net gains on the liquidation of portfolio securities to meet such tenders, we will be required to make additional distributions to our common shareholders.

**Issuer Purchases of Equity Securities**

<u>Date</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Program</u>
October 8, 2014	652,174	\$ 9.20	0
March 31, 2016	3,232	8.55	3,232
December 31, 2016	4,169	9.24	4,169
March 31, 2017	58,893	9.59	58,893
June 30, 2017	23,441	9.59	23,441
September 30, 2017	37,284	9.36	37,284
December 31, 2017	10,820	9.52	10,820
March 31, 2018	73,736	9.89	73,736
June 30, 2018	142,605	9.69	142,605
September 30, 2018	73,877	9.61	73,877
December 31, 2018	183,934	8.75	183,934
March 31, 2019	125,146	8.51	125,146
June 30, 2019	71,112	8.69	71,112
September 30, 2019	127,126	8.58	127,126
December 31, 2019	131,082	8.41	131,082

For the year ended December 31, 2019, the Company did not repurchase any shares as part of its death and disability program. For the year ended December 31, 2018, the Company also repurchased 3,752 shares as part of its death and disability program. For the year ended December 31, 2016, the Company also repurchased 15,553 shares as part of its death and disability program. For the years ended December 31, 2017, 2015 and 2014, the Company did not repurchase any shares as part of its death and disability program.

**Distributions**

Subject to the Board's discretion and applicable legal restrictions, we intend to authorize and declare ordinary cash distributions on a weekly basis to be paid out monthly. We will then calculate each stockholder's specific distribution amount for the period using record and declaration dates, and each stockholder's distributions will begin to accrue on the date we accept each stockholder's subscription for shares of our common stock. From time to time, we may also pay special interim distributions in the form of cash or shares of common stock at the discretion of the Board. We also intend to distribute any net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) at least annually out of the assets legally available for such distributions. For example, the Board may periodically declare share distributions in order to reduce our NAV per share if necessary to ensure that we do not sell shares at a price below NAV per share. Each year a

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statement on Form 1099-DIV, identifying the source of the distributions (i.e., paid from ordinary income, paid from net capital gains on the sale of securities, and/or a return of capital, which is generally a nontaxable distribution), will be mailed to our stockholders. Our distributions may exceed our earnings and profits, especially during the period before we have invested substantially all of the proceeds from this offering. As a result, a portion of the distributions we make may represent a return of capital for tax purposes. A return of capital is a return of your investment rather than a return of earnings or gains derived from our investment activities and will be made after deduction of the fees and expenses payable in connection with the offering, including any fees payable to the Adviser. There can be no assurance that we will be able to pay distributions at a specific rate or at all.

In order to qualify for the special tax treatment accorded RICs and their shareholders, we must, among other things, distribute to our stockholders for each taxable year at least the sum of 90% of our investment company taxable income, which is generally our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, and 90% of any tax-exempt interest income on an annual basis out of the assets legally available for such distributions. In addition, we also intend to distribute any realized net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) at least annually out of the assets legally available for such distributions.

We have adopted an “opt in” distribution reinvestment plan for our stockholders. As a result, if we make a cash distribution, then stockholders will receive distributions in cash unless they specifically “opt in” to the distribution reinvestment plan so as to reinvest their cash distributions in additional shares of our common stock. However, certain state authorities or regulators may impose restrictions from time to time that may prevent or limit a stockholder’s ability to participate in our distribution reinvestment plan. If you do not elect to participate in the plan, you will automatically receive any distributions we declare in cash. Stockholders who receive distributions in the form of shares of common stock will generally be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash.

We intend to use newly issued shares to implement the plan. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable by the NAV determined in the last weekly closing of the month.

We may fund our cash distributions to stockholders from any sources of funds available to us, including offering proceeds, borrowings, net investment income from operations, capital gains proceeds from the sale of assets, non-capital gains proceeds from the sale of assets and expense reimbursements from the Adviser. We have not established limits on the amount of funds we may use from available source to make distributions.

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On a quarterly basis, we will send information to all stockholders of record regarding distributions paid to our stockholders in such quarter.

<b>Payable Date</b>	<b>Dividend/ Share (1)</b>	<b>Total Dividend (1)</b>	<b>Dividends Reinvested (2) (3)</b>
1/02/2020	0.060	625,526	—
11/28/2019	0.060	630,505	398,908
10/30/2019	0.060	627,684	397,044
10/02/2019	0.060	632,534	397,215
8/28/2019	0.060	628,890	398,232
7/31/2019	0.060	626,130	395,900
6/26/2019	0.060	624,201	396,249
5/30/2019	0.060	625,758	398,933
5/01/2019	0.060	623,117	396,582
3/27/2019	0.060	620,420	392,542
2/27/2019	0.060	625,257	397,969
1/30/2019	0.060	622,648	397,645
1/03/2019 (2)	—	—	456,444
<b>Total</b>	<b>\$ 0.720</b>	<b>\$7,512,670</b>	<b>\$ 4,823,663</b>

- 1 For the current period, there were no dividends classified as a return of capital.
- 2 The December 2018 Dividend was reinvested in January 2019, see total December 2018 Dividend in table below.
- 3 The December 2019 Dividend will be reinvested in January 2020.

<b>Payable Date</b>	<b>Dividend/ Share</b>	<b>Total Dividend (1)</b>	<b>Dividends Reinvested (2)</b>
1/03/2019	\$ 0.069	\$ 721,979	\$ —
11/28/2018	0.055	579,638	370,940
10/31/2018	0.069	721,071	461,560
9/26/2018	0.055	578,884	369,031
8/29/2018	0.055	576,777	367,935
8/01/2018	0.069	717,708	459,995
6/27/2018	0.055	579,962	367,710
5/30/2018	0.055	577,847	368,895
5/02/2018	0.069	719,079	459,922
3/28/2018	0.055	577,343	367,026
2/28/2018	0.055	566,708	368,154
1/31/2018	0.069	683,782	451,968
<b>Total</b>	<b>\$ 0.730</b>	<b>\$7,600,778</b>	<b>\$ 4,413,136</b>

- 1 For the current year, there were no dividends classified as a return of capital.
- 2 The December 2018 Dividend will be reinvested in January 2019.

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<b><u>Payable Date</u></b>	<b><u>Dividend/ Share</u></b>	<b><u>Total Dividend (1)</u></b>	<b><u>Dividends Reinvested</u></b>
12/27/2017	\$ 0.055	\$ 532,460	\$ 351,929
11/29/2017	0.055	517,804	341,262
11/1/2017	0.069	636,662	417,795
9/27/2017	0.055	505,439	331,096
8/30/2017	0.055	497,727	328,315
8/2/2017	0.069	610,689	403,364
6/28/2017	0.055	481,256	318,649
5/31/2017	0.069	580,257	385,226
4/26/2017	0.055	445,910	295,916
3/29/2017	0.055	431,714	286,868
3/1/2017	0.055	418,078	277,772
2/1/2017	0.069	499,353	332,190
<b>Total</b>	<b><u>\$ 0.716</u></b>	<b><u>\$6,157,349</u></b>	<b><u>\$4,070,382</u></b>

<sup>1</sup> For the current year, there were no dividends classified as a return of capital.

<b><u>Payable Date</u></b>	<b><u>Dividend/ Share</u></b>	<b><u>Total Dividend (1)</u></b>	<b><u>Dividends Reinvested</u></b>
12/28/2016	\$ 0.055	\$ 382,152	\$ 255,650
11/30/2016	0.055	368,541	247,396
11/2/2016	0.069	430,784	292,800
9/30/2016	0.055	321,955	220,312
8/31/2016	0.069	377,172	261,451
7/30/2016	0.055	277,907	200,860
6/29/2016 (2)	0.055	255,731	190,535
6/1/2016 (3)	0.067	280,557	216,628
4/29/2016	0.058	228,769	177,275
3/31/2016	0.058	196,318	161,095
2/29/2016	0.058	178,122	152,304
1/29/2016	0.058	166,836	146,197
<b>Total</b>	<b><u>\$ 0.712</u></b>	<b><u>\$3,464,844</u></b>	<b><u>\$2,522,503</u></b>

<sup>1</sup> For the current year, there were no dividends classified as a return of capital.

<sup>2</sup> On May 12, 2016, the Board approved a \$0.002 per share monthly increase to the dividend, which was normalized to the weekly distribution schedule starting in June 2016.

<sup>3</sup> Beginning in May 2016, we began declaring dividends weekly.

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Please see below for a table detailing the dividends paid for the year ended December 31, 2015:

<b><u>Payable Date</u></b>	<b><u>Dividend/ Share</u></b>	<b><u>Total Dividend 1</u></b>	<b><u>Dividends Reinvested</u></b>
1/30/2015	\$ 0.050	\$ 69,054	\$ 69,022
2/27/2015	0.058	100,082	100,044
3/31/2015	0.058	104,842	104,543
4/30/2015	0.058	108,525	107,595
5/29/2015	0.058	114,540	112,647
6/30/2015	0.058	117,215	115,203
7/31/2015	0.058	125,195	122,496
8/31/2015	0.058	128,773	124,959
9/30/2015	0.058	134,498	130,315
10/30/2015	0.058	141,377	134,845
11/30/2015	0.058	147,122	137,008
12/31/2015	0.058	155,396	139,260
<b>Total</b>	<b><u>\$ 0.688</u></b>	<b><u>\$1,446,619</u></b>	<b><u>\$1,397,937</u></b>

<sup>1</sup> Of the total dividends shown, \$262,760 was classified as a return of capital.

Table of Contents**Item 6. Selected Financial Data**

The following selected financial data for the years ended December 31, 2019, 2018, 2017, 2016 and 2015 is derived from our financial statements. The data should be read in conjunction with our financial statements and related notes thereto and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this annual report on Form 10-K.

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
<b>Statements of operations data:</b>					
Total investment income	\$ 7,847,493	\$ 7,568,407	\$ 7,434,820	\$ 4,679,654	\$ 1,276,784
Expenses					
Total expenses	4,838,086	4,300,176	4,296,083	3,357,229	2,092,339
Expenses waived or reimbursed by the Advisor	(147,269)	(427,420)	(1,955,190)	(2,024,665)	(1,689,730)
Net expenses	<u>4,690,817</u>	<u>3,872,756</u>	<u>2,340,893</u>	<u>1,332,564</u>	<u>402,609</u>
Net investment income	3,156,676	3,695,651	5,093,927	3,347,090	874,175
Net realized gain (loss) on investments, securities sold short and total return swaps	389,680	2,844,449	663,709	1,408,557	(193,336)
Net change in unrealized appreciation (depreciation) on investments, securities sold short and total return swaps	5,644,539	(12,749,374)	1,710,536	2,870,451	(2,885,453)
Net increase from amounts committed by affiliates	—	—	—	872,000	1,403,000
Net increase (decrease) in net assets resulting from operations	<u>\$ 9,190,895</u>	<u>\$ (6,209,274)</u>	<u>\$ 7,468,172</u>	<u>\$ 8,498,098</u>	<u>\$ (801,614)</u>
<b>Distributions to stockholders:</b>					
Net investment income	\$ (7,514,283)	\$ (7,600,778)	\$ (6,157,349)	\$ (3,464,844)	\$ (1,183,859)
Realized Gains	—	—	—	—	—
Return of capital	—	—	—	—	(262,760)
<b>Total distributions to stockholders</b>	<u>(7,514,283)</u>	<u>(7,600,778)</u>	<u>(6,157,349)</u>	<u>(3,464,844)</u>	<u>(1,446,619)</u>
<b>Per share information—basic and diluted:</b>					
Net increase (decrease) in net assets resulting from operations <sup>(1)</sup>	<u>\$ 0.88</u>	<u>\$ (0.60)</u>	<u>\$ 0.87</u>	<u>\$ 1.76</u>	<u>\$ (0.39)</u>
<b>Balance sheet data:</b>					
Total assets	<u>\$130,697,027</u>	<u>\$125,482,590</u>	<u>\$123,306,379</u>	<u>\$87,473,718</u>	<u>\$34,023,433</u>
Total net assets	<u>\$ 88,935,553</u>	<u>\$ 86,310,963</u>	<u>\$ 94,859,957</u>	<u>\$67,292,954</u>	<u>\$22,298,879</u>

(1) The per share data was derived by using the weighted average shares outstanding during the period.

**Table of Contents****Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The information contained in this section should be read in conjunction with our unaudited financial statements and related notes thereto included elsewhere in this quarterly report on Form 10-Q. In this report, "we," "us" and "our" refer to NexPoint Capital, Inc.

**Forward-Looking Statements**

Some of the statements in this annual report on Form 10-K constitute forward-looking statements because they relate to future events or our future performance or financial condition. The forward-looking statements contained in this annual report on Form 10-K may include statements as to:

- our future operating results;
- changes in healthcare technologies, finance and regulations adversely affecting our portfolio companies or financing model;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, which could result in changes to the value of our assets;
- our business prospects and the prospects of the companies in which we may invest;
- the impact of the investments that we expect to make;
- the impact of increased competition;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we may invest;
- the ability of our portfolio companies to achieve their objectives;
- the relative and absolute performance of our investment adviser;
- our current and expected financings and investments;
- our ability to make distributions to our stockholders;
- the adequacy of our cash resources, financing sources and working capital;
- the timing and amount of cash flows, distributions and dividends, if any, from our portfolio companies;
- our use of financial leverage;
- the ability of the Adviser, to locate suitable investments for us and to monitor and administer our investments;
- the ability of the Adviser or its affiliates to attract and retain highly talented professionals;
- our ability to maintain our qualification as a regulated investment company, or RIC, and as a business development company, or BDC;
- the impact on our business of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations issued thereunder;
- the effect of changes to tax legislation and our tax position; and
- the tax status of the enterprises in which we may invest.

Such forward-looking statements may include statements preceded by, followed by or that otherwise include the words "may," "might," "will," "intend," "should," "could," "can," "would," "expect," "believe," "estimate," "anticipate," "predict," "potential," "plan" or similar words. The forward-looking statements contained in this



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annual report on Form 10-K involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth elsewhere in this annual report on Form 10-K and as “Risk Factors” in the prospectus relating to the continuous public offering of our common stock.

We have based the forward-looking statements included in this annual report on Form 10-K on information available to us on the date of this annual report on Form 10-K. Except as required by the federal securities laws, we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise. Stockholders are advised to consult any additional disclosures that we may make directly to stockholders or through reports that we may file in the future with the U.S. Securities and Exchange Commission, or the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. The forward-looking statements and projections contained in this annual report on Form 10-K are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). This quarterly report on Form 10-K may contain statistics and other data that have been obtained from or compiled from information made available by third-party service providers. We have not independently verified such statistics or data.

**Overview**

We were formed in Delaware on September 30, 2013 and formally commenced operations on September 2, 2014. We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company (a “BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). In addition, for U.S. federal income tax purposes, we have elected to be treated as a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”) with retroactive effect to the date we elected to be treated as a BDC. As a BDC, we are also subject to certain constraints, including limitations imposed by the 1940 Act and the Code.

Our investment activities are managed by NexPoint Advisors, L.P. (our “Adviser”) and supervised by our board of directors (the “Board”), the members of which are independent of us.

Our investment objective is to generate high current income and long-term capital appreciation. We seek to achieve our objective by using the experience of the healthcare, credit and structured products teams of Highland Capital Management, L.P. (“Highland”) to source, evaluate and structure investments, identify attractive investment opportunities that are primarily debt investments that generate high income without creating undue risk for the portfolio, make equity investments where we believe there will be attractive risk-adjusted returns that compensate for the lack of current income, and make investments in debt and equity tranches of collateralized loan obligations, or CLOs, that deliver income and high relative value. We will focus on companies that are stable, have positive cash flow and the ability to grow their business model.

Our investment policy is to invest, under normal circumstances, at least 80% of our total assets in debt and equity of middle-market companies, with an emphasis on healthcare companies, syndicated floating rate debt of large public and nonpublic companies and mezzanine and equity tranches of CLOs. Middle-market companies include companies with annual revenues between \$50,000,000 and \$2,500,000,000 and syndicated floating rate debt refers to loans and other instruments originated by a bank to a corporation that are sold off, or syndicated, to investors in pieces. We consider a healthcare company to be a company that is engaged in the design, development, production, sale, management or distribution of products, services or facilities used for or in connection with the healthcare industry. Additionally, we consider companies that are materially impacted by the healthcare industry (such as a contractor that derives significant revenue or profit from the construction of hospitals) as being engaged in the healthcare industry. We may invest without limit in companies that are not in the healthcare sector.

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We will leverage the expertise of Highland with regard to distressed investing and restructuring to make opportunistic investments in distressed companies. We will utilize the Highland credit underwriting capability to identify the types of companies we believe will provide high current income and/or long-term capital appreciation. In addition to the investments in the healthcare industry, we may invest a portion of our capital in other opportunistic investments in which the Adviser has expertise and where we believe an opportunity exists to achieve above average risk adjusted yields and returns. These types of opportunities may include: (1) direct lending or origination investments, (2) investments in stressed or distressed situations, (3) structured product investments, (4) equity investments and (5) other investment opportunities not typically available in other BDCs. Opportunistic investments may range from broadly syndicated deals to direct lending deals in both private and public companies and may include foreign investments. We believe this is the best approach to achieving our dual mandate of attempting to generate a high yield while also attempting to produce capital appreciation.

We seek to invest primarily in securities deemed by the Adviser to be high income generating debt investments and income generating equity securities of privately held companies in the United States. We expect the portfolio will be concentrated primarily in senior floating rate debt securities, although we may invest without limit in securities which rank lower than senior secured instruments and may invest without limit in investments with a fixed rate of interest. We will buy syndicated loans, various tranches of CLOs and other debt instruments in the secondary market as well as originate debt so we can tailor the investment parameters more precisely to our needs. We also intend to invest a portion of the portfolio in equity securities that are non-income producing, when doing so will help us achieve our objective of long-term capital appreciation. We expect the size of our positions will range from less than \$1,000,000 to \$20,000,000, although investments may be larger as our asset base increases. We may selectively make investments in amounts larger than \$20,000,000 in some of our portfolio companies. While our asset base increases, we may make smaller investments. We may invest up to 15% of our net assets in entities that are excluded from registration under the 1940 Act by virtue of section 3(c)(1) and 3(c)(7) of the 1940 Act (such as private equity funds or hedge funds). This limitation does not apply to any CLOs, certain of which may rely on Section 3(c)(1) or 3(c)(7) of the 1940 Act.

We expect that many of the securities in which we invest will be rated below investment grade by independent rating agencies or would be rated below investment grade if they were rated. These securities, which may be referred to as “junk,” have predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal. In addition, we expect that many of our debt investments will include floating interest rates that reset on a periodic basis and typically will not require the borrowers to pay down the outstanding principal of such debt prior to maturity.

We, Highland and the Adviser have obtained an exemptive order dated April 19, 2016 from the SEC to permit co-investments among the Company and certain other accounts managed by the Adviser or its affiliates, subject to certain conditions.

***Public Offering***

As a result of a series of private placements to the Adviser, we successfully satisfied the minimum offering requirement and officially commenced operations on September 2, 2014. In connection with the satisfaction of the minimum offering requirement and the commencement of our operations, the Investment Advisory Agreement became effective and the base management fee and any incentive fees, as applicable, payable to the Adviser under the Investment Advisory Agreement began to accrue. In aggregate as of December 31, 2019 the Adviser controls 2,513,370 total shares, including reinvestment of dividends, for a net amount of approximately \$21.4 million. In February 2018, we closed our continuous public offering of shares of common stock.

***Revenues***

We generate a significant portion of our total revenue in the form of interest on the debt securities that we hold. We expect that the senior debt we invest in will generally have stated terms of 3 to 5 years and that the

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subordinated debt we invest in will generally have stated terms of 5 to 7 years. Our senior and subordinated debt investments bear interest at a fixed or floating rate. Interest on debt securities is generally payable monthly, quarterly or semiannually. In addition, some of our investments provide for deferred interest payments or payment-in-kind, or PIK, interest. We may also generate revenues in the form of dividends and other distributions on the equity or other securities we may hold. In addition, we may generate revenues in the form of commitment, closing, origination, structuring or diligence fees, monitoring fees, fees for providing managerial assistance, consulting fees, prepayment fees and performance-based fees. Any such fees generated in connection with our investments will be recognized as earned.

*Expenses*

We expect that our primary operating expenses will include the payment of fees to the Adviser under the Investment Advisory Agreement, our allocable portion of overhead expenses under the Administration Agreement and other operating costs described below. Prior to December 20, 2017, the Adviser was waiving most fees, subject to possible recoupment for expenses pertaining to periods from and after June 10, 2016. Effective December 20, 2017, the Adviser ended its voluntary waiver of advisory and administration fees. We bear all out-of-pocket costs and expenses of our operations and transactions, including:

- our organization (expenses initially paid by the Adviser until sufficient equity proceeds are raised);
- calculating our net asset value and net asset value per share (including the costs and expenses of independent valuation firms);
- fees and expenses, including travel expenses, incurred by the Adviser or payable to third parties in performing due diligence on prospective portfolio companies, monitoring our investments and, if necessary, enforcing our rights;
- interest payable on debt, if any, incurred to finance our investments;
- the costs of this and all future offerings of common shares and other securities, and other incurrence of debt;
- the base management fee and any incentive fee;
- distributions on our shares;
- administration fees payable to the Adviser under the Administration Agreement;
- transfer agent and custody fees and expenses;
- the actual costs incurred by the Adviser as our administrator in providing managerial assistance to those portfolio companies that request it;
- amounts payable to third parties relating to, or associated with, evaluating, making and disposing of investments;
- brokerage fees and commissions;
- registration fees;
- listing fees;
- taxes;
- independent director fees and expenses;
- costs associated with our reporting and compliance obligations under the 1940 Act and applicable U.S. federal and state securities laws;
- the costs of any reports, proxy statements or other notices to our stockholders, including printing costs;
- costs of holding stockholder meetings;

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- our fidelity bond;
- directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- litigation, indemnification and other non-recurring or extraordinary expenses;
- direct costs and expenses of administration and operation, including audit and legal costs;
- fees and expenses associated with marketing efforts, including deal sourcing fees and marketing to financial sponsors;
- dues, fees and charges of any trade association of which we are a member; and
- all other expenses reasonably incurred by us or the Adviser in connection with administering our business.

During periods of asset growth, we expect our general and administrative expenses to be relatively stable or decline as a percentage of total assets and increase during periods of asset declines.

*Expense Limitation*

Pursuant to an expense limitation agreement (the “Expense Limitation Agreement”), the Adviser is contractually obligated to waive fees and, if necessary, pay or reimburse certain other expenses to limit ordinary “Other Expenses” to 1.0% of the quarter-end value of the Company’s gross assets through the one year anniversary of the effective date of the registration statement. Under the Expense Limitation Agreement, “Other Expenses” are all expenses with the exception of advisor and administration fees, organization and offering costs and the following: (i) interest, taxes, dividends tied to short sales, brokerage commissions, and other expenditures which are capitalized in accordance with U.S. GAAP; (ii) expenses incurred indirectly as a result of investments in other investment companies and pooled investment vehicles; (iii) other expenses attributable to, and incurred as a result of, our investments; (iv) expenses payable to the Adviser, as administrator, for providing significant managerial assistance to our portfolio companies; and (v) other extraordinary expenses (including litigation expenses) not incurred in the ordinary course of our business. The obligation will automatically renew for one-year terms unless it is terminated by the Company or the Adviser upon written notice within 120 days of the end of the current term or upon termination of the Investment Advisory Agreement. The Expense Limitation Agreement will continue through at least April 30, 2020.

Any expenses waived or reimbursed by the Adviser pursuant to the Expense Limitation Agreement are subject to possible recoupment by the Adviser within three years from the date of the waiver or reimbursement. The recoupment by the Adviser will be limited to the amount of previously waived or reimbursed expenses and cannot cause the Company’s expenses to exceed any expense limitation in place at the time of recoupment or waiver.

*Reimbursable Expenses Table*

The cumulative total of fees waived by the Adviser under the Expense Limitation Agreement which are recoupable as of December 31, 2019 was \$903,985. This balance, and the balances in the tables below, only include amounts pertaining to the Expense Limitation Agreement, and do not include waived advisory and administration fees subject to recoupment discussed elsewhere herein.

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The following table reflects the 2019 quarterly fee waivers and expense reimbursements due from the Adviser as of December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019, which may become subject to recoupment by the Adviser.

<u>Quarter Ended</u>	<u>Yearly Cumulative Other Expenses</u>	<u>Yearly Expense Limitation</u>	<u>Yearly Cumulative Expense Reimbursement</u>	<u>Quarterly Recoupable/ (Recouped) Amount</u>	<u>Recoupment Eligibility Expiration</u>
December 31, 2019	\$ 1,098,789	951,520	147,269	50,130	December 31, 2022
September 30, 2019	849,345	752,206	97,139	(17,417)	September 30, 2022
June 30, 2019	586,411	471,855	114,556	75,592	June 30, 2022
March 31, 2019	295,177	256,213	38,964	38,964	March 31, 2022

The following table reflects the 2018 quarterly fee waivers and expense reimbursements due from the Adviser as of December 31, 2018, September 30, 2018, June 30, 2018 and March 31, 2018, which are subject to recoupment by the Adviser.

<u>Quarter Ended</u>	<u>Yearly Cumulative Other Expenses</u>	<u>Yearly Expense Limitation</u>	<u>Yearly Cumulative Expense Reimbursement</u>	<u>Quarterly Recoupable/ (Recouped) Amount</u>	<u>Recoupment Eligibility Expiration</u>
December 31, 2018	\$ 1,352,097	\$924,677	\$ 427,420	\$ 279,079	December 31, 2021
September 30, 2018	950,045	801,704	148,341	23,992	September 30, 2021
June 30, 2018	613,809	489,460	124,349	44,203	June 30, 2021
March 31, 2018	341,882	261,736	80,146	80,146	March 31, 2021

The following table reflects the 2017 quarterly fee waivers and expense reimbursements due from the Adviser as of December 31, 2017, September 30, 2017, June 30, 2017 and March 31, 2017, which may become subject to recoupment by the Adviser.

<u>Quarter Ended</u>	<u>Yearly Cumulative Other Expenses</u>	<u>Yearly Expense Limitation</u>	<u>Yearly Cumulative Expense Reimbursement</u>	<u>Quarterly Recoupable/ (Recouped) Amount</u>	<u>Recoupment Eligibility Expiration</u>
December 31, 2017	\$ 1,304,585	\$975,289	\$ 329,296	\$(122,135)	December 31, 2020
September 30, 2017	983,110	531,679	451,431	252,953	September 30, 2020
June 30, 2017	631,906	433,428	198,478	50,913	June 30, 2020
March 31, 2017	329,791	182,226	147,565	147,565	March 31, 2020

During the year ended December 31, 2019, \$427,831 of expense reimbursements that were eligible for recoupment by the Adviser expired.

There can be no assurance that the Expense Limitation Agreement will remain in effect beyond April 30, 2020 or that the Adviser will reimburse any portion of our expenses in future quarters not covered by the Expense Limitation Agreement. Amounts shown do not include the amounts committed by the Adviser to voluntarily reimburse the Company for unrealized losses, all of which are not recoupable.

**Portfolio Investment Activity for the year ended December 31, 2019, 2018 and 2017**

During the year ended December 31, 2019, we made long investments in portfolio companies and other investments totaling \$42,308,348. During the same period, we generated proceeds from sales and principal repayments on long investments of \$44,370,241. As of December 31, 2019, our investment portfolio, with a total fair value of \$100.4 million, consisted of 54 positions in portfolio companies (calculated as a percentage of total net assets: 7.7% in first lien senior secured loans, 0.3% in second lien senior secured loans, 0.0% in escrow loans, 3.7% in unsecured loans, 40.6% in corporate bonds, 0.7% in asset-backed securities, 2.1% in closed-end mutual

**UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF  
TEXAS, DALLAS DIVISION**

**In Re: Highland Capital Management, L.P.** § Case No. **19-34054-SGJ-11**  
**NexPoint Advisors, L.P. et al** §

Appellant § 21-03010  
vs. §  
**Highland Capital Management, L.P.** §

Appellee § **3:22-CV-02170-S**

**[126] Judgment (final). Entered on 9/14/2022**

**APPELLANT RECORD  
VOLUME 9**

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UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj11
	§	
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

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**AMENDED DESIGNATION OF ITEMS FOR THE RECORD ON APPEAL  
BY NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this *Amended Designation of Items for the Record on Appeal*, designating the following items for the record of said appeal:



<u>Item</u>	<u>Docket No.</u>	<u>Description</u>
<b>ADVERSARY PROCEEDING (21-03010-sgj)</b>		
1	128	Joint Notice of Appeal
2	126	Judgment
3		Docket Sheet
4	1	Plaintiff Highland Capital Management, L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief
5	33	Original Answer
6	37	Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters
7	49	Response to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
8	56	Highland Capital Management, L.P.'s Reply In Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
9	90	Advisors' Trial Brief
10	91	Highland's Proposed Findings of Fact and Conclusions of Law
11	96	Joint Pretrial Order
12	124	Findings of Fact and Conclusions of Law
<b>BANKRUPTCY CASE (19-34054-sgj-11)</b>		
13	1826	Application for Allowance of Administrative Expense Claim
14	2274	Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
<b>EVIDENCE AND TRANSCRIPTS (21-03010-SGJ)</b>		
15	115	All exhibits admitted into evidence at trial on April 12, 2022 and April 13, 2022 Thru Vol. 12
16	113	Transcript of April 12, 2022 trial
17	116	Transcript of April 13, 2022 trial
18	122	Transcript of April 27, 2022 closing arguments

RESPECTFULLY SUBMITTED this 4th day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina

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**ATTORNEYS FOR NEXPOINT ADVISORS,  
L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 4th day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

Davor Rukavina, Esq.

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funds, 0.1% in warrants, 22.9% in common stock, 8.5% in preferred stocks, 9.3% in LLC Interests, 4.0% in mortgage-backed-securities, and 0.1% in rights). As of December 31, 2019, including investments underlying the TRS with BNP Paribas on a look-through basis, the debt investments in our portfolio carry a weighted average cost price of 97.24% on par or stated value, as applicable, and our estimated gross annual portfolio yield (which represents the expected yield to be generated by us on our investment portfolio based on the composition of our portfolio as of such date), prior to leverage costs, was 6.66% based on the amortized cost of our investments. The portfolio yield does not represent an actual investment return to stockholders and does not include income from CLO equity.

During the year ended December 31, 2018, we made long investments in portfolio companies and other investments totaling \$64,748,316. During the same period, we sold long investments for proceeds of \$54,849,304. As of December 31, 2018, our investment portfolio, with a total fair value of \$96.2 million, consisted of 45 positions in portfolio companies (calculated as a percentage of total net assets: 9.7% in first lien senior secured loans, 5.0% in second lien senior secured loans, 0.0% in escrow loans, 4.0% in unsecured loans, 50.9% in corporate bonds, 1.1% in asset-backed securities, 1.4% in closed-end mutual funds, 0.1% in warrants, 22.9% in common stock, 4.9% in preferred stocks, and 0.0% in rights). As of December 31, 2018, including investments underlying the TRS with BNP Paribas on a look-through basis, the debt investments in our portfolio carry a weighted average cost price of 94.66% on par or stated value, as applicable, and our estimated gross annual portfolio yield (which represents the expected yield to be generated by us on our investment portfolio based on the composition of our portfolio as of such date), prior to leverage costs, was 6.92% based on the amortized cost of our investments. The portfolio yield does not represent an actual investment return to stockholders and does not include income from CLO equity.

During the year ended December 31, 2017, we made long investments in portfolio companies and other investments totaling \$92,574,632. During the same period, we sold long investments for proceeds of \$81,852,041. As of December 31, 2017, our investment portfolio, with a total fair value of \$94.0 million, consisted of 41 positions in portfolio companies (calculated as a percentage of total net assets: 15.9% in first lien senior secured loans, 4.7% in second lien senior secured loans, 3.5% in unsecured loans, 56.0% in corporate bonds, 2.1% in asset-backed securities, 0.9% in warrants, 14.7% in common stock, 2.1% in preferred stocks, and 0.1% in rights). As of December 31, 2017, including investments underlying the TRS with BNP Paribas on a look-through basis, the debt investments in our portfolio carry a weighted average cost price of 88.70% on par or stated value, as applicable, and our estimated gross annual portfolio yield (which represents the expected yield to be generated by us on our investment portfolio based on the composition of our portfolio as of such date), prior to leverage costs, was 7.70% based on the amortized cost of our investments. The portfolio yield does not represent an actual investment return to stockholders and does not include income from CLO equity.

***Total Portfolio Activity***

The following tables present selected information regarding our portfolio investment activity for the years ended December 31, 2019, 2018 and 2017:

<b><u>Net Investment Activity</u></b>	<b><u>December 31, 2019</u></b>	<b><u>December 31, 2018</u></b>	<b><u>December 31, 2017</u></b>
Purchases	\$ 42,308,348	\$ 64,748,316	\$ 92,574,632
Proceeds from Securities Sold Short	—	—	—
Payment-in-kind	635,742	517,567	297,068
Purchases of Securities Sold Short	—	—	—
Sales and Principal Repayments	(44,370,241)	(54,849,304)	(81,852,041)
Net Portfolio Activity	<u>(1,426,151)</u>	<u>\$ 10,416,579</u>	<u>\$ 11,019,659</u>

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New Investment Activity by Asset Class	For the Year Ended December 31, 2019		For the Year Ended December 31, 2018		For the Year Ended December 31, 2017	
	Purchases	Percentage	Purchases	Percentage	Purchases	Percentage
Senior Secured Loans—First Lien	\$ 7,342,761	17.4%	\$25,960,529	40.1%	\$22,868,996	24.7%
Senior Secured Loans—Second Lien	—	0.0%	3,527,778	5.4%	1,641,667	1.8%
Unsecured Loans	—	0.0%	—	0.0%	2,665,483	2.9%
Corporate Bonds—Senior Unsecured	9,315,445	22.0%	21,092,094	32.6%	47,394,568	51.2%
Convertible Bonds—Senior Unsecured	—	0.0%	—	0.0%	—	0.0%
Foreign Sovereign Bonds—Senior Unsecured	—	0.0%	—	0.0%	—	0.0%
LLC Interests	7,000,000	16.5%	—	0.0%	—	0.0%
Mortgage-Backed-Securities	4,000,000	9.5%	—	0.0%	—	0.0%
Asset-Backed Securities	—	0.0%	—	0.0%	—	0.0%
Closed-End Mutual Funds	994,448	2.4%	1,429,865	2.2%	14,154	0.0%
Preferred Stocks	5,689,561	13.4%	4,000,008	6.2%	3,215,965	3.5%
Warrants	52,987	0.1%	—	0.0%	280,701	0.3%
Purchased Call Options	—	0.0%	—	0.0%	—	0.0%
Purchased Put Options	—	0.0%	—	0.0%	—	0.0%
Equities	7,913,146	18.7%	8,738,042	13.5%	14,493,098	15.6%
<b>Total Investments</b>	<b>\$42,308,348</b>	<b>100.0%</b>	<b>\$64,748,316</b>	<b>100.0%</b>	<b>\$92,574,632</b>	<b>100.0%</b>

The following tables summarize the composition of our investment portfolio at amortized cost and fair value as of December 31, 2019 and December 31, 2018:

Portfolio Composition by Investment Type	December 31, 2019		Percentage of Portfolio (at fair value)
	Amortized Cost (1)	Fair Value	
Senior Secured Loans—First Lien	\$ 8,473,042	\$ 7,683,965	7.7%
Senior Secured Loans—Second Lien	553,265	326,838	0.3%
Senior Secured Loans—Escrow Loan	79,372	1,925	0.0%
Unsecured Loans	4,195,580	3,713,191	3.7%
Asset-Backed Securities	896,536	743,520	0.7%
Mortgage-Backed Securities	3,996,530	3,994,444	4.0%
Closed-End Mutual Funds	2,419,467	2,136,410	2.1%
Corporate Bonds	42,275,712	40,822,499	40.6%
Common Stocks	20,812,044	23,018,795	22.9%
LLC Interests	9,189,561	9,358,646	9.3%
Preferred Stocks	10,285,555	8,491,470	8.5%
Rights	148,370	61,391	0.1%
Warrants	52,988	74,598	0.1%
<b>Total Investments</b>	<b>\$103,378,022</b>	<b>\$100,427,692</b>	<b>100.0%</b>

(1) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.

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<u>Portfolio Composition by Investment Type</u>	<u>December 31, 2018</u>		<u>Percentage of Portfolio (at fair value)</u>
	<u>Amortized Cost (1)</u>	<u>Fair Value</u>	
Senior Secured Loans—First Lien	\$ 10,482,803	\$ 9,297,810	9.7%
Senior Secured Loans—Second Lien	4,985,731	4,821,364	5.0%
Senior Secured Loans—Escrow Loan	87,816	8,750	0.0%
Unsecured Loans	3,454,143	3,838,472	4.0%
Asset-Backed Securities	1,217,703	1,031,283	1.1%
Closed-End Mutual Funds	1,444,019	1,297,005	1.4%
Corporate Bonds	53,545,694	48,978,855	50.9%
Common Stocks	22,542,416	22,062,438	22.9%
Preferred Stocks	7,113,316	4,760,233	4.9%
Warrants	—	90,448	0.1%
Rights	148,619	43,183	0.0%
Total Investments	<u>\$105,022,260</u>	<u>\$96,229,841</u>	<u>100.0%</u>

(1) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.

The following tables summarize the amortized cost and the fair value of the Company's invested assets by class of financial asset as of December 31, 2019 and December 31, 2018 to include, on a look-through basis, the investments underlying the TRS, as disclosed in Note 7 of the financial statements included herein. The investments underlying the TRS had a notional amount of \$50,904,830 and a market value of \$47,899,681 as of December 31, 2019, and a notional amount of \$55,763,056 and a market value of \$53,007,114 as of December 31, 2018.

<u>Portfolio Composition by Investment Type</u>	<u>December 31, 2019</u>		<u>Percentage of Portfolio (at fair value)</u>
	<u>Amortized Cost (1)</u>	<u>Fair Value</u>	
Senior Secured Loans—First Lien	\$ 51,120,740	\$ 47,656,091	32.1%
Senior Secured Loans—Second Lien	8,810,397	8,254,393	5.6%
Senior Secured Loans—Escrow Loan	79,372	1,925	0.0%
Unsecured Loans	4,195,580	3,713,191	2.5%
Asset-Backed Securities	896,536	743,520	0.5%
Mortgage-Backed Mutual Funds	3,996,530	3,994,444	2.7%
Closed-End Mutual Funds	2,419,467	2,136,410	1.4%
Corporate Bonds	42,275,712	40,822,499	27.6%
Common Stocks	20,812,044	23,018,795	15.5%
LLC Interests	9,189,561	9,358,646	6.3%
Preferred Stocks	10,285,555	8,491,470	5.7%
Rights	148,370	61,391	0.0%
Warrants	52,988	74,598	0.1%
<b>Total</b>	<b><u>\$154,282,852</u></b>	<b><u>\$148,327,373</u></b>	<b><u>100.0%</u></b>

(1) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.

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<u>Portfolio Composition by Investment Type</u>	<u>December 31, 2018</u>		<u>Percentage of Portfolio (at fair value)</u>
	<u>Amortized Cost (1)</u>	<u>Fair Value</u>	
Senior Secured Loans—First Lien	\$ 56,049,290	\$ 52,886,814	35.4%
Senior Secured Loans—Second Lien	15,182,300	14,239,474	9.5%
Senior Secured Loans—Escrow Loan	87,816	8,750	0.0%
Unsecured Loans	3,454,143	3,838,472	2.6%
Asset-Backed Securities	1,217,703	1,031,283	0.7%
Closed-End Mutual Funds	1,444,019	1,297,005	0.9%
Corporate Bonds	53,545,694	48,978,855	32.8%
Common Stocks	22,542,416	22,062,438	14.8%
Preferred Stocks	7,113,316	4,760,233	3.2%
Warrants	—	90,448	0.1%
Rights	148,619	43,183	0.0%
<b>Total Investments</b>	<b>\$160,785,316</b>	<b>\$149,236,955</b>	<b>100.0%</b>

(1) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.

The following table presents certain selected information regarding the composition of our investment portfolio as of December 31, 2019 and December 31, 2018:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Number of Investments	54	45
% Variable Rate (based on fair value)	56%(1)	55%(1)
% Non-Income Producing Equity or Other Investments (based on fair value)	9%(1)	10%(1)
Weighted Average Cost Price of Investments (as a % of par or stated value)	97.24%(1)	94.66%(1)
Weighted Average Credit Rating of Investments that were Rated	B3(1)	B3(1)
% of Fixed Income Investments on Non-Accrual (based on fair value)	0.1%(1)	4%(1)

(1) Includes value of investments underlying the TRS.

Portfolio Composition by Strategy and Industry

The table below summarizes the composition of our investment portfolio by strategy and enumerates the percentage, by fair value, of the total portfolio assets in such strategies as of December 31, 2019 and December 31, 2018:

<u>Portfolio Composition by Strategy</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Broadly Syndicated—Private	\$ 4,611,683	4.6%	\$ 7,120,928	7.4%
Broadly Syndicated—Public	21,598,588	21.5%	17,955,500	18.7%
Middle-Market	73,473,901	73.2%	69,066,327	71.7%
Opportunistic/Other	743,520	0.7%	2,087,086	2.2%
<b>Total Invested Assets</b>	<b>\$100,427,692</b>	<b>100.0%</b>	<b>\$96,229,841</b>	<b>100.0%</b>

Broadly syndicated debt refers to loans and other instruments originated by a bank to a large corporation (both private and public) that are sold off, or syndicated, to investors in pieces. Middle-Market companies include companies with annual revenues between \$50 million and \$2.5 billion.

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The table below describes investments by industry classification and enumerates the percentage, by fair value, of the total portfolio assets in such industries as of December 31, 2019 and December 31, 2018:

<b>Industry Classifications</b>	<b>December 31, 2019</b>		<b>December 31, 2018</b>	
	<b>Fair Value</b>	<b>Percentage of Portfolio</b>	<b>Fair Value</b>	<b>Percentage of Portfolio</b>
Chemicals	\$ 42,500	0.0%	\$ 267,750	0.3%
Consumer Products	2,000,000	2.0%	—	0.0%
Energy	6,745,696	6.7%	7,367,190	7.7%
Financials	12,900,074	12.9%	7,537,163	7.8%
Healthcare	44,383,560	44.2%	55,217,193	57.4%
Materials	3,734,736	3.7%	5,182,069	5.4%
Media/Telecommunications	2,457,365	2.4%	4,437,753	4.6%
Real Estate Investment Trusts (REITs)	13,458,505	13.4%	7,927,970	8.2%
Real Estate	6,432,657	6.4%	—	0.0%
Retail	1,124,467	1.1%	1,171,825	1.2%
Service	59,183	0.1%	—	0.0%
Telecommunication Services	4,611,683	4.6%	4,436,645	4.6%
Utility	2,477,266	2.5%	2,684,283	2.8%
<b>Total Invested Assets</b>	<b><u>\$100,427,692</u></b>	<b><u>100.0%</u></b>	<b><u>\$96,229,841</u></b>	<b><u>100.0%</u></b>

As of December 31, 2019, the Company was an “affiliated person,” as defined in the 1940 Act, of NexPoint Strategic Opportunities Fund (formally, NexPoint Credit Strategies Fund), NexPoint Capital REIT, LLC, and NexPoint Residential Trust, Inc. In general, under the 1940 Act, we are presumed to “control” a portfolio company if we owned 25% or more of its voting securities or we had the power to exercise control over the management or policies of such portfolio company, and would be an “affiliated person” of a portfolio company if we owned 5% or more of its voting securities. See Note 10 to the financial statements included herein for additional information regarding the investment in NexPoint Strategic Opportunities Fund.

**Summary Description of Portfolio Companies/Investments**

As of December 31, 2019 and December 31, 2018, 45% and 60% (based on fair value), respectively, of our portfolio consisted of healthcare related and opportunistic investments. Information regarding these investments is provided below, and includes investments underlying the TRS on a look-through basis. Included in the value at December 31, 2019 is the investment in Weight Watchers, which the Company views as related to the Healthcare Industry as defined in the Company’s organizational documents. Information regarding these investments is provided below. This additional information is limited to publicly available information, and does not address credit worthiness or financial viability of the issuer, or our future plans as it relates to a specific investment:

***Healthcare Investments***

*Ortho-Clinical Diagnostics:* As of December 31, 2019 and December 31, 2018, we held corporate bonds of Ortho-Clinical Diagnostics (“Ortho-Clinical”) having an aggregate fair value of \$11.2 million and \$8.3 million, respectively. Ortho-Clinical is a provider of in-vitro diagnostic solutions for screening, diagnosing, monitoring and confirming diseases, as well as immunohematology to ensure compatibility for blood transfusions and plasma screening for infectious diseases.

*Bausch Health Companies, Inc:* As of December 31, 2019 and December 31, 2018, we held senior secured loans and corporate bonds of Bausch Health Companies, Inc. (“Bausch”) having an aggregate fair value of \$6.9 million and \$9.4 million, respectively. Bausch is a multinational, specialty pharmaceutical and medical device company that develops, manufactures, and markets a broad range of branded, generic and branded



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generic pharmaceuticals, over-the-counter products, and medical devices, which are marketed directly or indirectly in over 100 countries. The company's broad portfolio of products is primarily focused in the areas of dermatology, gastrointestinal disorders, eye health (including Bausch + Lomb), neurology and branded generics. As part of management's ongoing commercial realignment program, the company changed its name from Valeant Pharmaceuticals, Inc. to Bausch Health Companies as of July 13, 2018. Bausch is headquartered in Laval, Quebec.

*athenahealth, Inc.:* As of December 31, 2019 and December 31, 2018, we held senior secured loans of AthenaHealth, Inc. ("AthenaHealth") having an aggregate fair value of \$5.9 million and \$0.0 million, respectively. athenahealth is a provider of web-based electronic health records and practice management systems for medical groups and health systems, as well as related service offerings including revenue cycle management, patient engagement, care coordination and population health services. The company was acquired in a take-private transaction led by Veritas Capital and Elliott management in February 2019. athenahealth was founded in 1997 and is headquartered in Watertown, MA.

*Surgery Center Holdings, Inc.:* As of December 31, 2019 and December 31, 2018, we held corporate bonds of Surgery Center Holdings, Inc. with an aggregate fair value of \$11.9 million and \$9.3 million, respectively. Surgery Center Holdings, Inc. is a leading healthcare services company with a differentiated outpatient delivery model focused on providing high quality, cost effective solutions for surgical and related ancillary care. The company is one of the largest and fastest growing surgical services businesses in the US, with more than 180 surgical hospital and ambulatory surgery center locations across 31 states.

*Endo Finance, LLC / Endo Finco Inc.:* As of December 31, 2019 and December 31, 2018, we held corporate bonds and senior secured loans of Endo Finance, LLC ("Endo") with an aggregate fair value of \$7.0 million and \$9.5 million, respectively. Endo is a generics and specialty branded pharmaceutical company, with a portfolio of prescription products focused in the areas of pain management, urology, central nervous system disorders, immunosuppression, oncology, women's health and cardiovascular disease markets, among others. The company's portfolio includes products across an extensive range of dosage forms and delivery systems, including immediate and extended release oral solids, injectables, liquids, nasal sprays, ophthalmics and transdermal patches. Endo has global headquarters in Dublin, Ireland, and U.S. headquarters in Malvern, PA.

**Opportunistic Investments**

The Adviser makes opportunistic investments when it believes it has a differentiated view on an investment, has sourced a unique opportunity, or an investment has the potential for, in the Adviser's opinion, an outsized return for the risk assumed. We will typically limit opportunistic investments to 20% or less of the portfolio, although we may invest more from time to time. The objective of opportunistic investments is primarily to generate capital appreciation, however, some opportunities may produce income as well.

*Vistra Energy:* As of December 31, 2019 and December 31, 2018, we held common stock and rights shares of Vistra Energy (NYSE:VST) ("Vistra Energy") having an aggregate fair value of \$2.5 million and \$2.7 million, respectively. Vistra Energy is a premier, integrated, Fortune 350 energy company based in Irving, Texas, providing essential resources for customers, commerce, and communities. Vistra combines an innovative, customer-centric approach to retail with safe, reliable, diverse, and efficient power generation. The company brings its products and services to market in 20 states and the District of Columbia, including six of the seven competitive markets in the U.S. and markets in Canada and Japan, as well. Serving nearly 5 million residential, commercial, and industrial retail customers with electricity and gas, Vistra is the largest competitive residential electricity provider in the country and offers over 40 renewable energy plans. The company is also the largest competitive power generator in the U.S. with a capacity of approximately 39,000 megawatts powered by a diverse portfolio of natural gas, nuclear, coal, solar, and battery energy storage facilities. Vistra Energy was formerly named Texas Competitive Electric Holdings. The company emerged from bankruptcy on October 3, 2016. Upon emergence from bankruptcy, 1st lien creditor interests were converted into equity in the reorganized company. The reorganized equity is now listed on the New York Stock Exchange.

Table of Contents**Results of Operations for the years ended December 31, 2019, 2018, and 2017***Revenues*

We generate a significant portion of our investment income in the form of interest on the debt securities we purchase or originate. During the ramp up phase, we have invested primarily in broadly syndicated bank loans of private companies. Bank loans generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread. The base lending rate is typically the three-month LIBOR. The settlement of bank loans differs from the settlement of many other equity or debt instruments. Bank loans are manually settled through the agent by assignment. As a result, settlement can take an undetermined amount of time. Currently, according to data provided by Markit Partners, bank loans settle, on average, on the seventeenth day after the trade date. Generally, interest does not begin to accrue to the buyer until seven business days after the trade date.

Our CLO equity pays quarterly dividends based on excess cash flow available after the CLO's payment "waterfall" provisions. Both Grayson and PAMCO CLOs are past their respective investment periods, and as a result, excess cash flow is expected to decline over time. We, therefore, expect that the quarterly dividends paid by the investment will similarly decline.

*Expenses*

For the years ended December 31, 2019, 2018, and 2017 respectively, we had total net operating expenses of \$4,690,817 or \$0.45 per share, \$3,872,756 or \$0.37 per share, and \$2,340,893 or \$0.27 per share. Our operating expenses include base management fees attributed to the Adviser of \$1,966,697, \$2,025,178, and \$1,575,420 for the year ended December 31, 2019, 2018, and 2017. Of these amounts, \$0, \$0, and \$1,499,906 were voluntarily waived. Our expenses also include administrative services expenses attributed to the Adviser of \$399,100, \$409,789, and \$314,337 for the years ended December 31, 2019, 2018 and 2017, respectively. Of these amounts, \$0, \$0, and \$301,355 were voluntarily waived. Amounts waived for management fees or administrative services expenses pertaining to periods prior to June 10, 2016 are not recoupable, but amounts waived for management fees or administrative services expenses pertaining to periods from and after June 10, 2016 are subject to recoupment by the Adviser within three years from the date that such fees were otherwise payable, provided that the recoupment will be limited to the amount of such voluntarily waived fees from and after June 10, 2016 and will not cause the sum of the Company's advisory fees, administration fees, Other Expenses, and any recoupment to exceed the annual rate of 3.40% of average gross assets. Effective December 20, 2017, the Adviser ended its voluntary waiver of advisory fees.

Amounts waived and subject to recoupment pertaining to advisory and administration fees are shown below:

<u>Period Ended</u>	<u>Advisory Fees Waived and Subject to Recoupment (1)</u>	<u>Administrator fees Waived and Subject to Recoupment (1)</u>	<u>Recoupment Eligibility Expiration</u>
December 31, 2017	\$ 413,916	\$ 75,906	December 31, 2020
September 30, 2017	305,288	69,308	September 30, 2020
June 30, 2017	389,733	77,947	June 30, 2020
March 31, 2017	390,969	78,194	March 31, 2020
December 31, 2016	366,861	73,372	Expired
September 30, 2016	343,320	68,664	Expired
June 30, 2016	74,421	14,884	Expired
<b>Total</b>	<b>\$ 2,284,508</b>	<b>\$ 458,275</b>	

- (1) The Advisor has permanently waived the recoupment of any advisory fees or administration fees calculated on the portion of gross assets attributable to the receivable from Advisor balance on the Statement of Assets and Liabilities.

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In addition, cumulatively since inception through to June 10, 2016, the Company has voluntarily waived \$930,143 and \$186,042 of advisory fees and administration fees, respectively, all of which are not recoupable.

Our other expenses subject to the Expense Limitation Agreement for years ended December 31, 2019, 2018, and 2017 were \$1,098,789, \$1,352,097, and \$1,304,585, respectively, and consisted of the following:

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Audit and tax fees	\$ 249,463	\$ 217,586	\$ 209,609
Legal fees	53,438	201,688	174,258
Custodian and accounting service fees	318,085	315,384	314,438
Reports to stockholders	68,888	59,427	95,887
Stock transfer fee	329,695	405,227	399,382
Directors' fees	19,553	19,804	16,090
Other expenses	59,667	132,981	94,921
Total	<u>\$ 1,098,789</u>	<u>\$ 1,352,097</u>	<u>\$ 1,304,585</u>

Please refer to the Expense Limitation section above for further details on expense reimbursements.

*Net Investment Income*

We earned net investment income of \$3,559,889 or \$0.45 per share, \$3,695,651 or \$0.36 per share, and \$5,093,927 or \$0.59 per share for the years ended December 31, 2019, 2018, and 2017, respectively.

*Net Realized Gains or Losses*

We had sales or principal repayments of \$43,967,028, \$54,849,304, and \$81,852,041 during the years ended December 31, 2019, 2018, and 2017, respectively, from which we realized a net gains/(losses) of \$(1,139,998), 1,675,246, and \$795,997, respectively. Additionally, during the year ended December 31, 2019, 2018, and 2017, we realized gains/(losses) on total return swaps of \$1,530,270, \$1,169,203 and \$(132,288), respectively.

*Net Change in Unrealized Appreciation (Depreciation) on Investments*

For the years ended December 31, 2019, 2018, and 2017, the net change in unrealized appreciation (depreciation) on investments totaled \$5,438,284 or \$0.52 per share, \$(10,765,705) or \$(1.04) per share, and \$2,274,359 or \$0.27 per share, respectively. The net change in unrealized appreciation (depreciation) on our investments during the year ended December 31, 2019 was primarily driven by the performance in Independence Realty Trust, Inc. Common Stock, the net change in unrealized appreciation (depreciation) on our investments during the year ended December 31, 2018 was primarily driven by the performance in Quorum Health Corp. Common Stock, and the net change during the year ended December 31, 2017 was primarily driven by the positions in OmniMax International.

*Net Increase from Payment from Affiliates*

For the year ended December 31, 2016, the Adviser committed \$872,000 to the Company to voluntarily reimburse the Company for unrealized losses sustained. No amounts were committed for the years ended December 31, 2019, 2018 and 2017. Cumulatively since inception, the Adviser has committed \$2,275,000 to voluntarily reimburse the Company for such losses. Had these payments not been made, the NAV as of December 31, 2019 would have been lower. These payments are shown in the Statement of Operations as net increase from amounts committed by affiliates and are not recoupable.

**Table of Contents***Net Increase (Decrease) in Net Assets Resulting from Operations*

For the years ended December 31, 2019, 2018 and 2017, the net increase/(decrease) in net assets resulting from operations was \$9,190,895 or \$0.88 per share, \$(6,209,274) or \$(0.60) per share, and \$7,468,172 or \$0.87 per share, respectively.

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Income	\$ 7,847,493	\$ 7,568,407	\$ 7,434,820
Expenses	(4,690,817)	(3,872,756)	(2,340,893)
Net Realized Gain/(Loss)	389,680	2,844,449	663,709
Net Unrealized Appreciation (Depreciation)	5,644,539	12,749,374	1,710,536
Net increase from amounts committed by affiliates	—	—	—
Total	<u>\$ 9,190,895</u>	<u>\$ (6,209,274)</u>	<u>\$ 7,468,172</u>

**Financial Condition, Liquidity and Capital Resources**

As of December 31, 2019 and December 31, 2018, we had cash and cash equivalents of \$7,764,892 and \$7,112,205, respectively. As of December 31, 2019 and December 31, 2018, \$7,745,979 and \$6,957,619 was held in the State Street U.S. Government Money Market Fund, and \$18,913 and \$154,586 was held in a custodial account with State Street Bank and Trust Company, respectively. Cash and cash equivalents are available to fund new investments, pay operating expenses and pay distributions.

In aggregate as of December 31, 2019 the Adviser controls 2,513,370 total shares, including reinvestment of dividends, for a net amount of approximately \$21.4 million.

The sales commissions and dealer manager fees related to the sale of our common stock were \$0, \$413,024, and \$1,837,575 for the years ended December 31, 2019, 2018, and 2017 and were offset against capital in excess of par value on the financial statements.

We expect to generate cash primarily cash flows from fees, interest and dividends earned from our investments, as well as principal repayments and proceeds from sales of our investments.

Prior to investing in securities of portfolio companies, we invest the net proceeds from the issuance of shares of common stock under our distribution reinvestment plan and from sales and paydowns of existing investments primarily in cash, cash equivalents, U.S. government securities, repurchase agreements, high-quality debt instruments maturing in one year or less from the time of investment, consistent with our BDC election and our election to be treated as a RIC. Additionally, we may invest in higher yielding, liquid credit investments such as bank loans and corporate notes and bonds, which are considered “junk” as they are rated below investment grade, to the extent that at time of purchase 70% of our portfolio is in qualified investments as required by rules and regulations under the 1940 Act.

We may borrow funds to make investments, including before we have fully invested the proceeds of our continuous public offering, to the extent we determine that additional capital would allow us to take advantage of additional investment opportunities. On January 6, 2015, we entered into a senior, secured revolving credit facility (the “Credit Facility”) with State Street Bank and Trust Company (“State Street”) as lender and agent. Under the Credit Facility, State Street had agreed to extend credit to us, in an aggregate principal amount of up to \$25 million, subject to borrowing base availability and restrictions on our total outstanding debt. Loans under the Credit Facility bore interest (at our election) at either (1) the higher of (i) the federal funds rate plus 1.25% per annum and (ii) the daily one-month London Interbank Offered Rate (“LIBOR”) plus 1.25% per annum or (2) one-, two- or three-month LIBOR plus 1.15% per annum. Interest was payable monthly in arrears. On January 5, 2016, the Company amended the Credit Facility with State Street and extended the maturity to January 3, 2017. The amendment to the Credit Facility did not contain any other material changes to the original agreement which was entered into on January 6, 2015 other than increasing the commitment fee from 0.15% to

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0.25% per annum on the daily unutilized portion of the \$25 million program amount. On January 3, 2017, the Company amended the Credit Facility with State Street and extended the maturity to March 20, 2017. The Credit Facility was fully paid down on February 24, 2017 and expired on March 20, 2017. The Company incurred costs of \$25,000 in connection with obtaining the Credit Facility. As of December 31, 2018, all such financing costs have been amortized to interest expense.

On October 19, 2017, the Company entered into a financing arrangement (the “Financing Arrangement”) with BNP Paribas Prime Brokerage International, Ltd., BNP Prime Brokerage, Inc., and BNP Paribas (together, the “BNPP Entities”). Under the Financing Agreement, the BNPP Entities may make margin loans to the Company at a rate of one-month LIBOR + 1.30%. The BNPP Entities have the right to cap the amount of margin loans with prior notice to the Company. The Financing Arrangement may be terminated by either the Company or the BNPP Entities with 179 days’ notice.

As of December 31, 2019 and December 31, 2018, \$33,714,864 and \$32,583,965, respectively, were outstanding under the Financing Arrangement.

For the year ended December 31, 2019, 2018, and 2017, the components of total interest expense were as follows:

	<u>For the Year Ended December 31, 2019</u>	<u>For the Year Ended December 31, 2018</u>	<u>For the Year Ended December 31, 2017</u>
Direct interest expense	\$ 1,233,085	\$ 759,234	\$ 95,181
Commitment fees	204	—	8,054
Amortization of financing costs	—	—	—
Total	<u>\$ 1,233,289</u>	<u>\$ 759,234</u>	<u>\$ 103,235</u>

On June 13, 2017, the Company, entered into the TRS with BNP Paribas over one or more loans, with a maximum aggregate notional amount of the portfolio debt securities subject to the TRS of \$40 million. On April 2, 2018, the Company amended and restated the TRS Agreement with BNP Paribas to increase the maximum aggregate notional amount of the portfolio debt securities subject to the TRS to \$60 million.

As of December 31, 2019, the TRS had a notional amount of \$50,904,830 and a market value of \$47,899,681. As of December 31, 2018, the TRS had a notional amount of \$55,763,056 and a market value of \$53,007,114. As of December 31, 2019 and December 31, 2018 cash collateral of \$21,400,000 and \$20,580,000, respectively, was posted against the TRS. See Note 7 to the financial statements included herein for additional information on the TRS.

While we are authorized to issue preferred stock, we do not currently anticipate issuing any.

**Contractual Obligations and Off-Balance Sheet Arrangements**

We may become a party to financial instruments with off-balance sheet risk in the normal course of our business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of December 31, 2019 and December 31, 2018, we had no outstanding commitments to fund investments.

We have certain contracts under which we have material future commitments. We have entered into the Investment Advisory Agreement with the Adviser in accordance with the 1940 Act. Under the Investment Advisory Agreement, the Adviser provides us with investment advisory and management services. For these services, we pay (1) a management fee equal to a percentage of the average value of our gross assets and (2) an incentive fee based on our performance.



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The incentive fee consists of two parts. The first part, which is calculated and payable quarterly in arrears, equals Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter and is subject to a hurdle rate, expressed as a rate of return on our net assets, equal to 1.875% per quarter. As a result, the Adviser will not earn this incentive fee for any quarter until our pre-incentive fee net investment income for such quarter exceeds the hurdle rate of 1.875%. Once our pre-incentive fee net investment income in any quarter exceeds the hurdle rate, the Adviser will be entitled to a “catch-up” fee equal to the amount of the pre-incentive fee net investment income in excess of the hurdle rate, until our pre-incentive fee net investment income for such quarter equals 2.34375% of the Company’s net assets at the end of such quarter. This “catch-up” feature allows the Adviser to recoup the fees foregone as a result of the existence of the hurdle rate. Thereafter, the Adviser will receive 20.0% of our pre-incentive fee net investment income. For purposes of calculating this part of the incentive fee, “Pre-Incentive Fee Net Investment Income” means interest income, distribution income and any other income (including any other fees, other than fees for providing managerial assistance, such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement and any interest expense and any dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with PIK interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

The second part of the incentive fee, which is referred to as the incentive fee on capital gains, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement). This fee equals 20.0% of our incentive fee capital gains, which will equal our realized capital gains on a cumulative basis from formation, calculated as of the end of the applicable period, computed net of all realized capital losses (proceeds less amortized cost) and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gains incentive fees. We will accrue for the capital gains incentive fee, which, if earned, will be paid annually. We will accrue for the capital gains incentive fee based on net realized and unrealized gains; however, under the terms of the Investment Advisory Agreement, the fee payable to the Adviser will be based on realized gains and no such fee will be payable with respect to unrealized gains unless and until such gains are actually realized. For the years ended December 31, 2019, 2018, and 2017 the Company accrued \$0, recognized a reduction of \$(594,306), and accrued \$418,739 of incentive fees on capital gains, respectively. Effective December 20, 2017, the Company ended its voluntary waiver of incentive fees. No such fees have been paid with respect to realized gains to the Adviser as of December 31, 2019.

Under the Administration Agreement, the Adviser furnishes us with office facilities and equipment, provides us clerical, bookkeeping and record keeping services at such facilities and provides us with other administrative services necessary to conduct our day-to-day operations. We will reimburse the Adviser for the allocable portion (subject to the review and approval of the Board) of overhead and other expenses incurred by it in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions and our allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs, to the extent that such expenses do not exceed an annual rate of 0.4% of our gross assets. The Adviser also provides on our behalf significant managerial assistance to those portfolio companies to which we are required to offer to provide such assistance and any expenses payable to the Adviser for such managerial assistance are not subject to the cap on reimbursement.

Our organization and offering costs together are limited to 1% of total gross proceeds raised and are not due and payable to the Adviser to the extent they exceed that amount. The cumulative aggregate amount of organization and offering costs exceeds 1% of total proceeds raised. Subsequent to the termination of the Offering, the Adviser forfeited the right to reimbursement of the remaining \$4,305,091 of these costs.

If any of the contractual obligations discussed above is terminated, our costs under any new agreements that we enter into may increase. In addition, we would likely incur significant time and expense in locating alternative parties to provide the services we receive under our Investment Advisory Agreement and our Administration Agreement. Any new investment advisory agreement would also be subject to approval by our stockholders.

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If for any taxable year we were not a “publicly offered” RIC within the meaning of Code Section 67(c)(2)(B), certain of our direct and indirect expenses, including the management fee, the incentive fee and certain other advisory expenses, would be subject to special “pass-through” rules. Such rules would treat these expenses as additional dividends to certain of our direct or indirect stockholders (generally including individuals and entities that compute their taxable income in the same manner as an individual) and, under current law are not deductible by those stockholders that are individuals (or entities that compute their taxable income in the same manner as an individual).

**Distributions**

In order to qualify for the special tax treatment accorded RICs and their shareholders, we are required under the Code, among other things, to distribute at least the sum of 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, or “investment company taxable income,” and 90% of any net tax-exempt interest income to our stockholders on an annual basis. We intend to authorize and declare monthly distributions to be paid monthly to our stockholders as determined by the Board. In addition, we also intend to distribute any realized net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) at least annually.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of our distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage requirements applicable to us as a BDC under the 1940 Act. If we do not distribute a certain percentage of our income annually, we will suffer adverse U.S. federal income tax consequences, including possible failure to qualify for the special tax treatment accorded RICs and their shareholders. We cannot assure stockholders that they will receive any distributions.

To the extent our taxable earnings fall below the total amount of our distributions for a taxable year, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes. Thus, the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our income or gains. Stockholders should read any written disclosure accompanying a distribution payment carefully and should not assume that the source of any distribution is our ordinary income or gains. Required distributions are driven by tax laws and thus tax accounting applies, not GAAP. Therefore, it is possible that we pay more in required distributions than we earn for book purposes. For the year ended December 31, 2019, 2018 and 2017, the Company did not distribute in excess of net investment income.

We have adopted an “opt in” distribution reinvestment plan for our stockholders. As a result, if we declare a cash distribution, our stockholders will receive distributions in cash unless they specifically “opt in” to the distribution reinvestment plan so as to have their cash distributions reinvested in additional shares of our common stock. However, certain state authorities or regulators may impose restrictions from time to time that may prevent or limit a stockholder’s ability to participate in our distribution reinvestment plan. Although distributions paid in the form of additional shares of our common stock will generally be subject to U.S. federal, state and local taxes in the same manner as cash distributions, stockholders participating in our dividend reinvestment plan will not receive any corresponding cash distributions with which to pay any such applicable taxes.



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For the year ended December 31, 2019, the Company made the following distributions:

<u>Payable Date</u>	<u>Dividend/ Share (1)</u>	<u>Total Dividend (1)</u>	<u>Dividends Reinvested (2)(3)</u>
1/02/2020	0.060	625,526	—
11/28/2019	0.060	630,505	398,908
10/30/2019	0.060	627,684	397,044
10/02/2019	0.060	632,534	397,215
8/28/2019	0.060	628,890	398,232
7/31/2019	0.060	626,130	395,900
6/26/2019	0.060	624,201	396,249
5/30/2019	0.060	625,758	398,933
5/01/2019	0.060	623,117	396,582
3/27/2019	0.060	620,420	392,542
2/27/2019	0.060	625,257	397,969
1/30/2019	0.060	622,648	397,645
1/03/2019 (2)	—	—	456,444
<b>Total</b>	<b>\$ 0.720</b>	<b>\$7,512,670</b>	<b>\$ 4,823,663</b>

- 1 For the current period, there were no dividends classified as a return of capital.
- 2 The December 2018 Dividend was reinvested in January 2019, see total December 2018 Dividend in table below.
- 3 The December 2019 Dividend will be reinvested in January 2020.

For the year ended December 31, 2018, the Company made the following distributions:

<u>Payable Date</u>	<u>Dividend/ Share</u>	<u>Total Dividend (1)</u>	<u>Dividends Reinvested (2)</u>
1/03/2019	\$ 0.069	\$ 721,979	\$ —
11/28/2018	0.055	579,638	370,940
10/31/2018	0.069	721,071	461,560
9/26/2018	0.055	578,884	369,031
8/29/2018	0.055	576,777	367,935
8/01/2018	0.069	717,708	459,995
6/27/2018	0.055	579,962	367,710
5/30/2018	0.055	577,847	368,895
5/02/2018	0.069	719,079	459,922
3/28/2018	0.055	577,343	367,026
2/28/2018	0.055	566,708	368,154
1/31/2018	0.069	683,782	451,968
<b>Total</b>	<b>\$ 0.730</b>	<b>\$7,600,778</b>	<b>\$ 4,413,136</b>

- 1 For the current year, there were no dividends classified as a return of capital.
- 2 The December 2018 Dividend will be reinvested in January 2019.

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For the year ended December 31, 2017, the Company made the following distributions:

<u>Payable Date</u>	<u>Dividend/ Share</u>	<u>Total Dividend</u>	<u>Dividends Reinvested</u>
12/27/2017	\$ 0.055	\$ 532,460	\$ 351,929
11/29/2017	0.055	517,804	341,262
11/1/2017	0.069	636,662	417,795
9/27/2017	0.055	505,439	331,096
8/30/2017	0.055	497,727	328,315
8/2/2017	0.069	610,689	403,364
6/28/2017	0.055	481,256	318,649
5/31/2017	0.069	580,257	385,226
4/26/2017	0.055	445,910	295,916
3/29/2017	0.055	431,714	286,868
3/1/2017	0.055	418,078	277,772
2/1/2017	0.069	499,353	332,190
<b>Total</b>	<b>\$ 0.716</b>	<b>\$6,157,349</b>	<b>\$4,070,382</b>

**Related Party Transactions**

We have entered into a number of business relationships with affiliated or related parties, including the following:

- We entered into the Investment Advisory Agreement with the Adviser. James Dondero, our president, controls the Adviser by virtue of his control of its general partner, NexPoint Advisors GP, LLC.
- Pursuant to an expense limitation agreement, the Adviser has agreed to waive fees or, if necessary, reimburse us to limit certain expenses to 1.0% of the quarter-end value of our gross assets.
- The Adviser provides us with the office facilities and administrative services necessary to conduct our day-to-day operations pursuant to the Administration Agreement.
- The Adviser has entered into an agreement with Highland, its affiliate, pursuant to which Highland makes available to the Adviser experienced investment professionals and other resources of Highland and its affiliates.
- The dealer manager for our continuous public offering, Highland Capital Funds Distributor, Inc., is an affiliate of the Adviser.
- In aggregate as of December 31, 2019, the Adviser controls 2,513,370 total shares, including reinvestment of dividends, for a net amount of approximately \$21.4 million.
- Cumulatively since inception, the Adviser has paid \$2,275,000 to voluntarily reimburse the Company for certain unrealized losses on investments. Had these payments not been made, the NAV as of December 31, 2019 would have been lower. These payments are not recoupable by the Adviser.

The Adviser and its affiliates also sponsor, or manage, and may in the future sponsor or manage, other investment funds, accounts or investment vehicles (together referred to as “accounts”) that have investment mandates that are similar, in whole and in part, with ours. The Adviser and its affiliates may determine that an investment is appropriate for us and for one or more of those other accounts. In such event, depending on the availability of such investment and other appropriate factors, and pursuant to the Adviser’s allocation policy and co-investment relief, the Adviser or its affiliates may determine that we should invest side-by-side with one or more other accounts. We do not intend to make any investments if they are not permitted by applicable law and interpretive positions of the SEC and its staff, or if they are inconsistent with the Adviser’s allocation procedures and co-investment relief.

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In addition, we and the Adviser have each adopted a formal code of ethics that governs the conduct of our and the Adviser's officers, directors and employees. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Delaware General Corporations Law.

**Critical Accounting Policies**

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ. We have identified the following as critical accounting policies.

***Fair Value of Financial Instruments***

We will value our investments in accordance with ASC Topic 820, Fair Value Measurements and Disclosure, or ASC Topic 820. ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about assets and liabilities measured at fair value. ASC Topic 820's definition of fair value focuses on exit price in the principal, or most advantageous, market and prioritizes the use of market-based inputs over entity-specific inputs within a measurement of fair value.

The portfolio will often include debt investments and equity investments that are fair valued. The portion of our portfolio that receives values from independent third parties are valued at their mid quotations obtained from unaffiliated market makers, other financial institutions that trade in similar investments or based on prices provided by independent third party pricing services. For investments where there are no available bid quotations, fair value is derived using proprietary models that consider the analyses of independent valuation agents as well as credit risk, liquidity, market credit spreads, and other applicable factors for similar transactions.

Due to the nature of our strategy, our portfolio will include relatively illiquid investments that are privately held. Valuations of privately held investments are inherently uncertain, may fluctuate over short periods of time and may be based on estimates. The determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

The Board, or its designee in good faith, is responsible for determining the fair value of the portfolio investments that are not publicly traded, whose market prices are not readily available on a quarterly basis in good faith or any other situation where portfolio investments require a fair value determination.

The valuation process is conducted at the end of each fiscal quarter, with a portion of our valuations of portfolio companies without market quotations subject to review by the independent valuation firms each quarter. When an external event with respect to one of our portfolio companies, such as a purchase transaction, public offering or subsequent equity sale occurs, we expect to use the pricing indicated by such external event to corroborate our valuation.

With respect to investments for which market quotations are not readily available, the Board undertakes a multi-step valuation process each quarter, as described below:

- Our quarterly valuation process begins with each portfolio company or investment being initially valued by investment professionals of our investment adviser responsible for credit monitoring.
- Preliminary valuation conclusions are then documented and discussed with our senior management and our investment adviser.
- The audit committee of the Board reviews these preliminary valuations.

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- At least once each quarter, the valuations for approximately one quarter of the portfolio investments that have been fair valued are reviewed by an independent valuation firm such that, over the course of a year, each material portfolio investment that has been fair valued shall have been reviewed by an independent valuation firm at least once.
- The Board discusses valuations and determines the fair value of each investment in our portfolio in good faith.

As of December 31, 2019, the Company held the following investments for which a sufficient level of current, reliable market quotations were not available:

<b>Instrument</b>	<b>Type</b>	<b>Market value</b>
PAMCO CLO 1997-1A B	Asset-Backed	\$ 139,629
American Banknote Corp.	Common Stocks	2,467,500
OmniMax International, Inc.	Common Stocks	20,898
SteadyMed Ltd.	Common Stocks	40,405
TerreStar Corp.	Common Stocks	3,890,081
NexPoint Capital REIT, LLC	LLC Interests	2,425,989
SFR WLIF III, LLC	LLC Interests	1,615,315
SFR WLIF II, LLC	LLC Interests	3,317,342
US GAMING LLC	LLC Interests	2,000,000
TerreStar Corp.	Senior Secured Loans	583,470
TerreStar Corp.	Senior Secured Loans	138,132
OmniMax International, Inc.	Unsecured Loans	3,713,191
Galena Biopharma, Inc.	Warrant	—
Gemphire Therapeutics, Inc.	Warrant	1,340
OmniMax International, Inc.	Warrant	647
SCYNEXIS, Inc.	Warrant	28,497

As of December 31, 2018, the Company held the following investments for which a sufficient level of current, reliable market quotations were not available:

<b>Instrument</b>	<b>Type</b>	<b>Market value</b>
PAMCO CLO 1997-1A B	Asset-Backed	\$ 144,044
Gambier Bay, LLC	Common Stocks	1,055,803
OmniMax International, Inc.	Common Stocks	1,303,257
SteadyMed Ltd.	Common Stocks	14,509
TerreStar Corp.	Common Stocks	3,913,800
TerreStar Corp.	Senior Secured Loans	522,845
OmniMax International, Inc.	Unsecured Loans	3,838,472
Galena Biopharma, Inc.	Warrant	—
Gemphire Therapeutics, Inc.	Warrant	17,159
OmniMax International, Inc.	Warrant	40,340
SCYNEXIS, Inc.	Warrant	32,949

The Company values the TRS in accordance with the TRS Agreement. Pursuant to the TRS Agreement, the value of the TRS is based on the increase or decrease in the value of the loans underlying the TRS, together with accrued interest income, interest expense and certain other expenses incurred under the TRS. The loans underlying the TRS are valued based on indicative bid prices provided by an independent third-party pricing service. Bid prices reflect the highest price that market participants may be willing to pay. These valuations are sent to the Company for review and testing. The Valuation Committee and the Board review and approve the value of the TRS, as well as the value of the loans underlying the TRS, on a quarterly basis. To the extent the Valuation Committee or the Board have any questions or concerns regarding the valuation of the loans

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underlying the TRS, such valuation is discussed or challenged pursuant to the terms of the TRS Agreement. For additional information on the TRS, see Note 7 to the financial statements included herein.

***Organization Costs***

Organization costs include the cost of incorporation, such as the cost of legal services and other fees pertaining to our organization. Organization costs, together with offering costs, are limited to 1% of total gross proceeds raised in the offering and are not due and payable to the Adviser to the extent they exceed that amount. For the year ended December 31, 2019, 2018, and 2017, the Adviser did not incur any organization costs on our behalf.

***Offering Costs***

Our offering costs include legal fees, promotional costs and other costs pertaining to the public offering of our shares of common stock, and are capitalized and amortized to expense over one year. For the years ended December 31, 2019, 2018 and 2017, the Adviser incurred offering costs of \$0, \$238,568, and \$954,765, respectively, on our behalf. For the years ended December 31, 2019, 2018 and 2017, the Company capitalized \$0, 61,462 and \$282,156, respectively, of offering costs. Of the capitalized offering costs, \$5,445, \$184,847 and \$381,881 were amortized to expense during the years ended December 31, 2019, 2018 and 2017, respectively. As of December 31, 2019 and December 31, 2018, \$0 and \$5,445 remained on the Statement of Assets and Liabilities, respectively.

Organization costs and offering costs are limited to 1% of total gross proceeds raised in this offering and are not due and payable to the Adviser to the extent they exceed that amount. As of December 31, 2019, the cumulative aggregate amount of \$5,327,574 of organization and offering costs exceeds 1% of total proceeds raised. Subsequent to the termination of the Offering, the Adviser forfeited the right to reimbursement of the remaining \$4,305,091 of these costs.

***Investment Transactions and Related Investment Income and Expense***

We record our investment transactions on a trade date basis, which is the date when we have determined that all material terms have been defined for the transactions. These transactions could possibly settle on a subsequent date depending on the transaction type. All related revenue and expenses attributable to these transactions are reflected on the Statements of Operations commencing on the trade date unless otherwise specified by the transaction documents. Realized gains and losses on investment transactions are recorded on the specific identification method. We accrue interest income if we expect that ultimately we will be able to collect it. Generally, when an interest payment default occurs on a loan in our portfolio, or if our management otherwise believes that the issuer of the loan will not be able to service the loan and other obligations, we place the loan on non-accrual status and will cease recognizing interest income on that loan until all principal and interest is current through payment or until a restructuring occurs, such that the interest income is deemed to be collectible. However, we remain contractually entitled to this interest. We may make exceptions to this policy if the loan has sufficient collateral value and is in the process of collection. Accrued interest is written off when it becomes probable that such interest will not be collected and the amount of uncollectible interest can be reasonably estimated. We also accrue for delayed compensation, which is a pricing adjustment payable by the parties to a secondary loan trade that closes late, intended to assure that neither party derives an economic advantage from the delay. Delayed compensation begins calculating at the loan's specific coupon rate if a trade hasn't settled within 7 business days of trading. Original issue discounts, market discounts or premiums are accreted or amortized using the effective interest method as interest income, and will be accreted or amortized over the maturity period of the investments. We will record prepayment premiums on loans and debt securities as interest income. Dividend income, if any, will be recognized on an accrual basis to the extent that we expect to collect such amount.

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We may have investments in our portfolio that contain a PIK interest provision. Any PIK interest will be added to the principal balance of such investments and is recorded as income, if the portfolio company valuation indicates that such PIK interest is collectible. In order to qualify for the special tax treatment accorded RICs and their shareholders, substantially all of our income (including PIK interest) must be distributed to stockholders in the form of dividends, even if we have not collected any cash.

Interest expense is recorded on an accrual basis. Certain expenses related to legal and tax consultation, due diligence, rating fees, valuation expenses and independent collateral appraisals may arise when we make certain investments.

***Loan Origination, Facility, Commitment and Amendment Fees***

We may receive fees in addition to interest income from loans during the life of the investment. We may receive origination fees upon the origination of an investment. These origination fees are initially deferred and deducted from the cost basis of the investment and subsequently accreted into income over the term of the loan. We may receive facility, commitment and amendment fees, which are paid to us on an ongoing basis. Facility fees, sometimes referred to as asset management fees, are accrued as a percentage periodic fee on the base amount (either the funded facility amount or the committed principal amount). Commitment fees are based upon the undrawn portion committed by us and are recorded on an accrual basis. Amendment fees are paid in connection with loan amendments and waivers and are accounted for upon completion of the amendments or waivers, generally when such fees are receivable. Any such fees are included in other income on the Statements of Operations.

***Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation***

We measure net realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized upfront fees and prepayment penalties. Net change in unrealized appreciation or depreciation will reflect the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

***U.S. Federal Income Taxes***

We have elected to be treated as a RIC under Subchapter M of the Code and intend each year to qualify and be eligible to be treated as such. As a RIC, we generally will not have to pay corporate-level federal income taxes on any investment company taxable income or net capital gains that we distribute as dividends to our stockholders. In order to qualify for the special tax treatment accorded RICs and their shareholders, we must meet certain gross income, diversification, and distribution requirements.

***Recent Accounting Pronouncements***

Please refer to Note 2 to the financial statements included herein for discussion of recent accounting pronouncements.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

We are subject to financial market risks, most significantly changes in interest rates. As of December 31, 2019, 56% (based on fair value) of the investments in our portfolio (including investments underlying the TRS) had floating interest rates, and both the TRS and the Financing Arrangement entered into with the BNPP entities have a floating rate structure. These investments are usually based on a floating LIBOR and typically have interest rate reset provisions that adjust applicable interest rates under such loans to current market rates on a monthly or quarterly basis.



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Pursuant to the terms of the TRS, we pay fees to BNP Paribas a rate equal to one-month LIBOR plus 2.00% per annum on the utilized notional amount of the loans subject to the TRS in exchange for the right to receive the economic benefit of a pool of loans having a maximum notional market value amount of \$60,000,000. Pursuant to the terms of the Financing Arrangement, we pay fees to the BNPP entities a floating rate based on the asset type, but generally one-month LIBOR plus 1.30% per annum on the amount borrowed. To the extent that any present or future credit facilities or other financing arrangements that we or any of our subsidiaries enter into are based on a floating interest rate, we will be subject to risks relating to changes in market interest rates. In periods of rising interest rates when we or our subsidiaries have such debt outstanding, or financing arrangements in effect, our interest expense would increase, which could reduce our net investment income, especially to the extent we hold fixed rate investments.

A rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments, especially to the extent that we predominantly hold variable-rate investments, and to declines in the value of any fixed-rate investments we hold. To the extent that a majority of our investments may be in variable-rate investments, an increase in interest rates could make it easier for us to meet or exceed the hurdle rate for the income incentive fee payable to the Adviser and may result in a substantial increase in our net investment income, and also to the amount of incentive fees payable to our investment adviser with respect to our increasing pre-incentive fee net investment income.

Assuming that the Statement of Assets and Liabilities as of December 31, 2019 were to remain constant and that we took no actions to alter our existing interest rate sensitivity, the following table shows the annualized impact of hypothetical base rate changes in interest rates.

<u>Change in interest rates</u>	<u>Increase (decrease) in interest income</u>	<u>(Increase) decrease in interest expense</u>	<u>Increase (decrease) in NII</u>
Down 25 basis points	(154,955)	221,583	66,628
Up 50 basis points	309,911	(443,166)	(133,255)
Up 100 basis points	619,822	(886,333)	(266,511)
Up 200 basis points	1,239,643	(1,772,665)	(533,022)
Up 300 basis points	1,859,465	(2,658,998)	(799,533)

- (1) Includes the net effect of the change in interest rates on the unrealized appreciation (depreciation) on the TRS. As of December 31, 2019, 100% of the loans underlying the TRS paid variable interest rates.

Although we believe that this analysis is indicative of our existing sensitivity to interest rate changes, it does not adjust for changes in the credit market, credit quality, the size and composition of the assets in our portfolio and other business developments, including borrowing under future credit facilities or other borrowing. Accordingly, we can offer no assurances that actual results would not differ materially from the analysis above.

We may in the future hedge against interest rate fluctuations by using standard hedging instruments such as interest rate swaps, futures, options and forward contracts to the limited extent permitted under the 1940 Act and applicable commodities laws. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to the investments in our portfolio with fixed interest rates.



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**Item 8.**      *Financial Statements and Supplementary Data*

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Table of Contents**NexPoint Capital, Inc.****Statements of Assets and Liabilities**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Assets</b>		
Unaffiliated investments, at fair value (cost of \$97,920,246 and \$99,252,969, respectively)	\$ 94,674,323	\$ 92,974,250
Affiliated investments, at fair value (cost of \$5,457,776 and \$5,769,291, respectively) (1)	5,753,369	3,255,591
Cash and cash equivalents	7,764,892	7,112,205
Due from counterparty (2)	21,400,000	20,580,000
Receivable due on total return swaps (2)	—	366,952
Dividends and interest receivable	1,042,105	1,177,217
Receivable from Adviser (3)	50,130	—
Prepaid expenses	12,208	10,930
Capitalized offering costs	—	5,445
Total assets	<u>130,697,027</u>	<u>125,482,590</u>
<b>Liabilities</b>		
Credit facilities payable (4)	33,714,864	32,583,965
Payable for investments purchased	2,533,314	2,573,276
Payable on total return swap (2)	11,458	—
Unrealized depreciation on total return swap (2)	2,745,042	2,547,492
Common stock repurchased	1,102,405	—
Payable to Adviser (3)	570,453	291,904
Interest expense and commitment fees payable	80,207	7,707
Accrued expenses and other liabilities	378,205	445,304
Distributions payable	625,526	721,979
Total liabilities	<u>41,761,474</u>	<u>39,171,627</u>
Commitments and contingencies (5)		
<b>Net assets</b>		
Preferred stock, \$0.001 par value (25,000,000 shares authorized, 0 shares issued and outstanding)	—	—
Common stock, \$0.001 par value (200,000,000 shares authorized, 10,425,431 and 10,322,327 shares issued and outstanding, respectively)	10,425	10,322
Paid-in capital in excess of par	93,412,260	92,602,409
Total distributable earnings (loss)	(4,487,132)	(6,301,768)
<b>Total net assets</b>	<u>\$ 88,935,553</u>	<u>\$ 86,310,963</u>
Net asset value per share of common stock	<u>\$ 8.53</u>	<u>\$ 8.36</u>

(1) See Note 10 for a discussion of affiliated investments.

(2) See Note 7 for a discussion of total return swaps.

(3) See Note 4 for a discussion of related party transactions and arrangements.

(4) See Note 7 for a discussion of credit facility.

(5) See Note 4 and Note 8 for a discussion of the commitments and contingencies of the Company (as defined in Note 1).

See Notes to Financial Statements

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## NexPoint Capital, Inc.

## Statements of Operations

	For the Year Ended December 31,		
	2019	2018	2017
<b>Investment income:</b>			
Interest	\$ 5,853,384	\$ 6,395,740	\$ 6,908,474
Interest paid in kind	635,742	517,567	297,068
Dividend income from unaffiliated investments	1,068,673	547,408	190,742
Dividend income from affiliated investments (1)	239,799	97,209	950
Other fee income	49,895	10,483	37,586
Total investment income	7,847,493	7,568,407	7,434,820
<b>Expenses:</b>			
Investment advisory fees (2)	1,966,697	2,025,178	1,575,420
Interest expense and commitment fees (3)	1,233,289	759,234	103,235
Administration fees (2)	399,100	409,789	314,337
Stock transfer fee	329,695	405,227	399,382
Custodian and accounting service fees	318,085	315,384	314,438
Audit and tax fees	249,463	217,586	209,609
Other expenses	194,433	296,318	292,807
Reports to stockholders	68,888	59,427	95,887
Legal fees	53,438	201,688	174,258
Directors' fees (2)	19,553	19,804	16,090
Amortized offering costs	5,445	184,847	381,881
Capital gains incentive fees (2)	—	(594,306)	418,739
Total expenses	4,838,086	4,300,176	4,296,083
Expenses waived or reimbursed by the Adviser (2)	(147,269)	(427,420)	(1,955,190)
Net expenses	4,690,817	3,872,756	2,340,893
Net investment income	3,156,676	3,695,651	5,093,927
<b>Net realized and unrealized gains (losses) on investments:</b>			
Net realized gain/(loss) on:			
Unaffiliated investments and securities sold short	(1,140,590)	1,672,824	795,997
Affiliated investments (1)	—	2,422	—
Total return swaps (4)	1,530,270	1,169,203	(132,288)
Net change in unrealized appreciation (depreciation) on:			
Unaffiliated investments and securities sold short	3,032,796	(8,249,366)	2,271,720
Affiliated investments (1)	2,809,293	(2,516,339)	2,639
Total return swaps (4)	(197,550)	(1,983,669)	(563,823)
Net realized and unrealized gains (losses)	6,034,219	(9,904,925)	2,374,245
Net increase in net assets resulting from operations	9,190,895	(6,209,274)	7,468,172
<b>Per share information—basic and diluted per common share</b>			
Net investment income:	\$ 0.30	\$ 0.36	\$ 0.59
Earnings per share:	\$ 0.88	\$ (0.60)	\$ 0.87
Weighted average shares outstanding:	10,441,061	10,358,148	8,564,351

- (1) See Note 10 for a discussion of affiliated investments.  
(2) See Note 4 for a discussion of related party transactions and arrangements.  
(3) See Note 7 for a discussion of credit facility.  
(4) See Note 7 for a discussion of total return swaps.

See Notes to Financial Statements

Table of Contents**NexPoint Capital, Inc.****Statement of Changes in Net Assets**

	<b>Common Stock</b>		<b>Paid in Capital in</b>	<b>Distributable</b>	<b>Total</b>
	<b>Shares</b>	<b>Par Amount</b>	<b>Excess of Par</b>	<b>Earnings</b>	<b>Net Assets</b>
<b>Balance at December 31, 2016</b>	7,102,226	\$ 7,102	\$ 61,925,016	\$ 5,360,836	\$67,292,954
<b>Increase (decrease) in net assets resulting from operations</b>					
Net investment income	—	—	—	5,093,927	5,093,927
Net realized gain (loss) on investments and securities sold short	—	—	—	795,997	795,997
Net realized gain (loss) on total return swaps (1)	—	—	—	(132,288)	(132,288)
Net change in unrealized appreciation (depreciation) on investments and securities sold short	—	—	—	2,274,359	2,274,359
Net change in unrealized appreciation (depreciation) on total return swaps	—	—	—	(563,823)	(563,823)
Shareholder distributions:					
Issuance of common stock	2,413,561	2,414	23,425,427	—	23,427,841
Repurchase of common stock	(130,438)	(131)	(1,241,912)	—	(1,242,043)
Reinvestment of common stock	418,972	419	4,069,963	—	4,070,382
Distributions to stockholders (2)	—	—	—	(6,157,349)	(6,157,349)
Total increase (decrease) for the year ended December 31, 2017	2,702,095	2,702	26,253,478	1,310,823	27,567,003
Tax reclassification of stockholders' equity in accordance with GAAP	—	—	(521,714)	521,714	—
<b>Balance at December 31, 2017</b>	<u>9,804,321</u>	<u>\$ 9,804</u>	<u>\$ 87,656,780</u>	<u>\$ 7,193,373</u>	<u>\$94,859,957</u>
<b>Distributions to shareholders per share</b>	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.72</u>	<u>\$ 0.72</u>

(1) See Note 7 for a discussion on Total Return Swaps.

(2) Per the Securities Exchange Commission release #33-10532 "Disclosure Update and Simplification"; it is no longer required to differentiate distributions from earnings as either from net investment income or net realized capital gains.

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## NexPoint Capital, Inc.

## Statement of Changes in Net Assets

	Common Stock		Paid in Capital in	Distributable	Total
	Shares	Par Amount	Excess of Par	Earnings	Net Assets
<b>Balance at December 31, 2017</b>	9,804,321	\$ 9,804	\$ 87,656,780	\$ 7,193,373	\$ 94,859,957
<b>Increase (decrease) in net assets resulting from operations</b>					
Net investment income	—	—	—	3,695,651	3,695,651
Net realized gain (loss) on investments and securities sold short	—	—	—	1,675,246	1,675,246
Net realized gain (loss) on total return swaps (1)	—	—	—	1,169,203	1,169,203
Net change in unrealized appreciation (depreciation) on investments and securities sold short	—	—	—	(10,765,705)	(10,765,705)
Net change in unrealized appreciation (depreciation) on total return swaps	—	—	—	(1,983,669)	(1,983,669)
Shareholder distributions:					
Issuance of common stock	538,995	539	5,314,944	—	5,315,483
Repurchase of common stock	(477,904)	(478)	(4,467,083)	—	(4,467,561)
Reinvestment of common stock	456,915	457	4,412,679	—	4,413,136
Distributions to stockholders (2)	—	—	—	(7,600,778)	(7,600,778)
Total increase (decrease) for the year ended December 31, 2018	518,006	518	5,260,540	(13,810,052)	(8,548,994)
Tax reclassification of stockholders' equity in accordance with GAAP	—	—	(314,911)	314,911	—
<b>Balance at December 31, 2018</b>	<u>10,322,327</u>	<u>\$ 10,322</u>	<u>\$ 92,602,409</u>	<u>\$ (6,301,768)</u>	<u>\$ 86,310,963</u>
<b>Distributions to shareholders per share</b>	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.73</u>	<u>\$ 0.73</u>

(1) See Note 7 for a discussion on Total Return Swaps.

(2) Per the Securities Exchange Commission release #33-10532 "Disclosure Update and Simplification"; it is no longer required to differentiate distributions from earnings as either from net investment income or net realized capital gains.

See Notes to Financial Statements

Table of Contents**NexPoint Capital, Inc.****Statement of Changes in Net Assets**

	<b>Common Stock</b>		<b>Paid in Capital in</b>	<b>Distributable</b>	<b>Total</b>
	<b>Shares</b>	<b>Par Amount</b>	<b>Excess of Par</b>	<b>Earnings</b>	<b>Net Assets</b>
<b>Balance at December 31, 2018</b>	10,322,327	\$ 10,322	\$ 92,602,409	\$ (6,301,768)	\$86,310,963
<b>Increase (decrease) in net assets resulting from operations</b>					
Net investment income	—	—	—	3,156,676	3,156,676
Net realized gain (loss) on investments and securities sold short	—	—	—	(1,140,590)	(1,140,590)
Net realized gain (loss) on total return swaps (1)	—	—	—	1,530,270	1,530,270
Net change in unrealized appreciation (depreciation) on investments and securities sold short	—	—	—	5,842,089	5,842,089
Net change in unrealized appreciation (depreciation) on total return swaps (1)	—	—	—	(197,550)	(197,550)
Shareholder distributions:					
Issuance of common stock	—	—	—	—	—
Repurchase of common stock	(454,468)	(455)	(3,875,230)	—	(3,875,685)
Reinvestment of common stock	557,572	558	4,823,105	—	4,823,663
Distributions to stockholders (2)	—	—	—	(7,514,283)	(7,514,283)
Total increase (decrease) for the year ended December 31, 2019	103,104	103	947,875	1,676,612	2,624,590
Tax reclassification of stockholders' equity in accordance with GAAP	—	—	(138,024)	138,024	—
<b>Balance at December 31, 2019</b>	<u>10,425,431</u>	<u>\$ 10,425</u>	<u>\$ 93,412,260</u>	<u>\$ (4,487,132)</u>	<u>\$88,935,553</u>
<b>Distributions to shareholders per share</b>	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.72</u>	<u>\$ 0.72</u>

(1) See Note 7 for a discussion on Total Return Swaps.

(2) Per the Securities Exchange Commission release #33-10532 "Disclosure Update and Simplification"; it is no longer required to differentiate distributions from earnings as either from net investment income or net realized capital gains.

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## NexPoint Capital, Inc.

## Statements of Cash Flows

	Year Ended December 31,		
	2019	2018	2017
<b>Cash flows used in operating activities</b>			
Net increase (decrease) in net assets resulting from operations	\$ 9,190,895	\$ (6,209,274)	\$ 7,468,172
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:			
Purchases of investment securities	(42,308,348)	(64,748,316)	(92,574,632)
Payment-in-kind investments	(635,742)	(517,567)	(297,068)
Proceeds from sales and principal repayments of investment securities	44,370,241	54,849,304	81,852,041
Net realized (gain) loss on investments	1,140,590	(1,675,246)	(795,997)
Net change in unrealized (appreciation) depreciation on investments	(5,842,089)	10,765,705	(2,274,359)
Net change in unrealized depreciation on total return swaps	197,550	1,983,669	563,823
Amortization of premium/discount, net	(922,503)	(901,409)	(1,621,701)
Amortization of capitalized offering costs	5,445	184,847	381,881
Increase (decrease) in operating assets and liabilities:			
(Increase) decrease in receivable for investments sold	—	2,768,395	(2,768,395)
(Increase) decrease in dividends and interest receivable	135,112	84,945	(432,286)
(Increase) decrease in receivable from Adviser	(50,130)	—	4,096,447
(Increase) decrease in prepaid expenses	(1,278)	79,618	(67,307)
(Increase) decrease in due from counterparty	(820,000)	(6,760,000)	(13,820,000)
(Increase) decrease in receivable due on total return swap	366,952	(183,437)	(183,515)
Increase (decrease) in payable for investments purchased	(39,962)	620,124	(6,583,096)
Increase (decrease) in payable to Adviser	278,549	(4,188)	296,092
Increase (decrease) in incentive fees payable	—	(594,306)	594,306
Increase (decrease) in interest expense and commitment fees payable	72,500	(45,149)	31,273
Increase (decrease) in accrued expenses and other liabilities	(67,099)	(37,885)	98,789
Increase (decrease) in payable due on total return swap	11,458	—	—
<b>Net cash flow provided by used in operating activities</b>	<b>5,082,141</b>	<b>(10,340,170)</b>	<b>(26,035,532)</b>
<b>Cash flows provided by financing activities</b>			
Proceeds from issuance of common stock, net of receivable for common stock sold	—	5,321,118	23,479,096
Repurchase of common stock, net of payable	(2,773,280)	(4,570,565)	(1,177,572)
Distributions paid in cash	(2,787,073)	(2,465,663)	(2,086,967)
Offering costs paid, net of due to Adviser	—	(61,462)	(282,156)
(Decrease) in credit facilities payable	(15,748,575)	(37,045,614)	(4,600,000)
Increase in credit facilities payable	16,879,474	45,229,579	17,800,000
Net cash flow provided by (used in) financing activities	(4,429,454)	6,407,393	33,132,401
Net increase (decrease) in cash and cash equivalents	652,687	(3,932,777)	7,096,869
<b>Cash and cash equivalents</b>			
Beginning of the year	7,112,205	11,044,982	3,948,113
End of the year	<u>\$ 7,764,892</u>	<u>\$ 7,112,205</u>	<u>\$ 11,044,982</u>
<b>Supplemental disclosure and non-cash financing activities</b>			
Paid-in-kind interest income	\$ 635,742	\$ 517,567	\$ 297,068
Cash paid during the period for interest	\$ 1,160,789	\$ 804,383	\$ 54,473
Reinvestment of distributions paid	\$ 4,823,663	\$ 4,413,136	\$ 4,070,382
Local and excise taxes paid	\$ 212,579	\$ 168,836	\$ 129,006

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**NexPoint Capital, Inc.**  
**Schedule of Investments**  
**As of December 31, 2019**

<b>Portfolio Company (1)(2)</b>	<b>Interest Rate</b>	<b>Base Rate Floor</b>	<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Amortized Cost (3)</b>	<b>Fair Value</b>
<b>Senior Secured Loans – 9.0% (4)</b>						
Energy – 2.1%						
Fieldwood Energy, LLC (First Lien Term Loan) (5)	L + 525	1.00%	4/11/2022	1,800,549	\$ 1,797,034	\$ 1,514,208
Fieldwood Energy, LLC (Second Lien Term Loan) (5)	L + 725	1.00%	4/11/2023	567,797	553,265	326,838
						<u>1,841,046</u>
Healthcare – 5.7%						
Auris Luxembourg III S.a.r.l. (First Lien Term Loan) (6)(7)	L + 375	0.00%	2/27/2026	2,566,812	2,554,699	2,583,933
Covenant Surgical Partners, Inc. (First Lien Delayed Draw Term Loan) (5)(8)	L + 400	0.00%	7/1/2026	333,333	833	833
Covenant Surgical Partners, Inc. (First Lien Term Loan) (5)(8)	L + 400	0.00%	7/1/2026	1,666,667	1,670,833	1,670,833
Envision Healthcare Corp. (First Lien Term Loan) (6)(8)	L + 375	0.00%	10/10/2025	997,481	862,821	855,754
						<u>5,111,353</u>
Media/Telecommunications – 0.4%						
iHeartCommunications, Inc. (First Lien Term Loan) (5)	L + 400	0.00%	5/1/2026	333,537	863,774	336,802
Telecommunication Services – 0.8%						
TerreStar Corp. (First Lien Term Loan) (9)(10)	11% PIK		2/27/2020	584,639	584,639	583,470
TerreStar Corp. (First Lien Term Loan) (9)(10)	11% PIK		2/28/2022	138,409	138,409	138,132
						<u>721,602</u>
Utility – 0.0%						
Texas Competitive Electric Holdings Company, LLC (TXU) (Escrow Loan) (11)(12)				3,500,000	79,372	1,925
<b>Total Senior Secured Loans</b>						<u><b>8,012,728</b></u>
<b>Unsecured Loans – 4.2%</b>						
Materials – 4.2%						
OmniMax International, Inc. (5)(9)(10)	14% PIK, 2% Cash		2/6/2021	4,404,735	4,195,580	3,713,191
<b>Total Unsecured Loans</b>						<u><b>3,713,191</b></u>
<b>Asset-Backed Securities – 0.8%</b>						
Financials – 0.8%						
Grayson Investor Corp. (7)(13)(14)(15)			11/1/2021	800	456,000	333,764
Highland Park CDO I Ltd. 2006 1A A2 (5)(7)(13)(15)	L + 40		11/25/2051	270,178	225,349	270,127
PAMCO CLO 1997-1A B (7)(9)(10)(13)(15)(16)				374,239	215,187	139,629
						<u>743,520</u>
<b>Total Asset-Backed Securities</b>						<u><b>743,520</b></u>
<b>Mortgage-Backed Securities – 4.5%</b>						
Financials – 4.5%						
FREMF 2019-KF60 Mortgage Trust (6)(13)			2/25/2026	4,002,449	3,996,530	3,994,444
<b>Total Mortgage-Backed Securities</b>						<u><b>3,994,444</b></u>
<b>Closed-End Mutual Funds – 2.4%</b>						
Financials – 2.4%						
NexPoint Strategic Opportunities Fund (7)(17)(18)				120,633	2,419,467	2,136,410
<b>Total Closed-End Mutual Funds</b>						<u><b>2,136,410</b></u>
						<u><b>Shares</b></u>

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**NexPoint Capital, Inc.**  
**Schedule of Investments (continued)**  
**As of December 31, 2019**

<b>Portfolio Company (1)(2)</b>	<b>Interest Rate</b>	<b>Base Rate Floor</b>	<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Amortized Cost (3)</b>	<b>Fair Value</b>
<b>Corporate Bonds – 45.9%</b>						
Financials – 1.7%						
Freedom Mortgage Corp. (13)(18)	8.250%		4/15/2025	1,500,000	\$ 1,500,000	\$ 1,474,200
Healthcare – 43.8%						
ASP AMC Merger Sub, Inc. (13)(18)	8.000%		5/15/2025	7,325,000	6,948,779	4,892,478
Endo Finance LLC / Endo Finco Inc. (7)(13)(18)	6.000%		7/15/2023	4,500,000	3,877,424	3,262,455
Ortho-Clinical Diagnostics (13)(18)	6.625%		5/15/2022	11,217,000	10,862,655	11,174,863
Surgery Center Holdings (7)(13)(18)	6.750%		7/1/2025	11,858,000	11,246,267	11,892,566
Valeant Pharmaceuticals International, Inc. (7)(13)(18)	6.125%		4/15/2025	7,500,000	6,942,340	7,764,863
						<u>38,987,225</u>
Media/Telecommunications – 0.4%						
iHeartCommunications, Inc. (18)	6.375%		5/1/2026	114,206	313,455	124,127
iHeartCommunications, Inc. (18)	8.375%		5/1/2027	214,073	584,792	236,947
						<u>361,074</u>
<b>Total Corporate Bonds</b>						<b><u>40,822,499</u></b>
<b>Common Stocks – 25.9%</b>						
				<b>Shares</b>		
Chemicals – 0.0%						
MPM Holdings, Inc. (12)				8,500	17,000	42,500
Energy – 5.5%						
Energy Transfer Equity L.P. (7)(18)				75,000	1,438,740	962,250
Enterprise Products Partners L.P. (7)(18)				140,000	3,424,740	3,942,400
						<u>4,904,650</u>
Financials – 2.8%						
American Banknote Corp. (9)(10)(12)				750,000	2,062,500	2,467,500
Healthcare – 0.3%						
Quorum Health Corp. (12)				224,600	1,284,134	214,740
SteadyMed Ltd. (7)(9)(10)(12)				54,749	14,508	40,405
						<u>255,145</u>
Materials – 0.0%						
OmniMax International, Inc. (9)(10)(12)				6,698	663,116	20,898
Media/Telecommunications – 1.9%						
Clear Channel Outdoor Holding, Inc. (12)(18)				124,986	631,179	357,460
iHeartMedia, Inc. (12)(18)				80,350	2,182,708	1,357,915
						<u>1,715,375</u>
Real Estate Investment Trusts (REITs) – 6.9%						
NexPoint Residential Trust, Inc. (7)(17)(18)				26,466	848,748	1,190,970
City Office REIT, Inc. (7)(18)				108,000	1,480,753	1,460,160
Independence Realty Trust, Inc. (7)(18)				246,727	2,146,330	3,473,916
						<u>6,125,046</u>
Retail – 1.3%						
Tru Kids, Inc. (12)				237	1,139,661	1,124,467
Service – 0.1%						
Western States Life Insurance (12)				237	255,681	59,183
Telecommunication Services – 4.4%						
TerreStar Corp. (9)(10)(12)				14,035	1,599,990	3,890,081
Utility – 2.7%						
Vistra Energy Corp. (18)				105,000	1,622,256	2,413,950
<b>Total Common Stocks</b>						<b><u>23,018,795</u></b>

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**NexPoint Capital, Inc.**  
**Schedule of Investments (continued)**  
**As of December 31, 2019**

**LLC Interests – 10.5%**

Consumer Products – 2.3%				
US GAMING LLC (9)(10)(12)	2,000	\$	2,000,000	\$ 2,000,000
Real Estate – 5.5%				
SFR WLIF III, LLC (9)(10)	1,651,112		1,651,112	1,615,315
SFR WLIF II, LLC (9)(10)	3,348,888		3,348,888	3,317,342
				<u>4,932,657</u>
Real Estate Investment Trust (REIT) – 2.7%				
NexPoint Capital REIT, LLC (9)(10)(17)(22)	100		2,189,561	2,425,989
<b>Total LLC Interests</b>				<u><b>9,358,646</b></u>

	<u>Preferred Dividend Rate</u>			
<b>Preferred Stocks – 9.5%</b>				
Financials – 2.3%				
Tectonic Financial, Inc.	9.000%	200,000	2,000,000	<u>2,084,000</u>
Real Estate – 1.7%				
Creative Science Properties, Inc.		100,000	1,500,000	<u>1,500,000</u>
Real Estate Investment Trusts (REITs) – 5.5%				
Braemar Hotels & Resorts, Inc. (7)(18)	5.500%	258,065	3,733,840	4,903,235
RAIT Financial Trust (18)(19)	8.875%	148,057	3,051,715	<u>4,235</u>
				<u>4,907,470</u>
<b>Total Preferred Stocks</b>				<u><b>8,491,470</b></u>

**Rights – 0.1%**

Utility – 0.1%				
Texas Competitive Electric Holdings Company, LLC (TXU) (12)		58,356	148,370	<u>61,391</u>
<b>Total Rights</b>				<u><b>61,391</b></u>

**Warrants – 0.1%**

Healthcare – 0.0%				
Galena Biopharma, Inc. (10)(12)	1/12/2021	1,500,054	—	—
Gempire Therapeutics, Inc. (10)(12)	3/15/2022	4,752	—	1,340
SCYNEXIS, Inc. (10)(12)	6/21/2021	195,000	—	<u>28,497</u>
				<u>29,837</u>
Materials – 0.0%				
OmniMax International, Inc. (9)(10)(12)	8/6/2025	207	—	<u>647</u>
Media/Telecommunications – 0.1%				
iHeartMedia, Inc. (12)	5/1/2039	2,875	52,988	<u>44,114</u>
<b>Total Warrants</b>				<u><b>74,598</b></u>

**Total Investments - 112.9%**

Cash Equivalents – 8.7% (20)			<u>\$ 103,378,022</u>	<u>\$ 100,427,692</u>
Other Assets & Liabilities, net - (21.6%)				\$ 7,764,892
				<u>\$ (19,257,031)</u>
<b>Net Assets - 100.0%</b>				<u><b>\$ 88,935,553</b></u>

**Total Return Swap – (3.1%)**

BNP Paribas TRS Facility (Note 7)			<u>Notional Amount (21)</u>	<u>Unrealized Depreciation</u>
			50,904,830	(2,745,042)

See Notes to Financial Statements

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**NexPoint Capital, Inc.**  
**Schedule of Investments (continued)**  
**As of December 31, 2019**

- (1) Unless otherwise noted, the Company did not “control” and was not an “affiliated person” of any of its portfolio companies, each as defined in the Investment Company Act of 1940, as amended (the “1940 Act”). In general, under the 1940 Act, the Company would be presumed to “control” a portfolio company if it owned 25% or more of its voting securities or had the power to exercise control over the management or policies of such portfolio company, and would be an “affiliated person” of a portfolio company if it owned 5% or more of its voting securities. Additionally, companies under common control (e.g., companies with a common owner of greater than 25% of their respective voting securities) are affiliates under the 1940 Act.
- (2) All investments are denominated in United States Dollars.
- (3) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.
- (4) Senior secured loans in which the Company invests generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread (unless otherwise identified, all senior secured loans carry a variable rate of interest). These base lending rates are generally (i) the Prime Rate offered by one or more major United States banks, (ii) the lending rate offered by one or more European banks such as the London Interbank Offered Rate (“LIBOR”) or (iii) the coupon rate. Rate shown represents the actual rate at December 31, 2019. Senior secured loans, while exempt from registration under the Securities Act of 1933 (the “1933 Act”), contain certain restrictions on resale and cannot be sold publicly. Senior secured floating rate loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturity shown.
- (5) The interest rate on these investments is subject to a base rate of 3-Month LIBOR, which at December 31, 2019 was 1.91%. The LIBOR rate used to calculate interest is the higher of the prevailing 3 month LIBOR rate in effect on the date of the quarterly reset, or the LIBOR base rate floor shown.
- (6) The interest rate on these investments is subject to a base rate of 1-Month LIBOR, which at December 31, 2019 was 1.76%. The LIBOR rate used to calculate interest is the higher of the prevailing 1 month LIBOR rate in effect on the date of the monthly reset, or the LIBOR base rate floor shown.
- (7) The investment is not a qualifying asset under Section 55 of the 1940 Act. A business development company, such as the Company, may not acquire any asset other than a qualifying asset, unless at the time the acquisition is made, qualifying assets represent at least 70% of the business development company’s total assets. Non-qualifying assets represented 29.4% of the Company’s total assets as of December 31, 2019.
- (8) All or a portion of this position has not settled. Full contract rates do not take effect until settlement date.
- (9) Classified as Level 3 within the three-tier fair value hierarchy. Please see Note 2 for an explanation of this hierarchy, as well as a list of unobservable inputs used in the valuation of these instruments.
- (10) Represents fair value as determined by the Company’s Board of Directors (the “Board”), or its designee in good faith, pursuant to the policies and procedures approved by the Board. The Board considers fair valued securities to be securities for which market quotations are not readily available and these securities may be valued using a combination of observable and unobservable inputs. Securities with a total aggregate value of \$20,382,436 or 22.9% of net assets were fair valued under the Company’s valuation procedures as of December 31, 2019.
- (11) The investment represents value held in escrow pending future events. No interest is being accrued.
- (12) Non-income producing security.
- (13) Securities exempt from registration under Rule 144A of the 1933 Act. These securities may only be resold in transactions exempt from registration to qualified institutional buyers. As of December 31, 2019, these securities amounted to \$45,199,389, or 50.8% of net assets.
- (14) The investment is considered to be the equity tranche of the issuer.
- (15) Securities of collateralized loan obligations where an affiliate of the Adviser serves as collateral manager.
- (16) The issuer is in default of its payment obligation, or is in danger of default.
- (17) Represents an affiliated issuer. Assets with a total aggregate market value of \$5,753,369, or 6.5% of net assets, were affiliated with the Company as of December 31, 2019 (see Note 10).
- (18) All or part of this security is pledged as collateral for margin/facility borrowings. The market value of the securities pledged as collateral was \$63,025,400.
- (19) The issuer has suspended the quarterly dividend for this security.
- (20) State Street U.S. Government Money Market Fund.
- (21) Notional value of the underlying securities in the Total Return Swap is calculated by multiplying par by the initial price.
- (22) The investment is deemed to be a “controlled affiliated person” of the Company because the Company owns, either directly or indirectly, 25% or more of the portfolio company’s outstanding voting securities or has the power to exercise control over management or policies of such portfolio company. See Note 4 “Related Party Transactions and Arrangements”.

See Notes to Financial Statements

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**NexPoint Capital, Inc.**  
**Schedule of Investments**  
**As of December 31, 2018**

<b>Portfolio Company (1)(2)</b>	<b>Interest Rate</b>	<b>Base Rate Floor</b>	<b>Maturity Date</b>	<b>Principal Amount</b>	<b>Amortized Cost (3)</b>	<b>Fair Value</b>
<b>Senior Secured Loans – 16.4% (4)</b>						
Energy – 2.6%						
Fieldwood Energy, LLC (Second Lien Term Loan) (5)	L + 725	1.00%	4/11/2023	567,797	\$ 549,645	\$ 501,364
Fieldwood Energy LLC (First Lien Term Loan) (5)	L + 525	1.00%	4/11/2022	1,800,549	1,795,648	1,694,776
						<u>2,196,140</u>
Healthcare – 7.9%						
Auris Luxembourg III S.a.r.l. (First Lien Term Loan) (6)(7)(8)	L + 375	0.00%	7/24/2025	2,586,207	2,573,276	2,526,414
U.S. Renal Care, Inc. (Second Lien Term Loan) (7)	L + 800	1.00%	12/29/2023	4,500,000	4,436,086	4,320,000
						<u>6,846,414</u>
Media/Telecommunications – 3.9%						
iHeartCommunications, Inc. (First Lien Term Loan) (9)				5,000,000	4,051,750	3,381,950
Retail – 1.4%						
Toys ‘R’ Us-Delaware, Inc. (First Lien Term Loan) (9)				2,367,324	1,538,760	1,171,825
Telecommunication Services – 0.6%						
TerreStar Corp. (First Lien Term Loan) (10)(11)	11% PIK		2/27/2020	523,368	523,369	522,845
Utility – 0.0%						
Texas Competitive Electric Holdings Company LLC (TXU) (Escrow Loan) (12)				3,500,000	87,816	8,750
<b>Total Senior Secured Loans</b>						<u><b>14,127,924</b></u>
<b>Unsecured Loans – 4.4%</b>						
Materials – 4.4%						
OmniMax International, Inc. (10)(11)	14% PIK, 2% Cash		2/6/2021	3,838,472	3,454,143	3,838,472
<b>Total Unsecured Loans</b>						<u><b>3,838,472</b></u>
<b>Asset-Backed Securities – 1.2%</b>						
Financials – 1.2%						
Grayson Investor Corp. (8)(13)(14)(15)			11/1/2021	800	456,000	271,920
Highland Park CDO I Ltd. 2006 1A A2 (7)(8)(13)(15)	L + 40		11/25/2051	658,095	546,516	615,319
PAMCO CLO 1997-1A B (8)(9)(10)(11)(13)(15)				374,239	215,187	144,044
						<u>1,031,283</u>
<b>Total Asset-Backed Securities</b>						<u><b>1,031,283</b></u>
<b>Closed-End Mutual Funds – 1.5%</b>						
Financials – 1.5%						
NexPoint Strategic Opportunities Fund (8)(16)(17)				65,078	1,444,019	1,297,005
<b>Total Closed-End Mutual Funds</b>						<u><b>1,297,005</b></u>
<b>Portfolio Company (1)(2)</b>						
<b>Corporate Bonds – 56.7%</b>						
Financials – 6.0%						
ASP AMC Merger Sub, Inc. (13)(17)	8.000%		5/15/2025	7,325,000	6,898,195	3,918,875
Freedom Mortgage Corp. (13)(17)	8.250%		4/15/2025	1,500,000	1,500,000	1,290,000
						<u>5,208,875</u>
Healthcare – 50.7%						
DJO Finance LLC / DJO Finance Corp. (13)(17)	8.125%		6/15/2021	6,500,000	6,270,057	6,711,250
Endo Finance LLC / Endo Finco Inc. (13)(17)	6.000%		7/15/2023	7,500,000	6,496,223	5,756,250
Ortho-Clinical Diagnostics (13)(17)	6.625%		5/15/2022	9,217,000	8,801,814	8,341,385
Quorum Health Corp. (13)(17)	11.625%		4/15/2023	3,459,000	3,178,462	3,268,755
Surgery Center Holdings (8)(13)(17)	6.750%		7/1/2025	10,858,000	10,216,848	9,283,590
Tenet Healthcare Corp. (8)(17)	8.125%		4/1/2022	1,000,000	978,124	1,006,250
Valeant Pharmaceuticals International, Inc. (8)(13)(17)	5.875%		5/15/2023	4,000,000	3,482,925	3,715,000
Valeant Pharmaceuticals International, Inc. (8)(13)(17)	6.125%		4/15/2025	6,500,000	5,723,046	5,687,500
						<u>43,769,980</u>
<b>Total Corporate Bonds</b>						<u><b>48,978,855</b></u>

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**NexPoint Capital, Inc.**  
**Schedule of Investments (continued)**  
**As of December 31, 2018**

					<u>Shares</u>			
<b>Common Stocks – 25.6%</b>								
Chemicals – 0.3%								
MPM Holdings, Inc. (8)(18)					8,500	\$ 250,750	\$ 267,750	
Energy – 6.0%								
Enterprise Products Partners L.P. (8)(17)					170,000	4,144,041	4,180,300	
Energy Transfer Equity L.P. (8)(17)					75,000	1,438,740	990,750	
							<u>5,171,050</u>	
Healthcare – 5.3%								
Acadia Healthcare Co., Inc. (8)(17)(18)					24,900	981,583	640,179	
Amarin Corp. Plc (8)(17)(18)					140,000	1,982,260	1,905,400	
Heron Therapeutics, Inc. (8)(17)(18)					19,232	500,032	498,878	
Nevro Corp. (8) (17) (18)					8,000	500,402	311,120	
Quorum Health Corp. (17)(18)					408,514	2,184,094	1,180,605	
SteadyMed Ltd. (8)(10)(11)(18)					54,749	14,508	14,509	
							<u>4,550,691</u>	
Materials – 1.5%								
OmniMax International, Inc. (10)(11)(18)					6,698	663,115	1,303,257	
Media/Telecommunications – 1.2%								
Gambier Bay, LLC (10)(11)(16)(18)					9,180,900	3,478,685	1,055,803	
Real Estate Investment Trusts (REITs) – 3.7%								
NexPoint Residential Trust, Inc. (8)(16)(17)					25,757	846,587	902,783	
Independence Realty Trust, Inc. (8)(17)					246,727	2,216,203	2,264,954	
							<u>3,167,737</u>	
Telecommunication Services – 4.5%								
TerreStar Corp. (10)(11)(18)					14,035	1,599,990	3,913,800	
Utility – 3.1%								
Vistra Energy Corp. (17)(18)					115,000	1,776,757	2,632,350	
<b>Total Common Stocks</b>							<u><b>22,062,438</b></u>	
					<b>Preferred Dividend Rate</b>			
<b>Preferred Stocks – 5.5%</b>								
Real Estate Investment Trusts (REITs) – 5.5%								
Braemar Hotels & Resorts, Inc. (8)(17)					5.500%	258,065	4,000,008	4,427,105
RAIT Financial Trust (17)(19)					8.875%	148,057	3,113,308	333,128
							<u>4,760,233</u>	
<b>Total Preferred Stocks</b>							<u><b>4,760,233</b></u>	
<b>Rights – 0.1%</b>								
Utility – 0.1%								
Texas Competitive Electric Holdings Company, LLC (TXU) (18)						58,356	148,619	43,183
<b>Total Rights</b>								<u>43,183</u>
<b>Warrants – 0.1%</b>								
Healthcare – 0.1%								
Galena Biopharma, Inc. (11)(18)					1/12/2021	1,500,054	—	—
Gemphire Therapeutics, Inc. (11)(18)					3/15/2022	118,796	—	17,159
SCYNEXIS, Inc. (11)(18)					6/21/2021	195,000	—	32,949
								<u>50,108</u>
Materials – 0.0%								
OmniMax International, Inc. (10)(11)(18)					8/6/2025	207	—	40,340
<b>Total Warrants</b>								<u><b>90,448</b></u>
<b>Total Investments – 111.5%</b>							<b>\$ 105,022,260</b>	<b>\$ 96,229,841</b>
Cash Equivalents – 8.1% (20)								\$ 6,957,619
Other Assets & Liabilities, net – (19.6%)								<u>\$ (16,876,497)</u>
<b>Net Assets – 100.0%</b>								<u><b>\$ 86,310,963</b></u>
							<b>Notional Amount(21)</b>	<b>Unrealized Depreciation</b>
<b>Total Return Swap – (3.0%)</b>								
BNP Paribas TRS Facility (Note 7)							55,763,056	(2,547,492)

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**NexPoint Capital, Inc.**  
**Schedule of Investments (continued)**  
**As of December 31, 2018**

- (1) Unless otherwise noted, the Company did not “control” and was not an “affiliated person” of any of its portfolio companies, each as defined in the Investment Company Act of 1940, as amended (the “1940 Act”). In general, under the 1940 Act, the Company would be presumed to “control” a portfolio company if it owned 25% or more of its voting securities or had the power to exercise control over the management or policies of such portfolio company, and would be an “affiliated person” of a portfolio company if it owned 5% or more of its voting securities. Additionally, companies under common control (e.g., companies with a common owner of greater than 25% of their respective voting securities) are affiliates under the 1940 Act.
- (2) All investments are denominated in United States Dollars.
- (3) Amortized cost represents the original cost adjusted for the amortization of premiums and/or accretion of discounts, as applicable, on investments.
- (4) Senior secured loans in which the Company invests generally pay interest at rates which are periodically determined by reference to a base lending rate plus a spread (unless otherwise identified, all senior secured loans carry a variable rate of interest). These base lending rates are generally (i) the Prime Rate offered by one or more major United States banks, (ii) the lending rate offered by one or more European banks such as the London Interbank Offered Rate (“LIBOR”) or (iii) the coupon rate. Rate shown represents the actual rate at December 31, 2018. Senior secured loans, while exempt from registration under the Securities Act of 1933 (the “1933 Act”), contain certain restrictions on resale and cannot be sold publicly. Senior secured floating rate loans often require prepayments from excess cash flow or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturity shown.
- (5) The interest rate on these investments is subject to a base rate of 1-Month LIBOR, which at December 31, 2018 was 2.50%. The LIBOR rate used to calculate interest is the higher of the prevailing 1 month LIBOR rate in effect on the date of the monthly reset, or the LIBOR base rate floor shown.
- (6) All or a portion of this position has not settled. Full contract rates do not take effect until settlement date.
- (7) The interest rate on these investments is subject to a base rate of 3-Month LIBOR, which at December 31, 2018 was 2.81%. The LIBOR rate used to calculate interest is the higher of the prevailing 3 month LIBOR rate in effect on the date of the quarterly reset, or the LIBOR base rate floor shown.
- (8) The investment is not a qualifying asset under Section 55 of the 1940 Act. A business development company, such as the Company, may not acquire any asset other than a qualifying asset, unless at the time the acquisition is made, qualifying assets represent at least 70% of the business development company’s total assets. Non-qualifying assets represented 28.5% of the Company’s total assets as of December 31, 2018.
- (9) The issuer is in default of its payment obligation, or is in danger of default.
- (10) Classified as Level 3 within the three-tier fair value hierarchy. Please see Note 2 for an explanation of this hierarchy, as well as a list of unobservable inputs used in the valuation of these instruments.
- (11) Represents fair value as determined by the Company’s Board of Directors (the “Board”), or its designee in good faith, pursuant to the policies and procedures approved by the Board. The Board considers fair valued securities to be securities for which market quotations are not readily available and these securities may be valued using a combination of observable and unobservable inputs. Securities with a total aggregate value of \$10,883,178 or 12.6% of net assets were fair valued under the Company’s valuation procedures as of December 31, 2018.
- (12) The investment represents value held in escrow pending future events. No interest is being accrued.
- (13) Securities exempt from registration under Rule 144A of the 1933 Act. These securities may only be resold in transactions exempt from registration to qualified institutional buyers. As of December 31, 2018, these securities amounted to \$49,003,888, or 56.8% of net assets.
- (14) The investment is considered to be the equity tranche of the issuer.
- (15) Securities of collateralized loan obligations where an affiliate of the Adviser serves as collateral manager.
- (16) Represents an affiliated issuer. Assets with a total aggregate market value of \$3,255,591, or 3.8% of net assets, were affiliated with the Company as of December 31, 2018 (see Note 10).
- (17) All or part of this security is pledged as collateral for margin/facility borrowings. The market value of the securities pledged as collateral was \$69,207,643.
- (18) Non-income producing security.
- (19) The issuer has suspended the quarterly dividend for this security.
- (20) State Street U.S. Government Money Market Fund.
- (21) Notional value of the underlying securities in the Total Return Swap is calculated by multiplying par by the initial price.

**Glossary**

ADR American Depositary Receipt  
 PIK Payment-in-Kind



**Table of Contents****NexPoint Capital, Inc.****Notes to Financial Statements****Note 1—Organization**

NexPoint Capital, Inc. (the “Company”) is an externally managed, non-diversified, closed-end management investment company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). The Company follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification Topic 946 Financial Services—Investment Companies. The Company’s investment objective is to generate current income and capital appreciation primarily through investments in middle-market healthcare companies, middle-market companies in non-healthcare sectors, syndicated floating rate debt of large public and nonpublic companies and collateralized loan obligations. The Company has elected to be treated for federal income tax purposes, and intends to qualify annually thereafter, as a regulated investment company (“RIC”), under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). In this report, “we,” “us” and “our” refer to NexPoint Capital, Inc.

The Company was formed in Delaware on September 30, 2013 and formally commenced operations on September 2, 2014 upon satisfying the minimum offering requirement by raising gross proceeds of \$10.0 million in connection with a private placement with NexPoint Advisors, L.P. (the “Adviser”), our external advisor. In aggregate through December 31, 2019, the Adviser controls 2,513,370 total shares, including reinvestment of dividends, for a net amount of approximately \$21.4 million.

The Company has retained the Adviser to manage certain aspects of its affairs on a day-to-day basis. NexPoint Securities, Inc. (formerly, Highland Capital Funds Distributor, Inc.) (the “Dealer Manager”), an entity under common ownership with the Adviser, served as the dealer manager of the Company’s continuous public offering prior to the termination of the offering. The Adviser and Dealer Manager are related parties and will receive fees and other compensation for services related to the investment and management of the Company’s assets and the continuous public offering. The Company’s continuous public offering ended on February 14, 2018.

**Note 2—Summary of Significant Accounting Policies*****Basis of Accounting***

The accompanying financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Additionally, the accompanying financial statements of the Company and related financial information have been prepared pursuant to the requirements for reporting on Form 10-K and Article 6 of Regulation S-X.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Statements of Cash Flows***

Information on financial transactions which have been settled through the receipt or disbursement of cash is presented in the Statements of Cash Flows. The cash amount shown in the Statements of Cash Flows is the amount included within the Company’s Statements of Assets and Liabilities and includes cash on hand at its custodian bank.

**Table of Contents*****Cash and Cash Equivalents***

The Company considers liquid assets deposited with a bank and certain short-term debt instruments with original maturities of three months or less to be cash equivalents. These investments represent amounts held with financial institutions that are readily accessible to pay Company expenses or purchase investments. Cash and cash equivalents are valued at cost plus accrued interest, which approximates market value. The value of cash equivalents denominated in foreign currencies, if any, is determined by converting to U.S. dollars on the date of the Statements of Assets and Liabilities. As of December 31, 2019 and 2018, the Company had cash and cash equivalents of \$7,764,892 and \$7,112,205, respectively. As of December 31, 2019 and 2018, \$7,745,979 and \$6,957,619 was held in the State Street U.S. Government Money Market Fund, and \$18,913 and \$154,586 was held in a custodial account with State Street Bank and Trust Company, respectively.

***Securities Sold Short and Restricted Cash***

The Company may sell securities short. A security sold short is a transaction in which the Company sells a security it does not own in anticipation that the market price of that security will decline. When the Company sells a security short, it must borrow the security sold short from a broker-dealer and deliver it to the buyer upon conclusion of the transaction. The Company may have to pay a fee to borrow particular securities and is often obligated to pay over any dividends or other payments received on such borrowed securities. Cash held as collateral for securities sold short is classified as restricted cash on the Statements of Assets and Liabilities. Securities held as collateral for securities sold short are shown on the Schedule of Investments for the Company, as applicable. As of December 31, 2019 and 2018, the Company did not have any securities sold short.

When securities are sold short, the Company intends to limit exposure to a possible market decline in the value of its portfolio companies through short sales of securities that the Adviser believes possess volatility characteristics similar to those being hedged. In addition, the Company may use short sales for non-hedging purposes to pursue its investment objective. Subject to the requirements of the 1940 Act and the Code, the Company will not make a short sale if, after giving effect to such sale, the market value of all securities sold short by the Company exceeds 25% of the value of its total assets.

***Other Fee Income***

Fee income may consist of origination/closing fees, amendment fees, administrative agent fees, transaction break-up fees and other miscellaneous fees. Origination fees, amendment fees, and other similar fees are non-recurring fee sources. Such fees are received on a transaction by transaction basis and do not constitute a regular stream of income. For the years ended December 31, 2019, 2018 and 2017 the Company recognized \$49,895, \$10,483 and \$37,586 of fee income, respectively.

***Fair Value of Financial Instruments***

Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosure ("ASC Topic 820") defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, which includes inputs such as quoted prices for similar securities in active markets and quoted prices for identical securities where there is little or no activity in the market; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company determines the net asset value of its investment portfolio each quarter, or more frequently as needed. Securities that are publicly-traded are valued at the reported closing price on the valuation date. Securities that are not publicly-traded are valued at fair value as determined in good faith by the board of

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directors of the Company (the “Board”) or by the Adviser, pursuant to board-approved procedures. In connection with that determination, the Company will provide the Board with portfolio company valuations which are based on relevant inputs, including indicative dealer quotes, values of like securities, recent portfolio company financial statements and forecasts, and valuations prepared by third-party valuation services.

With respect to investments for which market quotations are not readily available, the Board and the Adviser undertake a multi-step valuation process, as described below:

- The valuation process begins with each portfolio company or investment being initially valued by investment professionals of the Adviser responsible for credit monitoring.
- Preliminary valuation conclusions are then documented and discussed with senior management of the Adviser (the “Valuation Committee”).
- The audit committee of the Board reviews these preliminary valuations.
- At least once each quarter, the valuations for approximately one quarter of the portfolio investments that have been fair valued are reviewed by an independent valuation firm such that, over the course of a year, each material portfolio investment that has been fair valued shall have been reviewed by an independent valuation firm at least once.
- Based on this information, the Board discusses valuations and determines the fair value of each investment in the portfolio in good faith.

As of December 31, 2019, the Company held the following investments for which a sufficient level of current, reliable market quotations were not available:

<u>Instrument</u>	<u>Type</u>	<u>Market value</u>
PAMCO CLO 1997-1A B	Asset-Backed	\$ 139,629
American Banknote Corp.	Common Stocks	2,467,500
OmniMax International, Inc.	Common Stocks	20,898
SteadyMed Ltd.	Common Stocks	40,405
TerreStar Corp.	Common Stocks	3,890,081
NexPoint Capital REIT, LLC	LLC Interests	2,425,989
SFR WLIF III, LLC	LLC Interests	1,615,315
SFR WLIF II, LLC	LLC Interests	3,317,342
US GAMING LLC	LLC Interests	2,000,000
TerreStar Corp.	Senior Secured Loans	583,470
TerreStar Corp.	Senior Secured Loans	138,132
OmniMax International, Inc.	Unsecured Loans	3,713,191
Galena Biopharma, Inc.	Warrant	—
Gemphire Therapeutics, Inc.	Warrant	1,340
OmniMax International, Inc.	Warrant	647
SCYNEXIS, Inc.	Warrant	28,497

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As of December 31, 2018, the Company held the following investments for which a sufficient level of current, reliable market quotations were not available:

<u>Instrument</u>	<u>Type</u>	<u>Market value</u>
PAMCO CLO 1997-1A B	Asset-Backed	\$ 144,044
Gambier Bay, LLC	Common Stocks	1,055,803
OmniMax International, Inc.	Common Stocks	1,303,257
SteadyMed Ltd.	Common Stocks	14,509
TerreStar Corp.	Common Stocks	3,913,800
TerreStar Corp.	Senior Secured Loans	522,845
OmniMax International, Inc.	Unsecured Loans	3,838,472
Galena Biopharma, Inc.	Warrant	—
Gemphire Therapeutics, Inc.	Warrant	17,159
OmniMax International, Inc.	Warrant	40,340
SCYNEXIS, Inc.	Warrant	32,949

Determination of fair value involves subjective judgments and estimates. Accordingly, the notes to the Company's financial statements will refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, in the Company's financial statements. Below is a description of factors that the Valuation Committee and the Board may consider when valuing the Company's debt and equity investments.

Valuation of fixed income investments, such as loans and debt securities, depends upon a number of factors, including prevailing interest rates for like securities, expected volatility in future interest rates, call features, put features and other relevant terms of the debt. For investments without readily available market prices, the Company may incorporate these factors into discounted cash flow models to arrive at fair value. Other factors that the Board may consider include the borrower's ability to adequately service its debt, the fair market value of the portfolio company in relation to the face amount of its outstanding debt and the quality of collateral securing the Company's debt investments.

The Company's equity investments in portfolio companies for which there is no liquid public market will be valued at fair value. The Valuation Committee and the Board, in its analysis of fair value, may consider various factors, such as multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA"), cash flows, net income, revenues or, in limited instances, book value or liquidation value. All of these factors may be subject to adjustments based upon the particular circumstances of a portfolio company or the Company's actual investment position. For example, adjustments to EBITDA may take into account compensation to previous owners or acquisition, recapitalization, restructuring or other related items.

The Valuation Committee and the Board may also look to private merger and acquisition statistics, public trading multiples discounted for illiquidity and other factors, valuations implied by third-party investments in the portfolio companies or industry practices in determining fair value. The Valuation Committee and the Board may also consider the size and scope of a portfolio company and its specific strengths and weaknesses, as well as any other factors it deems relevant in assessing the value. Generally, the value of the Company's equity interests in public companies for which market quotations are readily available will be based upon the most recent closing public market price.

If the Company receives warrants or other equity-linked securities at nominal or no additional cost in connection with an investment in a debt security, the Company will allocate the cost basis in the investment between the debt securities and any such warrants or other equity-linked securities received at the time of origination. The Valuation Committee and the Board will subsequently value these warrants or other equity-linked securities received at fair value.

As applicable, the Company values its Level 2 assets by using the midpoint of the prevailing bid and ask prices from dealers on the date of the relevant period end, which is provided by an independent third-party pricing service and screened for validity by such service. For investments for which the third-party pricing service is unable to obtain quoted prices, the Company obtains bid and ask prices directly from dealers who make a market in such investments.

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To the extent that the Company holds investments for which no active secondary market exists and, therefore, no bid and ask prices can be readily obtained, the Valuation Committee utilizes an independent third-party valuation service to value such investments.

The Company periodically benchmarks the bid and ask prices received from the third-party pricing service and/or dealers, as applicable, and valuations received from the third-party valuation service against the actual prices at which it purchases and sells its investments. The Company believes that these prices are reliable indicators of fair value. The Company's Valuation Committee and the Board review and approve the valuation determinations made with respect to these investments in a manner consistent with the Company's valuation process.

As of December 31, 2019, the Company's investments consisted of senior secured loans, unsecured loans, bonds, asset-backed securities, mortgage-backed securities, common stocks, LLC interests, preferred stocks, a closed-end mutual fund, a total return swap ("TRS") and rights and warrants, which may be purchased for a fraction of the price of the underlying securities. The fair value of the Company's loans, bonds and asset-backed securities are generally based on quotes received from brokers or independent pricing services. Loans, bonds and asset-backed securities with quotes that are based on actual trades with a sufficient level of activity on or near the measurement date are classified as Level 2 assets. Loans, bonds and asset-backed securities that are priced using quotes derived from implied values, indicative bids or a limited number of actual trades are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable.

The fair value of the Company's common stocks and options that are not actively traded on national exchanges are generally priced using quotes derived from implied values, indicative bids, or a limited amount of actual trades and are classified as Level 3 assets because the inputs used by the brokers and pricing services to derive the values are not readily observable. Exchange traded options are valued based on the last trade price on the primary exchange on which they trade. If an option does not trade, the mid-price is utilized to value the option.

The Company values the TRS in accordance with the agreement (the "TRS Agreement") with BNP Paribas ("BNP Paribas") that establishes the TRS. Pursuant to the TRS Agreement, the value of the TRS is based on the increase or decrease in the value of the loans underlying the TRS, together with accrued interest income, interest expense and certain other expenses incurred under the TRS. The loans underlying the TRS are valued based on indicative bid prices provided by an independent third-party pricing service. Bid prices reflect the highest price that market participants may be willing to pay. These valuations are sent to the Company for review and testing. The Valuation Committee and the Board review the value of the loans underlying the TRS, on a quarterly basis. To the extent the Valuation Committee or the Board have any questions or concerns regarding the valuation of the loans underlying the TRS, such valuation is discussed or challenged pursuant to the terms of the TRS Agreement. For additional information on the TRS, see Note 7.

At the end of each calendar quarter, the Company evaluates the Level 2 and 3 investments for changes in liquidity, including: whether a broker is willing to execute at the quoted price, the depth and consistency of prices from third party services, and the existence of contemporaneous, observable trades in the market. Additionally, management evaluates the Level 1 and 2 assets and liabilities on a quarterly basis for changes in listings or delistings on national exchanges.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market price, the fair value of the Company's investments may fluctuate from period to period. Additionally, the fair value of investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values the Company may ultimately realize. Further, such investments may be subject to legal and other restrictions on resale or otherwise less liquid than publicly traded securities.

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The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments. Transfers in and out of the levels are recognized at the fair value at the end of the period. The following are summaries of the Company's investments categorized within the fair value hierarchy as of December 31, 2019 and 2018:

<b>Investments</b>	<b>December 31, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Senior Secured Loans				
Energy	\$ —	\$ 1,841,046	\$ —	\$ 1,841,046
Healthcare	—	5,111,353	—	5,111,353
Media/Telecommunications	—	336,802	—	336,802
Telecommunication Services	—	—	721,602	721,602
Utility	—	1,925	—	1,925
Unsecured Loans				
Materials	—	—	3,713,191	3,713,191
Asset-Backed Securities				
Financials	—	603,891	139,629	743,520
Mortgage-Backed Securities	—	3,994,444	—	3,994,444
Closed-End Mutual Funds	2,136,410	—	—	2,136,410
Corporate Bonds				
Financials	—	1,474,200	—	1,474,200
Healthcare	—	38,987,225	—	38,987,225
Media/Telecommunications	—	361,074	—	361,074
Common Stocks				
Chemicals	—	42,500	—	42,500
Energy	4,904,650	—	—	4,904,650
Financials	—	—	2,467,500	2,467,500
Healthcare	214,740	—	40,405	255,145
Materials	—	—	20,898	20,898
Media/Telecommunications	1,715,375	—	—	1,715,375
Real Estate Investment Trusts (REITs)	6,125,046	—	—	6,125,046
Retail	—	1,124,467	—	1,124,467
Service	—	59,183	—	59,183
Telecommunication Services	—	—	3,890,081	3,890,081
Utility	2,413,950	—	—	2,413,950
LLC Interests				
Consumer Products	—	—	2,000,000	2,000,000
Real Estate	—	—	4,932,657	4,932,657
Real Estate Investment Trusts (REITs)	—	—	2,425,989	2,425,989
Preferred Stocks				
Financials	—	2,084,000	—	2,084,000
Real Estate	—	1,500,000	—	1,500,000
Real Estate Investment Trusts (REITs)	4,903,235	4,235	—	4,907,470
Rights	—	61,391	—	61,391
Warrants				
Healthcare	—	29,837	—	29,837
Materials	—	—	647	647
Media/Telecommunications	—	44,114	—	44,114
<b>Total Assets</b>	<b>\$22,413,406</b>	<b>\$57,661,687</b>	<b>\$20,352,599</b>	<b>\$100,427,692</b>
<b>Liabilities</b>				
Warrants	\$ —	\$ —	\$ —	\$ —
Derivatives				
Total Return Swap Contracts	\$ —	\$ —	\$ (2,745,042)	\$ (2,745,042)
<b>Total Liabilities</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (2,745,042)</b>	<b>\$ (2,745,042)</b>
<b>Total Investments net of Securities Sold Short</b>	<b>\$22,413,406</b>	<b>\$57,661,687</b>	<b>\$17,607,557</b>	<b>\$ 97,682,650</b>



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	December 31, 2018			
	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
<b>Assets</b>				
Senior Secured Loans				
Energy	\$ —	\$ 2,196,140	\$ —	\$ 2,196,140
Healthcare	—	6,846,414	—	6,846,414
Media/Telecommunications	—	3,381,950	—	3,381,950
Retail	—	1,171,825	—	1,171,825
Telecommunication Services	—	—	522,845	522,845
Utility	—	8,750	—	8,750
Unsecured Loans	—	—	3,838,472	3,838,472
Asset-Backed Securities	—	887,239	144,044	1,031,283
Closed-End Mutual Funds	1,297,005	—	—	1,297,005
Corporate Bonds	—	48,978,855	—	48,978,855
Common Stocks				
Chemicals	267,750	—	—	267,750
Energy	5,171,050	—	—	5,171,050
Healthcare	4,536,182	—	14,509	4,550,691
Materials	—	—	1,303,257	1,303,257
Media/Telecommunications	—	—	1,055,803	1,055,803
Real Estate Investment Trusts (REITs)	3,167,737	—	—	3,167,737
Telecommunication Services	—	—	3,913,800	3,913,800
Utility	2,632,350	—	—	2,632,350
Preferred Stocks	4,760,233	—	—	4,760,233
Rights	—	43,183	—	43,183
Warrants				
Healthcare	—	50,108	—	50,108
Materials	—	—	40,340	40,340
<b>Total Assets</b>	<b>\$21,832,307</b>	<b>\$63,564,464</b>	<b>\$10,833,070</b>	<b>\$96,229,841</b>
<b>Liabilities</b>				
Derivatives				
Total Return Swap Contracts	\$ —	\$ —	\$ (2,547,492)	\$ (2,547,492)
<b>Total Liabilities</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (2,547,492)</b>	<b>\$ (2,547,492)</b>
<b>Total Investments Net of Swap Contracts</b>	<b>\$21,832,307</b>	<b>\$63,564,464</b>	<b>\$ 8,285,578</b>	<b>\$93,682,349</b>



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The table below sets forth a summary of changes in the Company's Level 3 investments (measured at fair value using significant unobservable inputs) for the year ended December 31, 2019.

	Balance as of December 31, 2018	Transfers into Level 3	Transfer out of Level 3	Net amortization (accretion) of premium/ (discount)	Net realized gains/ (losses)	Net change in unrealized gains/ (losses)	Purchases/ PIK	(Sales and redemptions)	Balance as of December 31, 2019	Change in unrealized gain/(loss) on Level 3 securities still held at period end
<b>Investments:</b>										
<b>Assets</b>										
Senior Secured Loans										
Telecommunication Services	\$ 522,845	\$ —	\$ —	\$ —	\$ —	\$ (923)	\$ 199,680	\$ —	\$ 721,602	\$ (923)
Unsecured Loans										
Materials	3,838,472	—	—	175,174	—	(866,717)	566,262	—	3,713,191	(866,717)
Asset-Backed Securities										
Financials	144,044	—	—	—	—	(4,415)	—	—	139,629	(4,415)
Common Stocks										
Financials	—	—	—	—	—	405,000	2,062,500	—	2,467,500	405,000
Healthcare	14,509	—	—	—	—	25,896	—	—	40,405	25,896
Materials	1,303,257	—	—	—	—	(1,282,359)	—	—	20,898	(1,282,359)
Media/Telecommunications	1,055,803	—	—	—	—	2,422,882	—	(3,478,685)	—	2,422,882
Telecommunication Services	3,913,800	—	—	—	—	(23,719)	—	—	3,890,081	(23,719)
LLC Interests										
Consumer Products	—	—	—	—	—	—	2,000,000	—	2,000,000	—
Real Estate	—	—	—	—	—	(67,343)	5,000,000	—	4,932,657	(67,343)
Real Estate Investment Trusts (REITs)	—	—	—	—	—	236,428	2,189,561	—	2,425,989	236,428
Warrants										
Materials	40,340	—	—	—	—	(39,693)	—	—	647	(39,693)
Total	\$ 10,833,070	\$ —	\$ —	\$ 175,174	\$ —	\$ 805,037	\$ 12,018,003	\$ (3,478,685)	\$ 20,352,599	\$ 805,037
<b>Liabilities</b>										
Total Return Swaps (1)	\$ (2,547,492)	\$ —	\$ —	\$ —	\$ —	\$ (197,550)	\$ —	\$ —	\$ (2,745,042)	\$ (197,550)

(1) During the year ended December 31, 2019, the Company recognized a net realized gain on the TRS amounting to \$1,530,270. The Company received \$1,918,837 in cash payments from the TRS during the period and paid \$10,157, with a decrease of \$366,952 in receivable from, and an increase of \$11,458 in payable to BNP Paribas for the year ended December 31, 2019.

The table below sets forth a summary of changes in the Company's Level 3 investments (measured at fair value using significant unobservable inputs) for the year ended December 31, 2018.

	Balance as of December 31, 2017	Transfers into Level 3	Transfer out of Level 3	Net amortization (accretion) of premium/ (discount)	Net realized gains/ (losses)	Net change in unrealized gains/ (losses)	Purchases/ PIK	(Sales and redemptions)	Balance as of December 31, 2018	Change in unrealized gain/(loss) on Level 3 securities still held at period end
<b>Investments:</b>										
<b>Assets</b>										
Senior Secured Loans										
Telecommunication Services	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (523)	\$ 523,368	\$ —	\$ 522,845	\$ (523)
Unsecured Loans										
Materials	3,326,186	—	—	161,844	213	(141,979)	493,465	(1,257)	3,838,472	(141,979)
Asset-Backed Securities										
Financials	294,541	—	—	—	78,797	(43,888)	—	(185,406)	144,044	(43,888)
Common Stocks										
Healthcare	—	—	—	—	—	—	14,509	—	14,509	—
Materials	2,566,191	—	—	—	—	(1,262,934)	—	—	1,303,257	(1,262,934)
Media/Telecommunications	—	1,055,803	—	—	—	—	—	—	1,055,803	—
Telecommunication Services	—	—	—	—	—	2,313,810	1,599,990	—	3,913,800	2,313,810
Warrants										
Materials	79,432	—	—	—	—	(39,092)	—	—	40,340	(39,092)
Total	\$ 6,266,350	\$ 1,055,803	\$ —	\$ 161,844	\$ 79,010	\$ 825,394	\$ 2,631,332	\$ (186,663)	\$ 10,833,070	\$ 825,394
<b>Liabilities</b>										
Total Return Swaps (1)	\$ (563,823)	\$ —	\$ —	\$ —	\$ —	\$ (1,983,669)	\$ —	\$ —	\$ (2,547,492)	\$ 1,983,669

(1) During the year ended December 31, 2018, the Company recognized a net realized gain on the TRS amounting to \$1,169,203. The Company received \$1,162,468 in cash payments from the TRS during the period and paid \$176,702, with an increase of \$183,437 in receivable from BNP Paribas for the year ended December 31, 2018.

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Investments designated as Level 3 may include investments valued using quotes or indications furnished by brokers which are based on models or estimates and may not be executable prices. In light of the developing market conditions, the Adviser continues to search for observable data points and evaluate broker quotes and indications received for investments. Determination of fair values is uncertain because it involves subjective judgments and estimates that are unobservable. Transfers from Level 2 to Level 3 are due to a decrease in market activity (e.g. frequency of trades), which resulted in a decrease of available market inputs to determine price. For the year ended December 31, 2019, there were no transfers from Level 2 to Level 3. Transfers from Level 3 to Level 2 and from Level 2 to Level 1 are due to an increase in market activity (e.g. frequency of trades), which resulted in an increase of available market inputs to determine price. For the year ended December 31, 2018, \$1,055,803 was transferred from Level 2 to Level 3.

The following are summaries of significant unobservable inputs used in the fair valuations of investments categorized within Level 3 of the fair value hierarchy as of December 31, 2019 and 2018:

<u>Investment</u>	<u>Fair value at December 31, 2019</u>	<u>Valuation technique</u>	<u>Unobservable inputs</u>	<u>Range of input value(s) (weighted average)</u>
LLC Interest	\$ 9,358,646	Discounted Cash Flow Net Asset Value Cost Basis	Discount Rate N/A N/A	2.59% - 12.5% N/A N/A
Common Stock	6,418,884	Discounted Cash Flow Multiples Analysis	Discount Rate Multiple of EBITDA Unadjusted Price/MHz-PoP Risk Discount Liquidity Discount	16.0% - 20.0% 6.00x - 8.75x \$0.12 - \$0.95 55.2% - 59.8% 25%
		Transaction Analysis Transaction Indication of Value	Multiple of EBITDA Enterprise Value (\$mm) Transaction Price Per Share	8.25x - 8.75x \$365.0 - \$771.0 \$2.75
		Black-Scholes Model Implied Value	Volatility Assumption Cash Payment Value Probability Assessment	30 - 40% \$4.46 20%
Senior Secured Loans	721,602	Discounted Cash Flow	Discount Rate	11.10%
Unsecured Loans	3,713,191	Black-Scholes Model	Spread Adjustment	0.10%
Asset-Backed Securities	139,629	Discounted Cash Flow	Volatility Assumption	30% - 40%
Warrants	647	Discounted Cash Flow Multiples Analysis Transaction Analysis Black-Scholes Model	Discount Rate Discount Rate Multiple of EBITDA Multiple of EBITDA Volatility Assumption	21.00% 20.0% 7.0x - 8.75x 8.25x - 8.75x 30 - 40%
Total	<u>\$ 20,352,599</u>			
Total Return Swaps	\$ (2,745,042)	Third Party Pricing Vendor	N/A	N/A

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<b>Investment</b>	<b>Fair value at December 31, 2018</b>	<b>Valuation technique</b>	<b>Unobservable inputs</b>	<b>Range of input value(s) (weighted average)</b>
Common Equity	\$ 6,287,369	Discounted Cash Flow	Discount Rate	11.00% - 15.00%
			Terminal Multiple	6.5x
			Multiple of EBITDA	6.0x - 7.0x
			Unadjusted Price/MHz-PoP	\$0.120- \$0.800
			Risk Discount	33.0%- 35.8%
			Multiple of EBITDA	7.25x - 7.75x
			Enterprise Value (Smm)	\$720.0 - \$765.0
			N/A	N/A
Senior Secured Loans	522,845	Discounted Cash Flow	Cash Payment Value	\$4.46
			Discount Rate	11.1%
Unsecured Loans	3,838,472	Discounted Cash Flow	Spread Adjustment	0.10%
Warrants	40,340	Discounted Cash Flow	Discount Rate	16.0%
			Discount Rate	11.00%
			Terminal Multiple	6.5x
			Multiple of EBITDA	6.0x - 7.0x
			Multiple of EBITDA	7.25x - 7.75x
			Discount Rate	20.88%
Asset-Backed Securities	144,044	Discounted Cash Flow		
Total	\$ 10,833,070			
Total Return Swaps	\$ (2,547,492)	Third Party Pricing Vendor	N/A	N/A

**Derivative Transactions**

The Company is subject to equity price risk, interest rate risk and foreign currency exchange rate risk in the normal course of pursuing its investment objective. The Company may invest without limitation in warrants and may also use derivatives, primarily swaps (including equity, variance and volatility swaps), options and futures contracts on securities, interest rates, commodities and/or currencies, as substitutes for direct investments the Company can make. The Company may also use derivatives such as swaps, options (including options on futures), futures, and foreign currency transactions (e.g., foreign currency swaps, futures and forwards) to any extent deemed by the Adviser to be in the best interest of the Company, and to the extent permitted by the 1940 Act, to hedge various investments for risk management and speculative purposes. For additional information on the TRS, please see Note 7.

**Options**

The Company purchases options, subject to certain limitations. The Company may invest in options contracts to manage its exposure to the stock and bond markets and fluctuations in foreign currency values. Writing puts and buying calls tend to increase the Company's exposure to the underlying instrument while buying puts and writing calls tend to decrease the Company's exposure to the underlying instrument, or economically hedge other Company investments. The Company's risks in using these contracts include changes in the value of the underlying instruments, nonperformance of the counterparties under the contracts' terms and changes in the liquidity of the secondary market for the contracts. Options are valued at the last sale price, or if no sales occurred on that day, at the last quoted bid price. As of and during the year ended December 31, 2019 and December 31, 2018, the Company did not hold options.

**Investment Transactions**

Investment transactions are accounted for on trade date. Realized gains/(losses) on investments sold are recorded on the basis of specific identification method for both financial statement and U.S. federal income tax purposes. Payable for investments purchased and receivable for investments sold on the Statements of Assets and Liabilities, if any, represents the cost of purchases and proceeds from sales of investment securities, respectively, for trades that have been executed but not yet settled.

**Table of Contents*****Income Recognition***

Corporate actions (including cash dividends from common stock and equity tranches of asset-backed securities) are recorded on the ex-dividend date, net of applicable withholding taxes, except for certain foreign corporate actions, which are recorded as soon after the ex-dividend date as such information becomes available. Interest income is recorded on the accrual basis. The Company does not accrue as a receivable for interest or dividends on loans, asset-backed securities and other securities if there is a reason to doubt the Company's ability to collect such income. For loans with contractual PIK (payment-in-kind) interest income, which represents contractual interest accrued and added to the loan balance that generally becomes due at maturity, we will not accrue PIK interest if we believe that the PIK interest is no longer collectible. Loan origination fees, original issue discount and market discount are capitalized and such amounts are amortized as interest income over the respective term of the loan or security. Upon the prepayment of a loan or security, any unamortized loan origination fees and original issue discount are recorded as interest income.

Accretion of discounts and amortization of premiums on taxable bonds, loans and asset-backed securities are computed to the call or maturity date, whichever is shorter, using the effective yield method. Withholding taxes on foreign dividends have been provided for in accordance with the Company's understanding of the applicable country's tax rules and rates.

***Organization and Offering Costs***

Organization costs are paid by the Adviser and include the cost of incorporating, such as the cost of legal services and other fees pertaining to our organization. Offering costs include legal fees, promotional costs and other costs pertaining to the public offering of our shares of common stock and are also paid by the Adviser. Prior to the termination of the offering, as we raised proceeds, these organization and offering costs were expensed and became payable to the Adviser. Organization and offering costs are limited to 1% of total gross proceeds raised and are not due and payable to the Adviser to the extent they exceed that amount. Please refer to Note 4 for additional information on Organization and Offering Costs.

***Paid-in Capital***

The proceeds from the issuance of common stock as presented on the Company's Statements of Changes in Net Assets is presented net of selling commissions and fees for the years ended December 31, 2019, 2018 and 2017. Selling commissions and fees of \$0, \$413,024, and \$1,837,575 were paid for the years ended December 31, 2019, 2018 and 2017, respectively.

***Earnings Per Share***

In accordance with the provisions of ASC Topic 260—Earnings per Share ("ASC 260"), basic earnings per share is computed by dividing earnings available to common stockholders by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis.

The following table sets forth the computation of the weighted average basic and diluted net increase in net assets per share from operations:

	For the year ended December 31,		
	2019	2018	2017
Net increase (decrease) in net assets from operations	\$ 9,190,895	\$ (6,209,274)	\$ 7,468,172
Weighted average common shares outstanding	10,441,061	10,358,148	8,564,351
Earnings (loss) per common share-basic and diluted	\$ 0.88	\$ (0.60)	\$ 0.87

**Table of Contents****Distributions**

Distributions to the Company's stockholders will be recorded as of the record date. Subject to the discretion of the Board and applicable legal restrictions, the Company intends to authorize and declare ordinary cash distributions on a weekly basis and pay such distributions on a monthly basis. Net realized capital gains, if any, will generally be distributed or deemed distributed at least every 12-month period.

**Recent Accounting Pronouncements**

In March 2017, the FASB issued Accounting Standards Update 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20). The amendments in this update shorten the amortization period for certain callable debt securities held at premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. For the company, this update is effective for fiscal years beginning on January 1, 2020. The Company is currently evaluating the impact of this new guidance on its financial statement presentation and disclosures.

**Note 3—Investment Portfolio**

The following table shows the composition of the Company's invested assets by industry classification at fair value at December 31, 2019:

	<u>Fair value</u>	<u>Percentage</u>
<b>Assets</b>		
Healthcare	\$ 44,383,560	44.2%
Real Estate Investment Trusts (REITs)	13,458,505	13.4%
Financials	12,900,074	12.9%
Energy	6,745,696	6.7%
Real Estate	6,432,657	6.4%
Telecommunication Services	4,611,683	4.6%
Materials	3,734,736	3.7%
Utility	2,477,266	2.5%
Media/Telecommunications	2,457,365	2.4%
Consumer Products	2,000,000	2.0%
Retail	1,124,467	1.1%
Service	59,183	0.1%
Chemicals	42,500	0.0%
<b>Total Assets</b>	<b><u>\$100,427,692</u></b>	<b><u>100.0%</u></b>

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The following table shows the composition of the Company's invested assets by industry classification at fair value at December 31, 2018:

<b>Assets</b>	<b><u>Fair value</u></b>	<b><u>Percentage</u></b>
Healthcare	\$55,217,193	57.4%
Real Estate Investment Trusts (REITs)	7,927,970	8.2%
Financials	7,537,163	7.8%
Energy	7,367,190	7.7%
Materials	5,182,069	5.4%
Media/Telecommunications	4,437,753	4.6%
Telecommunication Services	4,436,645	4.6%
Utility	2,684,283	2.8%
Retail	1,171,825	1.2%
Chemicals	267,750	0.3%
<b>Total Assets</b>	<b><u>\$96,229,841</u></b>	<b><u>100.0%</u></b>

The following table summarizes the amortized cost and the fair value of the Company's invested assets by class of financial asset as of December 31, 2019:

<b>Assets</b>	<b><u>Amortized Cost</u></b>	<b><u>Fair value</u></b>	<b><u>Percentage of Portfolio (at Fair Value)</u></b>
Senior Secured Loans - First Lien	\$ 8,473,042	\$ 7,683,965	7.7%
Senior Secured Loans - Second Lien	553,265	326,838	0.3%
Senior Secured Loans - Escrow Loan	79,372	1,925	0.0%
Unsecured Loans	4,195,580	3,713,191	3.7%
Asset-Backed Securities	896,536	743,520	0.7%
Mortgage-Backed Securities	3,996,530	3,994,444	4.0%
Closed-End Mutual Funds	2,419,467	2,136,410	2.1%
Corporate Bonds	42,275,712	40,822,499	40.6%
Common Stocks	20,812,044	23,018,795	22.9%
LLC Interests	9,189,561	9,358,646	9.3%
Preferred Stocks	10,285,555	8,491,470	8.5%
Rights	148,370	61,391	0.1%
Warrants	52,988	74,598	0.1%
<b>Total Assets</b>	<b><u>\$103,378,022</u></b>	<b><u>\$100,427,692</u></b>	<b><u>100.0%</u></b>

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The following table summarizes the amortized cost and the fair value of the Company's invested assets by class of financial asset as of December 31, 2018:

	<u>Amortized cost</u>	<u>Fair value</u>	<u>Percentage of portfolio (at fair value)</u>
<b>Assets</b>			
Senior Secured Loans—First Lien	\$ 10,482,803	\$ 9,297,810	9.7%
Senior Secured Loans—Second Lien	4,985,731	4,821,364	5.0%
Senior Secured Loans—Escrow Loan	87,816	8,750	0.0%
Unsecured Loans	3,454,143	3,838,472	4.0%
Asset-Backed Securities	1,217,703	1,031,283	1.1%
Closed-End Mutual Funds	1,444,019	1,297,005	1.4%
Corporate Bonds	53,545,694	48,978,855	50.9%
Common Stocks	22,542,416	22,062,438	22.9%
Preferred Stocks	7,113,316	4,760,233	4.9%
Rights	148,619	43,183	0.0%
Warrants	—	90,448	0.1%
<b>Total Assets</b>	<b>\$105,022,260</b>	<b>\$96,229,841</b>	<b>100.0%</b>

The following table summarizes the amortized cost and the fair value of the Company's invested assets as of December 31, 2019 to include, on a look-through basis, the investments underlying the TRS, as disclosed in Note 7. The investments underlying the TRS had a notional amount and market value of \$50,904,830 and \$47,899,681, respectively, as of December 31, 2019.

	<u>Amortized cost</u>	<u>Fair value</u>	<u>Percentage of portfolio (at fair value)</u>
<b>Assets</b>			
Senior Secured Loans—First Lien	\$ 51,120,740	\$ 47,656,091	32.1%
Senior Secured Loans—Second Lien	8,810,397	8,254,393	5.6%
Senior Secured Loans—Escrow Loan	79,372	1,925	0.0%
Unsecured Loans	4,195,580	3,713,191	2.5%
Asset-Backed Securities	896,536	743,520	0.5%
Mortgage-Backed Securities	3,996,530	3,994,444	2.7%
Closed-End Mutual Funds	2,419,467	2,136,410	1.4%
Corporate Bonds	42,275,712	40,822,499	27.6%
Common Stocks	20,812,044	23,018,795	15.5%
LLC Interests	9,189,561	9,358,646	6.3%
Preferred Stocks	10,285,555	8,491,470	5.7%
Rights	148,370	61,391	0.0%
Warrants	52,988	74,598	0.1%
<b>Total Assets</b>	<b>\$154,282,852</b>	<b>\$148,327,373</b>	<b>100.0%</b>



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The following table summarizes the amortized cost and the fair value of the Company's invested assets as of December 31, 2018 to include, on a look-through basis, the investments underlying the TRS, as disclosed in Note 7. The investments underlying the TRS had a notional amount and market value of \$55,763,056 and \$53,007,114, respectively, as of December 31, 2018.

	<u>Amortized cost</u>	<u>Fair value</u>	<u>Percentage of portfolio (at fair value)</u>
<b>Assets</b>			
Senior Secured Loans—First Lien	\$ 56,049,290	\$ 52,886,814	35.4%
Senior Secured Loans—Second Lien	15,182,300	14,239,474	9.5%
Senior Secured Loans—Escrow Loan	87,816	8,750	0.0%
Unsecured Loans	3,454,143	3,838,472	2.6%
Asset-Backed Securities	1,217,703	1,031,283	0.7%
Closed-End Mutual Funds	1,444,019	1,297,005	0.9%
Corporate Bonds	53,545,694	48,978,855	32.8%
Common Stocks	22,542,416	22,062,438	14.8%
Preferred Stocks	7,113,316	4,760,233	3.2%
Rights	148,619	43,183	0.0%
Warrants	—	90,448	0.1%
<b>Total Assets</b>	<b>\$160,785,316</b>	<b>\$149,236,955</b>	<b>100.0%</b>

The following table shows the composition of the Company's invested assets by geographic classification at December 31, 2019:

<u>Geography</u>	<u>Fair value</u>	<u>Percentage</u>
<b>Assets</b>		
Cayman Islands (1)	\$ 743,520	0.7%
Luxembourg (1)	2,583,933	2.6%
United States	97,100,239	96.7%
<b>Total Assets</b>	<b>\$100,427,692</b>	<b>100.0%</b>

(1) Investment denominated in USD.

The following table shows the composition of the Company's invested assets by geographic classification at December 31, 2018:

<u>Geography</u>	<u>Fair value</u>	<u>Percentage</u>
<b>Assets</b>		
Cayman Islands (1)	\$ 1,031,283	1.1%
Luxembourg (1)	2,526,414	2.6%
United States	92,672,144	96.3%
<b>Total Assets</b>	<b>\$96,229,841</b>	<b>100.0%</b>

(1) Investment denominated in USD

**Note 4—Related Party Transactions and Arrangements*****Investment Advisory Fee***

Payments for investment advisory services under the Company's investment advisory agreement (the "Investment Advisory Agreement") and administrative services agreement (the "Administration Agreement") are

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equal to (a) a base management fee calculated at an annual rate of 2.0% of the average value of the Company's gross assets at the end of the two most recently completed calendar quarters and (b) an incentive fee based on the Company's performance. Effective June 5, 2017, the Investment Advisory Agreement and the Administration Agreement were amended to exclude cash and cash equivalents from the calculation of gross assets for the purpose of calculating advisory and administration fees.

For the years ended December 31, 2019, 2018 and 2017, the Company incurred investment advisory fees payable to the Adviser of \$1,966,697, \$2,025,178 and \$1,575,420. Of these amounts, \$0, \$0 and \$1,499,906, respectively, were voluntarily waived. Amounts waived for management fees or administrative services expenses pertaining to periods prior to June 10, 2016 are not recoupable, but amounts waived for management fees or administrative services expenses pertaining to periods from and after June 10, 2016 are subject to recoupment by the Adviser within three years from the date that such fees were otherwise payable, provided that the recoupment will be limited to the amount of such voluntarily waived fees from and after June 10, 2016 and will not cause the sum of the Company's advisory fees, administration fees, Other Expenses (as defined under "Expense Limits and Reimbursements" below), and any recoupment to exceed the annual rate of 3.40% of average gross assets. Effective December 20, 2017, the Adviser ended its voluntary waiver of advisory fees.

***Incentive Fee***

The incentive fee consists of two parts. The first part, which is referred to as the subordinated incentive fee on income, is calculated and payable quarterly in arrears, and equals 20.0% of "pre-incentive fee net investment income" for the immediately preceding quarter and is subject to a hurdle rate, expressed as a rate of return on the Company's net assets, as defined in the Investment Advisory Agreement, equal to 1.875% per quarter. As a result, the Adviser will not earn this incentive fee for any quarter until the Company's pre-incentive fee net investment income for such quarter exceeds the hurdle rate of 1.875%. Once the Company's pre-incentive fee net investment income in any quarter exceeds the hurdle rate, the Adviser will be entitled to a "catch-up" fee equal to the amount of the pre-incentive fee net investment income in excess of the hurdle rate, until the Company's pre-incentive fee net investment income for such quarter equals 2.34375% of the Company's net assets at the end of such quarter. This "catch-up" feature allows the Adviser to recoup the fees foregone as a result of the existence of the hurdle rate in that quarter. Thereafter, the Adviser will receive 20.0% of the Company's pre-incentive fee net investment income from the quarter.

The second part of the incentive fee, which is referred to as the incentive fee on capital gains, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement). This fee equals 20.0% of the Company's incentive fee capital gains, which will equal the Company's realized capital gains on a cumulative basis from formation, calculated as of the end of the applicable period, computed net of all realized capital losses (proceeds less amortized cost) and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gains incentive fees. The Company will accrue for the capital gains incentive fee, which, if earned, will be paid annually. The Company will accrue for the capital gains incentive fee based on net realized and unrealized gains; however, under the terms of the Investment Advisory Agreement, the fee payable to the Adviser will be based on realized gains and no such fee will be payable with respect to unrealized gains unless and until such gains are actually realized.

For the years ended December 31, 2019, 2018 and 2017, the Company incurred \$0, recognized a reduction of \$(594,306) and incurred \$418,739 of incentive fees on capital gains, respectively. Since inception, the Company has accrued \$0 of incentive fees on capital gains in aggregate. Effective December 20, 2017, the Adviser ended its voluntary waiver of incentive fees. No such fees have been paid with respect to realized gains to the Adviser as of December 31, 2019.

**Table of Contents*****Administration Fee***

Pursuant to the Administration Agreement with the Adviser, the Company also reimburses the Adviser for expenses necessary for its performance of services related to the Company's administration and operations. The amount of the reimbursement will be the lesser of (1) the Company's allocable portion of overhead and other expenses incurred by the Adviser in performing its obligations under the Administration Agreement and (2) 0.40% of the Company's average gross assets, (excluding cash and cash equivalents). The Adviser is required to allocate the cost of such services to the Company based on objective factors such as assets, revenues, time allocations and/or other reasonable metrics. The Board assesses the reasonableness of such reimbursements based on the breadth, depth and quality of such services as compared to the estimated cost to the Company of obtaining similar services from third-party service providers known to be available. In addition, the Board will consider whether any single third-party service provider would be capable of providing all such services at comparable cost and quality. Finally, the Board will compare the total amount paid to the Adviser for such services as a percentage of the Company's net assets to the same ratio as reported by other comparable BDCs.

For the years ended December 31, 2019, 2018 and 2017, the Company incurred administration fees payable to the Adviser of \$399,100, \$409,789 and \$314,337. Of these amounts, \$0, \$0 and \$301,355, respectively, were voluntarily waived. Amounts waived for management fees or administrative services expenses pertaining to periods prior to June 10, 2016 are not recoupable, but amounts waived for management fees or administrative services, expenses pertaining to periods from and after June 10, 2016 are subject to recoupment by the Adviser within three years from the date that such fees were otherwise payable, provided that the recoupment will be limited to the amount of such voluntarily waived fees from and after June 10, 2016 and will not cause the sum of the Company's advisory fees, administration fees, Other Expenses, and any recoupment to exceed the annual rate of 3.40% of average gross assets. Effective December 20, 2017, the Adviser ended its voluntary waiver of administration fees.

***Investment Advisory and Administration Fees Table***

Amounts waived and subject to recoupment pertaining to advisory and administrator fees are shown below.

<b><u>Period ended</u></b>	<b><u>Advisory fees waived and subject to recoupment (1)</u></b>	<b><u>Administration fees waived and subject to recoupment (1)</u></b>	<b><u>Recoupment eligibility expiration</u></b>
December 31, 2017	\$ 413,916	\$ 75,906	December 31, 2020
September 30, 2017	305,288	69,308	September 30, 2020
June 30, 2017	389,733	77,947	June 30, 2020
March 31, 2017	390,969	78,194	March 31, 2020
December 31, 2016	366,861	73,372	Expired
September 30, 2016	343,320	68,664	Expired
June 30, 2016	74,421	14,884	Expired
<b>Total</b>	<b>\$ 2,284,508</b>	<b>\$ 458,275</b>	

(1) The Advisor has permanently waived the recoupment of any advisory fees or administration fees calculated on the portion of gross assets attributable to the receivable from Adviser balance on the Statements of Assets and Liabilities. The amounts shown have been reduced by this waiver.

In addition, cumulatively since inception through to June 10, 2016, the Company has voluntarily waived \$930,143 and \$186,042 of advisory fees and administration fees, respectively, all of which are not recoupable.

***Organization and Offering Costs***

Organization costs include the cost of incorporating, such as the cost of legal services and other fees pertaining to our organization and are paid by the Adviser. For the years ended December 31, 2019, 2018 and 2017, the Adviser did not incur or pay organization costs on our behalf.

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Offering costs include legal fees, promotional costs and other costs pertaining to the public offering of our shares of common stock, and are capitalized and amortized to expense over one year. For the years ended December 31, 2019, 2018 and 2017, the Adviser incurred and paid offering costs of \$0, \$238,568 and \$954,765, respectively, on our behalf. For the years ended December 31, 2019, 2018, and 2017, the Company capitalized \$0, \$61,462, and \$282,156, of offering costs, respectively. Of the capitalized offering costs, \$5,445, \$184,847, and \$381,881 were amortized to expense during the years ended December 31, 2019, 2018, and 2017, respectively. As of December 31, 2019 and 2018, \$0 and \$5,445 remained on the Statements of Assets and Liabilities, respectively.

Organization costs and offering costs are limited to 1% of total gross proceeds raised in the offering and are not due and payable to the Adviser to the extent they exceed that amount. As of December 31, 2019, the cumulative aggregate amount of \$5,327,574 of organization and offering costs exceeds 1% of total proceeds raised. Subsequent to the termination of the offering, the Adviser forfeited the right to reimbursement of the remaining \$4,305,091 of these costs.

***Fees Paid to Officers and Directors***

Each director who is not an “interested person” of the Company as defined in the 1940 Act (the “Independent Directors”) receives an annual retainer of \$150,000 payable in quarterly installments and allocated among each portfolio in the Highland Fund Complex based on relative net assets. The “Highland Fund Complex” consists of all of the registered investment companies advised by the Adviser and any affiliates as of the period covered by this report. The Company pays no compensation to any of its officers, all of whom are employees of an affiliate of the Adviser. Prior to December 8, 2017, Mr. Powell was treated as an “interested person” of the Company, for all purposes other than compensation and the Company’s code of ethics.

For the years ended December 31, 2019, 2018 and 2017, the Company recorded an expense relating to director fees of \$19,553, \$19,804 and \$16,090, respectively, which represents the allocation of the director fees to the Company. As of December 31, 2019 there was \$63 of expenses payable relating to director fees.

***Expense Limits and Reimbursements***

Pursuant to an expense limitation agreement, the Adviser is contractually obligated to waive fees and, if necessary, pay or reimburse certain other expenses to limit the ordinary “Other Expenses” to 1.0% of the quarter-end value of the Company’s gross assets through the one year anniversary of the effective date of the registration statement (the “Expense Limitation Agreement”). Under the Expense Limitation Agreement, “Other Expenses” are all expenses with the exception of advisor and administration fees, organization and offering costs and the following: (i) interest, taxes, dividends tied to short sales, brokerage commissions, and other expenditures which are capitalized in accordance with U.S. GAAP; (ii) expenses incurred indirectly as a result of investments in other investment companies and pooled investment vehicles; (iii) other expenses attributable to, and incurred as a result of, our investments; (iv) expenses payable to the Adviser, as administrator, for providing significant managerial assistance to our portfolio companies; and (v) other extraordinary expenses (including litigation expenses) not incurred in the ordinary course of our business. The obligation will automatically renew for one-year terms unless it is terminated by the Company or the Adviser upon written notice within 120 days of the end of the current term or upon termination of the Investment Advisory Agreement. The Expense Limitation Agreement will continue through at least April 30, 2020.

Any expenses waived or reimbursed by the Adviser pursuant to the Expense Limitation Agreement are subject to possible recoupment by the Adviser within three years from the date of the waiver or reimbursement. The recoupment by the Adviser will be limited to the amount of previously waived or reimbursed expenses and cannot cause the Company’s expenses to exceed any expense limitation in place at the time of recoupment or waiver.

**Table of Contents*****Reimbursable Expenses Table***

The cumulative total of fees waived by the Adviser under the Expense Limitation Agreement, which are recoupable as of December 31, 2019 is \$903,985. This balance, and the balances in the tables below, only include amounts pertaining to the Expense Limitation Agreement, and do not include waived advisory and administration fees subject to recoupment discussed earlier in Note 4. The following table reflects the fee waivers and expense reimbursements due from the Adviser as of December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019, which may become subject to recoupment by the Adviser.

<u>Period ended</u>	<u>Yearly cumulative other expense</u>	<u>Yearly expense limitation</u>	<u>Yearly cumulative expense reimbursement</u>	<u>Quarterly recoupable amount</u>	<u>Recoupment eligibility expiration</u>
December 31, 2019	\$ 1,098,789	\$ 951,520	\$ 147,269	\$ 50,130	December 31, 2022
September 30, 2019	849,345	752,206	97,139	(17,417)	September 30, 2022
June 30, 2019	586,411	471,855	114,556	75,592	June 30, 2022
March 31, 2019	295,177	256,213	38,964	38,964	March 31, 2022

The following table reflects the fee waivers and expense reimbursements due from the Adviser as of December 31, 2018, September 30, 2018, June 30, 2018 and March 31, 2018, which may become subject to recoupment by the Adviser.

<u>Period ended</u>	<u>Yearly cumulative other expense</u>	<u>Yearly expense limitation</u>	<u>Yearly cumulative expense reimbursement</u>	<u>Quarterly recoupable amount</u>	<u>Recoupment eligibility expiration</u>
December 31, 2018	\$ 1,352,097	\$ 924,677	\$ 427,420	\$ 279,079	December 31, 2021
September 30, 2018	950,045	801,704	148,341	23,992	September 30, 2021
June 30, 2018	613,809	489,460	124,349	44,203	June 30, 2021
March 31, 2018	341,882	261,736	80,146	80,146	March 31, 2021

The following table reflects the fee waivers and expense reimbursements due from the Adviser as of December 31, 2017, September 30, 2017, June 30, 2017 and March 31, 2017, which may become subject to recoupment by the Adviser.

<u>Period ended</u>	<u>Yearly cumulative other expense</u>	<u>Yearly expense limitation</u>	<u>Yearly cumulative expense reimbursement</u>	<u>Quarterly recoupable/ (recouped) amount</u>	<u>Recoupment eligibility expiration</u>
December 31, 2017	\$ 1,304,585	\$ 975,289	\$ 329,296	\$ (122,135)	December 31, 2020
September 30, 2017	983,110	531,679	451,431	252,953	September 30, 2020
June 30, 2017	631,906	433,428	198,478	50,913	June 30, 2020
March 31, 2017	329,791	182,226	147,565	147,565	March 31, 2020

During the year ended December 31, 2019, \$427,831 of expense reimbursements that were eligible for recoupment by the Adviser expired.

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There can be no assurance that the Expense Limitation Agreement will remain in effect or that the Adviser will reimburse any portion of the Company's expenses in future quarters not covered by the Expense Limitation Agreement. Amounts shown do not include the amounts committed by the Adviser to voluntarily reimburse the Company for unrealized losses, all of which are not recoupable.

***Net Increase from Amounts Committed by Affiliates***

For the years ended December 31, 2019, 2018 and 2017, the Adviser did not voluntarily reimburse the Company for unrealized losses sustained. Cumulatively since inception, the Adviser has committed \$2,275,000 to voluntarily reimburse the Company for such losses. Had these commitments not been made, the net asset value ("NAV") as of December 31, 2019 would have been lower by approximately this amount. These commitments are shown in the Statements of Operations as net increase from amounts committed by affiliates and are not recoupable.

Amounts committed and paid by the Adviser to reimburse for unrealized losses are nonrecurring, and investors should not expect the Adviser to make similar commitments or payments in the future.

***Receivable from Adviser / Payable to Adviser***

As of December 31, 2019 and December 31, 2018, \$50,130 and \$0 were owed from the Adviser to the Company, respectively.

As of December 31, 2019 and December 31, 2018, the Company owed \$570,453 and \$291,904, respectively to the Adviser, largely related to advisory fees, administration fees, and the expense limitation agreement.

***Indemnification***

Under the Company's organizational documents, the officers and Directors have been granted certain indemnification rights against certain liabilities that may arise out of performance of their duties to the Company. Additionally, in the normal course of business, the Company may enter into contracts with service providers that contain a variety of indemnification clauses. The Company's maximum exposure under these arrangements is dependent on future claims that may be made against the Company and, therefore, cannot be estimated.

**Note 5—U.S. Federal Income Tax Information**

The Company has elected to be treated for federal income tax purposes, and intends to qualify annually, as a RIC under Subchapter M of the Code. To maintain its qualification as a RIC, the Company must, among other things, meet certain source-of-income and asset diversification requirements and distribute to its stockholders, for each taxable year, at least 90% of its "investment company taxable income," which is generally the Company's net ordinary income plus the excess, if any, of realized net short-term capital gains over realized net long-term capital losses. As a RIC, the Company will not be subject to corporate-level federal income taxes on any income that it timely distributes to its stockholders. The Company intends to make distributions in an amount sufficient to maintain its RIC status each year and to avoid any federal income taxes on income so distributed. The Company will also be subject to nondeductible federal excise taxes if it does not distribute at least 98% of net ordinary income, 98.2% of any capital gain net income, if any, and any recognized and undistributed income from prior years on which it paid no federal income taxes.

The character of income and capital gains to be distributed is determined in accordance with the Code, U.S. Treasury regulations, and other applicable authority, which may differ from U.S. GAAP. These differences include (but are not limited to) investments organized as partnerships for tax purposes, total return swaps, loan investments, and losses deferred due to wash sale transactions. Reclassifications are made to the Company's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under



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the Code, U.S. Treasury regulations, and other applicable authority. These reclassifications have no impact on net investment income, realized gains or losses, or net asset value of the Company. The calculation of net investment income per share in the Financial Highlights table excludes these adjustments.

As of December 31, 2019, 2018 and 2017, the Company made the following permanent book tax differences and reclasses:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Paid in capital excess of par value	\$ (138,024)	\$ (314,911)	\$ (521,714)
Distributions in excess of net investment income <sup>(1)</sup>	2,583,485	2,654,803	3,986,427
Accumulated realized gains <sup>(1)</sup>	(2,445,461)	(2,339,892)	(3,464,713)

(1) Amounts are included in Total distributable earnings (loss) on the Statement of Assets and Liabilities.

During the year ended December 31, 2019, the differences between book and tax accounting were due primarily to non-deductible excise taxes and offering costs, partnerships, basis adjustments of loan investments, distribution re-designations and non-REIT return of capital.

For the years ended December 31, 2019, 2018 and 2017, the Company's tax year end, components of distributable earnings on a tax basis are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Undistributed ordinary income	\$ 45,019	\$ 1,821,034	\$ 3,267,424
Net tax appreciation/(depreciation)	(3,044,798)	(9,471,326)	3,222,870
Undistributed capital gains	—	1,368,718	725,166
Other temporary differences	(289,344)	(20,194)	(22,087)

For the years ended December 31, 2019, 2018 and 2017, the Company had \$(1,198,009), \$0 and \$0 of capital loss carryovers, respectively.

The tax character of shareholder distributions attributable to the fiscal years ended December 31, 2019, 2018 and 2017, were as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Paid Distributions attributable to:</b>			
Ordinary income	\$6,276,791	\$6,964,121	\$6,157,349
Return of capital	—	—	—
Long term gain	1,237,492	636,657	—

Unrealized appreciation and depreciation at December 31, 2019, 2018 and 2017, based on cost of investments for U.S. federal income tax purposes were as follows:

	<u>Gross appreciation</u>	<u>Gross (depreciation)</u>	<u>Net appreciation/(depreciation)</u>	<u>Cost</u>
December 31, 2019	\$ 8,606,619	\$ (11,651,417)	\$ (3,044,798)	\$ 102,532,406
December 31, 2018	5,726,720	(15,198,046)	(9,471,326)	105,156,185
December 31, 2017	9,086,469	(6,592,620)	2,493,849	139,303,775

The tax adjustments that impact cost are wash sales, REIT return of capital, partnerships and basis adjustments on loan investments.

**Uncertainty in Income Taxes**

The Company will evaluate its tax positions to determine if the tax positions taken meet the minimum recognition threshold in connection with accounting for uncertainties in income tax positions taken or expected



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to be taken for the purposes of measuring and recognizing tax benefits or liabilities in the financial statements. Recognition of a tax benefit or liability with respect to an uncertain tax position is required only when the position is “more likely than not” to be sustained assuming examination by taxing authorities. The Company’s tax returns are subject to examination by the Internal Revenue Service for a period of three fiscal years after they are filed. The Company recognizes interest and penalties, if any, related to unrecognized tax liabilities as income tax expense in the Statements of Operations. During the years ended December 31, 2019, 2018 and 2017, the Company did not incur any interest or penalties. Furthermore, management of the Company is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next 12 months.

**Note 6—Share Repurchase Program**

On a quarterly basis, the Company intends to offer to repurchase shares of common stock on such terms as may be determined by the Board in its complete and absolute discretion unless, in the judgment of the Independent Directors of the Board, such repurchases would not be in the best interests of the Company’s stockholders or would violate applicable law. The Company will conduct such repurchase offers in accordance with the requirements of Rule 13e-4 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the 1940 Act. In months in which the Company repurchases shares of common stock, it will conduct repurchases on the same date that it holds its first weekly closing for the sale of shares of common stock in its public offering. Any offer to repurchase shares of common stock will be conducted solely through tender offer materials mailed to each stockholder.

The Company currently intends to limit the number of shares of common stock to be repurchased during any calendar year to the number of shares of common stock it can repurchase with the proceeds it receives from the sale of shares of common stock under its distribution reinvestment plan. At the discretion of the Board, the Company may also use cash on hand, cash available from borrowings and cash from liquidation of securities investments as of the end of the applicable period to repurchase shares of common stock. In addition, the Company will limit the number of shares of common stock to be repurchased in any calendar year to 10.0% of the weighted average number of shares of common stock outstanding in the prior calendar year, or 2.5% in each quarter, though the actual number of shares of common stock that the Company offers to repurchase may be less in light of the limitations noted above. The Company intends to offer to repurchase such shares of common stock at a price equal to 90% of the offering price in effect on each date of repurchase. The Board may amend, suspend or terminate the share repurchase program at any time, upon 30 days’ notice.

The Company conducted its quarterly tender offer from November 27, 2019, until expiration of December 30, 2019 at 4:00 p.m. New York City time, during which the Company offered to purchase for cash up to 2.5% of its outstanding shares of common stock. During the fourth quarter tender offer, 131,083 shares of the Company were tendered for repurchase, constituting approximately 1.26% of the Company’s outstanding shares.

For the year ended December 31, 2019, the Company repurchased 0 shares as part of its death and disability repurchase program.

**Note 7—Credit Facility and Leverage Facilities**

On October 19, 2017, the Company entered into a financing arrangement (the “Financing Arrangement”) with BNP Paribas Prime Brokerage International, Ltd., BNP Prime Brokerage, Inc., and BNP Paribas (together, the “BNPP Entities”). Under the Financing Agreement, the BNPP Entities may make margin loans to the Company at a rate of one-month LIBOR + 1.30%. The BNPP Entities have the right to cap the amount of margin loans with prior notice to the Company. The Financing Arrangement may be terminated by either the Company or the BNPP Entities with 179 days notice. At December 31, 2019, current outstanding and fair value amounts were \$33,714,864 and \$33,975,517, respectively.

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For the years ended December 31, 2019, 2018 and 2017, the components of total interest expense were as follows:

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
Direct interest expense	\$ 1,233,085	\$ 759,234	\$ 95,181
Commitment fees	204	—	8,054
Amortization of financing costs	—	—	—
<b>Total interest expense</b>	<b>\$ 1,233,289</b>	<b>\$ 759,234</b>	<b>\$ 103,235</b>
Average daily amount outstanding	35,934,346	22,875,571	4,803,836
Weighted average interest rate	3.43%	3.32%	2.32%

The Company is required to maintain 200% asset coverage with respect to its borrowings outstanding. Asset coverage is calculated by subtracting the Company's total liabilities, not including any amount representing bank loans and senior securities, from the Company's total assets and dividing the result by the principal amount of the borrowings outstanding. As of the dates indicated below, the Company's borrowings outstanding and asset coverage was as follows:

<u>Year Ended</u>	<u>Total Amount Outstanding</u>	<u>% of Asset Coverage</u>
12/31/2019	\$ 63,219,694	241%
12/31/2018	67,767,021	227%
12/31/2017	46,540,921	304%
12/31/2016	11,200,000	701%
12/31/2015	—	n/a
12/31/2014	—	n/a

**BNP Paribas Total Return Swap**

On June 13, 2017, the Company entered into the TRS with BNP Paribas over one or more loans, with a maximum aggregate notional amount of the portfolio debt securities subject to the TRS of \$40 million. The agreements between the Company and BNP Paribas, which collectively establish the TRS, are referred to herein as the "TRS Agreement."

On April 2, 2018, the Company amended and restated the TRS agreement with BNP Paribas. The amended and restated TRS Agreement, effective April 10, 2018 increases the maximum aggregate notional amount of the portfolio debt securities subject to the TRS to \$60 million.

A TRS is a contract in which one party agrees to make payments to another party based on the increase, if any, in the market value of the asset(s) underlying the TRS, which may include a specified security, basket of securities or securities indices during a specified period, and the other party agrees to make payments to the first party based on the decrease, if any, in the market value of such underlying assets plus periodic payments based on a fixed or variable interest rate. A TRS effectively adds leverage to a portfolio by providing investment exposure to an underlying asset without owning or taking physical custody of the underlying asset. A TRS often offers lower financing costs than are offered through more traditional borrowing arrangements.

Each individual security subject to the TRS, and the portfolio of securities taken as a whole, must meet certain criteria described in the TRS Agreement, including a requirement that the securities underlying the TRS be rated by either Moody's or S&P, and, if rated by Moody's, have a rating of at least Caa3 and, if rated by S&P, have a rating of at least CCC-. Under the terms of the TRS, BNP Paribas determines whether there has been a failure to satisfy the portfolio criteria in the TRS but may, in its sole discretion, permit assets that do not meet the minimum portfolio criteria set forth in the TRS. If BNP Paribas determines that an asset has failed to meet the

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minimum portfolio criteria, BNP Paribas may exercise certain rights, including increasing the amount of collateral the Company is required to provide to it or terminating all or part of the TRS, subject to certain conditions. The Company receives from BNP Paribas interest and fees payable to holders of the securities included in the portfolio. The Company pays interest to BNP Paribas generally based on a percentage of the notional amount of the securities subject to the TRS. In addition, upon the termination or repayment of any security subject to the TRS, the Company will either receive from BNP Paribas the appreciation in the value of such security or pay to BNP Paribas any depreciation in the value of such security.

Under the terms of the TRS, the Company or BNP Paribas may be required to post additional collateral, on a dollar-for-dollar basis, in certain circumstances, including in the event of depreciation or appreciation in the value of the underlying loans. The limit on the additional collateral that the Company may be required to post pursuant to the TRS is equal to the difference between the full notional amount of the loans underlying the TRS and the amount of cash collateral already posted by the Company. The amount of collateral required to be posted is determined primarily on the basis of the aggregate value of the underlying securities.

The Company may terminate the TRS at any time more than one month prior to the TRS's scheduled termination date upon providing no less than 30 days prior notice to BNP Paribas.

Included among the customary events of default and termination events in the TRS Agreement are: bankruptcy or insolvency of a party, failure to satisfy any obligations under the TRS (including payment of collateral), and misrepresentation. BNP Paribas also has the right to terminate the TRS in certain circumstances, including if the relevant loans fail to meet the agreed-upon criteria specified in the TRS Agreement or if certain credit events with respect to the "reference entity" specified with respect to a security occur, and the Company declines to provide additional collateral to BNP Paribas upon request.

Upon any termination of the TRS, the Company will be required to pay BNP Paribas the amount of any decline in the aggregate value of the securities subject to the TRS or, alternatively, will be entitled to receive the amount of any appreciation in the aggregate value of such securities. In the event that BNP Paribas chooses to exercise its termination rights, it is possible that the Company will owe more to BNP Paribas or, alternatively, will be entitled to receive less from BNP Paribas than the Company would have if it controlled the timing of such termination, due to the existence of adverse market conditions at the time of such termination.

For purposes of the asset coverage ratio test applicable to the Company as a BDC, the Company treats the outstanding notional amount of the TRS, less the initial amount of any cash collateral required to be posted by the Company under the TRS, as a senior security for the life of that instrument. The Company may, however, accord different treatment to the TRS in the future in accordance with any applicable new rules or interpretations adopted by the staff of the SEC.

Further, for purposes of Section 55(a) under the 1940 Act, the Company treats each security underlying the TRS as a qualifying asset if such security is a loan and the obligor on such loan is an eligible portfolio company, and as a non-qualifying asset if the obligor is not an eligible portfolio company. The Company may, however, accord different treatment to the TRS in the future in accordance with any applicable new rules or interpretations adopted by the staff of the SEC.

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The following is a summary of the underlying loans subject to the TRS as of December 31, 2019:

<b><u>Underlying Loan</u></b>	<b><u>Industry</u></b>	<b><u>Interest</u></b>	<b><u>Base Rate Floor</u></b>	<b><u>Maturity Date</u></b>	<b><u>Notional Amount (1)</u></b>	<b><u>Market Value</u></b>	<b><u>Unrealized Appreciation (Depreciation)</u></b>
Advantage Sales & Marketing, Inc. (Second Lien Term Loan)	Service	L + 650	1.00%	7/25/2022	\$2,853,750	\$2,640,000	\$ (213,750)
Air Medical Group Holdings (First Lien Term Loan)	Aerospace	L + 425	1.00%	3/14/2025	3,917,518	3,791,960	(125,558)
ASP AMC Merger Sub, Inc. (First Lien Term Loan)	Healthcare	L + 350	1.00%	4/21/2024	1,822,226	1,730,025	(92,201)
VVC Holding Corp. (First Lien Term Loan)	Healthcare	L + 450	0.00%	2/11/2026	5,905,504	5,964,975	59,471
BioClinica, Inc. (First Lien Term Loan)	Healthcare	L + 425	1.00%	10/20/2023	1,874,140	1,893,662	19,522
Employbridge, LLC (First Lien Term Loan)	Service	L + 450	1.00%	4/18/2025	767,142	751,799	(15,343)
Endo Luxembourg Finance Company I S.a r.l. (First Lien Term Loan)	Healthcare	L + 425	0.75%	4/27/2024	3,959,091	3,762,121	(196,970)
Envision Healthcare Corp. (First Lien Term Loan)	Healthcare	L + 375	0.00%	10/10/2025	4,671,563	4,207,500	(464,063)
Granite Acquisition, Inc. (Second Lien Term Loan)	Utility	L + 725	1.00%	12/19/2022	3,736,715	3,704,222	(32,493)
BW NHHC Holdco, Inc. (First Lien Term Loan)	Healthcare	L + 500	0.00%	5/15/2025	4,537,384	3,420,139	(1,117,245)
Lanai Holdings II, Inc. (First Lien Term Loan)	Healthcare	L + 475	1.00%	8/28/2022	2,449,958	2,300,085	(149,873)
Radnet Management Inc. (First Lien Term Loan)		L + 350	1.00%	7/1/2023	1,492,721	1,485,331	(7,390)
Sound Inpatient Physicians (First Lien Term Loan)	Healthcare	L + 675	0.00%	6/28/2026	1,575,000	1,567,222	(7,778)
Truck Hero, Inc. (Second Lien Term Loan)	Manufacturing	L + 825	1.00%	4/21/2025	1,666,667	1,583,333	(83,334)
Vyaire Medical, Inc. (First Lien Term Loan)	Healthcare	L + 475	1.00%	4/30/2025	4,794,592	4,295,155	(499,437)
Weight Watchers International, Inc. (First Lien Term Loan)	Service	L + 475	0.75%	11/29/2024	4,880,859	4,802,152	(78,707)
Total							<u><b>\$(3,005,149)</b></u>
Accrued income and liabilities							<u><b>260,107</b></u>
Total TRS Fair Value							<u><b>\$(2,745,042)</b></u>

(1) Notional value of the underlying securities in the TRS is calculated by multiplying par by the initial price.

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The following is a summary of the underlying loans subject to the TRS as of December 31, 2018:

<u>Underlying Loan</u>	<u>Industry</u>	<u>Interest</u>	<u>Base Rate Floor</u>	<u>Maturity Date</u>	<u>Notional Amount (1)</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Advantage Sales & Marketing, Inc. (Second Lien Term Loan)	Service	L + 650	1.00%	7/25/2022	\$2,853,750	\$2,340,000	\$ (513,750)
Air Medical Group Holdings (First Lien Term Loan)	Aerospace	L + 425	1.00%	9/26/2024	3,957,513	3,681,407	(276,106)
ASP AMC Merger Sub, Inc. (First Lien Term Loan)	Financial	L + 350	1.00%	4/21/2024	1,838,000	1,570,000	(268,000)
Avantor, Inc. (First Lien Term Loan)	Chemicals	L + 400	1.00%	11/21/2024	3,818,053	3,666,656	(151,397)
BioClinica, Inc. (First Lien Term Loan)	Healthcare	L + 425	1.00%	10/20/2023	1,893,461	1,809,636	(83,825)
Employbridge, LLC (First Lien Term Loan)	Service	L + 500	1.00%	4/10/2025	934,525	914,274	(20,251)
Endo Luxembourg Finance Company I S.a r.l. (First Lien Term Loan)	Healthcare	L + 425	0.75%	4/29/2024	3,999,697	3,780,808	(218,889)
Envision Healthcare Corp. (First Lien Term Loan)	Healthcare	L + 375	0.00%	9/28/2025	2,943,750	2,793,750	(150,000)
Granite Acquisition, Inc. (Second Lien Term Loan)	Utility	L + 725	1.00%	12/19/2022	3,736,715	3,616,026	(120,689)
BW NHHC Holdco, Inc. (First Lien Term Loan)	Healthcare	L + 500	0.00%	5/15/2025	4,583,449	4,508,594	(74,855)
Lanai Holdings II, Inc. (First Lien Term Loan)	Healthcare	L + 475	1.00%	8/28/2022	2,475,478	2,243,692	(231,786)
Quorum Health Corp. (First Lien Term Loan)	Healthcare	L + 675	1.00%	4/29/2022	7,151,645	7,038,182	(113,463)
Sound Inpatient Physicians (First Lien Term Loan)	Healthcare	L + 675	0.00%	6/26/2026	1,575,000	1,495,278	(79,722)
Truck Hero, Inc. (Second Lien Term Loan)	Manufacturing	L + 825	1.00%	5/10/2025	1,666,666	1,633,334	(33,332)
U.S Renal Care, Inc. (Second Lien Term Loan)	Healthcare	L + 800	1.00%	12/31/2023	1,939,438	1,828,750	(110,688)
Vyaire Medical, Inc. (First Lien Term Loan)	Healthcare	L + 475	1.00%	4/11/2025	4,843,267	4,691,915	(151,352)
Weight Watchers International, Inc. (First Lien Term Loan)	Service	L + 475	0.75%	11/29/2024	5,552,649	5,394,812	(157,837)
Total							<u>\$ (2,755,942)</u>
Accrued income and liabilities							<u>208,450</u>
Total TRS Fair Value							<u>\$ (2,547,492)</u>

(1) Notional value of the underlying securities in the TRS is calculated by multiplying par by the initial price.

As of December 31, 2019, the Company had posted \$21,400,000 of cash collateral against the TRS held in an account at the Company's custodian bank, which is shown as due from counterparty on the Statements of Assets and Liabilities.

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During the year ended December 31, 2019, the Company recognized a net realized gain on the TRS amounting to \$1,530,270. The Company received \$1,918,837 in cash payments from the TRS during the period and paid \$10,157 with a decrease of \$366,952 in receivable from, and an increase of \$11,458 in payable to BNP Paribas for year ended December 31, 2019. The notional value of the derivative instruments outstanding as of December 31, 2019 and the unrealized appreciation (depreciation) on derivative instruments during the year then ended serve as indicators of the volume of derivative activity for the Company.

**Note 8—Economic Dependency and Commitments and Contingencies**

Under various agreements, the Company has engaged the Adviser and its affiliates to provide certain services that are essential to the Company, including asset management services, asset acquisition and disposition decisions, the sale of shares of the Company's common stock available for issue, as well as other administrative responsibilities for the Company including accounting services and investor relations. Additionally, prior to termination of the offer, the Adviser paid all of the Company's organization and offering costs subject to reimbursement to the extent organization and offering costs paid by the Adviser did not exceed 1% of gross proceeds raised. Please see Note 4 for additional details on organization and offering costs.

As a result of these relationships, the Company is dependent upon the Adviser and its affiliates. In the event that these companies are unable to provide the Company with the respective services, the Company will be required to find alternative providers of these services.

Our Adviser, NexPoint Advisors, has been historically affiliated through common control with Highland Capital Management, L.P. ("HCMLP"), an SEC-registered investment adviser. On October 16, 2019, HCMLP filed for Chapter 11 bankruptcy protection with the United States Bankruptcy Court for the District of Delaware. The case was subsequently transferred to the United States Bankruptcy Court for the Northern District of Texas. On January 9, 2020, the bankruptcy court approved a change of control of HCMLP, which involved the resignation of James Dondero as the sole director of, and the appointment of an independent board to, HCMLP's general partner. Mr. Dondero will, however, remain as an employee of HCMLP and as portfolio manager for all funds and vehicles for which he currently holds such titles. Nevertheless, given Mr. Dondero's historic role with HCMLP and his continued ownership interest and roles with respect to the Highland platform as a whole, as well as the shared services agreements between HCMLP and our Adviser, we still treat HCMLP and its affiliates as our affiliates for purposes hereof.

NexPoint Advisors is not a party to HCMLP's bankruptcy filing. NexPoint Advisors is a party to a shared services arrangement with HCMLP. Under this arrangement our Adviser may utilize employees from HCMLP in connection with various services such as human resources, accounting, tax, valuation, information technology services, office space, employees, compliance and legal. We do not expect HCMLP's bankruptcy filings to impact its provision of services to NexPoint Advisors at this time.

From time to time, the Company may be involved in legal proceedings in the normal course of its business. Although the outcome of such litigation cannot be predicted with any clarity, management is of the opinion, based on the advice of legal counsel, that final dispositions of any litigation should not have a material adverse effect on the financial position of the Company as of December 31, 2019.

Unfunded commitments to provide funds to portfolio companies are not recorded in the Company's statements of assets and liabilities. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The Company has sufficient liquidity to fund these commitments. As of December 31, 2019, the Company had one unfunded debt commitment with an aggregate unfunded commitment of \$333,333. For additional details regarding the Company's unfunded debt investments, see the Company's Schedule of Investments as of December 31, 2019.

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties that provide general indemnification. The Company's maximum exposure under these agreements is unknown, as this would involve future claims that may be made against the Company that have not occurred. The Company believes the risk of material obligations under these indemnities to be low. See also Note 13 regarding the end of the offering period.



**Table of Contents****Note 9—Market and Other Risk Factors**

The primary risks of investing in the Company are described below in alphabetical order:

***Concentration Risk***

The Company is classified as a non-diversified investment company within the meaning of the 1940 Act, which means that it is not limited by the 1940 Act with respect to the proportion of the Company's assets that it may invest in securities of a single issuer. To the extent that the Company assumes large positions in the securities of a small number of issuers, the Company's net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. The Company may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond the asset diversification requirements associated with the Company's qualification as a RIC under the Code and certain contractual diversification requirements under a credit facility or other agreements, the Company does not have fixed guidelines for diversification, and its investments could be concentrated in relatively few portfolio companies. As a result, the aggregate returns the Company realizes may be significantly adversely affected if a small number of investments perform poorly or if the Company needs to write down the value of any one investment. Additionally, the Company's investments may be concentrated in relatively few industries. As a result, a downturn in any particular industry in which the Company is invested could also significantly impact the aggregate returns realized.

***Counterparty Credit Risk***

Counterparty credit risk is the potential loss the Company may incur as a result of the failure of a counterparty or an issuer to make payments according to the terms of a contract. Counterparty credit risk is measured as the loss the Company would record if its counterparties failed to perform pursuant to the terms of their obligations to the Company. Because the Company may enter into over-the-counter forwards, options, swaps and other derivative financial instruments, the Company may be exposed to the credit risk of its counterparties. To limit the counterparty credit risk associated with such transactions, the Company conducts business only with financial institutions judged by the Adviser to present acceptable credit risk.

***Credit Risk***

Debt securities are subject to the risk of non-payment of scheduled interest and/or principal. Non-payment would result in a reduction of income to the Company, a reduction in the value of the obligation experiencing non-payment and a potential decrease in the Company's net asset value.

Investments rated below investment grade are commonly referred to as high-yield, high risk or "junk debt." They are regarded as predominantly speculative with respect to the issuing company's continuing ability to meet principal and/or interest payments. Investments in high yield debt and high yield senior loans may result in greater net asset value fluctuation than if the Company did not make such investments. Corporate debt obligations, including senior loans, are subject to the risk of non-payment of scheduled interest and/or principal.

Non-payment would result in a reduction of income to the Company, a reduction in the value of the corporate debt obligation experiencing non-payment and a potential decrease in the net asset value of the Company. Some of the loans the Company makes or acquires may provide for the payment by borrowers of Payment-In-Kind ("PIK") interest or accreted original issue discount at maturity. Such loans have the effect of deferring a borrower's payment obligation until the end of the term of the loan, which may make it difficult for



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the Company to identify and address developing problems with borrowers in terms of their ability to repay debt. Particularly in a rising interest rate environment, loans containing PIK and original issue discount provisions can give rise to negative amortization on a loan, resulting in a borrower owing more at the end of the term of a loan than what it owed when the loan was originated. Any such developments may increase the risk of default on the Company's loans by borrowers.

Because loans are not ordinarily registered with the SEC or any state securities commission or listed on any securities exchange, there is usually less publicly available information about such instruments. In addition, loans may not be considered "securities" for purposes of the anti-fraud protections of the federal securities laws and, as a result, as a purchaser of these instruments, the Company may not be entitled to the anti-fraud protections of the federal securities laws. In the course of investing in such instruments, the Company may come into possession of material nonpublic information and, because of prohibitions on trading in securities of issuers while in possession of such information, the Company may be unable to enter into a transaction in a publicly-traded security of that issuer when it would otherwise be advantageous for us to do so. Alternatively, the Company may choose not to receive material nonpublic information about an issuer of such loans, with the result that the Company may have less information about such issuers than other investors who transact in such assets.

***Foreign Securities Risk***

Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of the Company are maintained) and the various foreign currencies in which the Company's portfolio securities will be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; and (iv) the extension of credit, especially in the case of sovereign debt.

***Illiquid Securities Risk***

The Company will generally make investments in private companies. Substantially all of these investments will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of the Company's investments may make it difficult for the Company to sell such investments if the need arises. In addition, if it is required to liquidate all or a portion of its portfolio quickly, the Company may realize significantly less than the value at which it has previously recorded its investments. In addition, it may face other restrictions on its ability to liquidate an investment in a portfolio company to the extent that it has material non-public information regarding such portfolio company or if an investment is held by one of its subsidiaries and is subject to contractual limitations on sale, such as the limitations on transfer of assets under certain circumstances under a credit facility.

Because loan transactions often take longer to settle than transactions in other securities, the Company may not receive the proceeds from the sale of a loan for a significant period of time. As a result, the Company may maintain higher levels of cash and short-term investments than funds that invest in securities with shorter settlement cycles and/or may use the Credit Facility to permit the Company to meet its obligations pending settlement of the sale of portfolio securities, each of which may adversely affect the Company's performance.

The Company seeks to address its short-term liquidity needs by carefully managing the settlements of its portfolio transactions, including transactions in loans, by maintaining short-term liquid assets sufficient to meet reasonably anticipated obligations, and by maintaining the Credit Facility.

***Interest Rate Risk***

On July 27, 2017, the head of the United Kingdom's Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. Due to this announcement, there remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on the Company or the financial instruments in which the Company invests can not yet be determined.

**Table of Contents*****Investments in Foreign Markets Risk***

Investments in foreign markets involve special risks and considerations not typically associated with investing in the United States. These risks include revaluation of currencies, high rates of inflation, restrictions on repatriation of income and capital, and adverse political and economic developments. Moreover, securities issued in these markets may be less liquid, subject to government ownership controls, tariffs and taxes, subject to delays in settlements, and their prices may be more volatile. The Company may be subject to capital gains and repatriation taxes imposed by certain countries in which they invest. Such taxes are generally based on income and/or capital gains earned or repatriated. Taxes are accrued based upon net investment income, net realized gains and net unrealized appreciation as income and/or capital gains are earned.

***Leverage Risk***

The Company may use leverage in its investment program, including the use of borrowed funds and investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the Company purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the Company's use of leverage would result in a lower rate of return than if the Company were not leveraged.

***Options Risk***

There are several risks associated with transactions in options on securities. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A transaction in options or securities may be unsuccessful to some degree because of market behavior or unexpected events.

When the Company writes a covered call option, the Company forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but retains the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation and once an option writer has received an exercise notice, it must deliver the underlying security in exchange for the strike price.

When the Company writes a covered put option, the Company bears the risk of loss if the value of the underlying stock declines below the exercise price minus the put premium. If the option is exercised, the Company could incur a loss if it is required to purchase the stock underlying the put option at a price greater than the market price of the stock at the time of exercise plus the put premium the Company received when it wrote the option. While the Company's potential gain in writing a covered put option is limited to distributions earned on the liquid assets securing the put option plus the premium received from the purchaser of the put option, the Company risks a loss equal to the entire exercise price of the option minus the put premium.

***Short-Selling Risk***

Short sales by the Company that are not made where there is an offsetting long position in the asset that it is being sold short theoretically involve unlimited loss potential since the market price of securities sold short may

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continuously increase. Short selling allows the Company to profit from declines in market prices to the extent such decline exceeds the transaction costs and costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. Purchasing securities to close out the short position can itself cause the price of securities to rise further, thereby exacerbating the loss. The Company may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, the Company might have difficulty purchasing securities to meet margin calls on its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

***Total Return Swap Risk***

The TRS with BNP Paribas enables us to obtain the economic benefit of owning the securities subject to the TRS without actually owning such securities, in return for making periodic interest-type payments to BNP Paribas plus an amount equal to the depreciation in value of the securities. The TRS is subject to market risk, liquidity risk and risk of imperfect correlation between the value of the TRS and the securities underlying the TRS. In addition, we may incur certain costs in connection with the TRS, including an underutilization fee in the event that we utilize less than 80% of the amount of the TRS. Costs associated with the TRS could, in the aggregate, be significant. Because this arrangement is not an acquisition of the underlying securities, we have no right to enforce contractual provisions that stem from ownership in the securities and have no voting or other rights of ownership. In the event of insolvency of BNP Paribas, we expect that we would be treated as a general creditor of BNP Paribas and would have no claim of title with respect to the underlying securities.

A TRS is also subject to the risk that a counterparty will default on its payment obligations thereunder or that we will not be able to meet our obligations to the counterparty. In the case of the TRS with BNP Paribas, there is a requirement to post collateral to secure our obligations to BNP Paribas under the TRS. BNP Paribas, however, is not required to collateralize any of its obligations to us under the TRS. We bear the risk of depreciation with respect to the value of the securities underlying the TRS and are required under the terms of the TRS to post additional collateral on a dollar-for-dollar basis in the event of depreciation in the value of the underlying securities after such value decreases below a specified amount. The amount of collateral required to be posted by us is determined primarily on the basis of the aggregate value of the underlying securities.

In addition, because a TRS is a form of leverage, such arrangements are subject to risks similar to those associated with the use of leverage.

***Valuation Risk***

Certain of the Company's assets are fair valued, including the Company's investment in equity issued by TerreStar Corporation ("TerreStar"). TerreStar is a nonoperating company that does not currently generate revenue and which primarily derives its value from two spectrum frequencies, the license with respect to one of which was terminated by the FCC and is being contested by TerreStar on technical and public policy grounds. TerreStar currently anticipates such contest may take between 12 to 30 months and expects deployment of its other spectrum asset to require a similar period of time. If TerreStar is ultimately unsuccessful in its efforts, the terminated license would not be reinstated and the value of the TerreStar equity would likely be materially negatively impacted. The fair valuation of TerreStar involves uncertainty as it is materially dependent on these estimates. With regard to the likelihood of TerreStar regaining the terminated license, the Investment Adviser assigned a high probability of success, based in part in consultation with outside experts.

Table of Contents**Note 10—Affiliated Investments**

Under Section 2(a)(3) of the 1940 Act, a portfolio company is defined as “affiliated” if a fund owns five percent or more of its outstanding voting securities or if the portfolio company is under common control. The table below shows affiliated issuers of the Company as of December 31, 2019:

	Shares at December 31, 2018	Fair value as of December 31, 2018	Purchases	Sales	Realized gains (losses)	Change in unrealized gains (losses)	Fair value as of December 31, 2019	Shares at December 31, 2019	Affiliated Dividend income
<b>Affiliated investments</b>									
Gambier Bay, LLC <sup>(1)</sup>	9,180,900	\$ 1,055,803	\$ —	\$(3,478,685)	\$ —	\$2,422,882	\$ —	—	\$ —
NexPoint Strategies Opportunities Fund	65,078	1,297,005	987,212	(11,764)	—	(136,043)	2,136,410	120,633	233,964
NexPoint Residential Trust, Inc.	25,757	902,783	28,646	(26,485)	—	286,026	1,190,970	26,466	5,835
NexPoint Capital REIT, LLC <sup>(2)</sup>	—	—	2,189,561	—	—	236,428	2,425,989	100	—
<b>Total affiliated investments</b>	<u>9,271,735</u>	<u>\$ 3,255,591</u>	<u>\$3,205,419</u>	<u>\$(3,516,934)</u>	<u>\$ —</u>	<u>\$2,809,293</u>	<u>\$ 5,753,369</u>	<u>147,199</u>	<u>\$239,799</u>

(1) Non-income producing security.

(2) The investment is deemed to be a “controlled affiliated person” of the Company because the Company owns, either directly or indirectly, 25% or more of the portfolio company’s outstanding voting securities or has the power to exercise control over management or policies of such portfolio company. See Note 4 “Related Party Transactions and Arrangements”.

Table of Contents**Note 11—Financial Highlights**

Selected data for a share outstanding throughout the years ended December 31, 2019, 2018, 2017, 2016 and 2015 is as follows:

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Common shares per share operating performance:					
<b>Net asset value, beginning of period</b>	\$ 8.36	\$ 9.68	\$ 9.47	\$ 8.02	\$ 8.97
<b>Income from investment operations:</b>					
Net investment income (1)	0.30	0.36	0.59	0.69	0.42
Net realized and unrealized gain (loss)	0.59	(0.96)	0.32	1.25	(1.40)
Commitments by affiliates	—	—	—	0.18	0.68
Total from investment operations	0.89	(0.60)	0.91	2.12	(0.30)
<b>Less distribution declared to common shareholders:</b>					
From net investment income	(0.60)	(0.73)	(0.72)	(0.71)	(0.56)
From net realized gains	(0.12)	—	—	—	—
From return of capital	—	—	—	—	(0.13)
Total distributions declared to common shareholders	(0.72)	(0.73)	(0.72)	(0.71)	(0.69)
<b>Capital share transactions</b>					
Offering costs (1)	—	—	—	—	(0.06)
Issuance of common stock (2)	—	0.01	0.02	0.04	0.10
Shares tendered (1)	0.00(3)	0.00(3)	0.00(3)	0.00(3)	0.00(3)
<b>Net asset value, end of period</b>	\$ 8.53	\$ 8.36	\$ 9.68	\$ 9.47	\$ 8.02
Net asset value total return (4)	10.86%	(6.75)%	10.06%	27.61%(5)	(3.26)%(5)
<b>Ratio and supplemental data:</b>					
Net assets, end of period (in 000's)	\$ 88,936	\$ 86,311	\$ 94,860	\$ 67,293	\$ 22,299
Shares outstanding, end of period	10,425,431	10,322,327	9,804,321	7,102,226	2,779,381
<b>Common share information at end of period:</b>					
<b>Ratios based on weighted average net assets of common shares:</b>					
Gross operating expenses	5.36%	4.32%	5.21%	7.56%	11.91%
Fees and expenses waived or reimbursed	(0.16)%	(0.43)%	(2.37)%	(4.56)%	(9.62)%
Net operating expenses	5.20%	3.89%	2.84%	3.00%	2.29%
Net investment income (loss) before fees waived or reimbursed	3.33%	3.28%	3.80%	2.98%	(4.64)%
Net investment income (loss) after fees waived or reimbursed	3.50%	3.71%	6.17%	7.54%	4.97%
Ratio of interest and credit facility expenses to average net assets	1.37%	0.76%	0.13%	0.36%	0.46%
Ratio of incentive fees to average net assets (6)(7)	— %	(0.60)%	0.51%	0.40%	— %
Portfolio turnover rate	42%	55%	113%	60%	97%
Asset coverage ratio	241%	227%	304%	701%	n/a
Weighted average commission rate paid (8)	\$ 0.0331	\$ 0.0380	\$ 0.0225	\$ 0.0094	\$ —

(1) Per share data was calculated using weighted average shares outstanding during the period.

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- (2) The continuous issuance of common stock may cause an incremental increase in net asset value per share due to the sale of shares at the then prevailing public offering price and the receipt of net proceeds per share by the Company in excess of net asset value per share on each subscription closing date. The per share data was derived by computing (i) the sum of (A) the number of shares issued in connection with subscriptions and/or distribution reinvestment on each share transaction date times (B) the differences between the net proceeds per share and the net asset value per share on each share transaction date, divided by (ii) the total shares outstanding at the end of the period.
- (3) Amount rounds to less than \$0.005 per share.
- (4) Total returns are historical and assume changes in share price and reinvestment of dividends and capital gains distributions, and assume no sales charge. Distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Company's Dividend Reinvestment Plan. Had the Adviser not absorbed a portion of expenses, total returns would have been lower.
- (5) For the year ended December 31, 2016, 1.65% of the fund's total return consists of a voluntary reimbursement by the adviser for unrealized investment losses, and is included in Net realized and unrealized gain (loss). Excluding this item, total return would have been 25.96%. For the year ended December 31, 2015, 6.09% of the fund's total return consists of a voluntary reimbursement by the Adviser for unrealized investment losses, and is included in Net realized and unrealized gain (loss). Excluding this item, total return would have been (9.35)%.
- (6) Annualized.
- (7) All incentive fees were waived for the year ended December 31, 2016.
- (8) Represents the total dollar amount of commissions paid on portfolio transactions divided by total number of portfolio shares purchased and sold for which commissions were charged.

**Note 12—Selected Quarterly Financial Data (Unaudited)**

	Quarter ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total investment income	\$1,838,426	\$1,979,996	\$2,040,664	\$1,988,407
Total investment income per common share	0.18	0.19	0.20	0.19
Net investment income	717,956	731,993	876,514	830,213
Net investment income per common share	0.07	0.07	0.08	0.08
Net realized and unrealized gain (loss)	368,975	1,061,490	(577,223)	5,180,977
Net realized and unrealized gain (loss) per common share	0.04	0.10	(0.06)	0.50
Net increase (decrease) in net assets resulting from operations	1,086,931	1,793,483	299,291	6,011,190
Basic and diluted earnings (loss) per common share	0.10	0.17	0.03	0.58
Net asset value per common share at end of quarter	8.53	8.61	8.62	8.77

	Quarter ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Total investment income	\$ 1,758,512	\$1,842,814	\$1,830,476	\$2,136,605
Total investment income per common share	0.17	0.18	0.18	0.21
Net investment income	1,954,152	571,907	759,076	410,516
Net investment income per common share	0.19	0.05	0.07	0.04
Net realized and unrealized gain (loss)	(13,368,890)	478,938	(174,453)	3,159,480
Net realized and unrealized gain (loss) per common share	(1.28)	0.05	(0.02)	0.31
Net increase (decrease) in net assets resulting from operations	(11,414,738)	1,050,845	584,623	3,569,996
Basic and diluted earnings (loss) per common share	(1.09)	0.10	0.06	0.35
Net asset value per common share at end of quarter	8.36	9.65	9.73	9.85



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The sum of quarterly per share amounts may not equal per share amounts reported for the years ended December 31, 2019 and 2018. This is due to changes in the number of weighted average shares outstanding and the effects of rounding for each period.

**Note 13 — Subsequent Events**

The Company has evaluated subsequent events through the date on which these financial statements were issued.

On January 2, 2020, the board of directors (the “Board”) of NexPoint Capital, Inc. (the “Company”) declared two cash distributions: a cash distribution of \$0.06 per share of the Company’s common stock, par value \$0.001 per share, payable on January 29, 2020, to the stockholders of record on January 27, 2020, and a cash distribution of \$0.06 per share of the Company’s common stock, par value \$0.001 per share, payable on February 26, 2020, to the stockholders of record on February 24, 2020.

On January 29, 2020, the Board of the Company declared a cash distribution of \$0.06 per share of the Company’s common stock, par value \$0.001 per share, payable on April 1, 2020, to the stockholders of record on March 30, 2020.

On February 27, 2020, the Board of the Company declared a cash distribution of \$0.06 per share of the Company’s common stock, par value \$0.001 per share, payable on April 29, 2020, to the stockholders of record on April 27, 2020.

An outbreak of respiratory disease caused by a novel coronavirus was first detected in China in December 2019 and subsequently spread internationally. This coronavirus has resulted in closing borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general concern and uncertainty. The impact of this coronavirus may be short term or may last for an extended period of time and result in a substantial economic downturn. Health crises caused by outbreaks, such as the coronavirus outbreak, may exacerbate other pre-existing political, social and economic risks. The impact of this outbreak, and other epidemics and pandemics that may arise in the future, could negatively affect the worldwide economy, as well as the economies of individual countries, individual companies and the market in general in significant and unforeseen ways. Any such impact could adversely affect a Fund’s performance, the performance of the securities in which the Fund invests, lines of credit available to the Fund and may lead to losses on our investment in the Fund.

As a result of decreases in the market value certain of the Company’s assets pledged at derivative counterparties, the company has been required to post additional collateral relating to its margin requirements. The Company experienced delays posting collateral with one counterparty and received an Event of Default notice dated March 23, 2020; however, the Company covered the margin call on March 24, 2020 and received a formal waiver on the Event of Default notice from the counterparty dated April 2, 2020. At this time, the Fund has posted all required collateral; however, the Fund’s ability to meet future margin calls may be impacted by continued unfavorable market conditions.



Table of Contents**Report of Independent Registered Public Accounting Firm**

**To the Board of Directors and Shareholders of NexPoint Capital, Inc.**

***Opinion on the Financial Statements***

We have audited the accompanying statements of assets and liabilities, including the schedules of investments, of NexPoint Capital, Inc. (the "Company") as of December 31, 2019 and 2018, and the related statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations, changes in its net assets and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2019 and 2018 by correspondence with the custodian and brokers; when replies have not been received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

Dallas, Texas  
April 14, 2020

We have served as the auditor of one or more investment companies of NexPoint Advisors, L.P. and its affiliates since 2004.

**Table of Contents****Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None

**Item 9A. *Controls and Procedures******(a) Evaluation of Disclosure Controls and Procedures***

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company's management, with the participation of its principal executive officer and principal financial officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2019. Based on such evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2019, due to the material weakness in its internal control over financial reporting described below.

***(b) Management's Report on Internal Control Over Financial Reporting***

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company and provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles. The Company's policies and procedures also provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the Board, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Based on the assessment, management concluded that the Company did not maintain effective controls over the application of fair value accounting with respect to the validation of fair value methodologies. Specifically, the controls were not sufficiently designed to ensure the appropriateness of the fair value determinations reached for Level 3 real estate-related holdings. While this control deficiency did not result in a misstatement, it could result in a misstatement to the investment balances or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness. Because of this material weakness, management concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2019.

This report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

***(c) Changes in Internal Control over Financial Reporting***

There have been no changes in internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

***(d) Remediation Plan***

Management has developed a plan to remediate the material weakness described above. Management utilizes one or more independent valuation experts as part of its existing valuation process for Level 3 real estate-related holdings. Management will undertake additional review procedures by designating a member of the Valuation Committee to monitor and report to the Valuation Committee to ensure that for significant real estate-related holdings, fair values for such holdings are validated through one or more other valuation techniques that are acceptable under ASC 820.

Table of Contents**PART III****Item 10. Directors, Executive Officers and Corporate Governance**

The information required by Item 10 is hereby incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2020 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of the Company's fiscal year.

**Item 11. Executive Compensation**

The information required by Item 11 is hereby incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2020 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of the Company's fiscal year.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by Item 12 is hereby incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2020 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of the Company's fiscal year.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by Item 13 is hereby incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2020 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of the Company's fiscal year.

**Item 14. Principal Accountant Fees and Services**

The information required by Item 14 is hereby incorporated by reference from the Company's definitive Proxy Statement relating to the Company's 2020 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of the Company's fiscal year.

Table of Contents**PART IV****Item 15: Exhibits****(a)(1) Financial Statements**

- (1) Financial Statements—Refer to Item 8 starting on page 96
- (2) Financial Statement Schedules—None
- (3) Exhibits

Number	Description
3.1	<u>Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit (a)(3) to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on December 12, 2014).</u>
3.2	<u>Amended and Restated Bylaws (Incorporated by reference to Exhibit (b)(3) to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on December 12, 2014).</u>
4.1	<u>Forms of Subscription Agreement (Incorporated by reference to the Prospectus Appendix A, Appendix B and Appendix C filed with Post-Effective Amendment No. 7 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on May 11, 2017).</u>
4.2	<u>Distribution Reinvestment Plan (Incorporated by reference to Exhibit (e) to Post-Effective Amendment No. 1 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on December 12, 2014).</u>
10.1	<u>Amended and Restated Investment Advisory Agreement (Incorporated by reference to Exhibit (g)(1) to Post-Effective Amendment No. 8 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on June 30, 2017).</u>
10.2	<u>Sub-Administration and Accounting Agreement (Incorporated by reference to Company's Registration Statement on Form N-2 (File No. 333-216277) filed on February 27, 2017).</u>
10.3	<u>Amended and Restated Administration Agreement (Incorporated by reference to Exhibit (k)(2) to Post-Effective Amendment No. 8 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on June 30, 2017).</u>
10.4	<u>Dealer Manager Agreement (Incorporated by reference to Post-Effective Amendment No. 4 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on March 2, 2016).</u>
10.5	<u>Form of Participating Broker-Dealer Agreement (Included as Exhibit A to the Dealer Manager Agreement).</u>
10.6	<u>Custodian Agreement (Incorporated by reference to Post-Effective Amendment No. 4 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on March 2, 2016).</u>
10.7	<u>Form of Agency Agreement (Incorporated by reference to Pre-Effective Amendment No. 3 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on July 24, 2014).</u>
10.8	<u>Escrow Agreement (Incorporated by reference to Post-Effective Amendment No. 4 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on March 2, 2016).</u>
10.9	<u>Expense Limitation Agreement (Incorporated by reference to Post-Effective Amendment No. 4 to the Company's Registration Statement on Form N-2 (File No. 333-196096) filed on March 2, 2016).</u>
10.10	<u>Control Agreement, dated and effective as of June 9, 2017, by and between NexPoint Capital, Inc. and BNP Paribas Prime Brokerage International, Ltd. and State Street Bank and Trust Company ((Incorporated by reference to Exhibit 10.10 to Registrants Quarterly Report on 10-Q (File No. 814-01074) filed on November 9, 2017).</u>

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Number	Description
10.11	<u>Master Confirmation for Loan Total Return Swap Transactions, dated and effective as of June 13, 2017, by and between NexPoint Capital Inc. and BNP Paribas Prime Brokerage International, Ltd. (Incorporated by reference to Exhibit 10.11 to Registrants Quarterly Report on 10-Q (File No. 814-01074) filed on November 9, 2017)</u>
10.12	<u>Committed Facility Agreement, dated and effective as of October 19, 2017, by and between NexPoint Capital, Inc. and BNP Paribas Prime Brokerage International, Ltd. (Incorporated by reference to Exhibit 10.1 to Registrants Current Report on 8-K (File No. 814-01074) filed on October 19, 2017)</u>
10.13	<u>U.S. PB Agreement, dated and effective as of October 19, 2017, by and between NexPoint Capital, Inc. and BNP Paribas Prime Brokerage, Inc. (Incorporated by reference to Exhibit 10.2 to Registrants Current Report on 8-K (File No. 814-01074) filed on October 19, 2017)</u>
10.14	<u>International PB Agreement, dated and effective as of October 19, 2017, by and between NexPoint Capital, Inc., BNP Paribas Prime Brokerage International, Ltd., and BNP Paribas acting through its New York branch (Incorporated by reference to Exhibit 10.3 to Registrants Current Report on 8-K (File No. 814-01074) filed on October 19, 2017)</u>
10.15	<u>U.S. Triparty Agreement, dated and effective as of October 19, 2017, by and between NexPoint Capital, Inc., BNP Paribas Prime Brokerage, Inc. and Street Bank and Trust Company (Incorporated by reference to Exhibit 10.4 to Registrants Current Report on 8-K (File No. 814-01074) filed on October 19, 2017)</u>
10.16	<u>International Triparty Agreement, dated and effective as of October 19, 2017, by and between NexPoint Capital, Inc., BNP Paribas Prime Brokerage International, Ltd., and State Street Bank and Trust Company, as custodian (Incorporated by reference to Exhibit 10.5 to Registrants Current Report on 8-K (File No. 814-01074) filed on October 23, 2017)</u>
10.17	<u>Amended and Restated Master Confirmation for Loan Total Return Swap Transactions, dated and effective as of April 2, 2018, by and between NexPoint Capital, Inc. and BNP Paribas (Incorporated by reference to Exhibit 10.1 to Registrants Current Report on 8-K (File No. 814-01074) filed on April 2, 2018)</u>
31.1*	<u>Certifications by President pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u>
31.2*	<u>Certifications by Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u>
32.1*	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*</u>

\* Filed herewith

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

**NEXPOINT CAPITAL, INC.**

Date: April 14, 2020

By: /s/ Frank Waterhouse  
 Name: Frank Waterhouse  
 Title: Treasurer, Chief Accounting Officer and Principal Financial Officer

KNOW ALL MEN BY THESE PRESENT, each person whose signature appears below hereby constitutes and appoints each of Frank Waterhouse and Dustin Norris as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ James D. Dondero</u> James D. Dondero	President (Principal Executive Officer)	April 14, 2020
<u>/s/ Frank Waterhouse</u> Frank Waterhouse	Chief Financial Officer (Treasurer, Principal Accounting Officer and Principal Financial Officer)	April 14, 2020
<u>/s/ Dr. Bob Froehlich</u> Dr. Bob Froehlich	Director	April 14, 2020
<u>/s/ John Honis</u> John Honis	Director	April 14, 2020
<u>/s/ Ethan Powell</u> Ethan K. Powell	Director	April 14, 2020
<u>/s/ Bryan A. Ward</u> Bryan A. Ward	Director	April 14, 2020

## **EXHIBIT 48**

001680



## Self Evaluation - Front Office

**Employee Name**

Ajit Jain

**Reviewer**

PARKER, LEE

**Position**

Director, Risk and Financial Engineering

**Supervisor**

PARKER, LEE

**Hire Date**

05/16/2018

**Review Date**

01/22/2019

**Company Name**

Highland Capital Management L P (B4811)

**Ideas / Accomplishments**

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Complete the evaluation for your performance during the last year. Topics to include could be related to your decision-making ability, quality of work, dependability, initiative, problem solving skills, teamwork, communications and leadership. Please provide specific examples when applicable. Limit your responses to no more than 4 bullets per question.

**Ideas / Accomplishments**

What were your three (3) best accomplishments / ideas that contributed significantly to Highland in 2018?

**Comments from Employee**

1. Volatility Strategy: contributed \$10+million to Global Allocation Fund in 2018. Total hedge contribution to the fund was \$17+million during February selloff ensuring the fund was up on a day SPX was down over 3%. Not relevant for 2018 but it is worth noting is that my mean reversion and systematic volatility thematic recommendations have consistently outperformed relative value volatility strategies. As recent as January 2019, my volatility strategy (recommended to Jim) contributed about \$3.5 million across Highland platform. 2. Systematic portfolio hedging strategy: I list this as a major contribution not because of the \$ impact but because of the long term impact of implementing the strategy firmwide and the buy-in of PMs that I achieved in 2018. I have demonstrated the effectiveness of carry strategy now, having implementing it partially in NHF, GAF and PGE Funds. A version of this strategy is being used in LSE fund for idiosyncratic hedging. The carry strategy contributed \$864k in NHF in 1month and 774k in GAF in 1.5months. Idiosyncratic hedging contributed 27bps to LSE and systematic hedging contributed 54bps to LSE in December. My strategy is demonstrated to be favorable over outright shorting in a high vol. regime, in a sharply rising market and is particularly relevant for earnings periods. 3. I had forecasted in June, S&P level of 2600 for YE 2018 and a level of 2450 (in GAF meeting to Michael McLochlin and Jim) preceding the sharp sell-off in December. The hedges in NHF, in aggregate contributed over \$20 million during Q4-2018. 4. Automation of risk platform: The risk reporting process has been automated to the extent possible and we now produce risk reports on a weekly basis. The risk reports have been expanded to include a number of metrics that are helpful in identifying unintended risks in the portfolio. Some other contributors were: Oil: \$180k in GAF, GBP: 300k in GAF, NatGas: \$2.4m in GAF One additional point I would like to note is that I have taken a calculated approach to recommending any new macro or hedging themes - which ensured that in 2018, all but one of my recommendations (excluding Prometheus Fund) were profitable.

**Comments from Reviewer****Lessons Learned**

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**Lessons Learned**

What were the three (3) least successful actions or things you did in 2018? What have you learned from these occurrences?

**Comments from Employee**

The hedges and equity option themes in Prometheus, which were up through November 2018, lost over 65 bps in December 2018. I have analyzed the causes of this loss, things that can be done better along with the path for the future which I presented to Trey and Jon in January, following the underperformance in Dec-18. Space is inadequate to fully elaborate on this subject here but I have a one-page summary available for discussion if needed.

**Comments from Reviewer****Strengths**

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**Strengths**

What are your areas of strength?

**Comments from Employee**

My application of my knowledge of volatility as an asset class and risk management skills are my strengths. I have worked on my weak areas from 2017 - in particular, communication, simplification of trade ideas and making my insights directly relevant to Analysts and PMs. I believe my proactive approach to constructive feedback has been a strength of mine in 2018 and has helped me integrate myself better within the platform of Highland. I have worked directly with PMs and multiple Analysts to contribute effectively to Highland.

**Comments from Reviewer****Development**

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**Development**

What are your opportunities for development and improvement? Please be specific (for example, describe the skills that you want to improve).

**Comments from Employee**

1. I have been mindful of the feedback provided to me last year, to be more simplistic and to avoid overcomplicating strategies. In 2018, when it did not make sense, I have actively discouraged PMs and Analysts from using option based strategies (e.g. Vistra did not have a vol. play due to the sizeable nature of the proposed trade, XBI and IVW were better as vanilla shorts vs. option based shorts in LSE Fund). I will continue to be mindful about this area and the need to simplify recommendations when possible. I have also actively dissuaded PMs and senior management from taking risks where the economics were not favorable. An example would be the recommendation to Andrew Parmentier in H1-2018 to not trade MXN ahead of elections due to the unfavorable economics for the trade. 2. One more feedback from the prior year was to identify positioning that would create unintended risks in portfolios. I worked closely with Jonathan Lamensdorf in 2018 to implement the 'Style Factor' framework in-house which is fairly close in its assessment as other external commercial products in the space. This helps identify high degree of Momentum or Growth risks, which can have material effect on performance of funds such as LSE and PGE. Further, I have continued to develop frameworks such as Altman Z score, 'Stressed Scenarios' and high idiosyncratic risks relative to exposure that highlight risks in Highland portfolios which may otherwise not be prominent. I have also actively worked with Jim on his themes to reduce downside risk were the position to go the other way. Some examples are (i) use of options strategy in EURUSD trade that helped limit losses meaningfully at a time when EUR rallied sharply against USD, (ii) sale of deep out of the money puts against existing large shorts to generate some carry on the short position. 3. I have continued to work towards being concise and on-point in my recommendations in 2018. All my risk and research emails have contained clear 2-3 line recommendations. 4. I would like to believe I have earned the respect of the senior PMs and Analysts in 2018 with my recommendations and communication about hedges. This will certainly continue to be an area of development but I would like to note that I am now actively working with PMs and other senior Managers at Highland for their hedging needs. These include: - Direct engagement with Jim on hedging and macro strategy implementation for NHF, GAF and Small Cap Fund. - Engagement with Real Estate group to hedge their Uniti exposure in the context of ongoing litigation. - Direct engagement with Michael McLochlin and Brad Heiss to hedge LSE Fund. - Direct engagement with Andrew Hilgenbrink to implement hedges and volatility based trades (AMRN) in LSH Fund. - I have also assisted Mark Patrick in 2018 in an active lawsuit by analyzing the true value of statistical analytics services offered by a vendor (by replicating the analysis in-house and rightfully challenging the claims of the vendor).

**Comments from Reviewer****Extras**

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**Extras**

How did you contribute to Highland outside of your "normal" job role in 2018?

**Comments from Employee**

I have had little opportunity to do much outside of my immediate work engagements due to a personal situation that I have been dealing. I did participate in Movember (and ran for it) and continued to contribute to a charity in India that provides for under-poverished children. I would like to do more in 2019 than what I have done in 2018.

**Comments from Reviewer**

## Goals

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### Goal Setting

Describe your specific goals & related metrics that will help HCM succeed in 2019. Develop goals/metrics for least 2 of the areas below. - Investments/Portfolio Company/Risk Mgmt -Relationship Mgmt/Networking: with buy/sell side or portfolio companies -New Responsibilities: e.g., initiatives, project leader, etc. -Business Development -Professional Development: e.g., CFA, deepen industry expertise, etc. -Time Mgmt/Productivity - Process/Technology Improvement

### Comments from Employee

1. Continue to actively contribute to macro research and risk hedging. Metric: P&L of macro trades, Sharpe of portfolios with and without hedges 2. Continue to expand engagement with PMs and Analysts to make hedging more granular and active across the platform. Metric: PM feedback on hedging process 3. Develop a web based tool and app to provide Analysts and PMs near-real time information on risks of their positions. (Success of this goal with help in success of goal 2). 4. Continue to develop the macro-quantitative strategy for hedging that may work effectively as a stand-alone strategy. The goal would be to make it self-sustaining so that it can operate as a standalone fund and PMs may choose when and how much to allocate to this systematic hedging strategy. Metric: Performance vs. budget 5. Expand the dialogue with PMs and Analysts by deeply engaging discussions on risk limits that have been developed in 2018. 6. Publish research pieces on Risk and Volatility in the public sphere. It is time to build on the success of macro-systematic hedging strategy by increasing its visibility in the public sphere and enabling its existence as a standalone strategy. 7. Increase engagement with the Credit team by developing and expanding the portfolio credit analytics models.

### Comments from Reviewer

### Prior Year Goals

Describe your progress towards or achievement of the 2018 goals you established in last year's review process.

### Comments from Employee

The overall success on goals from 2018 was quite good particularly compared to the relative success in 2018 vs. 2017 goals. In particular, engagement of risk process has been expanded across multiple funds now - not only by establishing risk limits for funds but also by increasing engagement with PMs on hedging for their funds. The carry strategy for hedging (using selling of options to pay for hedges) was successfully demonstrated in 2018 and is now being implemented for LS Equity Fund. The approach to macro and volatility trade recommendations was a lot more guarded in 2018 which ensured that the possibility of meaningful losses on these positions was eliminated. Moreover, enabled by the markets - all the trades in 2018 were quite profitable (with the exception of Prometheus Fund).

### Comments from Reviewer

## Appraisal

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### Overall Score

0.00 / 1.00

Ideas / Accomplishments					
Name	Employee Rating	Reviewer Rating	Section Weight	Employee Weight Score	Reviewer Weight Score
Ideas / Accomplishments	Not Rated	Not Rated			
Total:	0.00 / 1.00	0.00 / 1.00	0.00%	0.00	0.00

## **EXHIBIT 49**

001684

**Ajit Jain****Compensation and Benefit Statement**

Job Title: Director, Risk and Financial Engineering

Department: Risk Management

**EARNINGS AND AWARDS**

2018 Base Salary (as of 12/31/18)

2018 Combined Performance and Retention Bonus (breakdown below):

2018 Performance Cash Bonus Award

- The Performance Bonus will be paid on February 28, 2019 as an award for your 2018 performance

2018 Retention Bonus Award

- A Retention Bonus of will be paid on each of the following date(s) as an employee retention incentive: August 30, 2019, February 28, 2020, August 31, 2020

2018 Other Awards

401(k) Match

Estimated 2018 Profit Sharing (will be contributed in 2019)

\*Final profit sharing award subject to passing IRS mandated testing

2018 Deferred Compensation Award

- Award composition and details to be finalized by April 30, 2019
- Award vests May 31, 2022
- Employee must be employed on vesting date to receive and vest in award

**2018 Total Earnings and Awards****HIGHLAND PAID BENEFITS**

Medical &amp; Dental Insurance

Life, AD&amp;D and Disability Insurance

Executive Life Insurance

Daily Catered Lunches

Parking

Cell Phone

Gym Membership

**2018 Estimated Total Value of Highland Paid Benefits****TOTAL COMPENSATION PACKAGE**

001685

ACL-081275

**EXHIBIT 50**

**INTENTIONALLY  
OMITTED**

**EXHIBIT 51**

**INTENTIONALLY  
OMITTED**



**EXHIBIT 52**

**DOCUMENT PROVIDED IN  
NATIVE FORMAT**

001688

**EXHIBIT 53**

**DOCUMENT PROVIDED IN  
NATIVE FORMAT**

001689

## **EXHIBIT 54**

001690

## SHARED SERVICES AGREEMENT

THIS SHARED SERVICES AGREEMENT (this “*Agreement*”) entered into on this 9<sup>th</sup> day of February, 2012 by and among Highland Capital Management, L.P., a Delaware limited partnership (“*HCMLP*”), and Pyxis Capital, L.P., formerly known as Highland Funds Asset Management, L.P., a Delaware limited partnership (“*Pyxis*”), and any affiliate of Pyxis that becomes a party hereto, is effective as of December 15, 2011 (the “*Effective Date*”). Each of the signatories hereto is individually a “*Party*” and collectively the “*Parties*”.

### RECITALS

A. During the Term, HCMLP will provide to Pyxis certain services as more fully described herein and the Parties desire to allocate the costs incurred for such services and assets among them in accordance with the terms and conditions in this Agreement.

### AGREEMENT

In consideration of the foregoing recitals and the mutual covenants and conditions contained herein, the Parties agree, intending to be legally bound, as follows:

### ARTICLE I DEFINITIONS

“*Actual Cost*” means, with respect to any period hereunder, one hundred percent (100%) of the actual costs and expenses caused by, incurred or otherwise arising from or relating to (i) the Shared Services and (ii) the Shared Assets, in each case during such period.

“*Affiliate*” means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person. The term “*control*” (including, with correlative meanings, the terms “*controlled by*” and “*under common control with*”) means the possession of the power to direct the management and policies of the referenced Person, whether through ownership interests, by contract or otherwise.

“*Agreement*” has the meaning set forth in the preamble.

“*Allocation Percentage*” has the meaning set forth in Section 4.01.

“*Applicable Margin*” shall mean an additional amount equal to 5% of all costs allocated by Service Provider to the other parties hereto under Article IV; provided that the parties may agree on a different margin percentage as to any item or items to the extent the above margin percentage, together with the allocated cost of such item or service, would not reflect an arm’s length value of the particular service or item allocated.

“*Change*” has the meaning set forth in Section 2.02(a).

“*Change Request*” has the meaning set forth in Section 2.02(b).

“*Code*” means the Internal Revenue Code of 1986, as amended, and the related regulations and published interpretations.

“*Effective Date*” has the meaning set forth in the preamble.

**“Governmental Entity”** means any government or any regulatory agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

**“Liabilities”** means any cost, liability, indebtedness, obligation, co-obligation, commitment, expense, claim, deficiency, guaranty or endorsement of or by any Person of any nature (whether direct or indirect, known or unknown, absolute or contingent, liquidated or unliquidated, due or to become due, accrued or unaccrued, matured or unmatured).

**“Loss”** means any cost, damage, disbursement, expense, liability, loss, obligation, penalty or settlement, including interest or other carrying costs, legal, accounting and other professional fees and expenses incurred in the investigation, collection, prosecution and defense of claims and amounts paid in settlement, that may be imposed on or otherwise incurred or suffered by the referenced Person; provided, however, that the term **“Loss”** will not be deemed to include any special, exemplary or punitive damages, except to the extent such damages are incurred as a result of third party claims.

**“Monthly Report”** has the meaning set forth in Section 5.02.

**“New Shared Service”** has the meaning set forth in Section 2.03.

**“Party”** or **“Parties”** has the meaning set forth in the preamble.

**“Person”** means an association, a corporation, an individual, a partnership, a limited liability company, a trust or any other entity or organization, including a Governmental Entity.

**“Recipient”** means Pyxis and any of Pyxis’ direct or indirect Subsidiaries or managed funds or accounts in their capacity as a recipient of the Shared Services and/or Shared Assets.

**“Service Provider”** means any of HCMLP and its direct or indirect Subsidiaries in its capacity as a provider of Shared Services or Shared Assets.

**“Service Standards”** has the meaning set forth in Section 6.01.

**“Shared Assets”** shall have the meaning set forth in Section 3.02.

**“Shared Services”** shall have the meaning set forth in Section 2.01.

**“Shared Services and Employees Agreement”** has the meaning set forth in the recitals.

**“Subsidiary”** means, with respect to any Person, any Person in which such Person has a direct or indirect equity ownership interest in excess of 50%.

**“Tax”** or **“Taxes”** means: (i) all state and local sales, use, value-added, gross receipts, foreign, privilege, utility, infrastructure maintenance, property, federal excise and similar levies, duties and other similar tax-like charges lawfully levied by a duly constituted taxing authority against or upon the Shared Services and the Shared Assets; and (ii) tax-related surcharges or fees that are related to the Shared Services and the Shared Assets identified and authorized by applicable tariffs.

**“Term”** has the meaning set forth in Section 7.01.

## ARTICLE II SHARED SERVICES

Section 2.01 Services. During the Term, Service Provider will provide Recipient with Shared Services, including without limitation, all of the (i) finance and accounting services, (ii) human resources services, (iii) marketing services, (iv) legal services, (v) corporate services, (vi) information technology services, and (vii) operations services; each as requested by Pyxis and as described more fully on Annex A attached hereto, the “**Shared Services**”), it being understood that personnel providing Shared Services may be deemed to be employees of Pyxis to the extent necessary for purposes of the Investment Advisers Act of 1940, as amended.

### Section 2.02 Changes to the Shared Services.

(a) During the Term, the Parties may agree to modify the terms and conditions of a Service Provider’s performance of any Shared Service in order to reflect new procedures, processes or other methods of providing such Shared Service, including modifying the applicable fees for such Shared Service to reflect the then current fair market value of such service (a “**Change**”). The Parties will negotiate in good faith the terms upon which a Service Provider would be willing to provide such New Shared Service to Recipient.

(b) The Party requesting a Change will deliver a description of the Change requested (a “**Change Request**”) and no Party receiving a Change Request may unreasonably withhold, condition or delay its consent to the proposed Change.

(c) Notwithstanding any provision of this Agreement to the contrary, a Service Provider may make: (i) Changes to the process of performing a particular Shared Service that do not adversely affect the benefits to Recipient of Service Provider’s provision or quality of such Shared Service in any material respect or increase Recipient’s cost for such Shared Service; (ii) emergency Changes on a temporary and short-term basis; and/or (iii) Changes to a particular Shared Service in order to comply with applicable law or regulatory requirements, in each case without obtaining the prior consent of Recipient. A Service Provider will notify Recipient in writing of any such Change as follows: in the case of clauses (i) and (iii) above, prior to the implementation of such Change, and, in the case of clause (ii) above, as soon as reasonably practicable thereafter.

Section 2.03 New Shared Services. The Parties may, from time to time during the Term of this Agreement, negotiate in good faith for Shared Services not otherwise specifically listed in Section 2.01 (a “**New Shared Service**”). Any agreement between the Parties on the terms for a New Shared Service must be in accordance with the provisions of Article IV and Article V hereof, will be deemed to be an amendment to this Agreement and such New Shared Service will then be a “**Shared Service**” for all purposes of this Agreement.

Section 2.04 Subcontractors. Nothing in this Agreement will prevent Service Provider from, with the consent of Recipient, using subcontractors, hired with due care, to perform all or any part of a Shared Service hereunder. A Service Provider will remain fully responsible for the performance of its obligations under this Agreement in accordance with its terms, including any obligations it performs through subcontractors, and a Service Provider will be solely responsible for payments due to its subcontractors.

ARTICLE III  
SHARED ASSETS

Section 3.01 Shared IP Rights. Each Service Provider hereby grants to Recipient a non-exclusive right and license to use the intellectual property and other rights granted or licensed, directly or indirectly, to such Service Provider (the “**Shared IP Rights**”) pursuant to third party intellectual property Agreements (“**Third Party IP Agreements**”), provided that the rights granted to Recipient hereunder are subject to the terms and conditions of the applicable Third Party IP Agreement, and that such rights shall terminate, as applicable, upon the expiration or termination of the applicable Third Party IP Agreement. Recipient shall be licensed to use the Shared IP Rights only for so long as it remains an Affiliate of HCMLP. In consideration of the foregoing licenses, Recipient agrees to take such further reasonable actions as a Service Provider deems to be necessary or desirable to comply with its obligations under the Third Party IP Agreements.

Section 3.02 Other Shared Assets. Subject to Section 3.01, each Service Provider hereby grants Recipient the right, license or permission, as applicable, to use and access the benefits under the agreements, contracts and licenses that such Service Provider will purchase, acquire, become a party or beneficiary to or license on behalf of Recipient (the “**Future Shared Assets**” and collectively with the Shared IP Rights, the “**Shared Assets**”).

ARTICLE IV  
COST ALLOCATION

Section 4.01 Actual Cost Allocation Formula. The Actual Cost of any item relating to any Shared Services or Shared Assets shall be allocated based on the Allocation Percentage. For purposes of this Agreement, “**Allocation Percentage**” means:

- (a) To the extent 100% of such item is demonstrably attributable to Pyxis, 100% of the Actual Cost of such item shall be allocated to Pyxis as agreed by Pyxis;
- (b) To the extent a specific percentage of use of such item can be determined (e.g., 70% for HCMLP and 30% for Pyxis), that specific percentage of the Actual Cost of such item will be allocated to HCMLP or Pyxis, as applicable and as agreed by Pyxis; and
- (c) All other portions of the Actual Cost of any item that cannot be allocated pursuant to clause (a) or (b) above shall be allocated between HCMLP and Pyxis in such proportion as is agreed in good faith between the parties.

Section 4.02 Non-Cash Cost Allocation. The actual, fully burdened cost of any item relating to any Shared Services or Shared Assets that does not result in a direct, out of pocket cash expense may be allocated to HCMLP and Pyxis for financial statement purposes only, as agreed by Pyxis, without any corresponding cash reimbursement required, in accordance with generally accepted accounting principles, based on the Allocation Percentage principles described in Section 4.01 hereof.

ARTICLE V  
PAYMENT OF COST AND REVENUE SHARE; TAXES

Section 5.01 Monthly Statements. Within thirty (30) days following the end of each month during the Term (or at such time as may be otherwise agreed by the parties), each Service Provider shall furnish the other Parties hereto with a written statement with respect to the Actual Cost paid by it in respect of Shared Services and Shared Assets provided by it, in each case, during such period, setting



forth (i) the cost allocation in accordance with Article IV hereof together with the Applicable Margin on such allocated amounts, and (ii) any amounts paid pursuant to Section 5.02 hereof, together with such other data and information necessary to complete the items described in Section 5.03 hereof (hereinafter referred to as the “*Monthly Report*”).

Section 5.02 Settlement Payments. At any time during the Term, any Party may make payment of the amounts that are allocable to such Party together with the Applicable Margin related thereto, regardless of whether an invoice pursuant to Section 5.03 hereof has been issued with respect to such amounts.

Section 5.03 Determination and Payment of Cost and Revenue Share.

(a) Within ten (10) days of the submission of the Monthly Report described in Section 5.02 hereof (or at such other time as may be agreed by the parties), the Parties shall (i) agree on the cost share of each of the Parties and Applicable Margin as calculated pursuant to the provisions of this Agreement; and (ii) prepare and issue invoices for the cost share and Applicable Margin payments that are payable by any of the Parties.

(b) Within ten (10) days of preparation of the agreement and the issuance of the invoice described in Section 5.03(a) (or at such other time as may be agreed by the parties), the Parties shall promptly make payment of the amounts that are set forth on such cost allocation invoice. Notwithstanding anything in this Agreement to the contrary, provision of the Shared Services shall commence from the Effective Date, but no fees shall be payable from Recipient or otherwise accrue with respect to such services provided during the month of December 2011.

Section 5.04 Taxes.

(a) Recipient is responsible for and will pay all Taxes applicable to the Shared Services and the Shared Assets provided to Recipient, provided, that such payments by Recipient to Service Provider will be made in the most tax-efficient manner and provided further, that Service Provider will not be subject to any liability for Taxes applicable to the Shared Services and the Shared Assets as a result of such payment by Recipient. Service Provider will collect such Tax from Recipient in the same manner it collects such Taxes from other customers in the ordinary course of Service Provider’s business, but in no event prior to the time it invoices Recipient for the Shared Services and Shared Assets, costs for which such Taxes are levied. Recipient may provide Service Provider with a certificate evidencing its exemption from payment of or liability for such Taxes.

(b) Service Provider will reimburse Recipient for any Taxes collected from Recipient and refunded to Service Provider. In the event a Tax is assessed against Service Provider that is solely the responsibility of Recipient and Recipient desires to protest such assessment, Recipient will submit to Service Provider a statement of the issues and arguments requesting that Service Provider grant Recipient the authority to prosecute the protest in Service Provider’s name. Service Provider’s authorization will not be unreasonably withheld. Recipient will finance, manage, control and determine the strategy for such protest while keeping Service Provider reasonably informed of the proceedings. However, the authorization will be periodically reviewed by Service Provider to determine any adverse impact on Service Provider, and Service Provider will have the right to reasonably withdraw such authority at any time. Upon notice by Service Provider that it is so withdrawing such authority, Recipient will expeditiously terminate all proceedings. Any adverse consequences suffered by Recipient as a result of the withdrawal will be submitted to arbitration pursuant to Section 9.14. Any contest for Taxes brought by Recipient may not result in any lien attaching to any property or rights of Service Provider or otherwise jeopardize Service Provider’s interests or rights in any of its property. Recipient agrees to

indemnify Service Provider for all Losses that Service Provider incurs as a result of any such contest by Recipient.

(c) The provisions of this Section 5.04 will govern the treatment of all Taxes arising as a result of or in connection with this Agreement notwithstanding any other Article of this Agreement to the contrary.

## ARTICLE VI SERVICE PROVIDER RESPONSIBILITIES

Section 6.01 Service Provider General Obligations. Service Provider will provide the Shared Services and the Shared Assets to Recipient on a non-discriminatory basis and will provide the Shared Services and the Shared Assets in the same manner as if it were providing such services and assets on its own account (the “***Service Standards***”). Service Provider will conduct its duties hereunder in a lawful manner in compliance with applicable laws, statutes, rules and regulations and in accordance with the Service Standards, including, for avoidance of doubt, laws and regulations relating to privacy of customer information.

Section 6.02 Books and Records; Access to Information. Service Provider will keep and maintain books and records on behalf of Recipient in accordance with past practices and internal control procedures. Recipient will have the right, at any time and from time to time upon reasonable prior notice to Service Provider, to inspect and copy (at its expense) during normal business hours at the offices of Service Provider the books and records relating to the Shared Services and Shared Assets, with respect to Service Provider’s performance of its obligations hereunder. This inspection right will include the ability of Recipient’s financial auditors to review such books and records in the ordinary course of performing standard financial auditing services for Recipient (but subject to Service Provider imposing reasonable access restrictions to Service Provider’s and its Affiliates’ proprietary information and such financial auditors executing appropriate confidentiality agreements reasonably acceptable to Service Provider). Service Provider will promptly respond to any reasonable requests for information or access. For the avoidance of doubt, all books and records kept and maintained by Service Provider on behalf of Recipient shall be the property of Recipient, and Service Provider will surrender promptly to Recipient any of such books or records upon Recipient’s request (provided that Service Provider may retain a copy of such books or records) and shall make all such books and records available for inspection and use by the Securities and Exchange Commission or any person retained by Recipient at all reasonable times. Such records shall be maintained by Service Provider for the periods and in the places required by laws and regulations applicable to Recipient.

Section 6.03 Return of Property and Equipment. Upon expiration or termination of this Agreement, Service Provider will be obligated to return to Recipient, as soon as is reasonably practicable, any equipment or other property or materials of Recipient that is in Service Provider’s control or possession.

## ARTICLE VII TERM AND TERMINATION

Section 7.01 Term. The term of this Agreement will commence as of the Effective Date and will continue in full force and effect until the first anniversary of the Effective Date (the “***Term***”), unless terminated earlier in accordance with Section 9.02. The Term shall automatically renew for successive one year periods unless sooner terminated under Section 7.02.

Section 7.02 Termination. Either Party may terminate this Agreement, with or without cause, upon at least 60 days advance written notice at any time prior to the expiration of the Term.

#### ARTICLE VIII LIMITED WARRANTY

Section 8.01 Limited Warranty. Service Provider will perform the Shared Services hereunder in accordance with the Service Standards. Except as specifically provided in this Agreement, Service Provider makes no express or implied representations, warranties or guarantees relating to its performance of the Shared Services and the granting of the Shared Assets under this Agreement, including any warranty of merchantability, fitness, quality, non-infringement of third party rights, suitability or adequacy of the Shared Services and the Shared Assets for any purpose or use or purpose. Service Provider will (to the extent possible and subject to Service Provider's contractual obligations) pass through the benefits of any express warranties received from third parties relating to any Shared Service and Shared Asset, and will (at Recipient's expense) assist Recipient with any warranty claims related thereto.

#### ARTICLE IX MISCELLANEOUS

Section 9.01 No Partnership or Joint Venture; Independent Contractor. Nothing contained in this Agreement will constitute or be construed to be or create a partnership or joint venture between or among HCMLP or Pyxis or their respective successors or assigns. The Parties understand and agree that, with the exception of the procurement by Service Provider of licenses or other rights on behalf of Recipient pursuant to Section 3.01, this Agreement does not make any of them an agent or legal representative of the other for any purpose whatsoever. With the exception of the procurement by Service Provider of licenses or other rights on behalf of Recipient pursuant to Section 3.01, no Party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibilities, express or implied, on behalf of or in the name of any other Party, or to bind any other Party in any manner whatsoever. The Parties expressly acknowledge that Service Provider is an independent contractor with respect to Recipient in all respects, including with respect to the provision of the Shared Services.

Section 9.02 Amendments; Waivers. Except as expressly provided herein, this Agreement may be amended only by agreement in writing of all Parties. No waiver of any provision nor consent to any exception to the terms of this Agreement or any agreement contemplated hereby will be effective unless in writing and signed by all of the Parties affected and then only to the specific purpose, extent and instance so provided. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 9.03 Schedules and Exhibits; Integration. Each Schedule and Exhibit delivered pursuant to the terms of this Agreement must be in writing and will constitute a part of this Agreement, although schedules need not be attached to each copy of this Agreement. This Agreement, together with such Schedules and Exhibits constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the Parties in connection therewith.

Section 9.04 Further Assurances. Each Party will take such actions as any other Party may reasonably request or as may be necessary or appropriate to consummate or implement the transactions contemplated by this Agreement or to evidence such events or matters.

Section 9.05 Governing Law. This Agreement and the legal relations between the Parties will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed in such State and without regard to conflicts of law doctrines unless certain matters are preempted by federal law.

Section 9.06 Assignment. Except as otherwise provided hereunder, neither this Agreement nor any rights or obligations hereunder are assignable by one Party without the express prior written consent of the other Parties.

Section 9.07 Headings. The descriptive headings of the Articles, Sections and subsections of this Agreement are for convenience only and do not constitute a part of this Agreement.

Section 9.08 Counterparts. This Agreement and any amendment hereto or any other agreement delivered pursuant hereto may be executed in one or more counterparts and by different Parties in separate counterparts. All counterparts will constitute one and the same agreement and will become effective when one or more counterparts have been signed by each Party and delivered to the other Parties.

Section 9.09 Successors and Assigns; No Third Party Beneficiaries. This Agreement is binding upon and will inure to the benefit of each Party and its successors or assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person or Governmental Entity any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 9.10 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given: (i) immediately when personally delivered; (ii) when received by first class mail, return receipt requested; (iii) one day after being sent for overnight delivery by Federal Express or other overnight delivery service; or (iv) when receipt is acknowledged, either electronically or otherwise, if sent by facsimile, telecopy or other electronic transmission device. Notices, demands and communications to the other Parties will, unless another address is specified by such Parties in writing, be sent to the addresses indicated below:

If to HCMLP, addressed to:

Highland Capital Management, L.P.  
13455 Noel Road, Suite 800  
Dallas, Texas 75240  
Attention: General Counsel  
Fax: (972) 628-4147

If to Pyxis, addressed to:

Pyxis Capital, L.P.  
13455 Noel Road, Suite 800  
Dallas, Texas 75240  
Attention: General Counsel  
Fax: (972) 628-4147

Section 9.11 Expenses. Except as otherwise provided herein, the Parties will each pay their own expenses incident to the negotiation, preparation and performance of this Agreement, including the fees, expenses and disbursements of their respective investment bankers, accountants and counsel.

Section 9.12 Waiver. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 9.13 Severability. If any provision of this Agreement is held to be unenforceable for any reason, it will be adjusted rather than voided, if possible, to achieve the intent of the Parties. All other provisions of this Agreement will be deemed valid and enforceable to the extent possible.

Section 9.14 Arbitration; Jurisdiction. Notwithstanding anything contained in this Agreement or the Annexes hereto to the contrary, in the event there is an unresolved legal dispute between the parties and/or any of their respective officers, directors, partners, employees, agents, affiliates or other representatives that involves legal rights or remedies arising from this Agreement, the parties agree to submit their dispute to binding arbitration under the authority of the Federal Arbitration Act; provided, however, that either party or such applicable affiliate thereof may pursue a temporary restraining order and/or preliminary injunctive relief in connection with confidentiality covenants or agreements binding on the other party, with related expedited discovery for the parties, in a court of law, and, thereafter, require arbitration of all issues of final relief. The Arbitration will be conducted by the American Arbitration Association, or another, mutually agreeable arbitration service. The arbitrator(s) shall be duly licensed to practice law in the State of Texas. The discovery process shall be limited to the following: Each side shall be permitted no more than (i) two party depositions of six hours each. Each deposition is to be taken pursuant to the Texas Rules of Civil Procedure; (ii) one non-party deposition of six hours; (iii) twenty-five interrogatories; (iv) twenty-five requests for admission; (v) ten requests for production. In response, the producing party shall not be obligated to produce in excess of 5,000 total pages of documents. The total pages of documents shall include electronic documents; (vi) one request for disclosure pursuant to the Texas Rules of Civil Procedure. Any discovery not specifically provided for in this paragraph, whether to parties or non-parties, shall not be permitted. The arbitrator(s) shall be required to state in a written opinion all facts and conclusions of law relied upon to support any decision rendered. No arbitrator will have authority to render a decision that contains an outcome determinative error of state or federal law, or to fashion a cause of action or remedy not otherwise provided for under applicable state or federal law. Any dispute over whether the arbitrator(s) has failed to comply with the foregoing will be resolved by summary judgment in a court of law. In all other respects, the arbitration process will be conducted in accordance with the American Arbitration Association's dispute resolution rules or other mutually agreeable, arbitration service rules. The party initiating arbitration shall pay all arbitration costs and arbitrator's fees, subject to a final arbitration award on who should bear costs and fees. All proceedings shall be conducted in Dallas, Texas, or another mutually agreeable site. Each party shall bear its own attorneys fees, costs and expenses, including any costs of experts, witnesses and/or travel, subject to a final arbitration award on who should bear costs and fees. The duty to arbitrate described above shall survive the termination of this Agreement. Except as otherwise provided above, the parties hereby waive trial in a court of law or by jury. All other rights, remedies, statutes of limitation and defenses applicable to claims asserted in a court of law will apply in the arbitration.

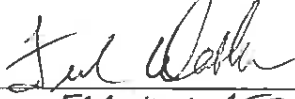
Section 9.15 General Rules of Construction. For all purposes of this Agreement and the Exhibits and Schedules delivered pursuant to this Agreement: (i) the terms defined in Article I have the meanings assigned to them in Article I and include the plural as well as the singular; (ii) all accounting terms not otherwise defined herein have the meanings assigned under GAAP; (iii) all references in this Agreement to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of the body of this Agreement; (iv) pronouns of either gender or neuter will include, as appropriate, the other pronoun forms; (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; (vi) "or" is not exclusive; (vii) "including" and "includes" will be deemed to be followed by "but not limited to" and "but is not limited to, "respectively; (viii) any definition of or

reference to any law, agreement, instrument or other document herein will be construed as referring to such law, agreement, instrument or other document as from time to time amended, supplemented or otherwise modified; and (ix) any definition of or reference to any statute will be construed as referring also to any rules and regulations promulgated thereunder.

IN WITNESS HEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized officers as of the day and year first above written.


**HIGHLAND CAPITAL MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its general partner

By:   
Name: FRANK WATERHOUSE  
Title: ASST. TREASURER

**PYXIS CAPITAL, L.P.**

By: Strand Advisors XVI, Inc., its general partner

By:   
Name: R. Joseph Dougherty  
Title: President



**Annex A**

**Shared Services**

**Compliance**

- General compliance
- Compliance systems

**Facilities**

- Equipment
- General Overhead
- Office Supplies
- Rent & Parking

**Finance & Accounting**

- Book keeping
- Cash management
- Cash forecasting
- Credit facility reporting
- Financial reporting
- Accounts payable
- Accounts receivable
- Expense reimbursement
- Vendor management

**HR**

- Drinks/snacks
- Lunches

**IT**

- General support & maintenance (OMS, development, support)
- Telecom (cell, phones, broadband)
- WSO

**Legal**

- Corporate secretarial services
- Document review and preparation
- Litigation support
- Management of outside counsel

**Marketing and PR**

- Public relations

**Tax**

Tax audit support

Tax planning

Tax prep and filing

## **EXHIBIT 55**

001704

~~SHARES RED AMENDED~~  
~~VCS AED/A GMAVST AAHARI D~~

THIS AMENDED AND RESTATED SHARED SERVICES AGREEMENT (this “*Agreement*”) entered into on this 12th day of September, 2012 by and among Highland Capital Management, L.P., a Delaware limited partnership (“*HCMLP*”), and Pyxis Capital, L.P., formerly known as Highland Funds Asset Management, L.P., a Delaware limited partnership (“*Pyxis*”), and any affiliate of Pyxis that becomes a party hereto, is effective as of December 15, 2011 (the “*Effective Date*”). Each of the signatories hereto is individually a “*Party*” and collectively the “*Parties*”.

RECITALS

A. During the Term, HCMLP will provide to Pyxis certain services as more fully described herein and the Parties desire to allocate the costs incurred for such services and assets among them in accordance with the terms and conditions in this Agreement.

AGREEMENT

In consideration of the foregoing recitals and the mutual covenants and conditions contained herein, the Parties agree, intending to be legally bound, as follows:

ARTICLE I  
DEFINITIONS

“*Actual Cost*” means, with respect to any period hereunder, one hundred percent (100%) of the actual costs and expenses caused by, incurred or otherwise arising from or relating to (i) the Shared Services and (ii) the Shared Assets, in each case during such period.

“*Affiliate*” means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person. The term “*control*” (including, with correlative meanings, the terms “*controlled by*” and “*under common control with*”) means the possession of the power to direct the management and policies of the referenced Person, whether through ownership interests, by contract or otherwise.

“*Agreement*” has the meaning set forth in the preamble.

“*Allocation Percentage*” has the meaning set forth in Section 4.01.

“*Applicable Margin*” shall mean an additional amount equal to 5% of all costs allocated by Service Provider to the other parties hereto under Article IV; provided that the parties may agree on a different margin percentage as to any item or items to the extent the above margin percentage, together with the allocated cost of such item or service, would not reflect an arm’s length value of the particular service or item allocated.

“*Change*” has the meaning set forth in Section 2.02(a).

“*Change Request*” has the meaning set forth in Section 2.02(b).

“*Code*” means the Internal Revenue Code of 1986, as amended, and the related regulations and published interpretations.

**“Effective Date”** has the meaning set forth in the preamble.

**“Governmental Entity”** means any government or any regulatory agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

**“Liabilities”** means any cost, liability, indebtedness, obligation, co-obligation, commitment, expense, claim, deficiency, guaranty or endorsement of or by any Person of any nature (whether direct or indirect, known or unknown, absolute or contingent, liquidated or unliquidated, due or to become due, accrued or unaccrued, matured or unmatured).

**“Loss”** means any cost, damage, disbursement, expense, liability, loss, obligation, penalty or settlement, including interest or other carrying costs, legal, accounting and other professional fees and expenses incurred in the investigation, collection, prosecution and defense of claims and amounts paid in settlement, that may be imposed on or otherwise incurred or suffered by the referenced Person; provided, however, that the term **“Loss”** will not be deemed to include any special, exemplary or punitive damages, except to the extent such damages are incurred as a result of third party claims.

**“Monthly Report”** has the meaning set forth in Section 5.02.

**“New Shared Service”** has the meaning set forth in Section 2.03.

**“Party”** or **“Parties”** has the meaning set forth in the preamble.

**“Person”** means an association, a corporation, an individual, a partnership, a limited liability company, a trust or any other entity or organization, including a Governmental Entity.

**“Recipient”** means Pyxis and any of Pyxis’ direct or indirect Subsidiaries or managed funds or accounts in their capacity as a recipient of the Shared Services and/or Shared Assets.

**“Service Provider”** means any of HCMLP and its direct or indirect Subsidiaries in its capacity as a provider of Shared Services or Shared Assets.

**“Service Standards”** has the meaning set forth in Section 6.01.

**“Shared Assets”** shall have the meaning set forth in Section 3.02.

**“Shared Services”** shall have the meaning set forth in Section 2.01.

**“Subsidiary”** means, with respect to any Person, any Person in which such Person has a direct or indirect equity ownership interest in excess of 50%.

**“Tax”** or **“Taxes”** means: (i) all state and local sales, use, value-added, gross receipts, foreign, privilege, utility, infrastructure maintenance, property, federal excise and similar levies, duties and other similar tax-like charges lawfully levied by a duly constituted taxing authority against or upon the Shared Services and the Shared Assets; and (ii) tax-related surcharges or fees that are related to the Shared Services and the Shared Assets identified and authorized by applicable tariffs.

**“Term”** has the meaning set forth in Section 7.01.

## ARTICLE II SHARED SERVICES

Section 2.01 Services. During the Term, Service Provider will provide Recipient with Shared Services, including without limitation, all of the (i) finance and accounting services, (ii) human resources services, (iii) marketing services, (iv) legal services, (v) corporate services, (vi) information technology services, and (vii) operations services; each as requested by Pyxis and as described more fully on SnnexIS attached hereto, the “**Shared Services**”), it being understood that personnel providing Shared Services may be deemed to be employees of Pyxis to the extent necessary for purposes of the Investment Advisers Act of 1940, as amended.

### Section 2.02 Changes to the Shared Services.

(a) During the Term, the Parties may agree to modify the terms and conditions of a Service Provider’s performance of any Shared Service in order to reflect new procedures, processes or other methods of providing such Shared Service, including modifying the applicable fees for such Shared Service to reflect the then current fair market value of such service (a “**Change**”). The Parties will negotiate in good faith the terms upon which a Service Provider would be willing to provide such New Shared Service to Recipient.

(b) The Party requesting a Change will deliver a description of the Change requested (a “**Change Request**”) and no Party receiving a Change Request may unreasonably withhold, condition or delay its consent to the proposed Change.

(c) Notwithstanding any provision of this Agreement to the contrary, a Service Provider may make: (i) Changes to the process of performing a particular Shared Service that do not adversely affect the benefits to Recipient of Service Provider’s provision or quality of such Shared Service in any material respect or increase Recipient’s cost for such Shared Service; (ii) emergency Changes on a temporary and short-term basis; and/or (iii) Changes to a particular Shared Service in order to comply with applicable law or regulatory requirements, in each case without obtaining the prior consent of Recipient. A Service Provider will notify Recipient in writing of any such Change as follows: in the case of clauses (i) and (iii) above, prior to the implementation of such Change, and, in the case of clause (ii) above, as soon as reasonably practicable thereafter.

Section 2.03 New Shared Services. The Parties may, from time to time during the Term of this Agreement, negotiate in good faith for Shared Services not otherwise specifically listed in Section 2.01 (a “**New Shared Service**”). Any agreement between the Parties on the terms for a New Shared Service must be in accordance with the provisions of Article IV and Article V hereof, will be deemed to be an amendment to this Agreement and such New Shared Service will then be a “**Shared Service**” for all purposes of this Agreement.

Section 2.04 Subcontractors. Nothing in this Agreement will prevent Service Provider from, with the consent of Recipient, using subcontractors, hired with due care, to perform all or any part of a Shared Service hereunder. A Service Provider will remain fully responsible for the performance of its obligations under this Agreement in accordance with its terms, including any obligations it performs through subcontractors, and a Service Provider will be solely responsible for payments due to its subcontractors.

ARTICLE III  
SHARED ASSETS

Section 3.01 Shared IP Rights. Each Service Provider hereby grants to Recipient a non-exclusive right and license to use the intellectual property and other rights granted or licensed, directly or indirectly, to such Service Provider (the “**Shared IP Rights**”) pursuant to third party intellectual property Agreements (“**Third Party IP Agreements**”), provided that the rights granted to Recipient hereunder are subject to the terms and conditions of the applicable Third Party IP Agreement, and that such rights shall terminate, as applicable, upon the expiration or termination of the applicable Third Party IP Agreement. Recipient shall be licensed to use the Shared IP Rights only for so long as it remains an Affiliate of HCMLP. In consideration of the foregoing licenses, Recipient agrees to take such further reasonable actions as a Service Provider deems to be necessary or desirable to comply with its obligations under the Third Party IP Agreements.

Section 3.02 Other Shared Assets. Subject to Section 3.01, each Service Provider hereby grants Recipient the right, license or permission, as applicable, to use and access the benefits under the agreements, contracts and licenses that such Service Provider will purchase, acquire, become a party or beneficiary to or license on behalf of Recipient (the “**Future Shared Assets**” and collectively with the Shared IP Rights, the “**Shared Assets**”).

ARTICLE IV  
COST ALLOCATION

Section 4.01 Actual Cost Allocation Formula. The Actual Cost of any item relating to any Shared Services or Shared Assets shall be allocated based on the Allocation Percentage. For purposes of this Agreement, “**Allocation Percentage**” means:

- (a) To the extent 100% of such item is demonstrably attributable to Pyxis, 100% of the Actual Cost of such item shall be allocated to Pyxis as agreed by Pyxis;
- (b) To the extent a specific percentage of use of such item can be determined (e.g., 70% for HCMLP and 30% for Pyxis), that specific percentage of the Actual Cost of such item will be allocated to HCMLP or Pyxis, as applicable and as agreed by Pyxis; and
- (c) All other portions of the Actual Cost of any item that cannot be allocated pursuant to clause (a) or (b) above shall be allocated between HCMLP and Pyxis in such proportion as is agreed in good faith between the parties.

Section 4.02 Non-Cash Cost Allocation. The actual, fully burdened cost of any item relating to any Shared Services or Shared Assets that does not result in a direct, out of pocket cash expense may be allocated to HCMLP and Pyxis for financial statement purposes only, as agreed by Pyxis, without any corresponding cash reimbursement required, in accordance with generally accepted accounting principles, based on the Allocation Percentage principles described in Section 4.01 hereof.

ARTICLE V  
PAYMENT OF COST AND REVENUE SHARE; TAXES

Section 5.01 Monthly Statements. Within thirty (30) days following the end of each month during the Term (or at such time as may be otherwise agreed by the parties), each Service Provider shall furnish the other Parties hereto with a written statement with respect to the Actual Cost paid by it in respect of Shared Services and Shared Assets provided by it, in each case, during such period, setting



forth (i) the cost allocation in accordance with Article IV hereof together with the Applicable Margin on such allocated amounts, and (ii) any amounts paid pursuant to Section 5.02 hereof, together with such other data and information necessary to complete the items described in Section 5.03 hereof (hereinafter referred to as the “*Monthly Report*”).

Section 5.02 Settlement Payments. At any time during the Term, any Party may make payment of the amounts that are allocable to such Party together with the Applicable Margin related thereto, regardless of whether an invoice pursuant to Section 5.03 hereof has been issued with respect to such amounts.

Section 5.03 Determination and Payment of Cost and Revenue Share.

(a) Within ten (10) days of the submission of the Monthly Report described in Section 5.02 hereof (or at such other time as may be agreed by the parties), the Parties shall (i) agree on the cost share of each of the Parties and Applicable Margin as calculated pursuant to the provisions of this Agreement; and (ii) prepare and issue invoices for the cost share and Applicable Margin payments that are payable by any of the Parties.

(b) Within ten (10) days of preparation of the agreement and the issuance of the invoice described in Section 5.03(a) (or at such other time as may be agreed by the parties), the Parties shall promptly make payment of the amounts that are set forth on such cost allocation invoice. Notwithstanding anything in this Agreement to the contrary, provision of the Shared Services shall commence from the Effective Date, but no fees shall be payable from Recipient or otherwise accrue with respect to such services provided during the month of December 2011.

Section 5.04 Taxes.

(a) Recipient is responsible for and will pay all Taxes applicable to the Shared Services and the Shared Assets provided to Recipient, provided, that such payments by Recipient to Service Provider will be made in the most tax-efficient manner and provided further, that Service Provider will not be subject to any liability for Taxes applicable to the Shared Services and the Shared Assets as a result of such payment by Recipient. Service Provider will collect such Tax from Recipient in the same manner it collects such Taxes from other customers in the ordinary course of Service Provider’s business, but in no event prior to the time it invoices Recipient for the Shared Services and Shared Assets, costs for which such Taxes are levied. Recipient may provide Service Provider with a certificate evidencing its exemption from payment of or liability for such Taxes.

(b) Service Provider will reimburse Recipient for any Taxes collected from Recipient and refunded to Service Provider. In the event a Tax is assessed against Service Provider that is solely the responsibility of Recipient and Recipient desires to protest such assessment, Recipient will submit to Service Provider a statement of the issues and arguments requesting that Service Provider grant Recipient the authority to prosecute the protest in Service Provider’s name. Service Provider’s authorization will not be unreasonably withheld. Recipient will finance, manage, control and determine the strategy for such protest while keeping Service Provider reasonably informed of the proceedings. However, the authorization will be periodically reviewed by Service Provider to determine any adverse impact on Service Provider, and Service Provider will have the right to reasonably withdraw such authority at any time. Upon notice by Service Provider that it is so withdrawing such authority, Recipient will expeditiously terminate all proceedings. Any adverse consequences suffered by Recipient as a result of the withdrawal will be submitted to arbitration pursuant to Section 9.14. Any contest for Taxes brought by Recipient may not result in any lien attaching to any property or rights of Service Provider or otherwise jeopardize Service Provider’s interests or rights in any of its property. Recipient agrees to

indemnify Service Provider for all Losses that Service Provider incurs as a result of any such contest by Recipient.

(c) The provisions of this Section 5.04 will govern the treatment of all Taxes arising as a result of or in connection with this Agreement notwithstanding any other Article of this Agreement to the contrary.

## ARTICLE VI SERVICE PROVIDER RESPONSIBILITIES

Section 6.01 Service Provider General Obligations. Service Provider will provide the Shared Services and the Shared Assets to Recipient on a non-discriminatory basis and will provide the Shared Services and the Shared Assets in the same manner as if it were providing such services and assets on its own account (the “***Service Standards***”). Service Provider will conduct its duties hereunder in a lawful manner in compliance with applicable laws, statutes, rules and regulations and in accordance with the Service Standards, including, for avoidance of doubt, laws and regulations relating to privacy of customer information.

Section 6.02 Books and Records; Access to Information. Service Provider will keep and maintain books and records on behalf of Recipient in accordance with past practices and internal control procedures. Recipient will have the right, at any time and from time to time upon reasonable prior notice to Service Provider, to inspect and copy (at its expense) during normal business hours at the offices of Service Provider the books and records relating to the Shared Services and Shared Assets, with respect to Service Provider’s performance of its obligations hereunder. This inspection right will include the ability of Recipient’s financial auditors to review such books and records in the ordinary course of performing standard financial auditing services for Recipient (but subject to Service Provider imposing reasonable access restrictions to Service Provider’s and its Affiliates’ proprietary information and such financial auditors executing appropriate confidentiality agreements reasonably acceptable to Service Provider). Service Provider will promptly respond to any reasonable requests for information or access. For the avoidance of doubt, all books and records kept and maintained by Service Provider on behalf of Recipient shall be the property of Recipient, and Service Provider will surrender promptly to Recipient any of such books or records upon Recipient’s request (provided that Service Provider may retain a copy of such books or records) and shall make all such books and records available for inspection and use by the Securities and Exchange Commission or any person retained by Recipient at all reasonable times. Such records shall be maintained by Service Provider for the periods and in the places required by laws and regulations applicable to Recipient.

Section 6.03 Return of Property and Equipment. Upon expiration or termination of this Agreement, Service Provider will be obligated to return to Recipient, as soon as is reasonably practicable, any equipment or other property or materials of Recipient that is in Service Provider’s control or possession.

## ARTICLE VII TERM AND TERMINATION

Section 7.01 Term. The term of this Agreement will commence as of the Effective Date and will continue in full force and effect until the first anniversary of the Effective Date (the “***Term***”), unless terminated earlier in accordance with Section 9.02. The Term shall automatically renew for successive one year periods unless sooner terminated under Section 7.02.

Section 7.02 Termination. Either Party may terminate this Agreement, with or without cause, upon at least 60 days advance written notice at any time prior to the expiration of the Term.

#### ARTICLE VIII LIMITED WARRANTY

Section 8.01 Limited Warranty. Service Provider will perform the Shared Services hereunder in accordance with the Service Standards. Except as specifically provided in this Agreement, Service Provider makes no express or implied representations, warranties or guarantees relating to its performance of the Shared Services and the granting of the Shared Assets under this Agreement, including any warranty of merchantability, fitness, quality, non-infringement of third party rights, suitability or adequacy of the Shared Services and the Shared Assets for any purpose or use or purpose. Service Provider will (to the extent possible and subject to Service Provider's contractual obligations) pass through the benefits of any express warranties received from third parties relating to any Shared Service and Shared Asset, and will (at Recipient's expense) assist Recipient with any warranty claims related thereto.

#### ARTICLE IX MISCELLANEOUS

Section 9.01 No Partnership or Joint Venture; Independent Contractor. Nothing contained in this Agreement will constitute or be construed to be or create a partnership or joint venture between or among HCMLP or Pyxis or their respective successors or assigns. The Parties understand and agree that, with the exception of the procurement by Service Provider of licenses or other rights on behalf of Recipient pursuant to Section 3.01, this Agreement does not make any of them an agent or legal representative of the other for any purpose whatsoever. With the exception of the procurement by Service Provider of licenses or other rights on behalf of Recipient pursuant to Section 3.01, no Party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibilities, express or implied, on behalf of or in the name of any other Party, or to bind any other Party in any manner whatsoever. The Parties expressly acknowledge that Service Provider is an independent contractor with respect to Recipient in all respects, including with respect to the provision of the Shared Services.

Section 9.02 Amendments; Waivers. Except as expressly provided herein, this Agreement may be amended only by agreement in writing of all Parties. No waiver of any provision nor consent to any exception to the terms of this Agreement or any agreement contemplated hereby will be effective unless in writing and signed by all of the Parties affected and then only to the specific purpose, extent and instance so provided. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

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Section 9.07 Headings. The descriptive headings of the Articles, Sections and subsections of this Agreement are for convenience only and do not constitute a part of this Agreement.

Section 9.08 Counterparts. This Agreement and any amendment hereto or any other agreement delivered pursuant hereto may be executed in one or more counterparts and by different Parties in separate counterparts. All counterparts will constitute one and the same agreement and will become effective when one or more counterparts have been signed by each Party and delivered to the other Parties.

Section 9.09 Successors and Assigns; No Third Party Beneficiaries. This Agreement is binding upon and will inure to the benefit of each Party and its successors or assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person or Governmental Entity any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 9.10 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given: (i) immediately when personally delivered; (ii) when received by first class mail, return receipt requested; (iii) one day after being sent for overnight delivery by Federal Express or other overnight delivery service; or (iv) when receipt is acknowledged, either electronically or otherwise, if sent by facsimile, telecopy or other electronic transmission device. Notices, demands and communications to the other Parties will, unless another address is specified by such Parties in writing, be sent to the addresses indicated below:

If to HCMLP, addressed to:

Highland Capital Management, L.P.  
13455 Noel Road, Suite 800  
Dallas, Texas 75240  
Attention: General Counsel  
Fax: (972) 628-4147

If to Pyxis, addressed to:

Pyxis Capital, L.P.  
13455 Noel Road, Suite 800  
Dallas, Texas 75240  
Attention: General Counsel  
Fax: (972) 628-4147

Section 9.11 Expenses. Except as otherwise provided herein, the Parties will each pay their own expenses incident to the negotiation, preparation and performance of this Agreement, including the fees, expenses and disbursements of their respective investment bankers, accountants and counsel.

Section 9.12 Waiver. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 9.13 Severability. If any provision of this Agreement is held to be unenforceable for any reason, it will be adjusted rather than voided, if possible, to achieve the intent of the Parties. All other provisions of this Agreement will be deemed valid and enforceable to the extent possible.

Section 9.14 Arbitration; Jurisdiction. Notwithstanding anything contained in this Agreement or the Annexes hereto to the contrary, in the event there is an unresolved legal dispute between the parties and/or any of their respective officers, directors, partners, employees, agents, affiliates or other representatives that involves legal rights or remedies arising from this Agreement, the parties agree to submit their dispute to binding arbitration under the authority of the Federal Arbitration Act; provided, however, that either party or such applicable affiliate thereof may pursue a temporary restraining order and/or preliminary injunctive relief in connection with confidentiality covenants or agreements binding on the other party, with related expedited discovery for the parties, in a court of law, and, thereafter, require arbitration of all issues of final relief. The Arbitration will be conducted by the American Arbitration Association, or another, mutually agreeable arbitration service. The arbitrator(s) shall be duly licensed to practice law in the State of Texas. The discovery process shall be limited to the following: Each side shall be permitted no more than (i) two party depositions of six hours each. Each deposition is to be taken pursuant to the Texas Rules of Civil Procedure; (ii) one non-party deposition of six hours; (iii) twenty-five interrogatories; (iv) twenty-five requests for admission; (v) ten requests for production. In response, the producing party shall not be obligated to produce in excess of 5,000 total pages of documents. The total pages of documents shall include electronic documents; (vi) one request for disclosure pursuant to the Texas Rules of Civil Procedure. Any discovery not specifically provided for in this paragraph, whether to parties or non-parties, shall not be permitted. The arbitrator(s) shall be required to state in a written opinion all facts and conclusions of law relied upon to support any decision rendered. No arbitrator will have authority to render a decision that contains an outcome determinative error of state or federal law, or to fashion a cause of action or remedy not otherwise provided for under applicable state or federal law. Any dispute over whether the arbitrator(s) has failed to comply with the foregoing will be resolved by summary judgment in a court of law. In all other respects, the arbitration process will be conducted in accordance with the American Arbitration Association's dispute resolution rules or other mutually agreeable, arbitration service rules. The party initiating arbitration shall pay all arbitration costs and arbitrator's fees, subject to a final arbitration award on who should bear costs and fees. All proceedings shall be conducted in Dallas, Texas, or another mutually agreeable site. Each party shall bear its own attorneys fees, costs and expenses, including any costs of experts, witnesses and/or travel, subject to a final arbitration award on who should bear costs and fees. The duty to arbitrate described above shall survive the termination of this Agreement. Except as otherwise provided above, the parties hereby waive trial in a court of law or by jury. All other rights, remedies, statutes of limitation and defenses applicable to claims asserted in a court of law will apply in the arbitration.

Section 9.15 General Rules of Construction. For all purposes of this Agreement and the Exhibits and Schedules delivered pursuant to this Agreement: (i) the terms defined in Article I have the meanings assigned to them in Article I and include the plural as well as the singular; (ii) all accounting terms not otherwise defined herein have the meanings assigned under GAAP; (iii) all references in this Agreement to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of the body of this Agreement; (iv) pronouns of either gender or neuter will include, as appropriate, the other pronoun forms; (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; (vi) "or" is not exclusive; (vii) "including" and "includes" will be deemed to be followed by "but not limited to" and "but is not limited to, "respectively; (viii) any definition of or

reference to any law, agreement, instrument or other document herein will be construed as referring to such law, agreement, instrument or other document as from time to time amended, supplemented or otherwise modified; and (ix) any definition of or reference to any statute will be construed as referring also to any rules and regulations promulgated thereunder.

IN WITNESS HEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized officers as of the day and year first above written.

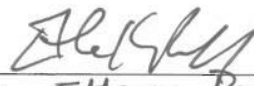
**HIGHLAND CAPITAL MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its general partner

By:   
Name: James Dondero  
Title: President

**PYXIS CAPITAL, L.P.**

By: Strand Advisors XVI, Inc., its general partner

By:   
Name: Ethan Powell  
Title: Secretary



**SnnexSD**

**Shared Services**

Compliance

General compliance  
Compliance systems

Facilities

Equipment  
General Overhead  
Office Supplies  
Rent & Parking

Finance & Accounting

Book keeping  
Cash management  
Cash forecasting  
Credit facility reporting  
Financial reporting  
Accounts payable  
Accounts receivable  
Expense reimbursement  
Vendor management

HR

Drinks/snacks  
Lunches

IT

General support & maintenance (OMS, development, support)  
Telecom (cell, phones, broadband)  
WSO

Legal

Corporate secretarial services  
Document review and preparation  
Litigation support  
Management of outside counsel

Marketing and PR

Public relations

Tax

Tax audit support  
Tax planning  
Tax prep and filing

Investments

Investment research and recommendations on an ad hoc basis as requested by Pyxis  
Valuation Committee

Trading

Trading desk services

Operations

Trade settlement

## **EXHIBIT 56**

**Departmental View - Intercompany service agreements**

Privileged and confidential

Costs estimated using 12/8/20 headcount and allocations originally compiled using 9/30/19 data (in \$ millions, except as otherwise noted)  
 Draft - subject to further review and revision

	Investment support vs shared services	NPA Allocation (mid)	HCMA Allocation (mid)	Supplemental: HCMLP Allocation (mid)	Total allocated costs - all entities
Grouping					
Insider	Split	0.2	0.3	1.3	1.8
Legal and compliance	Shared services	0.2	0.3	0.6	1.1
Litigation	Shared services	0.1	0.1	1.4	1.6
Credit & Structured Products	Investment support	0.5	0.5	0.5	1.6
Accounting, finance, and back office ops	Shared services	0.9	1.1	1.3	3.4
Tax	Shared services	0.3	0.3	0.6	1.3
IT	Shared services	0.2	0.2	0.2	0.6
Private Equity	Investment support	0.1	0.1	0.7	0.8
HR and recruiting	Shared services	0.2	0.2	0.2	0.7
Risk	Investment support	0.1	0.1	0.0	0.2
Equities	Investment support	-	-	-	-
Facilities and security	Shared services	0.0	0.1	0.1	0.2
Administrative	Shared services	0.2	0.2	0.3	0.7
Marketing & PR	Shared services	0.1	0.1	0.2	0.4
<b>Totals</b>		<b>\$ 3.3</b>	<b>\$ 3.7</b>	<b>\$ 7.5</b>	<b>\$ 14.5</b>
<b>Front office</b>					
	Current charge	3.0	5.0		
	Investment support	0.7	0.7		
	Est. point in time profitability	\$ 2.3	\$ 4.3		
<b>Unadjusted gain on expense reimbursement agreements</b>					
		<b>\$ 6.6</b>			
+ offset for non-Debtor employees providing services to the Debtor		\$ 1.1			
<b>Adjusted gain on expense reimbursement agreements</b>		<b>\$ 7.8</b>			
<b>Shared services</b>					
	Current charge	3.0	3.6		
	Shared services	2.6	3.0		
	Litigation	0.0	0.0		
	Est. point in time profitability	\$ 0.4	\$ 0.6		
<b>Unadjusted gain on material shared services agreements</b>					
		<b>\$ 1.0</b>			
+ estimated fees from non-material shared services agreement		0.9			
<b>Adjusted gain on shared services agreements</b>		<b>\$ 1.9</b>			
<b>Estimated gain on all intercompany agreements</b>		<b>\$ 9.6</b>			

001719

**MINUTES OF THE**

**JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**January 22, 2020**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), NexPoint Discount Strategies Fund (“NDSF”), NexPoint Energy and Materials Opportunities Fund (“NEMO”), NexPoint Strategic Income Fund (“NSIF”), NexPoint Healthcare Opportunities Fund (“NHOF”), NexPoint Latin American Opportunities Fund (“NLAF”), and NexPoint Event-Driven Fund (“NEDF” and, together with NRESF, NDSF, NEMO, NSIF, NHOF and NLAF, the “Interval Funds”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”) was held via teleconference on Wednesday, January 22, 2020 at 1:30 p.m. Central Time, pursuant to notice duly given.

The following Board members (“Board Members”), constituting a quorum of the Board Members of HFI, HFII, NHF, the Interval Funds, HFRO, GAF and the BDC (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

John Honis\*  
Dustin Norris  
Ethan Powell\*  
Bryan A. Ward\*

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Thomas Surgent, Esq., Partner, Chief Compliance Officer and Deputy General Counsel of Highland Capital Management, L.P. (“HCMLP”); Lauren Thedford, Esq., Secretary of the Funds and the Advisers and Associate General Counsel of HCMLP; Clifford Stoops, Chief Accounting Officer of HCMLP and Assistant Treasurer of the Funds; Kevin Fullmer, Director, Product Strategy Associate at NexPoint; James Mills, Manager, Valuation at HCMLP; Lucy Bannon, Director of Public Relations and Communications at HCMLP; Matthew Goetz, Director, Real Estate at NexPoint; George Zornada, Esq. and Jon-Luc Dupuy, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Drinker Biddle & Reath LLP, counsel to the Independent Trustees of the Funds; and Eric Griffith, Esq. and Krista Hunsiker of SEI Investments Co., the Funds’ administrator.

Mr. Powell acted as Chairman of the Board Meeting and Mr. Griffith documented the proceedings. A quorum being present throughout, the Board Meeting was called to order. Mr. Powell confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting via Directors Desk’s internet

\* Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of HFI, HFII, NHF, the Interval Funds, HFRO, GAF and the BDC (collectively, the “Funds” or the “Fund Complex”) (collectively, the “Independent Board Members”).  
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portal and that they had received the discussion materials emailed to them by Ms. Thedford earlier in the day (collectively, the “Meeting Materials”) and that all could hear and be heard.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

#### **HCMLP Bankruptcy Update**

The Board was then provided with an update on HCMLP bankruptcy matters. Ms. Thedford, referring to the Meeting Materials, reviewed with the Board a memorandum from the Adviser responding to specific bankruptcy-related questions raised by the Independent Trustees through their independent counsel. As previously requested by the Board, Ms. Thedford noted that the Meeting Materials included a headcount report that lists each employee associated with HCMLP and the Advisers and identifies whether the employee is dually employed by both HCMLP and an Adviser or pursuant to a separate arrangement, such as Mr. Norris’ employment with the Funds’ distributor, NexPoint Securities, Inc. In addition, it was noted that the Meeting

Materials contained a copy of the press release dated January 16, 2020 which provided a detailed update on the reorganization proceedings resulting from the January 9, 2020 hearing.

Next, Mr. Surgent described to the Board the new governance structure of HCMLP, as mutually agreed upon by HCMLP and the committee of unsecured creditors (the “Committee”), that was approved by the Court at the January 9, 2020 hearing. Mr. Surgent provided details of the formation and appointment of a new, three-member independent Board of Directors (“Independent Board”) of Strand Advisors, Inc. (“Strand”), HCMLP’s general partner, and the corresponding resignation of Mr. Dondero from his officer position at HCMLP and his director position with Strand. Mr. Surgent stated that Mr. Dondero would remain an employee of HCMLP and would continue to act as portfolio manager/co-portfolio manager to applicable HCMLP-advised funds, subject to the supervision and control of the Independent Board. Mr. Surgent noted that the governance structures of the other Highland entities, including without limitation HCMFA, NexPoint, NexPoint Real Estate Advisors, L.P., and all Funds and accounts advised by those entities, remained unchanged.

With respect to the Independent Board, Mr. Surgent noted that the three individuals selected were highly qualified, possessing investment management knowledge and expertise relevant to HCMLP, and had extensive experience in corporate restructurings and reorganizations. He noted that biographies for all three members of the Independent Board were emailed to the Trustees on January 10, 2020.

With respect to reporting structure, Mr. Surgent stated that Mr. Dondero reports up to the Independent Board, and that the Independent Board makes the final decision with respect to matters concerning HCMLP. Mr. Powell noted that he had been in communication with the Adviser, including Mr. Dondero, during the transition.

In response to a question raised by the Board, Ms. Thedford and Mr. Post clarified that the HCMLP bankruptcy did not impact the ability of any of the Funds to make repurchases under their Board authorized repurchase programs but that HFRO, HGLB and NHF were evaluating future repurchases and timing after consideration of reserves necessary for anticipated fund expenses and contingencies.

Mr. Norris discussed the shared services arrangements that each Adviser is a party to with HCMLP pursuant to which the Adviser may utilize employees from HCMLP for the provision of various services such as human resources, accounting, valuation, information technology services, compliance and legal. Mr. Norris noted, however, that many of these “third party” services are readily available on the open market.

[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

#### **Adjournment**

As there was no further business to come before the Board, the Board Meeting was adjourned upon a motion duly made, seconded and unanimously carried.



Eric Griffith  
Secretary *Pro Tempore*

## **EXHIBIT 58**

**MINUTES OF THE  
JOINT MEETING OF THE GOVERNANCE AND COMPLIANCE COMMITTEES  
JOINT MEETING OF THE ALTERNATIVES AND DISTRIBUTION OVERSIGHT COMMITTEES  
JOINT MEETING OF THE AUDIT AND QUALIFIED LEGAL COMPLIANCE COMMITTEES  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**June 18-19, 2020**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), NexPoint Discount Strategies Fund (“NDSF”), NexPoint Energy and Materials Opportunities Fund (“NEMO”), NexPoint Strategic Income Fund (“NSIF”), NexPoint Latin American Opportunities Fund (“NLAF”), and NexPoint Event-Driven Fund (“NEDF” and, together with NRESF, NDSF, NEMO, NSIF, and NLAF, the “Interval Funds”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”), an Audit and Qualified Legal Compliance Committee Meeting (the “Audit Committee Meeting”), a Meeting of the Governance and Compliance Committee (the “Governance Committee Meeting”) and a Meeting of the Alternatives and Distribution Oversight Committee (the “Distribution Oversight Committee Meeting”, and, together with the Board Meeting, the “Meetings”) were held in-person at 300 Crescent Court, Suite 700, Dallas, Texas, in the Madrone Conference Room and virtually via WebEx at 3:30 p.m. Central Time on June 18, 2020, and reconvened at 9:00 a.m. Central Time on June 19, 2020 at the offices of the Advisers, pursuant to notice duly given.

The following Board members (“Board Members”), constituting all of the Board Members of HFI, HFII, NHF, the Interval Funds, HFRO, GAF and the BDC (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>

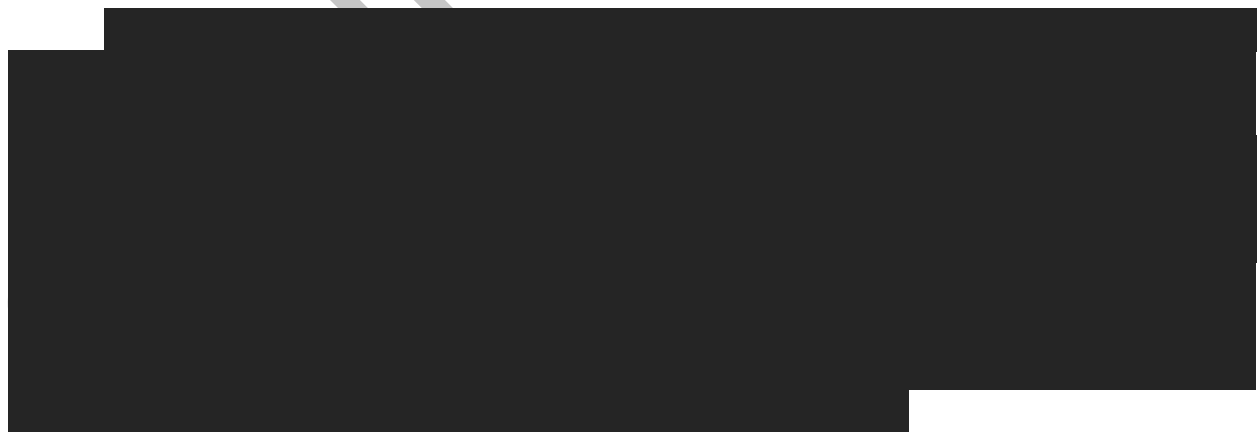
The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Frank Waterhouse, Treasurer of the Adviser and the Funds; Lauren Thedford, Esq., Secretary of the Funds and the Advisers and

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<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds(collectively, the “Independent Board Members”).

Associate General Counsel of Highland Capital Management, L.P. (“HCMLP”); David Klos, Chief Accounting Officer of HCMLP and Assistant Treasurer of the Funds; Will Mabry, Manager, Fund Analysis at HCMFA; Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds; Kevin Fullmer, Director, Product Strategy at NexPoint; Scott Simon, Director, Product Strategy at NexPoint; Isaac Leventon<sup>2</sup>, Esq., Litigation Counsel of HCMLP; Stephanie Vitiello<sup>2</sup>, Assistant General Counsel of HCMLP; Brian Mitts<sup>3</sup>, Executive Vice President of NexPoint Real Estate Advisors, L.P. (“NREA”); D.C. Sauter<sup>3</sup>, General Counsel at NexPoint; Mike Hurley<sup>3</sup>, Portfolio Manager at HCMFA; Joe Sowin, Co-Chief Investment Officer of HCMLP<sup>3</sup>; Nate Burns, Managing Director, Research at HCMLP; Charles Miller, Esq. and Jon-Luc Dupuy<sup>3</sup>, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank Rome, LLP, counsel to the Independent Trustees of the Funds; Eric Griffith, Esq., Lex Smith, Esq., Carly Sikora, Mike Lenox<sup>3</sup>, Krista Hunsiker, and Steve Connors<sup>3</sup>, of SEI, the Funds’ administrator; Lori Novak, Robert Velotta and Lindsay Selick from Cohen and Company (“Cohen”)<sup>2</sup>; Jon Waterman, Tom Del Core, Joe Palombo, and Bob Glynn from RSM US LLP (“RSM”)<sup>3</sup>; and Tom DeCapo<sup>2</sup>, Esq. and Ben Niehaus<sup>2</sup>, Esq. of Skadden, Arps, Slate, Meagher & Flom LLP.

Mr. Powell acted as Chairman of the Board Meeting and Mr. Smith documented the proceedings. A quorum being present, the Board Meeting was called to order. Ms. Thedford explained to the Board Members and the Board Meeting Participants that, due to the recent outbreak of coronavirus disease 2019 (“COVID-19”), this standard quarterly in-person Board Meeting for the second quarter of 2020 was being held virtually. She noted that COVID-19 has led to disruptions to transportation and the impositions of quarantines and self-isolations in the United States and around the world, which have presented significant challenges for boards of trustees of registered investment companies to travel in order to meet.



<sup>2</sup> Attended the Board Meeting virtually on June 18, 2020 only.

<sup>3</sup> Attended the Board Meeting virtually on June 19, 2020 only.

[REDACTED]

[REDACTED]

[REDACTED]

Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting and the related materials via Directors Desk's internet portal (collectively, the "Meeting Materials") and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting.

Mr. Powell noted that the order in which certain agenda items would be discussed at the Board Meeting may vary from the order listed in the agenda depending on, among other things, the availability of certain Meeting participants and certain matters or items may be discussed on multiple days. He further noted that, while each proposed resolution would be discussed during the normal course of the Board Meeting, formal approval of such resolutions would be sought at the end of the Board Meeting.

#### MEETING OF THE BOARD

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**PAGES 4 - 8 ARE FULLY REDACTED  
AND HAVE BEEN REMOVED**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**GOVERNANCE AND COMPLIANCE COMMITTEE MEETING**

At this time, the members of the Governance and Compliance Committee (collectively, the “Governance Committee”) of the Board (composed of Messrs. Ward, Froehlich, Honis and Powell, with Mr. Powell serving as Chair) convened the Governance Committee Meeting.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



**PAGES 10 - 17 ARE FULLY REDACTED  
AND HAVE BEEN REMOVED**

### Annual Review of Expense Grid Summary

Mr. Post and Mr. Mabry then directed the Board to the Meeting Materials and reviewed various Fund expenses by type, including the names of vendors, the services provided, how fees for such services are allocated and the rationale for the fee allocation.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

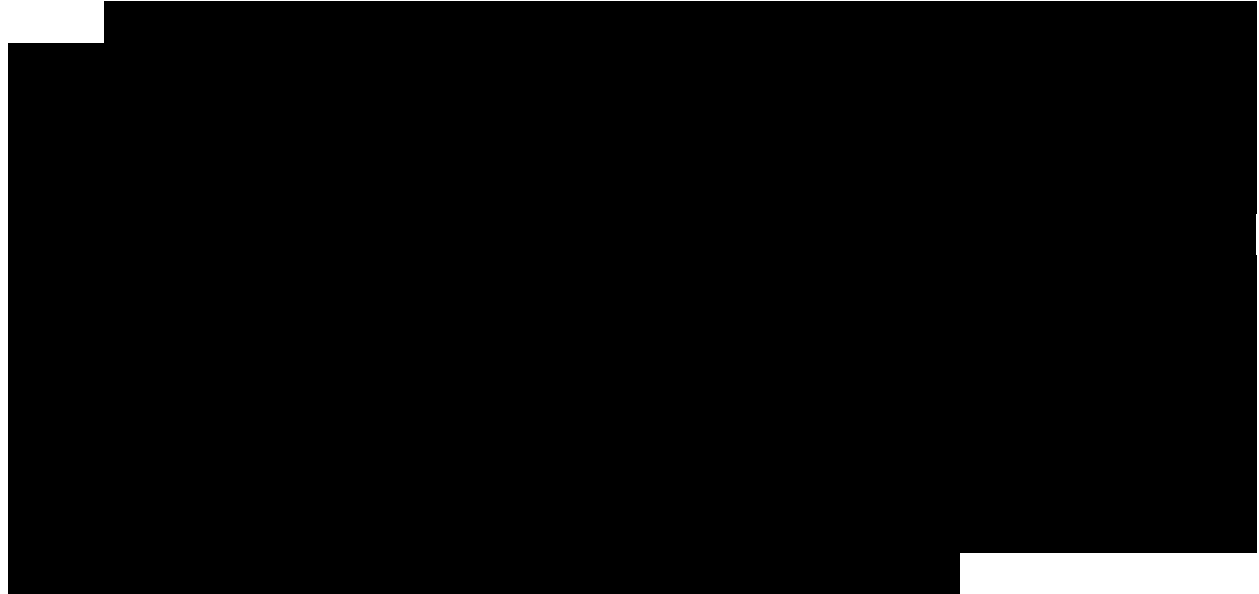
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Annual Review 38a-1**



Mr. Post described the team members providing compliance and legal support services to the Funds and the Advisers. He described the resources available to the Compliance group, including the use of various third-party service providers, technology firms and subscription services. Mr. Post noted that the Advisers have several committees in which Compliance department employees participate. Mr. Post stated he believed the Compliance department was adequately staffed.



[REDACTED]

Mr. Post also discussed the quality and continuity of services provided to the Funds by HCMLP pursuant to shared services agreements with the Advisers in the context of the HCMLP bankruptcy. A discussion ensued during which Mr. Post responded to questions from the Board. He noted the regular updates provided to the Board and also discussed how the level and quality of services are being monitored and confirmed that he is not aware of any disruptions in the service levels provided to the Funds.

[REDACTED]

**PAGES 21 - 56 ARE FULLY REDACTED  
AND HAVE BEEN REMOVED**

**Adjournment**

As there was no further business to come before the Board, the Board Meeting was adjourned, upon a motion duly made, seconded and unanimously carried.



Alexander (Lex) Smith  
Secretary *Pro Tempore*

## **EXHIBIT 59**



**MINUTES OF THE  
JOINT MEETING OF THE GOVERNANCE AND COMPLIANCE COMMITTEES  
JOINT MEETING OF THE ALTERNATIVES AND DISTRIBUTION OVERSIGHT COMMITTEES  
JOINT MEETING OF THE AUDIT AND QUALIFIED LEGAL COMPLIANCE COMMITTEES  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**August 13, 2020**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”), an Audit and Qualified Legal Compliance Committee Meeting (the “Audit Committee Meeting”), a Meeting of the Governance and Compliance Committee (the “Governance Committee Meeting”) and a Meeting of the Alternatives and Distribution Oversight Committee (the “Distribution Oversight Committee Meeting”, and, together with the Board Meeting, the “Meetings”) were held telephonically at 3:00 p.m. Central Time on August 13, 2020, pursuant to notice duly given.

The following Board members (“Board Members”), constituting all of the Board Members of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>  
Ed Constantino<sup>1,2</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Frank Waterhouse, Treasurer of the Adviser and the Funds; Lauren Thedford, Esq., Secretary of the Funds and the Advisers and Associate General Counsel of Highland Capital Management, L.P. (“HCMLP”); Will Mabry, Senior Manager, Fund Analysis at HCMFA; Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds; Kevin Fullmer, Director, Product Strategy at NexPoint; Scott Simon, Director, Product Strategy at NexPoint; Isaac Leventon, Esq., Litigation Counsel of

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<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds (collectively, the “Independent Board Members”).

<sup>2</sup> Independent Board Member of NHF only.

HCMLP; Jim Seery, CEO and CRO of HCMLP; Scott Ellington, Partner and General Counsel of HCMLP; Brian Mitts, Executive Vice President of NexPoint Real Estate Advisors, L.P. (“NREA”) and Executive Vice President and CFO of NRESF; Joe Sowin, Co-Chief Investment Officer of HCMLP; Lucy Bannon, Director of Public Relations and Communications at HCMLP; Charles Miller, Esq. and Jon-Luc Dupuy, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank Rome, LLP, counsel to the Independent Trustees of the Funds; Eric Griffith, Esq., Lex Smith, Esq., Carly Sikora, and Krista Hunsiker, of SEI, the Funds’ administrator; Lori Novak and Lindsay Selick from Cohen and Company (“Cohen”).

Mr. Powell acted as Chairman of the Board Meeting and Mr. Smith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting and the related materials via Directors Desk’s internet portal (collectively, the “Meeting Materials”) and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting.

Mr. Powell noted that the order in which certain agenda items would be discussed at the Board Meeting may vary from the order listed in the agenda depending on, among other things, the availability of certain Meeting participants. He further noted that, while each proposed resolution would be discussed during the normal course of the Board Meeting, formal approval of such resolutions would be sought at the end of the Board Meeting.

**MEETING OF THE BOARD**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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AND HAVE BEEN REMOVED**

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[REDACTED]

[REDACTED]

[REDACTED]

#### **Overview of 2020 15(c) Materials**

Mr. Norris next provided an overview of the 15(c) review materials and process and discussed the expected timeline with respect to Board consideration of approval of the renewals. He noted that there had been no issues or disruptions in services as a result of the HCMLP bankruptcy matter. He explained the format of the FUSE Report materials, which provide fees, expenses and performance comparisons for the Funds relative to their peers, and indicated that a representative of FUSE would be present at the September in-person (virtual) meeting to discuss in more detail.

[REDACTED]

[REDACTED]

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**PAGES 7 - 10 ARE FULLY REDACTED  
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[REDACTED]

**Update on HCMFA/HCMMLP Litigation Matters**

Messrs. Seery and Ellington then provided the Board with an update on the HCMMLP Bankruptcy. Mr. Seery noted that HCMMLP had filed a redacted plan of reorganization on August 12, 2020 (the “Filed Plan”) in order to maintain HCMMLP’s exclusivity and in advance of a mediation process to resolve the case. He further noted that mediation involving HCMMLP, the official committee of unsecured creditors, and other parties involved in the reorganization proceedings was expected to start in about two weeks. In response to a question from the Board, Mr. Seery explained that mediation and settlement between such parties was the preferred resolution of the HCMMLP bankruptcy, but that the Filed Plan offered a “Plan B” in the event mediation was unsuccessful and would ensure no interruption to services provided by HCMMLP to the Advisers and the Funds under the shared services arrangements. Mr. Seery also noted that the Filed Plan was subject to review and approval by the Court.

Mr. Seery then pointed out to the Board a potential conflict of interest that had arisen with respect to an investment held by both HCMMLP-advised funds and certain of the Funds. Mr. Seery explained that the HCMMLP-advised funds were likely to seek to sell their interests in this investment, but that the Funds would likely seek to retain their interests in the investment. This divergence of investment objectives of HCMMLP and the Funds, and the overlapping portfolio and administrative personnel of HCMMLP and HCMFA and NexPoint Advisors working on the matter, created a potential conflict between the two groups.

After several follow-up questions, the Board then met in Executive Session to further discuss the matter.

**EXECUTIVE SESSION**

The Board Members and Independent Trustee counsel then met in Executive Session. All other Meeting participants other than those listed above left the room or dropped from the call at this time, as the case may be, except for Messrs. Seery, Ellington, Miller and Dupuy. Following this executive session, Mssrs. Seery, Ellington, Miller and Dupuy departed the Meeting. The Board Members and Independent Trustee counsel continued in Executive Session, and then the Independent Board Members met separately with their Independent Trustee counsel.

**Adjournment**

As there was no further business to come before the Board, the Board Meeting was adjourned, upon a motion duly made, seconded and unanimously carried.



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Alexander (Lex) Smith  
Secretary *Pro Tempore*



## **EXHIBIT 60**

001744

**MINUTES OF THE  
JOINT MEETING OF THE GOVERNANCE AND COMPLIANCE COMMITTEES  
JOINT MEETING OF THE ALTERNATIVES AND DISTRIBUTION OVERSIGHT COMMITTEES  
JOINT MEETING OF THE AUDIT AND QUALIFIED LEGAL COMPLIANCE COMMITTEES  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**September 17-18, 2020**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”), an Audit and Qualified Legal Compliance Committee Meeting (the “Audit Committee Meeting”), a Meeting of the Governance and Compliance Committee (the “Governance Committee Meeting”) and a Meeting of the Alternatives and Distribution Oversight Committee (the “Distribution Oversight Committee Meeting”, and, together with the Board Meeting, the “Meetings”) were held in-person at 300 Crescent Court, Suite 700, Dallas, Texas, in the Madrone Conference Room and virtually via WebEx at 3:00 p.m. Central Time on September 17, 2020, and reconvened at 8:00 a.m. Central Time on September 18, 2020 at the offices of the Advisers, pursuant to notice duly given.

The following Board members (“Board Members”), constituting all of the Board Members of each of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>  
Ed Constantino<sup>1, 2</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Frank Waterhouse, Treasurer of the Adviser and the Funds; Lauren Thedford, Esq., Secretary of the Funds and the Advisers and Associate General Counsel of Highland Capital Management, L.P. (“HCMLP”); David Klos, Chief Accounting Officer of HCMLP and Assistant Treasurer of the Funds; Will Mabry, Senior Manager, Fund Analysis at HCMFA; Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint

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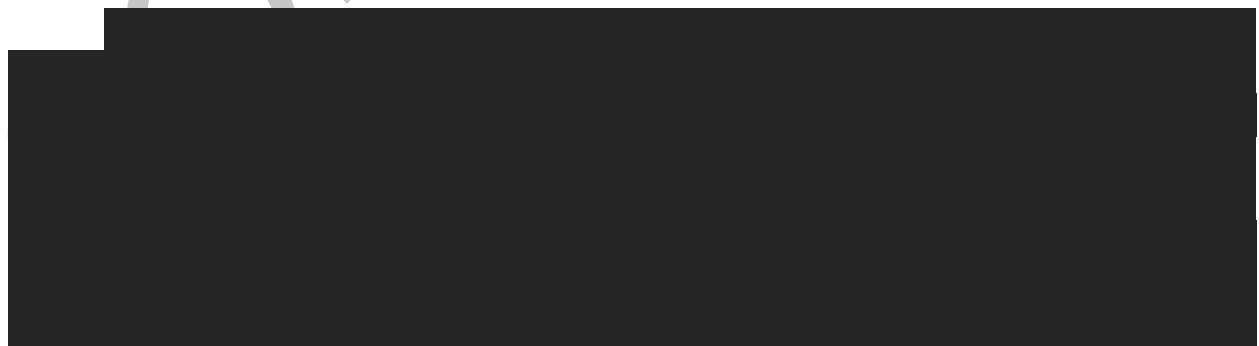
<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds (collectively, the “Independent Board Members”).

<sup>2</sup> Attended the Board Meeting in his capacity as an NHF Trustee only.

and Executive Vice President of the Funds; Kevin Fullmer, Director, Product Strategy at NexPoint; Scott Simon, Director, Product Strategy at NexPoint; Isaac Leventon<sup>3</sup>, Esq., Litigation Counsel of HCMLP; Stephanie Vitiello<sup>3</sup>, Assistant General Counsel of HCMLP; Brian Mitts<sup>4</sup>, Executive Vice President of NexPoint Real Estate Advisors, L.P. (“NREA”) and Executive Vice President and CFO of NRESF; D.C. Sauter<sup>4</sup>, Esq., General Counsel at NexPoint; Matt Goetz, Director of Real Estate at NexPoint; Joe Sowin<sup>4</sup>, Co-Chief Investment Officer of HCMLP; Jim Seery<sup>3</sup>, Chief Executive Officer and Chief Restructuring Officer, HCMLP; Thomas Surgent<sup>3</sup>, Esq., Partner, Deputy General Counsel and Chief Compliance Officer of HCMLP<sup>3</sup>; Lucy Bannon<sup>3</sup>, Director of Public Relations and Communications at HCMLP; Kristin Hendrix<sup>4</sup>, Assistant Controller at HCMLP; Jon-Luc Dupuy, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank Rome, LLP, counsel to the Independent Trustees of the Funds (“Independent Trustee Counsel”); Eric Griffith, Esq., Lex Smith, Esq., Carly Sikora, Krista Hunsiker, Mike Lenox<sup>3</sup>, Rob Owens<sup>3</sup>, and Steve Connors<sup>3</sup>, of SEL, the Funds’ administrator; Lori Novak<sup>3</sup> and Lindsay Selick<sup>3</sup> from Cohen & Company (“Cohen”); Dr. Cindy Ma<sup>3</sup> and Chris Cessna<sup>3</sup> of Houlihan Lokey; and Sam Campbell<sup>4</sup> of FUSE Research Network (“FUSE”).

Mr. Powell acted as Chairman of the Board Meeting and Mr. Smith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting and the related materials via Directors Desk’s internet portal (collectively, the “Meeting Materials”) and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting.

Ms. Thedford reminded the Board Members and the Board Meeting Participants that, due to the recent outbreak of coronavirus disease 2019 (“COVID-19”), this standard quarterly in-person Board Meeting for the third quarter of 2020 was being held virtually. She noted that COVID-19 has led to disruptions to transportation and the impositions of quarantines and self-isolations in the United States and around the world, which have presented significant challenges for boards of trustees of registered investment companies to travel in order to meet.



<sup>3</sup> Attended the Board Meeting virtually on September 17, 2020 only.

<sup>4</sup> Attended the Board Meeting virtually on September 18, 2020 only.

[REDACTED]

Mr. Powell noted that the order in which certain agenda items would be discussed at the Board Meeting may vary from the order listed in the agenda depending on, among other things, the availability of certain Meeting participants and certain matters or items may be discussed on multiple days. He further noted that, while each proposed resolution would be discussed during the normal course of the Board Meeting, formal approval of such resolutions would be sought at the end of the Board Meeting.

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AND HAVE BEEN REMOVED**

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[REDACTED]

[REDACTED]

[REDACTED]

#### **GOVERNANCE AND COMPLIANCE COMMITTEE MEETING**

At this time, the members of the Governance and Compliance Committee (collectively, the “Governance Committee”) of the Board (composed of Messrs. Ward, Froehlich, Constantino (NHF only) and Powell, with Mr. Froehlich serving as Chair) convened the Governance Committee Meeting.

#### **Update on HCMFA/HCMLP Litigation Matters**

Messrs. Seery, Leventon and Ellington and Mmes. Vitiello and Bannon then joined the Governance Committee Meeting and provided an update the Board on the HCMLP bankruptcy and litigation matters relating to the Funds.

#### **Update on HCMLP Bankruptcy**

Messrs. Seery and Ellington provided the Board with an update on the HCMLP Bankruptcy. During the discussion, Messrs. Seery and Ellington addressed the supplemental 15(c) follow-up questions submitted by the Board with respect to HCMLP matters and the Funds. Mr. Seery discussed the current status of the Bankruptcy proceedings, noting that HCMLP recently completed the mediation process. Although not all claims were resolved in mediation, Mr. Seery

noted that there was momentum for a larger deal. He noted that HCMLP reached settlement with Acis Capital Management, L.P., a former affiliated investment adviser to a CLO platform. With respect to the UBS claim of \$1 billion, Mr. Seery noted that a settlement could not be reached, so a litigation strategy was being pursued instead. Mr. Seery noted that two separate summary judgement arguments would soon be pending with respect to the UBS claim, upon which Mr. Seery expected HCMLP to prevail. Mr. Seery then summarized three other open claims, including a new \$100+ million claim by HarbourVest Partners LLC.

In response to questions from the Board, Mr. Ellington noted that he had been advised that Mr. Dondero had a high degree of confidence that, even if an overall settlement could not be achieved, there would be a mechanism in place for the services currently provided by HCMLP such that any impact to the Funds would be minimal. In the short-term, Mr. Seery expected that the shared services agreement (the “Shared Services Agreement”) between HCMLP (on the one hand) and HCMFA/NexPoint Advisers (on the other) to remain in place. In the event that the Shared Services Agreement were terminated, Mr. Seery believes that the employees and services at HCMLP that are currently supporting the Funds would be transferred either directly to HCMFA/NexPoint Advisors or to a third-party that would continue to service the Funds. A discussion then ensued, including as regards the process for addressing any conflicts of interest. Mr. Sauter also discussed the analysis being performed relating to the notice of retention of rights of claim filings that previously had been filed on behalf of the Funds early in the HCMLP bankruptcy filing process in the event there were any potential claims discovered. He indicated his view that the Funds did not have any claims as it has been confirmed that there were no outstanding financial obligations between HCMLP and the Funds but would report to the Board if any matters were discovered as the review was completed. Ms. Bannon then discussed the overall public relations approach in responding to inquiries regarding the ongoing bankruptcy matter and turned the Board’s attention to the quarterly Media Coverage Report provided in the Materials.

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1. **Identify the subject and the verb.** The subject is "The committee" and the verb is "has agreed."



**PAGES 8 - 9 ARE FULLY REDACTED  
AND HAVE BEEN REMOVED**

[REDACTED]

At this time, the Committee Meeting was adjourned and the Board Meeting reconvened.

**BOARD MEETING**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Annual Matters for Board Review and Approval**

**Review of 15(c) Materials**

Mr. Surgent joined the Meeting. During the discussion, he responded to the 15(c) follow-up questions submitted by the Board relating to HCMLP matters. He provided the Board with a status update on the HCLMP bankruptcy and discussed the impact of the HCMLP bankruptcy on the shared services arrangements with the Funds, noting he does not expect that the level and quality of services would change in the immediate term. Regarding the bankruptcy, Mr. Surgent reiterated Mr. Seery's stated goal to achieve a consensual, omnibus resolution by the end of the year. To the extent this was not achievable, Mr. Surgent noted that an alternative plan had been filed by HCMLP. In response to questions from the Board, Mr. Surgent noted that, even under an alternative scenario, the Board and the Advisers would have adequate advance notice to address any potential impact to the shared services provided to the Funds. He indicated that at this time it

was business as usual with respect to the services provided to the Funds and that the Board would be notified immediately of any developments. A robust discussion then ensued, which included an explanation of how conflicts of interests are addressed when certain HCMLP employees are conflicted out of working on particular matters, as was the case in the recent OmniMax International, Inc. (f/k/a Euramax) (“OmniMax”) matter. Mr. Surgent and Mr. Norris explained that there were sufficient and appropriate personnel at HCMFA/NexPoint Advisors who are not also dual employees at HCMLP to cover all relevant functions on such matters, including legal, compliance, accounting, administration and portfolio management. Mr. Surgent also provided an update on the current matters where this was being utilized, including with respect to OmniMax, and noted that there were a limited number of such potential conflicts. Mr. Norris confirmed that he was comfortable with the level and quality of services being provided and has not seen any issues with the conflicts process. He also noted that in view of his being an employee of NexPoint and not being an employee of HCMLP, he was not conflicted out of working on any such matter and was able to oversee the process. In response to a request of the Board, Mr. Norris undertook to provide the Board with a list of non-HCMLP employees available to address any conflicts that may arise. At this time, Mr. Surgent departed from the Meeting.

[REDACTED]

[REDACTED]

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AND HAVE BEEN REMOVED**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Discussion with Co-CIO Joe Sowin

Mr. Powell then welcomed Mr. Sowin. Mr. Sowin began his report by describing his response to the conflict of interests that arose between the Advisers and HCMLP in the recent OmniMax matter. He noted his belief that the alternative staffing arrangements made with non-HCMLP employees to address the conflicts in that transaction were sufficient. Next, Mr. Sowin responded to questions from the Board regarding how potential conflicts of interest arising in common holdings amount the Funds and HCMLP-advised accounts would be addressed, including any specific issuers that Mr. Sowin believed could arise. A discussion then ensued, with the Adviser undertaking to provide the Board with a report identifying the cross holdings of HCMLP and Adviser-advised accounts, as well as a grid of non-HCMLP individuals who could perform certain specified functions in the event HCMLP individuals are conflicted out.

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AND HAVE BEEN REMOVED**

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[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

#### **Adjournment**

As there was no further business to come before the Board, the Board Meeting was adjourned, upon a motion duly made, seconded and unanimously carried.

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Alexander (Lex) Smith  
Secretary *Pro Tempore*

CONFIDENTIAL

## **EXHIBIT 61**

001761

**MINUTES OF THE  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**October 13, 2020**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”), an Audit and Qualified Legal Compliance Committee Meeting (the “Audit Committee Meeting”), a Meeting of the Governance and Compliance Committee (the “Governance Committee Meeting”) and a Meeting of the Alternatives and Distribution Oversight Committee (the “Distribution Oversight Committee Meeting”, and, together with the Board Meeting, the “Meetings”) were held telephonically at 3:00 p.m. Central Time on October 13, 2020, pursuant to notice duly given.

The following Board members (“Board Members”), constituting all of the Board Members of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>  
Ed Constantino<sup>1, 2</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Frank Waterhouse, Treasurer of the Adviser and the Funds; Lauren Thedford, Esq., Secretary of the Funds and the Advisers and Associate General Counsel of Highland Capital Management, L.P. (“HCMLP”); David Klos, Chief Accounting Officer of HCMLP and Assistant Treasurer of the Funds; Will Mabry, Senior Manager, Fund Analysis at HCMFA; Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds; Kevin Fullmer, Director, Product Strategy at NexPoint; Scott Simon, Director, Product Strategy at NexPoint; D.C. Sauter, Esq., General Counsel at NexPoint; Scott Ellington, Partner and General Counsel of HCMLP; Brian Collins, Director of Human Resources of HCMLP; Lucy Bannon, Director of Public Relations and Communications

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<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds (collectively, the “Independent Board Members”).

<sup>2</sup> Attended the NHF Board Meeting only.

at HCMLP; Charles Miller, Esq. and Jon-Luc Dupuy, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank Rome, LLP, counsel to the Independent Trustees of the Funds; Lex Smith, Esq., Carly Sikora, and Krista Hunsiker, of SEI, the Funds' administrator; and Tom DeCapo, Esq., Ken Burdon, Esq., and Ben Niehaus, Esq. of Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden").

Mr. Powell acted as Chairman of the Board Meeting and Mr. Smith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting and the related materials via Directors Desk's internet portal (collectively, the "Meeting Materials") and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting.

### **MEETING OF THE BOARD**

### **BOARD MEETING**

#### **Discussion of 15(c) Follow-up Matters**

Mr. Powell noted that the Advisers were asked to provide an update on the bankruptcy in connection with the annual 15(c) approval process, including addressing questions submitted by the Board. Mr. Ellington provided an update on the HCMLP bankruptcy. He explained that Mr. Dondero recently emerged as a potential sponsor of a negotiated settlement between HCMLP, its independent directors and its creditors. Mr. Ellington then explained three various potential scenarios contemplated during the ongoing negotiations, including a full or partial buyout of certain creditor claims by Mr. Dondero or no agreement, which could potentially lead to liquidation of HCMLP and termination of all HCMLP employees.

In response to a question from the Board, Mr. Ellington discussed key dates, noting that HCMLP intended to file a motion for summary judgment regarding the UBS claim by November 16, 2020. Finally, he noted the goal to provide a negotiated agreement among all parties to the bankruptcy Judge by the end of 2020.

Mr. Ellington then discussed the status of the HCMLP employees and the potential for transition of such employees to employment with NexPoint or to another newly created entity. Mr. Ellington elaborated on the steps that would need to be taken by HCMLP's independent board to allow such transitions and to enable these employees to continue providing services to the Funds. In response to a question from the Board, he discussed the Advisers' continued analysis of potential conflicts of interest for employees of HCMLP that provided services to the Advisers and the Funds, including with respect to cross holdings, and noted that Mr. Dondero had resigned from HCMLP on October 9, 2020 and would no longer face such conflicts.

Mr. Norris discussed the potential efficiencies gained if HCMLP employees transitioned to NexPoint, including potential cost savings. In response to a question from the Board, he confirmed that the Advisers continued to have the financial wherewithal to continue providing services to the Funds and that the Fund complex continued to have the full support of Mr. Dondero. In response to a question from the Board, Messrs. Norris also discussed the necessary systems that would also need to transition and provided and update on the current status of these discussions. Mr. Sauter also discussed the status of the shared services agreements. In response to another question, Mr. Norris discussed the morale employees and noted that all operations continued in the normal course there had been no material impact on the day-to-day operations of the Funds. He indicated that there would not likely be any material developments with respect to the status of HCMLP until the end of the year at the earliest. The Board requested that the Advisers continue working toward developing a definitive plan to ensure that the resources, both of personnel and equipment, are in place to continue to provide the same level and quality of services to the Funds and to continue to report back to the Board on the status.

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[REDACTED]

[REDACTED]

### **Adjournment**

As there was no further business to come before the Board, the Board Meeting was adjourned, upon a motion duly made, seconded and unanimously carried.



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Alexander (Lex) Smith  
*Secretary Pro Tempore*

CONFIDENTIAL

## **EXHIBIT 62**

**MINUTES OF THE  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**October 28, 2020**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”), were held telephonically at 5:30 p.m. Central Time on October 28, 2020, pursuant to notice duly given.

The following Board members (“Board Members”), constituting all of the Board Members of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>  
Ed Constantino<sup>1,2</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Frank Waterhouse, Treasurer of the Adviser and the Funds; Lauren Thedford, Esq., Secretary of the Funds and the Advisers and Associate General Counsel of Highland Capital Management, L.P. (“HCMLP”); David Klos, Chief Accounting Officer of HCMLP and Assistant Treasurer of the Funds; Will Mabry, Senior Manager, Fund Analysis at HCMFA; Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds; Kevin Fullmer, Director, Product Strategy at NexPoint; Scott Simon, Director, Product Strategy at NexPoint; D.C. Sauter, Esq., General Counsel at NexPoint; Scott Ellington, Esq., Partner and General Counsel of HCMLP; Brian Mitts, Executive Vice President of NexPoint Real Estate Advisors, L.P. and Executive Vice President and CFO of NRESF; Matthew Goetz, Director, Real Estate at NexPoint; Brian Collins, Director of Human Resources at HCMLP; Charles Miller, Esq. and Jon-Luc Dupuy, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank Rome, LLP, counsel to the

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<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds(collectively, the “Independent Board Members”).

<sup>2</sup> Independent Board Member of NHF only.

Independent Trustees of the Funds; and Eric Griffith, Esq., Lex Smith, Esq., Carly Sikora, and Krista Hunsiker, of SEI, the Funds' administrator.

Mr. Powell acted as Chairman of the Board Meeting and Mr. Smith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting and the related materials via Directors Desk's internet portal (collectively, the "Meeting Materials") and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting.

Ms. Thedford noted that in light of the impacts of COVID-19, the Securities and Exchange Commission issued orders (the "Orders") that conditionally exempt registered investment companies and their investment advisers and principal underwriters from the in-person voting requirements of the 1940 Act, which exemption is temporarily available from March 13, 2020 through December 31, 2020. She then confirmed that certain approvals related to the Funds' 15(c) process would require reliance on the Orders and that the Board Members would be asked to determine that such virtual approvals were necessary and appropriate due to circumstances related to current and potential effects of COVID-19 and that all actions that required a vote of the Board Members at an in-person meeting would be ratified, as required by the SEC's relief, at the Board's next in-person meeting.

#### MEETING OF THE BOARD

### **15(c) Follow-up Matters and Approvals**

#### **Bankruptcy Update**

The representatives of the Advisers and of HCMLP reviewed and discussed responses to the 15(c) follow up questions that had been previously submitted by the Board and responded to additional questions from the Board throughout the discussion. Mr. Ellington provided an update on the HCMLP bankruptcy, focusing on the contingency plan for fund service providers if HCMLP is unable to perform its current functions. He noted that HCMLP had engaged in lengthy discussions with Greyline Partners, which is led by Matt Okolita, who is both well qualified and familiar with the Funds from his prior tenure as the Funds' CCO from May 2010 to October 2011 and served in a Compliance manager role prior to that commencing in March 2008. Mr. Ellington stated his belief that Greyline could act as a fallback plan and would be able to step in immediately if the bankruptcy disrupted the shared services in place between HCMLP, the Funds and the Advisers (the agreements pursuant to which such services are provided, the "Shared Services Agreements"). He also noted that based upon on-going discussions with HCMLP, as well as in view of these alternative contingency plans, the Advisers do not expect any interruption to the

services to the Funds that are currently being provided by HCMLP pursuant to the Shared Services Agreement.

Mr. Ellington and Mr. Waterhouse next discussed the potential moving of employees from HCMLP to a newly formed company ("NewCo"). Such a transfer of employees to NewCo would take place at the termination of the Shared Services Agreements and would permit a seamless transition of personnel and services for the Funds. In response to a Board question, Mr. Ellington noted his experience that such structure is commonly used in the industry and would not need to be approved by the Bankruptcy Court. Mr. Collins noted that, although employees of HCMLP were not yet able to be released subject to confirmation of the plan of bankruptcy, he was confident in the firm's ability to retain talent throughout this process based on discussions with the employees. He noted that every employee team leader had been spoken to and also noted that there have been no significant departures to date. He also noted that in order to assist with any potential conflict of interests, Jason Post, the Funds' CCO, became an employee of NexPoint on October 14, 2020. He noted that Mr. Post, while formerly an HCMLP employee, had only been performing work for the Funds. Mr. Post then referred the Board to the Board Materials, which included a list of current co-investments and cross-held positions held by the funds and a list of non-HCMLP employees who would be available to assist the Board in the event of any conflict of interest between HCMLP, on one hand, and the Advisers or the Funds, on the other. A discussion ensued, including with respect to the background and experience of the non-HCMLP employees listed. At the request of the Board, the representatives of the Advisers also discussed specific services under the Shared Services Agreements and how they would be addressed to ensure continuity in the event of its termination, including as regards IT services.

Mr. Ellington then provided an update on the timeline for the bankruptcy negotiations and proceedings. The Board then further discussed with the representatives of management and with fund counsel the information that had been presented, both at this meeting and previous meetings, regarding the HCMLP bankruptcy and any effects that it may have on the Funds and the Advisers. The Advisers represented that the quality and level of services provided to the Funds by the Advisers and pursuant to the shared services arrangements had not been negatively impacted to date and that adequate plans were in place prevent any diminution of services as a result of any potential issues relating to the HCMLP bankruptcy that might arise. In response to a question from the Board, Mr. Dupuy reviewed the 15(c) process that the Board had undertaken, including multiple meetings and discussion with the Advisers and with representatives of HCMLP, submitting follow up questions, and receiving supplemental materials and confirmed the Board had sufficient information with which to consider approval of the advisory and other agreements at the Meeting.

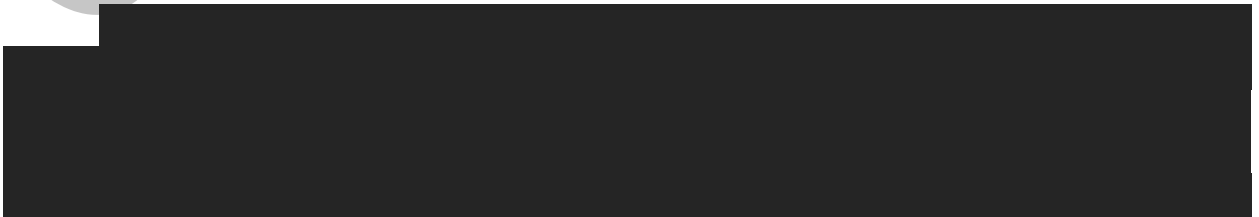
### **15(c) Approvals**

Mr. Powell reported that among the items being considered at this Board Meeting was the completion of the Board's and Independent Board Members' consideration of, and deliberations


about, the annual renewal of the Agreements. He noted that the Board preliminary consideration to information bearing on the continuation of the Agreements on an August 13, 2020 pre-15(c) call and during the Board's 15(c) review call on August 24, 2020. The Advisers had provided additional responses at meetings held on September 17-18, September 23, and October 13, 2020.

Mr. Norris reminded the Board that Blank Rome had sent, on behalf of the Independent Board Members an information request letter to the Advisers, First Foundation Advisers ("Sub-Adviser") and NexPoint Securities, Inc. ("NSI") pursuant to Section 15(c) of the 1940 Act and Rule 12b-1 thereunder requesting information that the Independent Board Members deemed reasonably necessary for them to evaluate the terms of each advisory agreement and sub-advisory agreement, distribution agreements or Dealer Manager Agreement, as the case may be, and the distribution plans pursuant to Rule 12b-1 under the 1940 Act.

As part of its review process, the Board requested, through Fund counsel and its independent legal counsel, and received from the Advisers and Sub-Adviser, various information and written materials in connection with meetings of the Board, including: (1) information regarding the financial soundness of the Advisers and Sub-Adviser and the profitability of the Agreements to each of the Advisers and Sub-Adviser; (2) information on the advisory, legal and compliance personnel of the Advisers and Sub-Adviser, including ongoing updates regarding the HCMLP bankruptcy, the Shared Services Agreement and compensation arrangements; (3) information on the internal compliance procedures of each of the Advisers and Sub-Adviser, including policies and procedures for personal securities transactions, conflicts of interest and with respect to cybersecurity, business continuity and disaster recovery; (4) comparative information showing how the Funds' fees and operating expenses compare to those of other accounts of the Advisers and Sub-Adviser, if any, with investment strategies similar to those of the Funds; (5) information on the investment performance of the Funds, including comparisons of the Funds' performance against that of other registered investment companies and comparable funds managed by the Advisers that follow investment strategies similar to those of the Funds; (6) information regarding brokerage and portfolio transactions; and (7) information on any legal proceedings or regulatory audits or investigations affecting the Advisers, including potential claims in the HCMLP bankruptcy. After the August 2020 meeting, the Independent Board Members requested that the Advisers and Sub-Adviser, as applicable, provide additional information and written responses regarding various matters at meetings held on September 17-18, September 23, and October 13, 2020. It was further noted that throughout the process, the Board, including separately the Independent Board Members had also met in executive sessions to further discuss the materials.









The Board discussed the materials provided by the Advisers and Sub-Adviser in detail, including the Advisers' and Sub-Adviser's responses to the Board's specific written questions, comparative fee and performance information and information concerning the Advisers' and Sub-Adviser's business and financial condition. During the course of this discussion, the Board asked various follow-up questions, to which representatives of the Advisers responded, addressing matters such as, but not limited to, the Funds' fees and performance, investor feedback regarding the departure of certain portfolio managers, the impact of the COVID-19 pandemic and related market volatility on the Funds, the Advisers' financial condition, the makeup of NSI's distribution team, future business plans, and business continuity and succession plans of the Advisers and Sub-Adviser. The Board also requested and received additional information regarding the ongoing HCMLP bankruptcy and contingency plans related to the services currently provided under the Shared Services Agreements, including the continued employment of HCMLP employees by the Advisers.

The factors considered and the determinations made by the Board in connection with the approval of the renewal of the Agreements with the respective Adviser and the Sub-Adviser are set forth below but are not exhaustive of all matters that were discussed by the Board.

The Board noted that their evaluation process with respect to the Advisers and Sub-Adviser is an ongoing one. In this regard, the Board also took into account discussions with management and information provided to the Board at periodic meetings of the Board over the course of the year with respect to the services provided by the Advisers and Sub-Adviser to the Funds, including quarterly performance reports prepared by management containing reviews of investment results and prior presentations from the Advisers with respect to the Funds. The information received and considered by the Board in connection with this Meeting and throughout the year was both written and oral. The Board considered the Advisory Agreements and any Sub-Advisory Agreements with respect to each Fund separately in the course of its review. In doing so, the Board noted the respective roles of the Adviser and Sub-Adviser in providing services to the Funds, including the recent approval by the Board to reorganize the Funds advised by the Sub-Adviser into an unaffiliated trust.





Throughout the process, the Board had the opportunity to ask questions of and request additional information from the Advisers and Sub-Adviser. The Board was assisted by legal counsel for the Trust and the Independent Trustees were also separately assisted by independent legal counsel throughout the process. The Board also met separately without representatives of the Advisers present. The Independent Trustees also were advised by and met in executive sessions with their independent legal counsel at which no representatives of management were present to discuss the proposed continuation of the Agreements, including prior to the Meeting.

*Nature, Extent and Quality of Services*

The Board considered each Adviser's services as investment manager to the Funds, as applicable, including services relating to the selection and oversight of the Sub-Adviser.

The Board considered the portfolio management services provided by the Advisers under the Agreements and the Shared Services Agreement and the activities related to portfolio management, including use of technology, research capabilities and investment management staff. The Board also considered the relevant experience and qualifications of the personnel providing advisory services, including the background and experience of the members of each Fund's portfolio management team. The Board reviewed the management structure, assets under management and investment philosophies and processes of the Advisers, including with respect to liquidity management, as well as information regarding the Advisers' compliance policies, procedures and personnel, including compensation arrangements and with respect to valuation, cybersecurity, business continuity and disaster recovery. The Board also considered the Advisers' risk management and monitoring processes. The Board of Trustees took into account the terms of the Agreements and considered that, each Adviser, subject to the direction of the Board, is responsible for providing advice and guidance with respect to each Fund and for managing the investment of the assets of each Fund, including by engaging and overseeing the activities of each Fund's Sub-Adviser, where applicable. The Board also took into account that the scope of services provided by the Advisers and the undertakings required of the Advisers in connection with those services, including maintaining and monitoring its own respective and the Funds' compliance programs, had expanded over time as a result of regulatory, market and other developments. In this regard, they considered the Advisers' preparation with respect to risk disclosure related to the COVID-19 pandemic, ongoing reporting modernization efforts and compliance with Rule 6(c)11. The Board considered the Advisers' regulatory history.

Each Adviser's services in coordinating and overseeing the activities of the Funds' other service providers, as well of the services provided under the Shared Services Agreements, were also considered. The Board also evaluated the expertise and performance of the personnel of each Adviser who performed services for the Funds throughout the year. They also considered the quality of the Advisers' compliance oversight program with respect to the Funds' service providers, including the Sub-Adviser to certain of the Funds. The Board also considered both the investment advisory services and the nature, quality and extent of any administrative and other non-advisory services, including shareholder servicing and distribution support services that are provided to the Funds and its shareholders by the Advisers, NSI and their affiliates, as well as considered the services provided under the Shared Services Agreements. The Board noted that the level and quality of services to the Funds by the Advisers and its affiliates had not been materially impacted by the HCMLP bankruptcy and took into account the Advisers' representations that the level and quality of the services provided by the Advisers and their affiliates, as well as of those services currently being provided by HCMLP pursuant to the Shared Services Agreement, would continue to be provided to the Funds at the same or higher level and quality.

The Board also considered the significant risks assumed by the Advisers in connection with the services provided to the Funds, including entrepreneurial risk and ongoing risks including investment, operational, enterprise, litigation, regulatory and compliance risks with respect to the Funds. The Board also noted various cost-savings initiatives that had been implemented by the Advisers with respect to the Funds and the other funds in the Highland complex over the years. The Board also considered the financial condition and operations of the Advisers during the COVID-19 pandemic and noted that there had been no material disruption of the Advisers' services to the Funds and that the Advisers had continued to provide the same level, quality and extent of services to the Funds.

The Board also considered, among other things, HCMFA's oversight of the Sub-Adviser's provision of services to the applicable series of HFII, including, with respect to investment activities, trading practices and liquidity management, the Sub-Adviser's compliance with Fund policies, objectives and Board directives, compliance policies and procedures, and applicable law. Specifically, with regard to the series of HFII for which HCMFA retained the Sub-Adviser, the Board Members considered the services provided by HCMFA with respect to the supervision of the Sub-Adviser, including a review of the performance of the Sub-Adviser of its obligations to the applicable series of HFII; a review of the Sub-Adviser's investment performance; a review and consideration of any changes in the personnel of the Sub-Adviser responsible for performing the Sub-Adviser's obligations and making appropriate reports to the Board; a review and consideration of any changes in the ownership or senior management of the Sub-Adviser and making appropriate reports to the Board; and preparing recommendations with respect to the continued retention of the Sub-Adviser or the replacement of the Sub-Adviser. The Board also noted that on a regular basis

it receives and reviews information from the Funds' Chief Compliance Officer (CCO) regarding the Funds' compliance policies and procedures established pursuant to Rule 38a-1 under the Investment Company Act of 1940.

With respect to the services provided by the Sub-Adviser, the Board considered, among other information, information provided to the Board by the Sub-Adviser. The Board reviewed the Sub-Adviser's history and investment experience, as well as information regarding the qualifications, background and responsibilities of the Sub-Adviser's investment and compliance personnel who provide services to the applicable series of HFII. The Board also considered, among other matters, the Sub-Adviser's compliance program and any disciplinary history. The Board took into account the Sub-Adviser's risk assessment and monitoring process. The Board considered the Sub-Adviser's regulatory history. The Board noted that the Funds' CCO conducts regular, periodic compliance reviews with the Sub-Adviser and presents reports to the Board regarding the same, which include an evaluation of the procedures reasonably designed by it to help assure compliance with federal securities laws. The Board also took into account the financial condition of the Sub-Adviser. The Board also considered the financial condition and operations of the Sub-Adviser during the COVID-19 pandemic and noted that there had been no material disruption of the Sub-Adviser's services to the applicable series of HFII and that the Sub-Adviser had continued to provide the same level, quality and extent of services to the applicable Funds.

The Board further considered the Sub-Adviser's investment process and philosophy. The Board took into account that the Sub-Adviser's responsibilities include the development and maintenance of an investment program for the applicable series of HFII that is consistent with the series' investment objectives, the selection of investment securities and the placement of orders for the purchase and sale of such securities, as well as the implementation of compliance controls related to performance of these services. The Board also reviewed the Sub-Adviser's brokerage policies and practices by reference to its best execution policies, use of soft dollars and broker allocation policies, to the extent applicable.

The Board considered information received from the Funds' CCO regarding the Funds' compliance policies and procedures established pursuant to Rule 38a-1 under the 1940 Act. The Board also took into account the CCO's ongoing reports concerning the CCO's oversight of the risk assessment processes of the Sub-Adviser.

In addition, the Board considered the Advisers' services as investment adviser to the REIT Subsidiaries of the Funds, including how the investment advisory agreements for the REITs materially differ from the investment advisory agreements in place for the Funds, including the duties of the Advisers, specific reporting requirements related to real property ownership and expanded diligence obligations surrounding real property transactions and the resulting tax treatment so that the REITs maintain their status as REITs for U.S. federal income tax purposes.

In considering the nature, extent, and quality of the services provided by the Advisers and the Sub-Adviser, the Board also took into account its knowledge of the Investment Adviser's and Sub-Adviser's management and the quality of the performance of each Adviser's and Sub- Adviser's respective duties, through discussions and reports during the preceding year and in past years.

The Board concluded that the Advisers and Sub-Adviser had the quality and depth of personnel and investment methods essential to performing their duties under the respective Agreements and that the nature and the quality of such advisory services supported approval of the Agreements.

[REDACTED]

[REDACTED]

[REDACTED]

**PAGES 10 - 41 ARE FULLY REDACTED  
AND HAVE BEEN REMOVED**

[REDACTED]

[REDACTED]

### Adjournment

As there was no further business to come before the Board, the Board Meeting was adjourned, upon a motion duly made, seconded and unanimously carried.



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Alexander (Lex) Smith  
Secretary *Pro Tempore*

CONFIDENTIAL



## **EXHIBIT 63**

**MINUTES OF THE  
JOINT MEETING OF THE GOVERNANCE AND COMPLIANCE COMMITTEES  
JOINT MEETING OF THE AUDIT AND QUALIFIED LEGAL COMPLIANCE COMMITTEES  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**November 5, 2020**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”), an Audit and Qualified Legal Compliance Committee Meeting (the “Audit Committee Meeting”), a Meeting of the Governance and Compliance Committee (the “Governance Committee Meeting” and, together with the Audit Committee Meeting and Board Meeting, the “Meetings”) were held virtually via WebEx at 3:00 p.m. Central Time on November 5, 2020, pursuant to notice duly given.

The following Board members (“Board Members”), constituting all of the Board Members of each of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>  
Ed Constantino<sup>1, 2</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Frank Waterhouse, Treasurer of the Adviser and the Funds; Lauren Thedford, Esq., Secretary of the Funds and the Advisers and Associate General Counsel of Highland Capital Management, L.P. (“HCMLP”); David Klos, Chief Accounting Officer of HCMLP and Assistant Treasurer of the Funds; Joe Sowin, Co-Chief Investment Officer of HCMLP; Will Mabry, Senior Manager, Fund Analysis at HCMFA; Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds; Kevin Fullmer, Director, Product Strategy at NexPoint; James Mills, Manager, Valuation, HCMLP; Brian Mitts, Executive Vice President of NexPoint Real Estate Advisors, L.P. (“NREA”)

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<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds (collectively, the “Independent Board Members”).

<sup>2</sup> Attended the Board Meeting in his capacity as an NHF Trustee only.

and Executive Vice President and CFO of NRESF; Scott Simon, Director, Product Strategy at NexPoint; Kristin Hendrix, Assistant Controller at HCMLP; Jon-Luc Dupuy, Esq. and Charles Miller, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank Rome, LLP, counsel to the Independent Trustees of the Funds (“Independent Trustee Counsel”); Charles Haag, Esq. of Winston & Strawn, LLP; and Eric Griffith, Esq., Lex Smith, Esq., Carly Sikora and Krista Hunsiker of SEI, the Funds’ administrator.

Mr. Powell acted as Chairman of the Board Meeting and Mr. Griffith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting and the related materials via Directors Desk’s internet portal (collectively, the “Meeting Materials”) and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting.

Mr. Powell noted that the order in which certain agenda items would be discussed at the Board Meeting may vary from the order listed in the agenda depending on, among other things, the availability of certain Meeting participants. He further noted that, while each proposed resolution would be discussed during the normal course of the Board Meeting, formal approval of such resolutions would be sought at the end of the Board Meeting.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

#### **GOVERNANCE AND COMPLIANCE COMMITTEE MEETING**

At this time, the members of the Governance and Compliance Committees (collectively, the “Governance and Compliance Committee”) of the Board (composed of Messrs. Ward, Froehlich and Powell, with Dr. Froehlich serving as Chair) convened the Governance Committee


Meeting.

### **Update on HCMLP Bankruptcy**

Mr. Norris then provided an update on the latest developments on the HCMLP bankruptcy, noting that there had been no material developments since the last HCMLP bankruptcy update provided to the Board by Mr. Ellington at the October 28, 2020 Board meeting.

### **Update on HCMLP Employment Matters/Conflicts of Interest**

Mr. Norris then noted that there has not been any disruption to the services provided to the Funds by HCMLP pursuant to the Shared Services Agreement and that he expects that such services will continue to be provided in normal course. In addition, Mr. Norris noted that there have been no issues with an HCMLP employee being conflicted out since the last update.



There being no further business to discuss, the Governance and Compliance Committee Meeting was adjourned and the Board Meeting was convened.

### **BOARD MEETING**



**PAGES 4 - 8 ARE FULLY REDACTED  
AND HAVE BEEN REMOVED**

**Adjournment**

As there was no further business to come before the Board, the Board Meeting was adjourned, upon a motion duly made, seconded and unanimously carried.



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Eric Griffith  
Secretary *Pro Tempore*

CONFIDENTIAL

## **EXHIBIT 64**



**MINUTES OF THE  
JOINT MEETING OF THE GOVERNANCE AND COMPLIANCE COMMITTEES  
JOINT MEETING OF THE ALTERNATIVES AND DISTRIBUTION OVERSIGHT COMMITTEES  
JOINT MEETING OF THE AUDIT AND QUALIFIED LEGAL COMPLIANCE COMMITTEES  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**December 10-11, 2020**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”), an Audit and Qualified Legal Compliance Committee Meeting (the “Audit Committee Meeting”), a Meeting of the Governance and Compliance Committee (the “Governance Committee Meeting”) and a Meeting of the Alternatives and Distribution Oversight Committee (the “Distribution Oversight Committee Meeting,” and, together with the Board Meeting, the “Meetings”) were held in-person at 300 Crescent Court, Suite 700, Dallas, Texas, in the Madrone Conference Room and virtually via WebEx at 3:00 p.m. Central Time on December 10, 2020, and reconvened at 9:00 a.m. Central Time on December 11, 2020 at the offices of the Advisers, pursuant to notice duly given.

The following Board members (“Board Members”), constituting all of the Board Members of each of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>  
Ed Constantino<sup>1, 2</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Frank Waterhouse, Treasurer of the Adviser and the Funds; Lauren Thedford, Esq., Secretary of the Funds and the Advisers and Associate General Counsel of Highland Capital Management, L.P. (“HCMLP”); James Dondero<sup>3</sup>, President of NexPoint; David Klos, Chief Accounting Officer of HCMLP and Assistant Treasurer of the Funds; Will Mabry, Senior Manager, Fund Analysis at HCMFA; Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds; Kevin Fullmer,

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<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds (collectively, the “Independent Board Members”).

<sup>2</sup> Attended the Board Meeting in his capacity as an NHF Trustee only.

Director, Product Strategy at NexPoint; Scott Simon, Director, Product Strategy at NexPoint; Isaac Leventon<sup>3</sup>, Esq., Litigation Counsel of HCMLP; Stephanie Vitiello<sup>3</sup>, Assistant General Counsel of HCMLP; Brian Mitts<sup>4</sup>, Executive Vice President of NexPoint Real Estate Advisors, L.P. (“NREA”) and Executive Vice President and CFO of NRESF; D.C. Sauter, Esq., General Counsel at NexPoint; Matt Goetz, Director of Real Estate at NexPoint; James Mills, Manager, Valuation, HCMLP; Michael Beispiel, Senior Valuation Manager, HCMLP; Brendon Flaherty, Valuation Analyst, HCMLP; Joe Sowin<sup>4</sup>, Co-Chief Investment Officer of HCMLP; Scott Ellington, Esq., Partner and General Counsel of HCMLP<sup>3</sup>; Kristin Hendrix<sup>4</sup>, Assistant Controller at HCMLP; Jon-Luc Dupuy, Esq. and Charles Miller, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank Rome, LLP, counsel to the Independent Trustees of the Funds (“Independent Trustee Counsel”); Eric Griffith, Esq., Lex Smith, Esq., Carly Sikora, Krista Hunsiker, Mike Lenox<sup>3</sup>, Rob Owens<sup>3</sup>, and Steve Connors<sup>3</sup>, of SEI, the Funds’ administrator; Lori Novak<sup>3</sup> and Lindsay Selick<sup>3</sup> from Cohen & Company (“Cohen”); and Neil Bathon<sup>4</sup> and Sam Campbell<sup>4</sup> of FUSE Research Network (“FUSE”).

Mr. Powell acted as Chairman of the Board Meeting and Mr. Griffith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting and the related materials via Directors Desk’s internet portal (collectively, the “Meeting Materials”) and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting.

Mr. Powell noted that the order in which certain agenda items would be discussed at the Board Meeting may vary from the order listed in the agenda depending on, among other things, the availability of certain Meeting participants and certain matters or items may be discussed on multiple days. He further noted that, while each proposed resolution would be discussed during the normal course of the Board Meeting, formal approval of such resolutions would be sought at the end of the Board Meeting.

[REDACTED]

[REDACTED]

[REDACTED]

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<sup>3</sup> Attended the Board Meeting virtually on December 10, 2020 only.

<sup>4</sup> Attended the Board Meeting virtually on December 11, 2020 only.

**PAGES 3 - 6 ARE FULLY REDACTED  
AND HAVE BEEN REMOVED**

[REDACTED]

### **GOVERNANCE AND COMPLIANCE COMMITTEE MEETING**

At this time, the members of the Governance and Compliance Committees (collectively, the “Governance and Compliance Committee”) of the Board (composed of Messrs. Ward, Froehlich and Powell, with Dr. Froehlich serving as Chair) convened the Governance Committee Meeting.

#### **Update on HCMFA/HCMLP Litigation Matters**

Messrs. Dondero, Leventon, and Ellington and Ms. Vitiello then joined the Governance Committee Meeting and updated the Board on the HCMLP bankruptcy and litigation matters relating to the Funds.

#### ***Update on HCMLP Bankruptcy***

Mr. Ellington then provided an update to the Governance and Compliance Committee on the latest developments on the HCMLP bankruptcy. He noted that a hearing on the confirmation of the reorganization plan was scheduled for January 14, 2021, but could be rescheduled for a later date. In response to a question from an Independent Board Member, he noted his view that the planned transition of the shared services responsibilities would not be impacted by the court’s decision on the reorganization plan.

[REDACTED]

Throughout his discussion, Mr. Ellington addressed questions from the Independent Board Members.

[REDACTED]

#### ***Update on HCMLP Employment Matters/Conflicts of Interest***

Mr. Norris provided responses to the Board’s follow up questions that had been submitted on their behalf prior to the Meeting. Among these items, Mr. Norris reviewed a matrix of current services provided under the shared services agreement with HCMLP and discussed the current

plans for ensuring the continuation of those services after a plan of reorganization is approved. Mr. Norris noted that these shared services fell into two broader categories: (1) employees performing services and (2) systems, infrastructure, software and supplies/equipment. With respect to the first category, Mr. Norris discussed plans by the Advisers to extend employment offers to the vast majority of HCMLP's employees such that the employees would be rehired immediately upon termination of their employment with HCMLP. In the alternative, these employees could join a newly formed entity (NewCo) and continue to provide services to the Funds through NewCo. With respect to the second category, Mr. Sauter noted that the Advisers and HCMLP were in agreement that these would be assigned with a payment from the Advisers and that there were working groups set up that were pursuing an orderly transition of all of these items, which included orderly assignment and assumption of the relevant agreements needed to continue with all current services. He noted that there has been no material attrition to date with respect to employees. In response to a question from an Independent Board Member, Mr. Sauter noted that there was currently no written commitment with respect to the transfer of shared services. A discussion then ensued relating to the risk factors to a smooth and orderly transfer of shared services and how the Advisers were addressing them. Mr. Norris also discussed the Advisers' proposed alternative plan and confirmed that regardless of whether the Advisers and HCMLP came to an agreement on shared services, such services would be continued to be provided to the Funds without interruption. In response to another question, Mr. Sauter discussed which of the proposed plans required approval of the bankruptcy court, noting that all had been previewed with the Creditors' Committee and the court. The Board requested that it be kept updated on the matters discussed at the Meeting relating to the bankruptcy matters and notified of any changes.

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[REDACTED]

**PAGES 9 - 44 ARE FULLY REDACTED  
AND HAVE BEEN REMOVED**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

#### **Adjournment**

As there was no further business to come before the Board, the Board Meeting was adjourned, upon a motion duly made, seconded and unanimously carried.

[REDACTED]



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Eric Griffith  
Secretary *Pro Tempore*



## **EXHIBIT 65**

001793

**MINUTES OF THE  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**January 15, 2021**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”), was held telephonically at 10:30 a.m. Central Time on January 15, 2021, pursuant to notice duly given.

The following Board members (“Board Members”) of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Lauren Thedford, Esq., Secretary of the Funds and the Advisers and Associate General Counsel of Highland Capital Management, L.P. (“HCMLP”); Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds;; D.C. Sauter, Esq., General Counsel at NexPoint; George Zornada, Esq., A. Lee Hogewood III, Esq., Charles Miller, Esq. and Jon-Luc Dupuy, Esq. of K&L Gates LLP,

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<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds (collectively, the “Independent Board Members”).

counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank Rome, LLP, counsel to the Independent Trustees of the Funds; Eric Griffith, Esq., Lex Smith, Esq., Carly Sikora, and Krista Hunsiker, of SEI, the Funds' administrator.

Mr. Powell acted as Chairman of the Board Meeting and Mr. Smith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting and the related materials via Directors Desk's internet portal (collectively, the "Meeting Materials") and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting, noting that the Board had requested this Meeting in order to receive an update from the Advisers with respect to the HCMLP bankruptcy proceedings, including with respect to the motions filed with respect to the Funds, the current status of shared services arrangements; as well as any other developments with respect prior updates and informational items requested by the Board. Ms. Thedford then disconnected from the Meeting due to her status as an HCMLP employee.

#### **BOARD MEETING**

##### **Update on HCMLP Bankruptcy**

[REDACTED]

Mr. Norris then provided an update with respect to the shared services arrangements. He reported that an agreement in principle had been reached for cost sharing relating to various

components of shared services, including with respect to office space and information technology. He also noted that the agreement covering accounting and back-office services expires on January 31 but is expected to be extended. In response to a question from the Board, Mr. Norris discussed the status of Mr. Ellington and Mr. Leventon, including how any work they had been doing on behalf of the Funds was being allocated. In response to another question from the Board, he further discussed the status of the alternative plans to be implemented in the event the Advisers and HCMLP were unable to come to an agreement with respect to the transition of services. A further discussion ensued.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

#### Adjournment

As there was no further business to come before the Board, the Board Meeting was adjourned, upon a motion duly made, seconded and unanimously carried.



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Alexander (Lex) F. Smith  
Secretary *Pro Tempore*

## **EXHIBIT 66**

**MINUTES OF THE  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**January 22, 2021**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”), was held telephonically at 2:30 p.m. Central Time on January 22, 2021, pursuant to notice duly given.

The following Board members (“Board Members”) of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>  
Ed Constantino<sup>1, 2</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Lauren Thedford, Esq., Secretary of the Funds and the Advisers and Associate General Counsel of Highland Capital Management, L.P. (“HCMLP”); Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds; D.C. Sauter, Esq., General Counsel, Real Estate of NexPoint Advisors, L.P.; George Zornada, Esq., A. Lee Hogewood III, Esq., Charles Miller, Esq. and Jon-Luc Dupuy, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank

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<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds (collectively, the “Independent Board Members”).

<sup>2</sup> Attended the Board Meeting in his capacity as an NHF Trustee only.

Rome, LLP, counsel to the Independent Trustees of the Funds; Eric Griffith, Esq., Carly Sikora, and Krista Hunsiker, of SEI, the Funds' administrator.

Mr. Powell acted as Chairman of the Board Meeting and Mr. Griffith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting and the related materials via Directors Desk's internet portal (collectively, the "Meeting Materials") and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting, noting that the Board had requested this Meeting in order to receive an update from the Advisers with respect to the HCMLP bankruptcy proceedings, including with respect to the motions filed with respect to the Funds, the current status of shared services arrangements; as well as any other developments with respect prior updates and informational items requested by the Board. Ms. Thedford then disconnected from the Meeting due to her status as an HCMLP employee.

#### **BOARD MEETING**

##### **Update on HCMLP Bankruptcy**

Mr. Norris provided an update with respect to the shared services arrangements with HCMLP. He noted that the audits of Funds with December 31 fiscal year ends were proceeding along in ordinary course. A discussion then ensued regarding plans to ensure that the Funds have the necessary resources to complete the audits on time and that the SOX-certifying officers of the Funds have the information and support to make their required SOX certifications. Mr. Norris confirmed that the Advisers did not feel limited by the temporary restraining orders relating to the HCMLP bankruptcy with respect to access to Fund information. Mr. Norris then updated the board on a number of employee moves from HCMLP to NexPoint. In response to a question, Messrs. Post and Norris confirmed that there was sufficient legal and compliance coverage for the Funds.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

Mr. Norris then provided an update on the negotiations with HCMLP on the transition of shared services. He noted that both sides had agreed in principal on the transition of services and cost sharing but that it was not yet memorialized in a contract and a number of details still needed to be resolved. He confirmed that the Advisers continued to receive full access to information and resources with respect to the Funds. Mr. Norris then discussed the contingency plans if an agreement is ultimately not reached. Throughout the discussion, Messrs. Norris and Sauter responded to questions from the Board Members.

### **Adjournment**

As there was no further business to come before the Board, the Board Meeting was adjourned, upon a motion duly made, seconded and unanimously carried.

[REDACTED]

[REDACTED]

[REDACTED]



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Eric Griffith  
Secretary *Pro Tempore*

## **EXHIBIT 67**

## MINUTES OF THE

## JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS

January 29, 2021

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”) was held telephonically at 10:30 a.m. Central Time on January 29, 2021, pursuant to notice duly given.

The following Board members (“Board Members”) of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>  
Ed Constantino<sup>1, 2</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); James Dondero, President of NexPoint; Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds; D.C. Sauter, Esq., General Counsel at NexPoint Real Estate Advisors, L.P. (“NREA”) an affiliate of the Advisers; Brian Mitts, Executive Vice President of NREA and Executive Vice President and CFO of NRESF; Joe Sowin, Co-Chief Investment Officer of HCMFA; George Zornada, Esq., A. Lee Hogewood, Esq., Charles Miller, Esq. and Jon-Luc Dupuy, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank Rome, LLP, counsel to the Independent Trustees of the Funds; Eric Griffith, Esq., Lex Smith, Esq., Carly Sikora, and Krista Hunsiker, of SEI, the Funds’ administrator.

Mr. Powell acted as Chairman of the Board Meeting and Mr. Smith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting and the related materials via Directors Desk’s internet portal (collectively, the “Meeting Materials”) and that all could hear and be heard. Mr. Norris then provided a brief overview of the matters to be discussed at the Board Meeting. It was


<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds (collectively, the “Independent Board Members”).

<sup>2</sup> Attended the Board Meeting in his capacity as an NHF Trustee only.

## **BOARD MEETING**

### **Update on Highland Capital Management, L.P. (“HCMLP”) Bankruptcy**

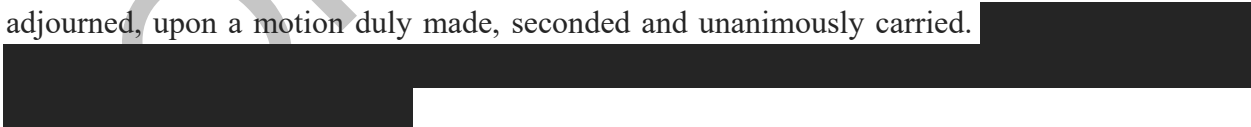
Mr. Powell noted that the Board had received an update on the shared services agreements (the “Shared Services Agreements”) between the Advisers and HCMLP in Executive Session. Mr. Norris, in response to questions from the Board, then discussed the open issues between the Advisers and HCMLP in connection with resolution of the shared services arrangements, including certain payments and offsets under the Shared Services Agreements and their possible extension.



As previously requested by the Board, Mr. Norris then discussed the contingency plan if the Advisers lose access to certain systems and functions currently provided by HCMLP. He and Mr. Sowin confirmed that the Advisers’ investment professionals would still be able to perform their required duties and responsibilities to the Funds and that effective alternative systems had been identified and were being implemented. Mr. Norris further addressed the back-up plans for accounting and valuation, noting that SEI’s role in the process would remain unchanged. Mr. Norris concluded by discussing potential changes to the SOX-certifying officers of the Funds and the plan for updating the Funds’ auditors with respect to the status of the transition. The Board requested that they continue to receive timely status updates with respect to the transition of the shared services arrangements and noted the Board’s request to meet on a regular basis with the Advisers in addition to continuing to receive weekly written updates.

### **Adjournment**

As there was no further business to come before the Board, the Board Meeting was adjourned, upon a motion duly made, seconded and unanimously carried.



Alexander (Lex) F. Smith  
Secretary *Pro Tempore*

## **EXHIBIT 68**

001805

**MINUTES OF THE  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**February 1, 2021**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”), was held telephonically at 12:30 p.m. Central Time on February 1, 2021, pursuant to notice duly given.

The following Board members (“Board Members”) of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>  
Ed Constantino<sup>1, 2</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); James Dondero, President of NexPoint; Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds; D.C. Sauter, Esq., General Counsel, Real Estate of NexPoint Advisors, L.P.; George Zornada, Esq., A. Lee Hogewood III, Esq., Charles Miller, Esq. and Jon-Luc Dupuy, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank

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<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds (collectively, the “Independent Board Members”).

<sup>2</sup> Attended the Board Meeting in his capacity as an NHF Trustee only.



Rome, LLP, counsel to the Independent Trustees of the Funds; Eric Griffith, Esq., Lex Smith, Esq., Carly Sikora, and Krista Hunsiker, of SEI, the Funds’ administrator.

Mr. Powell acted as Chairman of the Board Meeting and Mr. Griffith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting and the related materials via Directors Desk’s internet portal (collectively, the “Meeting Materials”) and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting, noting that the Board had requested this Meeting in order to receive an update from the Advisers with respect to the HCMLP bankruptcy proceedings, including with respect to the motions filed with respect to the Funds, the current status of shared services arrangements; as well as any other developments with respect prior updates and informational items requested by the Board.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

### Adjournment

As there was no further business to come before the Board, the Board Meeting was adjourned, upon a motion duly made, seconded and unanimously carried.



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Eric Griffith  
Secretary *Pro Tempore*

CONFIDENTIAL

## **EXHIBIT 69**

001810

**MINUTES OF THE  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**February 8, 2021**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”) was held telephonically at 2:00 p.m. Central Time on February 8, 2021, pursuant to notice duly given.

The following Board members (“Board Members”) of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>  
Ed Constantino<sup>1, 2</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Lauren Thedford, Esq., Secretary of the Funds and the Advisers and Associate General Counsel of Highland Capital Management, L.P. (“HCMLP”); James Dondero, President of NexPoint; Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds; D.C. Sauter, Esq., General Counsel at NexPoint Real Estate Advisors, L.P. (“NREA”) an affiliate of the Advisers; Brian Mitts, Executive Vice President of NREA and Executive Vice President and CFO of NRESF; Joe Sowin, Co-Chief Investment Officer of HCMFA; David Klos, Chief Accounting Officer of HCMLP and Assistant Treasurer of the Funds; Frank Waterhouse, Treasurer of the Advisers and the Funds; George Zornada, Esq., A. Lee Hogewood, Esq., Charles Miller, Esq. and Jon-Luc Dupuy, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank Rome, LLP, counsel to the Independent Board Members of the Funds; Eric Griffith, Esq., Lex Smith, Esq., Carly Sikora, and Krista Hunsiker, of SEI, the Funds’ administrator.

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<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds (collectively, the “Independent Board Members”).

<sup>2</sup> Attended the Board Meeting in his capacity as an NHF Trustee only.

Mr. Powell acted as Chairman of the Board Meeting and Mr. Smith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting and the related materials via Directors Desk's internet portal (collectively, the "Meeting Materials") and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting.

## **BOARD MEETING**

### **Update on HCMLP Bankruptcy**

Mr. Norris updated the Board on the extension of the shared services agreements (the "Shared Services Agreements") between the Advisers and HCMLP and the proposed fee split of ongoing expenses between the Advisers and HCMLP and provided an update on the status of the negotiations and confirmed the Advisers' ongoing good faith efforts in this regard. The Board reiterated as discussed previously with the Advisers the importance of a smooth transition with respect to the services provided to the Funds so that there would no interruption of services and that the Advisers should take all actions necessary to accomplish such a smooth transition, including with respect to any ongoing negotiations between HCMLP and the Advisers, as well as with the continued work on the contingency plan in the event negotiations were unsuccessful.

[REDACTED]

Mr. Norris then discussed the transition of services to a newly-formed entity ("NewCo"), which would replace the functions currently provided to the Advisers by HCMLP. Mr. Waterhouse discussed the build out of NewCo's own network and the implementation timing. A discussion ensued with the Board about NewCo's capitalization, leadership, staffing and technology infrastructure. In response to a Board Member's question, Mr. Norris indicated that NewCo would be 100% employee owned and there was no affiliation with Mr. Dondero.

[REDACTED]

Mr. Norris also noted that the Funds' advisory fees would not change and discussed other costs not related to the Funds that the Advisers would no longer be required to pay to HCMLP. Mr. Norris also discussed the current open items relating to the transition of the shared services and confirmed his confidence that the Advisers were comfortable that such items were close to completion. Throughout the discussion, the Board Members raised certain follow up questions and requested that the Advisers provide additional information and report back, including: an analysis of the specific functions currently being

provided under the Shared Services Agreements and how they would be provided going forward, as well as what the potential issues might be that might impact a smooth transition and how these were being addressed. The Board also requested that the Advisers continue to keep the Funds' auditors updated as to the status of the transition.

Mr. Waterhouse, Ms. Thedford, and Mr. Klos then dropped off the call.

Mr. Norris then provided additional details about the status of the Shared Services Agreements, settlement negotiations between the Advisers and HCMLP, and with respect to the status of certain bankruptcy related matters included [REDACTED] technology contingency plans, [REDACTED]  
[REDACTED]

### **Adjournment**

As there was no further business to come before the Board, the Board Meeting was adjourned, upon a motion duly made, seconded and unanimously carried.

[REDACTED]



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Alexander (Lex) F. Smith  
Secretary *Pro Tempore*



## **EXHIBIT 70**

001814

**MINUTES OF THE  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**February 10, 2021**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”) was held telephonically at 5:45 p.m. Central Time on February 10, 2021, pursuant to notice duly given.

The following Board members (“Board Members”) of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>  
Ed Constantino<sup>1, 2</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds; D.C. Sauter, Esq., General Counsel at NexPoint Real Estate Advisors, L.P. (“NREA”) an affiliate of the Advisers; Brian Mitts, Executive Vice President of NREA and Executive Vice President and CFO of NRESF; George Zornada, Esq., A. Lee Hogewood III, Esq., Charles Miller, Esq. and Jon-Luc Dupuy, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank Rome, LLP, counsel to the Independent Board Members of the Funds; Lex Smith, Esq., Carly Sikora, and Krista Hunsiker, of SEI, the Funds’ administrator.

Mr. Powell acted as Chairman of the Board Meeting and Mr. Smith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to

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<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds (collectively, the “Independent Board Members”).

<sup>2</sup> Attended the Board Meeting in his capacity as an NHF Trustee only.

access the notice and agenda for the Board Meeting and the related materials via Directors Desk's internet portal (collectively, the "Meeting Materials") and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting.

### **BOARD MEETING**

#### **Update on Highland Capital Management, L.P. ("HCMLP") Bankruptcy**

Mr. Norris provided an update on the shared services agreements (the "Shared Services Agreements") between the Advisers and HCMLP and the transition services proposed to be provided thereunder. He noted the frequent updates to the Board and discussed the current draft of the agreement between the Advisers and HCMLP regarding payments for these transition services, noting that a draft of the relevant document had been turned each day between the Adviser and HCMLP and the Advisers believed the process was moving in the right direction. He noted the Advisers were still waiting for a response from HCMLP on a request for an extension on the termination of the current Shared Services Agreements to coincide with the release of certain employees from their employment with HCMLP.

[REDACTED]. In response to one question from the Board, Mr. Norris confirmed that SEI struck the daily NAV for the Funds and that the Advisers have the necessary staffing in place in terms of oversight of this function so that the status of the Shared Services Agreements should not impact the daily NAV function. Throughout the discussion, the representatives of the Advisers also reviewed and provided responses to the various follow up questions raised by the Board previously.

[REDACTED]

Mr. Sowin then provided an update on the Advisers' contingency plans with respect to investment management activities and the availability of adequate trading platforms. In response to a Board member question, Mr. Sowin described specific trading and other operational functions, including valuation, that could be accessed and maintained by the Advisers and the Funds. The Board stressed the importance to the Funds and its shareholders that the Advisers confirm that processes be in place to ensure no interruption in services to the Funds. Mr. Norris indicated that gaps and risks that had been identified had been addressed, back up systems had been tested,

oversight and critical risk functions had been put in place and the Advisers were ready to operate upon transition without interruption of Fund services and did not foresee any diminution of services. He also noted the enhancements to the valuation processes and team that had been built in over the past year, which was helpful to being in a strong position in this regard upon termination of the shared services arrangements. He also discussed the status of certain data currently being held by HCMLP, noting none of it was required in the short term.

Mr. Post then provided an update on the Advisers' contingency plans to ensure the effective continuity of the Funds' and the Advisers' compliance and oversight functions, including systems and personnel, noting he believed functions were all in order for a smooth transition, if needed.

### **Adjournment**

As there was no further business to come before the Board, the Board Meeting was adjourned, upon a motion duly made, seconded and unanimously carried.



A handwritten signature in dark ink, appearing to read "AR F Smith", is written above a horizontal line. The signature is cursive and somewhat stylized.

Alexander (Lex) F. Smith  
Secretary *Pro Tempore*

## **EXHIBIT 71**

**MINUTES OF THE  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**February 17, 2021**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”) was held telephonically at 6:00 p.m. Central Time on February 17, 2021, pursuant to notice duly given.

The following Board members (“Board Members”) of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>  
Ed Constantino<sup>1, 2</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Frank Waterhouse, Treasurer of the Adviser and the Funds; Lauren Thedford, Esq., Secretary of the Funds and the Advisers and Associate General Counsel of Highland Capital Management, L.P. (“HCMLP”); David Klos, Chief Accounting Officer of HCMLP and Assistant Treasurer of the Funds; James Dondero, President of NexPoint; Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds; Michael Pusateri, Chief Executive Officer of Siepe; D.C. Sauter, Esq., General Counsel at NexPoint; George Zornada, Esq. Lee Hogewood, Esq., Charles Miller, Esq. and Jon-Luc Dupuy, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank Rome, LLP, counsel to the Independent Trustees of the Funds; Eric Griffith, Esq., Lex Smith, Esq., Carly Sikora, and Krista Hunsiker, of SEI, the Funds’ administrator.

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<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds (collectively, the “Independent Board Members” or “Independent Trustees”).

<sup>2</sup> Attended the Board Meeting in his capacity as an NHF Trustee only.

Mr. Powell acted as Chairman of the Board Meeting and Mr. Griffith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting and the related materials via Directors Desk's internet portal (collectively, the "Meeting Materials") and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting.

### **BOARD MEETING**

Mr. Norris first provided an update on the termination of the shared services agreement (the "Shared Services Agreement") between the Advisers and HCMLP, as well as an update on the personnel moves from HCMLP to a newly-formed entity ("NewCo") and to NexPoint. Mr. Norris noted that HCMLP had agreed to extend the termination date of the Shared Services Agreement until February 19, 2021, but that HCMLP had decided to delay the transition of certain key HCMLP employees to NewCo until February 28, 2021. Mr. Norris noted that these employees included Ms. Thedford, the Secretary of the Funds, and Mr. Klos, the Assistant Treasurer of the Funds. In light of this potential gap in coverage of Fund services, Mr. Norris stated that the Advisers were recommending to the Board that Mr. Mitts be elected as Principal Executive Officer, Principal Financial Officer and/or Assistant Treasurer of the Funds, and that Mr. Wilmore be elected Secretary of the Funds. Mr. Norris then reviewed the qualifications and relevant experiences of both Mr. Mitts and Mr. Wilmore to serve in these Fund officer roles and addressed questions from the Board Members regarding the same. He noted the discussion with the Board at a prior meeting with respect to Mr. Mitt's background, and reviewed again Mr. Mitts level of involvement with the Funds as well as noting that he had previously already held this same role for one of the Funds. Mr. Norris stated that Ms. Thedford and Mr. Klos would formally resign their Fund officer roles shortly after the appointment of the new officers, noting that the intention would be to seek reelection of Ms. Thedford and Mr. Klos to their previous officer roles once the transition away from HCMLP was completed. He indicated that Ms. Thedford would continue in her same role with respect to services to the Funds notwithstanding she was not an officer and that he did not foresee any impact to services to the Funds. In response to a question from the Board, he also indicate that K&L and SEI were also prepared to step in with respect to any potential gaps in this area. Throughout his discussion, Mr. Norris addressed questions from the Independent Board Members, including the reasons for the proposed timeline with respect to the transition of staffing.

[REDACTED]

[REDACTED]



**PAGES 3 - 4 ARE FULLY REDACTED  
AND HAVE BEEN REMOVED**

[REDACTED]

Mr. Norris then provided additional details relating to the current negotiations with HCMLP as to transition matters. He confirmed that the Advisers have been attempting to negotiate in good faith and that after some delay HCMLP has most recently introduced certain new terms that were not open for negotiation. Further discussion ensued during which the Board expressed and Mr. Norris agreed on the importance of the Funds and the shareholders not being pulled in to any issues between the Advisers and HCMLP that relate to bankruptcy matters. He indicated that SEI and the Advisers were prepared to strike NAVs for the Funds on Monday if services are terminated by HCMLP. He then discussed certain key risk areas in light of the transition of services, with a focus on systems and data, and then summarized the Advisers' efforts to date to address those risk areas, which included the hiring of Siepe, a third-party firm specializing in meeting the technology needs of asset managers.

Mr. Pusateri, the CEO of Siepe, then joined the Meeting and provided the Board with a detailed overview of the technology solutions created by Siepe to address the information technology and trading requirements of NewCo and the Advisers. Mr. Pusateri noted that the new IT system is fully independent from HCMLP's network and has all the necessary security and encryption protocols expected of an SEC compliant manager. In response to a question from an Independent Board Member, Mr. Pusateri noted that mock trades were conducted in the prior week and confirmed that all IT and trading systems successfully operated as expected. He indicated that the potential risks relating to the transition had already been mitigated or addressed. He discussed the background and experience of Siepe, as well as his own, including his prior work with HCMLP, which provided him with familiarity on both sides. He then reviewed the ownership and capital structure of Siepe and noted that Siepe had separate agreements in place with NexPoint and the Funds. Throughout his presentation, Mr. Pusateri addressed questions from the Board Members, including as regards system redundancies. After further discussion, Mr. Pusateri then dropped off the call.

Further discussion then ensued with respect to the impact of any data not immediately transferred by HCMLP, during which Mr. Norris confirmed that the Advisers and other service providers already had access to the necessary data and systems to prevent any disruption in services including with respect to any Fund audits. He indicated that SEI generally performs the majority of the work on the audits with the Advisers in an oversight role and that all necessary files and data are at SEI.

In response to a question from the Board, Mr. Norris indicated that apart from the potential lack of access to the Advisers' current offices and the later transition of certain staff as discussed, the Advisers did not believe there were any key data, equipment or staff missing that would impact the Funds. He confirmed the Advisers felt comfortable that all services and functions generally are ready to operate smoothly on Monday with no negative impact on the Funds or shareholders and that the Advisers were committed to taking any action necessary to make this happen. Mr. Soven then discussed potential matters relating to trading and how those have been addressed and noted the successful results from testing that had been done. In response to another question, Mr. Norris also discussed how other clients of the Advisers were addressing the transition of services.

Mr. Dondero and Mr. Sauter then provided an update on the HCMLP bankruptcy proceedings, including the current status of the confirmation of the HCMLP plan of reorganization. A discussion ensued, including as regards the Funds' current CLO holdings.

Ms. Louizos then noted for the record that Mr. Seery had recently sent written correspondence to the Board concerning the transition of shared services and related matters and that she subsequently had a call with HCMLP counsel. She noted to the Board that the correspondence did not acknowledge or address the prior correspondence that had been sent by the Funds at the request of the Board, which had requested that HCMLP work with the Advisers to ensure a smooth transition of services and that HCMLP counsel had indicated they were not made aware of this letter by HCMLP before sending the initial correspondence from Mr. Seery. A discussion then ensued, including a review of all of the actions the Board has taken to oversee the transition of services including frequent meetings and follow up items for the Advisers, as well as reaching out to HCMLP, in order to ensure that the Funds and its shareholders would not be impacted by any change. After further consideration, the Independent Board Members determined that it was not appropriate, nor was it in the best interest of the Funds, to respond to Mr. Seery's correspondence directly although such correspondence was provided to and discussed with the Advisers. The Board noted that the Board's focus, as it has been throughout the HCMLP bankruptcy proceedings, remained on the Funds and their shareholders and ensuring that services and operations provided by service providers continue at the same level and quality with no interruption, and further, that it was not appropriate and that the Board would not participate in the negotiations and dealings between the Advisers and HCMLP relating to the firms' own business concerns and operations in connection with bankruptcy-related matters.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

### Adjournment

As there was no further business to come before the Board, the Board Meeting was adjourned.



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Eric Griffith  
Secretary *Pro Tempore*

## **EXHIBIT 72**

001824

**MINUTES OF THE  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**February 21, 2021**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”) was held telephonically at 7:15 p.m. Central Time on February 21, 2021, pursuant to notice duly given.

The following Board members (“Board Members”) of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>  
Ed Constantino<sup>1, 2</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds; Brian Mitts, Executive Vice President of NexPoint Real Estate Advisors, L.P. (“NREA”) and affiliate of the Advisers and Executive Vice President and CFO of NRESF; D.C. Sauter, Esq., General Counsel at NREA; George Zornada, Esq., A. Lee Hogewood III, Esq., Charles Miller, Esq. and Jon-Luc Dupuy, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank Rome, LLP, counsel to the Independent Trustees of the Funds; Lex Smith, Esq. and Krista Hunsiker, of SEI, the Funds’ administrator.

Mr. Powell acted as Chairman of the Board Meeting, and Mr. Smith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell then confirmed with the Board Members and the Board Meeting participants that they had been able to

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<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds (collectively, the “Independent Board Members”).


<sup>2</sup> Attended the Board Meeting in his capacity as an NHF Trustee only.

access the notice and agenda for the Board Meeting and the related materials via Directors Desk's internet portal (collectively, the "Meeting Materials") and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting.

### **BOARD MEETING**

#### **Update on HCMLP Bankruptcy**

Mr. Norris provided an update since the last update call with the Board on February 17, 2021, on the upcoming termination of the shared services agreement (the "Shared Services Agreement") between the Advisers and HCMLP. He noted that the Advisers and HCMLP had been unable to agree on terms relating to the provision of transition services following such termination notwithstanding good faith efforts by the Advisers to reach a settlement. As a result, the Advisers have been moving forward with the contingency plans that had previously been discussed with the Board. He stated that the Advisers were ready to implement them upon termination of the Shared Services Agreement. Mr. Norris summarized these contingency plans for the Board and answered a number of specific questions from the Board regarding such plans. He also noted that a consultant and former employee who serviced the Funds in a fund accounting role had been engaged to provide additional audit support, as recommended by the Board. He then provided an update on personnel moves to a newly-formed entity ("NewCo") and NexPoint, which he anticipated would be fully functional in approximately a week. In response to a question, he indicated that he did not believe there were any risks that key team members would not transition. During the discussion, the Board also noted that it would request additional follow up information relating to NewCo at subsequent meetings but noted the continuity of services at the present time.



A discussion then ensued with respect to the letter from HCMLP with respect to the termination of the Shared Service Agreement. Mr. Norris noted that while not critical, HCMLP's indication that it would provide access to any data needed by the Advisers, as necessary, was also a positive development. In response to a question from the Board, he confirmed that SAI had all of the data it needed to strike Fund NAVs.

A further discussion then ensued between the Board and Adviser personnel about the operational environment and continuity plans following termination of the Shared Services Agreement. Mr. Norris explained in detail all of the systems, personnel and operating capacities of the Advisers and the Funds and their ability to ensure effective functionality without assistance from HCMLP. He confirmed that the Advisers and all supporting service providers were prepared and the Advisers were confident that there would be no interruption to the services and functions provided to the Funds and their shareholders and that it would be business as usual and that the

Advisers were in a good position and ready to implement the plans effective as of the termination date. In response to another question from the Board, he then reviewed the anticipated steps and how the first day post-termination of the Shared Services Agreement would operate. The Board requested that the Advisers continue to provide an update subsequent to the transition.

### **Adjournment**

As there was no further business to come before the Board, the Board Meeting was adjourned, upon a motion duly made, seconded and unanimously carried.



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Alexander (Lex) F. Smith  
Secretary *Pro Tempore*



## **EXHIBIT 73**

001828

**MINUTES OF THE  
JOINT MEETING OF THE GOVERNANCE AND COMPLIANCE COMMITTEES  
JOINT MEETING OF THE DISTRIBUTION AND ALTERNATIVES OVERSIGHT COMMITTEES  
JOINT MEETING OF THE AUDIT QUALIFIED LEGAL COMPLIANCE COMMITTEES  
JOINT MEETING OF THE BOARDS OF TRUSTEES AND DIRECTORS**

**February 26, 2021**

A Joint Meeting (the “Board Meeting”) of the Boards of Trustees of Highland Funds I (“HFI”), Highland Funds II (“HFII”), NexPoint Strategic Opportunities Fund (“NHF”), NexPoint Real Estate Strategies Fund (“NRESF”), Highland Income Fund (“HFRO”) and Highland Global Allocation Fund (“GAF”), and of the Board of Directors of NexPoint Capital, Inc. (the “BDC”) (together, the “Board”), an Audit and Qualified Legal Compliance Committee Meeting (the “Audit Committee Meeting”), a Meeting of the Governance and Compliance Committee (the “Governance Committee Meeting”) and a Meeting of the Alternatives and Distribution Oversight Committee (the “Distribution Oversight Committee Meeting,” and, together with the Board Meeting, the “Meetings”) were held virtually via WebEx at 9:00 a.m. Central Time on February 26, 2021, pursuant to notice duly given.

The following Board members (“Board Members”), constituting all of the Board Members of each of the above-listed funds (collectively, the “Funds” or the “Fund Complex”), attended the Meetings:

Dr. Bob Froehlich<sup>1</sup>  
John Honis  
Ethan Powell<sup>1</sup>  
Bryan A. Ward<sup>1</sup>  
Ed Constantino<sup>1, 2</sup>

The following persons participated at the invitation of the Board for all or a portion of the Meetings as set forth below: Jason Post, Chief Compliance Officer of the Funds and of Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and, together with HCMFA, the “Advisers”); Lauren Thedford, Esq., Secretary of the Advisers and Associate General Counsel of Highland Capital Management, L.P. (“HCMLP”); James Dondero, President of NexPoint; Will Mabry, Senior Manager, Fund Analysis at HCMFA; Brian Collins, Director of Human Resources at HCMLP; Lucy Bannon, Director of Public Relations and Communications at HCMLP; J.P. Sevilla, Co-head of Private Equity and Assistant General Counsel at HCMLP; David Klos, Chief Accounting Officer at HCMLP; Brad Heiss, Managing Director at HCMFA; Eric Fritz, Portfolio Director at HCMFA; Dustin Norris, Head of Distribution and Chief Product Strategist at NexPoint and Executive Vice President of the Funds; Kevin

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<sup>1</sup> Each of these board members is deemed not to be an interested person, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”), of the Funds (collectively, the “Independent Board Members”).

<sup>2</sup> Attended the Board Meeting in his capacity as an NHF Trustee only.

Fullmer, Director, Product Strategy at NexPoint; Scott Simon, Director, Product Strategy at NexPoint; Brian Mitts, Principal Financial Officer and Principal Executive Officer of the Funds, Executive Vice President of NexPoint Real Estate Advisors, L.P. (“NREA”) and Executive Vice President and CFO of NRESF; D.C. Sauter, Esq., General Counsel at NexPoint Real Estate Advisors, L.P. (“NREA”) an affiliate of the Advisers; Matt McGraner, Managing Director at NexPoint; Matt Goetz, Director of Real Estate at NexPoint; Joe Sowin, Co-Chief Investment Officer of HCMFA; Scott Ellington, Esq., former counsel of HCMLP; Jon-Luc Dupuy, Esq., A. Lee Hogewood, Esq., Charles Miller, Esq., and George Zornada, Esq. of K&L Gates LLP, counsel to the Advisers and the Funds; Stacy Louizos, Esq. of Blank Rome, LLP, counsel to the Independent Trustees of the Funds (“Independent Trustee Counsel”); Eric Griffith, Esq., Lex Smith, Esq., Carly Sikora, Krista Hunsiker, Mike Lenox, Rob Owens, and Steve Connors, of SEI, the Funds’ administrator; and Lori Novak<sup>3</sup> and Lindsay Selick<sup>3</sup> from Cohen & Company (“Cohen”).

Mr. Powell acted as Chairman of the Board Meeting and Mr. Griffith documented the proceedings. A quorum being present, the Board Meeting was called to order. Mr. Powell confirmed with the Board Members and the Board Meeting participants that they had been able to access the notice and agenda for the Board Meeting and the related materials via Directors Desk’s internet portal (collectively, the “Meeting Materials”) and that all could hear and be heard. Mr. Powell then provided a brief overview of the matters to be discussed at the Board Meeting.

Mr. Powell noted that the order in which certain agenda items would be discussed at the Board Meeting may vary from the order listed in the agenda depending on, among other things, the availability of certain Meeting participants. He further noted that, while each proposed resolution would be discussed during the normal course of the Board Meeting, formal approval of such resolutions would be sought at the end of the Board Meeting.

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[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

**GOVERNANCE AND COMPLIANCE COMMITTEE MEETING**

At this time, the members of the Governance and Compliance Committees (the “Governance Committee”) of the Board (composed of Messrs. Froehlich, Ward and Powell) convened the Governance Committee Meeting with Mr. Froehlich serving as Chair.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Update on HCMLP Litigation Matters Relating to the Funds

Mr. Sauter then discussed a recent motion brought before the bankruptcy court by HCMLP relating to the adequacy of the transition plan for the shared services in light of the terminating Shared Services Agreements, noting that the motion was ultimately rendered moot in view of the actions taken in connection with the transition. Mr. Norris then described his recent testimony with respect to this motion, including with respect to the due diligence of the Board in keeping updated with respect to the transition and the number of frequent meetings and executive sessions held by the Board in this regard. Personnel from the Adviser discussed with the Board all of the actions that have been taken to ensure a smooth transition following termination of the Shared Services Agreement. It was noted that HCMLP's attorney had communicated with the SEC to alert them to potential risks to the Funds relating to the transition of shared services. A discussion then ensued regarding the potential implications of this communication and whether any action was necessary by the Funds to correct this communication in view of the actions that had been taken to address any potential risks and to ensure a smooth transition. Fund counsel noted that it was likely that the staff had heard such details in connection with the hearing on the motion. After further discussion, Messrs. Hogewood, Sauter and Sevilla departed the Meeting.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[illegible]



[REDACTED]

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[REDACTED]

## Update on Shared Services Agreements

Mr. Norris provided an update on the shared services arrangements and employee transitions. He indicated that there would be no impact as a result of certain employees not transitioning to the Advisers and discussed the team in place and their qualifications. He noted that the current shared services arrangements with HCMLP would cease at the end of February and that the Advisers wish to move forward with new Shared Services Agreements between each

Adviser and NewCo. He then stated that these Agreements were in the process of being drafted and finalized and will be reviewed with the Board at its next meeting. He indicated that there had been no major issues in connection with the transition and that the personnel from the Advisers had met with HCMLP with respect to data files and are comfortable that HCMLP will be providing the necessary information. In response to a question from the Board, he indicated that there was not an immediate need for such data and confirmed that the Advisers had the data and information files they needed with respect to Fund operations and services. He also discussed that the majority of Adviser employees are working remotely with no issues.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**PAGES 11 - 46 ARE FULLY REDACTED  
AND HAVE BEEN REMOVED**

[REDACTED]

**Adjournment**

As there was no further business to come before the Board, the Board Meeting was adjourned.



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Eric Griffith  
Secretary *Pro Tempore*

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## **EXHIBIT 74**

001839

Materials contained a copy of the press release dated January 16, 2020 which provided a detailed update on the reorganization proceedings resulting from the January 9, 2020 hearing.

Next, Mr. Surgent described to the Board the new governance structure of HCMLP, as mutually agreed upon by HCMLP and the committee of unsecured creditors (the “Committee”), that was approved by the Court at the January 9, 2020 hearing. Mr. Surgent provided details of the formation and appointment of a new, three-member independent Board of Directors (“Independent Board”) of Strand Advisors, Inc. (“Strand”), HCMLP’s general partner, and the corresponding resignation of Mr. Dondero from his officer position at HCMLP and his director position with Strand. Mr. Surgent stated that Mr. Dondero would remain an employee of HCMLP and would continue to act as portfolio manager/co-portfolio manager to applicable HCMLP-advised funds, subject to the supervision and control of the Independent Board. Mr. Surgent noted that the governance structures of the other Highland entities, including without limitation HCMFA, NexPoint, NexPoint Real Estate Advisors, L.P., and all Funds and accounts advised by those entities, remained unchanged.

With respect to the Independent Board, Mr. Surgent noted that the three individuals selected were highly qualified, possessing investment management knowledge and expertise relevant to HCMLP, and had extensive experience in corporate restructurings and reorganizations. He noted that biographies for all three members of the Independent Board were emailed to the Trustees on January 10, 2020.

With respect to reporting structure, Mr. Surgent stated that Mr. Dondero reports up to the Independent Board, and that the Independent Board makes the final decision with respect to matters concerning HCMLP. Mr. Powell noted that he had been in communication with the Adviser, including Mr. Dondero, during the transition.

In response to a question raised by the Board, Ms. Thedford and Mr. Post clarified that the HCMLP bankruptcy did not impact the ability of any of the Funds to make repurchases under their Board authorized repurchase programs but that HFRO, HGLB and NHF were evaluating future repurchases and timing after consideration of reserves necessary for anticipated fund expenses and contingencies.

Mr. Norris discussed the shared services arrangements that each Adviser is a party to with HCMLP pursuant to which the Adviser may utilize employees from HCMLP for the provision of various services such as human resources, accounting, valuation, information technology services, compliance and legal. Mr. Norris noted, however, that many of these “third party” services are readily available on the open market.

[REDACTED]

[REDACTED]

## **EXHIBIT 75**

001841



Highland Capital Management, L.P.

Row Labels	Sum of Count
Eagle Equity Advisors, LLC	1
Highland Capital Management (Singapore) Pte Ltd	1
Highland Capital Management Fund Advisors, L.P. (HCMFA)	7
Highland Capital Management Korea Limited (HCMLP)	2
Highland Capital Management, L.P. (HCMLP)	74
NexPoint Advisors, L.P. (NPA)	17
NexPoint Hospitality Trust (NHT)	1
NexPoint Residential Trust, Inc. (NXRT)	3
NexPoint Securities, Inc. (NSI)	29
Vinebrook Homes Trust, Inc. (Vinebrook)	1
Grand Total	136

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Name	Title	Department	Employing Entity	Dual Employee?	Location	Investments or Back Office
Williams, Andy	Managing Director	Insurance Products	Eagle Equity Advisors, LLC		Dallas	Investment Professionals
Adkins, Paul N	Managing Director	Marketing	Highland Capital Management (Singapore) Pte Ltd		Asia	Back Office
Fritz, Eric	Director	Equity	Highland Capital Management Fund Advisors, L.P. (HCMFA)		Dallas	Investment Professionals
Heiss, Bradford	Managing Director	Equity	Highland Capital Management Fund Advisors, L.P. (HCMFA)		Dallas	Investment Professionals
Hurley, Mike	Chief Market Strategist	Equity	Highland Capital Management Fund Advisors, L.P. (HCMFA)		Dallas	Investment Professionals
Kouzmenko, Svetlana	Director of Operations	Wealth Management	Highland Capital Management Fund Advisors, L.P. (HCMFA)		Dallas	Back Office
Pearson, Matt	Trader	Equity	Highland Capital Management Fund Advisors, L.P. (HCMFA)		Dallas	Investment Professionals
Soto, Hailey	Executive Assistant	Office Administration	Highland Capital Management Fund Advisors, L.P. (HCMFA)		Dallas	Back Office
Sowin, Joe	Co-IO and Head of Global Equity Trading	Equity	Highland Capital Management Fund Advisors, L.P. (HCMFA)		Dallas	Investment Professionals
Lee, Woenjun	Director, Private Equity	Private Equity	Highland Capital Management Korea Limited (HCMPLP)		Asia	Investment Professionals
Park, Jun	Director of Business Development, Korea	Marketing	Highland Capital Management Korea Limited (HCMPLP)		Asia	Back Office
Abayarathna, Sahan	Par Credit Analyst	Research	Highland Capital Management, L.P. (HCMPLP)		Dallas	Investment Professionals
Baker, Lauren	PR & Communications Assistant	Public Relations	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Bannon, Lucy	Director of Public Relations and Communications	Public Relations	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Baynard, Cameron	Managing Director	Private Equity	Highland Capital Management, L.P. (HCMPLP)		Dallas	Investment Professionals
Broadbush, Paul	Senior Manager, Tax	Tax	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Burns, Nathan	Managing Director	Research	Highland Capital Management, L.P. (HCMPLP)		Dallas	Investment Professionals
Carter, Jerome D	Junior Network Engineer	IT - Infrastructure	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Chisum, Naomi	Executive Assistant	Office Administration	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Clark, Stetson	Operations Analyst	Operations	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Collins, Brian	Director of Human Resources	Human Resources	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Cotton, Austin	Fund Analyst	Fund Accounting	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Cournoyer, Tim	Assistant General Counsel	Legal	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Covitz, Hunter	Head of Structured Products	Structured Products	Highland Capital Management, L.P. (HCMPLP)		Dallas	Investment Professionals
DiOrto, Matthew	Director	Legal	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Dondero, James	Partner	Executive	Highland Capital Management, L.P. (HCMPLP)		Dallas	Investment Professionals
Duffy, Will	Valuation Analyst	Valuation	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Eftekhari, Cyrus	Senior Compliance Analyst	Legal	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Elason, Hayley	Corporate Accountant	Corporate Accounting	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Ellington, Scott	Partner, Chief Legal Officer and General Counsel	Legal	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Fox, Sean	Director	Private Equity	Highland Capital Management, L.P. (HCMPLP)		Dallas	Investment Professionals
Gatzki, Kent	Facilities Manager	Finance	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Goldsmith, Sarah	Executive Assistant	Office Administration	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Gosserand, William	Senior Systems/Network Engineer	IT - Infrastructure	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Graves, Vanessa	Executive Assistant	Office Administration	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Gray, Matthew R	Managing Director	Research	Highland Capital Management, L.P. (HCMPLP)		Dallas	Investment Professionals
Groff, Scott	Director of Corporate Safety	Executive Support	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Hale, Sarah	Executive Assistant	Office Administration	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Haltom, Steven	Senior Operations Analyst	Operations	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Hendrix, Kristin	Manager, Corporate Accounting	Corporate Accounting	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Hoedebeck, Charlie	Senior Fund Analyst	Fund Accounting	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Yang, Katie	Director, Business Development	Legal	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Chen, Ajit	Director, Risk and Financial Engineering	Risk Management	Highland Capital Management, L.P. (HCMPLP)		Dallas	Investment Professionals
Chen, Bhawika	Risk Analyst	Risk Management	Highland Capital Management, L.P. (HCMPLP)		Dallas	Investment Professionals
Cheng, Michael	Director, Healthcare	Research	Highland Capital Management, L.P. (HCMPLP)		Dallas	Investment Professionals
Chen, Helen	Paralegal	Legal	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Kinder, Travis	Fund Analyst	Fund Accounting	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Klos, David	Controller	Finance	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Movelan, Kari	Recruiting Manager	Human Resources	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Lee, Jae	Senior Tax Analyst	Tax	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Leventon, Isaac	Assistant General Counsel	Legal	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Loiben, Tara	Executive Assistant	Office Administration	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office
Luu, Joye	Operations Analyst	Operations	Highland Capital Management, L.P. (HCMPLP)		Dallas	Back Office

Name	Title	Department	Employing Entity	Dual Employee?	Location	Investments or Back Office
Mabry, Will	Senior Manager, Fund Analysis	Fund Accounting	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
McKay, Brad	Operations Analyst	Operations	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Mills, James	Senior Financial Analyst, Valuation	Valuation	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Navejas, Mariana	Executive Assistant	Office Administration	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Nikolayev, Yegor	Par Credit Analyst	Research	Highland Capital Management, L.P. (HCMLP)		Dallas	Investment Professionals
Owens, David	Sr. Trading & Structured Products Analyst	Trading	Highland Capital Management, L.P. (HCMLP)		Dallas	Investment Professionals
Parker, Lee B	Partner, Head of Private Equity	Private Equity	Highland Capital Management, L.P. (HCMLP)	HCMFA, NPA	Dallas	Investment Professionals
Patel, Vishal	Manager, Operations	Operations	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Patrick, Mark	Tax Counsel	Tax	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Poglititsch, Jon M	Head of Credit Research	Research	Highland Capital Management, L.P. (HCMLP)		Dallas	Investment Professionals
Post, Robert	Chief Compliance Officer, Highland Funds	Legal	Highland Capital Management, L.P. (HCMLP)	HCMFA, NPA	Dallas	Back Office
Rice, Chris	Fund Analyst	Fund Accounting	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Richardson, Kellie	Executive Assistant to the Office of the President	Office Administration	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Ringheimer, Jeremy	Manager, Operations	Operations	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Rios, Heriberto	Senior Tax Analyst	Tax	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Roerber, Blair	Accounts Payable Analyst	Corporate Accounting	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Rothstein, Jason	Director, IT Infrastructure	IT - Infrastructure	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Sachdev, Kunal	Par Credit Analyst	Research	Highland Capital Management, L.P. (HCMLP)		Dallas	Investment Professionals
School, Jenny	Receptionist	Office Administration	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Schroth, Melissa	Executive Accountant	Executive Support	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Sevilla, JP	Assistant General Counsel	Legal	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Staltari, Mauro	Financial Analyst	Trading	Highland Capital Management, L.P. (HCMLP)		Dallas	Investment Professionals
Stevens, Kellie	Human Resources Manager	Human Resources	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Stewart, Phoebe	Marketing and Investor Relations Assistant	Marketing	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Stoops, Clifford	Chief Accounting Officer	Fund Accounting	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Surgent, Thomas J	Partner and Chief Compliance Officer	Legal	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Swadley, Rick	Director of Tax Compliance	Tax	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Thedford, Lauren	Associate General Counsel	Legal	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Throckmorton, Michael	Senior Fund Analyst	Fund Accounting	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Vitiello, Stephanie	Associate General Counsel	Legal	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Waterhouse, Frank	Partner and Chief Financial Officer	Finance	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Wurz, Brandon	Project Manager	Finance	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Breault, Evan	Financial Analyst, Real Estate	Real Estate	NexPoint Advisors, L.P. (NPA)		Dallas	Investment Professionals
Brumley, Angela	Business Analyst	NexPoint Strategy/Marketing	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Chang, Freddy	Assistant General Counsel, Real Estate	Legal	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Colbert, Taylor	Financial Analyst, Real Estate	Real Estate	NexPoint Advisors, L.P. (NPA)		Dallas	Investment Professionals
Fullmer, Kevin	Director, Product Strategy	NexPoint Strategy/Marketing	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Goetz, Matthew	Director, Real Estate	Real Estate	NexPoint Advisors, L.P. (NPA)	HCMFA, NPA	Dallas	Investment Professionals
Graham, Jackie	Investor Relations Manager	Marketing	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Grant, Jennifer	Executive Assistant	Office Administration	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Jocoy, Laura	Marketing Manager	Marketing	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Arkin, William	Revenue Manager, Real Estate	Real Estate	NexPoint Advisors, L.P. (NPA)		Dallas	Investment Professionals
McDermott, Bonner	Director, Real Estate	Real Estate	NexPoint Advisors, L.P. (NPA)		Dallas	Investment Professionals
McGraner, Matt	Managing Director	Real Estate	NexPoint Advisors, L.P. (NPA)	HCMFA, NPA, NREA Officer	Dallas	Investment Professionals
Whitts, Brian D	Chief Financial Officer, NREA	Real Estate Operations	NexPoint Advisors, L.P. (NPA)	HCMFA, NPA	Dallas	Back Office
Porton, Cody	Financial Analyst, Real Estate	Real Estate	NexPoint Advisors, L.P. (NPA)		Dallas	Investment Professionals
Norris, Dustin	Head of Distribution and Chief Product Strategy	NexPoint Strategy/Marketing	NexPoint Advisors, L.P. (NPA)		Dallas	Investment Professionals
Richards, Paul	Director, Real Estate	Real Estate	NexPoint Advisors, L.P. (NPA)		Dallas	Investment Professionals
Mon, Scott	Director, Product Strategy	NexPoint Strategy/Marketing	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Zuluaga, Camilo	Senior SOX/Fund Analyst	Finance	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Nelson, Kaitlin	Real Estate Fund Analyst	Fund Accounting	NexPoint Hospitality Trust (NHT)		Dallas	Back Office
Emert, Craig	Financial Accountant	Real Estate Operations	NexPoint Residential Trust, Inc. (NXRT)		Dallas	Back Office
Haselroth, Matthew	Real Estate Fund Analyst	Real Estate Operations	NexPoint Residential Trust, Inc. (NXRT)		Dallas	Back Office

Highland Capital Management, L.P.

Name	Title	Department	Employing Entity	Dual Employee?	Location	Investments or Back Office
Willmore, David	Senior Manager, Real Estate Accounting	Real Estate Operations	NexPoint Residential Trust, Inc. (NXRT)		Dallas	Back Office
Barbera, Angela	Managing Director, National Accounts	NSI National Accounts	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Brennan, Mike	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Brodeur, Steven	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Carmona, Ben	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Cawley, Keith	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Clark, James	Regional Sales Consultant	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Coleman, Clayton	Business Development Associate, Real Estate	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Connolly, James	Regional Sales Consultant	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Crisostomo, Norm	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Dunn, John	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Escudero, Gaston	Regional Sales Director (Hybrid)	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Frizell, Madeline	National Accounts Director	NSI National Accounts	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Fuentes, Brian	Director of Shareholder Services	NSI Operations	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Hakemack, Chris	Managing Director	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Hitchcock, Daniel	Regional Sales Consultant	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Hollister, Mike	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Holt, Eric	Chief Compliance Officer, Affiliated Broker-Dealers	Legal	NexPoint Securities, Inc. (NSI)	NexBank Securities Inc.	Dallas	Back Office
Howle, Ian	Regional Sales Director (Hybrid)	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Jardine, Jeff	Regional Sales Consultant	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Jardine, Jordan	Regional Sales Consultant	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Jones, Michael	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Jordan, Micah	National Accounts Director	NSI National Accounts	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Noel, Kirby	National Sales Manager, Managing Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Sanborn, Brian	Real Estate Client Portfolio Manager	NSI Client Portfolio Manager	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Silva, Alison	Regional Sales Director (Hybrid)	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Sims, Austin	Regional Sales Director (Hybrid)	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Urano, Cameron	Regional Sales Consultant	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Webb, Justin	Regional Sales Consultant	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Yehia, Josef	Regional Sales Director (Hybrid)	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Chapline, Tom	Financial Accountant	Real Estate Operations	Vinebrook Homes Trust, Inc. (Vinebrook)		Dallas	Back Office

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## **EXHIBIT 76**

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Highland Capital Management, LP ("HCMLP")  
Condensed Co-Investment Analysis  
As of 9/30/20

Condensed Co-Investments<sup>1</sup>

Investment	HCMLP MV	Funds Managed by HCMLP MV	Retail Funds	Non-HCMLP Investment Coverage
1 Metro-Goldwyn-Mayer Inc. Class A Common Stock				Dondero
2 CCS Medical, Inc. (Chronic Care) Loan 1st Lien @ PRIME 7% 7/31/2021	-			Dondero
3 TerreStar Corporation Term Loan A @ LIBOR 11% 2/28/2022	-			Dondero
4 VST US Equity	-			Sowin
5 NXRT				McGraner
6 Grayson CLO, Ltd. Class II Preference Shares	-			Sowin
7 NHT/U CN				McGraner
8 NHF				Dondero
9 Advantage Sales & Marketing Inc. Term Loan (Second Lien) @ LIBOR 6.5% 7/25/2022	-			Sowin
10 Procera Networks, Inc. (aka Sandvine Corp) Initial Term Loan (First Lien) @ LIBOR 4.5% 10/3	-			Sowin
11 Gruden Acquisition, Inc. (aka Quality Distribution) ITL (First Lien) @ LIBOR 5.5% 8/18/2022	-			Sowin
12 Westchester CLO, Ltd Class I Preference Shares 144A	-			Sowin
13 HRTX	-			Dondero
14 Vistra Energy Corp. (fka TCEH Corp.) TXU TRA rights	-			Sowin
15 American Banknote Common				Dondero
16 American Airlines Escrow				Dondero
17 Ginn LA Conduit Lender, Inc. 1st Lien A CL Deposit @ PRIME 4.5% 6/8/2011				Sowin
18 TerreStar Corporation TL C @ LIBOR 11% 2/28/2022	-			Dondero
19 CCS Medical, Inc. (Chronic Care) Common				Dondero
Sub-Total				

Additional HCMLP Ownership of Retail Funds (non-co-investments)<sup>2</sup>

Investment	HCMLP MV	Retail Fund MV	Funds Managed by HCMLP MV
Highland Opportunistic Credit Fund (HNRZX)		-	-
NexPoint Real Estate Strategies Fund (NRSZX)		-	-
Sub-Total			

Footnote:

- 1 - Listing includes the following: 1) all investments held by both HCMLP and retail funds, regardless of materiality 2) investments for which retail funds hold [REDACTED] or greater in the aggregate and are also held by funds advised by HCMLP 3) investments for which retail funds hold ownership less than [REDACTED] in the aggregate, the position is private and fair valued, and are also held by funds advised by HCMLP.  
2 - 'Additional [REDACTED] Ownership of Retail Funds' does not reflect other immaterial holdings of investments below [REDACTED]

Highland Capital Management, LP ("HCMLP")  
Co-Investment Analysis  
As of 9/30/20

Co-Investments, excluding holdings with zero market value			
Investment	HCMLP MV	Funds Managed by HCMLP MV	Retail Funds
1 Metro-Goldwyn-Mayer Inc. Class A Common Stock	-	-	-
2 CCS Medical Inc. (Chronic Care) Loan 1st Lien @ PRIME 7% 7/31/2021	-	-	-
3 TerreStar Corporation Term Loan A @ LIBOR 11% 2/28/2022	-	-	-
4 VST US Equity	-	-	-
5 NKRT	-	-	-
6 Grayson CLO Ltd. Class II Preference Shares	-	-	-
7 NHT/UCN	-	-	-
8 NHF	-	-	-
9 Advantage Sales & Marketing Inc. Term Loan (Second Lien) @ LIBOR 6.5% 7/25/2022	-	-	-
10 Proterra Networks Inc. (aka Sandvine Corp) Initial Term Loan (First Lien) @ LIBOR 4.5% 10/31/2025	-	-	-
11 Gruden Acquisition Inc. (aka Quality Distribution) ITL (First Lien) @ LIBOR 5.5% 8/18/2022	-	-	-
12 Westchester CLO Ltd Class I Preference Shares 144A	-	-	-
13 HRTX	-	-	-
14 Vistra Energy Corp. (fka TCEH Corp.) TXU TRA rights	-	-	-
15 Traverse Midstream Partners LLC Advance @ LIBOR 5.5% 9/27/2024	-	-	-
16 VM Consolidated Inc. (aka American Traffic Solutions) B-1 1st Lien Non-vot @ LIBOR 3.25% 2/28/2025	-	-	-
17 Edelman Financial Center LLC The (fka Flight Debt Merger Sub Inc.) Initial Term Loan (Second Lien) @ LIBOR 6.75% 7/20/2026	-	-	-
18 Forest City Enterprises L.P. Replacement TL @ LIBOR 3.5% 12/8/2025	-	-	-
19 Aways Inc. B TL @ LIBOR 4.25% 12/15/2024	-	-	-
20 MPMQ Appraisal Rights Claims	-	-	-
21 USS Ultimate Holdings Inc. (aka United Site Services Inc.) Initial Term Loan (First Lien) @ LIBOR 3.75% 8/25/2024	-	-	-
22 PSC Industrial Holdings Corp. Term Loan (First Lien) @ LIBOR 3.75% 10/11/2024	-	-	-
23 EnergySolutions LLC (aka Envirocare of Utah LLC) Initial Term Loan @ LIBOR 3.75% 5/9/2025	-	-	-
24 Truck Hero Inc. Initial TL 2nd Lien @ LIBOR 8.25% 4/21/2025	-	-	-
25 Envision Healthcare Corporation Initial Term Loan @ LIBOR 3.75% 10/10/2025	-	-	-
26 AERI	-	-	-
27 MDPK 2014-15A Float - 01/2026 - DR - 55818WAGO @ LIBOR 5.4400 1/27/2026	-	-	-
28 Brentwood CLO Ltd Class II Preference Shares	-	-	-
29 Jo-Ann Stores LLC Initial Loan @ LIBOR 5% 10/20/2023	-	-	-
30 Advantage Sales & Marketing Inc. Initial Term Loan (First Lien) @ LIBOR 3.25% 7/23/2021	-	-	-
31 Radnet Management Inc. T B-1 L @ LIBOR 3.75% 6/30/2023	-	-	-
32 Fort Dearborn Holding Company Inc. Initial Term Loan (First Lien) @ LIBOR 4% 10/19/2023	-	-	-
33 Sound Inpatient Physicians Inc. Initial Term Loan (Second Lien) @ LIBOR 6.75% 6/26/2026	-	-	-
34 Liberty CLO Ltd. Preferred	-	-	-
35 UDFI	-	-	-
36 Auris Luxembourg III S.a.r.l. Facility B2 @ LIBOR 3.75% 2/27/2026	-	-	-
37 BIO	-	-	-
38 Dayco Products LLC - (Mark IV Industries Inc.) Term Loan @ LIBOR 4.25% 5/19/2023	-	-	-
39 Rockwall CDO Ltd. Preferred Shares	-	-	-
40 AVIA	-	-	-
41 RWIC NOT LISTED	-	-	-
42 American Banknote Common	-	-	-
43 TCW 2019-2A D2A Float - 10/02032 - 87242BA59 @ 4.89 10/20/2032	-	-	-
44 Red River CLO Ltd. Red River CLO	-	-	-
45 American Airlines Escrow	-	-	-
46 Refinitiv US Holdings Inc. (fka Financial & Risk US Holdings Inc.) Initial Dollar Term Loan @ LIBOR 3.25% 10/1/2025	-	-	-
47 Scientific Games International Inc. Initial Term B-5 Loan @ LIBOR 2.75% 8/14/2024	-	-	-
48 ACIS 2015-6A Zero Coupon - 05/2027 - SUB - 004524AD6 @ Zero Coupon 0.0000 5/1/2027	-	-	-
49 CFC 2015-5A DR Float - 10/02027 - 12550NAJ7 @ 5.55 10/25/2027	-	-	-
50 General Nutrition Centers Inc. FILO Term Loan @ PRIME 8% 12/31/2022	-	-	-
51 Change Healthcare Holdings LLC closing date TL @ LIBOR 2.5% 3/1/2024	-	-	-
52 CFC 2016-1A D2R Float - 10/02031 - 17180TAW2 @ 4.43 10/21/2031	-	-	-
53 TMO	-	-	-
54 ACIS 2015-6A Float - 05/2027 - D - 00452PAR8 @ LIBOR 3.7700 5/1/2027	-	-	-
55 Edelman Financial Center LLC The (fka Flight Debt Merger Sub Inc.) Initial Term Loan (First Lien) @ LIBOR 3% 7/21/2025	-	-	-
56 AHTI 2018-KEYS E Float - 05/02035 - 04410CAN9 @ 4.15 05/15/2035	-	-	-
57 ABERD	-	-	-
58 Ginn LA Conduit Lender Inc. 1st Lien A CL Deposit @ PRIME 4.5% 6/8/2011	-	-	-
59 Bausch Health Companies Inc. (fka Valeant Pharmaceuticals International Inc.) Initial Term Loan @ LIBOR 3% 6/2/2025	-	-	-
60 CSC Holdings LLC (fka CSC Holdings Inc. (Cablevision)) March 2017 Refinancing Term Loan @ LIBOR 2.25% 7/17/2025	-	-	-
61 Hub International Limited Initial Term Loan @ LIBOR 3% 4/25/2025	-	-	-
62 Nielsen Finance LLC (VNU Inc.) Class B-4 Term Loan @ LIBOR 2% 10/4/2023	-	-	-
63 PRTX	-	-	-
64 MPH Acquisition Holdings LLC Initial Term Loan @ LIBOR 2.75% 6/7/2023	-	-	-
65 VICI Properties I LLC Term B Loan @ LIBOR 1.75% 12/20/2024	-	-	-
66 McAfee LLC Term B USD Loan @ LIBOR 3.75% 9/30/2024	-	-	-
67 IRB Holding Corp. (aka Arby's / Buffalo Wild Wings) 2020 Replacement Term B Loan @ Libor 2.75% 2/5/2025	-	-	-
68 Global Medical Response Inc. (aka Air Medical) 2018 Term Loan @ LIBOR 3.25% 4/28/2022	-	-	-
69 CityCenter Holdings LLC Term B Loan @ LIBOR 2.25% 4/18/2024	-	-	-
70 Miya Limited (aka Almonde/Tahoe Finatra USA) Dollar Term Loan (First Lien) @ LIBOR 3.5% 6/13/2024	-	-	-
71 Golden Nugget Inc. (aka Landry's Inc.) TL @ LIBOR 2.5% 10/4/2023	-	-	-
72 H.B. Fuller Company Commitment @ LIBOR 2% 10/20/2024	-	-	-
73 Lightstone Holdco LLC Refinancing Term B Loan @ LIBOR 3.75% 1/30/2024	-	-	-
74 ACHC	-	-	-
75 Crown Finance US Inc. (aka Cineworld Group plc) Initial Dollar Tranche Term Loan @ LIBOR 2.5% 2/28/2025	-	-	-
76 Calpine Corporation Term Loan (2015) @ LIBOR 2.25% 1/15/2024	-	-	-
77 TerreStar Corporation TL C @ LIBOR 11% 2/28/2022	-	-	-
78 TransDigm Inc. Tranche E Refinancing Term Loan @ LIBOR 2.25% 5/30/2025	-	-	-
79 Tronox Finance LLC Initial Dollar Term Loan (First Lien) @ LIBOR 3% 9/23/2024	-	-	-
80 Solera LLC (Solera Finance Inc.) Dollar TL @ LIBOR 2.75% 3/3/2023	-	-	-
81 AlivPartners LLP 2017 Refinancing Term Loan @ LIBOR 2.5% 4/4/2024	-	-	-
82 HeartCommunications Inc. (fka Clear Channel Communications Inc.) 6.375% - 05/2026 - 45174HBCO F06 6.375% 5/1/2026	-	-	-
83 Fieldwood Energy LLC Closing Date Loan (First Lien) @ LIBOR 5.25% 4/11/2022	-	-	-
84 HLF IX Floating - 08/2024 - CI - 43037QAE9 @ LIBOR 0.0000 8/2/2018	-	-	-
85 Ineos US Finance LLC New 2024 Dollar Term Loan @ LIBOR 2% 4/1/2024	-	-	-
86 CGMS 2019-4A D Float - 01/02033 - 14317WAA6 @ 7.65 01/15/2033	-	-	-
87 B's Wholesale Club Inc. Tranche B Term Loan (First Lien) @ LIBOR 2% 2/3/2024	-	-	-
88 Titan Acquisition Limited (aka Husky BMS International Ltd.) Initial Term Loan @ LIBOR 3% 3/28/2025	-	-	-
89 Plantronics Inc. Initial Term B Loan @ LIBOR 2.5% 7/2/2025	-	-	-
90 556C Technologies Holdings Inc. Term B-5 Loan @ LIBOR 2.25% 4/16/2025	-	-	-
91 Berry Global Inc. (fka Berry Plastics Corporation) Term W Loan @ LIBOR 2% 10/1/2022	-	-	-
92 Applied Systems Inc. Closing Date Term Loan (First Lien) @ LIBOR 3.25% 9/19/2024	-	-	-
93 SolarWinds Holdings Inc. 2018 Refinancing Term Loan (First Lien) @ LIBOR 2.75% 2/5/2024	-	-	-
94 VAHA 2004-1A Variable - 08/2012 - 91914QAA4 @ Variable 0.0000 8/1/2012	-	-	-
95 SRC	-	-	-
96 COLL	-	-	-
97 Texas Competitive Electric Holdings Company LLC (TXU) Escrow Loan Extended @ LIBOR 0%	-	-	-
98 AAMRQ escrow Common Stock	-	-	-
99 Tecton 9 PERP	-	-	-
100 ACRG/AU CN	-	-	-
101 NRG	-	-	-
102 FGI Operating Company LLC Common	-	-	-
103 Fieldwood Energy LLC Common1	-	-	-
104 ACRG/B/U CN	-	-	-
105 Lightstone Holdco LLC Refinancing Term C Loan @ LIBOR 3.75% 1/30/2024	-	-	-
106 SMTA (Delisted 01/02/2020)	-	-	-
107 CCS Medical Inc. (Chronic Care) Common	-	-	-
Total	-	-	-

Additional HCMLP Ownership of Retail Funds (non-co-investments) <sup>1</sup>			
Investment	HCMLP MV	Retail Fund MV	Funds Managed by HCMLP MV
Highland Opportunistic Credit Fund (HNRZX)	-	-	-
NexPoint Real Estate Strategies Fund (NRSZX)	-	-	-
Total	-	-	-

## Footnote:

1- 'Additional HCMLP Ownership of Retail Funds' does not reflect other immaterial holdings of investments below

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**Exhibit B****Non-HCMLP Employees**

<b>Name</b>	<b>Role</b>	<b>Current Title</b>	<b>Employed By</b>
Jim Dondero	Senior Investment Team Member	Partner	NPA
Jason Post	Chief Compliance Officer	Chief Compliance Officer	NPA
Joe Sowin	Senior Investment Team Member	Co-CIO and Head of Global Equity Trading	HCMFA
Brad Heiss	Senior Investment Team Member	Managing Director	HCMFA
Matt McGraner	Senior Investment Team Member	Managing Director	NPA
Dustin Norris	Fund Officer/Liaison	Head of Distribution and Chief Product Strategist	NPA
DC Sauter	Legal	General Counsel	NPA
Eric Holt	Compliance	Chief Compliance Officer, Affiliated Broker Dealers	NSI
David Willmore	Accounting/Operations	Senior Manager, Real Estate Accounting	NXRT
Paul Richards	Valuation	Director, Real Estate	NPA
Jackie Graham	PR/Marketing	Investor Relations Manager	NPA

HCMFA Highland Capital Management Fund Advisors, L.P.  
 NPA NexPoint Advisors, L.P.  
 NSI NexPoint Securities, Inc.  
 NXRT NexPoint Residential Trust, Inc.

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## **EXHIBIT 77**

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

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-21869

**NEXPOINT DIVERSIFIED  
REAL ESTATE TRUST**

(Exact name of registrant as specified in charter)

300 Crescent Court  
Suite 700

Dallas, Texas 75201

(Address of principal executive offices) (Zip code)

NexPoint Advisors, L.P.

300 Crescent Court Suite 700

Dallas, Texas 75201

(Name and Address of Agent for Service)

Registrant's telephone number, including area code: (866) 351-4440

Date of fiscal year end: December 31

Date of reporting period: December 31, 2021

EXPLANATORY NOTE: The Fund expects to supplementary file financial statements for NexPoint Real Estate Opportunities, LLC, on or about March 31st, 2022. NexPoint Real Estate Opportunities, LLC has been determined to be a significant subsidiary under Regulation S-X Rules 4-08(g) and 3-09(a).

**Table of Contents****Item 1. Reports to Stockholders.**

A copy of the Annual Report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the “1940 Act”), is attached herewith.

Table of Contents**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****To the Shareholders and Board of Trustees of NexPoint Diversified Real Estate Trust***Opinion on the Financial Statements*

We have audited the accompanying consolidated statement of assets and liabilities, including the consolidated investment portfolio, of NexPoint Diversified Real Estate Trust (formerly NexPoint Strategic Opportunities Fund) (the "Fund") as of December 31, 2021, the related consolidated statements of operations and cash flows for the year then ended, and the consolidated statements of changes in net assets and the consolidated financial highlights for each of the two years in the period then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2021, the results of its operations and its cash flows for the year then ended, and the changes in net assets and the financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

The Fund's financial highlights for the years ended December 31, 2019, and prior, were audited by other auditors whose report dated April 10, 2020, expressed an unqualified opinion on those financial highlights.

*Basis for Opinion*

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2021, by correspondence with the custodian, agent banks, transfer agents, issuers, and brokers; when replies were not received from brokers, we performed other auditing procedures. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Fund's auditor since 2020.



COHEN & COMPANY, LTD.  
Cleveland, Ohio  
March 10, 2022

Table of Contents**ADDITIONAL INFORMATION (unaudited)****December 31, 2021****NexPoint Diversified Real Estate Trust****Investment Objective and Strategy Overview**

At a special meeting of shareholders on August 28, 2020, shareholders approved proposals (i) to change the Company's business from a registered investment company that invests primarily in debt and equity securities to a diversified REIT, (ii) to amend the Company's fundamental investment restrictions to permit the Company to engage in its new business (collectively, the "Conversion"), and (iii) to amend and restate the Company's Agreement and Declaration of Trust. Although the Company has begun taking steps to implement the Conversion, it is still contingent upon regulatory approval and the ability to reconfigure the Company's portfolio to attain REIT status and deregister as an investment company.

The Adviser has begun to realign the Company's portfolio so that it is no longer an investment company under the 1940 Act and anticipates filing an application with the Securities Exchange Commission, or the SEC, for a deregistration order in the first quarter of 2021. The Adviser intends to sell certain of the Company's existing investments and transition its portfolio into real estate and real estate related investments as opportunities within the new investment scope arise, subject to applicable compliance requirements and other business considerations.

Once the Conversion is fully implemented, it is expected that investments will be diversified among various commercial real estate property types and across the capital structure, including but not limited to: equity, mortgage debt, mezzanine debt and preferred equity. It is expected that property types will primarily include industrial, hospitality, net lease, retail, office, storage and healthcare and, to the extent currently owned, multifamily and single-family rentals; however, the Company would have the authority to invest without limitation in any property type.

The Company will invest primarily in real estate and real estate related assets; however, the Company may, to a limited extent, continue to hold, acquire or transact in certain non-real estate securities. To permit the Company to engage in its new business, the Company's fundamental investment restrictions regarding purchasing and selling real estate and originating loans and certain of the Company's fundamental investment restrictions have been amended to allow the Company to engage in its business as a diversified REIT. The following discussion reflects the Company's investment strategy and policies as modified pursuant to shareholder approval on August 28, 2020.

**Investment Strategy**

As a diversified REIT, the Company's primary investment objective will be to provide both current income and capital appreciation. The Company will seek to achieve this objective by investing among various commercial real estate property types and across the capital structure, including but

not limited to: equity, mortgage debt, mezzanine debt and preferred equity. The Investment Adviser will focus on opportunistic investments in real estate properties with a value-add component and real estate credit. The objective will be to increase the cash flow and value of the Company's properties, acquire properties with cash flow growth potential and achieve capital appreciation for shareholders through a value-add program. The Company will pursue real estate credit investments based on where the Investment Adviser believes the various real estate subsectors are within the broader real estate cycle and tactically allocate among these opportunities.

Underlying property types will primarily include industrial, hospitality, net lease, retail, office, storage and healthcare and, to the extent currently owned, multifamily and single-family rentals; however, the Company may invest without limitation in any property type.

The Company will invest primarily in real estate and real estate related assets; however, the Company may, to a limited extent, continue to hold, acquire or transact in certain non-real estate securities.

The Investment Adviser and the Board believe that a diversified investment approach is appropriate for the current market environment. However, to capitalize on investment opportunities at different times in the economic and real estate investment cycle, the Company may change its investment strategy from time to time. The Investment Adviser and the Board believe that the flexibility of the Company's investment strategy and the experience and resources of the Investment Adviser and its affiliates, will allow the Company to take advantage of changing market conditions to provide both current income and generate capital appreciation. The Board will be able to modify such strategies without the consent of the shareholders to the extent that the Board determines that such modification is in the Company's best interest.

**Leverage Policies and Financing Strategy.** To increase the returns on the Company's investments, after issuance of the Deregistration Order, the Company plans to employ both direct and structural leverage on the Company's property and debt investments, which we expect generally will not exceed, on a debt to equity basis, a ratio of 3-to-1, an increase from the ratio of 1-to-2 set by the 1940 Act.

Leverage will take the form of repurchase or margin facilities collateralized by our debt investments and mortgage debt collateralized by our property investments. At the REIT level the Company may have a revolving corporate credit facility, or may issue unsecured debt, mezzanine debt or preferred equity. The Company believes that the relationships the Investment Adviser and its affiliates, as well as other companies managed by the Investment Adviser's affiliates (the

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2021****NexPoint Diversified Real Estate Trust**

“NexPoint managed companies”), have with banks, life insurance companies, Freddie Mac and The Federal National Mortgage Association, or Fannie Mae, provide the Company with a unique opportunity to invest alongside quality sponsors and the largest multifamily lenders in the U.S.

The Company intends to use leverage, to the extent available, to make additional investments that may increase the Company's potential returns. Although the Company is not required to maintain any particular leverage ratio, the amount of leverage the Company will use for particular investments will depend upon an assessment of a variety of factors, which may include the anticipated liquidity and price volatility of the Company's assets, the potential for losses in the Company's portfolio, the gap between the duration of the Company's assets and liabilities, the availability and cost of financing the Company's assets, the health of the U.S. economy and commercial real estate markets, the Company's outlook for the level, slope and volatility of future interest rates, the credit quality of the Company's borrowers and tenants, the collateral values underlying the Company's assets and the Company's outlook for market lending spreads relative to the LIBOR (or other applicable benchmark interest rate index) curve.

**REIT Operations.** The Company intends to operate to ensure that it establishes and maintains its qualification as a REIT for U.S. federal tax purposes and is not required to register as an investment company under the 1940 Act. The Company intends to regularly monitor the nature of the Company's assets and the income they generate to ensure that at all times the Company maintain its tax qualification as a REIT and is not required to register as an investment company under the 1940 Act. The Board currently intends to review the Company's transactions on a periodic basis to ensure compliance with these operating policies.

**Distribution Policy.** The Company intends to make monthly distributions to the Company's shareholders of amounts that will, at a minimum, enable the Company to comply with the REIT provisions of the Code that generally require annual distributions of at least 90% of the Company's REIT taxable income (other than net capital gains). The actual amount of such distributions will be determined on a monthly basis by the Board, taking into account, in addition to the REIT tax requirements, the Company's cash needs, the market price for the Company's Common Shares and other factors our Board considers relevant.

**Operating Expenses.** Operating expenses may increase as the Conversion becomes fully implemented following receipt of the Deregistration Order due to increased costs associated with sourcing additional real estate investments and costs associated with servicing those investments; however, these expenses are projected to be offset by higher projected

income attributable to increased cash flows from leveraged real estate assets, resulting in higher projected net income per common share (thus supporting a potentially higher distribution rate in the long term).

During the Conversion period, the Investment Adviser will continue to implement the Company's business strategies subject to the oversight of the Board, including: (a) performing all of our day-to-day activities as a public company operating as a diversified REIT; (b) sourcing, analyzing and closing the Company's investments; (c) arranging the Company's financings; (d) performing the Company's asset management functions by monitoring the performance of the Company's borrowers and the maintenance of the Company's collateral; and (e) when necessary, enforcing the Company's loan and security rights.

**Policies with Respect to Certain Other Activities.** The Company may raise additional funds through offerings of equity or debt securities or by retaining cash flow (subject to provisions in the Code concerning distribution requirements and the taxability of undistributed REIT taxable income) or a combination of these methods. If the Board determines to raise additional equity capital, it has the authority, without shareholder approval, to issue additional Common Shares or preferred shares of beneficial interest in any manner and on such terms and for such consideration as it deems appropriate, at any time.

In addition, to the extent available, the Company intends to borrow money to make investments that may increase the Company's potential returns. The Company intends to use traditional forms of financing, including repurchase agreements, bank credit facilities (including revolving facilities and term loans), public or private debt issuances, securitizations and other sources of financing. The Company may also issue preferred equity which requires us to pay dividends at fixed or variable rates before we may pay distributions to our common shareholders. We expect that the Board will periodically review the Company's investment guidelines and our portfolio and leverage strategies.

The Company may invest in equity or debt securities of other REITs or other entities engaged in real estate operating or financing activities, and may do so for the purpose of exercising control over such entities.

The Company does not intend to adopt a formal portfolio turnover policy. Subject to maintaining the Company's qualification for taxation as a REIT under the Code for U.S. federal income tax purposes and our exemption from registration under the 1940 Act, the Company currently expects that it will typically hold investments for between two and 10 years. However, in order to maximize returns and manage portfolio risk while maintaining the financial capacity to undertake attractive opportunities that become available to



**UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF  
TEXAS, DALLAS DIVISION**

**In Re: Highland Capital Management, L.P.** § Case No. **19-34054-SGJ-11**  
**NexPoint Advisors, L.P. et al** §

Appellant § 21-03010  
vs. §  
**Highland Capital Management, L.P.** §

Appellee § **3:22-CV-02170-S**

**[126] Judgment (final). Entered on 9/14/2022**

**APPELLANT RECORD**

**VOLUME 10**

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COUNSEL FOR HIGHLAND CAPITAL MANAGEMENT  
FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj 11
	§	
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

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**AMENDED DESIGNATION OF ITEMS FOR THE RECORD ON APPEAL  
BY NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this *Amended Designation of Items for the Record on Appeal*, designating the following items for the record of said appeal:

<u>Item</u>	<u>Docket No.</u>	<u>Description</u>
<b>ADVERSARY PROCEEDING (21-03010-sgj)</b>		
1	128	Joint Notice of Appeal
2	126	Judgment
3		Docket Sheet
4	1	Plaintiff Highland Capital Management, L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief
5	33	Original Answer
6	37	Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters
7	49	Response to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
8	56	Highland Capital Management, L.P.'s Reply In Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
9	90	Advisors' Trial Brief
10	91	Highland's Proposed Findings of Fact and Conclusions of Law
11	96	Joint Pretrial Order
12	124	Findings of Fact and Conclusions of Law
<b>BANKRUPTCY CASE (19-34054-sgj-11)</b>		
13	1826	Application for Allowance of Administrative Expense Claim
14	2274	Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
<b>EVIDENCE AND TRANSCRIPTS (21-03010-SGJ)</b>		
15	115	All exhibits admitted into evidence at trial on April 12, 2022 and April 13, 2022 Thru Vol. 12
16	113	Transcript of April 12, 2022 trial
17	116	Transcript of April 13, 2022 trial
18	122	Transcript of April 27, 2022 closing arguments

RESPECTFULLY SUBMITTED this 4th day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina

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**ATTORNEYS FOR NEXPOINT ADVISORS,  
L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 4th day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

Davor Rukavina, Esq.

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2021**

the Company, the Company may dispose of an asset earlier than anticipated or hold an investment longer than anticipated if we determined doing so to be appropriate based upon market conditions or other factors regarding a particular investment.

**Additional Portfolio Information**

The Investment Adviser and its affiliates manage other accounts, including registered and private funds and individual accounts. Although investment decisions for the Company are made independently from those of such other accounts, the Investment Adviser may, consistent with applicable law, make investment recommendations to other clients or accounts that may be the same or different from those made to the Company, including investments in different levels of the capital structure of a company, such as equity versus senior loans, or that involve taking contradictory positions in multiple levels of the capital structure. The Investment Adviser has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, this may create situations where a client could be disadvantaged because of the investment activities conducted by the Investment Adviser for other client accounts. When the Company and one or more of such other accounts is prepared to invest in, or desires to dispose of, the same security, available investments or opportunities for each will be allocated in a manner believed by the Investment Adviser to be equitable to the Company and such other accounts. The Investment Adviser also may aggregate orders to purchase and sell securities for the Company and such other accounts. Although the Investment Adviser believes that, over time, the potential benefits of participating in volume transactions and negotiating lower transaction costs should benefit all accounts including the Company, in some cases these activities may adversely affect the price paid or received by the Company or the size of the position obtained or disposed of by the Company.

**Tax Information**

For shareholders that do not have a December 31, 2021 tax year end, this notice is for informational purposes only. For shareholders with a December 31, 2021 tax year end, please consult your tax adviser as to the pertinence of this notice. For the fiscal year ended December 31, 2021, the Company hereby designates the following items with regard to distributions paid during the year.

**NexPoint Diversified Real Estate Trust**

Return of Capital	Ordinary Income Distribution	Capital Gain Distribution	Total Distribution
98.04%	1.96%	0.00%	100.00%
Qualifying Business Income <sup>(1)</sup>			
100.00%			

(1) The percentage in this column represents the amount of ordinary dividend income that qualified for 20% Business Income Deduction.

The information herein may differ from the information and distributions taxable to the shareholder from the calendar year ended December 31, 2021. Complete information will be computed and reported with your 2021 Form 1099-DIV.

**Change in Independent Registered Public Accounting Firms**

On June 8, 2020, the Company dismissed PricewaterhouseCoopers LLP ("PwC") as the Company's independent registered public accounting firm, effective on such date. The decision to dismiss PwC was approved by the audit committee and by the full Board. On June 18, 2020, the Company approved the appointment of Cohen & Company Ltd. ("Cohen") as the Company's independent registered public accounting firm. Cohen was engaged by the Company on June 25, 2020.

PwC's report on the financial statements for the fiscal years ended December 31, 2019 and December 31, 2018 did not contain any adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the Company's fiscal years ended December 31, 2019 and December 31, 2018 and the subsequent interim period through June 8, 2020, during which PwC served as the Company's independent registered public accounting firm, there were no: (1) disagreements (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement, or (2) reportable events (as described in Item 304(a)(1)(v) of Regulation S-K).

The Company provided PwC with a copy of the disclosures proposed to be made in this N-CSR and requested that PwC furnish the Company with a letter addressed to the Commission stating whether it agrees with the statements made by the Company in response to Item 304(a) of Regulation S-K, and, if not, stating the respects in which it does not agree. The PwC letter is attached hereto to as an exhibit.

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2021****NexPoint Diversified Real Estate Trust**

During the fiscal years ended December 31, 2019 and December 31, 2018 and the subsequent interim period through June 8, 2020, neither Management, the Company nor anyone on its behalf, consulted Cohen regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the financial statements of the Company and no written report or oral advice was provided to the Company by Cohen or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

**Dividend Reinvestment Plan**

Unless the registered owner of Common Shares elects to receive cash by contacting Maxim Group LLC ("Maxim" or the "Plan Agent"), as agent for shareholders in administering the Plan, a registered owner will receive newly issued Common Shares for all dividends declared for Common Shares of the Company. If a registered owner of Common Shares elects not to participate in the Plan, they will receive all dividends in cash paid by check mailed directly to them (or, if the shares are held in street or other nominee name, then to such nominee) by Maxim, as dividend disbursing agent. Shareholders may elect not to participate in the Plan and to receive all dividends in cash by sending written instructions or by contacting Maxim, as dividend disbursing agent, at the address set forth below.

Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by contacting the Plan Agent before the dividend record date; otherwise such termination or resumption will be effective with respect to any subsequently declared dividend. Some brokers may automatically elect to receive cash on the shareholders' behalf and may reinvest that cash in additional Common Shares of the Company for them. The Plan Agent will open an account for each shareholder under the Plan in the same name in which such shareholder's Common Shares are registered.

Whenever the Company declares a dividend payable in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in Common Shares. The Common Shares will be acquired by the Plan Agent through receipt of additional unissued but authorized Common Shares from the Company ("newly issued Common Shares"). The number of newly issued Common Shares to be credited to each participant's account will be determined by dividing the dollar amount of the dividend by the lesser of (i) the net asset value per Common Share determined on the Declaration Date and (ii) the market price per Common Share as of the close of regular trading on the New York Stock Exchange (the "NYSE") on the Declaration Date.

The Plan Agent maintains all shareholders' accounts in the Plan and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Common Shares in the account of each Plan participant will be held by the Plan Agent on behalf of the Plan participant, and each shareholder proxy will include those shares purchased or received pursuant to the Plan. The Plan Agent will forward all proxy solicitation materials to participants and vote proxies for shares held under the Plan in accordance with the instructions of the participants. In the case of shareholders such as banks, brokers or nominees which hold shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of Common Shares certified from time to time by the record shareholder's name and held for the account of beneficial owners who participate in the Plan. There will be no brokerage charges with respect to Common Shares issued directly by the Company.

The automatic reinvestment of dividends will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. Accordingly, any taxable dividend received by a participant that is reinvested in additional Common Shares will be subject to federal (and possibly state and local) income tax even though such participant will not receive a corresponding amount of cash with which to pay such taxes. Participants who request a sale of shares through the Plan Agent are subject to a \$2.50 sales fee and pay a brokerage commission of \$0.05 per share sold. The Company reserves the right to amend or terminate the Plan. There is no direct service charge to participants in the Plan; however, the Company reserves the right to amend the Plan to include a service charge payable by the participants. All correspondence concerning the Plan should be directed to the Plan Agent at American Stock Transfer & Trust Company, LLC 6201 15th Avenue Brooklyn, NY 11219; telephone (718) 921-8200.

**Shareholder Loyalty Program**

To promote loyalty and long-term alignment of interests among the Company's shareholders, the Investment Adviser offers an incentive to shareholders that buy and hold the Company's common shares for a period of at least twelve months through its Shareholder Loyalty Program (the "Program"). To participate in the Program, existing shareholders must open an account (the "Account") with the Program's administrator, American Stock Transfer & Trust Company ("AST"). Subsequently, if a participant makes contributions to the Account during a defined trading period to purchase shares, the Investment Adviser will make a corresponding contribution equal to 2% of the participant's contributions. For example, if a participant contributes \$10,000 to the Account during a defined trading period to purchase shares, the Adviser will make a corresponding contribution



Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2021****NexPoint Diversified Real Estate Trust**

of \$200, to purchase additional shares for the participant (the "Bonus Shares"). In addition, Program participants will not be required to pay any customary selling commissions or distribution fees on the purchase of shares under the Program. The Investment Adviser will bear the costs of brokerage fees in connection with the Program. While the portion of the Company's common shares that are acquired through the participant's contribution will vest immediately, Bonus Shares will not vest until the first anniversary of the date that the Bonus Shares were purchased. Vested shares will be held in the Account and Bonus Shares will be held in an account at AST for the conditional benefit of the shareholder. Under the Program, participants must purchase a minimum of \$10,000 worth of shares in the initial subscription and \$5,000 in each subsequent subscription, unless the Investment Adviser, in its sole discretion, decides to permit subscriptions for a lesser amount. If the Company's common shares are trading at a discount, AST will purchase common shares on behalf of participants in open-market purchases. If the Company's common shares are trading at a premium, AST may purchase common shares on behalf of participants in open market purchases or the Company may sell common shares to the Shareholder Loyalty Program by means of a prospectus or otherwise. All dividends received on shares that are purchased under the Program will be automatically reinvested through the Program. A participant's interest in a dividend paid to the holder of a vested share will vest immediately. A participant's interest in a dividend paid to the holder of a Bonus Share will vest at the same time that the Bonus Share's vesting requirements are met. In addition, for dividends paid to holders of shares that were purchased with a participant's contributions, the Investment Adviser will make a corresponding contribution to the amount of the reinvested dividend equal to 2% of the dividend amount. AST maintains all shareholders' accounts in the Program and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Shares in the account of each Program participant will be held by AST on behalf of the Program participant, and each shareholder proxy will include those shares purchased or received pursuant to a Program. AST will forward all proxy solicitation materials to participants and vote proxies for shares held under the Program in accordance with the instructions of the participants. In the case of shareholders such as banks, brokers or nominees which hold shares for others who are the beneficial owners, AST will administer the Program on the basis of the number of common shares certified from time to time by the record shareholder's name and held for the account of beneficial owners who participate in the Program. The Company and the Investment Adviser reserve the right to amend or terminate the Program. To help align the interests of the Investment Adviser's employees with the interests of the Company's shareholders, the Investment Adviser offers a similar program

to its employees. Participants in the Program should be aware that their receipt of Bonus Shares under the Program constitutes taxable income to them. In addition, such participants owe taxes on that portion of any distribution that constitutes taxable income in respect of shares of our common stock held in their Program accounts, whether or not such shares of common stock have vested in the hands of the participants. To the extent any payments or distributions under the Program are subject to U.S. federal, state or local taxes, the Company, any participating affiliate of the Company or the agent for the Program may satisfy its tax withholding obligation by (1) withholding shares of Stock allocated to the participant's account, (2) deducting cash from the participant's account or (3) deducting cash from any other compensation the participant may receive. Program participants should consult their tax advisers regarding the tax consequences to them of participating in the Program. The Program may create an incentive for shareholders to invest additional amounts in the Company. Because the Investment Adviser's management fee is based on a percentage of the assets of the Company, the Program will result in increased net revenues to the Investment Adviser if the increase in the management fee due to the increased asset base offsets the costs associated with establishing and maintaining the Program.

### **Approval of NexPoint Diversified Real Estate Trust Investment Advisory Agreement**

The Fund has retained NexPoint Advisors, L.P. (the "Investment Adviser") to manage the assets of the Fund pursuant to an investment advisory agreement between the Investment Adviser and the Fund (the "Agreement"). The Agreement has been approved by the Fund's Board of Trustees, including a majority of the Independent Trustees. The Agreement continues in effect from year-to-year, provided that such continuance is specifically approved at least annually by the vote of holders of at least a majority of the outstanding shares of the Fund or by the Board of Trustees and, in either event, by a majority of the Independent Trustees of the Fund casting votes in person at a meeting called for such purpose.

During a telephonic meeting with the Investment Adviser held on August 12, 2021, and separately with independent counsel on September 1, 2021, the Board of Trustees considered information bearing on the continuation of the Agreement for an additional one-year period. The Board of Trustees further discussed and considered information with respect to the continuation of the Agreement at a Board meeting held on September 16-17, 2021.

At meetings held on October 25, 2021, the Board of Trustees, including the Independent Trustees, approved the continuance of the Agreement for a one-year period commencing on November 1, 2021. As part of its review process, the Board



Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2021****NexPoint Diversified Real Estate Trust**

of Trustees requested, through Fund counsel and independent legal counsel, and received from the Investment Adviser, various information and written materials, including: (1) information regarding the financial soundness of the Investment Adviser and the profitability of the Agreement to the Investment Adviser; (2) information on the advisory, legal and compliance personnel of the Investment Adviser, including ongoing updates regarding the Highland Capital Management L.P. ("HCMLP") bankruptcy and compensation arrangements; (3) information regarding Skyview's role as a service provider to the Investment Adviser pursuant to the services agreement between Skyview and the Investment Adviser (the "Skyview Services Agreement") to assist the Investment Adviser in providing certain services to the Fund pursuant to Agreement and Administration Services Agreement between the Investment Adviser and the Fund, as well as information regarding the Investment Adviser's oversight role over Skyview; (4) information on the internal compliance procedures of the Investment Adviser, including policies and procedures for personal securities transactions, conflicts of interest and with respect to cybersecurity, business continuity and disaster recovery; (5) comparative information showing how the Fund's fees and operating expenses compare to those of other accounts of the Investment Adviser, if any, with investment strategies similar to those of the Fund; (6) information on the investment performance of the Fund, including a comparison of the Fund's performance against that of other registered investment companies and comparable funds managed by the Investment Adviser that follow investment strategies similar to those of the Fund; (7) information regarding brokerage and portfolio transactions; and (8) information on any legal proceedings or regulatory audits or investigations affecting the Investment Adviser, including relating to the HCMLP bankruptcy. After the August 2021 meeting and throughout the annual contract renewal process, including at the September 16-17, 2021 Board meeting, the Board of Trustees requested that the Investment Adviser provide additional information and written responses regarding various matters in connection with the Board of Trustees' review and consideration of the Agreement. It was further noted that throughout the process, the Board of Trustees, including separately the Independent Trustees, had also met in executive sessions to further discuss the materials.

In addition, the Board of Trustees received an independent report from FUSE Research Network ("FUSE"), an independent third-party provider of investment company data, relating to the Fund's performance and expenses compared to the performance and expenses of a group of funds deemed by FUSE to be comparable to the Fund (the "peer group"), and to a larger group of comparable funds (the "peer universe"). The Board of Trustees also received data relating to the Fund's leverage and distribution rates as compared to its peer group.

The Board of Trustees discussed the materials provided by the Investment Adviser in detail over the course of multiple meetings, including the Investment Adviser's responses to the Board of Trustees' specific written questions, comparative fee and performance information and information concerning the Investment Adviser's business and financial condition. The factors considered and the determinations made by the Board of Trustees in connection with the approval of the renewal of the Agreement with the Investment Adviser are set forth below but are not exhaustive of all matters that were discussed by the Board of Trustees.

The Board of Trustees' evaluation process with respect to the Investment Adviser is an ongoing one. In this regard, the Board of Trustees also took into account discussions with management and information provided to the Board of Trustees at meetings of the Board of Trustees over the course of the year with respect to the services provided by the Investment Adviser to the Fund, including quarterly performance reports prepared by management containing reviews of investment results and prior presentations from the Investment Adviser with respect to the Fund. The information received and considered by the Board of Trustees in connection with the October 25, 2021 meeting and throughout the year was both written and oral.

The Board of Trustees reviewed various factors that were discussed in a legal memorandum provided by independent counsel regarding trustee responsibilities in considering the Agreement, the detailed information provided by the Investment Adviser and other relevant information. The Board of Trustees also considered other factors (including conditions and trends prevailing generally in the economy, the securities markets, and the effect of the COVID-19 pandemic on the Fund and the industry). Some of the factors that figured particularly in the Board of Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. In addition, the Board of Trustees' conclusions may be based in part on its consideration of the advisory arrangements in prior years and on the Board of Trustees' ongoing regular review of fund performance and operations throughout the year. The Board of Trustees' conclusions as to the approval of the Agreement were based on a comprehensive consideration of all information provided to the Board of Trustees without any single factor being dispositive in and of itself.

Throughout the process, the Board of Trustees had the opportunity to ask questions of and request additional information from the Investment Adviser. The Board of Trustees was assisted by legal counsel for the Trust and the Independent Trustees were also separately assisted by independent legal counsel throughout the process. The Board of Trustees also met separately without representatives of the Investment

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2021****NexPoint Diversified Real Estate Trust**

Adviser present. The Independent Trustees were advised by and met in executive sessions with their independent legal counsel at which no representatives of management were present to discuss the proposed continuation of the Agreement.

**The nature, extent, and quality of the services to be provided by the Investment Adviser.**

The Board of Trustees considered the Investment Adviser's services as investment manager to the Fund.

The Board of Trustees considered the portfolio management services to be provided by the Investment Adviser under the Agreement and the activities related to portfolio management, including use of technology, research capabilities and investment management staff. The Board of Trustees also considered the relevant experience and qualifications of the personnel providing advisory services, including the background and experience of the members of the Fund's portfolio management team. The Board of Trustees reviewed the management structure, assets under management and investment philosophies and processes of the Investment Adviser, including with respect to liquidity management. The Board of Trustees also reviewed and discussed information regarding the Investment Adviser's compliance policies, procedures and personnel, including compensation arrangements and with respect to valuation, cybersecurity, business continuity and disaster recovery. The Board of Trustees also considered the Investment Adviser's risk management and monitoring processes. The Board of Trustees took into account the terms of the Agreement and considered that, the Investment Adviser, subject to the direction of the Board of Trustees, is responsible for providing advice and guidance with respect to the Fund and for managing the investment of the assets of the Fund. The Board of Trustees also took into account that the scope of services provided to the Fund and the undertakings required of the Investment Adviser in connection with those services, including with respect to its own and the Fund's compliance programs, had expanded over time as a result of regulatory, market and other developments. The Board of Trustees also considered operational, staffing and organizational changes with respect to the Investment Adviser over the prior year, including in connection with the transitions of certain shared services arrangements and the steps taken by the Investment Adviser to address such transitions, and the fact that there were no material operational or compliance issues with respect to the Fund or decrease in the level and quality of services provided to the Fund as a result. The Board of Trustees also considered the Investment Adviser's regulatory history. The Board of Trustees also considered the Investment Adviser's current litigation matters related to the HCMLP bankruptcy and took into account the Investment Adviser's representation that such matters would not impact the quality and level of services the Investment Adviser will provide to the Fund under the Agreement.

The Investment Adviser's services in coordinating and overseeing the activities of the Fund's other service providers, as well of the services provided by Skyview to the Investment Adviser under the Skyview Services Agreement, were also considered. The Board of Trustees also evaluated the expertise and performance of the personnel of the Investment Adviser who performed services for the Fund throughout the year. They also considered the quality of the Investment Adviser's compliance oversight program with respect to the Fund's service providers. The Board of Trustees also considered both the investment advisory services and the nature, quality and extent of any administrative and other non-advisory services, including shareholder servicing and distribution support services that are provided to the Fund and its shareholders by the Investment Adviser and its affiliates, as well as considered the services provided by Skyview to the Investment Adviser under the Skyview Services Agreement. The Board of Trustees noted that the level and quality of services to the Fund by the Investment Adviser and its affiliates had not been materially impacted by the HCMLP bankruptcy and took into account the Investment Adviser's representations that the level and quality of the services provided by the Investment Adviser and their affiliates, as well as of those services provided by Skyview to the Investment Adviser under the Skyview Services Agreement, would continue to be provided to the Fund at the same or higher level and quality.

The Board of Trustees also considered the significant risks assumed by the Investment Adviser in connection with the services provided to the Fund, including entrepreneurial risk and ongoing risks including investment, operational, enterprise, litigation, regulatory and compliance risks with respect to the Fund. The Board of Trustees also noted various cost-savings initiatives that had been implemented by the Investment Adviser with respect to the Fund and the other funds in the Highland complex over the years. The Board of Trustees considered the Investment Adviser's financial condition and financial wherewithal. The Board of Trustees also considered the financial condition and operations of the Investment Adviser during the COVID-19 pandemic and noted that there had been no material disruption of the Investment Adviser's services to the Fund and that the Investment Adviser had continued to provide the same level, quality and extent of services to the Fund.

The Board of Trustees also noted that on a regular basis it receives and reviews information from the Fund's Chief Compliance Officer (CCO) regarding the Fund's compliance policies and procedures established pursuant to Rule 38a-1 under the Investment Company Act of 1940. The Board of Trustees also took into account the CCO's ongoing reports concerning the CCO's oversight of the risk assessment processes.

In considering the nature, extent, and quality of the services provided by the Investment Adviser, the Board of Trustees

Table of Contents**ADDITIONAL INFORMATION (unaudited) (continued)****December 31, 2021****NexPoint Diversified Real Estate Trust**

also took into account its knowledge of the Investment Adviser's management and the quality of the performance of its duties, through discussions and reports during the preceding year and in past years.

The Board of Trustees concluded that the Investment Adviser had the quality and depth of personnel and investment methods essential to performing its duties under the Agreement, and that the nature and the quality of such advisory services supported the approval of the Agreement.

**The Investment Adviser's historical performance.**

In considering the Fund's performance, the Board of Trustees noted that it reviews at its regularly scheduled meetings information about the Fund's performance results. The Board of Trustees considered the performance of the Fund as described in the quarterly and other reports prepared by management over the course of the year. The Board of Trustees noted that the Investment Adviser reviewed with the Board of Trustees on a quarterly basis detailed information about the Fund's performance results, portfolio composition and investment strategies. The Board of Trustees reviewed the historical performance of the Fund over various time periods and reflected on previous discussions regarding matters bearing on the Investment Adviser's performance at its meetings throughout the year. The Board of Trustees discussed the historical performance of the Fund and considered the relative performance of the Fund and its portfolio management team as compared to that of the Fund's peer group as selected by FUSE, as well as comparable indices. Among other data, the Board of Trustees also received data with respect to the Fund's leverage, discounts and distribution rates as compared to its peer group.

The Board of Trustees also reviewed and considered the FUSE report, which provided a statistical analysis comparing the Fund's investment performance, expenses and fees to those of comparable funds for various periods ended June 30, 2021 and management's discussion of the same, including the effect of current market conditions on the Fund's more-recent performance. The Board of Trustees also received a review of the data contained in the FUSE report from representatives of FUSE. The Board of Trustees noted that while it found the data provided by FUSE, the independent third-party data provider, generally useful, it recognized its limitations, including in particular that the data may vary depending on the end date selected and the results of the performance comparisons may vary depending on the selection of the peer group. The Board of Trustees also took into account management's discussion of the category in which the Fund was placed for comparative purposes, including any differences between the Fund's investment strategy and the strategy of the funds in the Fund's respective category, as well as compared to the peer

group selected by FUSE. The Board of Trustees also took into account its discussions with management over the course of the year regarding factors that contributed to the performance of the Fund, including presentations with the Fund's portfolio managers.

Among other data relating specifically to Fund's performance, the Board of Trustees took note of FUSE's explanatory note that the peer group and universe consists of other flexible allocation funds identified by FUSE. The Board of Trustees then considered that Fund outperformed (based on NAV) its benchmark index, the Credit Suisse Hedge Fund USD Index, over the one-, five-, and ten-year period and underperformed the index over the three-year period ended June 30, 2021. The Board of Trustees also considered that Fund outperformed the peer group median over the ten-year period and underperformed over the one-, three-, and five-year periods ended June 30, 2021. The Board of Trustees also took into account the unique mandate of the Fund as compared to the other funds in its peer group. The Board of Trustees also took into account management's discussion of the Fund's performance and actions taken with respect to the Fund, including the Fund's ongoing conversion to a real estate investment trust. The Board of Trustees also took into account potential additional actions proposed to be taken to address the discount with respect to the Fund.

The Board of Trustees concluded that the Fund's overall performance and other relevant factors, including the Investment Adviser's actions to address any underperformance, supported the continuation of the Agreement with respect to the Fund for an additional one-year period.

**The costs of the services to be provided by the Investment Adviser and the profits to be realized by the Investment Adviser and its affiliates from the relationship with the Fund.**

The Board of Trustees also gave consideration to the fees payable under the Agreement, the expenses the Investment Adviser incur in providing advisory services and the profitability to the Investment Adviser from managing the Fund, including: (1) information regarding the financial condition of the Investment Adviser; (2) information regarding the total fees and payments received by the Investment Adviser for its services and, with respect to the Investment Adviser, whether such fees are appropriate given economies of scale and other considerations; (3) comparative information showing (a) the fees payable under the Agreement versus the investment advisory fees of certain registered investment companies and comparable funds that follow investment strategies similar to those of the Fund and (b) the expense ratios of the Fund versus the expense ratios of certain registered investment companies and comparable funds that follow investment strategies similar to those of the Fund; and (4) information regarding the total fees and payments

**EXHIBIT 78**

**INTENTIONALLY  
OMITTED**

**EXHIBIT 79**

**INTENTIONALLY  
OMITTED**

**EXHIBIT 80**

**INTENTIONALLY  
OMITTED**

## **EXHIBIT 81**

001865



## 15(c) Follow-up

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**From:** Dustin Norris <[dnorris@nexpointsecurities.com](mailto:dnorris@nexpointsecurities.com)>  
**To:** Ethan Powell <[ethanpowell@impactshares.org](mailto:ethanpowell@impactshares.org)>, "Dr. Bob Froehlich" (<[drbobf@gmail.com](mailto:drbobf@gmail.com)>) <[drbobf@gmail.com](mailto:drbobf@gmail.com)>, "Louizos, Stacy" (<[slouizos@blankrome.com](mailto:slouizos@blankrome.com)>), Bryan Ward <[bward2299@gmail.com](mailto:bward2299@gmail.com)>, John Honis (<[jhonis@randadvisors.com](mailto:jhonis@randadvisors.com)>), Edward Constantino <[enconstantino@gmail.com](mailto:enconstantino@gmail.com)>  
**Cc:** Jason Post <[jpost@highlandcapital.com](mailto:jpost@highlandcapital.com)>, Lauren Thedford (<[lthedford@highlandcapital.com](mailto:lthedford@highlandcapital.com)>), Brian Mitts <[bmitts@nexpointadvisors.com](mailto:bmitts@nexpointadvisors.com)>, Brian Collins <[bcollins@highlandcapital.com](mailto:bcollins@highlandcapital.com)>, charles.miller@klgates.com, "Dupuy, Jon-Luc" (<[jon-luc.dupuy@klgates.com](mailto:jon-luc.dupuy@klgates.com)>), george.zornada@klgates.com  
**Date:** Fri, 09 Oct 2020 01:12:36 -0400  
**Attachments:** (123902528)\_1\_15(c) Follow up (10\_2\_20).DOCX (52.23 kB)

Hello Board members,

We are working on full responses to your with 15(c) follow-up questions attached, however we want to keep you updated as it pertains to the continued developments with shared services and your first question on the attached. As it stands today, NexPoint's senior management's plan as a backup/contingency plan is to extend employment offers to the vast majority of HCMLP's employees by 12/31/2020. This will help ensure that there is no disruption in services to the Funds. Once we have further details of this we will advise. In the interim the plan is to continue with existing shared services.

Please feel free to call me with any questions, and we can also set up a separate call to discuss this plan. We will continue to update you as the plan and contingency plans develop over the coming days and weeks.

Dustin Norris

Head of Distribution and Chief Product Strategist

# NEXPOINT

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O: 972.419.4495 | Sales Desk: 877.665.1287  
[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com) | [www.NexPointGroup.com](http://www.NexPointGroup.com)

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## **EXHIBIT 82**

001867

BLANKROME

**MEMORANDUM**

TO: Dustin Norris  
Lauren Thedford

FROM: Stacy H. Louizos

DATE: October 2, 2020

RE: 2020 15(c) Materials—Follow-Up Questions

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**15(c) Follow-Up Questions**

Following up from the 15(c) discussions and materials to date, below are some additional questions from the Independent Trustees:

- 1) Please provide, to the extent practicable, the contingency plans with respect to the services provided under the Shared Services Agreements in the event that the outcome of the HCMLP bankruptcy proceedings were to impact the current servicing structure. For example, has the Advisers considered any outside service providers if necessary?
- 2) Are there any material outstanding amounts currently payable or due in the future (*e.g.*, notes) to HLCMLP by HCMFA or NexPoint Advisors or any other affiliate that provide services to the Funds?
- 3) The Board notes the provision of the updated list of current co-investments provided by HCMFA/NexPoint Advisors and the Advisers' discussion, including the senior-level team in place, to address any potential conflicts of interest matters. With respect to the compliance function, please confirm that the Funds' Chief Compliance Officer overall will continue in his usual role with respect to the Funds. Are there any other potential conflicts outside of the specific co-investment matters identified?

158194.00103/123902528v.1

## **EXHIBIT 83**

## Letter from Funds to Jim Seery

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**From:** "Miller, Charles" <charles.miller@klgates.com>  
**To:** jpomerantz@pszjlw.com, John A. Morris <jmorris@pszjlw.com>, Gregory V. Demo <gdemo@pszjlw.com>  
**Cc:** "Louizos, Stacy" <slouizos@blankrome.com>, "Ethan Powell" (ethanpowell@impactshares.org) <ethanpowell@impactshares.org>, "Bryan Ward" (bward2299@gmail.com) <bward2299@gmail.com>, "Dr. Bob" (drbobf@gmail.com) <drbobf@gmail.com>, John Honis <jhonis@randadvisors.com>, enconstantino@gmail.com, "Zornada, George" <george.zornada@klgates.com>, "Hogewood, III, A. Lee" <a.lee.hogewoodiii@klgates.com>, "Dupuy, Jon-Luc" <jon-luc.dupuy@klgates.com>  
**Date:** Wed, 27 Jan 2021 12:04:33 -0500  
**Attachments:** Unnamed Attachment (68 bytes); 20210127115146466.PDF (281.6 kB)

Gentlemen: Attached is a letter on behalf of the Highland/NexPoint Funds to Jim Seery. We would appreciate it if you could provide Mr. Seery with a copy of this letter.  
Thank you.



**R. Charles Miller**  
**Partner**  
K&L Gates LLP  
1601 K Street, NW  
Washington, DC 20006  
Phone: 202.778.9372  
Fax: 202.778.9100  
[www.klgates.com](http://www.klgates.com)

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K&L GATES

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T +1 202 778 9372  
F +1 202 778 9100

January 27, 2021

James Seery  
c/o Pachulski Stang Ziehl & Jones, LLP  
780 Third Avenue, 34th Floor  
New York, NY 10017-2024

Dear Mr. Seery:

We are writing in our capacity as counsel to Highland Funds I, Highland Funds II, NexPoint Strategic Opportunities Fund, NexPoint Real Estate Strategies Fund, Highland Income Fund, Highland Global Allocation Fund, and NexPoint Capital, Inc. (together, the “Funds”) at the request of the Boards of Trustees/Directors of the Funds (the “Boards”). The Funds are concerned about the damaging effects that could result from any abrupt termination of the Shared Services Agreements (the “Agreements”) through which Highland Capital Management, L.P. (“HCMLP”) provides personnel, technology, and services to the investment advisers to Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P., (together, the “Advisers”), and thus indirectly to the Funds. We understand that you have recently provided a majority of the current HCMLP employees with termination notices that will permit their orderly transition to other positions in which they can continue to provide services to the Funds. While we of course hope that this transition of personnel, as well as of the services provided under the Agreements, is a smooth process and do note the ongoing discussions in this regard with HCMLP, we want to emphasize how important it is to the Funds and their shareholders that these services continue uninterrupted. We have also expressed the importance of this result to the Advisers.

It may be helpful to provide some background concerning the Funds’ operations and independence for context. The Funds comprise open-end investment companies (typically referred to as “mutual funds”), closed-end investment companies, an exchange-traded fund (that is, an “ETF”), and a business development company (referred to as a “BDC”). All of the Funds are publicly registered and regulated by the Securities and Exchange Commission (the “SEC”) and by a comprehensive set of securities laws, including the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940, and (indirectly through the Advisers) the Investment Advisers Act of 1940, as well as various state law provisions (together, the “Securities Laws”). Collectively, the Funds have thousands of shareholders, who range from large institutional investors to numerous small individual shareholders, and collectively have approximately \$2.2 billion in assets under management.

As public registered investment companies, the Funds are not controlled by a general partner or other entity, unlike many private funds. Instead, the Funds’ governance is comprehensively regulated under the Investment Company Act of 1940, and the Funds are

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governed by several Boards of Trustees or Directors. Each Board owes a fiduciary duty to the Funds and to the Funds' shareholders. While the Boards retain the Advisers to advise the Funds, under the Securities Laws, the Boards have an obligation to exercise independent business judgment and to act in the best interests of the Funds and their shareholders. In stark contrast to oversight of many private investment entities, the Boards meet quarterly for routine meetings and typically on a monthly basis (or more frequently) regarding a variety of Fund operations. Indeed, the SEC routinely describes and emphasizes the oversight duties of investment company boards in the Commission's rulemaking efforts.<sup>1</sup> The Boards' members include a number of sophisticated investment professionals, all but one of who are independent of the Advisers and who are advised by their own legal counsel. The Board and independent Board member counsel have reviewed this letter and are copied below.

Typically, advisers to public funds have their own personnel, systems and technology necessary to provide comprehensive investment management services to the funds that they manage. It is not unusual for related advisers to share personnel and services for the sake of efficiencies. However, as you know, HCMLP and the Advisers are now independent. As you also know, the Advisers to the Funds have relied on HCMLP to provide many services to the Advisers through the Agreements. The Agreements permit HCMLP employees, IT facilities, real estate, and other services to be shared with the Advisers. In return, the Advisers pay a monthly fee to HCMLP, which is funded in part by the advisory fees received by the Advisers from the Funds. The Funds and their Boards believe that this arrangement has worked well in the past and want to ensure that the services provided thereby continue uninterrupted once the Agreements are no longer in effect.

As you also know, the Agreements will be terminating as of January 31, 2021. The Funds and the Boards believe that a failure to coordinate the transition of the Agreements or, even more damaging, a sudden cessation of the services provided under the Agreements, could cause serious harm to the Funds and their shareholders. This would occur through the inability of the Advisers to fulfill their contractual duties to the Funds, and could include the following:

- First and foremost, the unavailability of key personnel to conduct the portfolio management and administrative functions (including compliance and daily pricing) required by the Funds.
- The inability to make necessary legal and regulatory filings with the SEC, the New York Stock Exchange (the "NYSE"), and other regulatory agencies and organizations required of the Funds.
- A breakdown in IT, email, and other communication functions that are critical to the Funds' operations.
- Compromised recordkeeping capabilities as required under the Securities Laws.
- Difficulty in meeting GAAP and audit requirements, including for regulatory filings and for auditor opinion letters.

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<sup>1</sup> See, e.g., Good Faith Determinations of Fair Value, In. Co. Rel. No. 34128 (Dec. 3, 2020); Use of Derivatives by Registered Investment Companies and Business Development Companies, Inv. Co. Rel. No. 34084 (Nov. 2, 2020); Fund of Funds Arrangements, Inv. Co. Act. Rel. No. 10871 (Oct. 7, 2020).



- Similar impediments to making certifications required under the Sarbanes-Oxley Act (Form N-CSR requirements) and other filings, including principal executive officer and principal financial officer certificates.
- A loss in investor communication/press release functions.
- Finally, and more comprehensively, the Funds and their Boards fear that should a serious decline in advisory functions to the Funds occur, resulting public knowledge could cause a widespread loss of investor confidence, potentially resulting in large scale redemptions from redeemable Funds and share sales causing declines in the trading prices of others of the Funds listed on the NYSE.

The Funds and their Boards very much desire to avoid these harmful effects from an abrupt termination of the Agreements without a transition plan in place and note the work to-date to ensure a smooth process. The Funds and the Board have had extensive discussions with the Advisers to likewise confirm that the Advisers are also pursuing every avenue for a smooth transition. As we similarly requested of the Advisers, we anticipate and expect that you will continue discussions with Advisor and Fund personnel to ensure an orderly transition over the coming weeks. In this regard, we ask that you provide a summary, which can be shared with the Board, of your plans for transitioning the personnel, services, and technology from HCMLP to the Advisers over the next 60 days.

Sincerely,

  
R. Charles Miller

Cc: The Boards of Trustees/Directors of the Funds  
Stacy Louizos, Esq., Blank Rome, LLP

## **EXHIBIT 84**

001874

## NXRT/NREF/VineBrook Board Materials

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**From:** Jackie Graham <jgraham@nexpointadvisors.com>  
**To:** jim.dondero@nexbank.com, Scott Kavanaugh <skavanaugh@ff-inc.com>, Edward Constantino <enconstantino@gmail.com>, Nicholas Drinkwater <ndrinkwater@laffer.com>, Cathie Wood <cwood@ark-invest.com>, Dana Sprong <dana.sprong@vinebrookhomes.com>  
**Cc:** Matt McGraner <mmcgraner@nexpointadvisors.com>, DC Sauter <dsauter@nexpointadvisors.com>, Charlie Haag Haag <chaag@winston.com>, donderoassistants@gmail.com, Althea Stewart <astewart@ark-invest.com>, Janice Wilson <jwilson@ff-inc.com>  
**Date:** Fri, 29 Jan 2021 09:15:39 -0500  
**Attachments:** Shared Services.docx (17.74 kB); Letter to Highland from REITs Regarding Shared Services Agreement\_(15396139)\_(2).DOCX (62.99 kB)

All,

Please see the attached material for today's board call. Please contact Brian Mitts via email or at 469-586-7698 prior to the meeting if you have questions.

Thank you,

**Jackie Graham**

DIRECTOR - INVESTOR RELATIONS & CAPITAL MARKETS

**NEXPOINT**

300 Crescent Court | Suite 700 | Dallas, Texas 75201

O: 972.419.6213 | C: 650.823.1688

[jgraham@nexpointadvisors.com](mailto:jgraham@nexpointadvisors.com)

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### Shared Services for NXRT, NREF and VB (together the “Companies”)

Because the Companies are externally managed by external advisors (NexPoint Real Estate Advisors, L.P. and its affiliates (the “Advisors”)), the Companies rely on the Advisors to provide certain services to them. The Advisors utilize Highland Capital Management, L.P. (“HCM”) to provide a certain subset of these services under a shared services agreement between HCM and the Advisors. The list of services provided under the contract, as well as a listing of the services actually utilized by the Companies are listed below. NexPoint Real Estate Advisors, L.P. has a large group of professionals that perform many of the services that would otherwise be provided by HCM through the shared services agreement. Many of the services provided by HCM are geared toward providing services to an investment fund. As operating companies, the Companies do not require many of these services. For other services, it is not feasible for those to be provided by a third party and thus are provided by the NREA real estate team (the “RE Team”). The most critical services utilized by the Companies are highlighted below. Although **ALL** of the services provided by HCM can be replicated by the Advisors and/or the Companies, or can be provided by another party, the services defined as “critical” are those that would need time to be moved to another party or managed by the RE Team. As such, if HCM were to cease providing these services upon short notice, it *may* create a minor disruption to our normal operations but will not materially impair the Advisors overall ability to provide necessary and critical services to the Companies (See Proposed Solution and Backup Plan below).

It is important to note that the shared services agreements are between HCM and the Advisors, not directly with the Companies. As such, the Companies are not a party to these contracts nor do they pay for the services. The Advisors pay for the services and provides them to the Companies as part of the advisory agreement contracts between the Advisors and the Companies.

### Shared Services Available to the Companies

The following services are available to the Companies under the shared services agreements:

Back and middle office: investment research, trade execution, accounting, vendor management, telecom. The Companies use vendor management, IT, telecom,. Investment research, trade execution, and accounting are not utilized. Corporate level accounting is done by the internal teams and property level accounting is down by property managers (BH, VineBrook, etc), which is the vast majority of all accounting (see financial reporting below).

Legal, compliance, risk analysis: legal and litigation support. These are not used by the Companies. They have outside counsel that perform these functions directly to them individually.

Tax: provide tax assistance. The Companies utilize this service to a minimal degree. The more important and substantive tax services are provided by parties other than HCM. The services utilized are non-critical and can easily and quickly be moved to the RE Team or to another party.

Management of clients and accounts: assistance with adhering to policies of the Advisors. This is non-critical and can be performed by the RE Team.

Valuation: HCM group provides valuation assistance. Other than NREF, there is no requirement for any of the Companies to value positions. For NREF, it utilizes internal team and a third party valuation firm.

Execution and documentation: assistance with negotiations of agreements deemed necessary for the Companies to conduct business. The Companies do not utilize these services as they are handled by the internal real estate team.

Marketing: provide marketing support for the Companies. This is not a service the Companies need. Our marketing needs are unique to us (interaction with analysts and investors) and are handled by the internal real estate team.

Reporting: reporting to investors, banks, regulators. The Companies do not utilize these services. Our reporting requirements are unique enough that the internal real estate team provides these.

Administrative Services: provision of office space, IT services, equipment and infrastructure, supplies, etc. Because of Covid, the real estate team is able to work from home until suitable office space is procured. Clearly, the Companies can purchase supplies and so this is a non-critical service. **The most critical service provided by HCM is IT services, maintenance, equipment and infrastructure.** These services, equipment and infrastructure can be replaced but would cost an estimated \$2m to set up from scratch and take several weeks to a month or more to complete. There are other third party solutions that are cheaper and possibly would take less time to set up.

In summary, the biggest risk to the Companies is that HCM could in theory cut the Companies off from emails, cell phones, access to servers and data and company websites. This is not allowed under the contract, but it doesn't mean they won't try to do it. We are preparing for the worst (see below Backup Plan). Even if this were the outcome, we believe the disruption to our business would be minimal as we can move email and websites quickly, get new phone service set up and will continue to have access to our most critical data. Also, outside counsel such as (but not limited to) Winston have most if not all of our contracts, loan agreements, purchase and sale agreements, etc. on their systems. Most of our critical accounting files are held by entities other than HCM.

#### **Current Proposal**

Employees of the Advisors are working with HCM to provide a transition of shared services from HCM to the Advisors or third party providers. The most critical of which are the IT services, equipment and infrastructure. The proposal is for the Advisors, in conjunction with other advisors, to purchase IT equipment, servers, and furniture from HCM, to share ongoing costs (rent, licenses, etc.) and to provide services itself or find an alternate provider. Specifically, the Advisors and affiliate advisors would pay a one-time fee of ~ \$400,000 and ongoing monthly costs of ~ \$270,000. Additionally, HCM may require the Advisors and affiliate advisors to pay previously unpaid fees allegedly owed to HCM totalling \$5.5m.

#### **Backup Plan**

To date, our perception of the management of HCM is that they can act in an erratic and irrational manner at times. Since their unpredictable, irrational and erratic actions could cause temporary minor disruptions to the Companies and our shareholders, we are pursuing a backup plan if a proposal is not consummated. Specifically, we have captured critical files from the server, are backing up our emails, contacts, and calendars and are copying websites to be moved to alternate URLs.

#### **Legal Remedies**

Winston is reviewing potential legal remedies in the event HCM breaches the shared service agreements but denying us access to our data held by HCM or otherwise attempts to cause harm to our shareholders or in anyway use them as leverage in the HCM bankruptcy proceeding by denying the Companies access to information held by HCM.

**Letter to HCM**

Winston has prepared the attached letter for the board's consideration to be sent to HCM. The letter makes clear that the Companies rely on services provided by HCM and request they allow for a smooth transition of those services to disrupt the operations of the Companies, including a delivery of our information immediately upon termination of the agreements.

## **EXHIBIT 85**

001879



## Bankruptcy Follow-Up Questions + Outline for January 22, 2020 Call

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**From:** Lauren Thedford <lthedford@highlandcapital.com>  
**To:** "Louizos, Stacy H." <stacy.louizos@dbf.com>, Ethan Powell <ethanpowell@impactshares.org>, Robert Froehlich <drbobf@gmail.com>, Bryan Ward <bward2299@gmail.com>, John Honis <jhonis@randadvisors.com>, Dustin Norris <dnorris@nexpointsecurities.com>  
**Cc:** Thomas Surgent <tsurgent@highlandcapital.com>, Isaac Leventon <ileventon@highlandcapital.com>, Jason Post <jpost@highlandcapital.com>, Lucy Bannon <lbannon@highlandcapital.com>, Will Mabry <wmabry@highlandcapital.com>, "Zornada, George" <george.zornada@klgates.com>, "Dupuy, Jon-Luc" <jon-luc.dupuy@klgates.com>, SEI Highland Legal <seihighlandlegal@seic.com>, Sarah Goldsmith <sgoldsmith@highlandcapital.com>  
**Date:** Wed, 22 Jan 2020 11:28:34 -0500  
**Attachments:** HCMLP Headcount Report (10.31.19)(with Summary).pdf (626.66 kB); 2020-01-16\_Press Release\_HCMLP Provides Update on Reorganization Process.pdf (88.01 kB); Adviser Response to Board BK Follow-Up Requests (01.22.2020).pdf (131.04 kB)

Good morning Trustees,

Please find attached for your review the Adviser's responses to the questions below together with the noted PRs. We will use the attached as a general outline for today's call.

Separately, a member of the Adviser's valuation team and members of the real estate team will be on the call to provide additional detail on the contribution of NREF assets in response to Bryan Ward's question on Director's Desk today.

Thanks,

LAUREN THEDFORD | Associate General Counsel



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O: 972.628.4100 | D: 972.419.6223 | F: 972.628.4147  
[lthedford@HighlandCapital.com](mailto:lthedford@HighlandCapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

**From:** Louizos, Stacy H.

**Sent:** Friday, January 17, 2020 11:13 PM

**To:** Jason Post ; Lauren Thedford

**Cc:** Isaac Leventon ; Dustin Norris ; Ethan Powell ; Robert Froehlich ; John Honis ; Bryan Ward ; Zornada, George ; Dupuy, Jon-Luc

**Subject:** Follow up questions

Dear Jason and Lauren— In connection with next week's update call with the Board, below are some follow up questions that have been raised by the Independent Trustees:

- 1) Please provide an updated organizational chart relating to the Highland complex. Please also indicate those individuals that are dual employees and of which entities, as well as the reporting structure with respect to Highland Capital Management, LP ("HCMLP"), Highland Capital Management Fund Advisors, LP ("HCMFA") and NexPoint Advisors, LP.
- 2) Please provide an update on the results of the January 9th motion hearing.

3) As discussed on the January 3, 2020 Board call, please provide a copy of the press release that was to explain the implications of the January 9, 2020 hearing, including to HCMLP and to the HCMFA- and Nexpoint-advised funds.

4) How does the new management structure impact the decision making process at Highland with respect to business operations?

5) What is the impact of the current status of the bankruptcy and organizational changes at Highland on holdings that are held by both Highland and any of the retail funds complex?

6) The Independent Trustees note that the weekly update report indicates that the repurchases for HFRO, HGLB and NHF are on hold pending the bankruptcy. Please discuss the reason for this.

7) With respect to the weekly update report, Item V., which provides an update on intermediaries and platforms, indicates that there is no change. The Independent Trustees note that on the last update call, it was reported that two firms had requested independent third party reviews. Please list the applicable firms as well as who is doing the third party due diligence. Also, as requested on the call, the Independent Trustees would appreciate receiving a copy of such third party due diligence reports.

8) The Independent Trustees could appreciate receiving an update with respect to operational plans going forward.

Please do not hesitate to call me with any questions or if you would like to discuss any of the above further. Hope you have a nice long weekend!

Best,

Stacy

Stacy H. Louizos

**Drinker Biddle & Reath LLP**

1177 Avenue of the Americas, 41st Floor

New York, NY 10036-2714

(212) 248-3292 *office*

(203) 918-3666 *mobile*

[Stacy.Louizos@dbr.com](mailto:Stacy.Louizos@dbr.com)

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Effective February 1, 2020, Drinker Biddle & Reath will combine with Faegre Baker Daniels to become **Faegre Drinker Biddle & Reath LLP (Faegre Drinker)**. At that time, my email address will change to reflect the new firm domain, though my current email address will work for a short time following our combination. All phone and fax numbers will remain the same. As we take our place among the top 50 *AmLaw* firms, the new Faegre Drinker builds upon and reflects our current firms' shared values and cultures.

\*\*\*\*\*

Drinker Biddle & Reath LLP is a Delaware limited liability partnership. The partner responsible for the firm's Princeton office is Dorothy Bolinsky, and the partner responsible for the firm's Florham Park office is Andrew B. Joseph.

\*\*\*\*\*

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Highland Capital Management, L.P.

Row Labels	Sum of Count
Eagle Equity Advisors, LLC	1
Highland Capital Management (Singapore) Pte Ltd	1
Highland Capital Management Fund Advisors, L.P. (HCMFA)	7
Highland Capital Management Korea Limited (HCMKP)	2
Highland Capital Management, L.P. (HCMPLP)	74
NexPoint Advisors, L.P. (NPA)	17
NexPoint Hospitality Trust (NHT)	1
NexPoint Residential Trust, Inc. (NXRT)	3
NexPoint Securities, Inc. (NSI)	29
Vinebrook Homes Trust, Inc. (Vinebrook)	1
Grand Total	136

## Highland Capital Management, L.P.

Name	Title	Department	Employing Entity	Dual Employee?	Location	Investments or Back Office
Williams, Andy	Managing Director	Insurance Products	Eagle Equity Advisors, LLC		Dallas	Investment Professionals
Adkins, Paul N	Managing Director	Marketing	Highland Capital Management (Singapore) Pre Ltd		Asia	Back Office
Fritz, Eric	Director	Equity	Highland Capital Management Fund Advisors, L.P. (HCMFA)		Dallas	Investment Professionals
Heiss, Bradford	Managing Director	Equity	Highland Capital Management Fund Advisors, L.P. (HCMFA)		Dallas	Investment Professionals
Hurley, Mike	Chief Market Strategist	Equity	Highland Capital Management Fund Advisors, L.P. (HCMFA)		Dallas	Investment Professionals
Kouzmenko, Svetlana	Director of Operations	Wealth Management	Highland Capital Management Fund Advisors, L.P. (HCMFA)		Dallas	Back Office
Pearson, Matt	Trader	Equity	Highland Capital Management Fund Advisors, L.P. (HCMFA)		Dallas	Investment Professionals
Soto, Hailey	Executive Assistant	Office Administration	Highland Capital Management Fund Advisors, L.P. (HCMFA)		Dallas	Back Office
Sowin, Joe	Co-CIO and Head of Global Equity Trading	Equity	Highland Capital Management Fund Advisors, L.P. (HCMFA)		Dallas	Investment Professionals
Lee, Woerjun	Director, Private Equity	Private Equity	Highland Capital Management Korea Limited (HCMKL)		Asia	Investment Professionals
Park, Jun	Director of Business Development, Korea	Marketing	Highland Capital Management Korea Limited (HCMKL)		Asia	Back Office
Abayaratna, Sahan	Par Credit Analyst	Research	Highland Capital Management, L.P. (HCMPL)		Dallas	Investment Professionals
Baker, Lauren	PR & Communications Assistant	Public Relations	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Bannon, Lucy	Director of Public Relations and Communication	Public Relations	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Baynard, Cameron	Managing Director	Private Equity	Highland Capital Management, L.P. (HCMPL)		Dallas	Investment Professionals
Broaddus, Paul	Senior Manager, Tax	Tax	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Burns, Nathan	Managing Director	Research	Highland Capital Management, L.P. (HCMPL)		Dallas	Investment Professionals
Carter, Jerome D	Junior Network Engineer	IT - Infrastructure	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Chisum, Naomi	Executive Assistant	Office Administration	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Clark, Stetson	Operations Analyst	Operations	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Collins, Brian	Director of Human Resources	Human Resources	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Cotton, Austin	Fund Analyst	Fund Accounting	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Cournover, Tim	Assistant General Counsel	Legal	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Covitz, Hunter	Head of Structured Products	Structured Products	Highland Capital Management, L.P. (HCMPL)		Dallas	Investment Professionals
DiOrio, Matthew	Director	Legal	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Dondero, James	Partner	Executive	Highland Capital Management, L.P. (HCMPL)		Dallas	Investment Professionals
Duffy, Will	Valuation Analyst	Valuation	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Eftekhari, Cyrus	Senior Compliance Analyst	Legal	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Eliason, Hayley	Corporate Accountant	Corporate Accounting	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Ellington, Scott	Partner, Chief Legal Officer and General Counsel	Legal	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Fox, Sean	Director	Private Equity	Highland Capital Management, L.P. (HCMPL)		Dallas	Investment Professionals
Gatzki, Kent	Facilities Manager	Finance	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Goldsmith, Sarah	Executive Assistant	Office Administration	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Gosserand, William	Senior Systems/Network Engineer	IT - Infrastructure	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Graves, Vanessa	Executive Assistant	Office Administration	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Gray, Matthew R	Managing Director	Research	Highland Capital Management, L.P. (HCMPL)		Dallas	Investment Professionals
Groff, Scott	Director of Corporate Safety	Executive Support	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Hale, Sarah	Executive Assistant	Office Administration	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Haltom, Steven	Senior Operations Analyst	Operations	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Hendrix, Kristin	Manager, Corporate Accounting	Corporate Accounting	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Hoedbeck, Charlie	Senior Fund Analyst	Fund Accounting	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Irving, Katie	Director, Business Development	Legal	Highland Capital Management, L.P. (HCMPL)		Dallas	Investment Professionals
Jain, Ajit	Director, Risk and Financial Engineering	Risk Management	Highland Capital Management, L.P. (HCMPL)		Dallas	Investment Professionals
Jain, Bhawika	Risk Analyst	Risk Management	Highland Capital Management, L.P. (HCMPL)		Dallas	Investment Professionals
Jeong, Michael	Director, Healthcare	Research	Highland Capital Management, L.P. (HCMPL)		Dallas	Investment Professionals
Kim, Helen	Paralegal	Legal	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Kinder, Travis	Fund Analyst	Fund Accounting	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Klos, David	Controller	Finance	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Kovelan, Kari	Recruiting Manager	Human Resources	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Lee, Jae	Senior Tax Analyst	Tax	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Leventon, Isaac	Assistant General Counsel	Legal	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Loibien, Tara	Executive Assistant	Office Administration	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office
Luu, Joye	Operations Analyst	Operations	Highland Capital Management, L.P. (HCMPL)		Dallas	Back Office



## Highland Capital Management, L.P.

Name	Title	Department	Employing Entity	Dual Employee?	Location	Investments or Back Office
Mabry, Will	Senior Manager, Fund Analysis	Fund Accounting	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
McKay, Brad	Operations Analyst	Operations	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Mills, James	Senior Financial Analyst, Valuation	Valuation	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Navejas, Mariana	Executive Assistant	Office Administration	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Nikolayev, Yegor	Par Credit Analyst	Research	Highland Capital Management, L.P. (HCMLP)		Dallas	Investment Professionals
Owens, David	Sr. Trading & Structured Products Analyst	Trading	Highland Capital Management, L.P. (HCMLP)		Dallas	Investment Professionals
Parker, Lee B	Partner, Head of Private Equity	Private Equity	Highland Capital Management, L.P. (HCMLP)	HCMFA, NPA	Dallas	Investment Professionals
Patel, Vishal	Manager, Operations	Operations	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Patrick, Mark	Tax Counsel	Tax	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Poglitisch, Jon M	Head of Credit Research	Research	Highland Capital Management, L.P. (HCMLP)	HCMFA, NPA	Dallas	Investment Professionals
Post, Robert	Chief Compliance Officer, Highland Funds	Legal	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Rice, Chris	Fund Analyst	Fund Accounting	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Richardson, Kellie	Executive Assistant to the Office of the President	Office Administration	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Ringheimer, Jeremy	Manager, Operations	Operations	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Rios, Heriberto	Senior Tax Analyst	Tax	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Roerber, Blair	Accounts Payable Analyst	Corporate Accounting	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Rothstein, Jason	Director, IT Infrastructure	IT - Infrastructure	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Sachdev, Kunal	Par Credit Analyst	Research	Highland Capital Management, L.P. (HCMLP)		Dallas	Investment Professionals
School, Jenny	Receptionist	Office Administration	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Schroth, Melissa	Executive Accountant	Executive Support	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Sevilla, JP	Assistant General Counsel	Legal	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Staltari, Mauro	Financial Analyst	Trading	Highland Capital Management, L.P. (HCMLP)		Dallas	Investment Professionals
Stevens, Kellie	Human Resources Manager	Human Resources	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Stewart, Phoebe	Marketing and Investor Relations Assistant	Marketing	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Stoops, Clifford	Chief Accounting Officer	Fund Accounting	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Surgent, Thomas J	Partner and Chief Compliance Officer	Legal	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Swadley, Rick	Director of Tax Compliance	Tax	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Thedford, Lauren	Associate General Counsel	Legal	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Throckmorton, Michael	Senior Fund Analyst	Fund Accounting	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Vitiello, Stephanie	Associate General Counsel	Legal	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Waterhouse, Frank	Partner and Chief Financial Officer	Finance	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Wurz, Brandon	Project Manager	Finance	Highland Capital Management, L.P. (HCMLP)		Dallas	Back Office
Breault, Evan	Financial Analyst, Real Estate	Real Estate	NexPoint Advisors, L.P. (NPA)		Dallas	Investment Professionals
Brumley, Angela	Business Analyst	NexPoint Strategy/Marketing	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Chang, Freddy	Assistant General Counsel, Real Estate	Legal	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Colbert, Taylor	Financial Analyst, Real Estate	Real Estate	NexPoint Advisors, L.P. (NPA)		Dallas	Investment Professionals
Fulmer, Kevin	Director, Product Strategy	NexPoint Strategy/Marketing	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Goetz, Matthew	Director, Real Estate	Real Estate	NexPoint Advisors, L.P. (NPA)	HCMFA, NPA	Dallas	Investment Professionals
Graham, Jackie	Investor Relations Manager	Marketing	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Grant, Jennifer	Executive Assistant	Office Administration	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Jacoy, Laura	Marketing Manager	Marketing	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Larkin, William	Revenue Manager, Real Estate	Real Estate	NexPoint Advisors, L.P. (NPA)		Dallas	Investment Professionals
McDermott, Bonner	Director, Real Estate	Real Estate	NexPoint Advisors, L.P. (NPA)		Dallas	Investment Professionals
McGraner, Matt	Managing Director	Real Estate	NexPoint Advisors, L.P. (NPA)		Dallas	Investment Professionals
Mitts, Brian D	Chief Financial Officer, NREA	Real Estate Operations	NexPoint Advisors, L.P. (NPA)	HCMFA, NPA, NREA Officer	Dallas	Investment Professionals
Morton, Cody	Financial Analyst, Real Estate	Real Estate	NexPoint Advisors, L.P. (NPA)	HCMFA, NREA Officer	Dallas	Back Office
Norris, Dustin	Head of Distribution and Chief Product Strategy	NexPoint Strategy/Marketing	NexPoint Advisors, L.P. (NPA)		Dallas	Investment Professionals
Richards, Paul	Director, Real Estate	Real Estate	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Simon, Scott	Director, Product Strategy	NexPoint Strategy/Marketing	NexPoint Advisors, L.P. (NPA)		Dallas	Investment Professionals
Zuluaga, Camilo	Senior SOX/Fund Analyst	Finance	NexPoint Advisors, L.P. (NPA)		Dallas	Back Office
Nelson, Kaitlin	Real Estate Fund Analyst	Fund Accounting	NexPoint Hospitality Trust (NHT)		Dallas	Back Office
Emert, Craig	Financial Accountant	Real Estate Operations	NexPoint Residential Trust, Inc. (NXRT)		Dallas	Back Office
Haselroth, Matthew	Real Estate Fund Analyst	Real Estate Operations	NexPoint Residential Trust, Inc. (NXRT)		Dallas	Back Office

## Highland Capital Management, L.P.

Name	Title	Department	Employing Entity	Dual Employee?	Location	Investments or Back Office
Willmore, David	Senior Manager, Real Estate Accounting	Real Estate Operations	NexPoint Residential Trust, Inc. (NXRT)		Dallas	Back Office
Barbera, Angela	Managing Director, National Accounts	NSI National Accounts	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Brennan, Mike	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Brodeur, Steven	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Carmona, Ben	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Cawley, Keith	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Clark, James	Regional Sales Consultant	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Coleman, Clayton	Business Development Associate, Real Estate	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Connolly, James	Regional Sales Consultant	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Crisostomo, Norm	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Dunn, John	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Escudero, Gaston	Regional Sales Director (Hybrid)	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Frizell, Madeline	National Accounts Director	NSI National Accounts	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Fuentes, Brian	Director of Shareholder Services	NSI Operations	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Hakemack, Chris	Managing Director	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Hitchcock, Daniel	Regional Sales Consultant	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Hollister, Mike	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Holt, Eric	Chief Compliance Officer, Affiliated Broker Dealer	Legal	NexPoint Securities, Inc. (NSI)	NexBank Securities Inc.	Dallas	Back Office
Howle, Ian	Regional Sales Director (Hybrid)	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Jardine, Jeff	Regional Sales Consultant	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Jardine, Jordan	Regional Sales Consultant	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Jones, Michael	Regional Sales Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Jordan, Micah	National Accounts Director	NSI National Accounts	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Noel, Kirby	National Sales Manager, Managing Director	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Virtual	Back Office
Sanborn, Brian	Real Estate Client Portfolio Manager	NSI Client Portfolio Manager	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Silva, Alison	Regional Sales Director (Hybrid)	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Sims, Austin	Regional Sales Director (Hybrid)	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Urano, Cameron	Regional Sales Consultant	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Webb, Justin	Regional Sales Consultant	NSI Internal Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Yehia, Josef	Regional Sales Director (Hybrid)	NSI External Wholesaler	NexPoint Securities, Inc. (NSI)		Dallas	Back Office
Chapline, Tom	Financial Accountant	Real Estate Operations	Vinebrook Homes Trust, Inc. (Vinebrook)		Dallas	Back Office



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## Highland Capital Management, L.P. (“HCMLP”), Adviser on the Highland Capital Management Platform, Provides Update on Reorganization Process

*HCMLP Reports on Reorganization Proceedings, Shares Information on Agreement with Creditors’ Committee and Related Governance Changes*

DALLAS, Jan. 16, 2020 – Highland Capital Management, L.P. (“HCMLP”), an investment adviser on the Highland Capital Management investment platform (“Highland”), provided an update today on its Chapter 11 reorganization proceedings in the U.S. Bankruptcy Court for the Northern District of Texas (the “Court”).

### Background on HCMLP’s Reorganization

On October 16, 2019, HCMLP commenced a voluntary reorganization process, filing a petition for relief under Chapter 11 of the U.S. Bankruptcy Code.

HCMLP is a single entity on the Highland platform and, as noted in the [original press release announcing the filing](#), is the only entity that initiated reorganization proceedings. None of the other entities on the platform, including without limitation Highland Capital Management Fund Advisors, L.P. (“HCMFA”), NexPoint Advisors, L.P. (“NexPoint”), and NexPoint Real Estate Advisors, L.P. (“NREA”), have filed for bankruptcy. Charitable giving vehicles and entities supporting community foundations are not subject to the filing.

HCMLP’s filing stems from a potential judgment against the entity related to a financial-crisis-era hedge fund formerly managed by HCMLP that has been in liquidation since 2011. The potential judgment against HCMLP could exceed HCMLP’s liquid assets. While HCMLP has disputed the underlying claims, it initiated the reorganization proceedings to manage this liquidity dynamic.

Through the Court-supervised process, HCMLP seeks to consolidate outstanding litigation, manage liquidity for the purpose of preserving value, and arrive at a reorganization plan in an efficient, orderly manner.

### Update on Recent Events in Reorganization Proceedings

On January 9, 2020, the Court approved an agreement between HCMLP and the committee of unsecured creditors (the “Committee”). Prepared by the two parties and submitted to the Court for approval, the agreement instituted certain governance changes at HCMLP and its general partner, Strand Advisors, Inc. (“Strand”). Among the changes was the formation of a new independent board of directors at Strand (the “Independent Board”), which will oversee operations at HCMLP for the remainder of the reorganization process.

HCMLP and the Committee mutually agreed on the individuals appointed to the Independent Board. The three individuals selected have knowledge and professional expertise relevant to HCMLP, with collective experience in the investment management industry, as well as in corporate restructurings and reorganizations. HCMLP believes this oversight will promote efficiency in the reorganization process and facilitate business and investment operations both at HCMLP and across the Highland platform.

In conjunction with the formation of the Independent Board, James Dondero resigned from his officer and director roles at both Strand and HCMLP. Mr. Dondero, however, remains an HCMLP employee. He also maintains his portfolio management roles at HCMLP with respect to all funds and investment vehicles for which he serves as portfolio manager, subject to the supervision and control of the Independent Board.

This agreement is a positive development in HCMLP’s reorganization process. The governance framework promotes continuity in HCMLP’s business and investment activities, while advancing the process toward a plan with the goal of preserving value for all constituents.

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### **Clarification on HCMLP Governance Changes, Impact to Other Entities on Investment Platform**

The governance changes at HCMLP and Strand took effect on January 9. Since then, investment and business activities at those entities and across the broader platform have continued without interruption.

The governance changes are limited to HCMLP and Strand, its general partner. The governance structures at other entities on the platform, including without limitation HCMFA, NexPoint, NREA, and all funds and accounts advised by those entities, are unchanged. Mr. Dondero's roles at those entities are unaffected.

### **About Highland Capital Management, L.P. (HCMLP)**

Highland Capital Management, L.P. ("HCMLP") is an SEC-registered investment adviser on Highland Capital Management's global alternative investment platform. HCMLP serves as the adviser to certain institutional funds and accounts.

### **About Highland Capital Management**

Highland Capital Management ("Highland") is a multibillion-dollar global alternative investment platform. Established in 1993 with a focus on the leveraged loan market, Highland has evolved over its more than 25-year history, building on its credit expertise and value-based approach to expand into other asset classes. Today, in addition to high-yield credit, Highland's investment capabilities include real estate, private equity and special situations, public equities, structured credit, and sector- and region-specific verticals built around specialized teams. The platform serves both institutional and retail investors worldwide, offering access to alternatives in a range of investment vehicles and fund structures. Highland operates globally, with offices in Dallas, Texas (headquarters), Buenos Aires, Rio de Janeiro, Singapore, and Seoul. For more information visit [www.highlandcapital.com](http://www.highlandcapital.com).

###

### **Media Contact**

Lucy Bannon

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ID#14565

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**TO:** Board of Trustees or Board of Directors (as the case may be) (collectively, the “Board”) of Highland Funds I, Highland Funds II, Highland Income Fund, Highland Global Allocation Fund, NexPoint Strategic Opportunities Fund, NexPoint Real Estate Strategies Fund, NexPoint Discount Strategies Fund, NexPoint Energy and Materials Opportunities Fund, NexPoint Strategic Income Fund, NexPoint Healthcare Opportunities Fund, NexPoint Latin American Opportunities Fund, NexPoint Event-Driven Fund and NexPoint Capital, Inc.

**FROM:** Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint”) and, together with HCMFA, the “Adviser”)

**RE:** Highland Capital Management, L.P. (“HCMLP”) Bankruptcy Update

**DATE:** January 22, 2020

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Pursuant to your follow-up request on behalf of the Independent Trustees of the Board on January 17, 2020 (the “Request”) and in connection with the telephonic Board meeting on January 22, 2020, the Adviser submits the following information to the Board. Your requests have been noted below, each of which is followed by our response.

1. **Please provide an updated organizational chart relating to the Highland complex. Please also indicate those individuals that are dual employees and of which entities, as well as the reporting structure with respect to Highland Capital Management, LP (“HCMLP”), Highland Capital Management Fund Advisors, LP (“HCMFA”) and NexPoint Advisors, LP.**

**Response:** See attached HCMLP Headcount Report (10.31.19)(with Summary) provided to the Board on January 10, 2020. The Adviser will discuss the reporting structure at the January 22, 2020 telephonic meeting.

2. **Please provide an update on the results of the January 9th motion hearing.**

**Response:** The Adviser will provide an update on the January 9<sup>th</sup> hearing at the January 22, 2020 telephonic meeting.

3. **As discussed on the January 3, 2020 Board call, please provide a copy of the press release that was to explain the implications of the January 9, 2020 hearing, including to HCMLP and to the HCMFA- and NexPoint-advised funds.**

**Response:** See attached “2020-01-16\_Press Release\_HCMLP Provides Update on Reorganization Process” prided to the Board on January 17, 2020.

4. **How does the new management structure impact the decision-making process at Highland with respect to business operations?**

**Response:** The Adviser will discuss the management structure impact at the January 22, 2020 telephonic meeting.



5. **What is the impact of the current status of the bankruptcy and organizational changes at Highland on holdings that are held by both Highland and any of the retail funds complex?**

**Response:** The Adviser will discuss the status of the bankruptcy and discuss cross holdings at the January 22, 2020 telephonic meeting.

6. **The Independent Trustees note that the weekly update report indicates that the repurchases for HFRO, HGLB and NHF are on hold pending the bankruptcy. Please discuss the reason for this.**

**Response:** The HFRO, HGLB and NHF repurchase programs are being evaluated in conjunction with applicable fund cash availability, pending commitments, etc.

7. **With respect to the weekly update report, Item V., which provides an update on intermediaries and platforms, indicates that there is no change. The Independent Trustees note that on the last update call, it was reported that two firms had requested independent third-party reviews. Please list the applicable firms as well as who is doing the third-party due diligence. Also, as requested on the call, the Independent Trustees would appreciate receiving a copy of such third-party due diligence reports.**

**Response:** These third-party review requests were from firms related to NexPoint's offering of Reg D products and are unrelated to the funds overseen by the Board. We do not typically receive copies of these third-party reports as they are only provided to the clients of such firms.

8. **The Independent Trustees would appreciate receiving an update with respect to operational plans going forward.**

**Response:** The Adviser will discuss operational plans at the January 22, 2020 telephonic meeting.

## **EXHIBIT 86**

001891

# 2017 Review & 2018 Outlook

January 26, 2018

001892

## Executive Summary

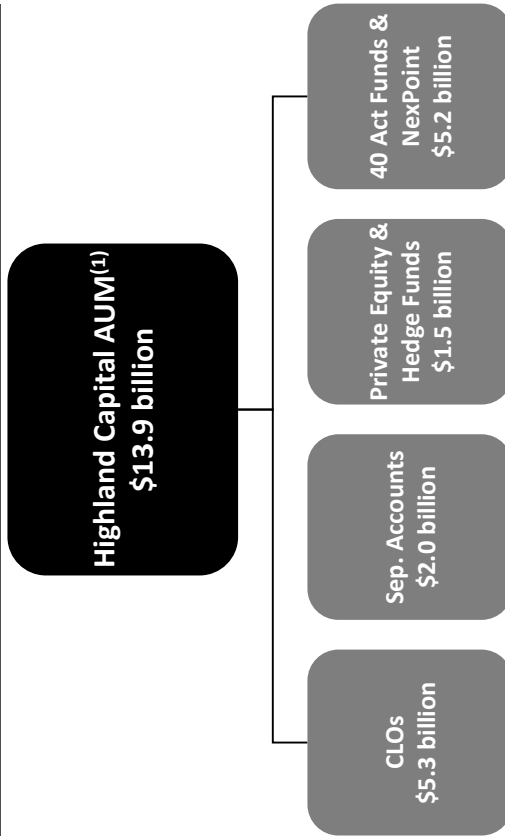
- 2017 was a year of mixed results, with several positive wins contrasted against overall net outflows for both the institutional and retail platforms
- The platform will continue to experience operating cash shortfalls for 2018
  - Overall operating income projected at \$0.9 million, but \$(12.0) million for HCMLP, which does not account for substantial expected investments/commitments
- **AUM review**
  - One CLO issued in 2017
  - Total CLO AUM declined by \$2.0 billion net, due to run-off of CLOs 1.0 deals
  - Open-end mutual funds experienced net outflows of \$0.6 billion (except FRO)
  - FRO conversion resulted in \$1.1 billion of permanent capital
  - NHF rights offering generated \$140 million of permanent capital
  - Slower than anticipated growth among BDC, non-traded funds and interval funds
  - Harbournvest was the only substantial new commitment for the institutional platform
    - BVK and PDK also added on \$0.2 billion total to their accounts
  - Opportunity through Argentina acquisition to raise assets in 2018
- **2017 Estimated Net Income of \$52.1 million (consolidated HCMLP + affiliated advisors)**
  - Material reductions in operating costs resulted in operating income of \$3.3 million; remainder due to investment income and other non-operating items

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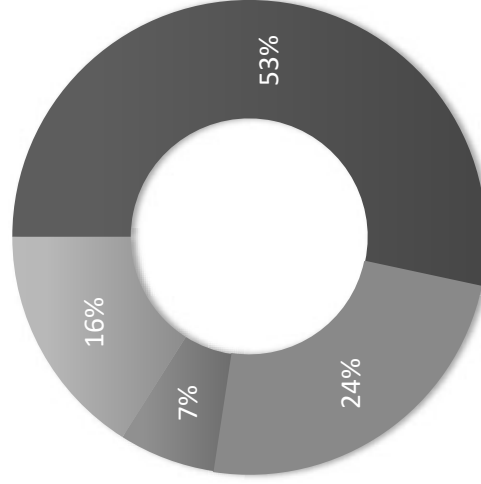
# Assets Under Management

Business Segments at 12.31.17



Assets Under Management at 12.31.17

Loans   Equities   Bonds   CLO Equity / Bonds



Fee-Earning AUM (\$ bn)	YE 2016	YE 2017	Increase / (Decrease)
Closed-end Funds	\$ 0.6	\$ 1.8	\$ 1.2
PE & Hedge Funds	1.0	1.5	0.5
Real Estate	0.8	1.1	0.3
Sep Accounts	0.9	1.1	0.2
NexBank & DAF	1.3	1.5	0.2
CLO 2.0	2.9	2.9	-
Open-end Funds and ETF	3.4	2.3	(1.1)
CLO 1.0	3.9	1.9	(2.0)
<b>Total</b>	<b>\$ 14.8</b>	<b>\$ 13.9</b>	<b>\$ (0.8)</b>

Asset Composition (\$ bn)	YE 2016	YE 2017	Increase / (Decrease)
CLO Equity / Bonds	\$ 1.8	\$ 2.2	\$ 0.5
Equities	3.0	3.4	0.4
Bonds	0.7	0.9	0.2
Loans	9.3	7.4	(1.9)
<b>Total</b>	<b>\$ 14.8</b>	<b>\$ 13.9</b>	<b>\$ (0.8)</b>

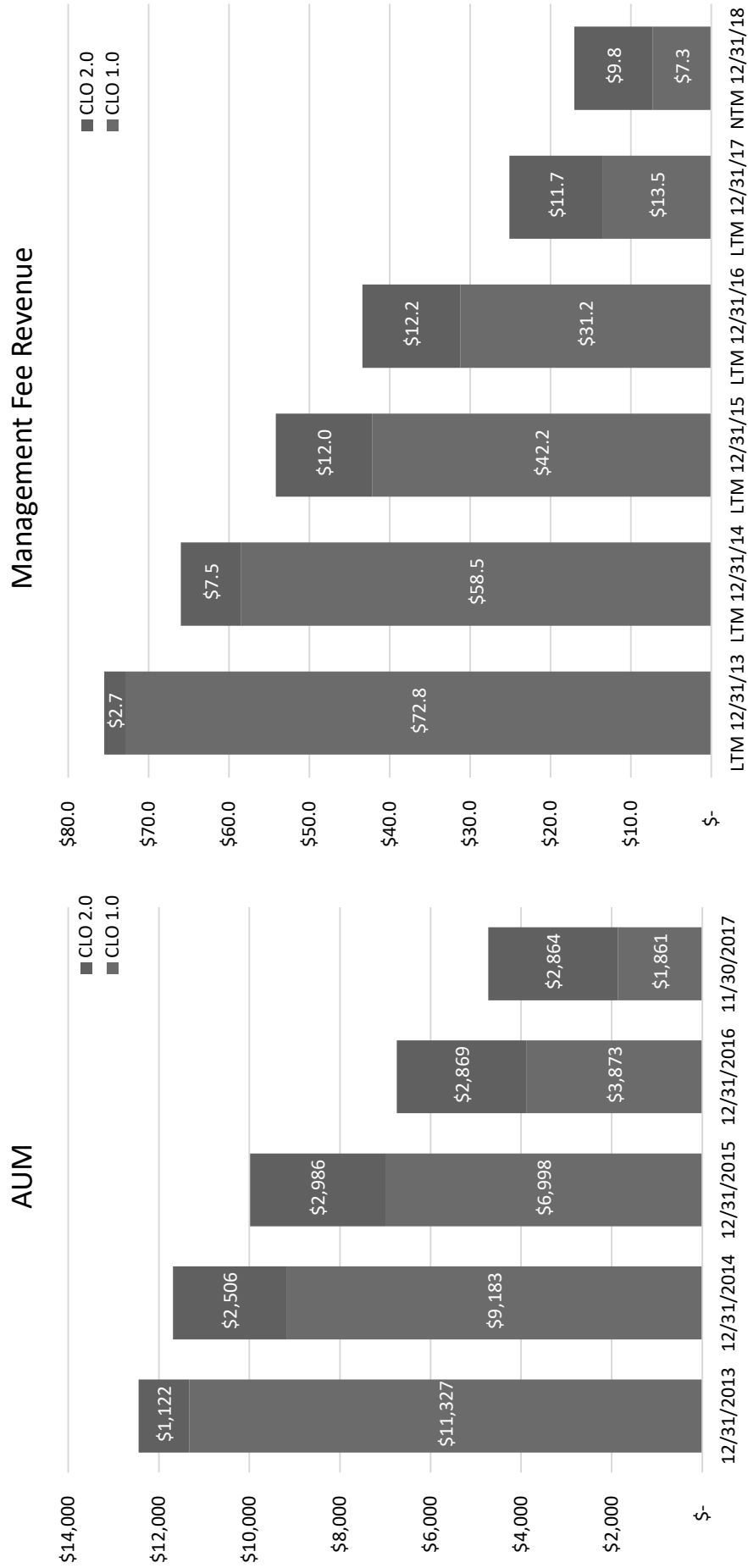
(1) Amounts are based on fee earning AUM calculations; YE 2017 AUM data as of 11.30.17

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# CLO AUM Composition and Revenue (\$ millions)

- CLO 1.0 AUM run-off has exceeded AUM replaced by new deals post-crisis



4

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## AUM for Retail Open-Ended Funds + SNLN (\$ millions)

- Conversion of FRO to a closed-end strategy leaves **\$2.2 billion** of assets
- Inflows dominated by FRO and SNLN, representing **73%** of all open-end/ETF inflows and the only Highland-advised funds with net inflows for the year

Open-ended + SNLN	Beg AUM 12/31/16	Inflows	Outflows	Net Inflows	Perform- ance	Other <sup>(1)</sup>	End AUM 12/31/17	% Change YOY
Loan ETF (SNLN)	\$ 479	\$ 360	\$ (262)	\$ 98	\$ 12	\$ (25)	\$ 564	18%
Global Allocation	925	115	(461)	(346)	48	(68)	560	-40%
L/S Equity	509	75	(225)	(151)	39	(10)	387	-24%
Premier Growth	162	13	(40)	(27)	58	(38)	155	-4%
L/S Healthcare	176	15	(115)	(100)	4	(1)	79	-55%
Small Cap Equity	51	42	(46)	(4)	23	(2)	69	34%
First Foundation Sub-Advised	238	57	(45)	12	15	(6)	260	9%
All Other <sup>(2)</sup>	186	59	(96)	(37)	9	(15)	143	-23%
<b>Totals (before FRO)</b>	<b>\$ 2,728</b>	<b>\$ 735</b>	<b>\$ (1,289)</b>	<b>\$ (554)</b>	<b>\$ 207</b>	<b>\$ (164)</b>	<b>\$ 2,217</b>	<b>-19%</b>
Floating Rate Opportunities	709	674	(351)	322	95	(42)	1,085	53%
<b>Totals (including FRO)</b>	<b>\$ 3,437</b>	<b>\$ 1,409</b>	<b>\$ (1,640)</b>	<b>\$ (231)</b>	<b>\$ 302</b>	<b>\$ (206)</b>	<b>\$ 3,302</b>	<b>-4%</b>

(1) Other consists of dividends and changes in leverage (to the extent that fees are paid on leverage)

(2) Includes the following funds: Opportunistic Credit, Energy MLP, Merger Arbitrage, Sterling Long/Short Healthcare

# Consolidated Balance Sheet<sup>(1)</sup> 2017 (\$ 000s)

As of December 31, 2017	\$ (000s)	% of Assets
Cash and cash equivalents	\$ 11,646	2%
<b>Investments at fair value</b>	<b>377,327</b>	<b>67%</b>
Equity method investees <sup>(2)</sup>	4,678	1%
Management and incentive fees receivable	18,451	3%
Contribution receivable	60,664	11%
Other assets	18,812	3%
Affiliate loans	61,473	11%
Purchased investment management contracts	6,275	1%
Fixed assets and leasehold improvements, net	5,787	1%
<b>Total assets</b>	<b>\$565,112</b>	<b>100%</b>
Accounts payable	4,340	1%
Due to Broker	35,841	6%
Accrued bonuses payable (incl deferred awards)	36,161	6%
Notes Payable (unaffiliated)	10,680	2%
Investment Liabilities	23,997	4%
Accrued and Other Liabilities	5,965	1%
<b>Total liabilities</b>	<b>116,984</b>	<b>21%</b>
<b>Partners' capital</b>	<b>\$448,129</b>	<b>79%</b>
<b>Total liabilities and partners' capital</b>	<b>\$ 565,112</b>	<b>100%</b>

\$22.7mm Dugaboy;  
\$13.7mm Services;  
\$15.5mm Partners;  
\$8.1mm HCRC

## Notes:

- (1) Consolidated HCMLP, HCMF, NexPoint (including subsidiaries), Acis, Falcon (51%), Granite Bay and Healthcare Advisors. 2017 amounts not final and pending updates through April.
- (2) Cayman subsidiaries holding hedge fund interests have been reclassified to the "Investments at Fair Value" line item. Remaining equity method investees are wholly-owned subsidiary marketing offices, Argentina, and HCRC (Broker Dealer).

# HCMLP Summarized Schedule of Investments

## Highland Investments as of January 25, 2018 – HCMLP Only Liquid Investments Only (see Illiquid and Strategic Investments on following page)

Liquid Investments	Quantity	01/25/18 Price <sup>(1)</sup>	Market Value (\$mm)
Loral Communications	686,400	47.50	\$ 32.6
MGM Common Stock	171,724	112.34	19.3
Corning Inc. Common Stock	214,000	33.81	7.2
Highland Opportunistic Credit Fund (A, C & Z Shares)	1,267,248	4.17	5.3
Highland Long/Short Healthcare Fund (A, C & Z Shares)	212,773	12.76	2.7
Highland Global Allocation Fund (Y Shares)	212,734	10.42	2.2
Highland Energy MLP (A, C & Y Shares)	493,037	4.32	2.1
Highland Merger Arbitrage Fund (A, C & Z Shares)	61,070	20.22	1.2
NexPoint Real Estate Strategies Fund	54,378	20.78	1.1
Highland Floating Rate Opportunities Fund (Z Shares)	64,997	15.63	1.0
Highland Small Cap Equity Fund (Y Shares)	34,358	14.56	0.5
Minerva Neuroscience Common Stock	60,790	7.00	0.4
Highland Long/Short Equity Fund (A & C Shares)	25,116	13.24	0.3
Medicina Inc. Common Stock	16,272	7.68	0.1
Highland Premier Growth Equity Fund (Y Shares)	2,528	30.52	0.1
<b>Sub-Total Liquid Investments</b>			<b>\$ 76.3</b>

(1) As of 01/25/18 closing price for publicly traded securities, securities with daily pricing available or funds with daily NAV information available. For funds with monthly NAV info available, market value is as of 12/31/17.

# HCMLP Summarized Schedule of Investments

## Highland Investments as of January 25, 2018 – HCMLP Only Illiquid or Strategic Investments Only (see Liquid Investments on previous page)

Illiquid and Strategic Investments <sup>(2)</sup>	Quantity	01/25/18 Price <sup>(1)</sup>	Market Value (\$mm)
Restoration Capital Partners LP Interest	n/a	n/a	\$ 60.6
Trussway Industries	577,796	89.49	51.7
Select Equity Fund <sup>(3)</sup>	n/a	n/a	36.9
NexPoint Residential Trust	1,052,834	27.05	28.5
Multi-Strategy Credit Fund LP Interest	n/a	n/a	26.6
NexPoint Credit Strategies Fund	961,253	24.74	23.8
Starck, Ltd. (Multi-Strat)	n/a	n/a	9.4
Petrocap Partners II LP Interest	n/a	n/a	7.9
Other Highland-Managed Investments	n/a	n/a	6.7
NexPoint Multifamily Capital Trust	460,519	9.10	4.2
Cornerstone	1,022	3,051.50	3.1
Pendrell Corp	3,734	634.50	2.4
JHT Holdings, Inc. Common	399,906	5.72	2.3
OmniMax International, Inc. Common	5,684	383.12	2.2
Carey International, Inc. Term Loan	16,648,758	12.00	2.0
<b>Sub-Total Illiquid and Strategic Investments</b>			<b>\$ 271.8</b>
<b>Grand Total - All HCMLP Investments (including Liquids on previous page)</b>			<b>\$ 348.1</b>

(1) As of 01/25/18 closing price for publicly traded securities, securities with daily pricing available or funds with daily NAV information available. For funds with monthly NAV info available, market value is as of 12/31/17.

(2) Excludes positions held on participation or for which there is an equal, offsetting liability.

(3) Excludes Trussway Industries market value. Includes Cayman subsidiary, Wright, Ltd.

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# Services Summarized Schedule of Investments

## Services Investments as of January 25, 2018

Services Assets	Quantity	01/25/18 Price <sup>(1)</sup>	Market Value (\$mm)
Multi-Strategy Credit Fund LP Interest	n/a	n/a	\$ 21.1
Loral Communications	369,700	47.50	17.6
Gov RE (NAV of entity)	n/a	n/a	11.9
Falcon LP Interest (as of 09/30/17)	n/a	n/a	5.2
Restoration Capital Partners LP Interest	n/a	n/a	4.0
NCI Storage LLC LP Interest	n/a	n/a	2.4
NCI Front Beach Road LLC LP Interest	n/a	n/a	2.2
Four Rivers LP Interest	n/a	n/a	1.9
Crusader LP Interest	n/a	n/a	1.7
Highland Long/Short Healthcare Fund	n/a	n/a	1.4
Harko LLC Units	78,370	11.49	0.9
HCMS Falcon LP Interest (as of 09/30/17)	n/a	n/a	0.9
NCI Country Club LLC Units	100	8,559.19	0.9
Highland Energy Holdings Partnership Interest	2,573,345	0.27	0.7
Spiritus	n/a	n/a	0.6
Pendrell Corp	765	634.50	0.5
Other Highland-Managed Investments	n/a	n/a	0.3
Hammark LLC Units, net of debt	n/a	n/a	0.2
NexPoint Residential Trust	3,978	27.05	0.1
NexPoint Credit Strategies Fund	2,983	24.74	0.1
<b>Total - Services</b>			<b>\$ 74.5</b>

(1) As of 01/25/18 closing price for publicly traded securities, securities with daily pricing available or funds with daily NAV information available. For funds with monthly NAV info available, market value is as of 12/31/17.



# NexPoint and Gov RE Summarized Schedule of Investments

## NexPoint & Gov RE Investments as of January 25, 2018

NexPoint & NREA Assets	Quantity	01/25/18 Price <sup>(1)</sup>	Market Value (\$mm)
Nexpoint Capital LP Interest	2,018,319	9.51	\$ 19.2
NexPoint Multifamily Capital Trust	22,936	9.10	0.2
NexPoint Real Estate Strategies Fund	5,167	20.78	0.1
<b>Total - NexPoint &amp; NREA</b>			<b>\$ 19.5</b>

Gov RE Assets	Quantity	01/25/18 Price <sup>(1)</sup>	Market Value (\$mm)
NexPoint Multifamily Capital Trust	269,393	9.10	\$ 2.5
NexPoint Credit Strategies Fund	98,475	24.74	2.4
NexPoint Residential Trust	76,179	27.05	2.1
Highland Energy Holdings Partnership Interest	1,998,416	0.27	0.5
HLF 1X - C	500,000	68.75	0.3
PAMCO 1997 1X - B	5,750,000	52.63	0.3
Prudential Insurance Life Settlement	300,000	46.08	0.1
<b>Total - Gov RE</b>			<b>\$ 8.3</b>

(1) As of 01/25/18 closing price for publicly traded securities, securities with daily pricing available or funds with daily NAV information available. For funds with monthly NAV info available, market value is as of 12/31/17.

# Consolidated P&L<sup>(1)</sup> 2015 - 2017

(\$000s)	2015 A	2016 A	2017 E	\$ Change	% Change	Comments
Management Fees	\$ 112,247	\$ 95,961	\$ 79,440	\$ (16,521)	-17%	CLO run-off & retail equity funds
Incentive Fees	-	8,494	9,434	940	11%	CLO HoldCo, Bandera, Multi-Strat, Argentina
Other Advisory Fees & Miscellaneous Revenues	12,693	11,277	10,773	(504)	-4%	Admin Fees, PetroCap Royalty, Dividends, SS
<b>Total Revenue</b>	<b>\$ 124,940</b>	<b>\$115,732</b>	<b>\$99,647</b>	<b>\$ (16,085)</b>	<b>-14%</b>	
Compensation & Benefits	49,822	50,430	50,998	(568)	-1%	
Broker Dealer	16,840	10,990	8,270	2,720	25%	Reduced heads & commissions
Professional Fees	14,379	11,579	12,738	(1,158)	-10%	See legal spend
Marketing & Advertising	7,580	5,168	2,028	3,140	61%	Reduced HCNy rent & heads
Bad Debt Expense	1,885	5,586	5,302	284	5%	Primarily BDC
Depreciation & Amortization	1,412	1,380	1,346	34	2%	
Subadvisor Fees	1,304	553	457	96	17%	
12b-1 Fees, net	3,286	(191)	2,727	(2,918)	NM	\$4.0mm one-time in 2016; \$(0.7)mm FRO Conversion
Interest Expense	3,198	3,870	3,130	740	19%	
Other Operating Expenses	10,113	9,760	9,312	448	5%	
<b>Total Operating Expenses</b>	<b>109,819</b>	<b>99,125</b>	<b>96,307</b>	<b>2,818</b>	<b>3%</b>	
<b>Operating Income</b>	<b>\$ 15,121</b>	<b>\$ 16,607</b>	<b>\$ 3,340</b>	<b>\$ (13,267)</b>	<b>-80%</b>	
Realized & Unrealized Gains on Investments	(192,381)	20,653	36,313	15,660	76%	RCP, Multi Strat, NXRT, Select
Other Income and Settlements	7,437	11,492	12,482	990	9%	Interest Income; Turtle Bay Fee
<b>Investment &amp; Other Income</b>	<b>(184,945)</b>	<b>32,145</b>	<b>48,795</b>	<b>16,650</b>	<b>52%</b>	
<b>Net Income</b>	<b>\$ (169,824)</b>	<b>\$ 48,752</b>	<b>\$52,135</b>	<b>\$ 3,383</b>	<b>7%</b>	

(1) Consolidated HCMLP, HCMF, NexPoint (including subsidiaries), Acis, Falcon, Granite Bay and Healthcare Advisors. CLO revenues smoothed, such that subordinated fees are included in the year they accrued, not the year that they paid to provide a clearer picture of actual operating margin over time. Falcon included at 51% of gross amounts to represent Highland ownership.

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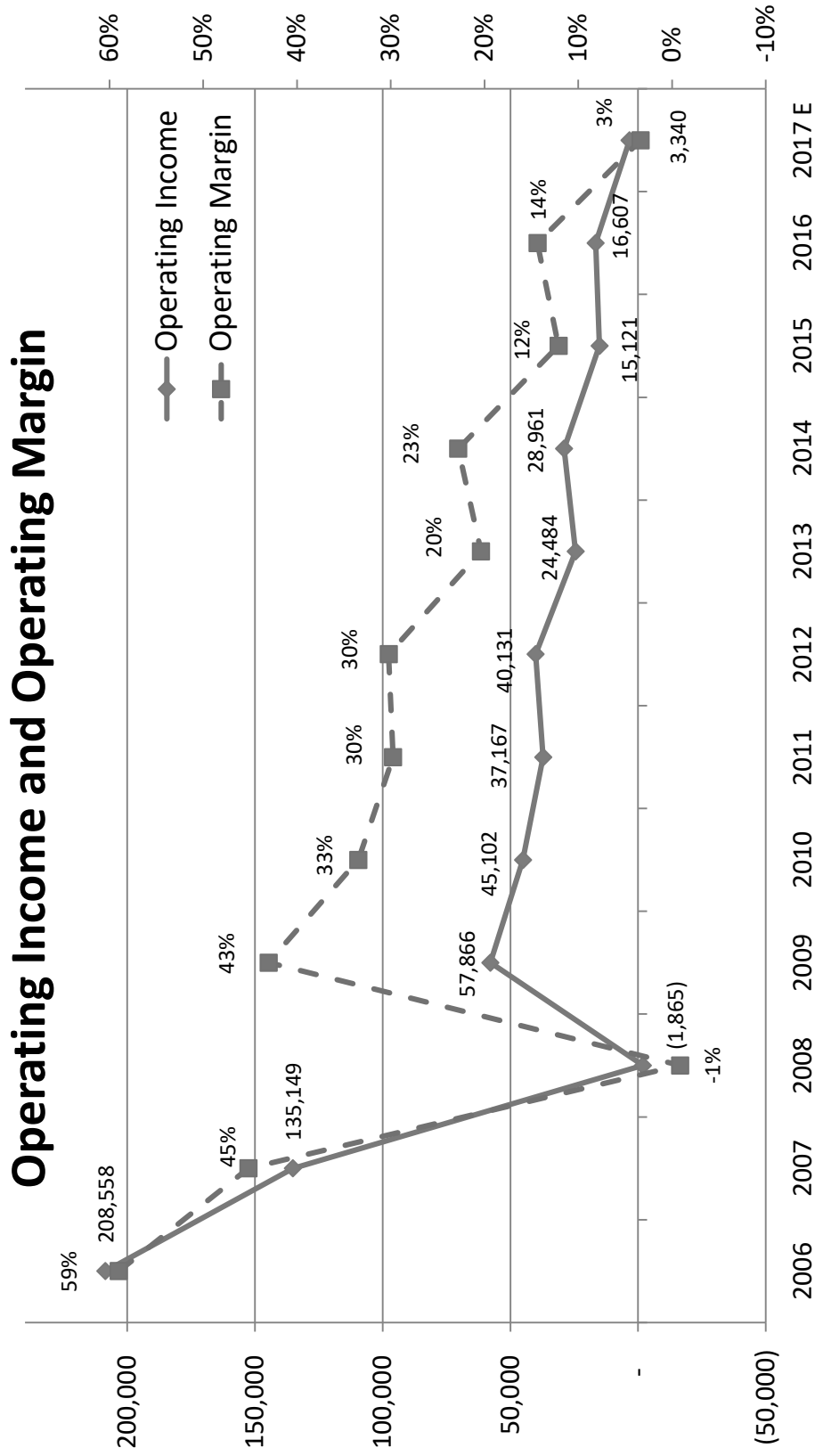
# Operating Profit Bridge

## 17% operating margin, excluding legacy expenses and non-core initiatives

(\$000s)	2017 E	Re-Classes	FN	2017 E Pro forma	% of Revenue
Management Fees	\$ 79,440	\$ (583)	(6)(8)	\$ 78,857	84.7%
Incentive Fees	9,434			9,434	10.1%
Other Advisory Fees & Miscellaneous Revenues	10,773	(5,974)	(1)	4,799	5.2%
<b>Total Revenue</b>	<b>\$ 99,647</b>	<b>\$ (6,557)</b>		<b>\$ 93,090</b>	<b>100.0%</b>
Compensation & Benefits	50,998	(2,770)	(7)	48,228	51.8%
Broker Dealer	8,270	(945)	(4)	7,325	7.9%
Professional Fees	12,738	(7,872)	(8)(9)	4,866	5.2%
Marketing & Advertising	2,028			2,028	2.2%
Bad Debt Expense	5,302	(5,302)	(3)	-	0.0%
Depreciation & Amortization	1,346			1,346	1.4%
Subadvisor Fees	457	(457)	(6)	-	0.0%
12b-1 Fees, net	2,727	(685)	(5)	2,042	2.2%
Interest Expense	3,130	(1,404)	(2)	1,726	1.9%
Other Operating Expenses	9,312			9,312	10.0%
<b>Total Operating Expenses</b>	<b>96,307</b>	<b>(19,435)</b>		<b>76,872</b>	<b>82.6%</b>
<b>Operating Income</b>	<b>\$ 3,340</b>	<b>\$ 12,878</b>		<b>\$ 16,218</b>	<b>17.4%</b>
Operating Margin	3.4%			17.4%	
Realized & Unrealized Gains on Investments	36,313			36,313	39.0%
Other Income and Settlements	12,482	(12,878)	(10)	(396)	-0.4%
<b>Investment &amp; Other Income</b>	<b>48,795</b>	<b>(12,878)</b>		<b>35,917</b>	<b>38.6%</b>
<b>Net Income</b>	<b>\$ 52,135</b>	<b>\$ -</b>		<b>\$ 52,135</b>	<b>56.0%</b>

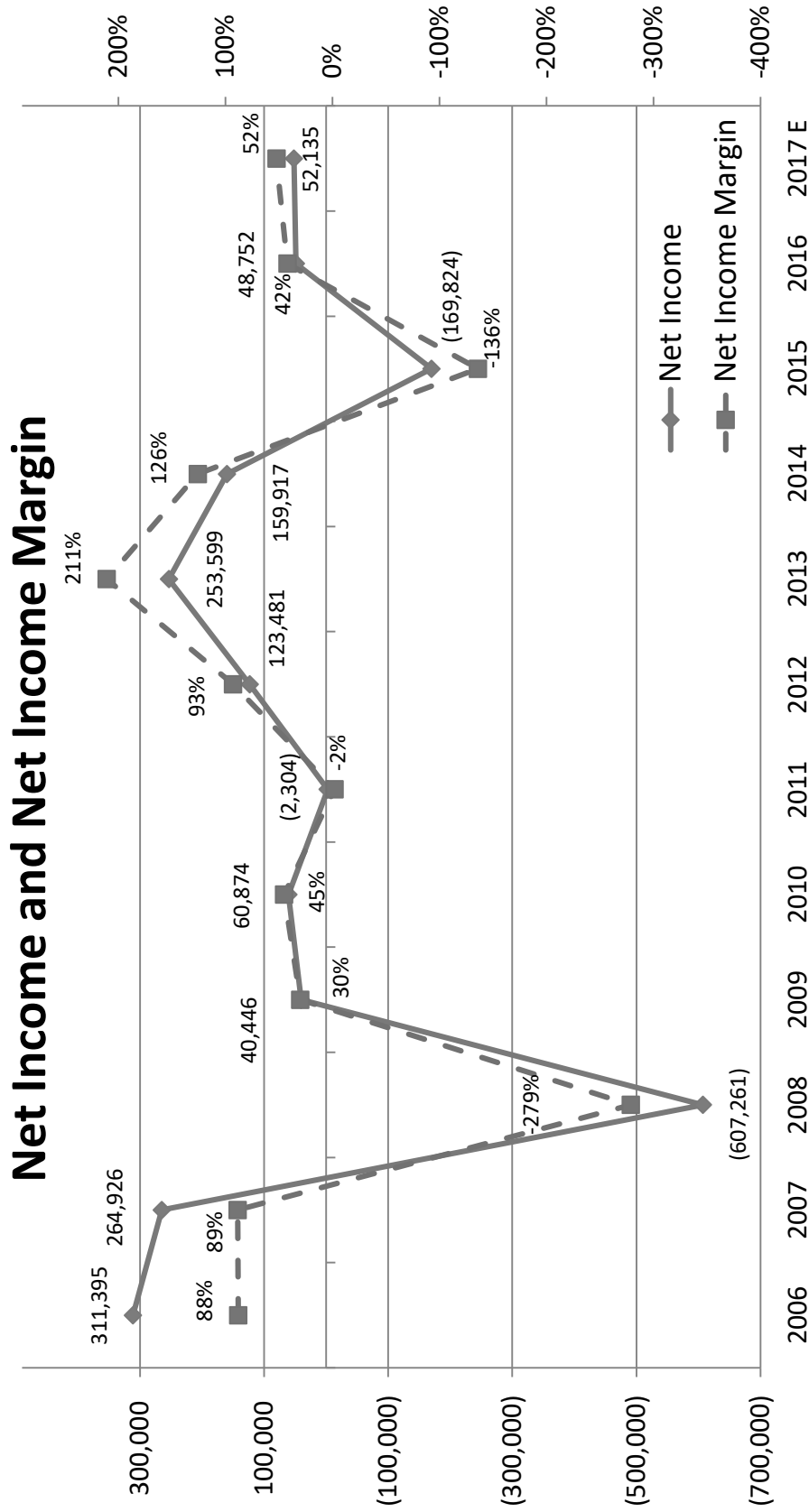
- (1) \$5,974k of interest and dividend income to below the line  
 (2) \$1,404k of interest expense to below the line (all related to investment activity)  
 (3) Non-recurring legacy write-offs  
 (4) \$945k of commissions paid to wholesalers as incentive for FRO conversion  
 (5) \$685k of prepaid commissions paid on FRO A&C shares during FRO conversion  
 (6) Reclass to show First Foundation fee revenue net of subadvisory fees paid out (\$457k)  
 (7) Estimated personnel supporting outside initiatives (JP, Irving, DiOrio, Lattig, NB Wealth)  
 (8) Reclass to show PDK fee revenue net of placement fee  
 (9) Non-core consultants - \$1.3mm, legacy legal - \$6.5mm  
 (10) Aggregation of notes 1-9

# Consolidated Operating Income Over Time (\$ 000s) (1)



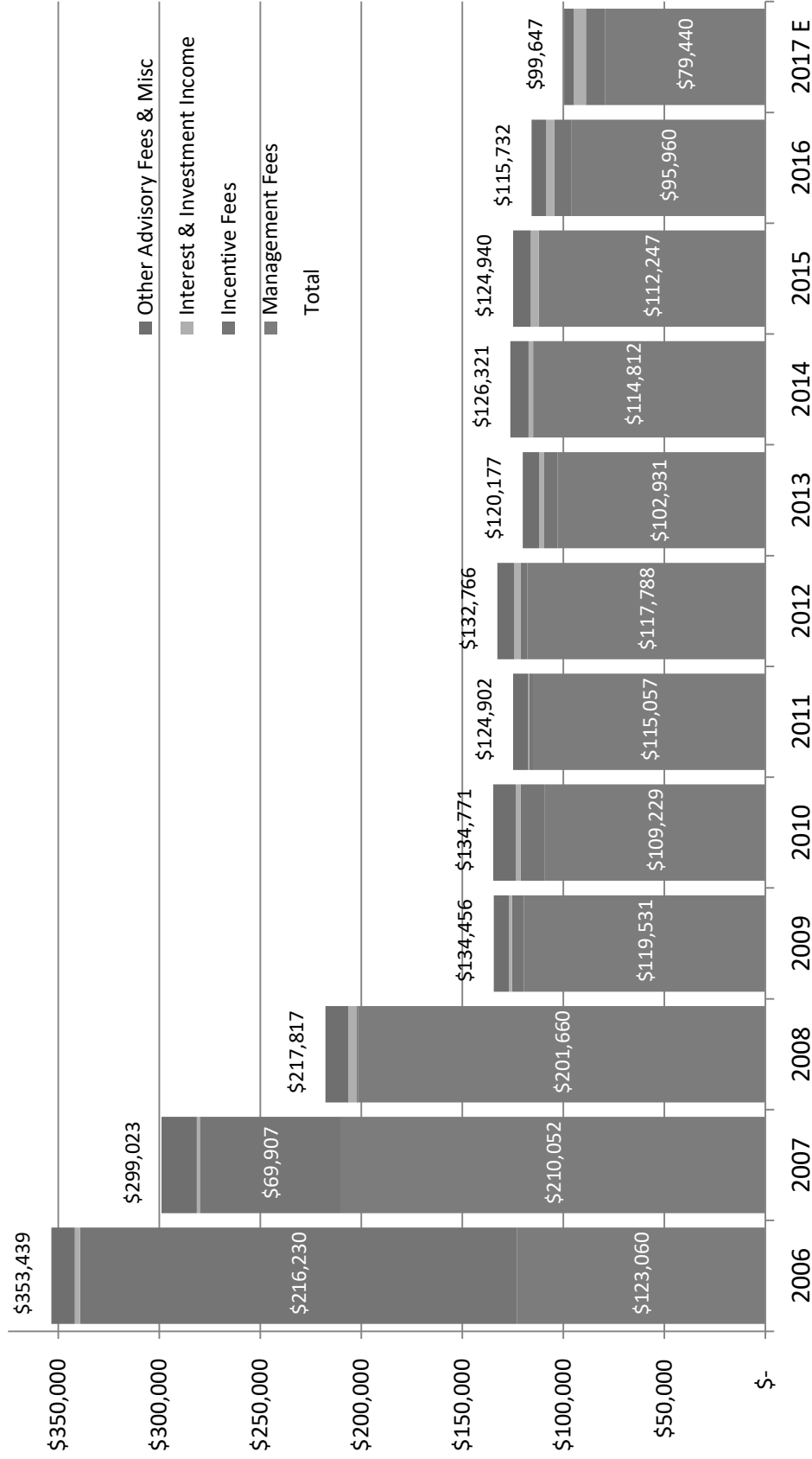
(1) Consolidated HCMLP, HCMF, NexPoint (including subsidiaries), Acis, Falcon, Granite Bay and Healthcare Advisors. CLO revenues smoothed, such that subordinated fees are included in the year they accrued, not the year that they paid to provide a clearer picture of actual operating margin over time. Falcon is included at 51% of total.

# Consolidated Net Income Trend Over Time (\$ 000s) (1)



(1) Consolidated HCMPL, HCMF, NexPoint (including subsidiaries), Acis, Falcon, Granite Bay and Healthcare Advisors. CLO revenues smoothed, such that subordinated fees are included in the year they accrued, not the year that they paid to provide a clearer picture of actual operating margin over time. Falcon included at 51% of total amounts.

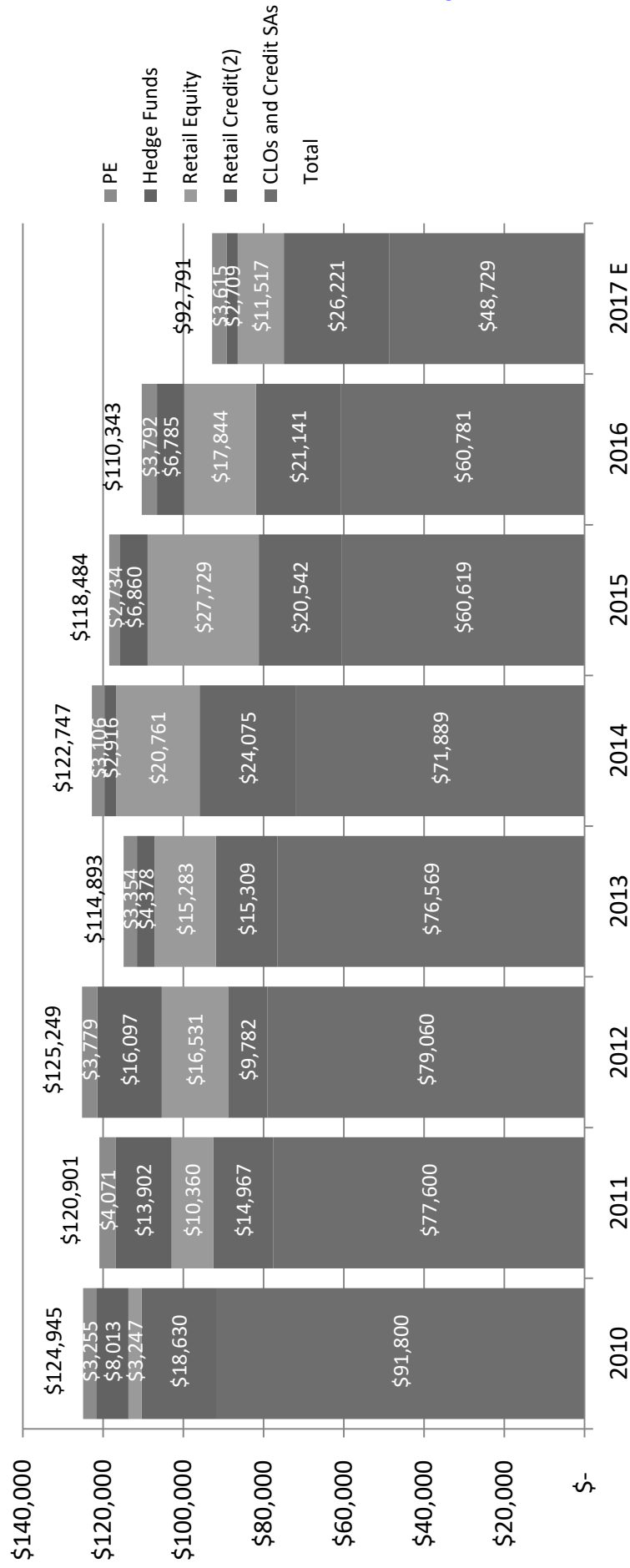
# Consolidated Total Revenues Over Time (\$ 000s) <sup>(1)</sup>



(1) Consolidated HCMLP, HCMF, NexPoint (including subsidiaries), Acis, Falcon, Granite Bay and Healthcare Advisors. CLO revenues smoothed, such that subordinated fees are included in the year they accrued, not the year that they paid to provide a clearer picture of actual revenue trajectory over time. Falcon included at 51% of total amounts.

# Consolidated Revenues By Function (\$ 000s)

- Institutional credit platform provides the majority of fees, but CLO 1.0 AUM bleed continues
- Incentive fees of \$9.4 million from CLO Holdco, Multi Strat, and Bandera mitigated the decline
- Retail bleed continued in 2017 due to outflows in L/S Healthcare, L/S Equity & GAF

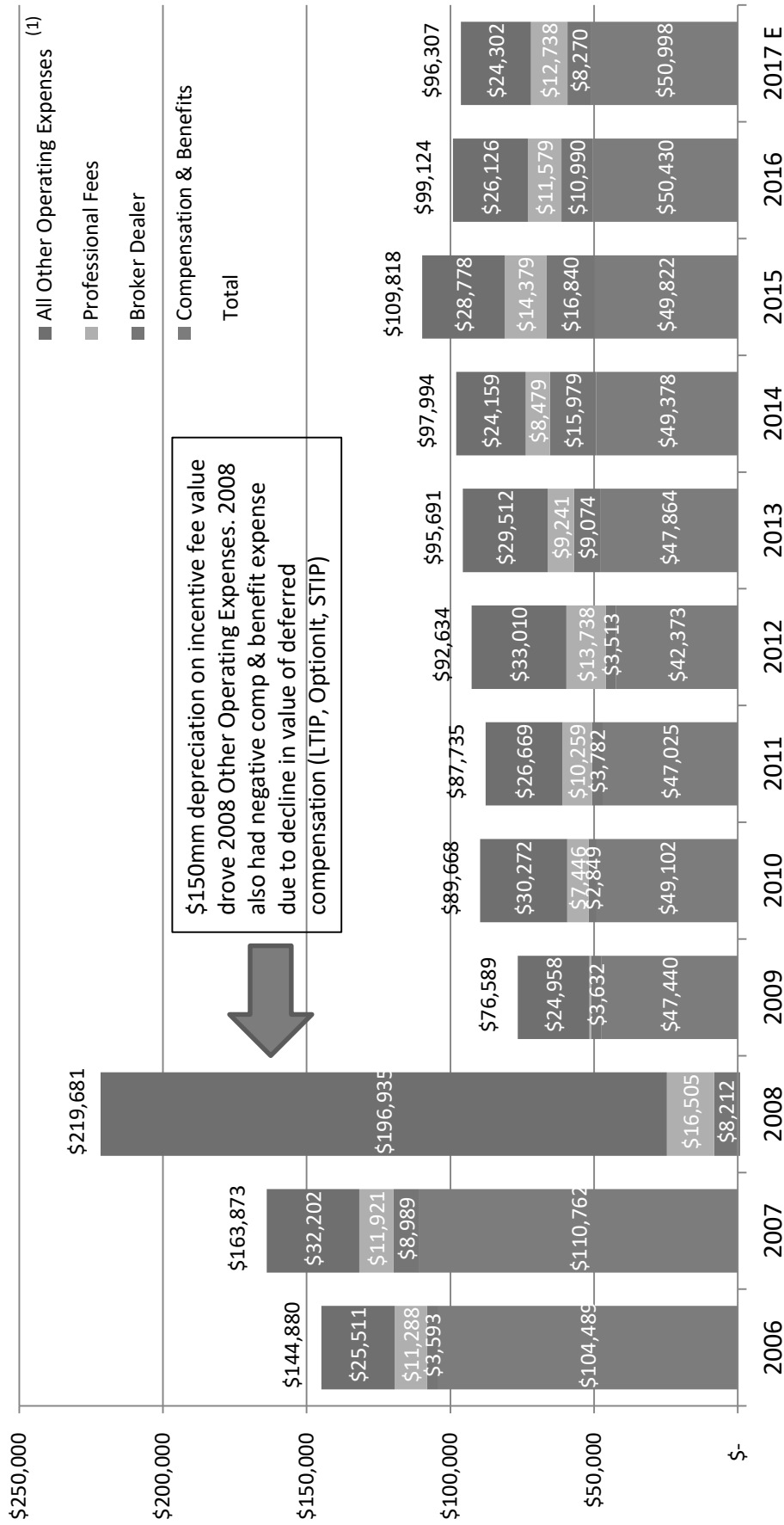


(1) Consolidated HCMLP, HCMF, NexPoint (including subsidiaries), Acis, Falcon, Petrocap, Granite Bay and Healthcare Advisors. CLO revenues smoothed, such that subordinated fees are included in the year they accrued, not the year that they paid to provide a clearer picture of actual revenue trajectory over time. Falcon included at 51% of total amounts.

(2) For historical comparability, includes NXRT, since fees generated from the REIT were credited to NHF prior to the spin-out.



# Consolidated Operating Expense Composition (\$ 000s)



(1) Other operating expenses notably include compensation for employees of marketing offices – NY, Singapore, Europe, etc. This compensation, as well as rent and other expenses of the marketing offices has typically run ~\$8.5mm per year. Other notable one-time items include:

2017 – Write-off of bad debts - \$5.3mm

2016 – Write-off of bad debts - \$5.6mm

2013 – Write-off of bad debts - \$6.7mm

2012 – Write-off of Europe goodwill - \$8.0mm

2010 – Write-off of bad debts - \$4.7mm

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## Compensation Composition – Accrual Basis (\$ 000s)

- Salaries and bonuses remain the big drivers of total compensation expense
- DRIP matches are included in Other Compensation
- Amounts below exclude wholesaler force

Description	2010	2011	2012	2013	2014	2015	2016	2017 E
Salaries and Wages	\$ 20,402	\$ 20,090	\$ 20,623	\$ 18,557	\$ 18,893	\$ 19,211	\$ 19,405	\$ 20,768
Cash Bonuses	22,364	20,770	15,489	20,791	20,395	20,202	18,413	18,145
Deferred Awards	1,587	(239)	645	2,050	3,110	3,015	6,033	4,857
Employee Benefits <sup>(1)</sup>	3,605	3,381	3,364	3,327	3,393	3,595	2,763	2,704
Employer Taxes	1,538	1,689	1,748	1,359	1,467	1,537	1,625	1,588
Other Compensation	896	44	504	1,780	2,120	2,262	2,191	2,936
<b>Total</b>	<b>\$ 50,392</b>	<b>\$ 45,735</b>	<b>\$ 42,373</b>	<b>\$ 47,864</b>	<b>\$ 49,378</b>	<b>\$ 49,822</b>	<b>\$ 50,430</b>	<b>\$ 50,998</b>

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(1) 2010 profit sharing was recognized as an expense in 2011 due to uncertainty over whether profit sharing would be elected. For comparability purposes, the total 2010 profit sharing of \$1,290k has been added to 2010 and subtracted from 2011.

## Legal Matters – Advisors (\$ 000s)

- Below summarizes total invoices to Highland and affiliates<sup>(1)</sup> during 2017, paid or unpaid
- Amounts will differ from recorded legal expense to the extent reimbursable and to the extent that Highland received reimbursement of previously expensed fees
  - Additional expenses likely as December invoicing is received

Top Matters	Invoiced	Paid	Partially or Fully Reimbursable?
Crusader-1st Amd	\$ 4,023	\$ 3,005	No
Terry	2,198	1,776	No
Credit Suisse - Offense <sup>(2)</sup>	1,145	-	Yes
Daugherty (HERA)	1,035	631	No
NREF	1,023	-	Yes
Project Pelican	747	360	No
Stern	681	536	No
HCMLP - General Compliance	160	37	No
HCMLP - Employment Matters	139	35	No
Gardens DST <sup>(2)</sup>	123	-	Yes
Sub-Total	\$ 11,274	\$ 6,380	
All Other Matters	408		
Grand Total	\$ 11,682		

\$6,160 in 2016

(1) Includes HCMLP, HCMFA, HCFD, HCHP, HERA, NPA, NREA, and Acis. Does not include CDO Fund, other advised funds, or any personal legal expenses.

(2) Paid column shows zero because all amounts paid are reimbursed in the normal course.

Top Law Firms	Invoiced
Meta-e Discovery LLC	\$ 1,670
McKool Smith	1,579
Lackey Hershman LLP	1,231
Andrews Kurth	1,049
Jones Day	910
WilmerHale	716
American Arbitration Association	684
Reid Collins & Tsai	636
Boies, Schiller & Flexner LLP	544
The BVA Group LLC	501
Total	\$ 9,521

\$4,598 in 2016

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# Affiliate Scoreboard – Monies due to HCMLP (\$ 000s)

As of December 31, 2017	Shared Services	Sub-Advisory Fees	Principal on Affiliate Loans	Interest on Affiliate Loans	Other <sup>(3)</sup>	Total
NexPoint Advisors	\$ 55	\$ -	\$ 29,722	\$ -	\$ 1,072	\$ 30,849
Dugaboy	-	-	23,165	-	-	23,165
Dondero	-	-	14,478	-	-	14,478
HCM Services <sup>(2)</sup>	-	-	14,122	-	-	14,122
HCRE Partners	-	-	8,458	77	-	8,534
HCMF	208	-	4,895	320	1,314	6,737
Acis	665	1,315	-	-	1	1,980
Okada	-	-	1,250	47	-	1,297
NexBank	60	749	-	-	-	809
NexPoint Real Estate Strategies Fund	-	-	-	-	805	805
NexPoint Real Estate Advisors	592	-	-	-	16	608
Granite Bay <sup>(1)</sup>	-	-	-	-	-	-
Healthcare Advisors <sup>(1)</sup>	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,580</b>	<b>\$ 2,064</b>	<b>\$ 96,090</b>	<b>\$ 444</b>	<b>\$ 3,208</b>	<b>\$ 103,386</b>

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- (1) Healthcare Advisors and Granite Bay have shared services agreements in place with HCMLP. These fees have historically not been charged or collected due to limited liquidity of these advisors. Calculations based on estimated costs as opposed to a formulaic calculation.
- (2) Excludes personal loans from HCM Services to Jim and/or Dugaboy.
- (3) Other items include: NPA - 2016 EE compensation catch up and expense reimbursements; HCMF/Acis/NRESF/NREA - expense reimbursements. Excludes routine/normal course fund reimbursements for established funds.

# Legal Entity Creation Summary

Entity Category	Added	Dissolved	Net
RE subsidiaries	31	(27)	4
Fund entities and related	12	(13)	(1)
Risk retention	12	-	12
DST-related entities	7	-	7
Dondero or Trust related & Other	7	(5)	2
Advisor and related	6	(1)	5
Blockers	2	-	2
	77	(46)	31
<b><u>Entity Roll</u></b>			
Beginning Entities 1/1/17	639		
Net Added	31		
Entities 12/31/17	670		
% Increase YOY	5%		
<b><u>Jurisdictions of new entities</u></b>			
Delaware	45		
Texas	15		
Cayman Islands	12		
Massachusetts	3		
British Virgin Islands (BVI)	1		
Korea	1		
Total	77		

- Net 31 new entities
  - + 12 for Risk Retention
  - + 11 for Real Estate/DST
- 6 different jurisdictions
- 5% increase year-over-year
- 36 automation projects completed by Siepe during 2017 driving efficiency to absorb the greater complexity

# Investment Activity – HCMLP

Purchases	\$ mm
Select	\$ 16.6
NHF	6.1
Petrocap Capital Calls	5.7
NXRT	5.6
Credit Strategies Fund Settlement Assets	5.6
Corning Options Exercise	4.9
Latin America Acquisition / Seed Capital	2.2
Four Rivers Co-Invest	1.6
Various purchases (individually under \$300k)	1.1
HCF	0.9
Korea Subsidies	0.6
Small Cap Equity	0.5
Opportunistic Credit Fund Div Reinvestment	0.5
Highland Loan Fund	0.3
<b>Total purchases</b>	<b>\$ 52.3</b>

<b>Less: non-cash purchases</b>	
In-kind Select contributions (GLW)	\$ (4.6)
<b>Total non-cash purchases</b>	<b>\$ (4.6)</b>

<b>Cash purchases</b>	<b>\$ 47.7</b>
-----------------------	----------------

Sales/Distributions	\$ mm
Select	\$ 12.9
Multi Strategy Credit Fund	7.3
Turtle Bay	6.9
Acis Participation	5.4
PetroCap Distributions	5.2
MT Statutory Trust	4.3
BEA Distributions	1.8
Four Rivers Co-Invest (Sale to Gov Re)	1.6
American Airlines (AAL)	0.7
Highland Loan Fund	0.2
Penant	0.1
<b>Total sales/distributions</b>	<b>\$ 46.3</b>

<b>Net cash from purchases and sales</b>	<b>\$ (1.4)</b>
--	-----------------

## Investment Activity – HCMLP (cont'd)

- A significant amount of affiliated loans were paid down throughout the year
- Largest paydowns from Services, representing mostly repayments from Gardens DST

Affiliate Loans, net	\$ mm
NexPoint	\$ 3.2
Acis	3.1
HCRE	2.4
MO	-
Dugaboy	(0.5)
JD	(0.5)
HCMF	(1.0)
Hunter Mountain	(5.5)
Atlas	(6.4)
Services	(8.8)
<b>Loans to affiliates, net</b>	<b>\$ (14.0) B</b>

Net Inflow in  
2017 vs \$27.1  
outflow in 2016

Margin Roll	\$ mm
12/31/16 margin	\$ 29.5
Margin draws, net	6.3 A
<b>12/31/17 margin</b>	<b>\$ 35.8</b>

Cash Sources / (Uses)	\$ mm
Net investment purchases	\$ (1.4) Previous Slide
Net 3rd-party loans	(6.2) DP&F
Net margin draws	6.3 A
Net affiliate loans	14.0 B
<b>Cash from investments</b>	<b>\$ 12.7</b>

\$(25.3)  
in 2016



## Entity Level – Compensation Paid/Vested - 2017 (\$ 000s)

- **Aggregate reduction in \$2.5 million (or 5%) cash payments from 2016 to 2017**
- Does not include Jim or Mark compensation information
- Also excludes external consultants and non-Paylocity entities (Korea, Singapore)
- Summary of actual payments or vesting of awards occurring in 2017, **except NXRT RSU's**
- Does not include equity distributions or deferred awards granted, but not vested

Entity	Salaries	Bonuses Paid (1)	Commission Paid	DRIP, Severance, Spots, Releases, PTO (2)	Payout of Deferred Awards	Total 2017	Total 2016	Increase / (Decrease)
HCMLP	\$ 12,768	\$ 13,020	\$ -	\$ 836	\$ 2,989	\$ 29,613	\$ 29,463	\$ 150
HCMFA	2,881	5,918	-	375	273	9,448	11,740	(2,292)
HCFLD	2,373	60	3,045	510	-	5,987	7,147	(1,159)
NexPoint	899	932	-	20	31	1,882	828	1,055
HC of NY	608	328	-	28	-	964	1,308	(344)
NXRT	137	50	-	4	-	191	108	83
JMIJM	116	-	-	0	-	116	112	4
<b>Totals</b>	<b>\$ 19,782</b>	<b>\$ 20,308</b>	<b>\$ 3,045</b>	<b>\$ 1,773</b>	<b>\$ 3,293</b>	<b>\$ 48,201</b>	<b>\$ 50,704</b>	<b>\$ (2,503)</b>
Inc./(Dec) from 2016	\$ (1,814)	\$ (1,240)	\$ 251	\$ 1	\$ 298	<b>\$ (2,503)</b>	n/a	n/a
% Inc./(Dec)	-8%	-6%	9%	0%	10%	-5%	n/a	n/a

(1) Bonuses paid represent actual bonuses processed and paid in 2017 as opposed to bonuses awarded in February

(2) Includes miscellaneous bonuses paid (large item for HCMFA is parts 4 of Ross LTIP – \$225k total), severance (\$454k), active employee releases (\$329k), FRO retention bonuses (\$201k)

# Top Investment Performance – Retail<sup>(1)</sup>

## NexPoint Products

Fund	Type	2017 Return	12/31/17 NAV (\$mm)
NexPoint Residential Trust (NXRT)	Retail	31.15%	\$607.7
RMZ Index	Benchmark	4.27%	
NexPoint Credit Strategies (NHF)	Retail	17.54%	\$600.0
Tactical Allocation Category	Benchmark	13.90%	
NexPoint Capital Inc. – BDC	Retail	11.74%	\$94.5
Wells Fargo Business Development Company TR	Benchmark	0.84%	

## Highland Mutual Funds

Fund	Type	2017 Return	12/31/17 NAV (\$mm)
Highland Long/Short Equity (HEOZX)	Retail	13.46%	\$387.2
Long/Short Category	Benchmark	11.73%	
Highland Merger Arbitrage (HMEZX)	Retail	8.14%	\$37.8
Market Neutral Category	Benchmark	2.29%	

(1) Performance based on estimates through December 31, 2017. Final net returns may differ due to changes in accruals or other estimates in the funds. However, the estimates are not expected to materially differ from final returns.

# Top Investment Performance – Inst/Other<sup>(1)</sup>

## Institutional Funds

Fund	Type	2017 Return	12/31/17 NAV (\$mm)
Highland Multi-Strategy Credit Fund	Institutional	17.18%	\$109.8
Multi-Strategy Credit Composite	Benchmark	8.67%	
Bandera Strategic Credit Partners	Institutional	8.84%	\$448.0
Multi-Asset Credit Composite	Benchmark	4.25%	

## Donor Advised Fund 2017 Highlights

- 16.9% increase in AUM (Estimated)
- Supported \$4.9 million in charitable giving
- Beneficiaries included the Dallas Zoo, SMU Town Scholars, The Perot Museum, The George Bush Institute

(1) Performance based on estimates through December 31, 2017. Final net returns may differ due to changes in accruals or other estimates in the funds. However, the estimates are not expected to materially differ from final returns.

## New Ventures & Other Wins

- **Fund Launches**
  - Stonebridge-Highland PE Fund
  - Adair DST
- **Separate Account Add-Ons**
  - BVK - \$196 million, net
  - PDK - \$40 million, net
- **Other**
  - Harbourvest HCF Commitment - \$150 million
  - NHF Rights Offering - \$140 million
  - Argentina Acquisition - \$68 million acquisition; \$6 million in new subs
  - HFRO Conversion

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## Redemptions/Fund Closures

- **Notable Hedge Fund/Separate Account Redemptions**

- CalPERS
  - Multi Strategy Credit Fund - \$50.9 million
  - Longhorn B - \$83.0 million
  - Longhorn A - \$22.0 million
- Aimco
  - Multi Strategy Credit Fund - \$62.4 million
- Indiana University Foundation
  - Loan Fund - \$27.3 million

- **Funds Closed**

- Gemini
- Life Settlements Program
- Sterling (notice received)

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# HR Notes

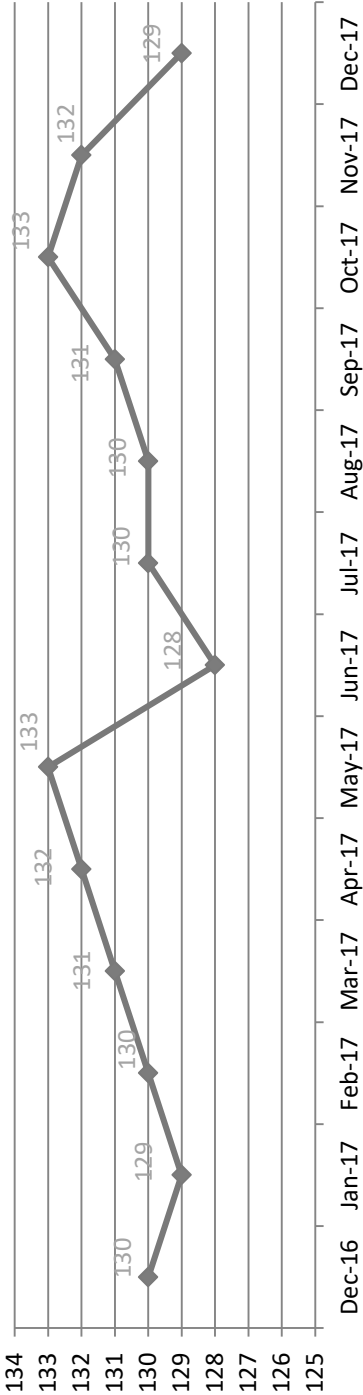
- **Highlights**
  - Self-Insurance (Health/Dental) saved Highland complex ~\$0.5 million in 2017
  - Sourced/hired 35 new employees for Highland platform
    - On boarded additional six summer interns
  - 47 terminations (includes voluntary and involuntary)
- **Performance Issues**
  - Discuss
- **TimeKeeper**
  - In 2017, no employees finished below their required average
- **Internal Transfers**
  - Brad Ross from Retail to NexBank Wealth Advisors
  - Paul Richards moved from Product Strategy to Real Estate Analyst
  - Kevin Fullmer moved from Wholesaler to Product Strategy Associate
  - Wes Murray moved from Operations Analyst to CLO Surveillance Analyst
  - Bobby Hill moved from CLO Surveillance Manager to PE Analyst
  - Lauren Baker from Admin to Marketing/PR
- **Promotions (after normal February review cycle)**
  - Trey Parker to Co-CIO
  - Jon Poglitsch to Head of Credit Research
  - Dustin Norris to Managing Director, Distribution & Product Strategy
  - Brandon McFarling to Director, Credit Research
  - Lauren Thedford to Associate General Counsel
  - Brandon Wurz to CLO Surveillance Manager

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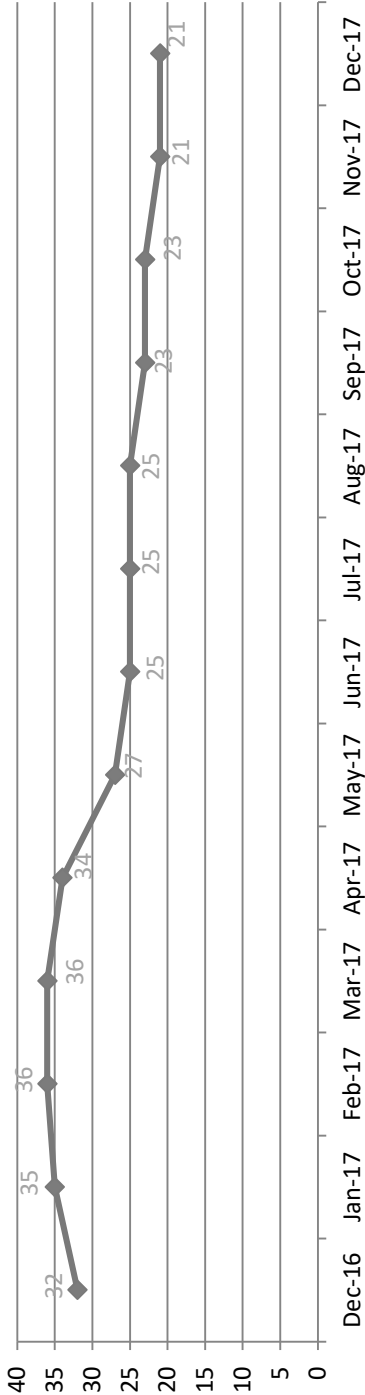
# Month by Month Headcount – 2017<sup>(1)</sup>

Highland



Net  
Headcount  
-1 in 2017

HCFD



Net  
Headcount  
-11 in 2017

(1) Excludes Argentina consultants (Pitchon, Casabal, Prieto)



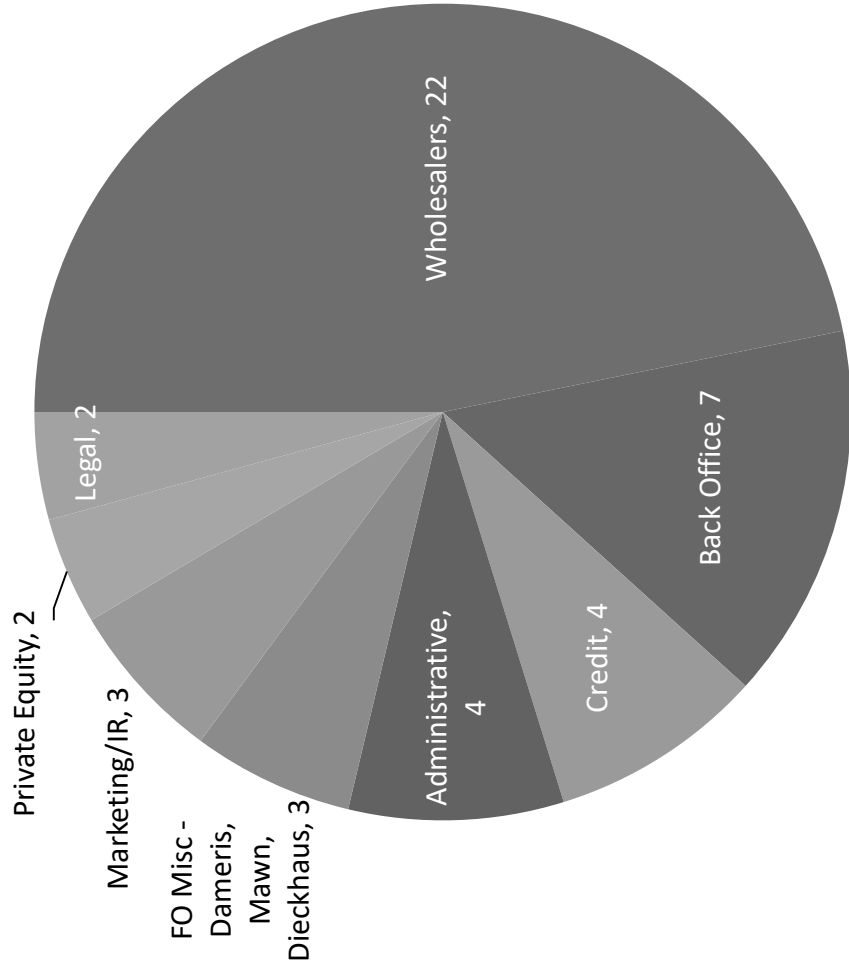
## 2017 New Hires

- **Highland**
  - **27 New Hires** (net +2 employees for 2017, includes 3 Argentina consultants)
  - Key Hires:
    - Andrew Parmentier (Partner)
    - Andres Pitchon (Argentina Fund)
    - Damon Krytzer (Managing Director, Business Development)
    - Svetlana Kouzmenko (Director of Operations, NB Wealth)
  - Key Terms: Jones, Jameson, Dameris, Mawn, Stewart, Dieckhaus
- **HCFD (Wholesalers, National Accounts)**
  - **11 New Hires** (net -11 employees for 2017)
  - Key Hires:
    - Hakemack (Director of Inside Sales)
  - Key Terms: O'Brien, Ricci, multiple externals and internals

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# 2017 Terminations

- Turnover concentrated in the retail salesforce; normal/typical on other teams
- 47 total terminations



- Highland
  - 25 Terms
  - Notable Terms:
    - Terry Jones
    - Matt Jameson
    - Ted Dameris
    - Chris Mawn
    - Steve Stewart
    - Scott Dieckhaus
    - Eric Girard
- HCFD (Wholesalers)
  - 22 Terms
  - Notable Terms
    - O'Brien
    - Ricci
    - Wholesalers

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# 2018 Projected C&B by Department (\$ millions)

- **\$44.8 million** projected compensation and benefits to employees other than Jim, Mark, Partners, and the executive support team (Melissa, Kent, Scott)

Total Heads										154
Executive										2
Partners										5
Exec. Support										3
Front Office					Back Office					Totals
Marketing			2018 Est.			2018 Est.			2018 Est.	
Sub-Department	Heads	C&B	Sub-Department	Heads	C&B	Sub-Department	Heads	C&B	Sub-Department	Heads
Credit Research	11	\$ 5.5	Externals	7	\$ 1.8	Administrative	13	\$ 1.4	Legal	9
Argentina	5	\$ 2.2	Product Strategy	7	\$ 1.5	Operations	6	\$ 0.9	Compliance	4
Private Equity	5	\$ 2.1	Business Dev	6	\$ 2.9	Fund Accounting	5	\$ 1.3		
Real Estate	5	\$ 1.7	Internals	6	\$ 0.5	Corp Accounting	5	\$ 1.3		
I/S Equity	4	\$ 2.1	NB Wealth	3	\$ 1.3	Retail Ops	5	\$ 0.9		
Structured Products	4	\$ 1.8	Data	2	\$ 0.3	Tax	4	\$ 1.8		
Healthcare	2	\$ 1.6	PR	2	\$ 0.2	IT Infrastructure	3	\$ 1.0		
Equity Trading	2	\$ 0.9	Investor Relations	1	\$ 0.3	Human Resources	3	\$ 0.9		
Risk	2	\$ 0.7	RE Dedicated	1	\$ 0.1	REIT Operations	3	\$ 0.8 *		
Life Settlements	2	\$ 0.7	National Accts	1	\$ 0.1	CLO Surveillance	2	\$ 0.2		
Credit Trading	2	\$ 0.6	Inside Sales	1	\$ 0.2	Valuation	1	\$ 0.1		
Total	44	\$ 19.8	Total	37	\$ 9.3	Total	50	\$ 10.7	Total	13
% of Total Non-Exec	31%	44%	% of Total Non-Exec	26%	21%	% of Total Non-Exec	35%	24%	% of Total Non-Exec	9%
									Total	144
										\$ 44.8
										100%
										11%
										100%
										100%

\* Two of three REIT Operations head funded directly by NXRT

# Assumptions in Forecast - Revenue

- **CLOs**
  - Acis CLOs 3-6 reset and extend reinvestment period and maturity by 2.25 years
  - New CLOs - \$0.9 billion in 2018 & \$1.5 billion in 2019 and 2020 @ 13 bps; all HCMLP
- **Existing Products**
  - Argentina - \$50.0 million in 2018, \$150.0 million in 2019, \$200.0 million in 2020
  - Korean Healthcare PE Fund - \$ 115.0 million in 2019
  - Multi Strat - \$32.5 million in 2018, \$75.0 million in 2019, \$125.0 million in 2020
  - RCP - monetization in 2019
  - Retail Funds - 15% open-end complex asset bleed
  - NMCT/NREF - \$100.0 million in 2018, \$50.0 million in 2019 and 2020
  - DSTs - \$100.0 million in 2018, \$125.0 million in 2019, and \$150.0 million in 2020
- **New Funds/Strategies**
  - New Sep Accts - \$200 million in 2018; \$500 million in 2019 and 2020 @ 40 bps; all HCMLP
  - IDF - \$100 million in 2018 and then \$200 million in 2019 and 2020 @ 85bps; all HCMLP
  - RCP II - \$75 million in 2018 and 2019, \$50 million in 2020 @ 150bps; all HCMLP
  - PetroCap III - \$300 million in 2018 (for royalty projection)
  - New Retail - none projected
  - NO INCENTIVE FEES (other than cash collection of fees earned in 2017 and RCP in 2019)

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# Assumptions in Forecast – Top 10 Fee Generators

- The top 10 funds are projected to generate ~80% of the total management fee revenue for the Highland complex

Rank	Fund	2018 Projected Fees	% of Total
1	HCMF Floating Rate Opportunities Fund	\$ 12,364,654	15.1%
2	Highland 2.0 CLOs	9,752,014	11.9%
3	NexPoint Credit Strategies Fund	8,175,034	10.0%
4	Nexpoint Residential Trust	7,427,273	9.1%
5	Highland 1.0 CLOs	7,270,950	8.9%
6	CLO Holdco	5,655,911	6.9%
7	HCMF Long/Short Equity Fund	4,276,867	5.2%
8	NexBank	3,787,094	4.6%
9	BVK	2,836,381	3.5%
10	HCMF Global Allocation Fund	2,190,547	2.7%
<b>Total of Top 10</b>		<b>\$ 63,736,726</b>	<b>78.0%</b>
Other 41 funds <sup>(1)</sup>		17,958,896	22.0%
<b>Total</b>		<b>\$ 81,695,622</b>	<b>100.0%</b>

(1) The Other 41 funds comprising the remainder of projected 2018 fee revenue does NOT include any registered, but not yet launched retail products such as new interval and open-end funds.

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ACL-081337

# Assumptions in Forecast – Intercompany and C&B

- **Material intercompany arrangements remain unchanged**
  - HCMF ~\$2.7 million/year shared services
  - NexPoint and subs \$6.0 million/year subadvisory + shared services
  - Acis 20 bps subadvisory + 15 bps shared services (up to reset)
- **Employee compensation and benefits**
  - Current headcount and salaries, including new employees who have accepted roles but not yet started
  - Salary increases – 5% year average
  - Cash bonus increases – 5% per year average, except as otherwise noted
  - Cash bonus forfeitures – 5% of award each year
  - DRIP gross-ups – continued \$500k/month contributions (\$50k gross-up) + reinvestments of dividends + \$120k of gross-ups for employees participating in the plan
  - Insurance premium increases – 5% per year average
  - Deferred vs. Cash Bonus split – 60% senior mgmt.; 20% rank and file; 0% other (closely follows historical deferred award grants)
  - Deferred award forfeitures, net of award appreciation – 3% per year
  - Other/exceptions/notes:
    - 2017 bonuses = 2016 PY bonuses except 2016/2017 hires and formulaic
    - 2018 bonuses = 2017 PY bonuses adjusted for overall increases, net of forfeitures, except Parmentier, Pitchon, 2018 hires, and institutional marketing employees (commission schedule applies)
    - 30% of revenue from fund raising paid in bonuses to Inst. Marketing team

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# Assumptions in Forecast - Investments

- **Specific events impacting investments**
  - **Purchases/Subscriptions**
    - NexPoint Residential Trust (DRIP) - \$6.0 million/year
  - **Commitments**
    - CLO Commitments - \$6.5 million in 2018, \$3.5 million in 2019 and 2020
    - PetroCap II - \$5.0 million in 2018 and 2019
    - PetroCap III - \$15.0 million (\$5 million per year)
    - Korean Healthcare PE Fund - \$6.9 million in 2018
    - RCP II - \$3.75 million in 2018 and 2019, \$2.5 million in 2020
    - Argentina deferred payment - \$1.5 million in 2019
  - **Sales/Redemptions/Distributions**
    - DCF - \$1.5 in 2018 (final liquidation from Turtle Bay proceeds)
    - PetroCap II - \$3.5 million in 2018 and 2019
    - PetroCap III - \$5 million in 2020
    - MGM sale - \$125.00 per share in 2019
    - OmniMax and Carey at current price in 2018
    - JHT at current price in 2019
    - RCP in 2019 (at current NAV, other than MGM)
    - Trussway - No sale assumed

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# Projected Investment Purchases and Sales Detail - 2018

Investment Purchases and Sales Detail	(\$ 000s)
<b>Investment Purchases</b>	
Stonebridge PE Healthcare Fund	\$ 6,886
CLO Commitments	6,500
NXRT	6,000
PetroCap II	5,000
PetroCap III	5,000
Value Credit aka RCP II	3,750
<b>Total Purchases of Investments</b>	<b>\$ 33,136</b>
<b>Investment Sales and Distributions</b>	
Participation	5,039
PetroCap II	3,500
OmniMax	2,368
Carey	2,148
Diversified Credit Fund	1,349
CLOs	1,250
Turtle Bay	161
<b>Total Sales and Distributions of Investments</b>	<b>\$ 15,815</b>

• Other items for consideration

- Assumes no cash to/from Select other than already completed
- Assumes \$14.0 million in loans to Jim
- Assumes no loans to Services
- **Assumes no funding from HCMLP for projected NHF rights offering**

## Obligations of Affiliates NOT Considered in Forecast

- Services
  - Four Rivers Capital Calls (liquidity from Gov Re via loans)
  - Amortization of notes owed to the DAF for real estate positions purchased via installment sale
  - Future purchases of real estate
- Select
  - NHF shares subject to securities lending to Dugaboy
- Gov Re
  - Amortization of notes owed to Sentinel for NMCT shares purchased via installment sale
  - New loans to Services to provide for liquidity for Four Rivers
- HCRE Partners
  - New projects requiring additional non-organic funding
- New DST's
  - Assume future deals will have adequate capital to close (no bridge loans)
- Jim, Mark and related trusts

## M&A Activity Summary

- Several key initiatives surrounding M&A opportunities are being explored in the Closed-end fund/BDC, Insurance, REIT, and RIA product segments.
  - Note: these initiatives are not included in the forecast that follows
- Potential additional AUM growth exists through bolt-on acquisitions and secondary offerings

Product	Acquisition Cost per Year	Average bps	Near-term Opportunities (\$mm)	Other
Closed-End Funds & BDCs	legal expenses	125	\$ 1,100	Potential \$100mm investment commit
Insurance	\$20mm equity	50	240	30% +/- ROAE for typical target
REITs	TBD	150	150	Targeting \$150mm of Hospitality and/or SFR opportunities
RIAs	TBD	100	60	Negotiating 3-year payout on \$60mm of assets
<b>Total</b>	<b>\$ -</b>		<b>\$ 1,550</b>	

# Revenue Composition - 2018

(\$ 000s)	HCMLP <sup>(1)</sup>	HCMFA	Acis	NexPoint	Total	% of Total
<b><u>Existing Product Management Fees</u></b>						
CLOs	\$ 16,438	\$ -	\$ -	\$ -	\$ 16,438	20%
Retail	-	23,693	-	17,372	41,065	50%
Hedge Funds	1,924	-	-	-	1,924	2%
Private Equity	3,382	-	-	-	3,382	4%
Separate Accounts	12,204	-	2,836	-	15,041	18%
<b>Total Existing Products</b>	<b>\$ 33,948</b>	<b>\$ 23,693</b>	<b>\$ 2,836</b>	<b>\$ 17,372</b>	<b>\$ 77,850</b>	<b>95%</b>
<b><u>New Product Management Fees</u></b>						
CLOs	\$ 585	\$ -	\$ -	\$ -	\$ 585	1%
Retail	-	-	-	100	100	0%
Hedge Funds	1,155	-	-	-	1,155	1%
Private Equity	1,604	-	-	-	1,604	2%
Separate Accounts	402	-	-	-	402	0%
<b>Total New Products</b>	<b>\$ 3,746</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100</b>	<b>\$ 3,846</b>	<b>5%</b>
<b>Total Management Fees</b>	<b>\$ 37,694</b>	<b>\$ 23,693</b>	<b>\$ 2,836</b>	<b>\$ 17,472</b>	<b>\$ 81,696</b>	<b>100%</b>
% of Total	46%	29%	3%	21%	100%	

(1) Excludes sub-advisory fees already captured by other consolidated advisors

# Revenue Composition - 2019

(\$ 000s)	HCMLP <sup>(1)</sup>	HCMF	Acis	NexPoint	Total	% of Total
<b><u>Existing Product Management Fees</u></b>						
CLOs	\$ 13,268	\$ -	\$ -	\$ -	\$ 13,268	15%
Retail	-	22,946	-	20,605	43,551	48%
Hedge Funds	3,224	-	-	-	3,224	4%
Private Equity	3,282	-	-	-	3,282	4%
Separate Accounts	12,953	-	2,894	-	15,846	17%
<b>Total Existing Products</b>	<b>\$ 32,726</b>	<b>\$ 22,946</b>	<b>\$ 2,894</b>	<b>\$ 20,605</b>	<b>\$ 79,170</b>	<b>87%</b>
<b><u>New Product Management Fees</u></b>						
CLOs	\$ 2,145	\$ -	\$ -	\$ -	\$ 2,145	2%
Retail	-	-	-	325	325	0%
Hedge Funds	3,766	-	-	-	3,766	4%
Private Equity	4,249	-	-	-	4,249	5%
Separate Accounts	1,821	-	-	-	1,821	2%
<b>Total New Products</b>	<b>\$ 11,981</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 325</b>	<b>\$ 12,306</b>	<b>13%</b>
<b>Total Management Fees</b>	<b>\$ 44,707</b>	<b>\$ 22,946</b>	<b>\$ 2,894</b>	<b>\$ 20,930</b>	<b>\$ 91,477</b>	<b>100%</b>
% of Total	49%	25%	3%	23%	100%	

(1) Excludes sub-advisory fees already captured by other consolidated advisors

# Revenue Composition - 2020

(\$ 000s)	HCMLP <sup>(1)</sup>	HCMF	Acis	NexPoint	Total	% of Total
<b><u>Existing Product Management Fees</u></b>						
CLOs	\$ 8,600	\$ -	\$ -	\$ -	\$ 8,600	9%
Retail	-	21,780	-	23,155	44,935	45%
Hedge Funds	5,764	-	-	-	5,764	6%
Private Equity	1,970	-	-	-	1,970	2%
Separate Accounts	13,716	-	2,952	-	16,668	17%
<b>Total Existing Products</b>	<b>\$ 30,050</b>	<b>\$ 21,780</b>	<b>\$ 2,952</b>	<b>\$ 23,155</b>	<b>\$ 77,937</b>	<b>77%</b>
<b><u>New Product Management Fees</u></b>						
CLOs	\$ 4,095	\$ -	\$ -	\$ -	\$ 4,095	4%
Retail	-	-	-	600	600	1%
Hedge Funds	7,033	-	-	-	7,033	7%
Private Equity	7,297	-	-	-	7,297	7%
Separate Accounts	3,877	-	-	-	3,877	4%
<b>Total New Products</b>	<b>\$ 22,301</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 600</b>	<b>\$ 22,901</b>	<b>23%</b>
<b>Total Management Fees</b>	<b>\$ 52,351</b>	<b>\$ 21,780</b>	<b>\$ 2,952</b>	<b>\$ 23,755</b>	<b>\$ 100,838</b>	<b>100%</b>
% of Total	57%	24%	3%	26%	100%	

(1) Excludes sub-advisory fees already captured by other consolidated advisors

# HCMLP – 3 yr P&L Forecast

(\$ 000s)	2018 E	2019 E	2020 E
Management Fees	\$ 36,799	\$ 44,418	\$ 52,124
Incentive Fees	-	55,298	-
Shared Services and Sub-advisory Fees	10,141	9,415	9,372
Other Advisory Fees and Miscellaneous	3,026	1,822	1,822
<b>Total Revenue</b>	<b>\$ 49,967</b>	<b>\$ 110,954</b>	<b>\$ 63,318</b>
Compensation and Benefits	\$ 38,684	\$ 41,228	\$ 42,092
NY, Singapore, Korea, Argentina C&B	4,339	4,567	4,737
Professional Fees	7,482	7,669	8,052
Marketing and Advertising (Mainly NY Rent)	600	600	600
Investment and Research Consulting	975	975	975
Depreciation and Amortization	962	843	744
Other Operating Expenses	8,929	9,153	9,376
<b>Total Operating Expenses</b>	<b>\$ 61,971</b>	<b>\$ 65,034</b>	<b>\$ 66,577</b>
<b>Total Operating Income</b>	<b>\$ (12,004)</b>	<b>\$ 45,919</b>	<b>\$ (3,259)</b>
Realized & Unrealized Gain on Investments	\$ 8,533	\$ 16,471	\$ 1,800
Other Income	3,692	5,262	6,159
Investment & Other Income	\$ 12,225	\$ 21,733	\$ 7,959
<b>Net Income</b>	<b>\$ 221</b>	<b>\$ 67,652</b>	<b>\$ 4,700</b>



# HCMFA – 3 yr P&L Forecast

(\$ 000s)	2018 E	2019 E	2020 E
Management Fees	\$ 23,693	\$ 22,946	\$ 21,780
<b>Total Revenue</b>	<b>\$ 23,693</b>	<b>\$ 22,946</b>	<b>\$ 21,780</b>
Compensation and Benefits	\$ 9,585	\$ 9,393	\$ 9,284
Advanced Broker Commissions	300	300	300
Professional Fees	408	418	439
Sub-advisor Fees	443	381	327
12b-1 Fees, net	600	500	400
Shared Services Expenses	2,820	2,820	2,820
Other Operating Expenses	815	803	803
<b>Total Operating Expenses</b>	<b>\$ 14,953</b>	<b>\$ 14,915</b>	<b>\$ 14,691</b>
<b>Total Operating Income</b>	<b>\$ 8,741</b>	<b>\$ 8,031</b>	<b>\$ 7,089</b>
Realized & Unrealized Gain on Investments	\$ -	\$ -	\$ -
Other Income	(106)	(106)	(106)
Investment & Other Income	\$ (106)	\$ (106)	\$ (106)
<b>Net Income</b>	<b>\$ 8,635</b>	<b>\$ 7,925</b>	<b>\$ 6,983</b>

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# NPA – 3 yr P&L Forecast

(\$ 000s)	2018 E	2019 E	2020 E
Management Fees	\$ 17,472	\$ 20,930	\$ 23,755
Other Advisory Fees and Miscellaneous	1,200	1,500	1,800
<b>Total Revenue</b>	<b>\$ 18,672</b>	<b>\$ 22,430</b>	<b>\$ 25,555</b>
Compensation and Benefits	\$ 7,612	\$ 7,756	\$ 7,926
Professional Fees	217	222	234
Sub-advisor Fees	3,024	3,024	3,024
Shared Services Expenses	2,976	2,976	2,976
Other Operating Expenses	250	256	263
<b>Total Operating Expenses</b>	<b>\$ 14,079</b>	<b>\$ 14,235</b>	<b>\$ 14,422</b>
<b>Total Operating Income</b>	<b>\$ 4,593</b>	<b>\$ 8,195</b>	<b>\$ 11,133</b>
Realized & Unrealized Gain on Investments	\$ -	\$ -	\$ -
Other Income	(1,783)	(1,722)	(1,660)
Investment & Other Income	\$ (1,783)	\$ (1,722)	\$ (1,660)
<b>Net Income</b>	<b>\$ 2,810</b>	<b>\$ 6,473</b>	<b>\$ 9,473</b>

# Highland Complex <sup>(1)</sup> – 3 yr P&L Forecast

(\$ 000s)	2018 E	2019 E	2020 E
Management Fees	\$ 79,919	\$ 91,155	\$ 100,516
Incentive Fees	-	55,298	-
Shared Services	660	570	480
Other Advisory Fees and Miscellaneous	4,226	3,322	3,622
<b>Total Revenue</b>	<b>\$ 84,806</b>	<b>\$ 150,344</b>	<b>\$ 104,618</b>
Compensation and Benefits			
NY, Singapore, Korea, Argentina C&B	\$ 55,880	\$ 58,378	\$ 59,303
Advanced Broker Commissions	4,339	4,567	4,737
Professional Fees	300	300	300
Marketing and Advertising (Mainly NY Rent)	9,746	9,990	10,489
Investment and Research Consulting	600	600	600
Depreciation and Amortization	1,360	1,360	1,360
Sub-advisor Fees	974	843	744
12b-1 Fees, net	443	381	327
Other Operating Expenses	600	500	400
<b>Total Operating Expenses</b>	<b>\$ 83,872</b>	<b>\$ 87,096</b>	<b>\$ 88,687</b>
<b>Total Operating Income</b>	<b>\$ 934</b>	<b>\$ 63,249</b>	<b>\$ 15,931</b>
Realized & Unrealized Gain on Investments	\$ 8,533	\$ 16,471	\$ 1,800
Other Income	1,803	3,434	4,393
<b>Investment &amp; Other Income</b>	<b>\$ 10,336</b>	<b>\$ 19,905</b>	<b>\$ 6,193</b>
<b>Net Income</b>	<b>\$ 11,270</b>	<b>\$ 83,153</b>	<b>\$ 22,124</b>

(1) Consolidated HCMLP, HCMF, NexPoint (including subsidiaries), and Acis. 2017 amounts not final and pending updates through April. 47

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ACL-081349

# Composition of Forecasted 2018 C&B

- **\$60.2 million** projected compensation and benefits; **\$57.1 million** on cash basis
  - Assumes partial year accrual for wholesalers and associated employees
  - Includes Argentina consultants and all employees, including Partners

Company	HCMLP	HCMTA	NexPoint	Singapore	Korea	HCFD	HCMLA	HC of NY	Totals	% of Totals
<u>Accrual Basis</u>										
Salaries	\$ 13,974,829	\$ 3,604,845	\$ 2,874,468	\$ 283,250	\$ 221,450	\$ 1,560,450	\$ 1,027,614	\$ 615,858	\$ 24,162,764	40%
Cash Bonus - Earned	16,179,031	2,974,637	1,039,473	124,688	160,371	82,968	1,044,301	412,368	22,017,837	37%
Wholesaler Commissions	-	-	-	-	-	980,000	-	-	980,000	2%
Deferred Awards	4,106,869	335,111	60,120	43,294	-	6,801	71,063	14,550	4,637,808	8%
DRIP Gross-up	104,194	20,839	1,647,677	1,097	2,194	19,742	4,387	5,484	1,805,613	3%
Taxes and Benefits	4,318,856	1,010,407	351,183	54,071	73,964	627,450	-	178,734	6,614,665	11%
<b>Total Compensation, Taxes &amp; Benefits - Accrual</b>	<b>\$ 38,683,779</b>	<b>\$ 7,945,839</b>	<b>\$ 5,972,922</b>	<b>\$ 506,399</b>	<b>\$ 457,978</b>	<b>\$ 3,277,411</b>	<b>\$ 2,147,365</b>	<b>\$ 1,226,994</b>	<b>\$ 60,218,686</b>	<b>100%</b>
<u>Accrual to Cash Adjustments</u>										
Cash Bonuses	(2,305,281)	645,805	25,277	313	(35,371)	(12,646)	(594,301)	(133,868)	(2,410,073)	
Deferred Awards	(500,841)	(145,329)	(34,750)	138,480	-	(6,801)	(71,063)	(14,550)	(634,854)	
<b>Total Accrual to Cash Adjustments</b>	<b>\$ (2,806,122)</b>	<b>\$ 500,477</b>	<b>\$ (9,473)</b>	<b>\$ 138,792</b>	<b>\$ (35,371)</b>	<b>\$ (19,447)</b>	<b>\$ (665,365)</b>	<b>\$ (148,418)</b>	<b>\$ (3,044,927)</b>	
<u>Cash Basis</u>										
Salaries	13,974,829	3,604,845	2,874,468	283,250	221,450	1,560,450	1,027,614	615,858	24,162,764	42%
Cash Bonus - Cash	13,873,750	3,620,443	1,064,750	125,000	125,000	70,321	450,000	278,500	19,607,764	34%
Wholesaler Commissions	-	-	-	-	-	980,000	-	-	980,000	2%
Deferred Awards - Cash	3,606,029	189,782	25,370	181,774	-	-	-	-	4,002,954	7%
DRIP Gross-up	104,194	20,839	1,647,677	1,097	2,194	19,742	4,387	5,484	1,805,613	3%
Taxes and Benefits	4,318,856	1,010,407	351,183	54,071	73,964	627,450	-	178,734	6,614,665	12%
<b>Total Compensation, Taxes &amp; Benefits - Cash</b>	<b>\$ 35,877,657</b>	<b>\$ 8,446,315</b>	<b>\$ 5,963,449</b>	<b>\$ 645,191</b>	<b>\$ 422,607</b>	<b>\$ 3,257,964</b>	<b>\$ 1,482,001</b>	<b>\$ 1,078,576</b>	<b>\$ 57,173,760</b>	<b>100%</b>

# Projected Consolidating Cash Flows - 2018

## NO M&A ACTIVITY IS CONSIDERED BELOW

(\$ 000s)	HCMLP	HCMIFA	Acis	NexPoint	Total
<b>Cash from Operating Activities</b>					
Net Income	\$ 221	\$ 8,635	\$ (396)	\$ 2,810	\$ 11,270
Depreciation and Amortization	962	12	-	-	974
Net Realized and Unrealized Gains on Investments	(8,533)	-	-	-	(8,533)
Changes in Assets and Liabilities					
Changes in Working Capital Accounts	6,657	(185)	485	762	7,719
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (693)</b>	<b>\$ 8,462</b>	<b>\$ 89</b>	<b>\$ 3,572</b>	<b>\$ 11,430</b>
<b>Cash from Investing Activities</b>					
Purchases of Fixed Assets, net	\$ (250)	\$ -	\$ -	\$ -	\$ (250)
Affiliate Loans, net	(14,150)	-	-	-	(14,150)
Purchases of Investments	(33,136)	-	-	-	(33,136)
Proceeds from Dispositions of Investments	14,733	-	-	-	14,733
<b>Net Cash Provided by Investing Activities</b>	<b>\$ (32,803)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (32,803)</b>
<b>Cash from Financing Activities</b>					
Draws/(Paydowns) on Margin Balance	\$ 25,727	\$ -	\$ -	\$ -	\$ 25,727
Partner Distributions	(2,467)	-	-	-	(2,467)
<b>Net Cash Provided by Financing Activities</b>	<b>\$ 23,260</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,260</b>
<b>Net Increase/(Decrease) in Cash</b>	<b>\$ (10,237)</b>	<b>\$ 8,462</b>	<b>\$ 89</b>	<b>\$ 3,572</b>	<b>\$ 1,886</b>
Cash Beginning of Year	\$ 10,237	\$ 382	\$ (3)	\$ 231	\$ 10,847
<b>Cash End of Year</b>	<b>\$ -</b>	<b>\$ 8,843</b>	<b>\$ 86</b>	<b>\$ 3,803</b>	<b>\$ 12,733</b>
<b>Ending Available Margin</b>	<b>\$ (19,350)</b>	<b>Overdrawn</b>			

## Other Talking Points

- 2015 Deferred Awards (vest on 3/1/18)
  - At our discretion, may pay cash or distribute shares
  - Current market value of awards ~\$3.9mm
    - ~\$0.6mm cash; \$3.3mm share value
- Initial thoughts: PY 2017 Bonus Pool and Deferred Awards
- Initial thoughts: Profit sharing
- Any changes to existing bonus payout structure:

### Current

$\leq \$5k = 1$   
 $\$5k - \$15k = 2$   
 $\$15k - \$50k = 3$   
 $> \$50k = 4$

## **EXHIBIT 87**

001942



**From:** Lauren Thedford <LThedford@HighlandCapital.com>

**To:** Sean Fox <SFox@HighlandCapital.com>

**Cc:** Thomas Surgent <TSurgent@HighlandCapital.com>, Tim Cournoyer  
<TCournoyer@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>

**Subject:** RE: HCMFA/HCMLP Sub-Advisory Agreement

**Date:** Thu, 15 Mar 2018 09:57:44 -0500

**Inline-Images:** image001.jpg

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As an update, I confirmed with counsel that this agreement will require in person approval and it cannot be made retroactive. Once employee lists and dual hat delineations are provided we can work on the memo and approvals for the June in-person (June 7).

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**From:** Lauren Thedford

**Sent:** Thursday, March 15, 2018 8:37 AM

**To:** Tim Cournoyer ; Sean Fox

**Cc:** Thomas Surgent ; Jason Post

**Subject:** RE: HCMFA/HCMLP Sub-Advisory Agreement

I'll discuss with Thomas and/or Stradley whether this would require in-person approval. Our manager of managers exemptive order permits appointment of sub-advisors without shareholder approval, but I think we would still need to obtain board approval (next in person is June 2018).

Fox- what is the timing?

---

**From:** Tim Cournoyer

**Sent:** Thursday, March 15, 2018 8:31 AM

**To:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>

**Cc:** Thomas Surgent <[TSurgent@HighlandCapital.com](mailto:TSurgent@HighlandCapital.com)>; Jason Post <[JPost@HighlandCapital.com](mailto:JPost@HighlandCapital.com)>;  
Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>

**Subject:** RE: HCMFA/HCMLP Sub-Advisory Agreement

Attached is a draft agreement together with a redline marked against the NexPoint Advisors agreement.

Do we have a list of accounts for Appendix A with respect to which HCMLP should act as sub-advisor?

**TIMOTHY J. COURNOYER** | ASSISTANT GENERAL COUNSEL

O: 972.628.4100 | D: 972.628.4153 | F: 972.628.4147

---

**From:** Tim Cournoyer

**Sent:** Tuesday, March 13, 2018 1:05 PM

**To:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>

**Subject:** RE: HCMFA/HCMLP Sub-Advisory Agreement

Yes, will do this week

**TIMOTHY J. COURNOYER** | ASSISTANT GENERAL COUNSEL

O: 972.628.4100 | D: 972.628.4153 | F: 972.628.4147

**From:** Sean Fox  
**Sent:** Tuesday, March 13, 2018 10:17 AM  
**To:** Tim Cournoyer <[TCournoyer@HighlandCapital.com](mailto:TCournoyer@HighlandCapital.com)>  
**Subject:** RE: HCMFA/HCMLP Sub-Advisory Agreement

From a timing perspective, hoping to have this on Frank's desk when he's back in the office on Monday. Let me know if you think you'll need more time. Thx

---

**From:** Sean Fox  
**Sent:** Wednesday, March 7, 2018 10:27 AM  
**To:** Tim Cournoyer <[TCournoyer@HighlandCapital.com](mailto:TCournoyer@HighlandCapital.com)>  
**Subject:** HCMFA/HCMLP Sub-Advisory Agreement

Tim – as discussed, we'd like to paper the HCMFA/HCMLP Sub-Advisory relationship. We can use the NPA agreement as the template with the following key terms:

Management Company: Highland Capital Management Fund Advisors

Sub-Advisor: Highland Capital Management

Monthly Fee: \$450,000

Effective Date: 01/01/18

Thanks,

Sean

Sean T. Fox | Manager, Finance



300 Crescent Court | Suite 700 | Dallas, Texas 75201

O: 972.419.4443 | C: 214.679.6298 | F: 972.628.4147

[sfox@highlandcapital.com](mailto:sfox@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

---

PRIVILEGE WARNING: The sender or recipient of this message is a member of the legal department at Highland Capital Management. This message and any attachments hereto may constitute attorney work product or be protected by the attorney-client privilege. Do not disclose this message or any attachments hereto without prior consent of a member of the legal department at Highland Capital Management.

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 88**

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, Scott Wilson <SWilson@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Nikki Gill <NGill@HighlandCapital.com>, "Kristin Hendrix" <KHendrix@HighlandCapital.com>, Sean Fox <SFox@HighlandCapital.com>, Drew Wilson <DWilson@HighlandCapital.com>, Dustin Norris <DNorris@Highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Philip Aaron <PAaron@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 1/31/2018

**Date:** Thu, 1 Feb 2018 14:07:23 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_1-31-2018.xlsx

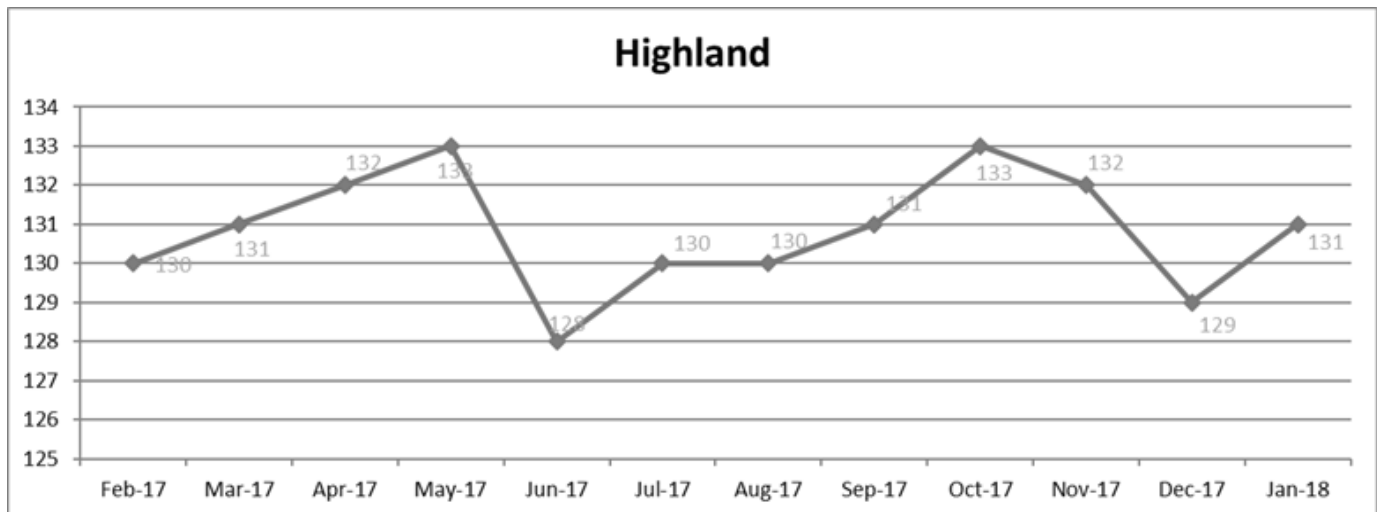
**Inline-Images:** image001.png; image002.png; image003.jpg

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

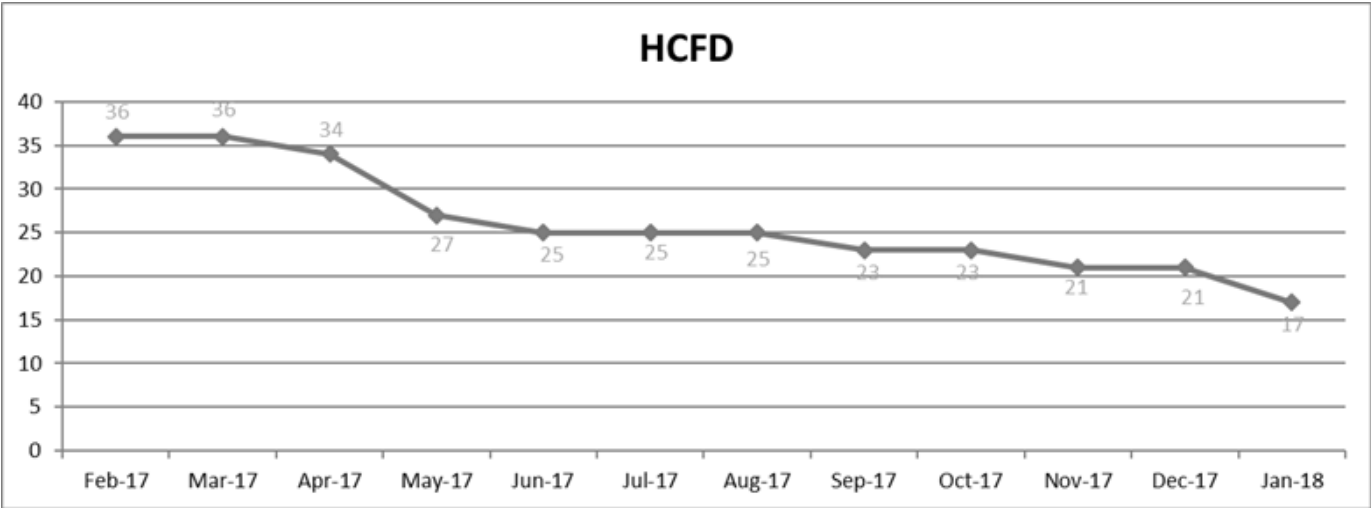
Changes during January are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



001947

ACL-081543



Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**



## **EXHIBIT 89**

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@Highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, "Kari Kovelan" <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <KFullmer@Highlandfunds.com>

**Cc:** Human Resources <HR@hcmpl.com>

**Subject:** Effective Headcount Report 1/31/2019

**Date:** Fri, 1 Feb 2019 15:15:54 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_01-31-2019.xlsx

**Inline-Images:** image003.jpg; image004.png; image005.png

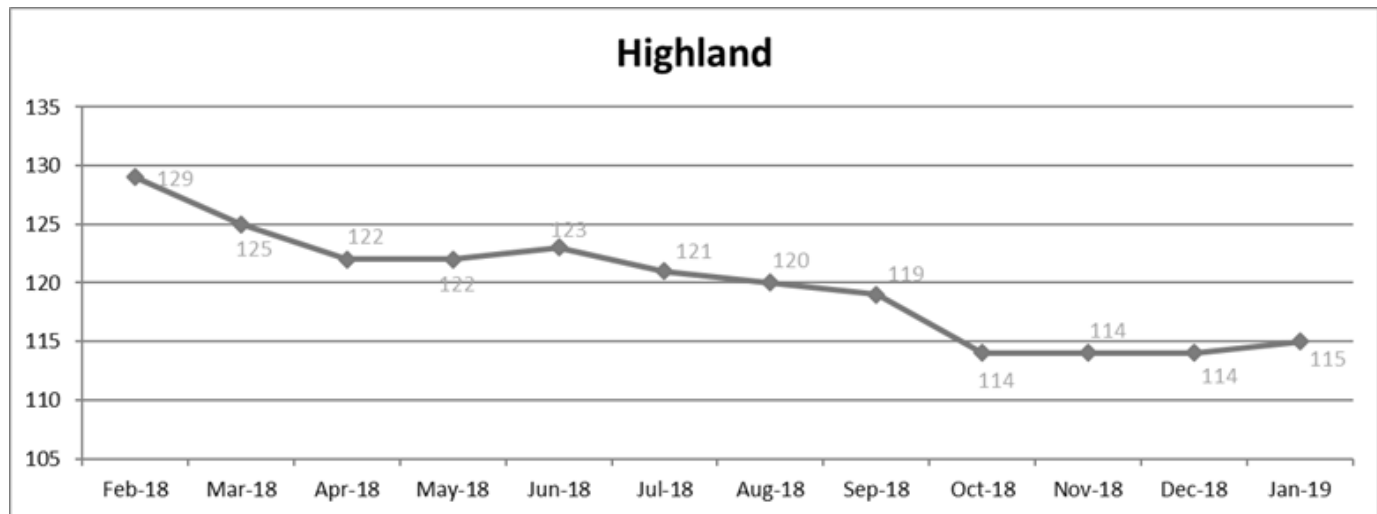
---

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

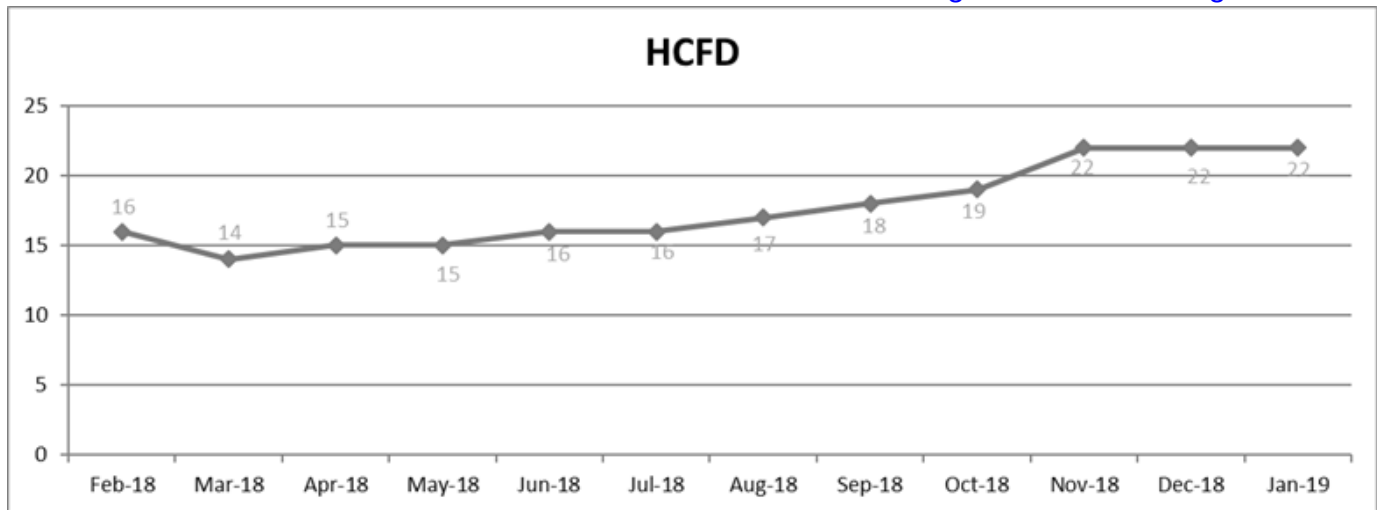
Changes during January are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



001951

ACL-081546



Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 90**

001954

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <Ljocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>, Madeline Frizell <MFrizell@NexPointSecurities.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 1/31/2020

**Date:** Fri, 31 Jan 2020 20:54:39 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_01-31-2020.xlsx

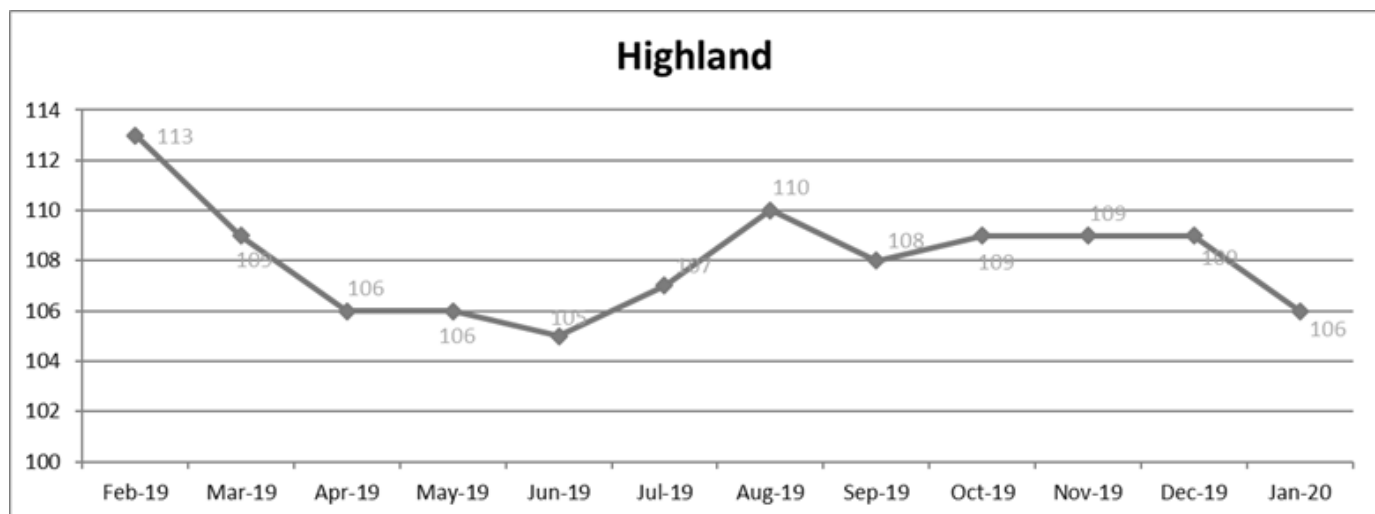
**Inline-Images:** image003.jpg; image004.png; image005.png

All,

Please see the attached Headcount Report and let me know if you have any questions or comments. Changes during January are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

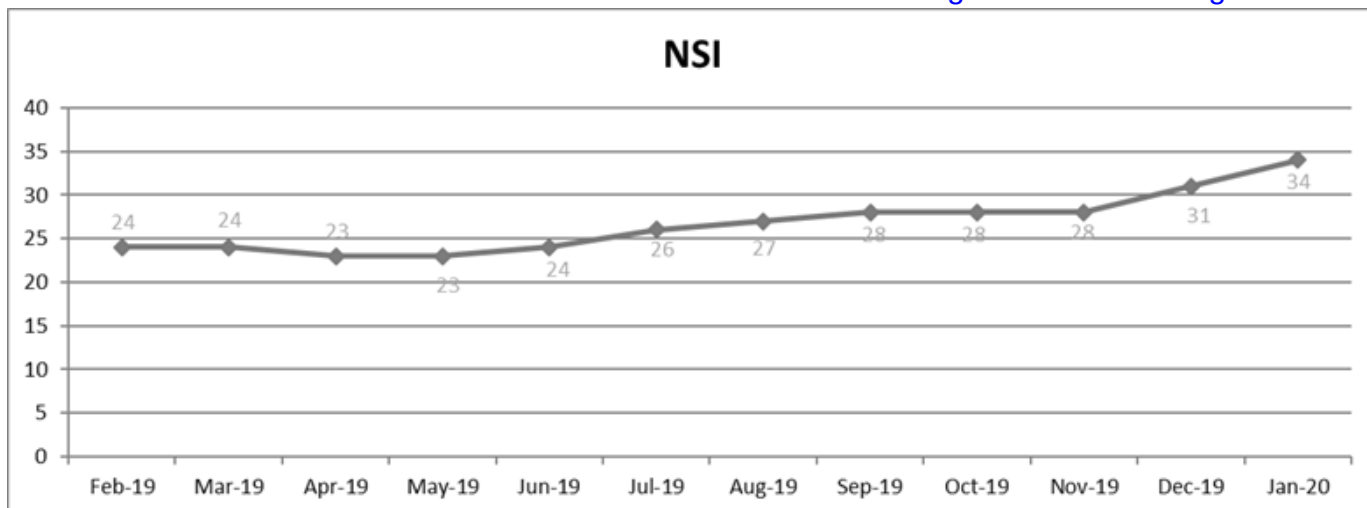
**Highland** new hires and terminations during the last 12 months (excludes Interns):



**NSI Wholesalers** new hires and terminations during the last 12 months:

001955

ACL-081549



Thank you,  
Kellie

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

001956

ACL-081550



**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 91**

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@NexpointAdvisors.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <LJocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>, Madeline Frizell <MFrizell@NexPointSecurities.com>, Tess Trahern <TTrahern@NexPointSecurities.com>, Angela Barbera <ABarbera@NexPointSecurities.com>, Eric Fritz <EFritz@NexpointAdvisors.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 1/31/2021

**Date:** Tue, 2 Feb 2021 17:13:44 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_01-31-2021.xlsx

**Inline-Images:** image005.jpg; image001.png; image002.png

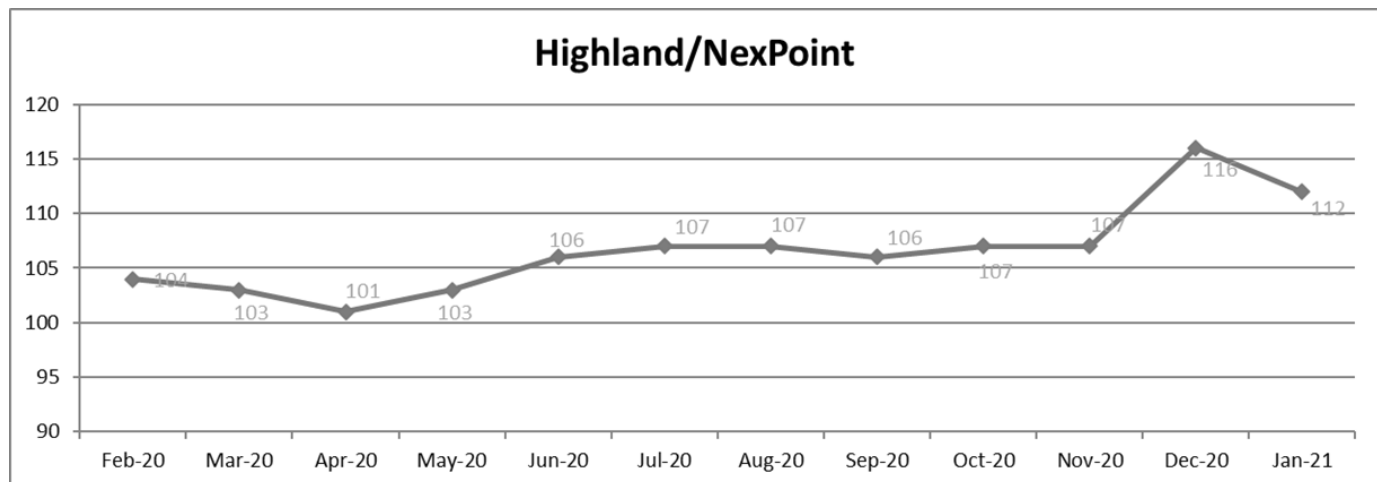
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during January are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

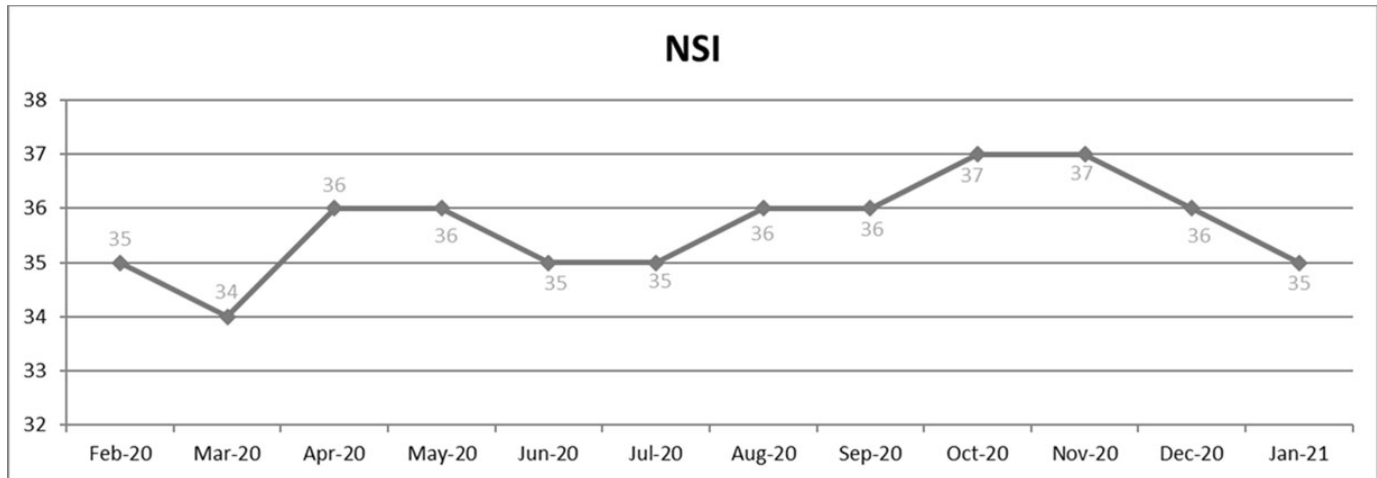
**Highland/NexPoint** new hires and terminations during the last 12 months (excludes Interns):



**NSI Wholesalers** new hires and terminations during the last 12 months:

001959

ACL-081552



Thank you,  
Kellie

Kellie Stevens | HR Manager

**HIGHLAND CAPITAL**  
MANAGEMENT

300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 92**

001962

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, Scott Wilson <SWilson@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Nikki Gill <NGill@HighlandCapital.com>, "Kristin Hendrix" <KHendrix@HighlandCapital.com>, Sean Fox <SFox@HighlandCapital.com>, Drew Wilson <DWilson@HighlandCapital.com>, Dustin Norris <DNorris@Highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Philip Aaron <PAaron@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 2/28/2018

**Date:** Mon, 5 Mar 2018 23:40:32 +0000

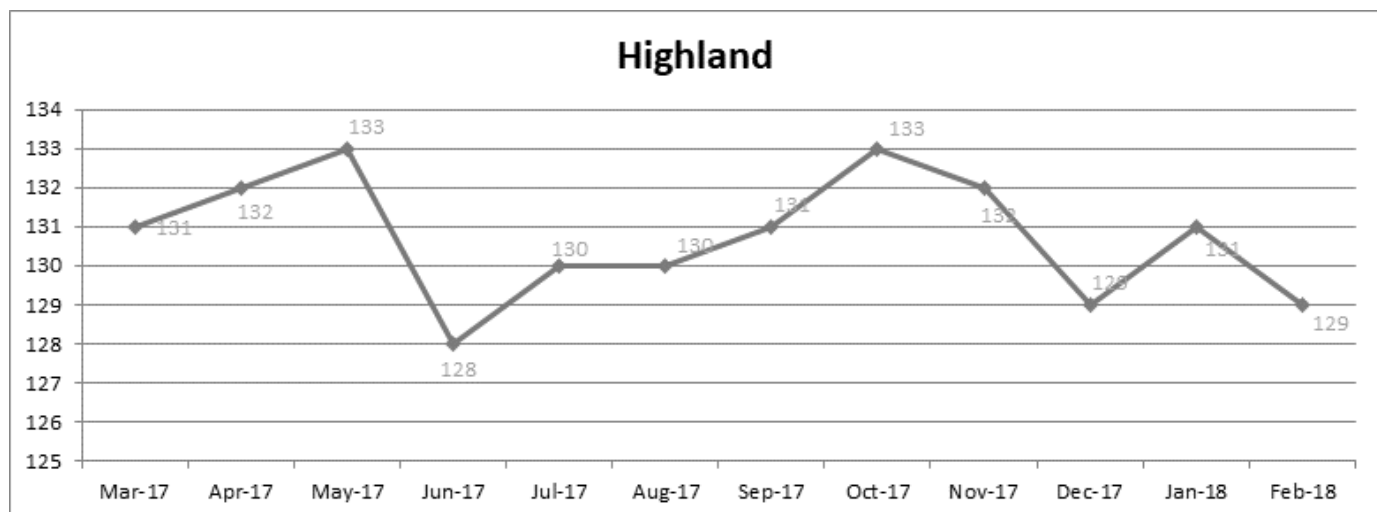
**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_2-28-2018.xlsx

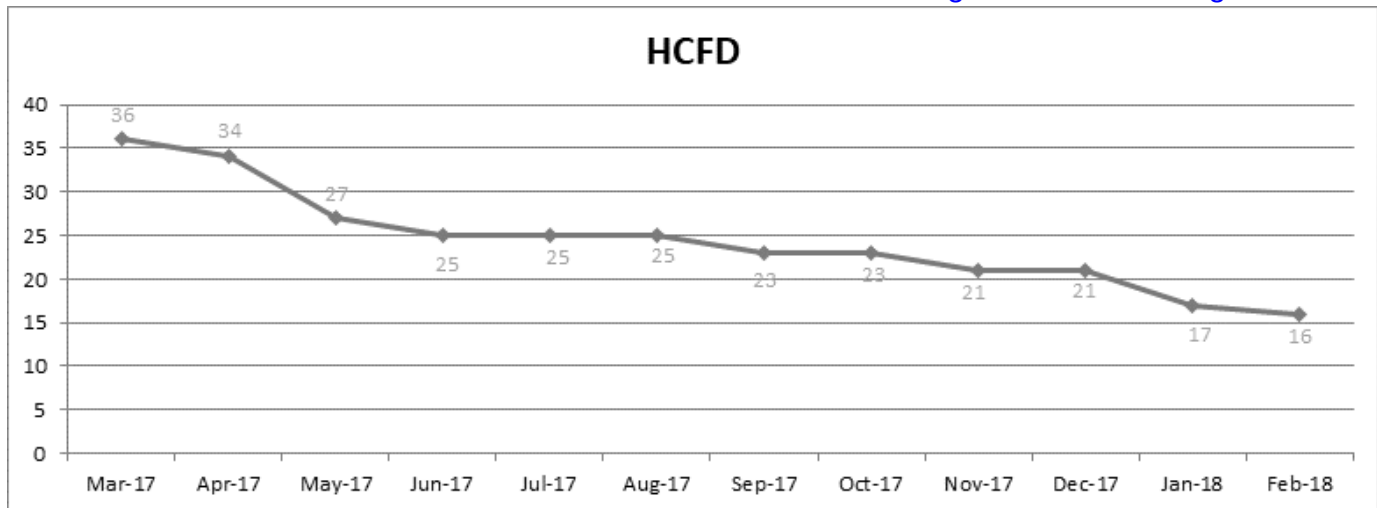
**Inline-Images:** image001.png; image002.png; image003.jpg

---

All,  
Please see the attached Headcount Report and let me know if you have any questions or comments. Changes during February are highlighted in yellow on the Detail tab of the spreadsheet. \*Note that title changes communicated on February 28<sup>th</sup> will be updated on the March report.  
The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.







Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 93**

001966

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, "Kari Kovelan" <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <KFullmer@Highlandfunds.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 2/28/2019

**Date:** Mon, 4 Mar 2019 23:28:06 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_02-28-2019.xlsx

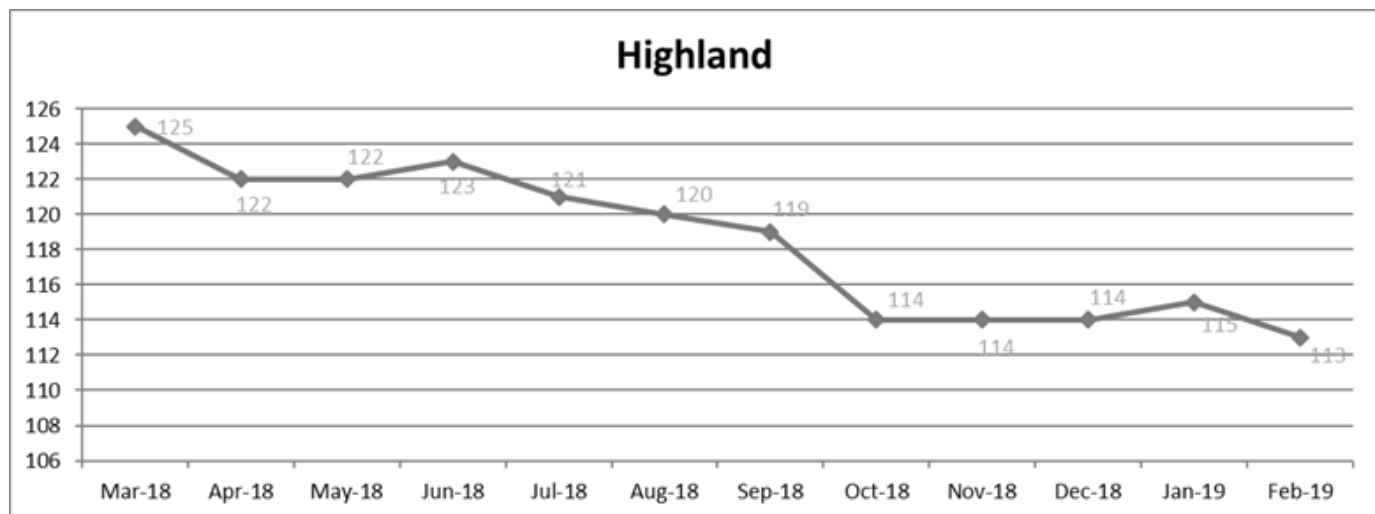
**Inline-Images:** image001.png; image002.png; image003.jpg

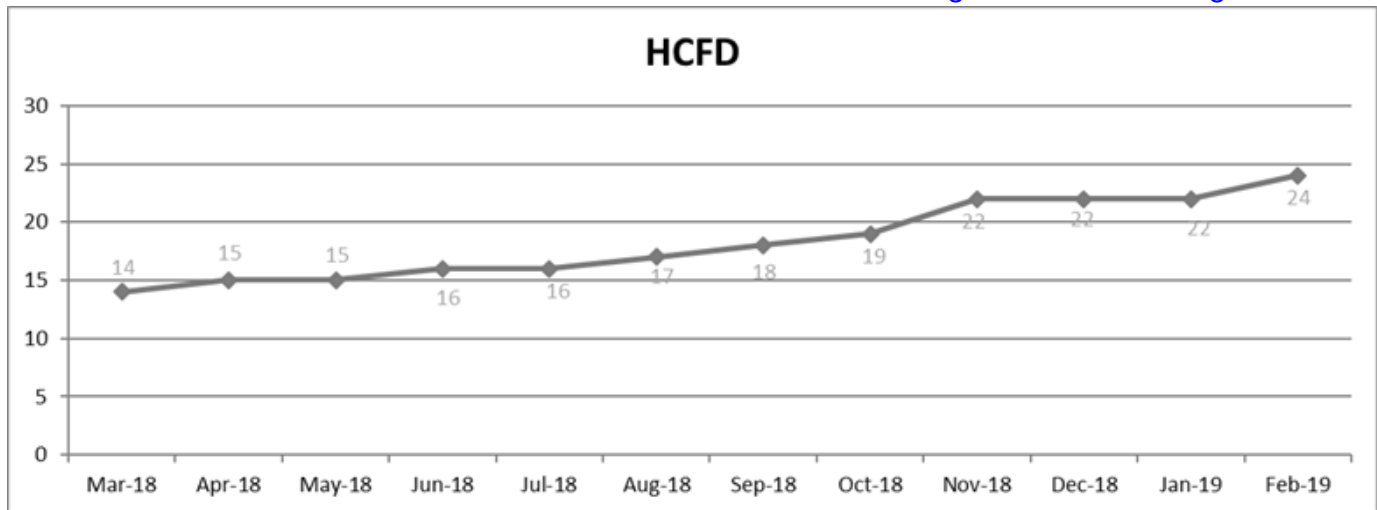
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during February are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.





Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

001968

ACL-081559

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 94**



**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <Ljocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>, Madeline Frizell <MFrizell@NexPointSecurities.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 2/29/2020

**Date:** Tue, 3 Mar 2020 17:01:21 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_02-28-2020.xlsx

**Inline-Images:** image003.jpg; image002.png; image007.png

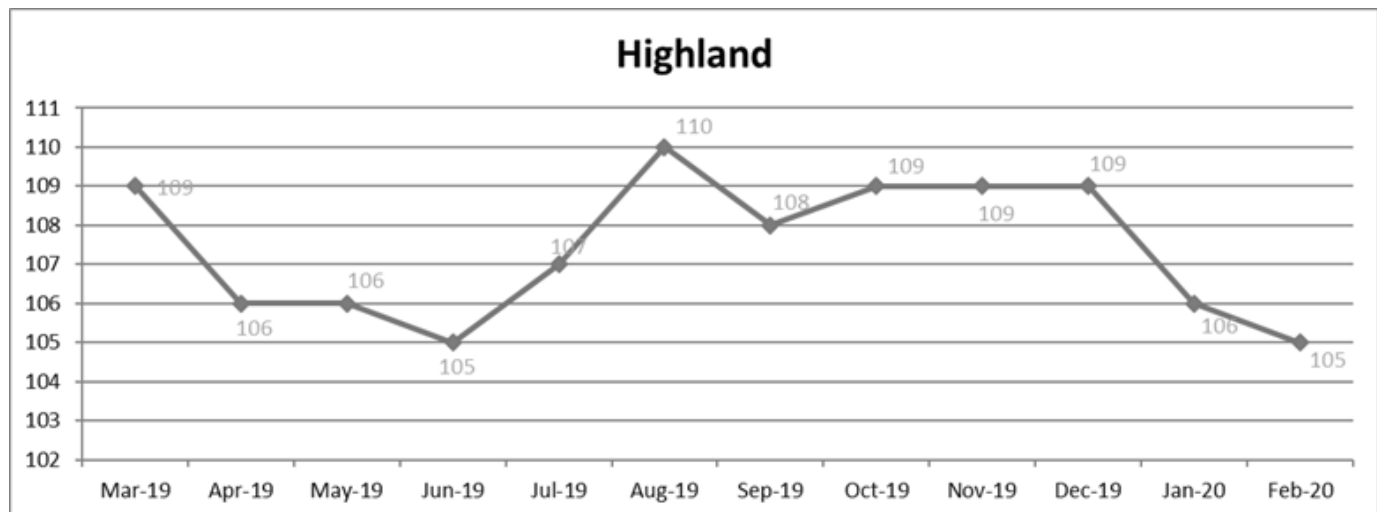
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during February are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

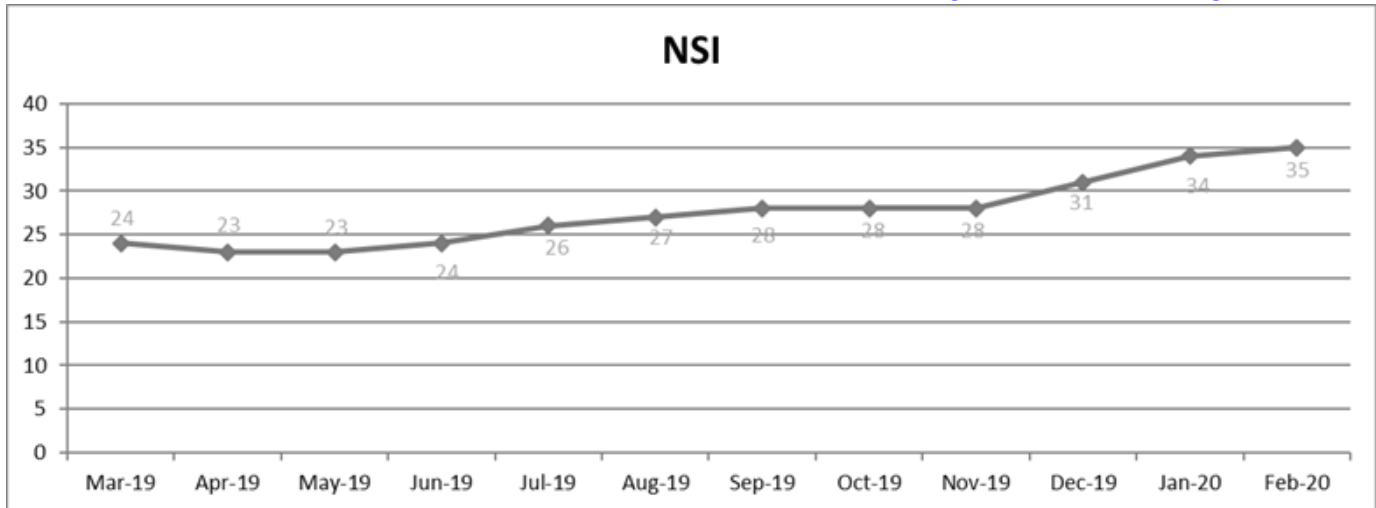
**Highland** new hires and terminations during the last 12 months (excludes Interns):



**NSI Wholesalers** new hires and terminations during the last 12 months:

001971

ACL-081561



Thank you,  
Kellie

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

# **ATTACHMENT PROVIDED IN NATIVE FORMAT**

## **EXHIBIT 95**

001974

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, Scott Wilson <SWilson@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Nikki Gill <NGill@HighlandCapital.com>, "Kristin Hendrix" <KHendrix@HighlandCapital.com>, Sean Fox <SFox@HighlandCapital.com>, Drew Wilson <DWilson@HighlandCapital.com>, Dustin Norris <DNorris@Highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 3/31/2018

**Date:** Mon, 2 Apr 2018 20:12:51 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_3-31-2018.xlsx

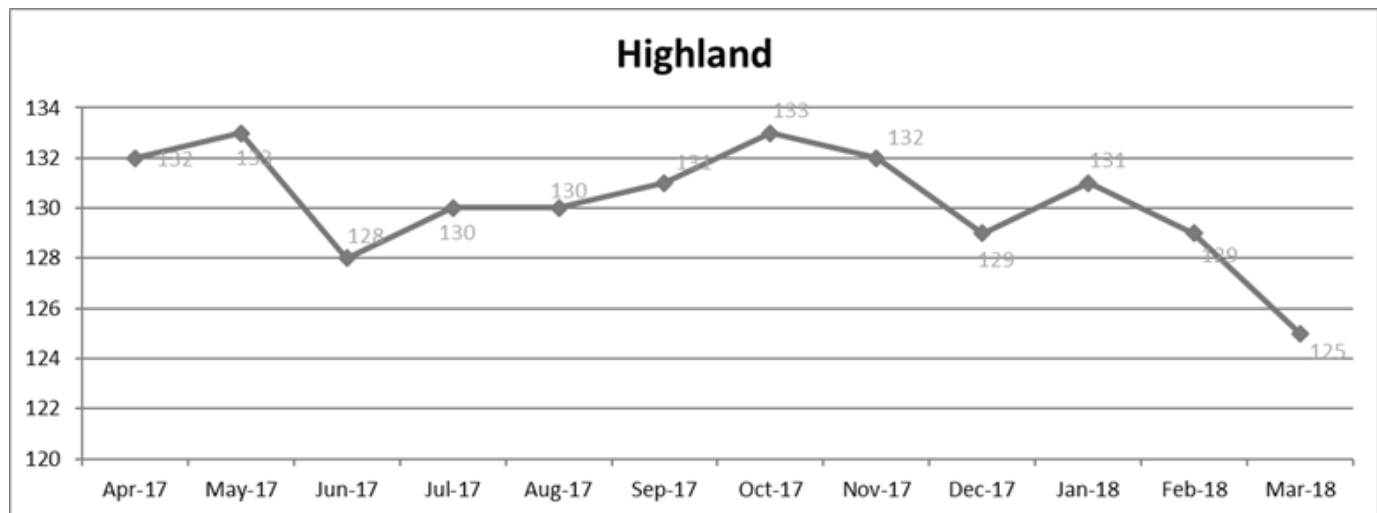
**Inline-Images:** image001.png; image002.png; image003.jpg

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

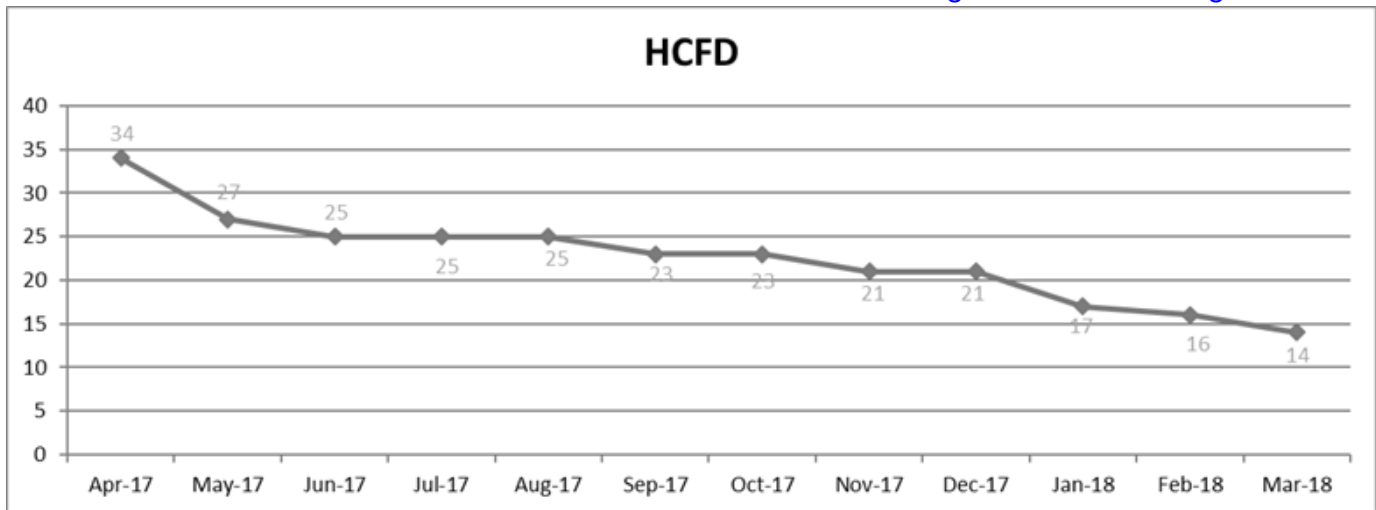
Changes during March are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



001975

ACL-081564



Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

001976

ACL-081565

# **ATTACHMENT PROVIDED IN NATIVE FORMAT**



## **EXHIBIT 96**

001978

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, "Kari Kovelan" <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <KFullmer@Highlandfunds.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 3/31/2019

**Date:** Mon, 1 Apr 2019 21:17:17 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_03-31-2019.xlsx

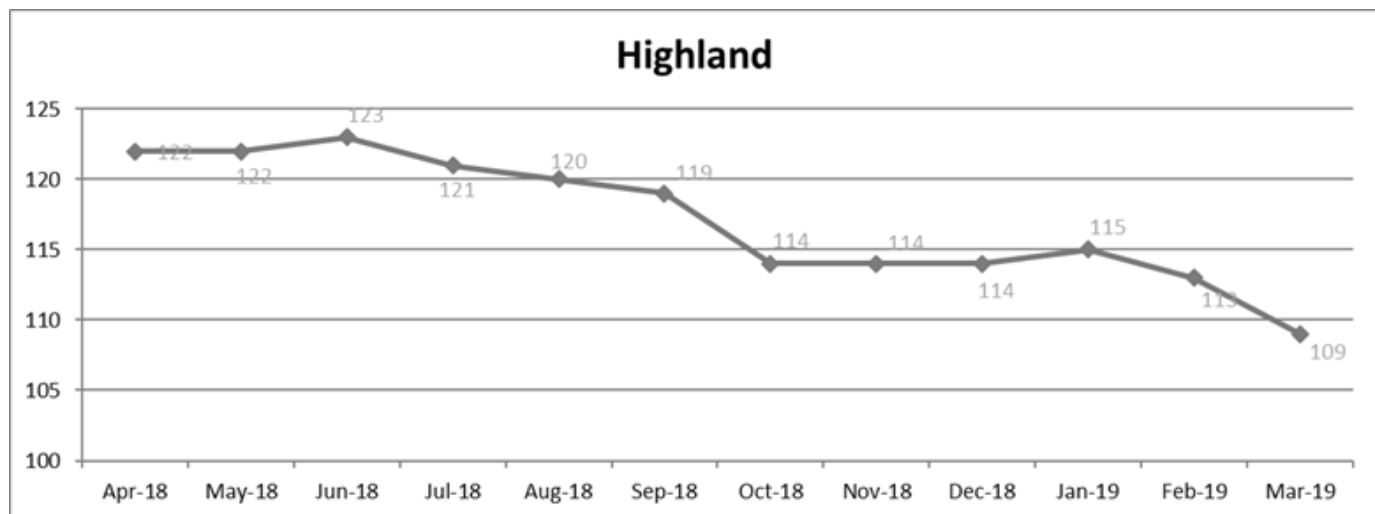
**Inline-Images:** image001.png; image002.png; image003.jpg

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

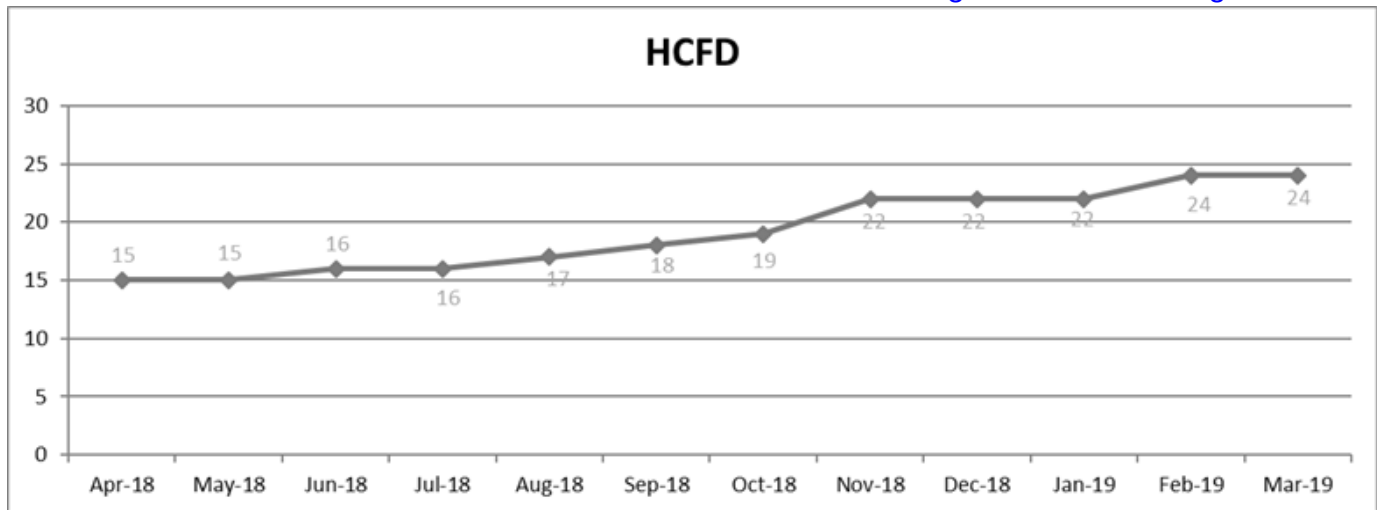
Changes during March are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



001979

ACL-081567



Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
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001980

ACL-081568

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 97**

001982

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <Ljocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>, Madeline Frizell <MFrizell@NexPointSecurities.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 3/31/2020

**Date:** Tue, 31 Mar 2020 12:48:10 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_03-31-2020.xlsx

**Inline-Images:** image008.jpg; image003.png; image006.png

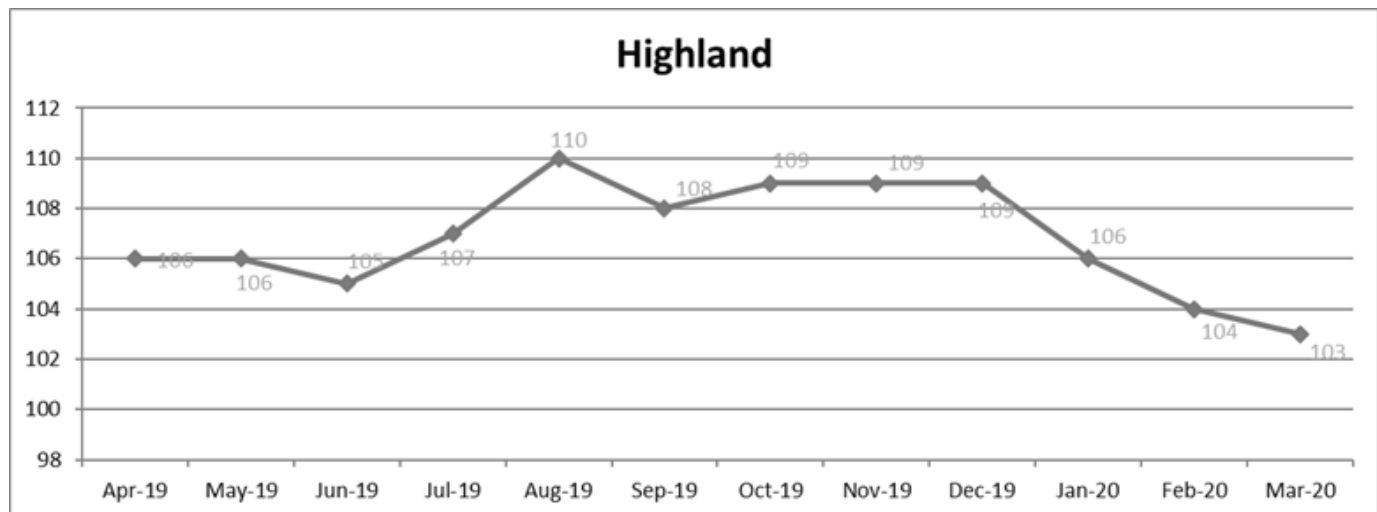
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during March are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

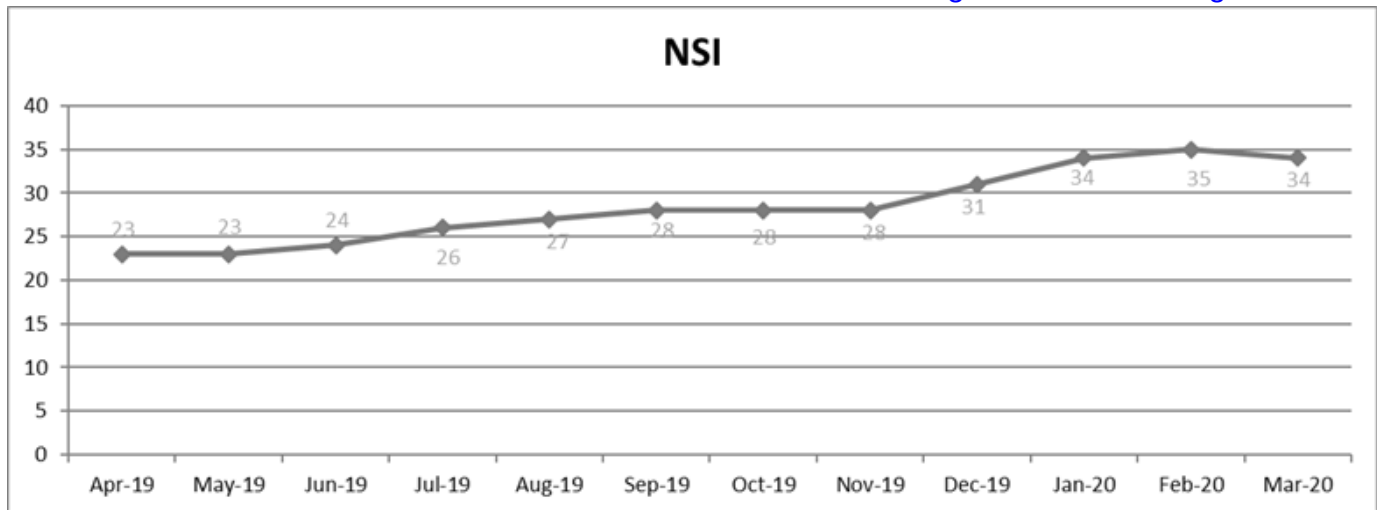
**Highland** new hires and terminations during the last 12 months (excludes Interns):



**NSI Wholesalers** new hires and terminations during the last 12 months:

001983

ACL-081570



Thank you,  
Kellie

Kellie Stevens | HR Manager



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001984

ACL-081571



**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 98**

001986

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, Scott Wilson <SWilson@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Nikki Gill <NGill@HighlandCapital.com>, "Kristin Hendrix" <KHendrix@HighlandCapital.com>, Sean Fox <SFox@HighlandCapital.com>, Drew Wilson <DWilson@HighlandCapital.com>, Dustin Norris <DNorris@Highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Robert Hill <RHill@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 4/30/2018

**Date:** Thu, 26 Apr 2018 18:01:19 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_4-30-2018.xlsx

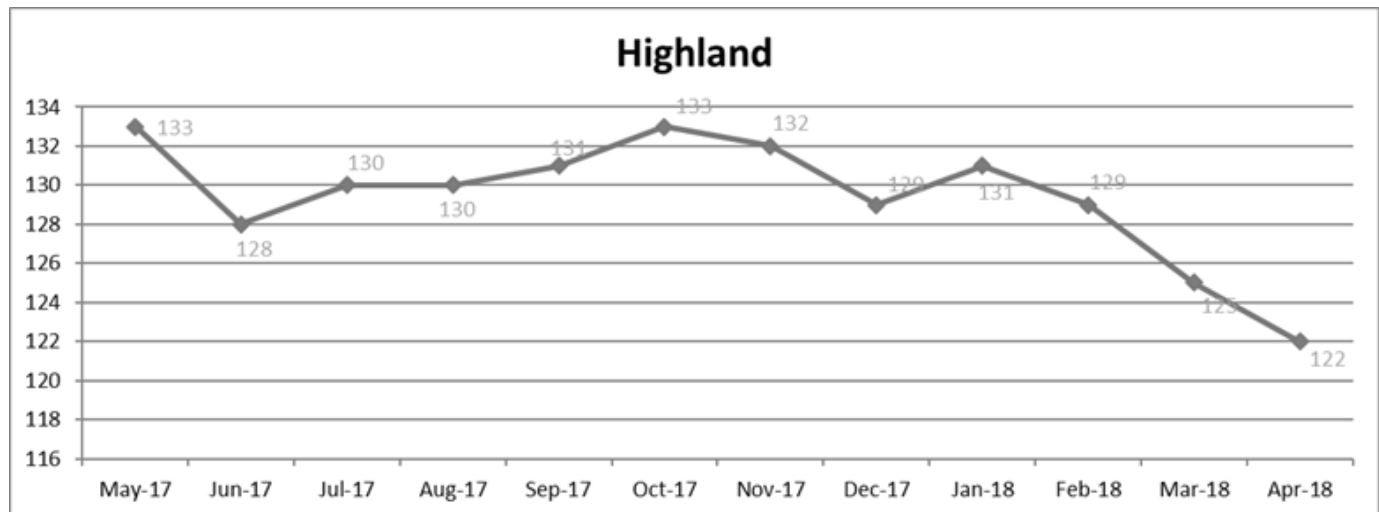
**Inline-Images:** image001.png; image002.png; image003.jpg

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

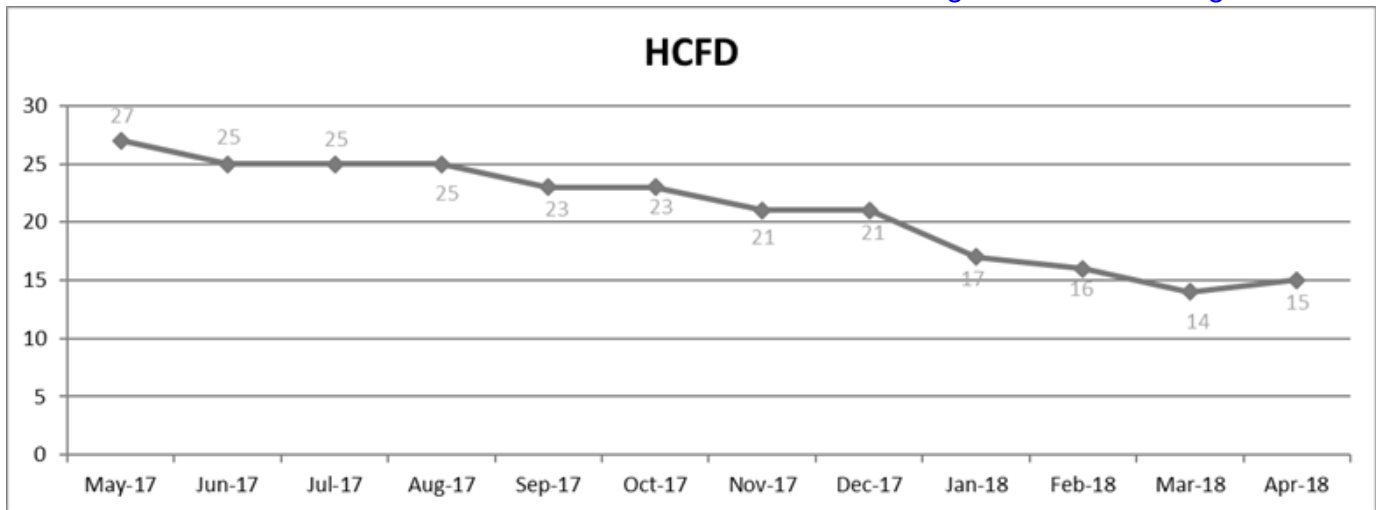
Changes during April are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



001987

ACL-081573



Thank you,

Kellie Stevens | HR Manager



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001988

ACL-081574

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 99**

001990

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, "Kari Kovelan" <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <KFullmer@Highlandfunds.com>

**Cc:** Human Resources <HR@hcmpl.com>

**Subject:** Effective Headcount Report 4/30/2019

**Date:** Wed, 1 May 2019 13:18:12 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_04-30-2019.xlsx

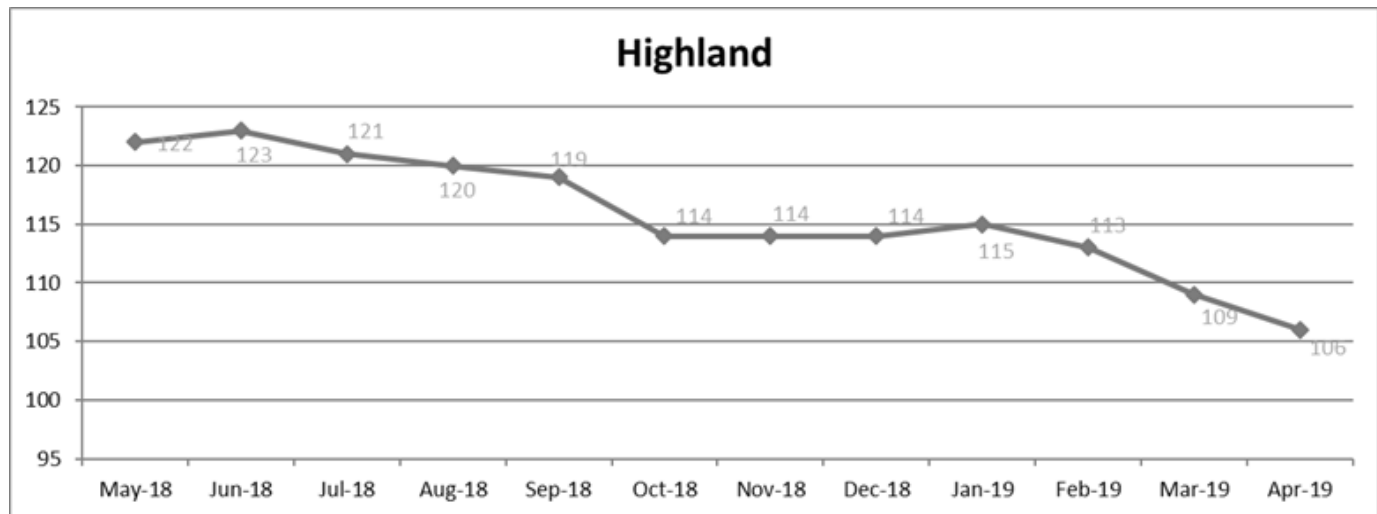
**Inline-Images:** image001.png; image002.png; image003.jpg

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during April are highlighted in yellow on the Detail tab of the spreadsheet.

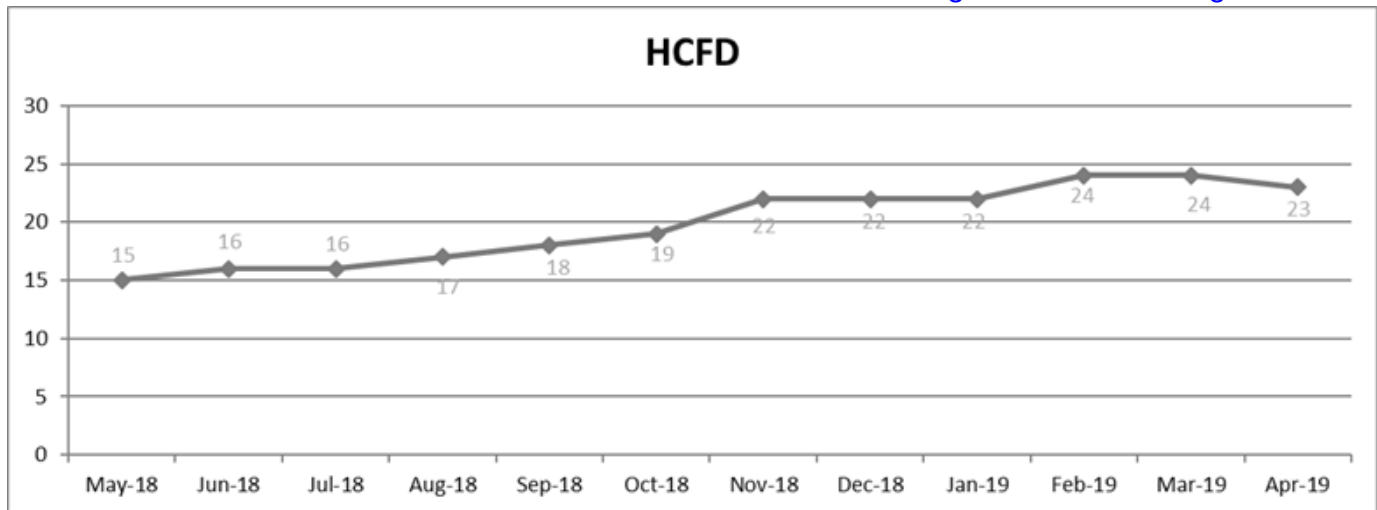
The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



001991

ACL-081576





Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
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**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 100**

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, Navid Klos <NKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Nustin Aorris <NAorris@AexPointSecurities.com>, Dauren Thedlord <DThedlord@HighlandCapital.com>, Stephanie f itiello <Sf itiello@HighlandCapital.com>, Vric Holt <VHolt@HighlandCapital.com>, Jackie Eraham <JEraham@nexpointadvisors.com>, Daura JocoG <DyocoG@AexPointSecurities.com>, DucGj annon <Dj annon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, CGrus Vitekhari <CVitekhari@HighlandCapital.com>, HaGeGVliason <HVliason@HighlandCapital.com>, Kevin Fullmer <KFullmer@AexPointSecurities.com>, PhoeBe Steb art <PSteb art@AexPointSecurities.com>, w adeline FriMll <w FriMll@AexPointSecurities.com>

**Cc:** Human z esources <Hz @hcmlp.com>

**Subject:** Vllective Headcount z eport R/ 3 2323

**Date:** Thu, / 3 0 pr 2323 7R:33:4+ \_3333

**Importance:** Aormal

**Attachments:** Vllective- Headcount- z eport- 3R5/ 32323.xlsx

**Inline-Images:** image337.png; image334.png; image33+.ygp

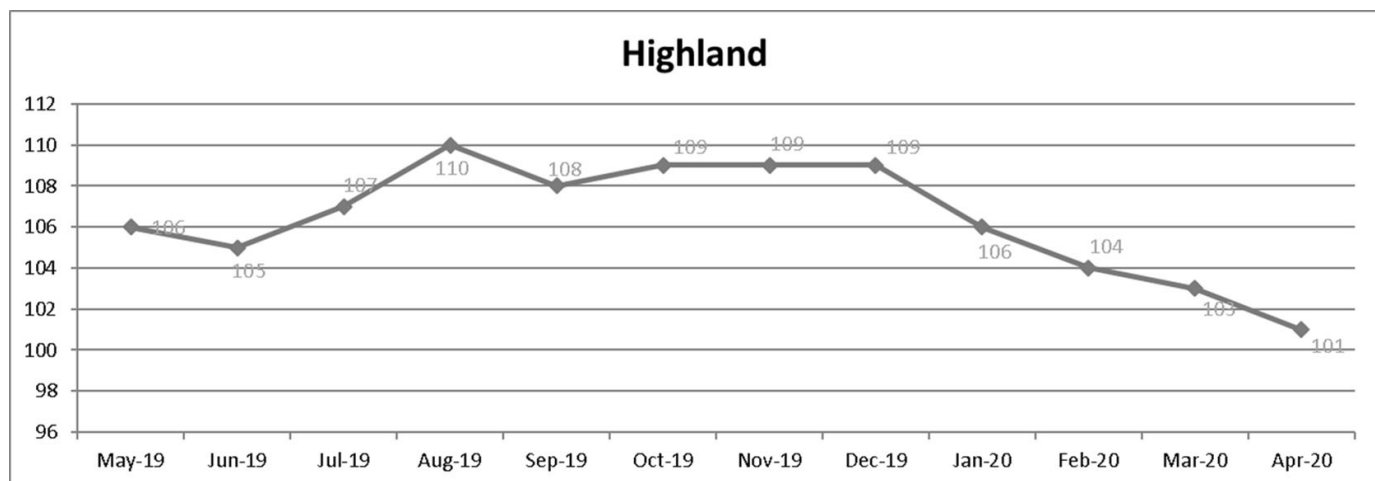
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during April are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

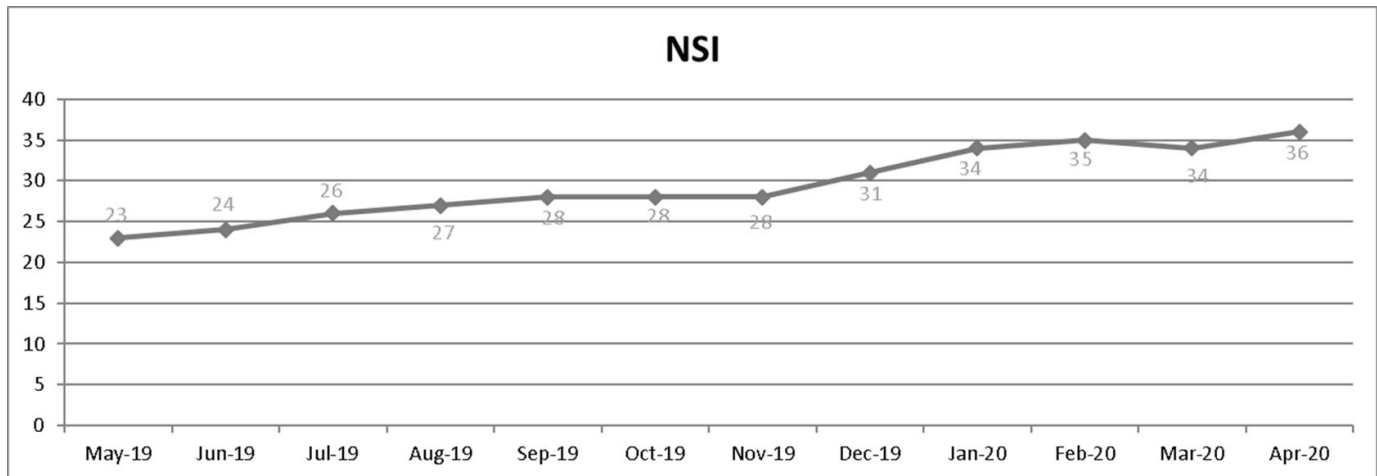
**Highland** new hires and terminations during the last 12 months (excludes Interns):



**NSI Wholesalers** new hires and terminations during the last 12 months:

001995

ACL-081579



Thank you,  
Kellie

Kellie Stevens | HR Manager



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001996

ACL-081580

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 101**



**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, Scott Wilson <SWilson@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Nikki Gill <NGill@HighlandCapital.com>, "Kristin Hendrix" <KHendrix@HighlandCapital.com>, Sean Fox <SFox@HighlandCapital.com>, Drew Wilson <DWilson@HighlandCapital.com>, Dustin Norris <DNorris@Highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Robert Hill <RHill@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 5/31/2018

**Date:** Fri, 1 Jun 2018 14:00:58 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_5-31-2018.xlsx

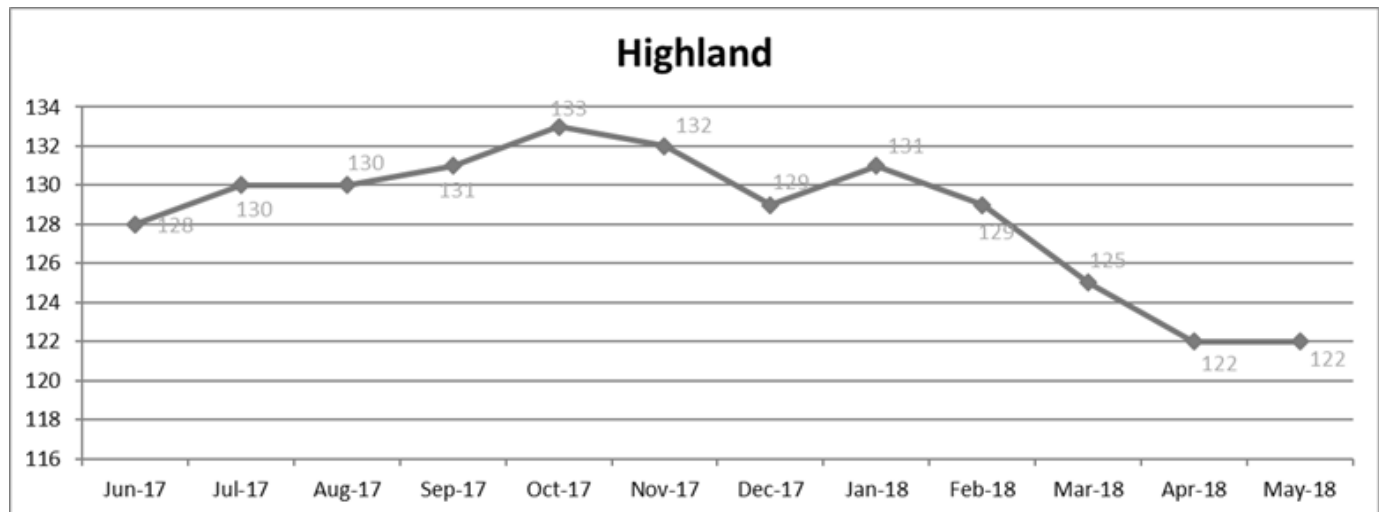
**Inline-Images:** image003.png; image004.jpg; image005.png

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

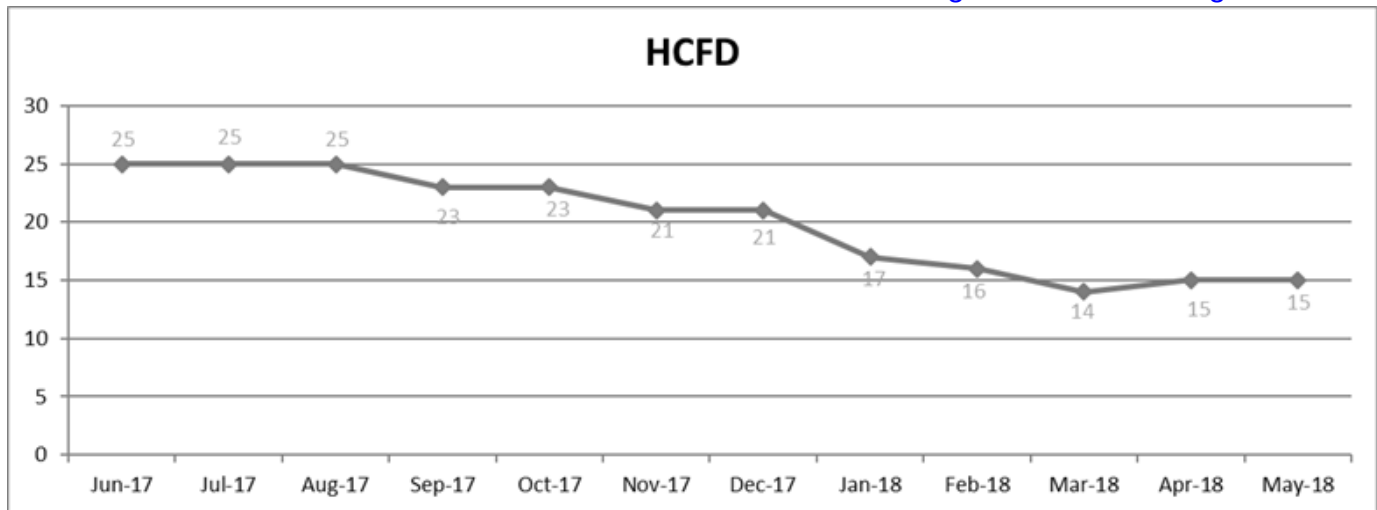
Changes during May are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



001999

ACL-081582



Thank you,

Kellie Stevens | HR Manager



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# **ATTACHMENT PROVIDED IN NATIVE FORMAT**

002001

## **EXHIBIT 102**

002002

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, "Kari Kovelan" <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <KFullmer@Highlandfunds.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 5/31/2019

**Date:** Tue, 4 Jun 2019 14:47:37 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_05-31-2019.xlsx

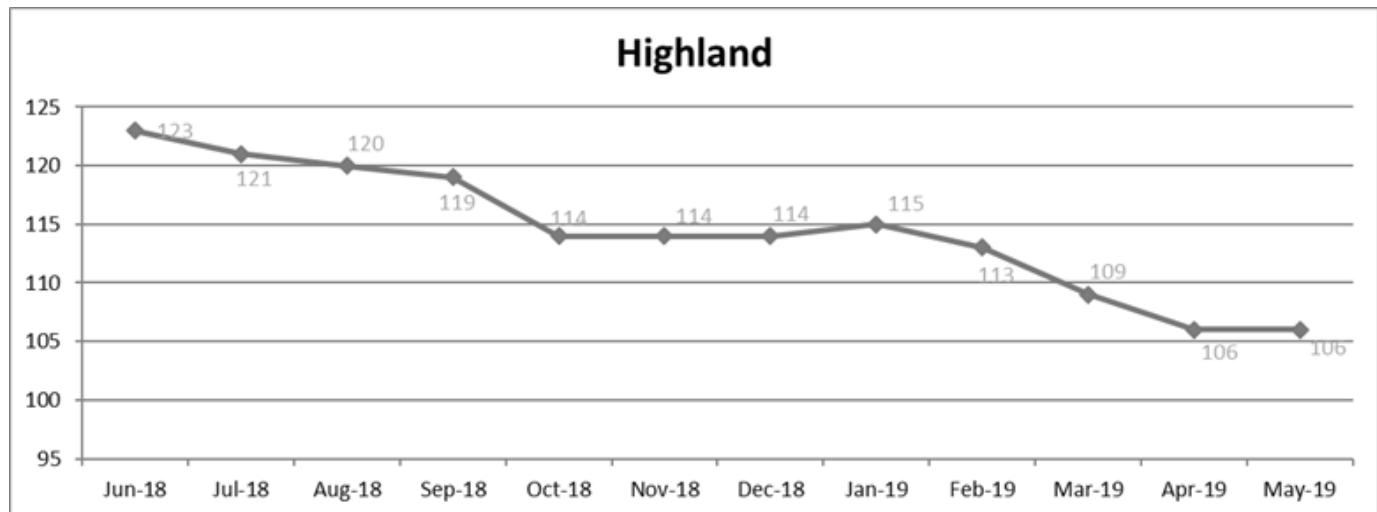
**Inline-Images:** image003.jpg; image005.png; image007.png

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

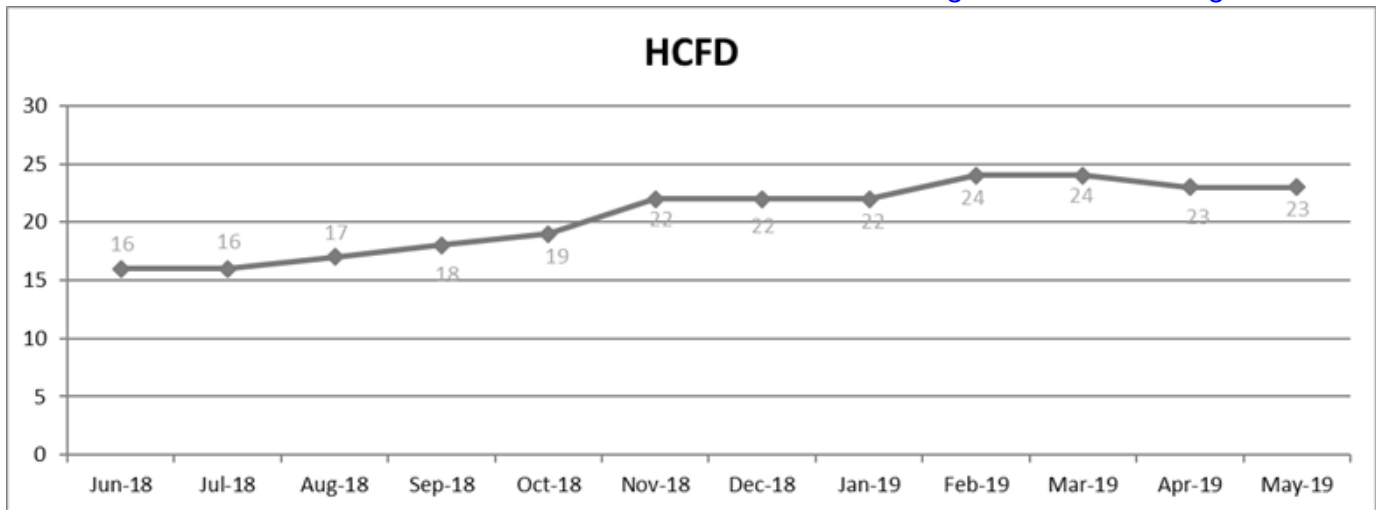
Changes during May are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



002003

ACL-081585



Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
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**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**



## **EXHIBIT 103**

002006

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <Ljocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>, Madeline Frizell <MFrizell@NexPointSecurities.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 1/32/0: 0:

**Date:** Mon, 2 Jun 0: 0: 25429410 +: : : :

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_: 1-32-0: 0: .xlsx

**Inline-Images:** image: : 1.jpg; image: : 2.png; image: : 3.png

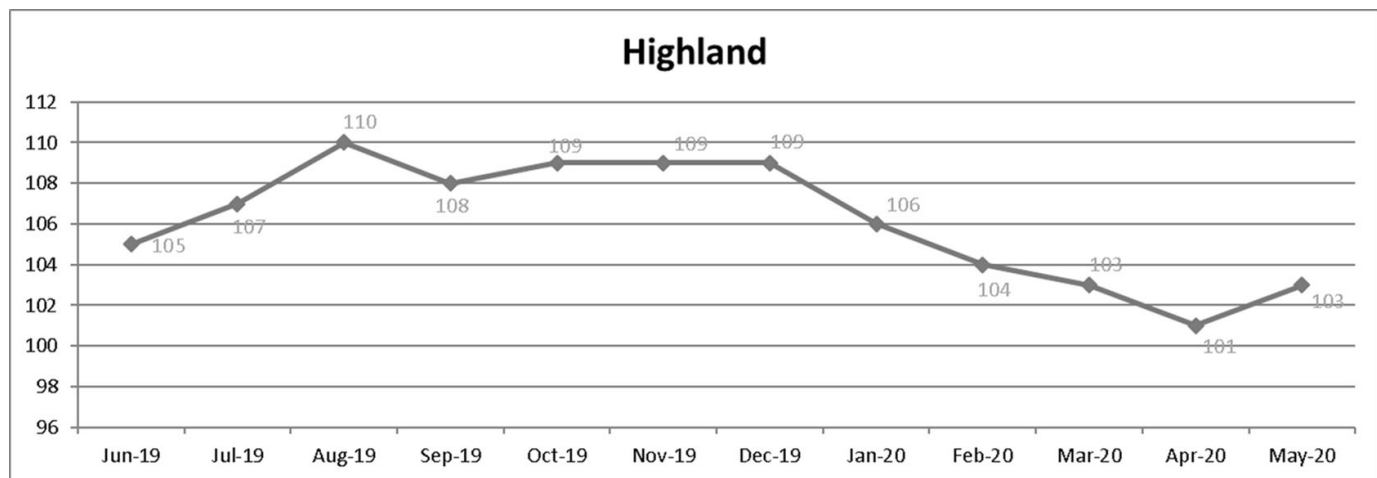
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during May are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

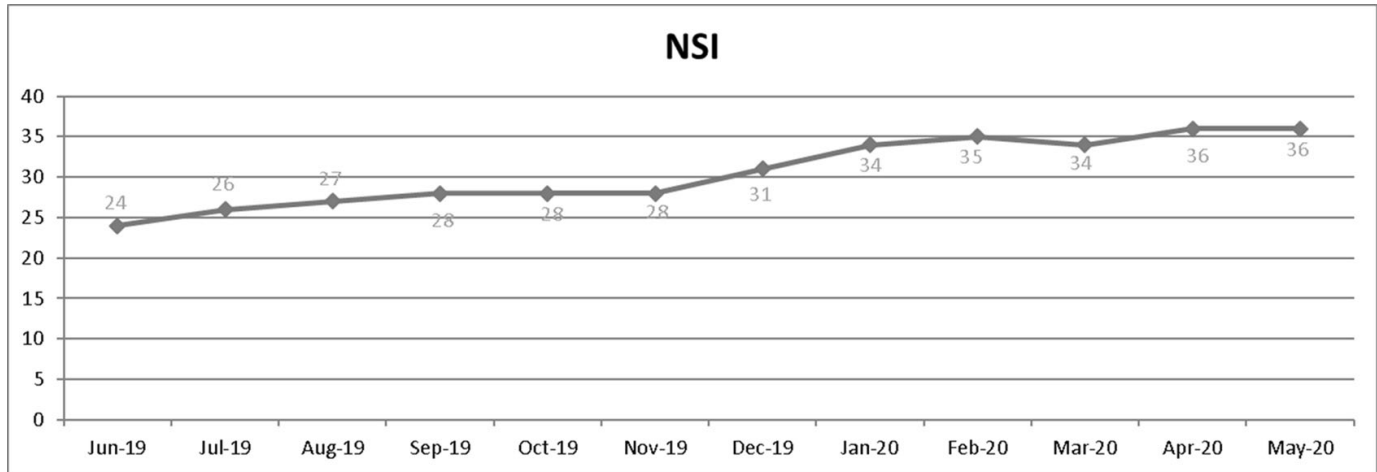
**Highland** new hires and terminations during the last 12 months (excludes Interns):



**NSI Wholesalers** new hires and terminations during the last 12 months:

002007

ACL-081588



Thank you,  
Kellie

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
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**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 104**

002010

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, Scott Wilson <SWilson@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Nikki Gill <NGill@HighlandCapital.com>, "Kristin Hendrix" <KHendrix@HighlandCapital.com>, Sean Fox <SFox@HighlandCapital.com>, Drew Wilson <DWilson@HighlandCapital.com>, Dustin Norris <DNorris@Highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Robert Hill <RHill@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 6/30/2018

**Date:** Sun, 1 Jul 2018 20:47:56 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_6-30-2018.xlsx

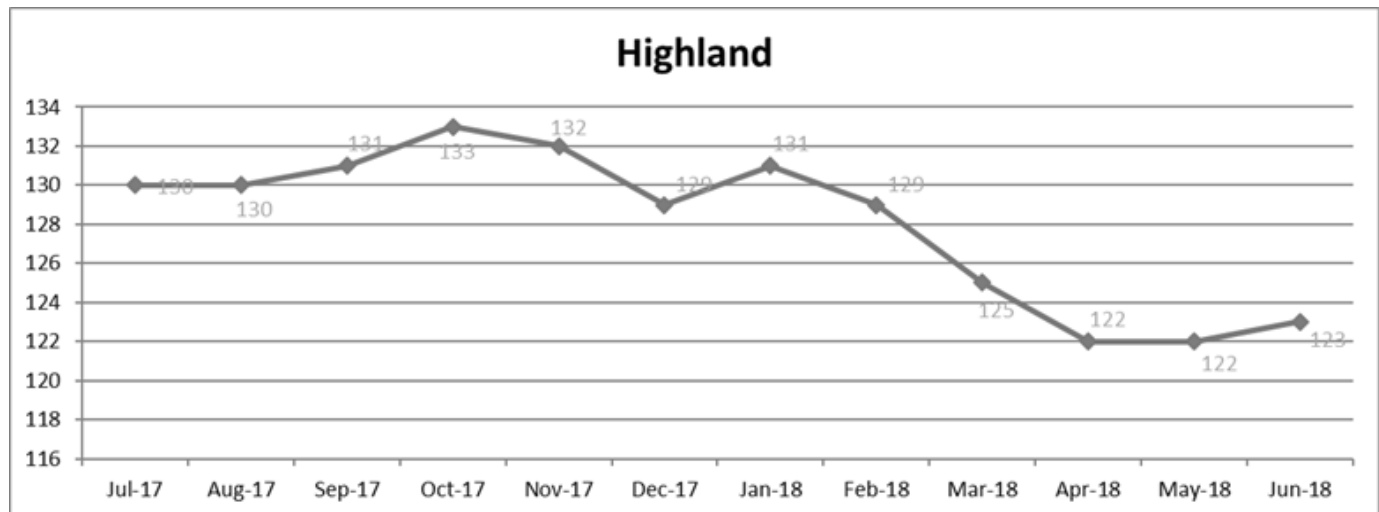
**Inline-Images:** image004.jpg; image003.png; image005.png

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

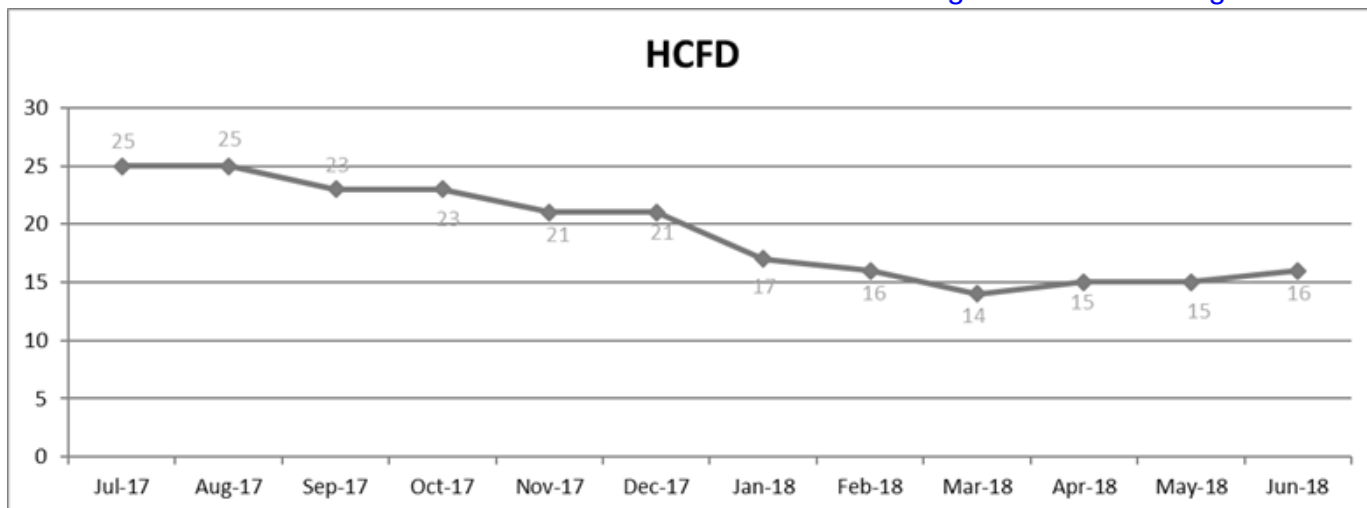
Changes during June are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



002011

ACL-081591



Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)



**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 105**

002014

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 6/30/2019

**Date:** Mon, 1 Jul 2019 19:40:47 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_06-30-2019.xlsx

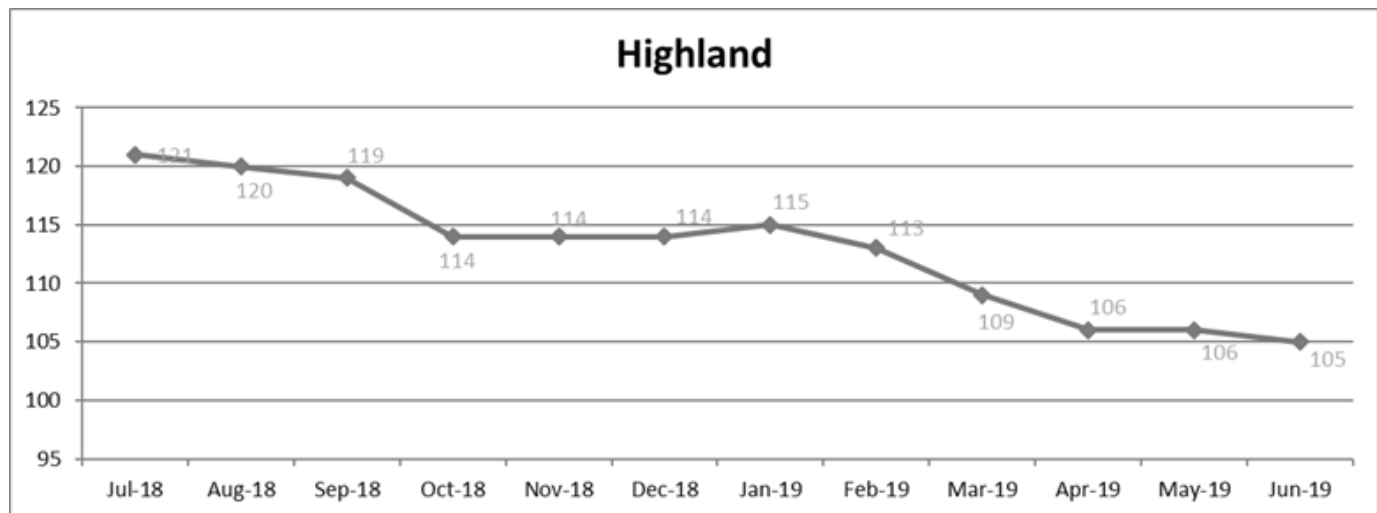
**Inline-Images:** image001.png; image002.png; image003.jpg

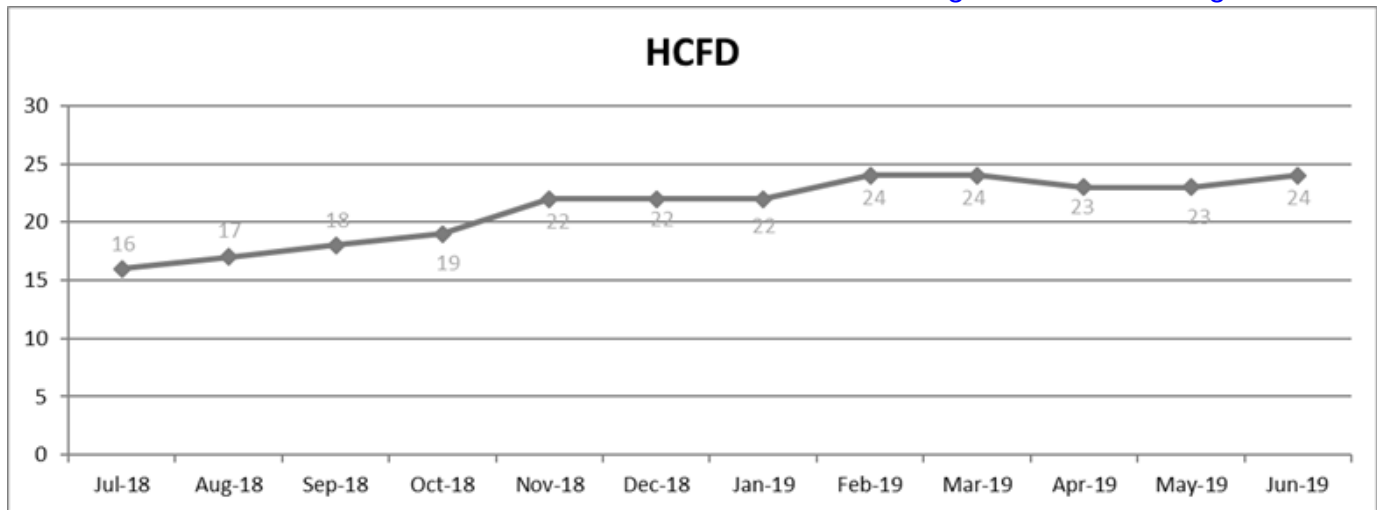
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during June are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.





Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

# **ATTACHMENT PROVIDED IN NATIVE FORMAT**

## **EXHIBIT 106**

002018

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <LJocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>, Madeline Frizell <MFrizell@NexPointSecurities.com>, Tess Trahern <TTrahern@NexPointSecurities.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 6/30/2020

**Date:** Tue, 30 Jun 2020 15:59:03 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_06-30-2020.xlsx

**Inline-Images:** image005.jpg; image006.png; image007.png

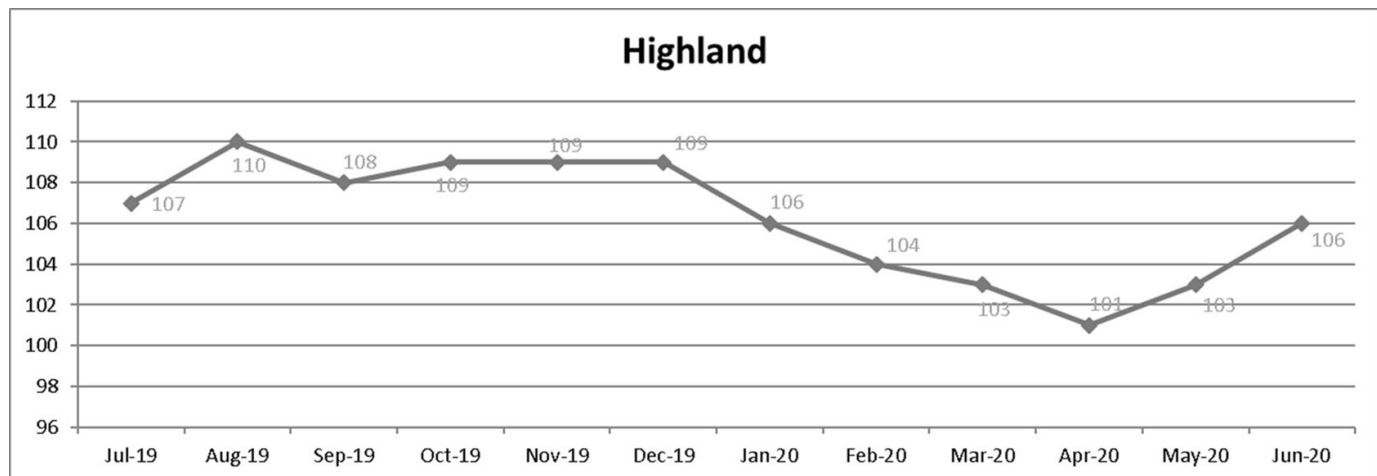
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during June are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

**Highland** new hires and terminations during the last 12 months (excludes Interns):

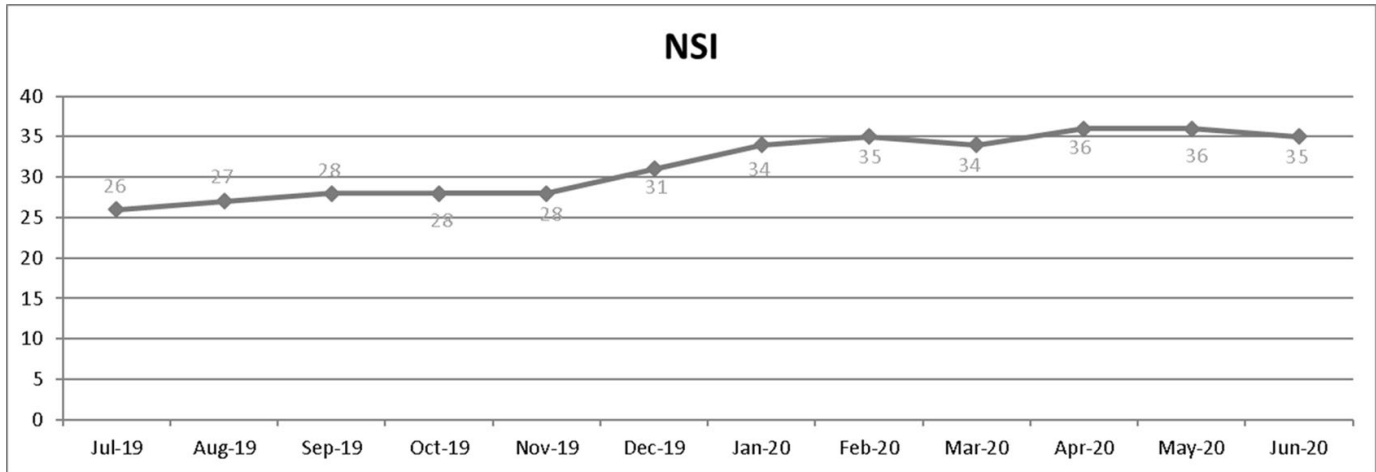


**NSI Wholesalers** new hires and terminations during the last 12 months:

002019

ACL-081597





Thank you,  
Kellie

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 107**

002022

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, Scott Wilson <SWilson@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Nikki Gill <NGill@HighlandCapital.com>, "Kristin Hendrix" <KHendrix@HighlandCapital.com>, Sean Fox <SFox@HighlandCapital.com>, Drew Wilson <DWilson@HighlandCapital.com>, Dustin Norris <DNorris@Highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Robert Hill <RHill@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 7/31/2018

**Date:** Tue, 31 Jul 2018 13:15:15 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_7-31-2018.xlsx

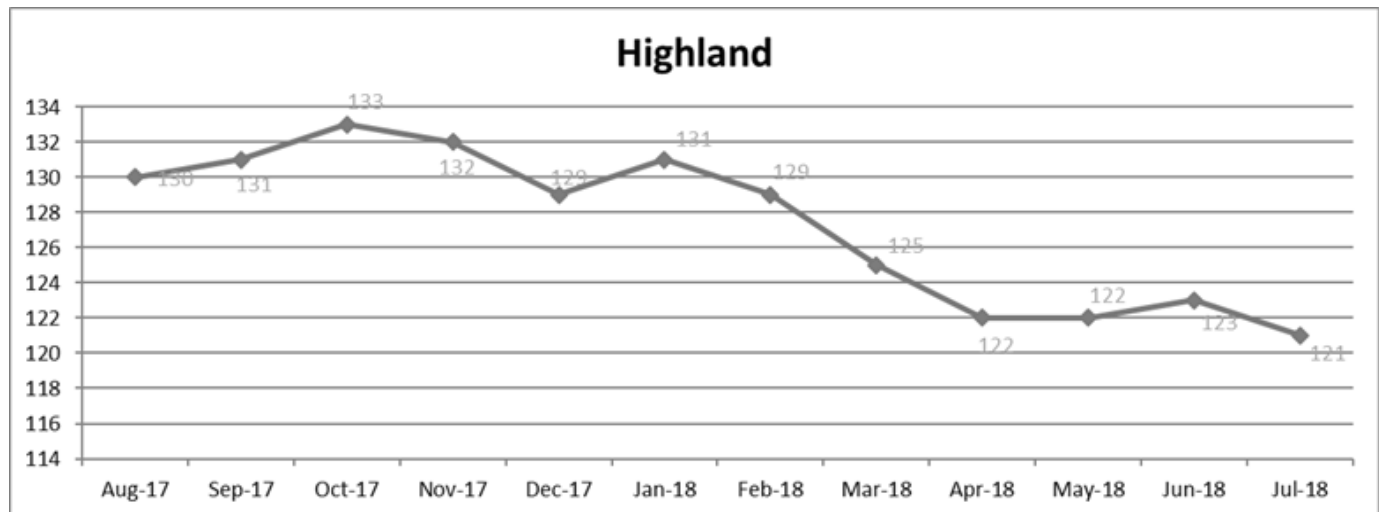
**Inline-Images:** image001.png; image002.png; image003.jpg

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

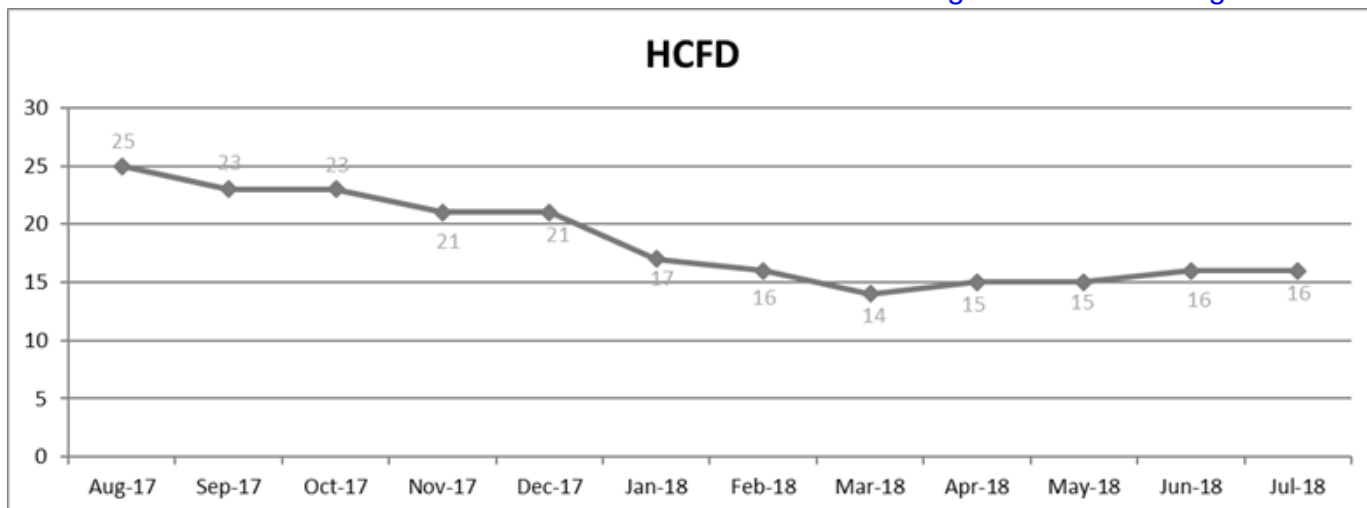
Changes during July are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



002023

ACL-081600



Thank you,

Kellie Stevens | HR Manager



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002024

ACL-081601

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 108**

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 7/31/2019

**Date:** Thu, 1 Aug 2019 13:38:04 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_07-31-2019.xlsx

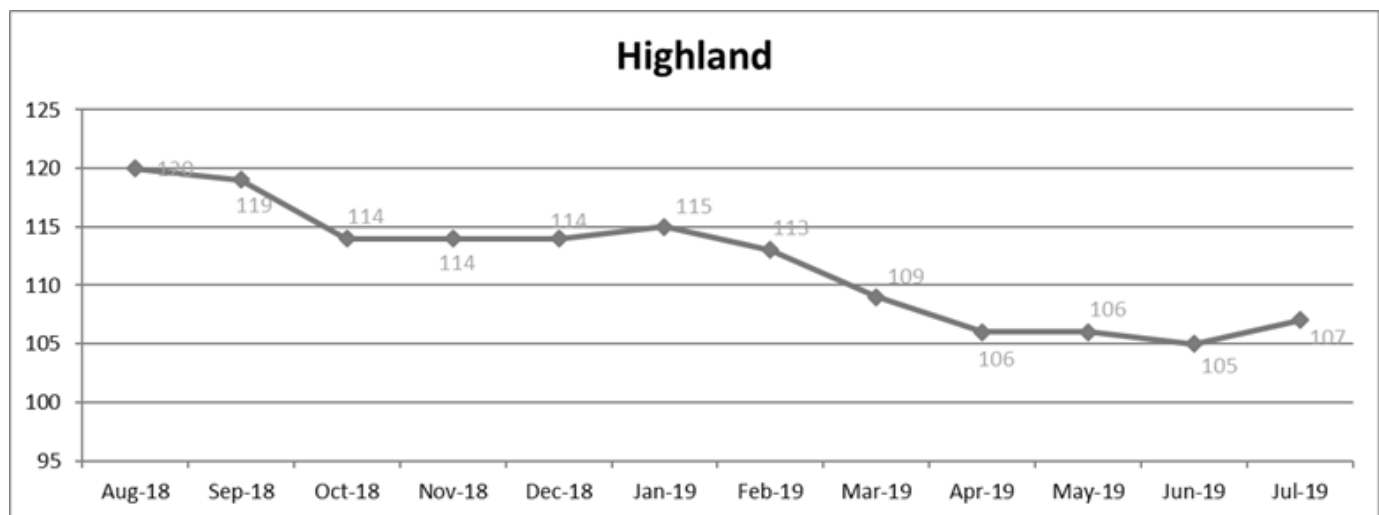
**Inline-Images:** image003.jpg; image001.png; image002.png

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during July are highlighted in yellow on the Detail tab of the spreadsheet.

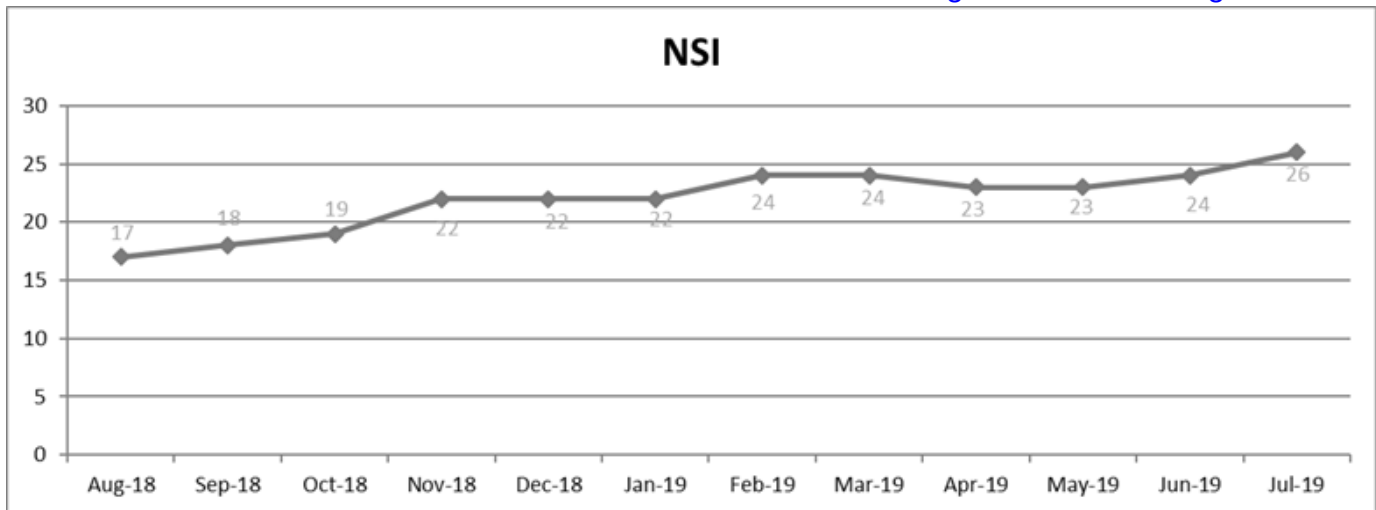
The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



002027

ACL-081603





Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
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002028

ACL-081604

# **ATTACHMENT PROVIDED IN NATIVE FORMAT**

## **EXHIBIT 109**

002030

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <LJocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>, Madeline Frizell <MFrizell@NexPointSecurities.com>, Tess Trahern <TTrahern@NexPointSecurities.com>, Angela Barbera <ABarbera@NexPointSecurities.com>, Eric Fritz <EFritz@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 7/31/2020

**Date:** Thu, 30 Jul 2020 22:09:33 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_07-31-2020\_Update.xlsx

**Inline-Images:** image005.jpg; image003.png; image007.png

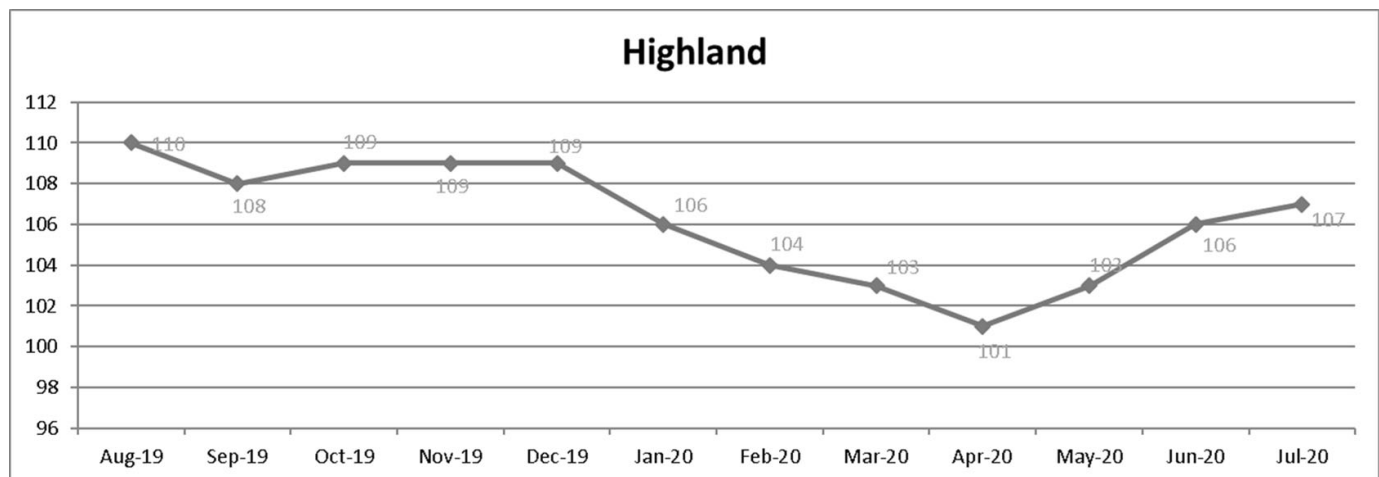
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during July are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

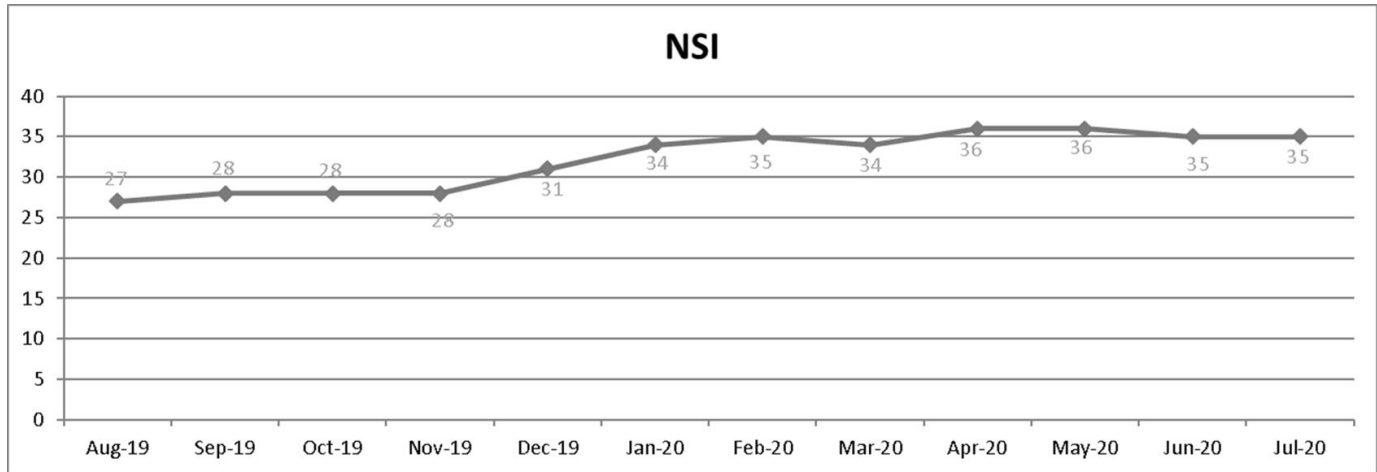
**Highland** new hires and terminations during the last 12 months (excludes Interns):



**NSI Wholesalers** new hires and terminations during the last 12 months:

002031

ACL-081606



Thank you,  
Kellie

Kellie Stevens | HR Manager



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**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

002033

## **EXHIBIT 110**

002034

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, Scott Wilson <SWilson@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Drew Wilson <DWilson@HighlandCapital.com>, Dustin Norris <DNorris@Highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 8/31/2018

**Date:** Tue, 4 Sep 2018 14:40:11 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_8-31-2018.xlsx

**Inline-Images:** image003.jpg; image001.png; image002.png

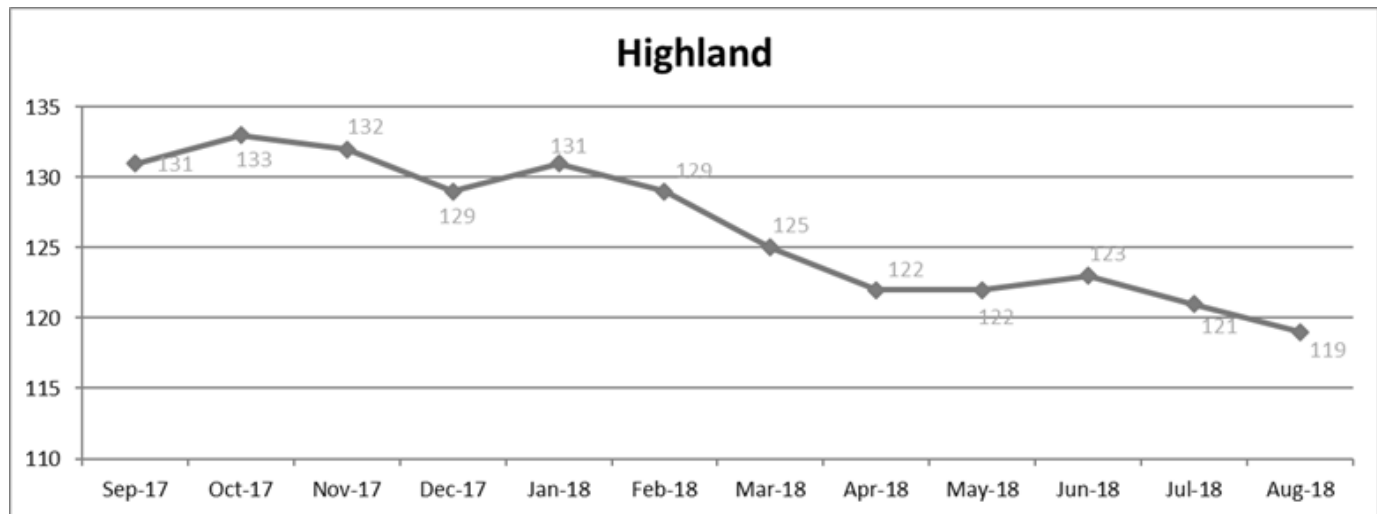
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All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during August are highlighted in yellow on the Detail tab of the spreadsheet.

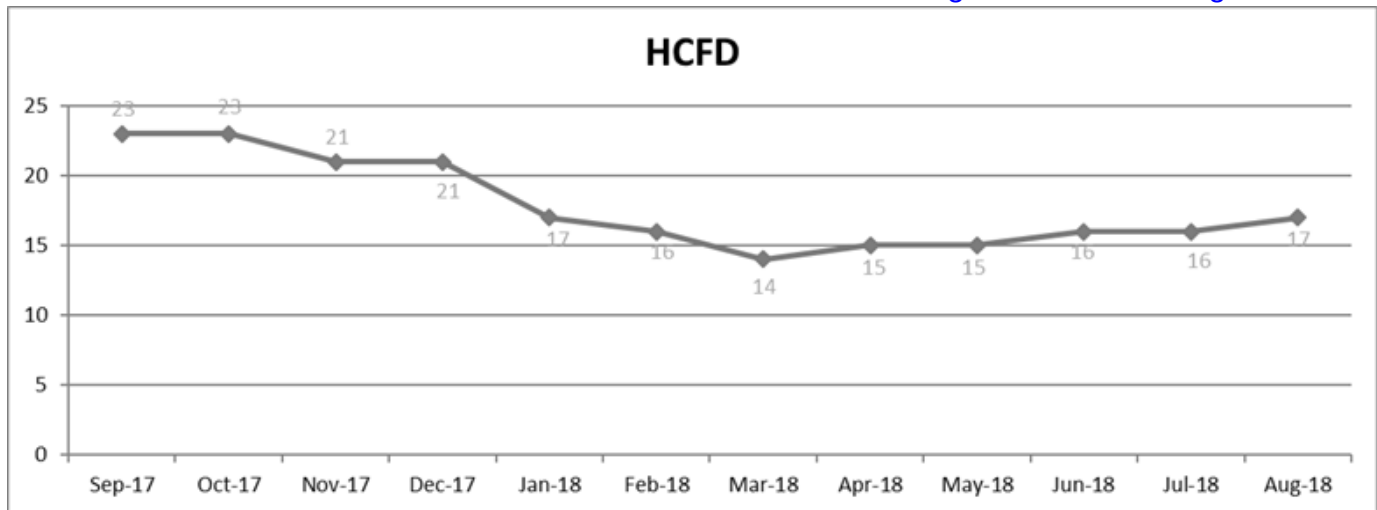
The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



002035

ACL-081609





Thank you,

Kellie Stevens | HR Manager



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O: 972.419.4472 | F: 972.628.4137  
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# **ATTACHMENT PROVIDED IN NATIVE FORMAT**

## **EXHIBIT 111**

002038

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <Ljocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 8/31/2019

**Date:** Tue, 3 Sep 2019 15:03:21 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_08-31-2019.xlsx

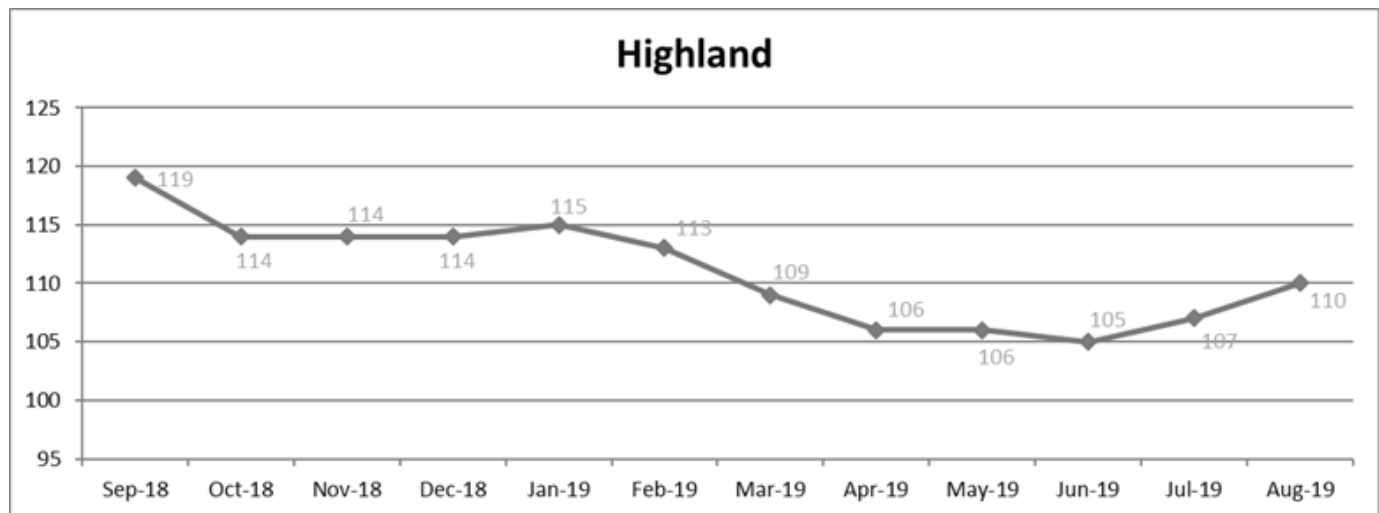
**Inline-Images:** image003.jpg; image001.png; image002.png

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

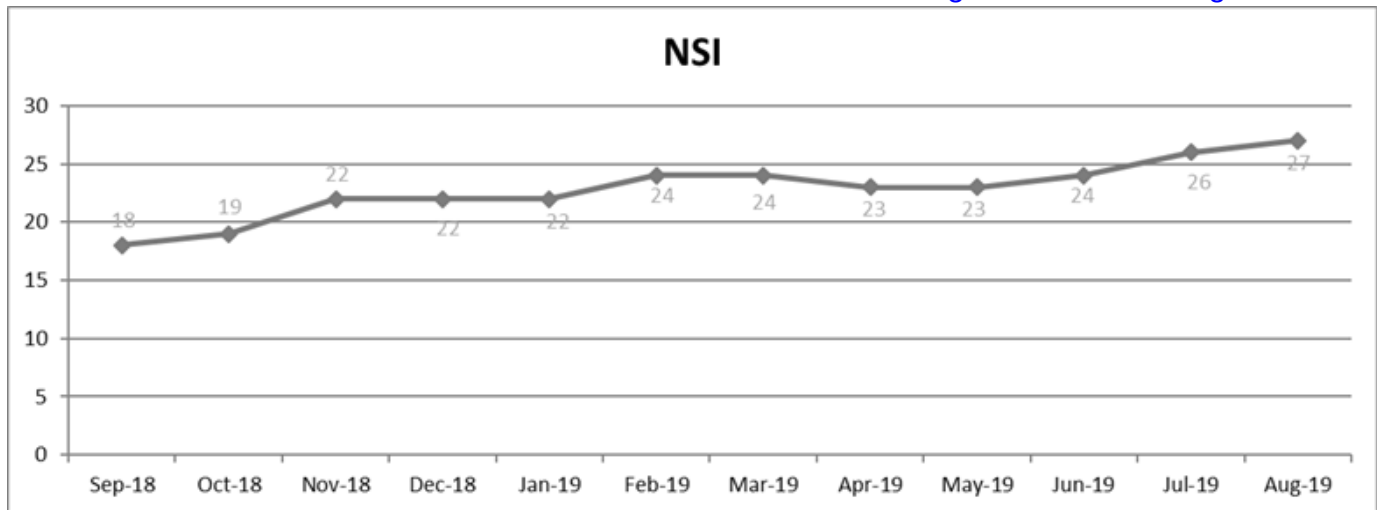
Changes during August are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



002039

ACL-081612



Thank you,

Kellie Stevens | HR Manager



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002040

ACL-081613

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 112**

002042

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <Ljocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>, Madeline Frizell <MFrizell@NexPointSecurities.com>, Tess Trahern <TTrahern@NexPointSecurities.com>, Angela Barbera <ABarbera@NexPointSecurities.com>, Eric Fritz <EFritz@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 8/31/2020

**Date:** Tue, 1 Sep 2020 15:42:41 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_08-31-2020.xlsx

**Inline-Images:** image005.jpg; image001.png; image002.png

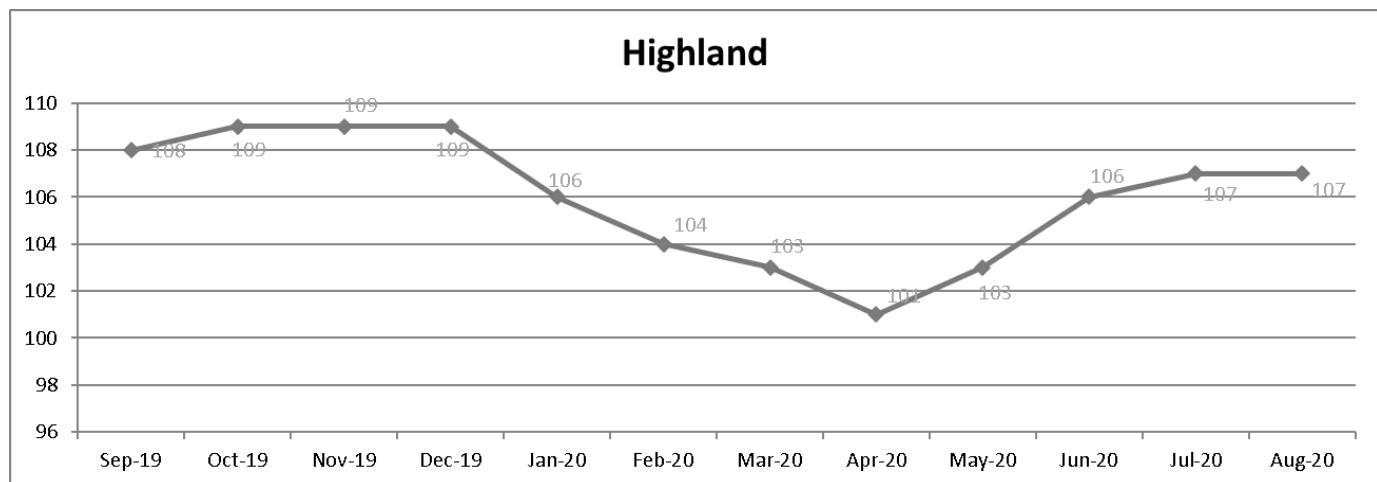
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during August are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

**Highland** new hires and terminations during the last 12 months (excludes Interns):

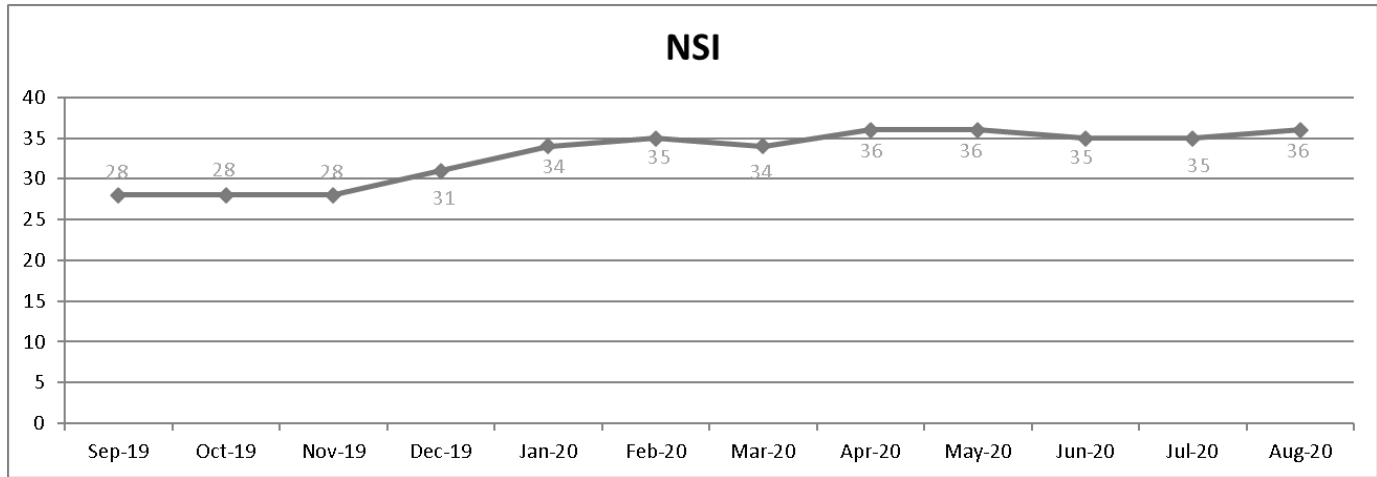


**NSI Wholesalers** new hires and terminations during the last 12 months:

002043

ACL-081615





Thank you,  
Kellie

Kellie Stevens | HR Manager



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O: 972.419.4472 | F: 972.628.4137  
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**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 113**

002046

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@Highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, "Kari Kovelan" <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 9/30/2018

**Date:** Tue, 2 Oct 2018 16:08:32 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_9-30-2018.xlsx

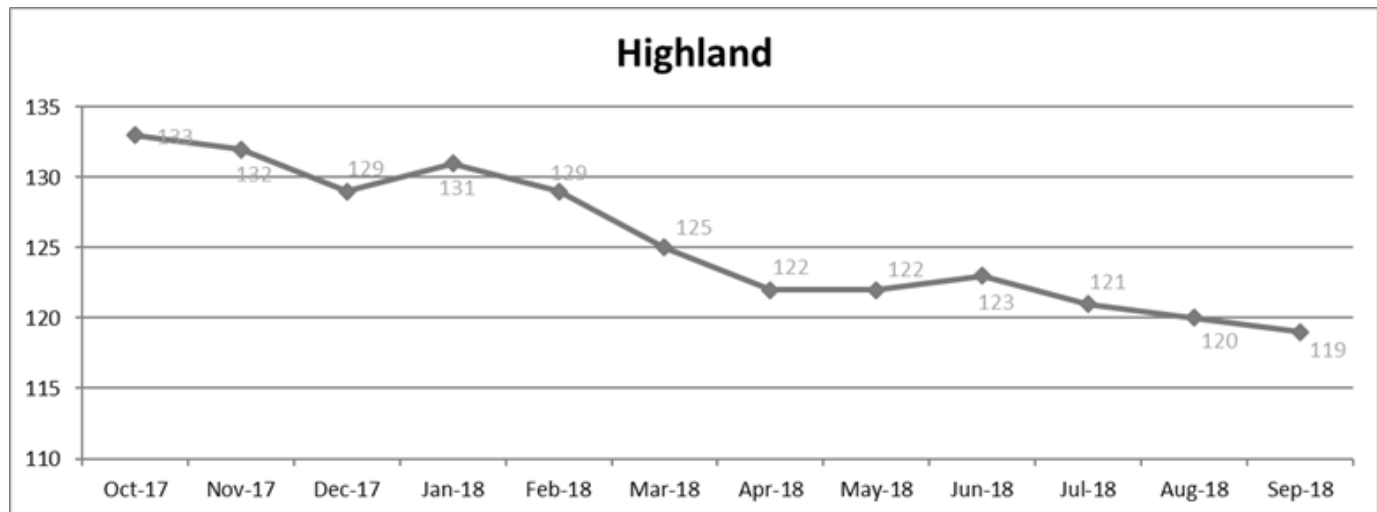
**Inline-Images:** image002.png; image003.jpg; image004.png

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

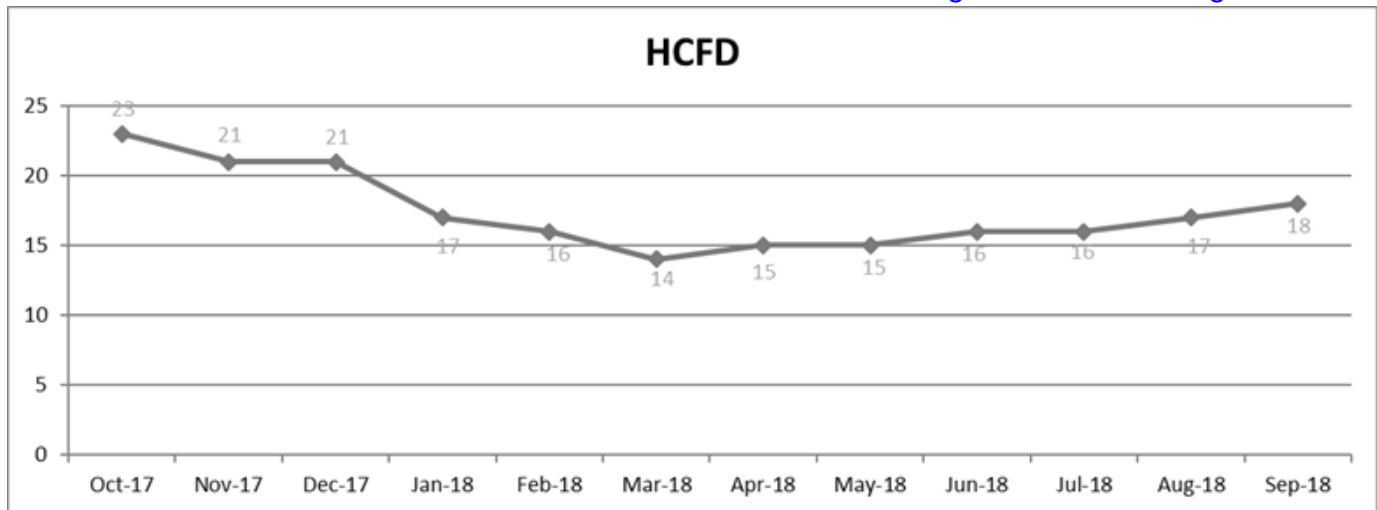
Changes during September are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



002047

ACL-081618



Thank you,

Kellie Stevens | HR Manager



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002048

ACL-081619

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 114**

002050

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <Ljocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 9/30/2019

**Date:** Tue, 1 Oct 2019 21:04:17 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_09-30-2019.xlsx

**Inline-Images:** image006.png; image007.jpg; image001.png

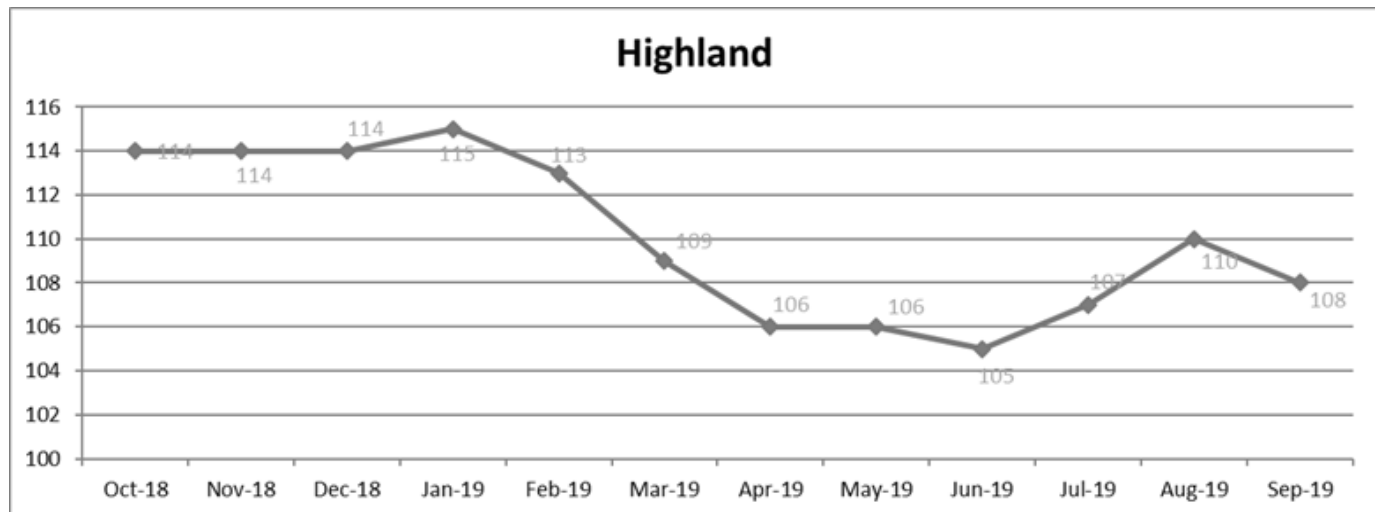
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during September are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

**Highland** new hires and terminations during the last 12 months (excludes Interns):

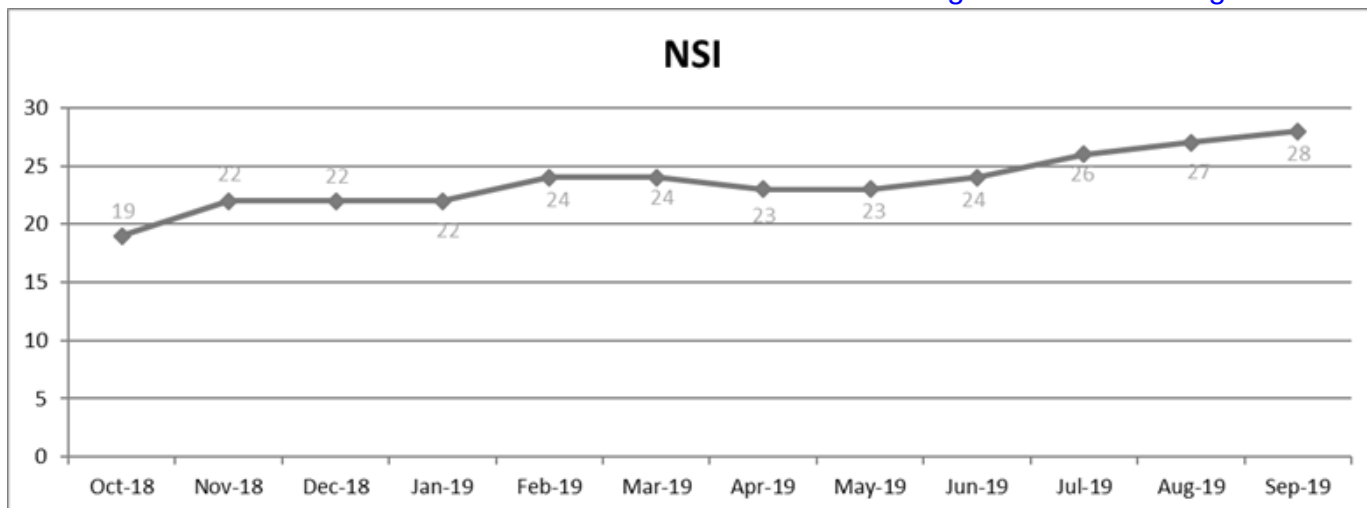


**NSI Wholesalers** new hires and terminations during the last 12 months:

002051

ACL-081621





Thank you,

Kellie Stevens | HR Manager



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 O: 972.419.4472 | F: 972.628.4137  
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# **ATTACHMENT PROVIDED IN NATIVE FORMAT**

## **EXHIBIT 115**

002054

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@NexpointAdvisors.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <LJocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>, Madeline Frizell <MFrizell@NexPointSecurities.com>, Tess Trahern <TTrahern@NexPointSecurities.com>, Angela Barbera <ABarbera@NexPointSecurities.com>, Eric Fritz <EFritz@NexpointAdvisors.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 9/30/2020

**Date:** Wed, 30 Sep 2020 18:30:11 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_09-30-2020.xlsx

**Inline-Images:** image007.jpg; image004.png; image006.png

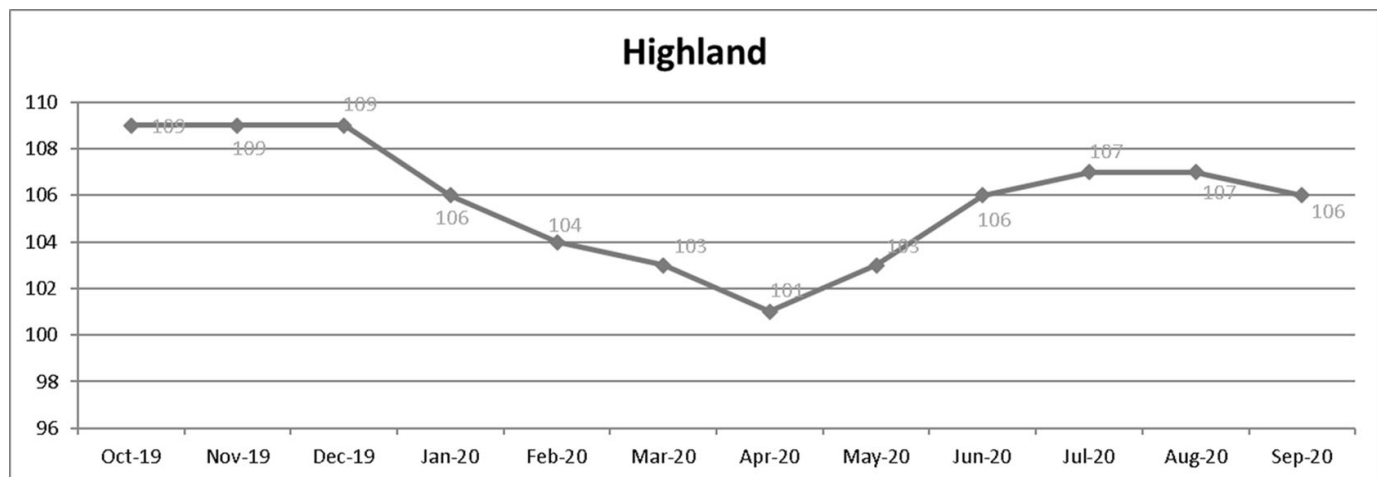
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during September are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

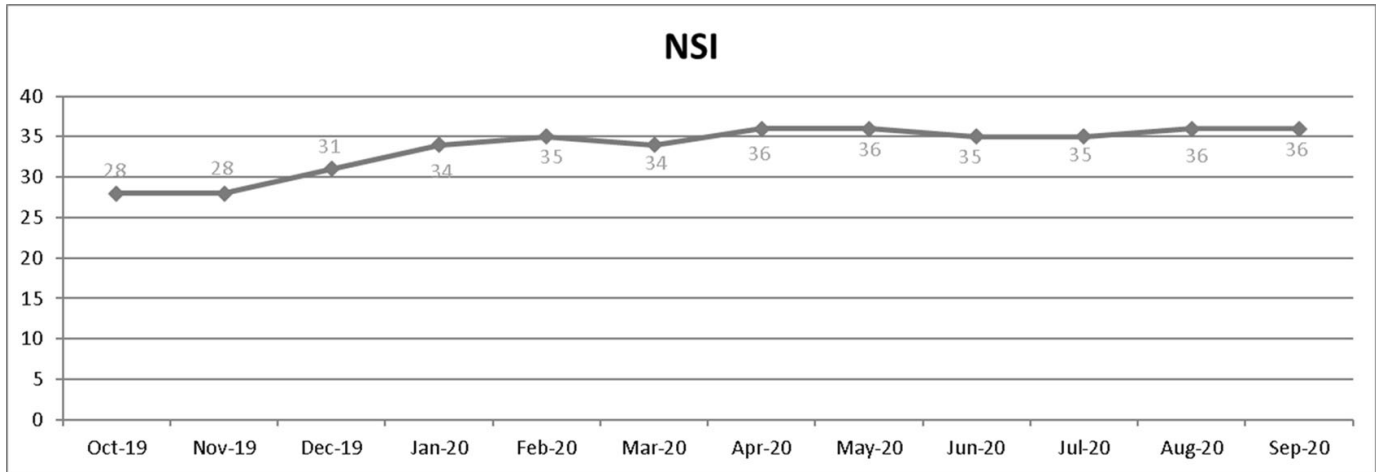
**Highland** new hires and terminations during the last 12 months (excludes Interns):



**NSI Wholesalers** new hires and terminations during the last 12 months:

002055

ACL-081624



Thank you,  
Kellie

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
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**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 116**

002058

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, Scott Wilson <SWilson@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Nikki Gill <NGill@HighlandCapital.com>, "Kristin Hendrix" <KHendrix@HighlandCapital.com>, Sean Fox <SFox@HighlandCapital.com>, Drew Wilson <DWilson@HighlandCapital.com>, Justin O'Brien <JOBrien@highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Philip Aaron <PAaron@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 10/31/2017

**Date:** Tue, 31 Oct 2017 22:18:48 +0000

**Importance:** Normal

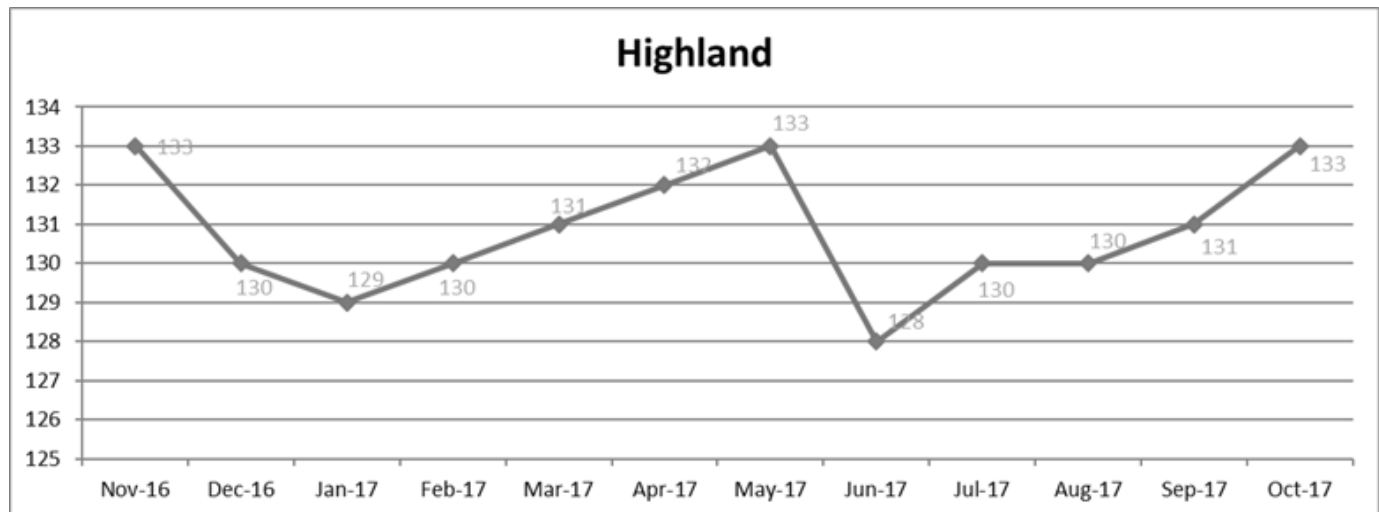
**Attachments:** Effective\_Headcount\_Report\_10-31-2017.xlsx

**Inline-Images:** image003.jpg; image005.png; image007.png

All,

Please see the attached Headcount Report and let me know if you have any questions or comments. Changes during October are highlighted in yellow on the Detail tab of the spreadsheet.

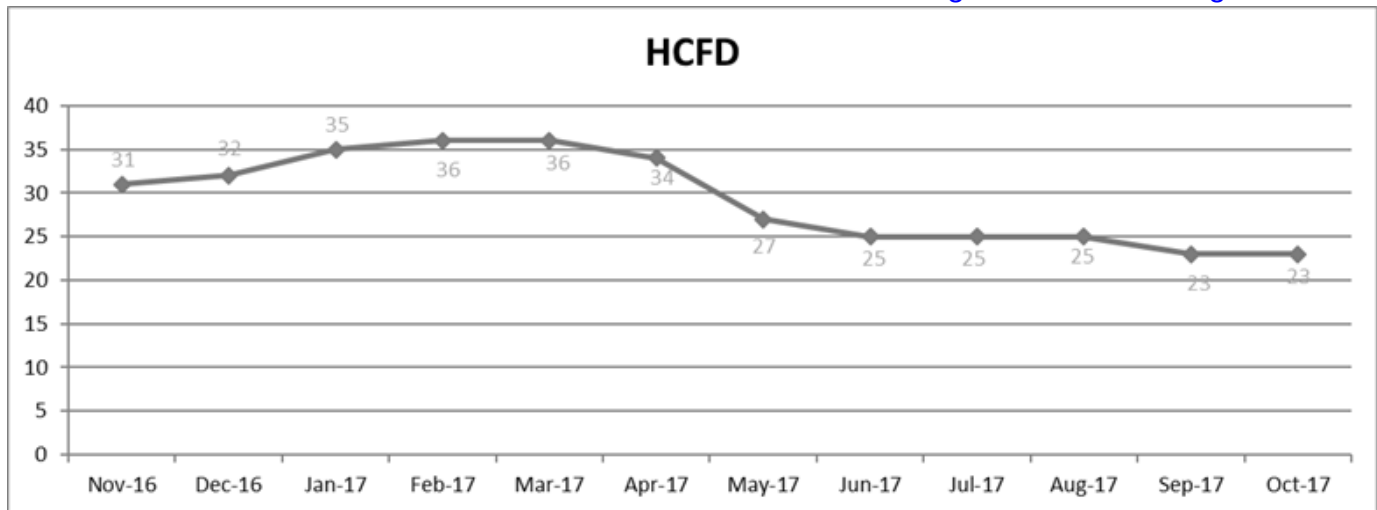
The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



002059

ACL-081507





Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

002060

ACL-081508

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

002061

## **EXHIBIT 117**

002062

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@Highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, "Kari Kovelan" <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 10/31/2018

**Date:** Wed, 31 Oct 2018 21:12:02 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_10-31-2018.xlsx

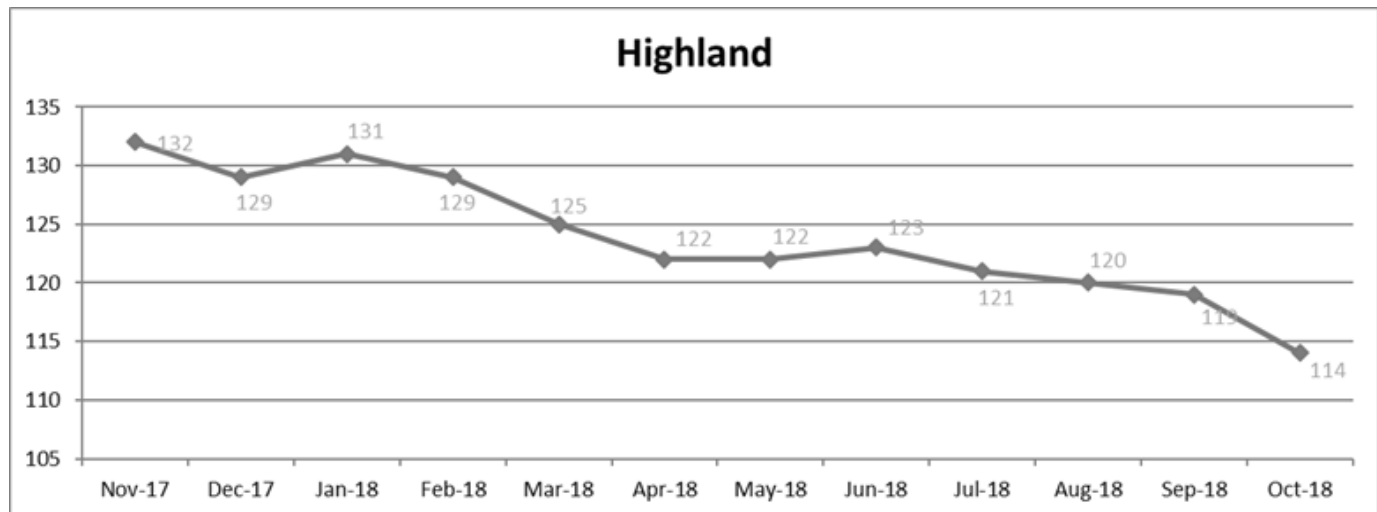
**Inline-Images:** image001.png; image002.png; image003.jpg

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

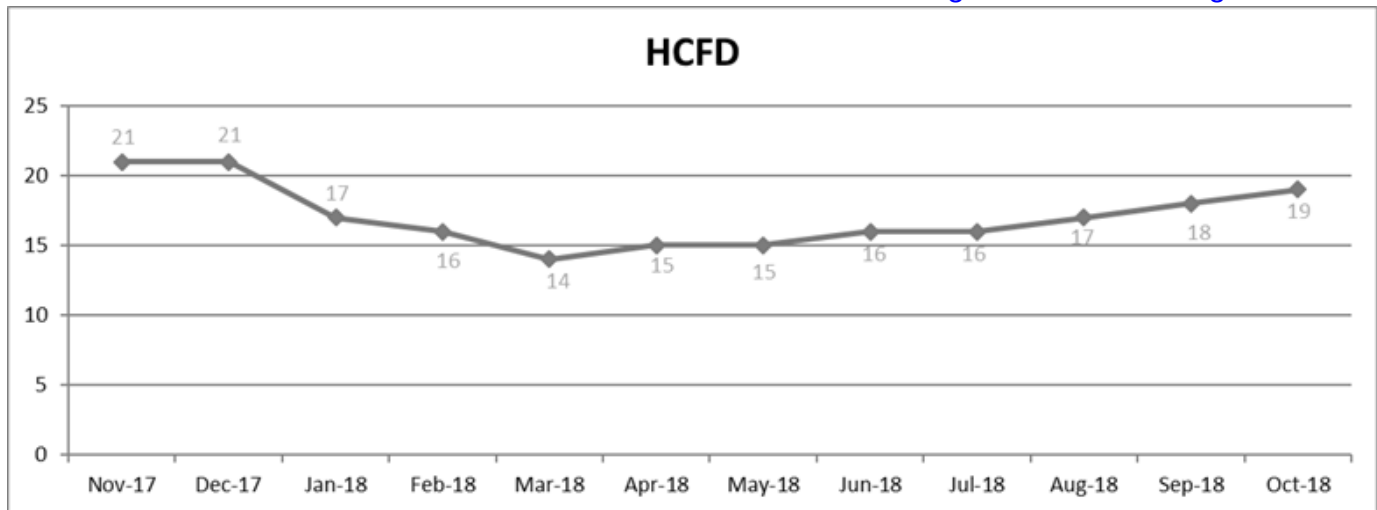
Changes during October are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



002063

ACL-081510



Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
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**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 118**

002066

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <Ljocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>, Madeline Frizell <MFrizell@NexPointSecurities.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 10/31/2019

**Date:** Fri, 1 Nov 2019 13:32:28 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_10-31-2019.xlsx

**Inline-Images:** image001.png; image002.png; image003.jpg

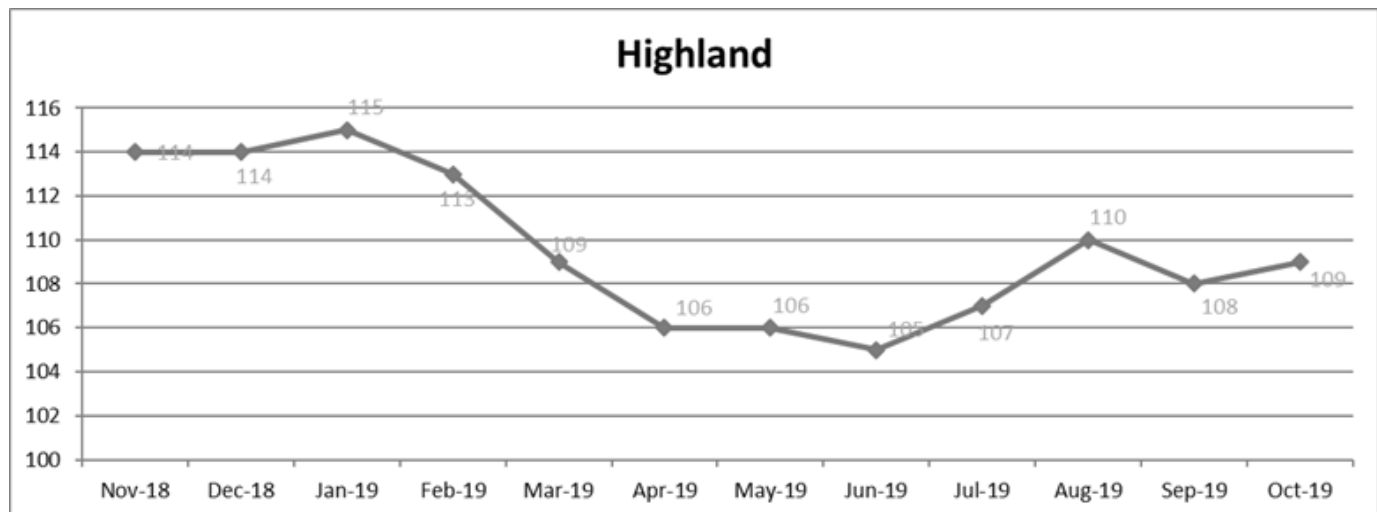
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during October are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

**Highland** new hires and terminations during the last 12 months (excludes Interns):

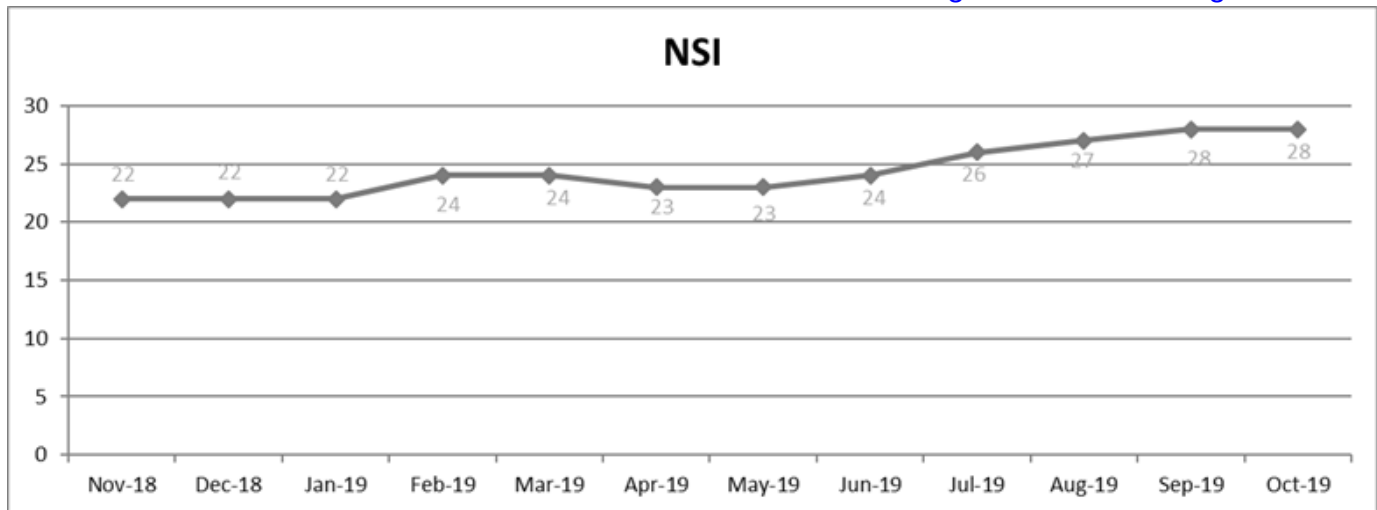


**NSI Wholesalers** new hires and terminations during the last 12 months:

002067

ACL-081513





Thank you,

Kellie Stevens | HR Manager



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O: 972.419.4472 | F: 972.628.4137  
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002068

ACL-081514

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 119**

002070

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@NexpointAdvisors.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <LJocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>, Madeline Frizell <MFrizell@NexPointSecurities.com>, Tess Trahern <TTrahern@NexPointSecurities.com>, Angela Barbera <ABarbera@NexPointSecurities.com>, Eric Fritz <EFritz@NexpointAdvisors.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 10/31/2020

**Date:** Mon, 2 Nov 2020 16:32:27 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_10-31-2020.xlsx

**Inline-Images:** image005.jpg; image003.png; image004.png

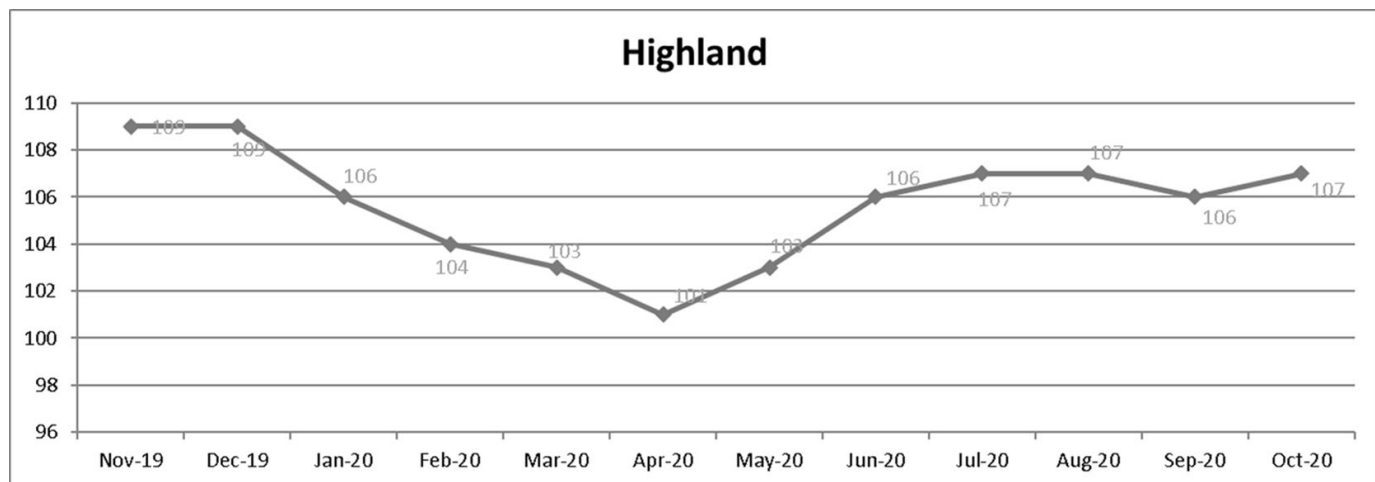
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

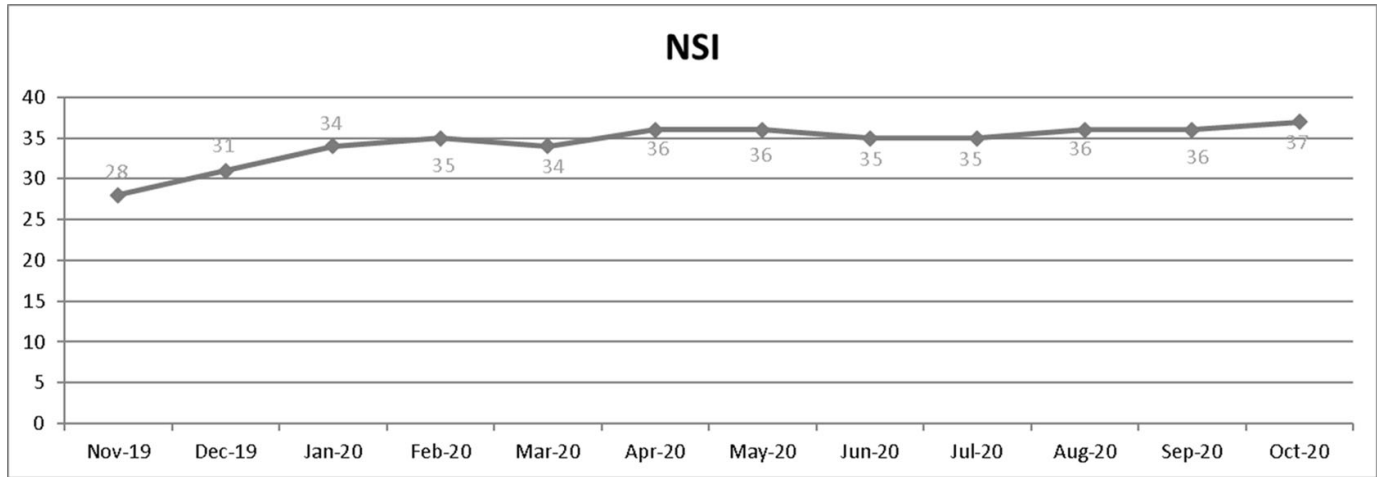
Changes during October are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

**Highland** new hires and terminations during the last 12 months (excludes Interns):



**NSI Wholesalers** new hires and terminations during the last 12 months:



Thank you,  
Kellie

Kellie Stevens | HR Manager



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O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

002073

## **EXHIBIT 120**

002074

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, Scott Wilson <SWilson@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Nikki Gill <NGill@HighlandCapital.com>, "Kristin Hendrix" <KHendrix@HighlandCapital.com>, Sean Fox <SFox@HighlandCapital.com>, Drew Wilson <DWilson@HighlandCapital.com>, Dustin Norris <DNorris@Highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Philip Aaron <PAaron@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 11/30/2017

**Date:** Fri, 1 Dec 2017 20:57:31 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_11-30-2017.xlsx

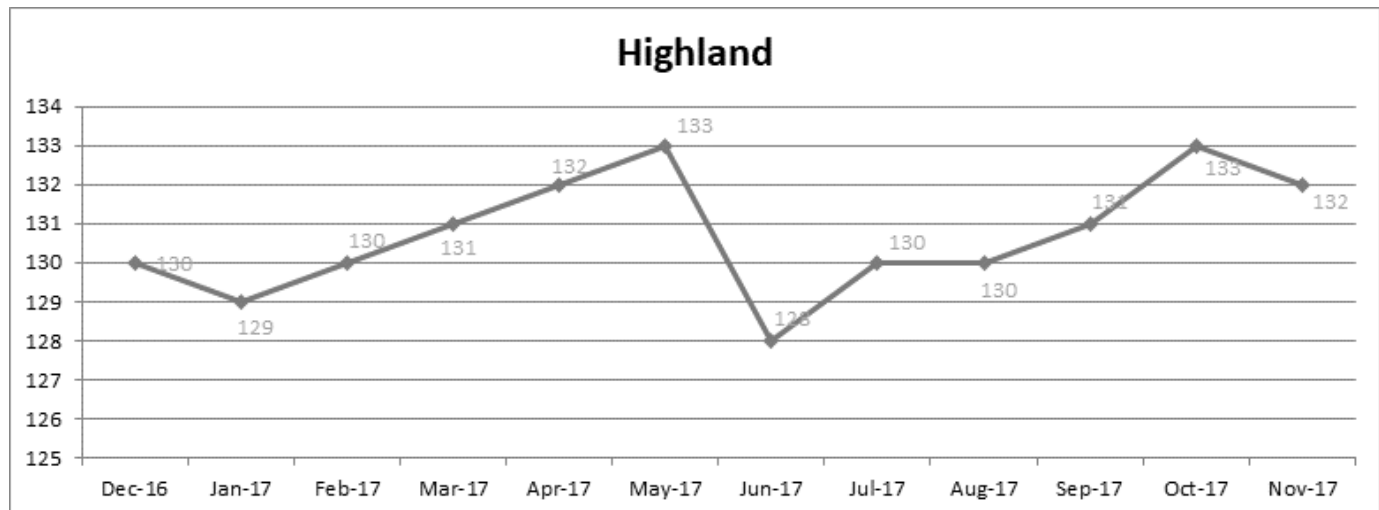
**Inline-Images:** image001.png; image002.png; image003.jpg

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during November are highlighted in yellow on the Detail tab of the spreadsheet.

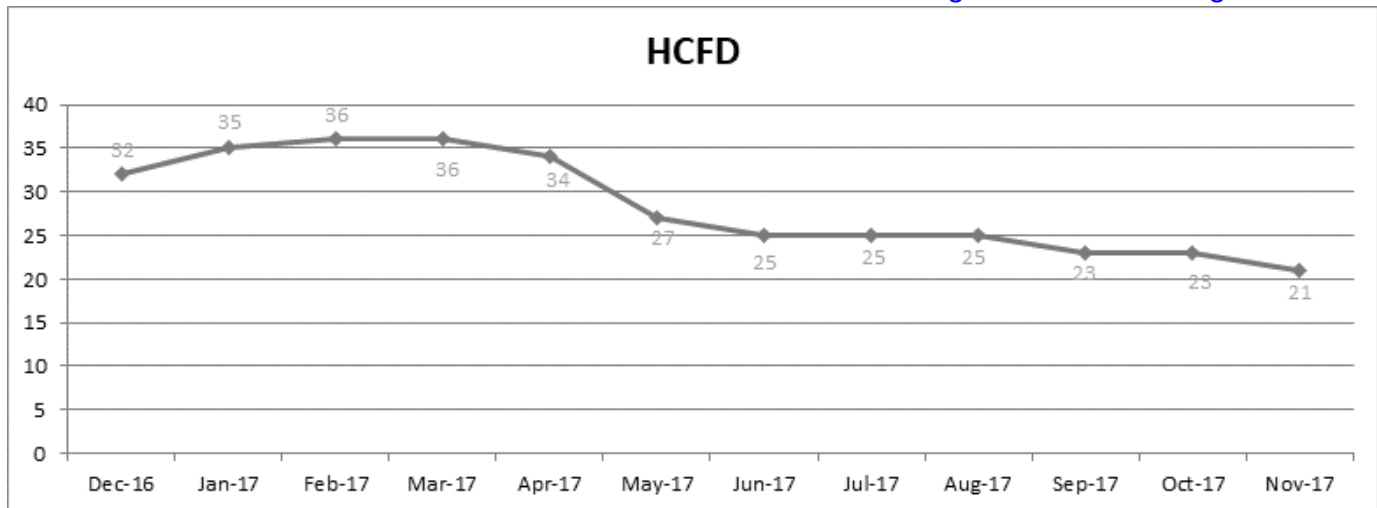
The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



002075

ACL-081519





Thank you,

Kellie Stevens | HR Manager



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[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 121**

002078

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <LJocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>, Madeline Frizell <MFrizell@NexPointSecurities.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 11/30/2019

**Date:** Mon, 2 Dec 2019 17:25:47 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_11-30-2019.xlsx

**Inline-Images:** image001.png; image002.png; image003.jpg

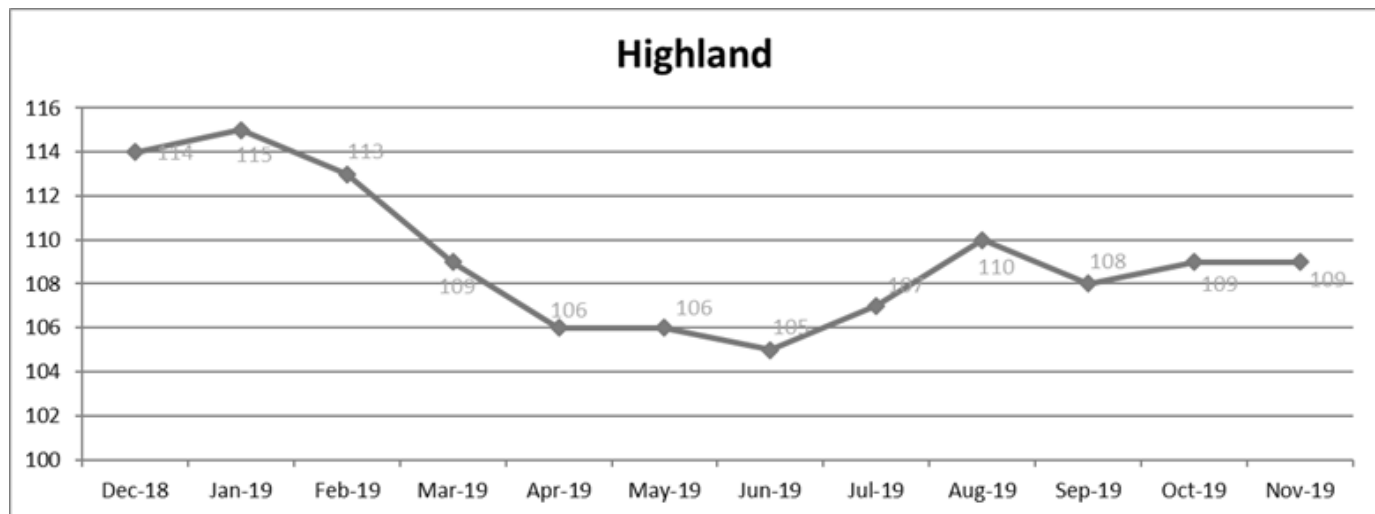
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during November are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

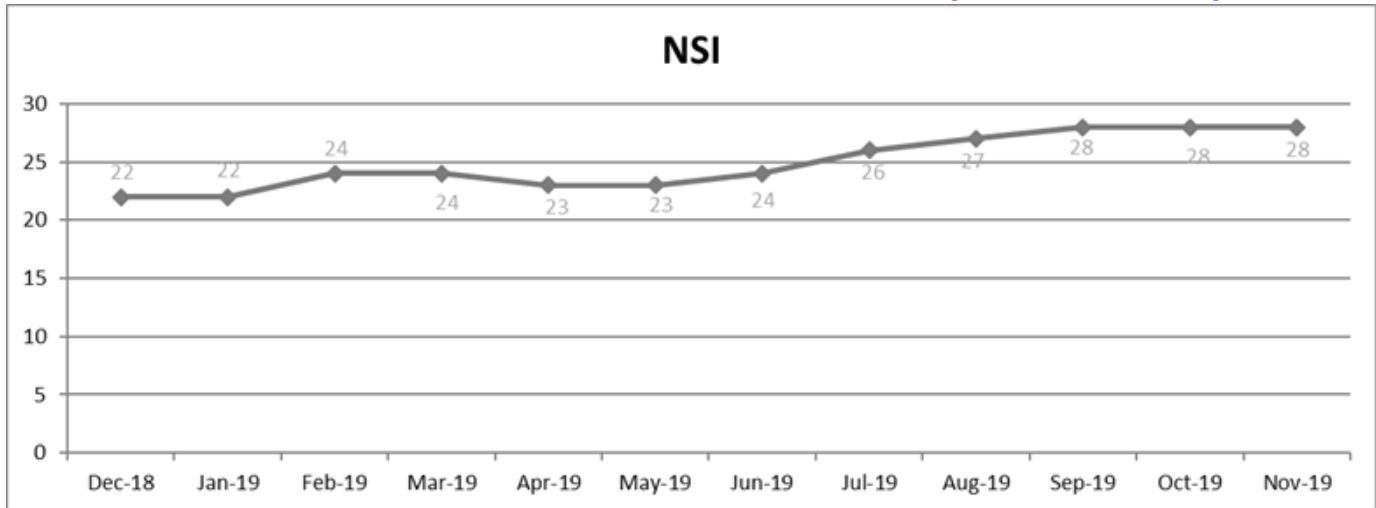
**Highland** new hires and terminations during the last 12 months (excludes Interns):



**NSI Wholesalers** new hires and terminations during the last 12 months:

002079

ACL-081522



Thank you,

Kellie Stevens | HR Manager



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002080

ACL-081523

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 122**

002082

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@NexpointAdvisors.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <LJocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>, Madeline Frizell <MFrizell@NexPointSecurities.com>, Tess Trahern <TTrahern@NexPointSecurities.com>, Angela Barbera <ABarbera@NexPointSecurities.com>, Eric Fritz <EFritz@NexpointAdvisors.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 11/30/2020

**Date:** Tue, 1 Dec 2020 14:55:59 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_11-30-2020.xlsx

**Inline-Images:** image005.jpg; image002.png; image004.png

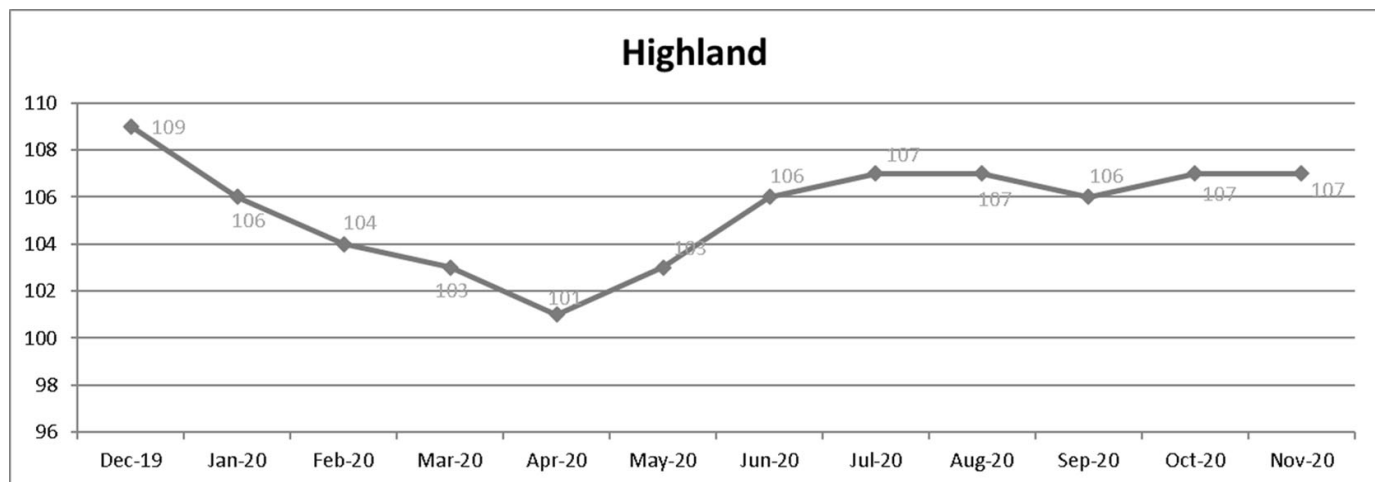
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during November are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

**Highland** new hires and terminations during the last 12 months (excludes Interns):

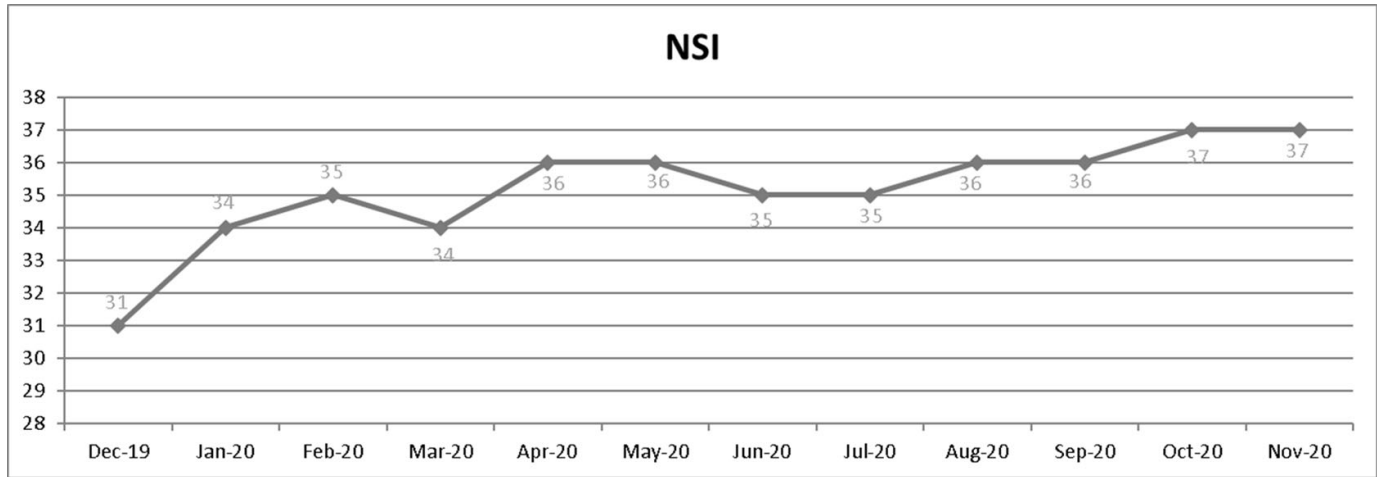


**NSI Wholesalers** new hires and terminations during the last 12 months:

002083

ACL-081525





Thank you,  
Kellie

Kellie Stevens | HR Manager



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O: 972.419.4472 | F: 972.628.4137  
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**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 123**

002086

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, Scott Wilson <SWilson@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Nikki Gill <NGill@HighlandCapital.com>, "Kristin Hendrix" <KHendrix@HighlandCapital.com>, Sean Fox <SFox@HighlandCapital.com>, Drew Wilson <DWilson@HighlandCapital.com>, Dustin Norris <DNorris@Highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Philip Aaron <PAaron@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 12/31/2017

**Date:** Thu, 4 Jan 2018 01:25:19 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_12-31-2017.xlsx

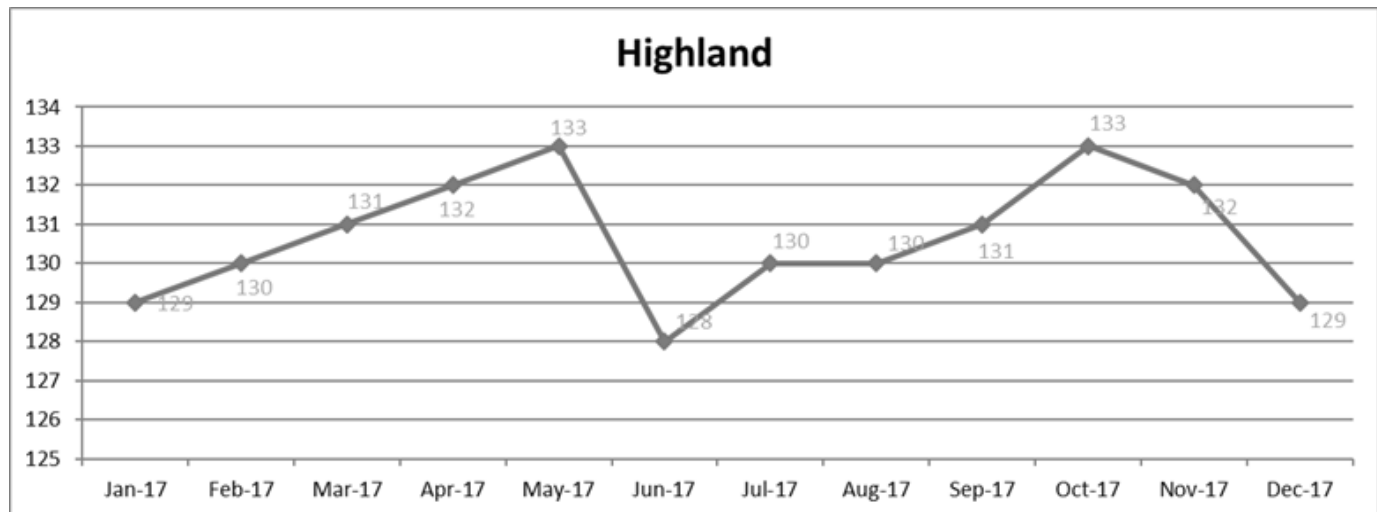
**Inline-Images:** image001.png; image002.png; image003.jpg

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

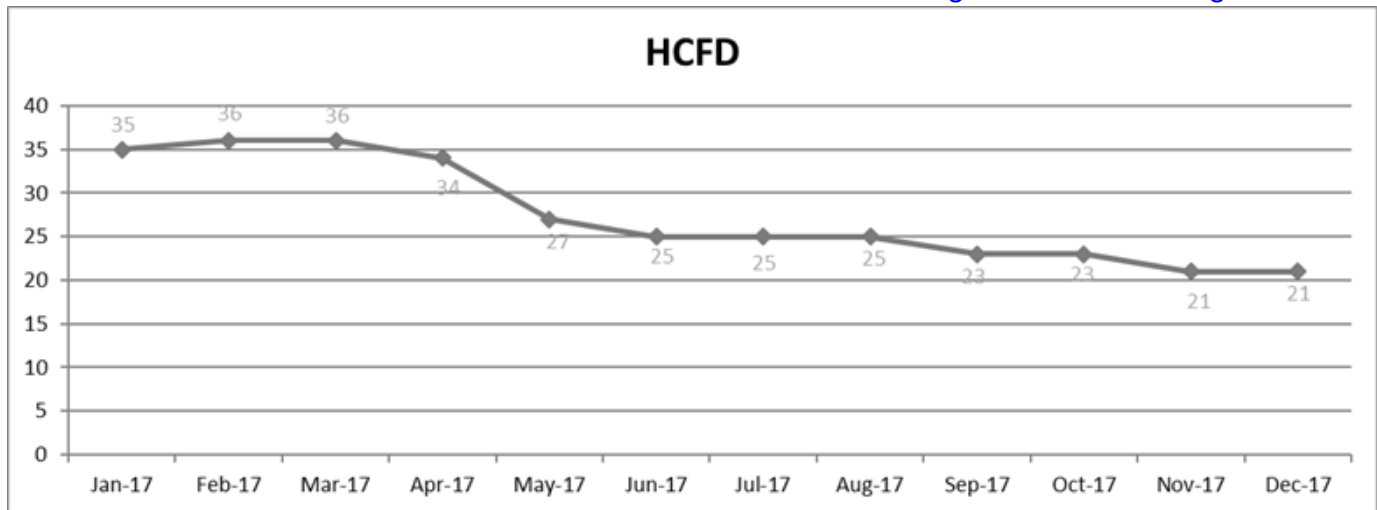
Changes during December are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



002087

ACL-081528



Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

002088

ACL-081529

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 124**

002090

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, Scott Wilson <SWilson@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Nikki Gill <NGill@HighlandCapital.com>, "Kristin Hendrix" <KHendrix@HighlandCapital.com>, Sean Fox <SFox@HighlandCapital.com>, Drew Wilson <DWilson@HighlandCapital.com>, Dustin Norris <DNorris@Highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Philip Aaron <PAaron@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** RE: Effective Headcount Report 12/31/2017

**Date:** Thu, 4 Jan 2018 15:23:15 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_12-31-2017.xlsx

**Inline-Images:** image001.png; image002.png; image003.jpg

---

Please use this report in place of the one I sent previously – a few updates have been made. No change to the headcount graphs.

---

**From:** Kellie Stevens

**Sent:** Wednesday, January 3, 2018 7:25 PM

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>; Thomas Surgent <TSurgent@HighlandCapital.com>; Andrew Parmentier <AParmentier@HighlandCapital.com>; Jason Post <JPost@HighlandCapital.com>; Scott Wilson <SWilson@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>; Nikki Gill <NGill@HighlandCapital.com>; Kristin Hendrix <KHendrix@HighlandCapital.com>; Sean Fox <SFox@HighlandCapital.com>; Drew Wilson <DWilson@HighlandCapital.com>; Dustin Norris <DNorris@Highlandfunds.com>; Lauren Thedford <LThedford@HighlandCapital.com>; Stephanie Vitiello <SVitiello@HighlandCapital.com>; Eric Holt <EHolt@HighlandCapital.com>; Jackie Graham <JGraham@HighlandCapital.com>; Laura Jocoy <LJocoy@Highlandfunds.com>; Lucy Bannon <LBannon@HighlandCapital.com>; Kari Kovelan <KKovelan@HighlandCapital.com>; Philip Aaron <PAaron@HighlandCapital.com>; Cyrus Eftekhari <CEftekhari@HighlandCapital.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 12/31/2017

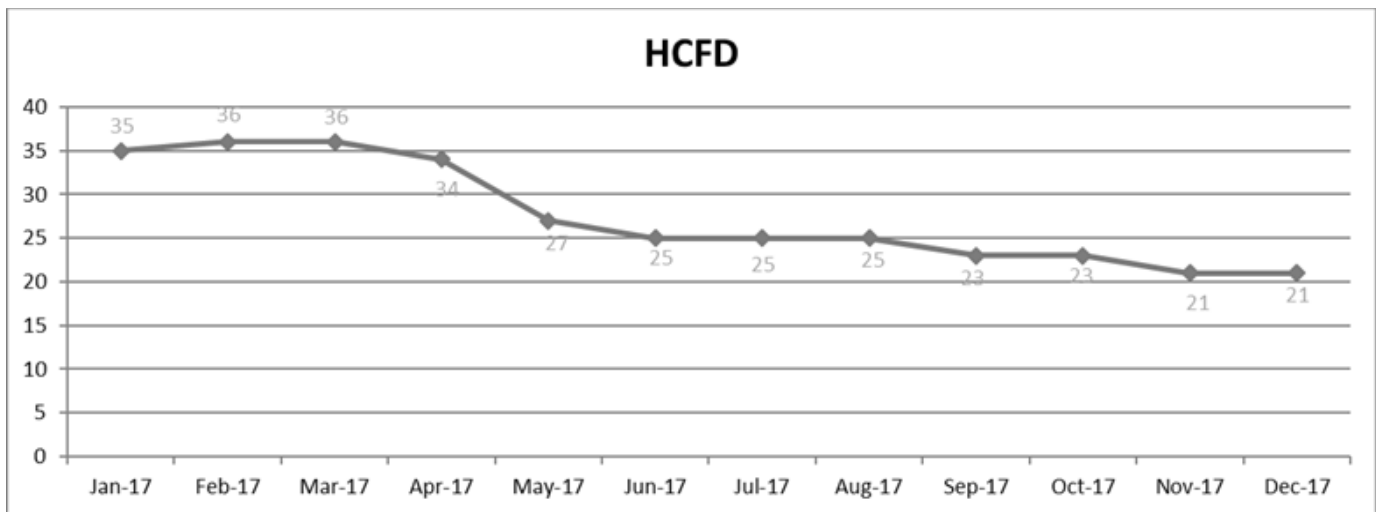
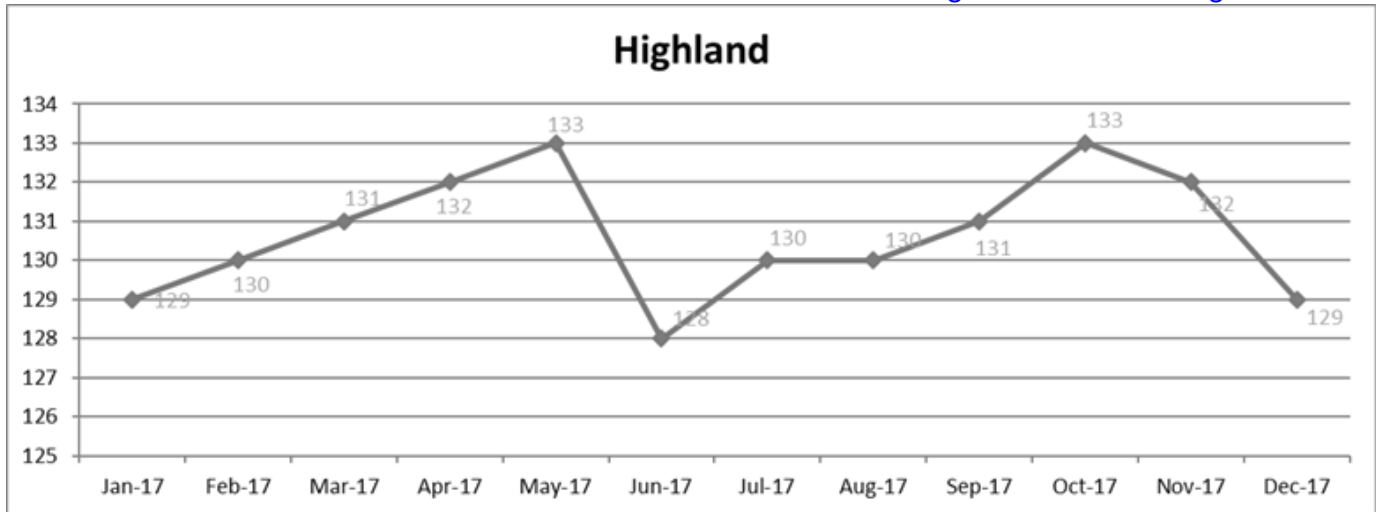
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

Changes during December are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.





Thank you,

Kellie Stevens | HR Manager



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[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 125**

002094

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Andrew Parmentier <AParmentier@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@Highlandfunds.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@HighlandCapital.com>, Laura Jocoy <LJocoy@Highlandfunds.com>, Lucy Bannon <LBannon@HighlandCapital.com>, "Kari Kovelan" <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <KFullmer@Highlandfunds.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 12/31/2018

**Date:** Wed, 2 Jan 2019 16:29:15 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_12-31-2018.xlsx

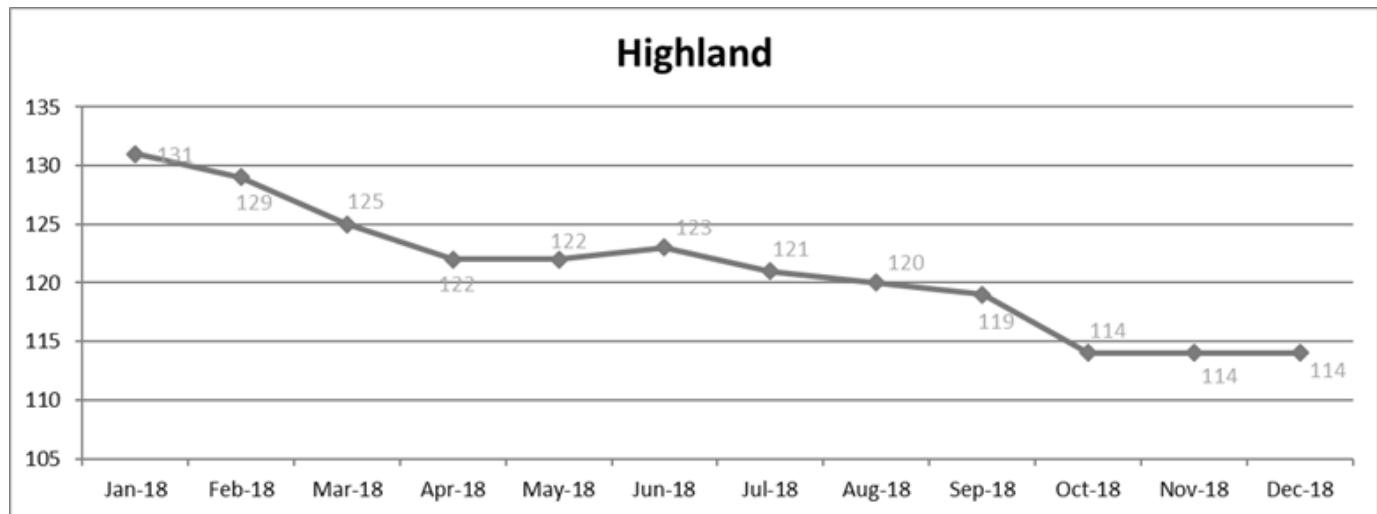
**Inline-Images:** image001.png; image002.png; image003.jpg

All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

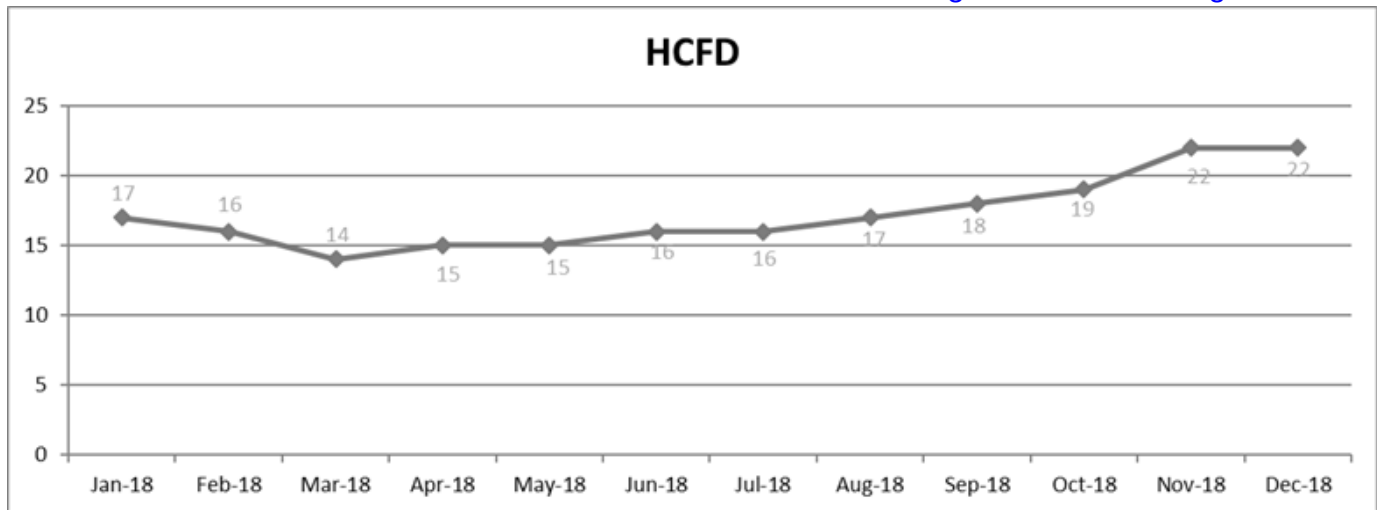
Changes during December are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.



002095

ACL-081534



Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

002096

ACL-081535

# **ATTACHMENT PROVIDED IN NATIVE FORMAT**

## **EXHIBIT 126**

002098

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <LJocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>, Madeline Frizell <MFrizell@NexPointSecurities.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 12/31/2019

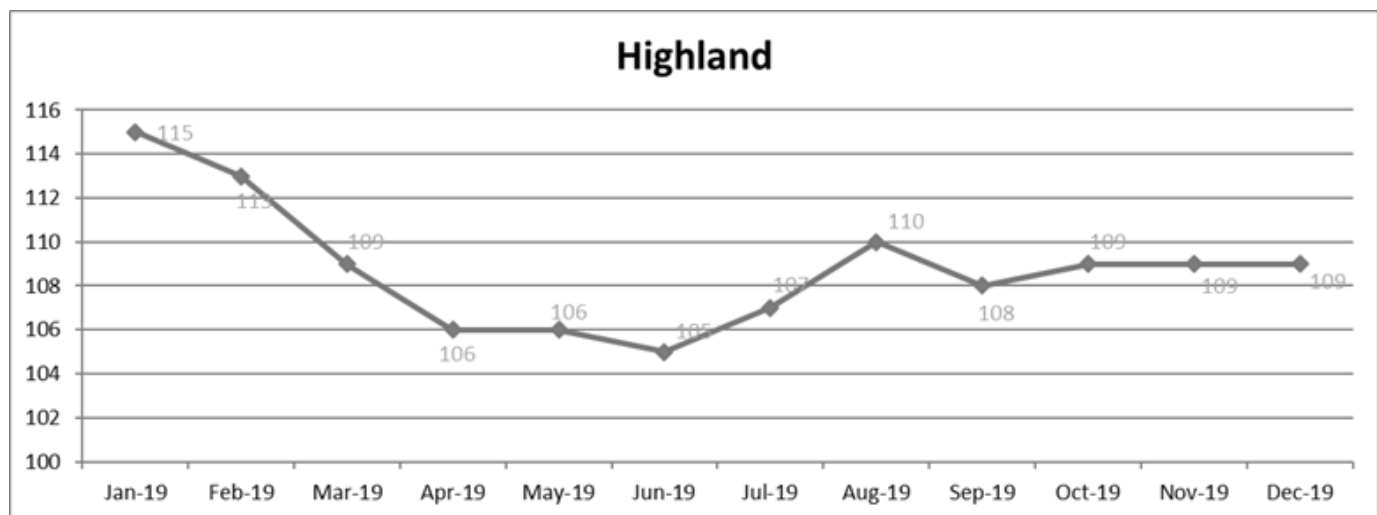
**Date:** Thu, 2 Jan 2020 17:22:05 +0000

**Importance:** Normal

**Attachments:** Effective\_Headcount\_Report\_12-31-2019.xlsx

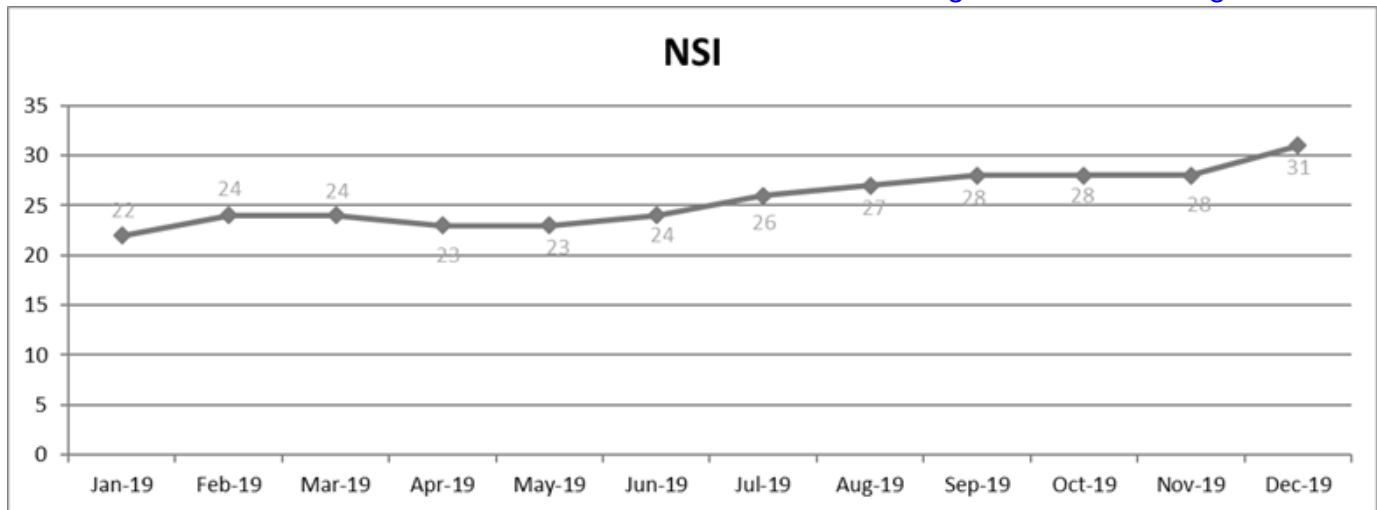
**Inline-Images:** image003.jpg; image001.png; image002.png

All,  
Please see the attached Headcount Report and let me know if you have any questions or comments. Changes during December are highlighted in yellow on the Detail tab of the spreadsheet. I've also added a column to reflect the entity for each employee.  
The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.  
**Highland** new hires and terminations during the last 12 months (excludes Interns):



**NSI Wholesalers** new hires and terminations during the last 12 months:





Thank you,

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

**ATTACHMENT  
PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 127**

**From:** Kellie Stevens <KStevens@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Thomas Surgent <TSurgent@HighlandCapital.com>, Jason Post <JPost@NexpointAdvisors.com>, David Klos <DKlos@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, Lauren Thedford <LThedford@HighlandCapital.com>, Stephanie Vitiello <SVitiello@HighlandCapital.com>, Eric Holt <EHolt@HighlandCapital.com>, Jackie Graham <JGraham@nexpointadvisors.com>, Laura Jocoy <Ljocoy@NexPointSecurities.com>, Lucy Bannon <LBannon@HighlandCapital.com>, Kari Kovelan <KKovelan@HighlandCapital.com>, Cyrus Eftekhari <CEftekhari@HighlandCapital.com>, Hayley Eliason <HEliason@HighlandCapital.com>, Kevin Fullmer <Kfullmer@NexPointSecurities.com>, Phoebe Stewart <PStewart@NexPointSecurities.com>, Madeline Frizell <MFrizell@NexPointSecurities.com>, Tess Trahern <TTrahern@NexPointSecurities.com>, Angela Barbera <ABarbera@NexPointSecurities.com>, Eric Fritz <EFritz@NexpointAdvisors.com>

**Cc:** Human Resources <HR@hcmlp.com>

**Subject:** Effective Headcount Report 9/ 3093 2/ 2

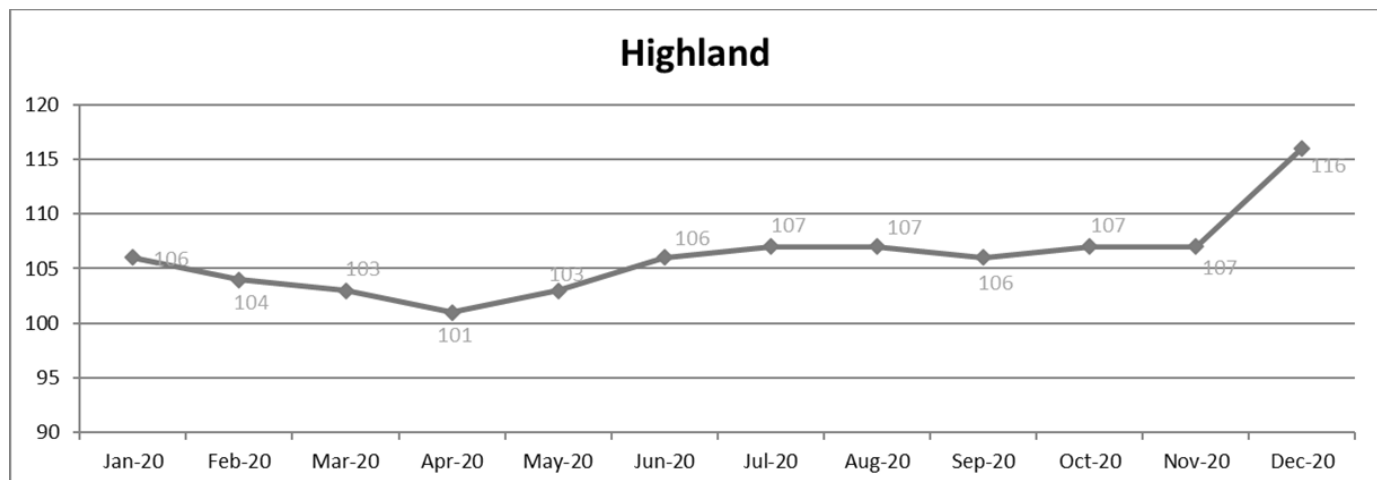
**Date:** Mon, 1 Jan / 2/ 9 98:0+:2\_ - 2222

**Importance:** Normal

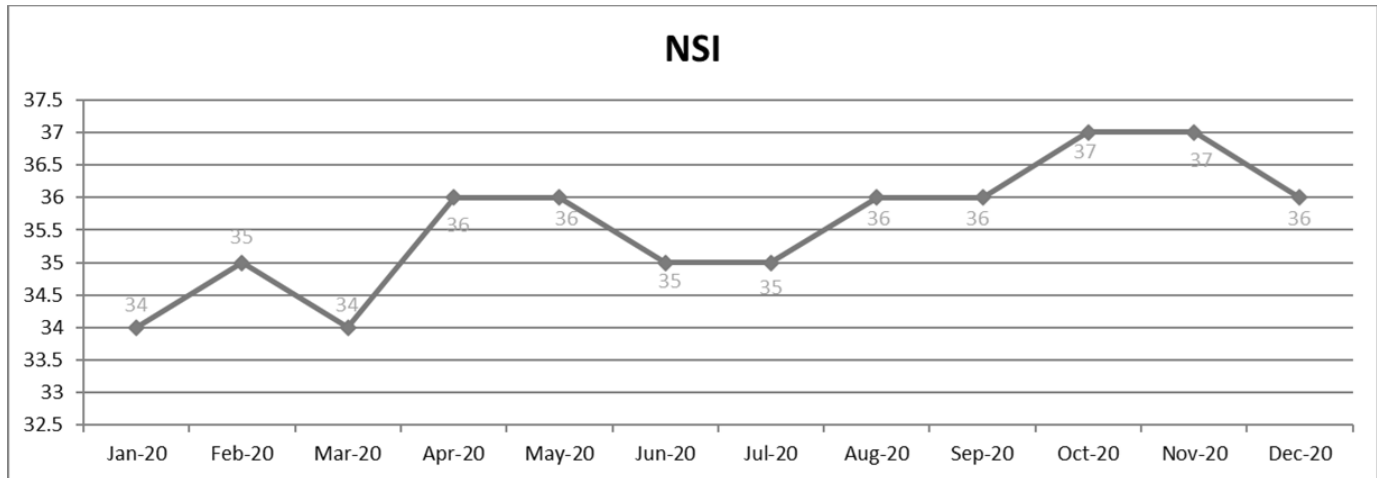
**Attachments:** Effective7Headcount7Report79/ ;09;/ 2/ 2.xlsx

**Inline-Images:** image224.jpg6image22/ .png6image22\_.png

All,  
Please see the attached Headcount Report and let me know if you have any questions or comments. Changes during December are highlighted in yellow on the Detail tab of the spreadsheet. \*Note that 10 NexPoint Storage Partners, Inc. (NSP) employees have been added to the detail tab due to the acquisition of the company in November.  
The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.  
**Highland** new hires and terminations during the last 12 months (excludes Interns):



**NSI Wholesalers** new hires and terminations during the last 12 months:



Thank you,  
Kellie

Kellie Stevens | HR Manager



300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

# **ATTACHMENT PROVIDED IN NATIVE FORMAT**

**UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF  
TEXAS, DALLAS DIVISION**

**In Re: Highland Capital Management, L.P.** § Case No. **19-34054-SGJ-11**  
**NexPoint Advisors, L.P. et al** §

Appellant § 21-03010

vs. §  
**Highland Capital Management, L.P.** §

Appellee § **3:22-CV-02170-S**

[126] Judgment (final). Entered on 9/14/2022

**APPELLANT RECORD**

**VOLUME 11**

Davor Rukavina, Esq.  
Texas Bar No. 24030781  
Thomas D. Berghman, Esq.  
Texas Bar No. 24082683  
Julian P. Vasek, Esq.  
Texas Bar No. 24070790  
MUNSCH HARDT KOPF & HARR P.C.  
500 N. Akard Street, Suite 3800  
Dallas, Texas 75201  
(214) 855-7500

COUNSEL FOR HIGHLAND CAPITAL MANAGEMENT  
FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj 11
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

INDEX

**AMENDED DESIGNATION OF ITEMS FOR THE RECORD ON APPEAL  
BY NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this *Amended Designation of Items for the Record on Appeal*, designating the following items for the record of said appeal:



<u>Item</u>	<u>Docket No.</u>	<u>Description</u>
<b>ADVERSARY PROCEEDING (21-03010-sgj)</b>		
1	128	Joint Notice of Appeal
2	126	Judgment
3		Docket Sheet
4	1	Plaintiff Highland Capital Management, L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief
5	33	Original Answer
6	37	Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters
7	49	Response to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
8	56	Highland Capital Management, L.P.'s Reply In Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
9	90	Advisors' Trial Brief
10	91	Highland's Proposed Findings of Fact and Conclusions of Law
11	96	Joint Pretrial Order
12	124	Findings of Fact and Conclusions of Law
<b>BANKRUPTCY CASE (19-34054-sgj-11)</b>		
13	1826	Application for Allowance of Administrative Expense Claim
14	2274	Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
<b>EVIDENCE AND TRANSCRIPTS (21-03010-SGJ)</b>		
15	115	All exhibits admitted into evidence at trial on April 12, 2022 and April 13, 2022 Thru Vol. 12
16	113	Transcript of April 12, 2022 trial
17	116	Transcript of April 13, 2022 trial
18	122	Transcript of April 27, 2022 closing arguments

RESPECTFULLY SUBMITTED this 4th day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina

Davor Rukavina, Esq.  
Texas Bar No. 24030781  
Julian P. Vasek, Esq.  
Texas Bar No. 24070790  
500 N. Akard Street, Suite 3800  
Dallas, Texas 75201-6659  
Telephone: (214) 855-7500  
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Email: [jvasek@munsch.com](mailto:jvasek@munsch.com)

**ATTORNEYS FOR NEXPOINT ADVISORS,  
L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 4th day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

Davor Rukavina, Esq.

## **EXHIBIT 128**

**From:** David Klos <DKlos@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>

**Subject:** RE: Cash Friday

**Date:** Wed, 7 Mar 2018 15:24:46 +0000

**Inline-Images:** image001.jpg

---

Got it.

---

**From:** Frank Waterhouse

**Sent:** Wednesday, March 7, 2018 9:21 AM

**To:** David Klos

**Subject:** Cash Friday

Dave-

Changed my mind...let's have it Friday. Please go out as far as you can on the page as far as month range so we can build that urgency to create liquidity.

Thanks

Frank

**FRANK WATERHOUSE | PARTNER & CHIEF FINANCIAL OFFICER**



300 Crescent Court | Suite 700 | Dallas, Texas 75201

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002107

ACL-081397

## **EXHIBIT 129**

**From:** Sean Fox <SFox@HighlandCapital.com>

**To:** David Klos <DKlos@HighlandCapital.com>

**Subject:** RE: Employee Reimbursement Agreement

**Date:** Tue, 1 May 2018 18:36:46 +0000

---

I'll instruct Blair to set up recurring transfer.

Do you want to account for this as "sub-advisory fees" or in a different manner?

---

**From:** David Klos

**Sent:** Tuesday, May 1, 2018 1:34 PM

**To:** Lauren Thedford

**Cc:** Sean Fox

**Subject:** RE: Employee Reimbursement Agreement

Attached. Sean, I've saved these in our audit folder for 2018 for both HCM and the other advisors.

---

**From:** Lauren Thedford

**Sent:** Tuesday, May 1, 2018 12:28 PM

**To:** David Klos <DKlos@HighlandCapital.com>

**Cc:** Sean Fox <SFox@HighlandCapital.com>

**Subject:** Re: Employee Reimbursement Agreement

Ah yes thanks.

Sent from my iPhone

On May 1, 2018, at 12:25 PM, David Klos <DKlos@HighlandCapital.com> wrote:

One tweak...updated Actual Cost for HCMFA to \$416k/month. I'll chase Frank's signatures and will circulate executed copies.

---

**From:** Lauren Thedford

**Sent:** Tuesday, May 1, 2018 12:02 PM

**To:** David Klos <DKlos@HighlandCapital.com>

**Cc:** Sean Fox <SFox@HighlandCapital.com>

**Subject:** RE: Employee Reimbursement Agreement

Redline of the dupe for an FYI and clean versions of both for execution.

---

**From:** David Klos

**Sent:** Tuesday, May 1, 2018 11:53 AM

**To:** Lauren Thedford <LThedford@HighlandCapital.com>

**Cc:** Sean Fox <SFox@HighlandCapital.com>

**Subject:** RE: Employee Reimbursement Agreement

**From:** Lauren Thedford  
**Sent:** Tuesday, May 1, 2018 11:47 AM  
**To:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Cc:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Subject:** RE: Employee Reimbursement Agreement

Actually, that reference still makes sense in the case that you invoice them re taxes. Clean attached. If signed off I'll dupe for HCMFA.

---

**From:** David Klos  
**Sent:** Tuesday, May 1, 2018 11:44 AM  
**To:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>  
**Cc:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Subject:** Re: Employee Reimbursement Agreement

Correct. No invoices if we can avoid it

Sent from my iPhone

On May 1, 2018, at 11:41 AM, Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)> wrote:

So to confirm – you do not want HCM to have to create an invoice each month? If so, I'll delete the other references to invoices.

---

**From:** David Klos  
**Sent:** Monday, April 30, 2018 7:13 PM  
**To:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>  
**Cc:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Subject:** RE: Employee Reimbursement Agreement

My comments are attached.

---

**From:** Lauren Thedford  
**Sent:** Monday, April 30, 2018 11:16 AM  
**To:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Cc:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Subject:** RE: Employee Reimbursement Agreement

Redlined draft attached for sign off. Once final, I'll create the HCMFA doc.

---

**From:** David Klos  
**Sent:** Friday, April 27, 2018 9:30 AM  
**To:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>  
**Cc:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Subject:** RE: Employee Reimbursement Agreement

Here are the listings for the reimbursement agreements. Monthly amounts should be \$416,000 for HCMFA and \$252,000 for NPA.

Employees as of 1/1/18	HCMFA %
Abayarathna, Sahan	29%
Baynard, Cameron	29%
Burns, Nathan	10%
Covitz, Hunter	5%
Desai, Neil	5%
Dondero, James	30%
Fedoryshyn, Eric	29%
Gray, Matthew	29%
Gulati, Sanjay	100%
Hayes, Christopher	29%
Hill, Robert	5%
McFarling, Brandon	29%
Moore, Carl	5%
Nikolayev, Yegor	29%
Owens, David	29%
Parker, Trey	30%
Parmentier, Andrew	40%
Phillips, Michael	29%
Poglitsch, Jon	75%
Ryder, Phillip	5%
Sachdev, Kunal	29%
Smallwood, Allan	29%
Staltari, Mauro	29%
Tomlin, Jake	29%
Vira, Sagar	29%
Wilson, Scott	5%

Employees as of 1/1/18	NPA %
Abayarathna, Sahan	9%
Baynard, Cameron	9%
Burns, Nathan	70%
Covitz, Hunter	25%
Desai, Neil	25%
Fedoryshyn, Eric	9%
Gray, Matthew	9%
Hayes, Christopher	9%
Hill, Robert	5%
McFarling, Brandon	9%
Moore, Carl	10%
Nikolayev, Yegor	9%



Okada, Mark	20%
Owens, David	9%
Parker, Trey	15%
Parmentier, Andrew	40%
Phillips, Michael	9%
Poglitsch, Jon	10%
Ryder, Phillip	5%
Sachdev, Kunal	9%
Smallwood, Allan	9%
Staltari, Mauro	9%
Tomlin, Jake	9%
Vira, Sagar	9%
Wilson, Scott	5%

**From:** David Klos  
**Sent:** Tuesday, April 17, 2018 5:35 PM  
**To:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>  
**Cc:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Subject:** RE: Employee Reimbursement Agreement

We'll have to work on one. It'll be some sort of fully loaded compensation amount times an allocated percentage which will have to be reasonable.

**From:** Lauren Thedford  
**Sent:** Tuesday, April 17, 2018 5:23 PM  
**To:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Cc:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Subject:** RE: Employee Reimbursement Agreement

I think it's workable – do you have a methodology for the outset determination?

**From:** David Klos  
**Sent:** Tuesday, April 17, 2018 10:56 AM  
**To:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>  
**Cc:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Subject:** RE: Employee Reimbursement Agreement

Could we say that Actual Cost is being determined at the outset of the agreement, have a schedule as of Jan 1, 2018 and say that Actual Cost shall be as set out in that schedule and shall be paid in monthly installments for the term of the agreement...that way the exercise is only performed once.

Beyond that year, termination provisions kick-in, so if there's a belief that Actual Costs have changed materially, either party could terminate and/or renegotiate for an amended agreement.

**From:** Lauren Thedford  
**Sent:** Tuesday, April 17, 2018 10:49 AM  
**To:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>

**Cc:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Subject:** RE: Employee Reimbursement Agreement

I'm open to changing from definition of Actual Costs but my understand from Fox was that there needs to be some method of determining the amounts. Per counsel, treating this as a reimbursement is important, however.

---

**From:** David Klos  
**Sent:** Tuesday, April 17, 2018 10:48 AM  
**To:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>  
**Cc:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Subject:** RE: Employee Reimbursement Agreement

Lauren,

Does it have to be framed as reimbursement of actual costs? We'd much rather it be characterized as just an agreed upon amount between the two entities. It's not a small task and involves subjective assumptions to allocate individual employees, so as it's written, it would be creating a ton of internal work that isn't adding any value to the overall complex.

---

**From:** Sean Fox  
**Sent:** Monday, April 16, 2018 10:36 PM  
**To:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>  
**Cc:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Subject:** Re: Employee Reimbursement Agreement

+Klos - can you review while I'm out?

Sent from my iPhone

On Apr 13, 2018, at 6:53 PM, Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)> wrote:

Please review and let me know if this works for you.

**LAUREN THEDFORD** | Associate General Counsel

PI

300 Crescent Court | Suite 700 | Dallas, Texas 75201

O: 972.628.4100 | D: 972.419.6223 | F: 972.628.4147

[lthedford@HighlandCapital.com](mailto:lthedford@HighlandCapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

---

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## **EXHIBIT 130**

**From:** Sean Fox <SFox@HighlandCapital.com>

**To:** Corporate Accounting <CorporateAccounting@hcmlp.com>

**Cc:** Tim Cournoyer <TCournoyer@HighlandCapital.com>, Thomas Surgent  
<TSurgent@HighlandCapital.com>, Helen Kim <HKim@HighlandCapital.com>

**Subject:** RE: NREA / NPA SS Agreement Amendments

**Date:** Thu, 11 Jan 2018 23:45:30 +0000

**Attachments:** NexPoint\_Real\_Estate\_Advisors\_Shared\_Services\_Agreement.pdf;  
NexPoint\_Advisors\_Shared\_Services\_Agreement.pdf;  
NexPoint\_Real\_Estate\_Advisors\_Sub-Advisory\_Agreement.pdf;  
NexPoint\_Advisors\_Sub-Advisory\_Agreement.pdf

**Inline-Images:** image001.jpg

---

Fully executed copies of the agreements attached and saved down in the Corporate Audit folder. Thanks for your help on these, Tim.

---

**From:** Tim Cournoyer

**Sent:** Tuesday, January 9, 2018 10:22 AM

**To:** Frank Waterhouse ; David Klos ; Sean Fox

**Cc:** Thomas Surgent

**Subject:** RE: NREA / NPA SS Agreement Amendments

Attached are revised Shared Services Agreements and Sub-Advisory Agreements. Please let me know if you have any comments or questions.

**TIMOTHY J. COURNOYER** | ASSISTANT GENERAL COUNSEL

O: 972.628.4100 | D: 972.628.4153 | F: 972.628.4147

---

**From:** Sean Fox

**Sent:** Monday, January 8, 2018 3:24 PM

**To:** Tim Cournoyer <[TCournoyer@HighlandCapital.com](mailto:TCournoyer@HighlandCapital.com)>

**Subject:** RE: NREA / NPA SS Agreement Amendments

Ok cool, thanks

---

**From:** Tim Cournoyer

**Sent:** Monday, January 8, 2018 3:23 PM

**To:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>

**Subject:** RE: NREA / NPA SS Agreement Amendments

No I just need to draft them – I'll get it done this week, just a lot going on.

**TIMOTHY J. COURNOYER** | ASSISTANT GENERAL COUNSEL

O: 972.628.4100 | D: 972.628.4153 | F: 972.628.4147

002115

ACL-081426

**From:** Sean Fox  
**Sent:** Monday, January 8, 2018 3:23 PM  
**To:** Tim Cournoyer <[TCournoyer@HighlandCapital.com](mailto:TCournoyer@HighlandCapital.com)>  
**Subject:** RE: NREA / NPA SS Agreement Amendments

Tim – do you need anything else from us to wrap these up? Thanks for your help.

---

**From:** David Klos  
**Sent:** Thursday, January 4, 2018 3:16 PM  
**To:** Tim Cournoyer <[TCournoyer@HighlandCapital.com](mailto:TCournoyer@HighlandCapital.com)>; Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Cc:** Thomas Surgent <[TSurgent@HighlandCapital.com](mailto:TSurgent@HighlandCapital.com)>; Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>  
**Subject:** RE: NREA / NPA SS Agreement Amendments

Tim,

For purposes of the amounts for the agreements, see below.

These are unchanged from the sheet I dropped off yesterday. Note that NexPoint Advisors (not HCMLP) should be the sub-advisory agreement service provider to NexPoint Real Estate Advisors since the investment professionals that support NexPoint Real Estate Advisors are employed at NexPoint Advisors. All amounts are per month.

Agreement List

Service Provider	Service Recipient	Agreement	Amount per month
HCMLP	NPA	Sub-adv	\$ 252,000
HCMLP	NPA	SS	168,000
<b>NPA</b>	NREA	Sub-adv	120,000
HCMLP	NREA	SS	80,000

---

**From:** Tim Cournoyer  
**Sent:** Wednesday, January 3, 2018 5:05 PM  
**To:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Cc:** Thomas Surgent <[TSurgent@HighlandCapital.com](mailto:TSurgent@HighlandCapital.com)>; Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>  
**Subject:** RE: NREA / NPA SS Agreement Amendments

As discussed, I'll draft sub-advisory agreements for each of the advisors as well to account for the provision if investment advisory services.

**TIMOTHY J. COURNOYER** | ASSISTANT GENERAL COUNSEL

O: 972.628.4100 | D: 972.628.4153 | F: 972.628.4147

---

**From:** David Klos  
**Sent:** Wednesday, January 3, 2018 10:28 AM  
**To:** Tim Cournoyer <[TCournoyer@HighlandCapital.com](mailto:TCournoyer@HighlandCapital.com)>; Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Cc:** Thomas Surgent <[TSurgent@HighlandCapital.com](mailto:TSurgent@HighlandCapital.com)>; Frank Waterhouse

**Subject:** RE: NREA / NPA SS Agreement Amendments

These apply to both docs, but otherwise, I'm good.

Is there a way to pare back the language in section 2.03? I highlighted the sections below that I'd prefer to exclude or modify as this looks like we're just creating work that will certainly slip through the cracks.

Additionally, please include the following headers in section 2.02.

*Investments.* Investment research and recommendations on an ad hoc basis

*Trading.* Trading desk services, including execution

Shared Employees.

(a) The Staff and Services Provider hereby agrees and consents that each Shared Employee, if any, shall be employed by the Management Company, and the Management Company hereby agrees and consents that each Shared Employee shall be employed by the Staff and Services Provider. The name, location and such other matters as the Parties desire to reflect with respect to each Shared Employee shall be identified on the books and records of each of the Management Company and the Staff and Services Provider, which may be amended in writing from time to time by the Parties to add or remove any Shared Employee to reflect the employment (or lack thereof) of such employee. Except as may otherwise separately be agreed in writing between the applicable Shared Employee and the Management Company and/or the Staff and Services Provider, in each of their discretion, each Shared Employee is an at-will employee and no guaranteed employment or other employment arrangement is agreed or implied by this Agreement with respect to any Shared Employee, and for avoidance of doubt this Agreement shall not amend, limit, constrain or modify in any way the employment arrangements as between any Shared Employee and the Staff and Services Provider or as between any Shared Employee and the Management Company, it being understood that the Management Company may enter into a short-form employment agreement with any Shared Employee memorializing such Shared Employee's status as an employee of the Management Company. If at any time any Shared Employee (or any other person employed by the Staff and Services provider who also provides services to the Management Company) shall be terminated from employment with the Staff and Services Provider or otherwise resigns or is removed from employment with the Staff and Services Provider, then such person may only serve as a separate direct employee of the Management Company upon the approval of the Management Company. To the extent applicable, the Staff and Services Provider shall ensure that the Management Company has sufficient access to the Shared Employees so that the Shared Employees spend adequate time to provide the services required hereunder. The Staff and Services Provider may also employ the services of persons other than the Specified Persons as it deems fit in its sole discretion

---

**From:** Tim Cournoyer

**Sent:** Tuesday, January 2, 2018 12:20 PM

**To:** Sean Fox <SFox@HighlandCapital.com>

**Cc:** Thomas Surgent <TSurgent@HighlandCapital.com>; Frank Waterhouse <FWaterhouse@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>

**Subject:** RE: NREA / NPA SS Agreement Amendments

Attached are draft Amended and Restated Shared Services Agreement for each adviser, which are based on more recent template. Please let me know if you have any comments or questions.

**TIMOTHY J. COURNOYER** | ASSISTANT GENERAL COUNSEL

O: 972.628.4100 | D: 972.628.4153 | F: 972.628.4147

**From:** Sean Fox  
**Sent:** Tuesday, December 19, 2017 2:04 PM  
**To:** Tim Cournoyer <[TCournoyer@HighlandCapital.com](mailto:TCournoyer@HighlandCapital.com)>  
**Subject:** NREA / NPA SS Agreement Amendments

Tim,

Can you please update the agreements to pay a flat monthly fee? Mechanically, both advisors receive management fees on the first business day of the month, and since the SS fee is now known for the month, we'd like to pay the SS to HCMLP at the beginning of the month too (not sure if we need to get this specific in the agreements or not).

NREA to HCMLP: \$200k/month

NPA to HCMLP: \$300k/month

Let me know if you have any questions.

Thanks,

Sean

Sean T. Fox | Manager, Finance



300 Crescent Court | Suite 700 | Dallas, Texas 75201

O: 972.419.4443 | C: 214.679.6298 | F: 972.628.4147

[sfox@highlandcapital.com](mailto:sfox@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

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**EXHIBIT 131**

**DOCUMENT PROVIDED IN  
NATIVE FORMAT**



**EXHIBIT 132**

**DOCUMENT PROVIDED IN  
NATIVE FORMAT**

## **EXHIBIT 133**

**Pachulski Stang Ziehl & Jones LLP**

10100 Santa Monica Blvd.  
13th Floor  
Los Angeles, CA 90067

August 31, 2021  
Invoice 128567  
Client 36027  
Matter 00003  
JNP

Board of Directors  
Highland Capital Management LP  
300 Crescent Court ste. 700  
Dallas, TX 75201

RE: Post-Effective Date

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**STATEMENT OF PROFESSIONAL SERVICES RENDERED THROUGH 08/31/2021**

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Pachulski Stang Ziehl & Jones LLP  
Highland Capital Management LP  
36027 - 00003

Page: 3  
Invoice 128567  
August 31, 2021

**Summary of Services by Task Code**

<u>Task Code</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
█	████████████████████	█	████
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BCC	HCMLP v. Advisors 21-03010	18.90	\$18,668.00
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Pachulski Stang Ziehl & Jones LLP  
 Highland Capital Management LP  
 36027 - 00003

Page: 10  
 Invoice 128567  
 August 31, 2021

				Hours	Rate	Amount

### HCMLP v. Advisors 21-03010

08/13/2021	BEL	BCC	Emails regarding HCRE document production and privilege issues. HCMLP v. Advisors 21-03010/ breach of contract claims	0.30	950.00	\$285.00
08/17/2021	JAM	BCC	Review Advisors' discovery demands (0.3); tel c. w/ C. Mackle re: Advisors' discovery demands (0.7); e-mail to T. Surgent, D. Klos, G. Demo, C. Mackle re: Advisors' discovery demands (0.2).	1.20	1245.00	\$1,494.00
08/18/2021	JAM	BCC	Review document demands served by Advisors (0.3); tel c. w/ T. Surgent, D. Klos (partial), G. Demo, C. Mackle re: document production for Advisors' administrative claim (0.8); tel c. w/ G. Demo re: document production (0.1).	1.20	1245.00	\$1,494.00
08/18/2021	GVD	BCC	Conference with J. Morris and PSZJ working group re discovery requests for Advisers administrative claim	0.90	950.00	\$855.00
08/20/2021	JAM	BCC	Review docket and Advisors' document demands (0.3); e-mail to C. Mackle, T. Surgent, H. Winograd re: document production (0.7).	1.00	1245.00	\$1,245.00
08/25/2021	JAM	BCC	Tel c. w/ H. Winograd re: Advisors' discovery requests (0.6); review Advisors' discovery requests (0.3).	0.90	1245.00	\$1,120.50
08/25/2021	HRW	BCC	Review discovery requests and R&OS for Advisors litigation (0.5); Call with J. Morris re: discovery for Advisors litigation (0.5); BCC Draft discovery R&Os for Advisors litigation (2.5).	3.50	695.00	\$2,432.50
08/26/2021	JAM	BCC	E-mail to J. Seery, D. Klos, T. Surgent, H. Winograd, C. Mackle re: Advisors' discovery demands, responses, and document production (0.9).	0.90	1245.00	\$1,120.50
08/27/2021	HRW	BCC	Review and edit discovery R&OS for Advisors litigation (3.0).	3.00	695.00	\$2,085.00
08/30/2021	JAM	BCC	Review/revise draft written responses to Advisors' discovery demands (2.4); e-mail to J. Seery, T. Surgent, D. Klos, PSZJ team re: revised responses to Advisors' discovery demands (0.1); tel c. w/ G. Demo re: written responses to Advisors' discovery demands (0.1).	2.60	1245.00	\$3,237.00

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Pachulski Stang Ziehl & Jones LLP  
Highland Capital Management LP  
36027 - 00003

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Invoice 128567  
August 31, 2021

[illegible]

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## **EXHIBIT 134**

**Pachulski Stang Ziehl & Jones LLP**

10100 Santa Monica Blvd.  
13th Floor  
Los Angeles, CA 90067

Board of Directors  
Highland Capital Management LP  
300 Crescent Court ste. 700  
Dallas, TX 75201

September 30, 2021  
Invoice 128688  
Client 36027  
Matter 00003  
**JNP**

RE: Post-Effective Date

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**STATEMENT OF PROFESSIONAL SERVICES RENDERED THROUGH 09/30/2021**

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Pachulski Stang Ziehl & Jones LLP  
Highland Capital Management LP  
36027 - 00003

Page: 3  
Invoice 128688  
September 30, 2021

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**Summary of Services by Task Code**

<u>Task Code</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
████	████████████████	████	████
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BCC	HCMLP v. Advisors 21-03010	19.60	\$15,539.50
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Pachulski Stang Ziehl & Jones LLP  
Highland Capital Management LP  
36027 - 00003

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Invoice 128688  
September 30, 2021

				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED] [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

## HCMLP v. Advisors 21-03010

09/01/2021	JAM	BCC	Tel c. w. H. Winograd re: draft responses to Advisors' discovery demands (0.2); review/revise responses in light of comments from J. Seery, D. Klos (0.4); e-mails w/ D. Klos, H. Winograd re: facts (0.4); e-mail to J. Seery, D. Klos, G. Demo, H. Winograd re: document production and responses to Advisors' discovery requests (0.5).	1.50	1245.00	\$1,867.50
09/01/2021	HRW	BCC	Review Advisors discovery and R&Os in consolidated litigation (0.2).	0.20	695.00	\$139.00
09/02/2021	JAM	BCC	E-mails w/ T. Surgent, D. Klos, H. Winograd re: responses and information concerning Advisors' discovery demands (0.3).	0.30	1245.00	\$373.50
09/02/2021	HRW	BCC	Draft R&Os for Advisors discovery in consolidated litigation (2.3); Call with DSI re: Advisors discovery in consolidated litigation (0.9).	3.20	695.00	\$2,224.00
09/03/2021	JAM	BCC	Review/revise responses to Advisors' discovery demands (0.7); tel c. w/ H. Winograd re: draft responses to Advisors' discovery demands (0.2); further revisions to draft responses to Advisors' discovery demands and communications w/ J. Pomerantz, G. Demo, H. Winograd concerning the same (0.3).	1.20	1245.00	\$1,494.00
09/03/2021	HRW	BCC	Draft responses and objections to Advisors discovery requests (3.5).	3.50	695.00	\$2,432.50
09/03/2021	HRW	BCC	Review Shared Services Agreements for Advisors litigation (0.6).	0.60	695.00	\$417.00

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Pachulski Stang Ziehl & Jones LLP  
 Highland Capital Management LP  
 36027 - 00003

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 Invoice 128688  
 September 30, 2021

				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
09/03/2021	HRW	BCC	Send opposing counsel responses and objections to Advisors discovery requests (0.1).	0.10	695.00	\$69.50
09/03/2021	HRW	BCC	Communicate with DSI re: Advisors discovery requests (0.3).	0.30	695.00	\$208.50
09/05/2021	HRW	BCC	Review and prepare production for Advisors discovery requests (2.0).	2.00	695.00	\$1,390.00
09/07/2021	HRW	BCC	Review and prepare production for Advisors discovery requests (1.0).	1.00	695.00	\$695.00
09/08/2021	JAM	BCC	E-mails w/ J. Seery, C. Mackle, H. Winograd re: document production (0.2).	0.20	1245.00	\$249.00
09/08/2021	HRW	BCC	Call with C. Mackle re: production for Advisors discovery requests (0.1).	0.10	695.00	\$69.50
09/08/2021	HRW	BCC	Review and prepare production for Advisors discovery requests (1.2).	1.20	695.00	\$834.00
09/09/2021	HRW	BCC	Review and prepare production for Advisors discovery requests (0.2).	0.20	695.00	\$139.00
09/10/2021	JAM	BCC	Tel c. w/ H. Winograd, Advisors' counsel, re: document production (0.3).	0.30	1245.00	\$373.50
09/10/2021	HRW	BCC	Review and prepare production for Advisors discovery requests (0.8).	0.80	695.00	\$556.00
09/10/2021	HRW	BCC	Call with opposing counsel re: production for Advisors discovery requests (0.2).	0.20	695.00	\$139.00
09/12/2021	HRW	BCC	Review and gather production for Advisors consolidated litigation (0.5).	0.50	695.00	\$347.50
09/13/2021	JAM	BCC	E-mails w/ H. Winograd re: document production (0.2).	0.20	1245.00	\$249.00
09/13/2021	LSC	BCC	Prepare supplemental document production.	0.50	460.00	\$230.00
09/13/2021	HRW	BCC	Review and gather production for Advisors consolidated litigation (1.0).	1.00	695.00	\$695.00
09/13/2021	HRW	BCC	Send Advisors production to opposing counsel (0.3).	0.30	695.00	\$208.50
09/14/2021	HRW	BCC	Draft verification for R&OS to ROGS in Advisors litigation (0.1).	0.10	695.00	\$69.50
09/14/2021	HRW	BCC	Communicate with client re: ROG verification for Advisors Litigation (0.1).	0.10	695.00	\$69.50
				<b>19.60</b>		<b>\$15,539.50</b>

002130

## **EXHIBIT 135**

**Pachulski Stang Ziehl & Jones LLP**

10100 Santa Monica Blvd.  
13th Floor  
Los Angeles, CA 90067

October 31, 2021

Board of Directors  
Highland Capital Management LP  
100 Crescent Court, Suite 1850  
Dallas, TX 75201

Invoice 128950  
Client 36027  
Matter 00003  
JNP

RE: Post-Effective Date

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**STATEMENT OF PROFESSIONAL SERVICES RENDERED THROUGH 10/31/2021**

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Pachulski Stang Ziehl & Jones LLP  
Highland Capital Management LP  
36027 - 00003

Page: 3  
Invoice 128950  
October 31, 2021

**Summary of Services by Task Code**

<u>Task Code</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
████	████	████	████
BCC	HCMLP v. Advisors 21-03010	45.10	\$32,016.00
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Pachulski Stang Ziehl & Jones LLP  
Highland Capital Management LP  
36027 - 00003

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Invoice 128950  
October 31, 2021

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## HCMLP v. Advisors 21-03010

09/08/2021	CHM	BCC	Obtain G. Demo emails, run searches and review emails for privilege and responsiveness. HCMLP v. Advisors 21-03010/ breach of contract claims	4.30	750.00	\$3,225.00
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Pachulski Stang Ziehl & Jones LLP  
 Highland Capital Management LP  
 36027 - 00003

Page: 7  
 Invoice 128950  
 October 31, 2021

				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
09/08/2021	CHM	BCC	Review emails from H. Winograd and IDS re searches and reply. HCMLP v. Advisors 21-03010/ breach of contract claims	0.20	750.00	\$150.00
09/09/2021	CHM	BCC	Review email from H. Winograd re production status and reply. HCMLP v. Advisors 21-03010/ breach of contract claims	0.10	750.00	\$75.00
09/09/2021	CHM	BCC	Review and run production re Advisors Discovery. HCMLP v. Advisors 21-03010/ breach of contract claims	6.50	750.00	\$4,875.00
09/10/2021	CHM	BCC	Review documents and prepare production of 16,187 non-privileged emails; emails with H. Winograd and G. Crane re same. HCMLP v. Advisors 21-03010/ breach of contract claims	5.80	750.00	\$4,350.00
09/10/2021	CHM	BCC	Review email from H. Winograd re G. Demo emails and reply. HCMLP v. Advisors 21-03010/ breach of contract claims	0.20	750.00	\$150.00
09/13/2021	CHM	BCC	Review email from H. Winograd re advisors production and reply. HCMLP v. Advisors 21-03010/ breach of contract claims	0.10	750.00	\$75.00
09/14/2021	CHM	BCC	Review email from H. Winograd re document production and reply. HCMLP v. Advisors 21-03010/ breach of contract claims	0.10	750.00	\$75.00
10/04/2021	HRW	BCC	Draft 30(b)(6) deposition notice for Advisors consolidated litigation (1.2).	1.20	695.00	\$834.00
10/05/2021	JAM	BCC	Review/revise Rule 30(b)(6) notice (0.7).	0.70	1245.00	\$871.50
10/05/2021	HRW	BCC	Review discovery in consolidated Advisors litigation (1.0).	1.00	695.00	\$695.00
10/05/2021	HRW	BCC	Review 30(b)(6) deposition notice in Advisors litigation (0.1).	0.10	695.00	\$69.50
10/06/2021	HRW	BCC	Review pleadings in Advisors consolidated litigation (2.0).	2.00	695.00	\$1,390.00
10/06/2021	HRW	BCC	Review discovery response in Advisors consolidated litigation (1.0).	1.00	695.00	\$695.00
10/07/2021	HRW	BCC	Prepare for 30(b)(6) deposition of HCMFA in Advisors consolidated litigation (3.5).	3.50	695.00	\$2,432.50
10/07/2021	HRW	BCC	Research issue of "waiver" for Advisors admin claim (1.0).	1.00	695.00	\$695.00
10/08/2021	LSC	BCC	Review potential documents to be produced (2.1); research and correspondence regarding prior productions (.6); assist with preparation for upcoming production (1.3).	4.00	460.00	\$1,840.00

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Pachulski Stang Ziehl & Jones LLP  
 Highland Capital Management LP  
 36027 - 00003

Page: 8  
 Invoice 128950  
 October 31, 2021

				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
10/08/2021	HRW	BCC	Draft summary of claims and defenses in Advisors consolidated litigation (2.8).	2.80	695.00	\$1,946.00
10/08/2021	HRW	BCC	Review production in Advisors consolidated litigation (2.5).	2.50	695.00	\$1,737.50
10/10/2021	HRW	BCC	Review Advisors' production in Advisors consolidated litigation (3.0).	3.00	695.00	\$2,085.00
10/11/2021	HRW	BCC	Review Advisors' production in Advisors consolidated litigation (2.5).	2.50	695.00	\$1,737.50
10/12/2021	HRW	BCC	Email with J. Morris re: Advisors consolidated litigation and deposition (0.2).	0.20	695.00	\$139.00
10/13/2021	HRW	BCC	Email J. Morris re: Advisors' supplemental discovery in Advisors consolidated litigation (0.1).	0.10	695.00	\$69.50
10/13/2021	HRW	BCC	Review Advisors' supplemental discovery in Advisors consolidated litigation (0.2).	0.20	695.00	\$139.00
10/25/2021	HRW	BCC	Review Advisors Admin Claim and related documents (0.5).	0.50	695.00	\$347.50
10/25/2021	HRW	BCC	Email J. Morris re: Advisors consolidated litigation (0.2).	0.20	695.00	\$139.00
10/25/2021	HRW	BCC	Email J. Morris re: discovery in Advisors consolidated litigation (0.1).	0.10	695.00	\$69.50
10/25/2021	HRW	BCC	Send counsel supplemental production in Advisors consolidated litigation (0.1).	0.10	695.00	\$69.50
10/28/2021	JAM	BCC	Tel c. w/ H. Winograd re: discovery (0.4); tel c. w/ D. Rukavina, H. Winograd re: witnesses (0.1).	0.50	1245.00	\$622.50
10/28/2021	HRW	BCC	Call with J. Morris re: Advisors consolidated litigation discovery (0.4).	0.40	695.00	\$278.00
10/28/2021	HRW	BCC	Call with J. Morris and D. Rukavina re: witnesses (0.1).	0.10	695.00	\$69.50
10/28/2021	HRW	BCC	Email J. Morris re: depositions in Advisors consolidated litigation (0.1).	0.10	695.00	\$69.50
				<u>45.10</u>		<u>\$32,016.00</u>


002136

## **EXHIBIT 136**

**Pachulski Stang Ziehl & Jones LLP**

10100 Santa Monica Blvd.  
13th Floor  
Los Angeles, CA 90067

November 30, 2021

Board of Directors  
Highland Capital Management LP  
100 Crescent Court, Suite 1850  
Dallas, TX 75201

Invoice 129043  
Client 36027  
Matter 00003  
**JNP**

RE: Post-Effective Date

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**STATEMENT OF PROFESSIONAL SERVICES RENDERED THROUGH 11/30/2021**

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Pachulski Stang Ziehl & Jones LLP  
 Highland Capital Management LP  
 36027 - 00003

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 Invoice 129043  
 November 30, 2021

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**Summary of Services by Task Code**

<u>Task Code</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
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BCC	HCMLP v. Advisors 21-03010	5.10	\$3,786.00
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November 30, 2021

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**HCMLP v. Advisors 21-03010**

10/02/2021	CHM	BCC	Review documents marked for privilege or production based on privilege review; run production and email H. Winograd re same.	1.30	750.00	\$975.00
11/01/2021	JNP	BCC	Review reservation of rights and emails regarding same.	0.10	1295.00	\$129.50
11/01/2021	HRW	BCC	Email with J. Pomerantz and J. Morris re: Advisors' Admin Claim (0.2).	0.20	695.00	\$139.00
11/01/2021	HRW	BCC	Review Advisors' filing re: reservation of rights (0.1).	0.10	695.00	\$69.50
11/01/2021	HRW	BCC	Email HCMFA counsel re: 30(b)(6) deposition (0.1).	0.10	695.00	\$69.50
11/02/2021	HRW	BCC	Email counsel for Advisors re: depositions in Advisors consolidated litigation (0.1).	0.10	695.00	\$69.50
11/03/2021	HRW	BCC	Review email from counsel re: advisors admin claim depositions (0.1).	0.10	695.00	\$69.50
11/15/2021	HRW	BCC	Draft stipulation for Advisors consolidated litigation	0.50	695.00	\$347.50

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Highland Capital Management LP  
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November 30, 2021

				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
			(0.5).			
11/17/2021	HRW	BCC	Review email from J. Morris and counsel re: Advisors consolidated litigation scheduling (0.1).	0.10	695.00	\$69.50
11/18/2021	HRW	BCC	Draft stipulation re: Advisors admin claim (1.6).	1.60	695.00	\$1,112.00
11/18/2021	HRW	BCC	Email J. Morris re: stipulation for Advisors admin claim (0.1).	0.10	695.00	\$69.50
11/23/2021	JAM	BCC	Review draft amended scheduling order (0.1); tel c. w/ H. Winograd re: revised draft amended scheduling order (0.1).	0.20	1245.00	\$249.00
11/23/2021	HRW	BCC	Call with J. Morris re: Advisors consolidated litigation (0.1).	0.10	695.00	\$69.50
11/23/2021	HRW	BCC	Email J. Morris re: Advisors consolidated litigation (0.1).	0.10	695.00	\$69.50
11/24/2021	HRW	BCC	Review and edit stipulation for Advisors consolidated litigation (0.3).	0.30	695.00	\$208.50
11/24/2021	HRW	BCC	Email counsel re: stipulation for Advisors consolidated litigation (0.1).	0.10	695.00	\$69.50
				<b>5.10</b>		<b>\$3,786.00</b>

[illegible]

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## **EXHIBIT 137**

**Pachulski Stang Ziehl & Jones LLP**

10100 Santa Monica Blvd.  
13th Floor  
Los Angeles, CA 90067

December 31, 2021

Board of Directors  
Highland Capital Management LP  
100 Crescent Court, Suite 1850  
Dallas, TX 75201

Invoice 129324  
Client 36027  
Matter 00003  
JNP

RE: Post-Effective Date

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**STATEMENT OF PROFESSIONAL SERVICES RENDERED THROUGH 12/31/2021**

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Pachulski Stang Ziehl & Jones LLP  
Highland Capital Management LP  
36027 - 00003

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Invoice 129324  
December 31, 2021

**Summary of Services by Task Code**

<u>Task Code</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
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BCC	HCMLP v. Advisors 21-03010	13.10	\$10,805.50
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Pachulski Stang Ziehl & Jones LLP  
 Highland Capital Management LP  
 36027 - 00003

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 December 31, 2021

				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>

### HCMLP v. Advisors 21-03010

12/01/2021	HRW	BCC	Review email from counsel re: Advisors admin claim scheduling (0.1).	0.10	695.00	\$69.50
12/02/2021	HRW	BCC	Review email from opposing counsel re: Advisors admin claim scheduling (0.2).	0.20	695.00	\$139.00
12/02/2021	HRW	BCC	Email J. Morris re: Advisors admin claim scheduling (0.1).	0.10	695.00	\$69.50
12/03/2021	HRW	BCC	Email J. Morris re: Advisors admin claim scheduling (0.1).	0.10	695.00	\$69.50
12/03/2021	HRW	BCC	Email D. Rukavina re: Advisors admin claim scheduling (0.2).	0.20	695.00	\$139.00
12/06/2021	JAM	BCC	Tel c. w/ H. Winograd re: HCMFA admin claim hearing and related matters (0.1).	0.10	1245.00	\$124.50
12/06/2021	GVD	BCC	Conference with J. Donohue re status of administrative claims litigation	0.20	950.00	\$190.00
12/06/2021	HRW	BCC	Email J. Morris re: Advisors admin claim (0.1).	0.10	695.00	\$69.50
12/06/2021	HRW	BCC	Review emails from J. Morris and opposing counsel re: Advisors admin claim (0.2).	0.20	695.00	\$139.00
12/06/2021	HRW	BCC	Email G. Demo and DSI re: Advisors admin claim (0.2).	0.20	695.00	\$139.00
12/07/2021	JAM	BCC	Communications w/ D. Rukavina re: hearing on HCMFA admin claim/counter claim (0.2).	0.20	1245.00	\$249.00
12/07/2021	HRW	BCC	Email D. Rukavina re: Advisors consolidated litigation (0.2).	0.20	695.00	\$139.00
12/09/2021	HRW	BCC	Email Z. Annable, J. Morris, J. Pomerantz, G. Demo re: Advisors consolidated litigation hearing (0.2).	0.20	695.00	\$139.00
12/14/2021	HRW	BCC	Email D. Rukavina re: stipulation in Advisors' consolidated litigation (0.1).	0.10	695.00	\$69.50
12/14/2021	HRW	BCC	Email J. Morris re: stipulation in Advisors' consolidated litigation (0.1).	0.10	695.00	\$69.50
12/14/2021	HRW	BCC	Edit stipulation in Advisors' consolidated litigation (0.2).	0.20	695.00	\$139.00
12/14/2021	HRW	BCC	Email Z. Annable, J. Morris re: scheduling in Advisors consolidated litigation (0.2).	0.20	695.00	\$139.00

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Pachulski Stang Ziehl & Jones LLP  
 Highland Capital Management LP  
 36027 - 00003

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 December 31, 2021

				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
12/15/2021	HRW	BCC	Email Z. Annable re: stipulation in Advisors' consolidated litigation (0.2).	0.20	695.00	\$139.00
12/15/2021	HRW	BCC	Email D. Rukavina re: stipulation in Advisors' consolidated litigation (0.2).	0.20	695.00	\$139.00
12/16/2021	HRW	BCC	Communicate with Z. Annable re: stipulation in Advisors' consolidated litigation (0.1).	0.10	695.00	\$69.50
12/16/2021	HRW	BCC	Review proposed order re: Advisors' consolidated litigation (0.1).	0.10	695.00	\$69.50
12/22/2021	JAM	BCC	Communications w/ J. Seery, D. Klos, H. Winograd, D. Rukavina re: scheduling of depositions (0.1); tel c. w/ J. Seery re: facts (0.3).	0.40	1245.00	\$498.00
12/23/2021	HRW	BCC	Review Advisors' response re: admin claim (0.5).	0.50	695.00	\$347.50
12/24/2021	HRW	BCC	Email J. Pomerantz, D. Klos, J. Morris, G. Demo re: Advisors' admin claim (0.3).	0.30	695.00	\$208.50
12/24/2021	HRW	BCC	Review email from D. Klos re: Advisors' admin claim (0.5).	0.50	695.00	\$347.50
12/24/2021	HRW	BCC	Research re: Advisors' admin claim (2.5).	2.50	695.00	\$1,737.50
12/31/2021	JAM	BCC	Review documents and analyze issues concerning HCMFA administrative claim (0.7); tel c. w/ J. Seery, D. Klos, H. Winograd re: background issues and process for litigating HCMFA's administrative claim (1.0); tel c. w/ H. Winograd re: tasks for litigating HCMFA's administrative claim (0.3); tel c. w/ J. Pomerantz re: staffing, research for litigating HCMFA's administrative claim (0.3).	2.30	1245.00	\$2,863.50
12/31/2021	HRW	BCC	Call with J. Seery, J. Morris, D. Klos re: Advisors Admin Claim (1.0).	1.00	695.00	\$695.00
12/31/2021	HRW	BCC	Call with J. Morris re: Advisors Admin Claim (0.3).	0.30	695.00	\$208.50
12/31/2021	HRW	BCC	Draft deposition notices re: Advisors Admin Claim (1.0).	1.00	695.00	\$695.00
12/31/2021	HRW	BCC	Review pleadings and related documents re: Advisors Admin Claim (1.0).	1.00	695.00	\$695.00
				<b>13.10</b>		<b>\$10,805.50</b>


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## **EXHIBIT 138**

**Pachulski Stang Ziehl & Jones LLP**

10100 Santa Monica Blvd.  
13th Floor  
Los Angeles, CA 90067

January 31, 2022  
Invoice 129676  
Client 36027  
Matter 00003  
JNP

Board of Directors  
Highland Capital Management LP  
100 Crescent Court, Suite 1850  
Dallas, TX 75201

RE: Post-Effective Date

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**STATEMENT OF PROFESSIONAL SERVICES RENDERED THROUGH 01/31/2022**

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Pachulski Stang Ziehl & Jones LLP  
Highland Capital Management LP  
36027 - 00003

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Invoice 129676  
January 31, 2022

**Summary of Services by Task Code**

<u>Task Code</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
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BCC	HCMLP v. Advisors 21-03010	144.00	\$144,990.00
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Pachulski Stang Ziehl & Jones LLP  
Highland Capital Management LP  
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January 31, 2022

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**HCMLP v. Advisors 21-03010**

06/13/2021	HRW	BCC	Review and gather production for Advisors consolidated litigation (1.0).	1.00	750.00	\$750.00
06/13/2021	HRW	BCC	Send Advisors production to opposing counsel (0.3).	0.30	750.00	\$225.00
01/01/2022	RMS	BCC	Research for Reply to HCMFA and NPA's Response to Objection to Administrative Claim	2.70	1025.00	\$2,767.50

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 Highland Capital Management LP  
 36027 - 00003

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 January 31, 2022

				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
01/01/2022	JAM	BCC	Review Advisors' administrative claim and related documents and revise Rule 30(b)(6) notice (1.2); e-mail to J. Seery, D. Klos, H. Winograd re: affirmative claim against Advisors (0.3); e-mail to J. Pomerantz, I. Kharasch, G. Demo, H. Winograd re: legal research and preparation of reply on the Advisors' administrative claim (0.5); e-mail to H. Winograd re: revisions to Rule 30(b)(6) notice (0.1).	2.10	1395.00	\$2,929.50
01/01/2022	GVD	BCC	Review correspondence re NexPoint admin claim	0.10	1095.00	\$109.50
01/02/2022	IDK	BCC	Attend conference call with litigation team re reply brief and litigation issues re Dondero administrative claim and related litigation.	0.80	1495.00	\$1,196.00
01/02/2022	IDK	BCC	Review and consider Dondero's response brief to our prior objection to administrative claim, and related documents and consider issues for our reply.	0.70	1495.00	\$1,046.50
01/02/2022	IDK	BCC	E-mails with J Kim and R Saunders re need for research for reply brief re Dondero response on administrative claim objection and describe issues, and e-mails with others re their timing for same (.5); E-mails with J Morris and others re J Pomerantz questions on issues raised and responses of others (.3).	0.80	1495.00	\$1,196.00
01/02/2022	IDK	BCC	Review yesterday and today of correspondence of J Morris to client re Dondero administrative claim response and list of factual questions re same (.2); E-mails with J Morris re his memo re same on list of legal issues to research asap for preparation of reply brief and consider same (.2); E-mails with J Morris, others on coordination of call later today on same (.1).	0.50	1495.00	\$747.50
01/02/2022	RMS	BCC	Review of research for Reply to HCMFA and NPA's Response to Objection to Administrative Claim	3.80	1025.00	\$3,895.00
01/02/2022	RMS	BCC	Conference call with PSZJ team regarding Reply to HCMFA and NPA's Response to Objection to Administrative Claim	0.90	1025.00	\$922.50
01/02/2022	JAM	BCC	Review/revise Rule 30(b)(6) notice (0.8); analysis of issues, pleadings, facts pertaining to HCMFA's administrative claim and HCMLP's affirmative claim (3.3); review/revise deposition notices (0.2); e-mails w/ PSZJ team re: legal issues, strategy (0.4); tel c. w/ PSZJ team re: legal issues, factual issues, strategy (0.9); tel c. w/ H. Winograd re: status, strategy (0.1).	5.70	1395.00	\$7,951.50
01/02/2022	LSC	BCC	Research and correspondence regarding September 10 ACL document production.	1.30	495.00	\$643.50

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Pachulski Stang Ziehl & Jones LLP  
 Highland Capital Management LP  
 36027 - 00003

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 Invoice 129676  
 January 31, 2022

				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
01/02/2022	GVD	BCC	Conference with PSZJ working group re response to NexPoint/HCMFA admin claim	0.90	1095.00	\$985.50
01/02/2022	GVD	BCC	Correspondence with R. Saunders re shared service and expense reimbursement agreements (0.4); review background materials re reply to NexPoint claim and prepare to draft same (2.4)	2.80	1095.00	\$3,066.00
01/02/2022	HRW	BCC	Send deposition notices to opposing counsel (0.6).	0.60	750.00	\$450.00
01/02/2022	HRW	BCC	Call with J. Morris, J. Pomerantz, I. Kharasch, R. Saunders re: Advisors Admin Claim (0.9).	0.90	750.00	\$675.00
01/02/2022	HRW	BCC	Prepare deposition notices (1.5).	1.50	750.00	\$1,125.00
01/02/2022	HRW	BCC	Call with J. Morris re: Advisors Admin Claim (0.1).	0.10	750.00	\$75.00
01/03/2022	IDK	BCC	Review of correspondence with R Saunders, J Kim, others on initial research results for reply re Dondero admin claim (.3).	0.30	1495.00	\$448.50
01/03/2022	JJK	BCC	Research/prepare insert for reply to Advisors' response to Debtor's admin. claims objection.	4.50	1095.00	\$4,927.50
01/03/2022	JJK	BCC	Emails Demo on reply to Advisors' response to admin. claim objections; research and prepare insert/notes for reply.	4.90	1095.00	\$5,365.50
01/03/2022	JJK	BCC	Research for Advisors reply.	0.70	1095.00	\$766.50
01/03/2022	RMS	BCC	Write-up of research for Reply to HCMFA and NPA's Response to Objection to Administrative Claim, including research and review of results	7.50	1025.00	\$7,687.50
01/03/2022	JAM	BCC	Review documents and prepare for depositions (2.9); tel c. w/ H. Winograd re: HCMFA admin claim and depositions (0.7); e-mails w H. Winograd, L. Canty re: deposition exhibits (0.4); tel c. w/ H. Winograd re: depositions (0.2); tel c. w/ D. Rukavina re: depositions (0.1).	4.30	1395.00	\$5,998.50
01/03/2022	LSC	BCC	Research, correspondence, and preparation in connection with upcoming depositions.	4.90	495.00	\$2,425.50
01/03/2022	LSC	BCC	Preparation of supplemental document production to HCMFA.	2.40	495.00	\$1,188.00
01/03/2022	GVD	BCC	Draft reply to NexPoint/HCMFA admin claim and correspondence with J. Morris re same	5.20	1095.00	\$5,694.00
01/03/2022	HRW	BCC	Email D. Klos re: Advisor Admin Claim (0.5).	0.50	750.00	\$375.00
01/03/2022	HRW	BCC	Call with J. Morris re: Advisors Admin Claim (1.5).	1.50	750.00	\$1,125.00
01/03/2022	HRW	BCC	Draft 30(b)(6) deposition outline and related tasks (7.0).	7.00	750.00	\$5,250.00
01/04/2022	IDK	BCC	E-mails with J Kim, R Saunders, others re further	0.50	1495.00	\$747.50

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Pachulski Stang Ziehl & Jones LLP  
 Highland Capital Management LP  
 36027 - 00003

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 Invoice 129676  
 January 31, 2022

				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
			research results for reply to Dondero administrative response re voluntary payment rule and waiver (.4); E-mails with J Morris and C Mackle re same administrative claim and next steps re discovery/doc review (.1).			
01/04/2022	JJK	BCC	Emails Demo on reply to Advisors response to admin. claims objection; review draft reply and notes to Demo on same; addit. research.	2.10	1095.00	\$2,299.50
01/04/2022	JNP	BCC	Review Robert M. Saunders memo and emails from Gregory V. Demo regarding waiver and voluntary payment doctrine.	0.10	1445.00	\$144.50
01/04/2022	RMS	BCC	Assisting with finalizing Reply to HCMFA and NPA's Response to Objection to Administrative Claim	1.40	1025.00	\$1,435.00
01/04/2022	LAF	BCC	Legal research re: Voluntary payment rules in Texas.	1.30	495.00	\$643.50
01/04/2022	JAM	BCC	Tel c. w/ J. Seery, D. Klos, H. Winograd re: facts concerning HCMFA's administrative claim (0.9); tel c. w/ L. Hogewood re: subpoena for Retail Board (0.3); tel c. w/ G. Demo re: HCMFA admin claim and related matters (0.2); review/revise subpoena for Retail Board (0.5); tel c. w/ C. Mackle re: document review (0.3); e-mail to L. Canty re: subpoena to Retail Board (0.1); tel c. w/ L. Canty re: depositions/subpoena (0.1); e-mail to C. Mackle re: document review (0.3); tel c. w/ D. Klos, H. Winograd re: facts concerning HCMFA administrative claim (1.0); prepare for depositions (2.6).	6.30	1395.00	\$8,788.50
01/04/2022	LSC	BCC	Draft subpoena to Retail Board (.2); coordinate scheduling of Court Reporter for upcoming depositions (.3).	0.50	495.00	\$247.50
01/04/2022	LSC	BCC	Prepare and finalize supplemental document production.	1.30	495.00	\$643.50
01/04/2022	LSC	BCC	Continued preparation for 30(b)(6) deposition.	2.10	495.00	\$1,039.50
01/04/2022	GVD	BCC	Conference with J. Morris re reply to NPA/HCMFA admin claim	0.20	1095.00	\$219.00
01/04/2022	GVD	BCC	Further revise and circulate draft of reply to NPA/HCMFA admin claim	3.80	1095.00	\$4,161.00
01/04/2022	HRW	BCC	Call with J. Morris, D. Klos, J. Seery re: Advisors Admin Claim (1.0).	1.00	750.00	\$750.00
01/04/2022	HRW	BCC	Email G. Demo re: Advisors Admin Claim (0.2).	0.20	750.00	\$150.00
01/04/2022	HRW	BCC	Draft 30(b)(6) deposition outline (7.0).	7.00	750.00	\$5,250.00

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Pachulski Stang Ziehl & Jones LLP  
 Highland Capital Management LP  
 36027 - 00003

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 Invoice 129676  
 January 31, 2022

				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
01/04/2022	HRW	BCC	Call with D. Klos and J. Morris re: Advisors Admin Claim (1.0).	1.00	750.00	\$750.00
01/05/2022	IDK	BCC	E-mail G Demo re current draft of our reply brief to Dondero response on admin claim, including review of same.	0.30	1495.00	\$448.50
01/05/2022	JNP	BCC	Review final version of reply regarding administrative claim.	0.10	1445.00	\$144.50
01/05/2022	JNP	BCC	Conference with Gregory V. Demo regarding reply regarding administrative claim objection.	0.10	1445.00	\$144.50
01/05/2022	JNP	BCC	Conference with John A. Morris regarding reply regarding objection to administrative claim and related issues.	0.40	1445.00	\$578.00
01/05/2022	JAM	BCC	Prepare for depositions (2.9); tel c. w/ G. Demo re: response to HCMFA claim (0.2); tel c. w/ H. Winograd re: preparation for depositions (0.1); review/revise response to HCMFA claim (2.2); tel c. w/ J. Pomerantz, G. Demo re: response to HCMFA claim (0.1); revise response to HCMFA claim (0.2).	5.70	1395.00	\$7,951.50
01/05/2022	GVD	BCC	Revise and attend to filing of NexPoint/HCMFA admin claim reply	3.10	1095.00	\$3,394.50
01/05/2022	HRW	BCC	Draft 30(b)(6) deposition outline (7.0).	7.00	750.00	\$5,250.00
01/05/2022	HRW	BCC	Call with J. Morris re: depositions for Advisors Admin Claim (0.1).	0.10	750.00	\$75.00
01/05/2022	HRW	BCC	Review reply to objection to Advisors Admin Claim (0.8).	0.80	750.00	\$600.00
01/06/2022	JAM	BCC	Tel c. w/ J. Seery re: matters related to HCMFA claims (0.2); tel c. w/ H. Winograd, L. Canty re: status of depositions and related matters (0.3); e-mails w/ D. Rukavina re: status of depositions and related matters (0.2); tel c. w/ G. Demo re: status of HCMFA litigation (0.1); prepare for evidentiary hearing (2.5).	3.30	1395.00	\$4,603.50
01/06/2022	GVD	BCC	Review issues re NPA claims re constitutional mootness and correspondence with PSZJ team re same	0.50	1095.00	\$547.50
01/06/2022	GVD	BCC	Attend to finalization and filing of NPA claim withdrawal stipulations	0.30	1095.00	\$328.50
01/06/2022	HRW	BCC	Call with J. Morris and L. Canty re: document production for Advisors Admin Claim (0.2).	0.20	750.00	\$150.00
01/06/2022	HRW	BCC	Review emails from D. Rukavina and J. Morris re: scheduling for Advisors Admin Claim (0.2).	0.20	750.00	\$150.00
01/06/2022	HRW	BCC	Email J. Morris re: discovery for Advisors Admin	0.50	750.00	\$375.00

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				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
			Claim (0.5).			
01/06/2022	HRW	BCC	Email D. Klos re: Advisors Admin Claim (0.3).	0.30	750.00	\$225.00
01/06/2022	HRW	BCC	Review discovery requests for Advisors Admin Claim (0.6).	0.60	750.00	\$450.00
01/06/2022	HRW	BCC	Draft 30(b)(6) deposition outline (7.0).	7.00	750.00	\$5,250.00
01/07/2022	JAM	BCC	Tel c. w/ D. Rukavina re: depositions (0.1).	0.10	1395.00	\$139.50
01/07/2022	HRW	BCC	Draft 30(b)(6) deposition outline (2.0).	2.00	750.00	\$1,500.00
01/10/2022	HRW	BCC	Email J. Morris re: Advisors Admin Claim discovery (0.1).	0.10	750.00	\$75.00
01/11/2022	JAM	BCC	E-mails w/ L. Hogewood re: Retail Board subpoena (0.2); Tel c. w/ H. Winograd re: Waterhouse deposition (0.4); prepare for Waterhouse deposition (0.6).	1.20	1395.00	\$1,674.00
01/11/2022	HRW	BCC	Call with J. Morris re: depositions in Advisors Admin Claim (0.3).	0.30	750.00	\$225.00
01/11/2022	HRW	BCC	Email J. Morris re: depositions in Advisors Admin Claim (0.1).	0.10	750.00	\$75.00
01/11/2022	HRW	BCC	Review emails from opposing counsel and J. Morris re: subpoena in Advisors Admin Claim (0.2).	0.20	750.00	\$150.00
01/11/2022	HRW	BCC	Email L. Canty re: discovery in Advisors Admin Claim (0.1).	0.10	750.00	\$75.00
01/11/2022	HRW	BCC	Review 30(b)(6) deposition outline for Advisors Admin Claim (0.3).	0.30	750.00	\$225.00
01/12/2022	JNP	BCC	Conference with John A. Morris regarding issues regarding administrative claims trial and call with J. Seery regarding variety of issues.	0.40	1445.00	\$578.00
01/12/2022	JAM	BCC	Prepare for Waterhouse deposition (0.6); tel c. w/ D. Dandeneau re: Waterhouse deposition and related matters (0.5); tel c. w/ H. Winograd re: HCMFA claim litigation (0.2); draft Rule 30(b)(6) topics for Retail Board (0.5); tel c. w/ H. Winograd, L. Hogewood, D. Rukavina, others re: subpoena on Retail Board (0.6); e-mail to H. Winograd, L. Hogewood, D. Rukavina, others re: subpoena on Retail Board (0.5).	2.90	1395.00	\$4,045.50
01/12/2022	HRW	BCC	Review email from J. Morris re: meet and confer concerning Subpoena on Retail Board (0.2).	0.20	750.00	\$150.00
01/12/2022	HRW	BCC	Meet and confer concerning Subpoena on Retail Board (0.6).	0.60	750.00	\$450.00
01/14/2022	JAM	BCC	Tel c. w/ L. Hogewood re: Retail Board stipulation (0.1); tel c. w/ H. Winograd re: status, depositions	0.40	1395.00	\$558.00

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				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
			(0.3).			
01/17/2022	JAM	BCC	Communications w/ D. Rukavina re: depositions/scheduling (0.2).	0.20	1395.00	\$279.00
01/19/2022	JAM	BCC	Review/revise draft Stipulation concerning Retail Board (0.4); e-mails w/ H. Winograd re: Retail Board's written responses to discovery (0.1); e-mails w/ defense counsel re: assertion of privileges and related matters (0.1); tel c. w/ D. Dandeneau re: Waterhouse deposition (0.1).	0.70	1395.00	\$976.50
01/19/2022	HRW	BCC	Email J. Morris re: stipulation re: Subpoena on Retail Board (0.1).	0.10	750.00	\$75.00
01/19/2022	HRW	BCC	Review objections re: Subpoena on Retail Board (0.3).	0.30	750.00	\$225.00
01/19/2022	HRW	BCC	Email J. Morris re: objections to Subpoena on Retail Board (0.1).	0.10	750.00	\$75.00
01/19/2022	HRW	BCC	Review email from L. Hogewood and J. Morris re: stipulation re: Subpoena on Retail Board (0.1).	0.10	750.00	\$75.00
01/19/2022	HRW	BCC	Review stipulation re: Subpoena on Retail Board (0.2).	0.20	750.00	\$150.00
01/20/2022	JAM	BCC	E-mails w/ H. Winograd, L. Hogewood, D. Rukavina re: Retail Board subpoena (0.2).	0.20	1395.00	\$279.00
01/20/2022	HRW	BCC	Review email from L. Hogewood and J. Morris re: stipulation re: Subpoena on Retail Board (0.2).	0.20	750.00	\$150.00
01/21/2022	JAM	BCC	Communications w/ L. Hogewood re: Retail Board document production (0.1); e-mail to J. Donohue, G. Demo re: Retail Board document production (0.2); e-mail to court re: adjournment of hearing (0.2).	0.50	1395.00	\$697.50
01/21/2022	HRW	BCC	Review emails between J. Morris and counsel for Advisors re: scheduling for admin claim (0.1).	0.10	750.00	\$75.00
01/21/2022	HRW	BCC	Review emails between J. Morris and counsel for Funds and Advisors re: Retail Board stipulation (0.2).	0.20	750.00	\$150.00
01/24/2022	HRW	BCC	Email DSI re: supplemental production (0.2).	0.20	750.00	\$150.00
01/24/2022	HRW	BCC	Email J. Morris and L. Canty re: supplemental production (0.1).	0.10	750.00	\$75.00
01/24/2022	HRW	BCC	Review supplemental production (0.1).	0.10	750.00	\$75.00
01/24/2022	HRW	BCC	Review email from J. Morris re: supplemental production (0.1).	0.10	750.00	\$75.00
01/25/2022	JAM	BCC	E-mails w/ T. Surgent, H. Winograd, L. Hogewood re: production of e-mails for Retail Board members (0.3).	0.30	1395.00	\$418.50

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[illegible]

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## **EXHIBIT 139**

**Pachulski Stang Ziehl & Jones LLP**

10100 Santa Monica Blvd.  
13th Floor  
Los Angeles, CA 90067

February 28, 2022

Invoice 129791

Client 36027

Matter 00003

**JNP**

James P. Secry, Jr.  
Highland Capital Management LP  
100 Crescent Court, Suite 1850  
Dallas, TX 75201

RE: Post-Effective Date

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**STATEMENT OF PROFESSIONAL SERVICES RENDERED THROUGH 02/28/2022**

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**Summary of Services by Task Code**

<u>Task Code</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
BCC	HCMLP v. Advisors 21-03010	75.30	\$65,193.00

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**HCMLP v. Advisors 21-03010**

01/05/2022	LSC	BCC	Continued preparation for 30(b)(6) deposition.	1.60	495.00	\$792.00
01/07/2022	LSC	BCC	Preparation of amended notices of deposition.	0.40	495.00	\$198.00
01/12/2022	LSC	BCC	Review prior document productions and correspondence regarding need for supplemental production.	1.40	495.00	\$693.00
01/26/2022	LSC	BCC	Preparation of supplemental document production.	1.70	495.00	\$841.50
01/27/2022	LSC	BCC	Preparation of production of Retail Board emails pursuant to stipulation.	3.60	495.00	\$1,782.00
02/10/2022	HRW	BCC	Review email from J. Morris and D. Rukavina re: deposition scheduling for admin claim (0.1).	0.10	750.00	\$75.00
02/15/2022	JAM	BCC	Communications w/ D. Rukavina, L. Hogewood re: Retail Board document production (0.4).	0.40	1395.00	\$558.00
02/15/2022	HRW	BCC	Email J. Morris re: Retail Board stipulation (0.1).	0.10	750.00	\$75.00
02/15/2022	HRW	BCC	Review Retail Board stipulation (0.1).	0.10	750.00	\$75.00
02/15/2022	HRW	BCC	Email emails from D. Rukavina and L. Hogewood re: Retail Board document production (0.2).	0.20	750.00	\$150.00
02/21/2022	JAM	BCC	Begin preparation for depositions and related work (1.4).	1.40	1395.00	\$1,953.00
02/22/2022	JAM	BCC	E-mails w/ J. Seery, D. Rukavina, D. Dandeneau, L. Canty re: deposition schedule (0.5); tel c. w/ J. Seery re: HCMFA administrative claim (0.1); tel c. w/ H. Winograd re: depositions, facts (0.3); review documents (2.5); tel c. w/ H. Winograd re: HCMA claim (0.1).	3.50	1395.00	\$4,882.50
02/22/2022	HRW	BCC	Calls with J. Morris re: Advisors admin claim (0.5).	0.50	750.00	\$375.00
02/22/2022	HRW	BCC	Review emails from J. Morris and opposing counsel re: Admin claim scheduling (0.1).	0.10	750.00	\$75.00
02/22/2022	HRW	BCC	Email J. Morris re: Advisors admin claim deposition (0.1).	0.10	750.00	\$75.00
02/22/2022	HRW	BCC	Email J. Morris re: Advisors admin claim amended interrogatories (0.2).	0.20	750.00	\$150.00
02/22/2022	HRW	BCC	Email L. Canty re: re: Advisors admin claim deposition (0.1).	0.10	750.00	\$75.00
02/22/2022	HRW	BCC	Email L. Canty re: Advisors admin claim production (0.1).	0.10	750.00	\$75.00

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				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
02/22/2022	HRW	BCC	Review deposition exhibits re: Advisors admin claim (1.0).	1.00	750.00	\$750.00
02/23/2022	JAM	BCC	Review Norris deposition transcript and e-mails w/ D. Rukavina, H. Winograd re: depositions (0.8); tel c. w/ J. Seery re: HCMFA administrative claim, depositions, and related matters (0.2); review documents and prepare for depositions (3.5); tel c. w/ L. Hogewood re: Retail Board document production (0.2); tel c. w/ J. Seery re: HCMFA Administrative Claim (0.1).	4.80	1395.00	\$6,696.00
02/23/2022	LSC	BCC	Assist with preparation for upcoming depositions, including retrieval and transmittal of potential exhibits; correspondence regarding the same.	1.10	495.00	\$544.50
02/23/2022	LSC	BCC	Research regarding prior productions with respect to certain subject matters for J. Morris and H. Winograd.	1.30	495.00	\$643.50
02/23/2022	HRW	BCC	Review deposition materials re: Advisors admin claim (1.5).	1.50	750.00	\$1,125.00
02/23/2022	HRW	BCC	Call with J. Morris re: scheduling for Advisors admin claim (0.1).	0.10	750.00	\$75.00
02/23/2022	HRW	BCC	Review emails from J. Morris and D. Rukavina re: scheduling for Advisors admin claim (0.2).	0.20	750.00	\$150.00
02/24/2022	JAM	BCC	Tel c. w/ H. Winograd re: preparation for depositions (1.3); review Retail Board minutes (1.2); tel c. w/ H. Winograd re: preparation for depositions (0.2).	2.70	1395.00	\$3,766.50
02/24/2022	LSC	BCC	Prepare supplemental production and correspondence regarding the same.	0.50	495.00	\$247.50
02/24/2022	HRW	BCC	Call with J. Morris re: depositions for advisors admin claim (1.5).	1.50	750.00	\$1,125.00
02/24/2022	HRW	BCC	Review deposition materials re: Advisors admin claim (2.0).	2.00	750.00	\$1,500.00
02/24/2022	HRW	BCC	Review emails from J. Morris and L. Canty re: Advisors supplemental production (0.1).	0.10	750.00	\$75.00
02/24/2022	HRW	BCC	Review email from L. Hogewood re: Retail Board production (0.1).	0.10	750.00	\$75.00
02/24/2022	HRW	BCC	Review emails from D. Rukavina and J. Morris re: Admin claim trial (0.1).	0.10	750.00	\$75.00

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				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
02/24/2022	HRW	BCC	Email J. Morris re: deposition materials re: Advisors admin claim (0.2).	0.20	750.00	\$150.00
02/25/2022	JAM	BCC	Tel c. w/D. Klos, H. Winograd re: facts underlying claim (2.0); tel c. w/ H. Winograd re: deposition preparation (0.5); e-mails w/ D. Rukavina re: deposition schedule and discovery issues (0.2); prepare for depositions (0.6).	3.30	1395.00	\$4,603.50
02/25/2022	LSC	BCC	Review discovery documents and update potential exhibits in connection with upcoming depositions.	1.30	495.00	\$643.50
02/25/2022	HRW	BCC	Call with J. Morris re: depositions for Advisors admin claim (0.5).	0.50	750.00	\$375.00
02/25/2022	HRW	BCC	Call with J. Morris and D. Klos re: depositions for advisors admin claim (2.0).	2.00	750.00	\$1,500.00
02/25/2022	HRW	BCC	Email L. Canty re: Advisors admin claim deposition materials (0.1).	0.10	750.00	\$75.00
02/25/2022	HRW	BCC	Email D. Rukavina re: Advisors admin claim supplemental production (0.1).	0.10	750.00	\$75.00
02/25/2022	HRW	BCC	Review emails from J. Morris and D. Rukavina re: outstanding issues in Advisors admin claim (0.1).	0.10	750.00	\$75.00
02/25/2022	HRW	BCC	Email L. Canty re: deposition schedules for Advisors admin claim (0.1).	0.10	750.00	\$75.00
02/25/2022	HRW	BCC	Review deposition materials re: Advisors admin claim (1.5).	1.50	750.00	\$1,125.00
02/25/2022	HRW	BCC	Review email from D. Klos re: Advisors admin claim deposition materials (0.2).	0.20	750.00	\$150.00
02/26/2022	JAM	BCC	Review/revise deposition notices and subpoenas for Sauter, Norris, Rule 30(b)(6) witness, Waterhouse, and Retail Board ("Deposition Notices") (1.1); e-mail to J. Pomerantz, G. Demo, H. Winograd, L. Canty re: Deposition Notices (0.2); e-mails w/ Z. Annable, H. Winograd, L. Canty re: Deposition Notices (0.2); e-mail to L. Hogewood, D. Rukavina, H. Winograd re: Retail Board minutes, privilege assertions, and related matters (0.3); e-mail to J. Seery, T. Surgent, D. Klos, H. Winograd re: Retail Board minutes (0.2).	2.00	1395.00	\$2,790.00
02/26/2022	HRW	BCC	Draft 30(b)(6) deposition outline (7.5).	7.50	750.00	\$5,625.00
02/26/2022	HRW	BCC	Review deposition notices (0.2).	0.20	750.00	\$150.00

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				<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
02/26/2022	HRW	BCC	Review email from J. Morris re: deposition notices (0.1).	0.10	750.00	\$75.00
02/26/2022	HRW	BCC	Review email from J. Morris re: Retail Board subpoena (0.1).	0.10	750.00	\$75.00
02/27/2022	HRW	BCC	Draft 30(b)(6) deposition outline and related tasks (8.5).	8.50	750.00	\$6,375.00
02/28/2022	IDK	BCC	E-mails with J Morris re Dondero administrative claim issues and research needed.	0.30	1495.00	\$448.50
02/28/2022	JAM	BCC	Tel c. w/ H. Winograd re: deposition issues (0.3); tel c. w/ J. Dine re: legal research on Voluntary Payment Rule (0.1); e-mail to J. Dine, H. Winograd re: Voluntary Payment Rule (0.1).	0.50	1395.00	\$697.50
02/28/2022	LSC	BCC	Continued preparation of potential exhibits in connection with upcoming depositions.	2.90	495.00	\$1,435.50
02/28/2022	LSC	BCC	Coordinate scheduling of Court Reporters for upcoming depositions.	0.50	495.00	\$247.50
02/28/2022	HRW	BCC	Call with D. Klos re: depo prep for Advisors Admin claim (0.7).	0.70	750.00	\$525.00
02/28/2022	HRW	BCC	Email with D. Klos re: depo prep for Advisors Admin claim (0.3).	0.30	750.00	\$225.00
02/28/2022	HRW	BCC	Call with J. Morris re: depo prep for Advisors Admin claim (0.3).	0.30	750.00	\$225.00
02/28/2022	HRW	BCC	Call with L. Canty re: depo prep for Advisors Admin claim (0.1).	0.10	750.00	\$75.00
02/28/2022	HRW	BCC	Review email from L. Hogewood re: Retail Board subpoena (0.1).	0.10	750.00	\$75.00
02/28/2022	HRW	BCC	Draft 30(b)(6) deposition outline and related deposition prep (8.0).	8.00	750.00	\$6,000.00
02/28/2022	JMD	BCC	Research re Sevices Agreement litigation issues. (1.2)	1.20	1295.00	\$1,554.00
				<b>75.30</b>		<b>\$65,193.00</b>

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## **EXHIBIT 140**



Worldwide - 24 Hours

(877) 702-9580

www.tsgreporting.com

INVOICE DATE: 3/15/2022

INVOICE #: 2075616

JOB #: 207409

**BILL TO:** Pachulski Stang Ziehl & Jones LLP  
c/o John Morris  
780 Third Avenue, 34th Floor  
New York, NY 10017-2024 US

**SHIP TO:** Pachulski Stang Ziehl & Jones LLP  
c/o John Morris  
780 Third Avenue, 34th Floor  
New York, NY 10017-2024 US

**CASE:** In re: Highland Capital Management, L.P.  
**WITNESS:** James P. Seery, Jr. 30(b)(6) Highland Capital Management, L.P.  
**JOB DATE:** 3/11/2022  
**LOCATION:** TELEPHONIC, New York, NY, 10017, US

**NOTES:**

<b>SHIP VIA</b>	Overnight	<b>TERMS</b>	Net 30
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Services	Qty	Pages	Rate	Amount
<b>James P. Seery, Jr. 30(b)(6) Highland Capital Management, L.P.</b>				
Original & 1 Certified Transcript	1	103	\$4.95	\$509.85
Compressed / ASCII / Word Index - Complimentary	1		\$55.00	\$0.00
Original Transcript - Immediate Delivery - Complimentary	1	103	\$5.45	\$0.00
Exhibit Processing - Scanned & Hyperlinked - B&W	1	122	\$0.25	\$30.50
Exhibit Processing - Scanned & Hyperlinked - Color	1	8	\$1.00	\$8.00
File Creation Fee - Hyperlinked Exhibits - Complimentary	1		\$45.00	\$0.00
<b>Other Services</b>				
Reporter Appearance Fee / Session - Remote	1		\$145.00	\$145.00
Remote Video Stream / Zoom	1		\$150.00	\$150.00
SUBTOTAL				\$843.35
SHIPPING & HANDLING				\$15.00
TOTAL				\$858.35

THE SHIPPING CHARGE REFLECTS THE TOTAL COST OF ALL SHIPMENTS FOR YOUR ORDER ON THIS JOB.

**THANK YOU FOR YOUR BUSINESS!**

Please make all checks payable to: TSG Reporting Inc.

Remit by Mail to: TSG Reporting Inc. PO Box 95568 Grapevine, TX 76099-9708

Federal ID # 41-2085745

For prompt payment processing, please include the invoice # with your check. All balances in arrears will be assigned a late fee of 1.5% per month, not exceeded the legal limit. If you have any questions, please call TSG.

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**EXHIBIT 141**

**INTENTIONALLY  
OMITTED**



## **EXHIBIT 142**

# 2018 Review & 2019 Outlook

February 6, 2019

ACL-081627

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## Executive Summary

- **2018 Estimated operating loss of \$5 million (consolidated HCMLP + affiliated advisors)**
  - Significant reductions in operating costs helped offset the decline in fee revenue
  - Additional investing losses experienced primarily through mark-to-market losses in Select and amongst various portfolio companies
- **Real estate expanded with several large investments (Creek Pine, Cityplace, EDS, and SE Multifamily) and closed-end platform added \$202 million of capital through the NHF rights offering, whereas institutional and open-end platforms lost assets through net redemptions**
- **Focus for 2019 will be cash management and growth of permanent capital platform**
  - Significant investment capital will be needed throughout the year, with sourcing TBD
- **The overall platform will continue to experience operating cash shortfalls in 2019**
  - Overall run-rate negative operating cash flow projected at \$10 million, which does not account for substantial expected investments/commitments or one-time items
  - 77% of management fee revenue is now generated from permanent capital, providing a solid foundation to build upon

## New Ventures & Other Wins

- **New vehicles**
  - Meritage, Estates, Retreat, and Southeast Portfolio DSTs
  - Vinebrook Residential Trust
  - NexPoint Healthcare Opportunities Fund
  - Highland Flexible Income UCITS Fund
- **Add-Ons**
  - [REDACTED] \$23 million (effective 2/1/2019)
- **Rights Offerings**
  - NHF Rights Offering - \$202 million

## Redemptions/Fund Closures

- **Notable Redemptions**
  - [REDACTED]
    - Longhorn B - \$21.4 million
- **Funds Closed**
  - TMRS/Bandera
  - [REDACTED]
  - Diversified Credit Fund
  - Life Settlements Program
  - Granite Bay L/S Credit Fund

## 2018 Operating Cash Flows

(\$mm)	HCMLP	HCMFA	NPA	Elims	Total
Management fee revenue	\$ 35.1	\$ 23.1	\$ 20.7	\$ (15.8)	\$ 63.1
Shared service fees	9.2	-	-	(8.2)	1.0
Incentive fees	0.0	-	-	-	0.0
Other income	1.0	0.6	3.4	-	5.0
<b>Operating revenue</b>	<b>\$ 45.4</b>	<b>\$ 23.7</b>	<b>\$ 24.1</b>	<b>\$ (24.0)</b>	<b>\$ 69.1</b>
Compensation & benefits	33.9	9.8	8.4	-	52.1
Professional services	9.3	0.4	0.4	-	10.0
Subadvisor fees	-	6.7	5.6	(12.3)	-
Shared service fees	-	2.7	3.0	(5.7)	-
Marketing and advertising	2.3	0.6	0.2	-	3.1
Investment research	0.8	0.5	0.0	-	1.3
Depreciation	1.3	-	-	-	1.3
Bad debt	6.0	-	-	(6.0)	-
Other operating expenses	5.0	0.3	0.6	-	6.0
<b>Total operating expenses</b>	<b>\$ 58.5</b>	<b>\$ 21.1</b>	<b>\$ 18.3</b>	<b>\$ (24.0)</b>	<b>\$ 73.8</b>
<b>Net operating income / (loss)</b>	<b>\$ (13.1)</b>	<b>\$ 2.6</b>	<b>\$ 5.8</b>	<b>\$ -</b>	<b>\$ (4.7)</b>
<u>Adjustments for cash flow</u>					
Receipt of 2017 incentive fees in 2018	6.9	-	-	-	6.9
Other working capital adjustments	(1.0)	(3.0)	(2.8)	-	(6.8)
Add back: Depreciation	1.3	-	-	-	1.3
<b>Operating cash flow</b>	<b>\$ (5.9)</b>	<b>\$ (0.3)</b>	<b>\$ 3.0</b>	<b>\$ -</b>	<b>\$ (3.2)</b>

## Entity Level – Compensation Paid/Vested - 2018 (\$ 000s)

- **Aggregate reduction in \$5.2 million (or 11%) cash payments from 2017 to 2018**
- Does not include Jim or Mark compensation information
- Also excludes external consultants and non-Paylocity entities (Korea, Singapore)
- Summary of actual payments or vesting of awards occurring in 2018, **except NXRT RSU's**
- Does not include equity distributions or deferred awards granted, but not vested

Entity	Salaries	Bonuses Paid <sup>(1)</sup>	Commission Paid	DRIP, Severance, Spots, PTO	Payout of Deferred Awards	Total 2018	Total 2017	Increase / (Decrease)
HCMLP	\$ 11,975	\$ 13,559	-	\$ 930	\$ 3,535	\$ 30,000	\$ 29,613	\$ 387
HCMFA	2,370	3,262	-	856	185	6,674	9,448	(2,774)
HCFD	1,530	58	1,012	447	-	3,046	5,987	(2,941)
NexPoint	1,178	1,210	-	87	23	2,498	1,882	616
HC of NY	318	34	-	56	-	408	964	(556)
NXRT	198	77	-	4	-	279	191	88
JMIJM	112	0	-	0	-	112	116	(4)
<b>Totals</b>	<b>\$ 17,681</b>	<b>\$ 18,199</b>	<b>\$ 1,012</b>	<b>\$ 2,381</b>	<b>\$ 3,743</b>	<b>\$ 43,017</b>	<b>\$ 48,201</b>	<b>\$ (5,184)</b>
Inc./ (Dec) from 2017	\$ (2,101)	\$ (2,108)	\$ (2,033)	\$ 608	\$ 450	\$ (5,184)		
% Inc./ (Dec)	-11%	-10%	-67%	34%	14%	-11%		

(1) Bonuses paid represent actual bonuses processed and paid in 2018 as opposed to bonuses awarded in February

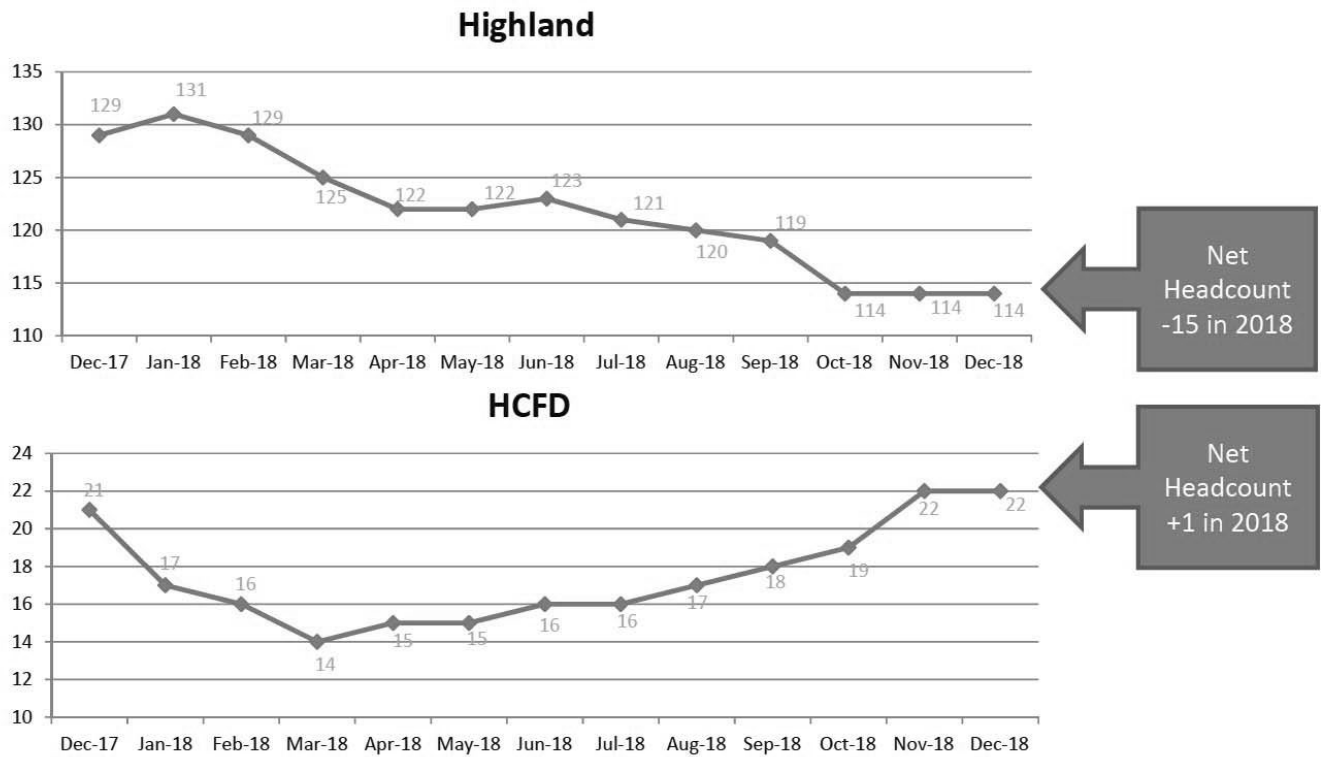
## HR Notes

- **Highlights**
  - Self-Insurance (Health/Dental) saved Highland complex ~\$0.5 million in 2018
  - Sourced/hired 19 new employees for Highland platform
  - 33 terminations (includes voluntary and involuntary)
- **TimeKeeper**
  - In 2018, no employees finished below their required average
- **Internal Transfers**
  - Sean Fox from Valuation to PE
  - Taylor Colbert from Fund Accounting to PE
  - Madeline Frizell from Institutional Fundraiser to Retail National Accounts Director
  - Clay Coleman from Internal Wholesaler to Business Dev. Associate, Real Estate
  - Brandon Wurz focused on hair salon in addition to CLO Surveillance duties
- **Promotions (after normal February review cycle)**
  - Dustin Norris to Head of Distribution
  - Mike Hurley to PM of Premier Growth
  - Ian Howle to Hybrid Wholesaler
  - Austin Sims to Hybrid Wholesaler



## Month by Month Headcount – 2018<sup>(1)</sup>

- Highland headcount reduced 18% since 2016 peak of 139 employees



(1) Excludes consultants

8

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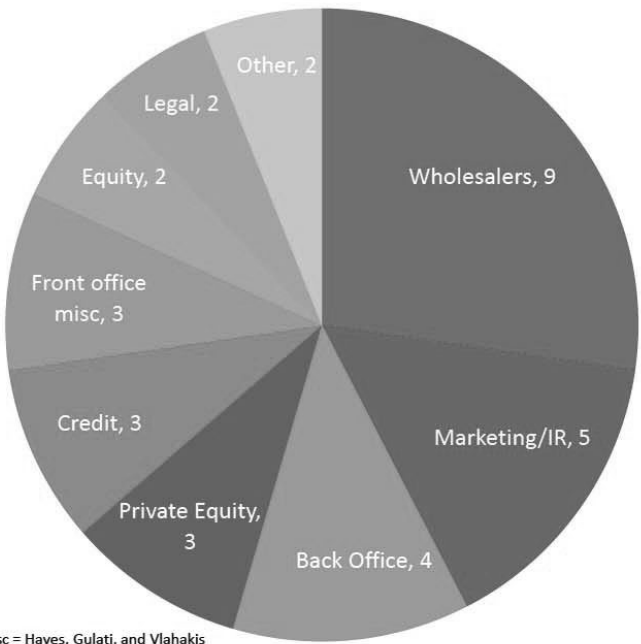
002176

## 2018 New Hires

- **Highland**
  - **9 New Hires** (net -15 employees for 2018)
  - Key Hires:
    - No MD's or Directors
    - Freddy Chang (AGC for RE team)
    - Cody Morton (RE Analyst)
    - 5 back-fills
  - Intra-year hire/terms: Whetstone, Brennan
- **HCFD (Wholesalers, National Accounts)**
  - **10 New Hires** (net +1 employees for 2018)
  - Key Hires:
    - Micah Jordan
    - Madeline Frizell
    - Other internals and externals

# 2018 Terminations

- **Turnover spread broadly, but more than typical at the Director/MD level**
  - 33 total terminations; 14 at MD or Director



- **Highland**
  - **24 Terms**
  - **Notable Terms:**
    - Michael Gregory
    - Jonathan Lamensdorf
    - Brad Ross
    - Chris Hayes
    - Sanjay Gulati
    - Jake Tomlin
    - Eric Fedoryshyn
    - Michael Phillips
    - Brad Eden
    - Damon Krytzer
    - Nikki Gill
    - Carl Moore
    - Scott Wilson
    - Phil Ryder

- **HCFD (Wholesalers)**
  - **9 Terms**

(1) Front office misc = Hayes, Gulati, and Vlahakis  
(2) Other = Ross and Musser  
(3) Note: Two back office employees (Fox and Colbert) transferred from back office to PE (not reflected in data above); pro forma would be 6 back office terms, 1 PE term  
(4) Note: Does not include Jameson, Dameris, or Blumer (all termed on 12/31/17)

## Legal Matters – Advisors (\$ 000s)

- Below summarizes total invoices to Highland and affiliates<sup>(1)</sup> during 2018, paid or unpaid
- Amounts will differ from recorded legal expense to the extent reimbursable and to the extent that Highland received reimbursement of previously expensed fees
  - Additional expenses likely as December invoicing is received

Top Matters	Invoiced	Paid	Partially or Fully Reimbursable?
	\$ 6,808	\$ 3,121	No
	3,091	146	Yes
	2,518	-	No
	717	105	No
	404	255	No
	351	13	Yes
	320	3	Yes
	315	138	No
	208	1	No
	134	102	No
Sub-Total	\$ 14,865	\$ 3,885	
All Other Matters	603		
Grand Total	\$ 15,468		

← \$11,682  
in 2017

Top Law Firms	Invoiced
	\$ 4,747
	2,518
	1,837
	1,792
	831
	694
	638
	368
	266
	257
Sub-Total	\$ 13,948

↑ \$9,521  
in 2017

- (1) Includes [REDACTED].
- (2) Paid column shows zero because all amounts paid are reimbursed in the normal course.

## Legal Entity Creation Summary

Entity Category	Added	Dissolved	Net
DST related entities	119	-	119
RE subsidiaries	79	(34)	45
Fund entities and related	6	(16)	(10)
Dondero/Trust related	5	-	5
Advisor and related	2	(2)	-
Life Insurance Company	1	-	1
Blocker	-	(9)	(9)
	212	(61)	151
Entity Roll			
Beginning Entities 1/1/18	670		
Net Added	151		
Entities 12/31/18	821		
% Increase YOY	23%		
Jurisdictions of new entities			
Delaware	196		
Texas	6		
Cayman Islands	5		
Maryland	3		
Canada	1		
Ireland	1		
Total	212		

- Net 151 new entities
  - Mostly RE/DST related
- 6 different jurisdictions
- 23% increase year-over-year

## Assumptions in Forecast - Revenue

- **CLOs**
  - 1.0s – continued amortization throughout 2019
- **Existing Products**
  - NHF - \$265 million rights offering in June 2019
  - FRO - \$386 million rights offering in June 2019
  - GAF - \$100 million rights offering in December 2019
  - Vinebrook - \$80 million additional equity raised by YE2019
- **New Funds/Strategies**
  - Hedge Funds - \$23 million Dynamic Income sub in Feb 2019
  - New DSTs - \$300 million equity raised; \$2 million Acquisition Fees
  - NO INCENTIVE FEES

## Assumptions in Forecast – Top 10 Fee Generators (in thousands)

- The top 10 funds are projected to generate ~85% of the total management fee revenue for the Highland complex

Rank	Fund	2019 Projected Fees	% of Total
1	Floating Rate Opportunities Fund	\$14,881	22.51%
2	NexPoint Strategic Opportunities Fund	13,918	21.05%
3	NexPoint Residential Trust	7,048	10.66%
4	CLO Holdco	5,600	8.47%
5	NexBank	3,520	5.32%
6	1.0 CLOs	4,000	6.05%
7	Long Short Equity Fund	2,476	3.75%
8	BDC	1,935	2.93%
9		1,440	2.18%
10	Global Allocation Fund	1,356	2.05%
<b>Total of Top 10</b>		<b>\$56,174</b>	<b>84.97%</b>
Other funds <sup>(1)</sup>		9,939	15.03%
<b>Total</b>		<b>\$66,113</b>	<b>100.00%</b>

(1) The Other funds comprising the remainder of projected 2019 fee revenue does NOT include any registered, but not yet launched retail products such as new interval and open-end funds.

## 2019 Projected Operating Cash Flows

**HCMLP, NPA, HCMFA Consolidated**  
**Operating Cash Projections/Budget January 1, 2019 - December 31, 2019**  
*(in millions)*

Management fee receipts	\$	66
<b>Operating payments</b>		
Compensation and benefits		(51)
External legal		(5)
Other operating expenses		(20)
Total operating payments		<u>(76)</u>
<b>Run rate operating cash flow</b>		<u><b>(10)</b></u>
<b>Other expected one-time expenses</b>		
Accrued and unpaid aged legal expenses		(9)
GAF consent fee		(5)
Total other expected one-time expenses		<u>(14)</u>
<b>Net operating cash flows after one-time expenses</b>	<b>\$</b>	<u><b>(24)</b></u>



Questions / Comments / Other Points of Discussion?

## **EXHIBIT 143**

NexPoint Advisors / HCM Fund Advisors / NexPoint Securities, Inc.

2019 Review &  
2020 Outlook

February 14, 2020

002186

## Summary – NexPoint / HCM Fund Advisors / BD

- **2019 Estimated operating income of \$15 million**
  - Significant growth in the real estate platform
  - Minimal liquid balance sheet
- **NexPoint Advisors, LP (“NPA”) will generate substantial operating cash flow through the continued growth of the real estate platform**
  - Overall run-rate operating cash flow projected at \$17 million, which does not account for expected investments/commitments or one-time items
- **Highland Capital Management Fund Advisors, LP (“HCMFA”) revenue will continue to modestly decline as open-end fund outflows are expected to continue. However, the entity continues to operate cash flow positive almost solely due to Highland Income Fund (HFRO).**
  - Projecting \$2 million of net cash flow for HCMFA
- **NexPoint Securities, Inc (the “BD”) now generates substantial revenues through selling non-traded products. However, these revenues do not fully cover the operating expenses of the entity**
  - Projecting \$4 million of negative cash flow prior to intercompany agreements which then cover the shortfall

## New Ventures & Other Wins

- **New vehicles**
  - Flamingo, Texas MultiFamily, and Polo Glen DSTs
  - NexPoint Hospitality Trust
  - NREF (post year-end)
- **Equity raises**
  - NHF Rights Offering - \$240 million
  - FRO Preferred Equity Offering - \$135 million
- **Fund conversion**
  - GAF from open-end to closed-end

002188

# Closed-end and Open-end platforms

- GAF converted to closed end Q1 2019
- Open-end platform experienced net redemptions
- Post year-end: Energy MLP liquidated

	12/31/2018 NAV (\$mm)	12/31/2019 NAV (\$mm)	Change (\$mm)
<b>Closed-end</b>			
NexPoint Strategic Opportunities Fund	\$ 763.8	\$ 959.2	\$ 195.4
Highland Income Fund	1,037.9	984.8	(53.1)
Highland Global Allocation Fund	337.8	267.3	(70.5)
Sub-total Closed-end	\$ 2,139.5	\$ 2,211.4	\$ 71.9
<b>Open-end &amp; ETF: Managed</b>			
Highland/iBoxx Senior Loan ETF	372.4	275.5	(96.9)
Highland Socially Responsible Fund	113.5	80.9	(32.6)
Highland Long/Short Equity Fund	243.5	72.8	(170.7)
Highland Small-Cap Equity Fund	39.6	40.4	0.8
Highland Long/Short Healthcare Fund	48.1	37.4	(10.7)
Highland Merger Arbitrage Fund	26.8	30.7	3.9
Highland Opportunistic Credit Fund	48.0	26.1	(21.9)
Highland Energy MLP Fund	19.3	19.1	(0.2)
Sub-total Open-end & ETF: Managed	\$ 911.3	\$ 582.9	\$ (328.4)
<b>Open-end: Sub-advised (First Fdn)</b>			
Highland Fixed Income Fund	188.9	195.6	6.7
Highland Total Return Fund	75.3	85.0	9.8
Highland Tax-Exempt Fund	11.9	-	(11.9)
Sub-total Open-end: Sub-advised (First Fdn)	\$ 276.0	\$ 280.6	\$ 4.6

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# 2019 Operating income

(\$mm)	NPA	HCMFA	NSI	Elims	Total
Management fee revenue	28.9	18.4	-	-	47.4
Acquisition fees	4.8	-	-	-	4.8
Dealer-manager fees / UW commissions	-	-	3.4	-	3.4
Transfer pricing revenue	-	-	3.4	(3.4)	-
Shared service fee revenue	0.1	0.7	-	(0.7)	-
Other income	0.0	-	0.0	-	0.0
<b>Operating revenue</b>	<b>\$ 33.8</b>	<b>\$ 19.1</b>	<b>\$ 6.8</b>	<b>\$ (4.2)</b>	<b>\$ 55.6</b>
Comp & benefits	9.8	4.0	6.2	-	20.0
Subadvisor fees (to HCMLP)	3.0	5.0	-	-	8.0
Shared service fees	3.0	3.7	0.7	(0.7)	6.7
Professional services	1.7	0.3	0.2	-	2.2
Marketing and advertising	0.0	0.5	1.3	-	1.8
Investment research	0.3	0.3	-	-	0.6
Subadvisor fees (to First Fdn)	-	0.5	-	-	0.5
Broker dealer	2.7	0.7	-	(3.4)	-
Other operating expenses	0.4	0.4	0.3	-	1.1
<b>Total operating expenses</b>	<b>\$ 20.9</b>	<b>\$ 15.4</b>	<b>\$ 8.7</b>	<b>\$ (4.2)</b>	<b>\$ 40.9</b>
<b>Net operating income</b>	<b>\$ 12.9</b>	<b>\$ 3.8</b>	<b>\$ (1.9)</b>	<b>\$ -</b>	<b>\$ 14.7</b>

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# Estimated year-end balance sheets

(\$mm)	NPA	HCMFA	NSI	Elims	Total
Cash	\$ 5.5	\$ 0.0	\$ 0.4	\$ -	\$ 6.0
Working capital, net <sup>(1)</sup>	3.3	(1.3)	0.9	-	2.9
Investment in NSI	-	1.8	-	(1.8)	-
Investments, at fair value (BDC & GAF)	22.3	-	0.5	-	22.8
Intangible: purchased management contracts	-	4.3	-	-	4.3
	-	-	-	-	-
<b>Total assets</b>	<b>\$ 31.1</b>	<b>\$ 4.8</b>	<b>\$ 1.8</b>	<b>\$ (1.8)</b>	<b>\$ 35.9</b>
Due to HCMPL (principal)	23.0	10.4	-	-	33.4
Due to HCMPL (interest)	-	0.2	-	-	0.2
<b>Total liabilities</b>	<b>\$ 23.0</b>	<b>\$ 10.6</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33.6</b>
<b>Partners' capital</b>	<b>\$ 8.0</b>	<b>\$ (5.7)</b>	<b>\$ 1.8</b>	<b>\$ (1.8)</b>	<b>\$ 2.3</b>
<i>(1) Also includes net payables to HCMPL for expense reimbursements</i>					



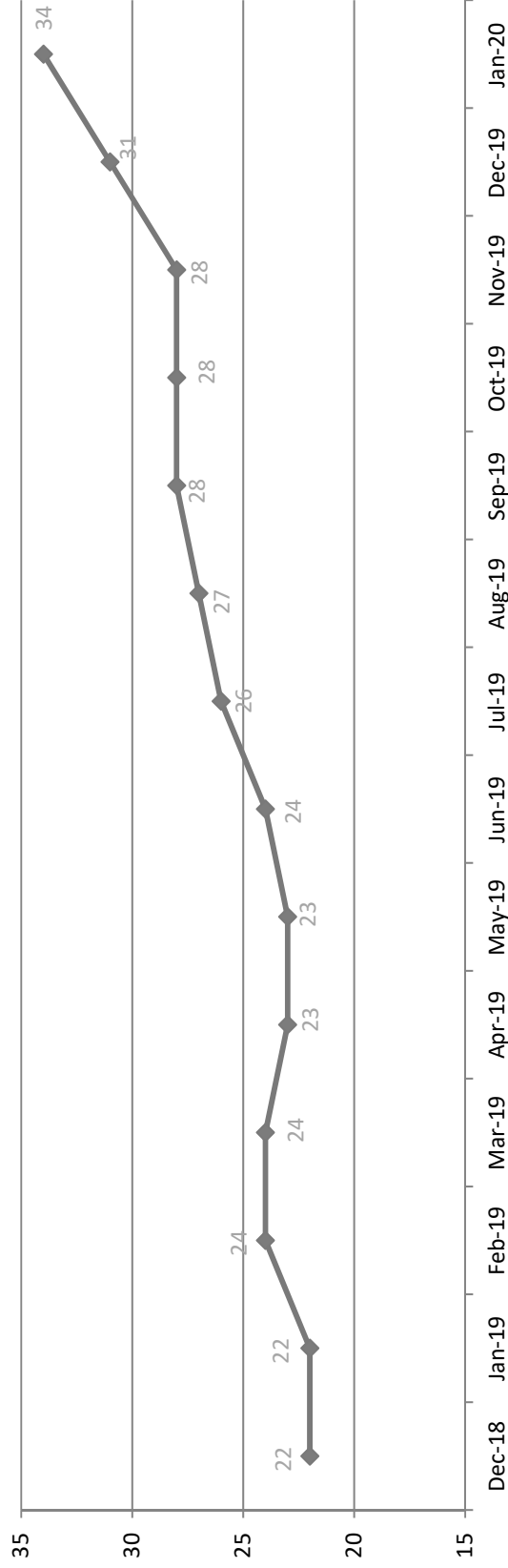
## 2019 Net Hiring <sup>(1)</sup>

- **NPA / HCMFA (year-end headcount = 28)**
  - 4 New Hires (Gifford, Simon, Zuluaga, Larkin)
  - 1 Transfer in (Colbert)
  - Net +2 employees for 2019
- **NXRT / Vinebrook / NHT (year-end headcount = 5)**
  - 3 New Hires (Emert, Haselroth, Nelson)
  - 1 Transfer in (Willmore)
  - Net +3 employees for 2019
- **Broker/Dealer (year-end headcount = 31)**
  - 12 New Hires
  - Net +9 employees for 2019
  - Key Hires:
    - Kirby Noel
    - Angela Barbera

(1) Excludes HCMLP and subsidiaries (11 hires and 1 transfer in; 19 terms and 2 transfers out; net -9)

## Month by Month Headcount – BD 2019 and 2020 YTD

- Hiring has increased at the Broker/Dealer, with positive results as selling has accelerated
  - +9 employees in 2019
  - +3 employees in 2020 through end of January



(1) Excludes consultants

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## Assumptions in Forecast - Revenue

- **Existing Products**
  - VineBrook - \$190 million additional equity by YE2020
- **New Funds/Strategies**
  - NREF - \$88.6 million closed in February 2020
  - New DSTs - \$400 million equity raised; \$4.5 million Acquisition Fees
- **Compensation**
  - Existing levels

## Assumptions in Forecast – Top 10 Fee Generators (in thousands)

- The top 10 retail funds are projected to generate 80% of the total management fee revenue for the Highland complex

Rank	Fund	Adviser	2020 Projected Fees	% of Grand Total
1	NexPoint Strategic Opportunities Fund	NPA	\$15,100	23.20%
2	Floating Rate Opportunities Fund	HCMFA	12,552	19.28%
3	NexPoint Residential Trust	NPA	7,512	11.54%
4	DSTs (Mgmt & Acquisition)	NPA	6,651	10.22%
5	VineBrook	NPA	3,074	4.72%
6	BDC	NPA	2,098	3.22%
7	NexPoint Hospitality Trust	NPA	2,000	3.07%
8	Global Allocation Fund	HCMFA	1,184	1.82%
9	NREF	NPA	1,108	1.70%
10	Long Short Equity Fund	HCMFA	513	0.79%
<b>Total of Top 10</b>			<b>\$51,791</b>	<b>79.57%</b>
Other retail funds (10)			2,094	3.22%
<b>Subtotal</b>			<b>53,885</b>	<b>82.78%</b>
HCMLP funds <sup>(1)</sup>			11,206	17.22%
<b>Grand total</b>			<b>\$65,091</b>	<b>100.00%</b>

(1) Significant fee streams: DAF \$4.3mm, CLOs \$3.2mm, NexBank \$2.4mm

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ACL-081652

# 2020 Projected Operating Cash Flows

NPA, HCMFA, NSI Consolidated  
Operating Cash Projections/Budget January 1, 2020 - December 31, 2020  
(in millions)

	<u>NPA</u>	<u>HCMFA</u>	<u>NSI</u>	<u>Elims</u>	<u>Total</u>
<b>Operating receipts</b>					
Management fee receipts	\$ 33.0	\$ 16.4	\$ -	\$ -	\$ 49.4
Dealer manager fee receipts	-	-	7.0	-	7.0
Acquisition fee receipts	4.5	-	-	-	4.5
Transfer pricing fee receipts	-	-	4.0	(4.0)	-
Total operating receipts	37.5	16.4	11.0	(4.0)	60.9
<b>Operating payments</b>					
Compensation and benefits, current headcount <sup>(1)</sup>	(9.0)	(2.7)	(8.1)	-	(19.8)
Transfer pricing expense to NSI	(3.4)	(0.6)	-	4.0	-
Subadvisory expense to HCMFA	(3.0)	(5.0)	-	-	(8.0)
Shared services expense to HCMFA	(2.9)	(3.7)	-	-	(6.6)
Other operating expenses	(2.0)	(2.0)	(2.9)	-	(6.9)
Total operating payments	(20.3)	(14.0)	(11.0)	4.0	(41.3)
<b>Net operating cash flow</b>	<b>\$ 17.2</b>	<b>\$ 2.4</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19.7</b>
<b>Impact of potential adjustments</b>					
Insider salary	\$ -	\$ -	\$ -	\$ -	\$ -
Insider bonuses	(6.6)	-	-	-	(6.6)
Subtotal	(6.6)	-	-	-	(6.6)
Savings from shared services	2.2	-	-	-	2.2
<b>Proforma cash flow</b>	<b>\$ 12.8</b>	<b>\$ 2.4</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15.3</b>

(1) Assumes keeping NPA & HCMFA comp flat YOY

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ACL-081653

Questions / Comments / Other Points of Discussion?

## **EXHIBIT 144**

**From:** David Klos <DKlos@HighlandCapital.com>

**To:** Isaac Leventon <ILeventon@HighlandCapital.com>

**Subject:** privileged

**Date:** Mon, 4 Nov 2019 14:42:30 +0000

**Importance:** Normal

**Attachments:** Interco\_analysis\_11.4.19.pdf

---

Here's the intercompany allocation summary.





**EXHIBIT 145**

**DOCUMENT PROVIDED IN  
NATIVE FORMAT**

002201

## **EXHIBIT 146**

**From:** David Klos <DKlos@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Kristin Hendrix  
<KHendrix@HighlandCapital.com>

**Subject:** RE: Nexpoint and HCMFA shared services and sub advisory

**Date:** Thu, 23 Jan 2020 13:32:06 +0000

**Importance:** Normal

---

Monthly amounts below

HCMFA

\$416k flat for investment support

\$290k-\$300k for shared services

NPA

\$252k flat for investment support

\$248k flat for shared services (\$168k from NPA directly; \$80k from NREA, but assume you're looking for a consolidated number)

-----Original Message-----

From: Frank Waterhouse

Sent: Thursday, January 23, 2020 6:51 AM

To: Kristin Hendrix <KHendrix@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>

Subject: Nexpoint and HCMFA shared services and sub advisory

Can you please send me the monthly amount for each agreement? If any amount is bp let me know but please give me the number we are using in cash. Thanks!

## **EXHIBIT 147**

002204

**From:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>

**To:** Kristin Hendrix <KHendrix@HighlandCapital.com>

**Cc:** David Klos <DKlos@HighlandCapital.com>

**Subject:** RE: Wires for today

**Date:** Tue, 11 Feb 2020 20:12:34 +0000

**Importance:** Normal

**Inline-Images:** image001.jpg; image002.jpg

---

ok

---

**From:** Kristin Hendrix

**Sent:** Tuesday, February 11, 2020 2:12 PM

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>

**Cc:** David Klos <DKlos@HighlandCapital.com>

**Subject:** Wires for today

**HCMFA**

HCMLP	USD	300,797.00	Shared Services
-------	-----	------------	-----------------

**NPA**

JPM - Dugaboy	USD	209,790.05	DRIP Gross Up
---------------	-----	------------	---------------

CDW	USD	1,914.67	
-----	-----	----------	--

Salesforce	USD	900.09	
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**HCFD Oper**

Salesforce	USD	900.09	
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Okay to send?

Kristin Hendrix, CPA | Manager, Corporate Accounting

**HIGHLAND CAPITAL  
MANAGEMENT**

300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.628.4127 | F: 972.628.4147

[khendrix@highlandcapital.com](mailto:khendrix@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

Highland Capital Management, LP



002205

ACL-081988

## **EXHIBIT 148**

# NEXPOINT

October 16, 2020

Mr. James Seery  
Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, TX 75201

Dear Jim:

We are writing to reiterate the concerns we have expressed about the scope and maintenance of quality of the services currently being provided by Highland Capital Management, L.P. ("HCMLP") to NexPoint Advisors, L.P. ("NexPoint") and Highland Capital Management Fund Advisors, L.P. ("HCMFA," and together with NexPoint, the "Advisors") under their respective shared services agreements (together, the "Shared Services Agreements" or "Agreements"). As you know, the Shared Services Agreements obligate HCMLP to provide a variety of investment, administrative, legal, and back-office services to the Advisors. These responsibilities on the part of HCMLP are critical to the Advisors' ability to provide top-notch advisory services to the mutual funds, closed-end funds, and other investment vehicles (collectively, the "Funds") with which they have advisory contracts.

In particular, the refusal by HCMLP to allow its employees to work on certain matters that jointly affect HCMLP and the Advisors has resulted in the Advisors incurring additional third-party costs and expenses to procure services that should rightfully be performed by HCMLP under the Shared Services Agreements. These third-party services, for which the Advisors are already compensating HCMLP under the Agreements, represent supplemental costs and expenses that the Advisors should not be obligated to pay.

Additionally, it is our understanding that all HCMLP employees will be given notice that their employment will be terminated effective as of December 31, 2020. If these employees are terminated, or are informed that they will be terminated and elect to resign, HCMLP will no longer be able to carry out its duties and obligations under the Agreements. We would thus like to request assurances from HCMLP that if elects to terminate its employees, it will work in good faith with the Advisors to put in place an orderly transition plan. Such a plan would provide for an effective transfer of services to the Advisors, seek to maximize employee retention, and permit the Advisors (or their affiliates) to hire any and all HCMLP employees, which would ensure the delivery of uninterrupted services previously provided by HCMLP under the Agreements.

Finally, we understand that HCMLP is contemplating the sale of certain assets held in several CLOs, the interests in which are also owned by the Advisors and/or the Funds advised by

308062413.3



NexPoint, HCMFA and/or their affiliates. The sale of such assets has the potential to negatively affect the valuation of the Funds. Specifically, a rush to sell these assets at fire sale prices could result in both the Funds and HCMLP not realizing their full value. Accordingly, we hereby request that no CLO assets be sold without prior notice to and prior consent from the Advisors.

We feel certain that our mutually shared goals are to minimize disruption and costs, to prevent the dislocation of services to the Advisors and the Funds, and to maximize returns for Funds and accounts advised by NexPoint, HCMFA, HCMLP, or any of their affiliates. We believe that through working cooperatively we can achieve these goals.

Thank you for your prompt attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Dustin Norris", with a stylized, cursive script.

Dustin Norris



----- Forwarded message -----

From: **Dustin Norris** <[norris.dustin@gmail.com](mailto:norris.dustin@gmail.com)>

Date: Thu, Jan 28, 2021 at 12:22 AM

Subject: Call with JP, Frank, and Klos

To: Dustin Norris <[norris.dustin@gmail.com](mailto:norris.dustin@gmail.com)>

Notes to self regarding the conversation noted below. This is all true and accurate based on everything I remember. The overall tone was not friendly, it was adversarial from the beginning as JP dove in with a very adversarial tone and a take it or leave it or lose your business approach, and there was a contentious back and forth throughout.

I had a call with JP, Frank, and Klos today, 1/27 at 4:45pm to discuss the transition of shared services and in particular the new development in our negotiations for an orderly transition of services where they are demanding payment of various amounts from all Jim related entities or they will cease services on 1/29. This was the first time payment of these amounts was mentioned, and after many assurance that they wouldn't pull access to anything, this was sent today.

The call started out with JP saying that these amounts had to be paid and that there was no other option, and that they would like to walk through the spreadsheet with me so that I had a chance to make sure I understood the numbers and that they were correct. This is the first time these amounts had been discussed in ANY of our conversations.

He turned the call over to Klos who then started to walk though the numbers on tab 2. He mentioned that the numbers being requested were the amounts owed under the shared services agreements and expense reimbursement agreements. I stopped him and asked before we proceeded for him to confirm that these were in fact the amounts that we owe under the agreements are for actual services provided. He said they were, and I then requested additional clarification in regards to the amounts owed under the NPA and HCMFA agreements, and he said they were, and i again pushed on the specifics of the agreements , which he had previously acknowledged we are overpaying for reimbursement of employees who no longer work for HCMLP and in regards to the services we receive form HCMLP that we are paying a reimbursement +5%, including legal services for which we have not received any legal or litigation support from HCMLP in months. He acknowledged that the amounts did not include the actual reimbursements in either of those cases but were the same amounts that had been billed each month in the past, so no change to the previous billing. I called them all out on this, that wasn't consistent with the agreements, and they pushed back and then forcefully yelled back that this isn't the time to litigate the agreements. I agreed and just stated that the agreements

should be paid as they are stated and again referred to the schedule noted in the shared services agreement, and they got hostile, all of them, and I then ask Frank if he had actually read the agreements. I reminded him that he was the signer on behalf of NPA and HCMFA, but also countersigned for HCMLP. He said had read the agreements, but not since they were first drafted. That would have been about three years ago.

We agreed to not dive into any more of the the specifics of the interpretation of agreements, but they all acknowledged that they all agreed we had been overpaying for the agreements, with Frank emphasizing that they all agree these aren't the proper amounts, they just couldn't change it from what was being paid before. I reminded Frank that the only people paying the amounts each month had been Frank and Dave, that no one else that I know of has the ability to process the payments. Frank said they have known that these amounts were overpayments for over a year and tried to update them, but couldn't due to the automatic stay. I pressed him on this as I was not aware at all of this fact. He said they had discussed with inside and outside counsel and there was nothing they could do now due to the automatic Stay. I let him know I knew nothing about these agreements and the overpayments until DC and myself discovered these a couple months ago as we were looking at the agreements and he said he did know and had actually created the calculation of the overpayment amounts. I reiterated my view that we aren't trying to litigate what is owed, but to actually just have the calculations done appropriately as defined by the agreement, but Frank hadn't even read the agreements since they were first drafted.

I then asked them if they have any backup plans if Jim doesn't pay. Frank asked what I meant, and I clarified and asked if they have any backup plans to provide any services to the funds, and if he as principal financial officer of the funds and CFO of the retail advisors had any plans to provide the needed services. (As an aside, in previous conversation, there was always an assurance given that the services would transition smoothly, and that Seery and Fred had no intention of cutting things off or disrupting our business, including a direct conversation with Fred last week on this, they also in other conversation had assured us that even if there was an interim period, Seery would have no issue allowing people to continue providing services- that was in discussion within the last week). Frank said there is no backup plan, and that Jim has no leverage and just has to pay. JP stepped in and said if payment isn't received by Friday Seery said he will cut off all access to the servers and emails and will shut off all access to the building. He repeated that Jim has no negotiating power here. I asked them again what the backup plan is, if they will just stop performing services on Feb 1 and then just work until their already determined last day on Feb 19 and then collect their severance check?!? Frank reiterated there is no other option now, but he guesses HCMLP employees could quit if Jim would hire them and pay them but we still wouldn't have access to our files, emails, and domains. I pointed to the books and records provisions of the shared services agreement, but JP just said they could just print out the papers and deliver them several days later, or we would have to go to the court to enforce it, and that would be of no use to us and would be too late to keep our business going if we don't have any access to the servers and email, and months later after going to the court things would be ruined (I don't think he used the word ruined, but it was something similar, that the businesses would not be functional any longer)

We then talked again about the amounts, and they stressed that Jim needed to get things paid, and then Frank came back in, and said just for the record, he had been working for a long time on

a backup plan, over a year to get Jim to set up another server, so the earlier discussion about him not having a backup plan wasn't accurate, but he said that Jim refused on numerous occasions to set up another server over the past year, and so now we find ourselves in this position, with only one option for Jim, but if he would have listened to Frank and set up another server things could have been transitioned over prior to this termination date. He said that the President of the RIA, Jim, had said no, so there was nothing he could do.

In all of this, it seems this was the plan all along - to wait until the last minute and then cut things off. They say they have been trying for a long time to set up a smooth transfer of services, however they never engaged with anyone other than Jim, and that wasn't even until the transition plan was sent to him on December 31. There were notes in the spreadsheet they sent that day that made it look like it was asking for the retail advisors to pay for the D&O insurance for Seery and the HCMLP Board, and so I was told it was dismissed by Jim and his attorneys. I hadn't seen the plan but Jim had and he said they couldn't believe they would even ask for that. When I finally for the first time so the term sheet for the transition plan, I saw the notes he was referring to, and was able to confirm that they were just placed in the wrong column. We were then able to quickly come to an agreement on the fee splitting, and then just needed to draft an agreement. That was about 10 days ago, and have not even seen a term sheet yet. and I asked almost daily who they wanted to draft the agreement, our side or their side and they did not give a response for many days, which now seems like they intentionally delayed things until the very end, never saying they planned to pull the services, until they actually sent the email today, despite many times saying that wasn't the plan at all.

## **EXHIBIT 149**

**From:** Lauren Thedford <LThedford@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Dustin Norris <DNorris@NexPointSecurities.com>, "Miller, Charles" <Charles.Miller@klgates.com>, "Dupuy, Jon-Luc" <Jon-Luc.Dupuy@klgates.com>

**Cc:** David Klos <DKlos@HighlandCapital.com>, Jason Post <JPost@HighlandCapital.com>, DC Sauter <DSauter@NexPointadvisors.com>, "Brian Collins" <BCollins@HighlandCapital.com>, Sarah Goldsmith <SGoldsmith@HighlandCapital.com>

**Subject:** 15c Call Agenda

**Date:** Tue, 13 Oct 2020 17:02:27 +0000

**Importance:** Normal

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+ Chuck & JL as we discussed high level on our 1130am call

Proposed Agenda for 15c Section of Board Meeting Today:

- HCMLP BK Update – Ellington
- Color on Transition of Employees to NexPoint – Ellington, Dustin, DC
- NPA Financial Wherewithal – Frank and Klos
- Discussion of Shared Services Agreements – DC and Dustin
- Discussion of Proof of Claims of Retail Funds – Chuck (KL)
- \*Executive Session\*
- Discussion of Approval Process

I will circulate the final agenda to this group and Scott once final.

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## **EXHIBIT 150**

**From:** Kristin Hendrix <KHendrix@HighlandCapital.com>

**To:** Jim Dondero <JDondero@HighlandCapital.com>

**Cc:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, David Klos  
<DKlos@HighlandCapital.com>

**Subject:** NexPoint Advisors Cash Forecast

**Date:** Tue, 14 Apr 2020 22:26:46 +0000

**Importance:** Normal

**Attachments:** NPA\_Cash\_Forecast\_-\_Week\_of\_4.13.20.pdf

**Inline-Images:** image001.jpg; image002.jpg

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Hi Jim,

Hope you're doing well.

Frank, Dave, and I reviewed an updated NexPoint Advisors cash forecast today. It has been a while since we have sat down with you to review. I wanted to send you a current snapshot through YE, just to keep you updated. Please let us know if you have any questions or would like to get on an call with the group to discuss.

Thanks,

Kristin

Kristin Hendrix, CPA | Manager, n Carpt erAer apui e3nngC



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O:p72.628.4127pF:p72.628.4147

khandrx@hghl ndi .Ac l.i em pwww.hghl ndi .Ac l.i em

Highland Capital Management, LP





NexPoint Advisors, L.P. - Cash Forecast  
Cash Projections/Budget April 14, 2020 - December 31, 2020  
(in thousands)

	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
<b>Beginning unrestricted cash</b>	\$ 2,378	\$ 2,380	\$ 4,601	\$ 5,259	\$ 6,246	\$ 6,791	\$ 7,580	\$ 8,626	\$ 10,962
<b>Operating Receipts</b>									
Management fees									
NHF	-	1,047	1,047	1,047	1,047	1,047	1,047	1,047	1,047
NXRT	625	625	625	625	625	625	625	625	625
BDC	305	-	-	245	-	-	245	-	-
Vinebrook	-	258	269	280	291	302	313	324	335
Other	262	287	287	287	312	312	312	337	337
Total management fees	\$ 1,192	\$ 2,218	\$ 2,229	\$ 2,485	\$ 2,276	\$ 2,287	\$ 2,543	\$ 2,334	\$ 2,345
Shared services receipts/(payments)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
Other - acquisition/disposition fees	-	1,500	-	-	1,500	-	-	1,500	-
Management fees and other related receipts	\$ 692	\$ 3,218	\$ 1,729	\$ 1,985	\$ 3,276	\$ 1,787	\$ 2,043	\$ 3,334	\$ 1,645
<b>Compensation and benefits</b>									
Payroll, benefits, and taxes + exp reimb	(248)	(496)	(496)	(496)	(696)	(496)	(496)	(496)	(496)
DRIP gross-ups	-	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)
Cash bonus awards (including deferred)	-	-	(74)	-	(1,333)	-	-	-	-
Total compensation and benefits	\$ (248)	\$ (556)	\$ (629)	\$ (556)	\$ (2,089)	\$ (556)	\$ (556)	\$ (556)	\$ (556)
<b>General overhead</b>									
Outside legal	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)
General overhead	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)
Broker dealer	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Total general overhead	\$ (442)	\$ (442)	\$ (442)	\$ (442)	\$ (442)	\$ (442)	\$ (442)	\$ (442)	\$ (442)
Net change in cash due to operating activity	2	2,220	658	987	745	790	1,045	2,336	647
<b>Investing cash flows (principal only on notes)</b>									
Issuance of new notes to HCMFA	-	-	-	-	(200)	-	-	-	-
Net Change in Cash Due to Investing Activities	-	-	-	-	(200)	-	-	-	-
<b>Financing Cash Flows</b>									
Equity contributions/(distributions)	-	-	-	-	-	-	-	-	-
Net Change in Cash Due to Financing Activities	-	-	-	-	-	-	-	-	-
Ending Cash Before Restricted	\$ 2,380	\$ 4,601	\$ 5,259	\$ 6,246	\$ 6,791	\$ 7,580	\$ 8,626	\$ 10,962	\$ 11,610
Less: holdback of cash for new deal deposits	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Ending Unrestricted Cash	\$ 880	\$ 3,101	\$ 3,759	\$ 4,746	\$ 5,291	\$ 6,080	\$ 7,126	\$ 9,462	\$ 10,110

002216

## **EXHIBIT 151**

002217

**From:** Lauren Thedford <LThedford@HighlandCapital.com>

**To:** David Klos <DKlos@HighlandCapital.com>

**Subject:** RE: Effective Headcount Report 10/31/2019

**Date:** Mon, 6 Jan 2020 17:48:02 +0000

**Importance:** Normal

**Inline-Images:** image001.png; image002.png; image003.jpg

Got it, thanks

**From:** David Klos

**Sent:** Monday, January 6, 2020 11:45 AM

**To:** Lauren Thedford <LThedford@HighlandCapital.com>

**Subject:** RE: Effective Headcount Report 10/31/2019

Those were a point in time estimate as of beginning of 2018. Half the people are gone now and if you were to re-allocate them now, all the percentages would be different. On top of that, we don't have anything comprehensive that is comparable for back office people, so the only thing we can really provide is a stale percentage on a small subset of the overall population.

Would be much more logical to do the yes/no and then as a blanket statement say that NPA/HCMFA pay \$x/\$y annually to HCMLP for these employees' services and overhead.

**From:** Lauren Thedford

**Sent:** Monday, January 6, 2020 11:40 AM

**To:** David Klos <DKlos@HighlandCapital.com>

**Subject:** RE: Effective Headcount Report 10/31/2019

It wouldn't be the Exhibit A percentages? Fine if we don't want to disclose it, I just thought that's how those agreements worked.

**From:** David Klos

**Sent:** Monday, January 6, 2020 11:38 AM

**To:** Lauren Thedford <LThedford@HighlandCapital.com>; Brian Collins <BCollins@HighlandCapital.com>; Kellie Stevens <KStevens@HighlandCapital.com>

**Cc:** Jason Post <JPost@HighlandCapital.com>; Sarah Goldsmith <SGoldsmith@HighlandCapital.com>; Helen Kim <HKim@HighlandCapital.com>; Kristin Hendrix <KHendrix@HighlandCapital.com>

**Subject:** RE: Effective Headcount Report 10/31/2019

The X's in the far right column don't exist in terms of current percentages. The yes/no information is doable.

**From:** Lauren Thedford

**Sent:** Monday, January 6, 2020 11:31 AM

**To:** David Klos <DKlos@HighlandCapital.com>; Brian Collins <BCollins@HighlandCapital.com>; Kellie Stevens <KStevens@HighlandCapital.com>

**Cc:** Jason Post <JPost@HighlandCapital.com>; Sarah Goldsmith <SGoldsmith@HighlandCapital.com>; Helen Kim <HKim@HighlandCapital.com>; Kristin Hendrix <KHendrix@HighlandCapital.com>

**Subject:** RE: Effective Headcount Report 10/31/2019

Agreed, and I have the expense reimbursement agreements with the allocations, but I am envisioning a chart like this (subject to input from those closer to the matter).

Employee Name	HCMLP	HCMFA	NPA	NSI	Reimbursement Notes
[NAME]	Yes	Yes	No	No	[XX]% Salary Reimbursed by HCMFA
[NAME 2]	Yes	No	No	No	Salary Reimbursed [XX]% NPA and [XX]% by HCMFA under Expense Reimbursement Agreement

**From:** David Klos

**Sent:** Monday, January 6, 2020 11:21 AM

**To:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>; Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>; Kellie Stevens <[KStevens@HighlandCapital.com](mailto:KStevens@HighlandCapital.com)>

**Cc:** Jason Post <[JPost@HighlandCapital.com](mailto:JPost@HighlandCapital.com)>; Sarah Goldsmith <[SGoldsmith@HighlandCapital.com](mailto:SGoldsmith@HighlandCapital.com)>; Helen Kim <[HKim@HighlandCapital.com](mailto:HKim@HighlandCapital.com)>; Kristin Hendrix <[KHendrix@HighlandCapital.com](mailto:KHendrix@HighlandCapital.com)>

**Subject:** RE: Effective Headcount Report 10/31/2019

Reimbursement is accomplished through the shared services and expense reimbursement agreements, which I believe have already been provided. There's not a process by which individual employees get billed out.

---

**From:** Lauren Thedford

**Sent:** Monday, January 6, 2020 11:16 AM

**To:** Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>; Kellie Stevens <[KStevens@HighlandCapital.com](mailto:KStevens@HighlandCapital.com)>

**Cc:** Jason Post <[JPost@HighlandCapital.com](mailto:JPost@HighlandCapital.com)>; Sarah Goldsmith <[SGoldsmith@HighlandCapital.com](mailto:SGoldsmith@HighlandCapital.com)>; Helen Kim <[HKim@HighlandCapital.com](mailto:HKim@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Kristin Hendrix <[KHendrix@HighlandCapital.com](mailto:KHendrix@HighlandCapital.com)>

**Subject:** RE: Effective Headcount Report 10/31/2019

Brian, Kellie – we have a request from the retail Board related to (i) the contractual employer of each Highland + affiliates employee and (ii) the ultimate payor of such employee (if allocated among different entities). We believe the headcount will be a good start to delineate employing entity, but want to discuss with you before we start editing the headcount report for our uses. We may also need Klos and Kristin to the extent they advise on the Adviser reimbursement agreements for certain employees.

Please let us know when you are available to discuss and we will set up a meeting.

Thanks,

Lauren

---

**From:** Kellie Stevens

**Sent:** Friday, November 1, 2019 8:32 AM

**To:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; Thomas Surgent <[TSurgent@HighlandCapital.com](mailto:TSurgent@HighlandCapital.com)>; Jason Post <[JPost@HighlandCapital.com](mailto:JPost@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Kristin Hendrix <[KHendrix@HighlandCapital.com](mailto:KHendrix@HighlandCapital.com)>; Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>; Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>; Stephanie Vitiello <[SVitiello@HighlandCapital.com](mailto:SVitiello@HighlandCapital.com)>; Eric Holt <[EHolt@HighlandCapital.com](mailto:EHolt@HighlandCapital.com)>; Jackie Graham <[JGraham@nexpointadvisors.com](mailto:JGraham@nexpointadvisors.com)>; Laura Jocoy <[Ljocoy@NexPointSecurities.com](mailto:Ljocoy@NexPointSecurities.com)>; Lucy Bannon <[LBannon@HighlandCapital.com](mailto:LBannon@HighlandCapital.com)>; Kari Kovelan <[KKovelan@HighlandCapital.com](mailto:KKovelan@HighlandCapital.com)>; Cyrus Eftekhari <[CEftekhari@HighlandCapital.com](mailto:CEftekhari@HighlandCapital.com)>; Hayley Eliason <[HEliason@HighlandCapital.com](mailto:HEliason@HighlandCapital.com)>; Kevin Fullmer <[Kfullmer@NexPointSecurities.com](mailto:Kfullmer@NexPointSecurities.com)>; Phoebe Stewart <[PStewart@NexPointSecurities.com](mailto:PStewart@NexPointSecurities.com)>; Madeline Frizell <[MFrizell@NexPointSecurities.com](mailto:MFrizell@NexPointSecurities.com)>

**Cc:** Human Resources <[HR@hcmpl.com](mailto:HR@hcmpl.com)>

**Subject:** Effective Headcount Report 10/31/2019

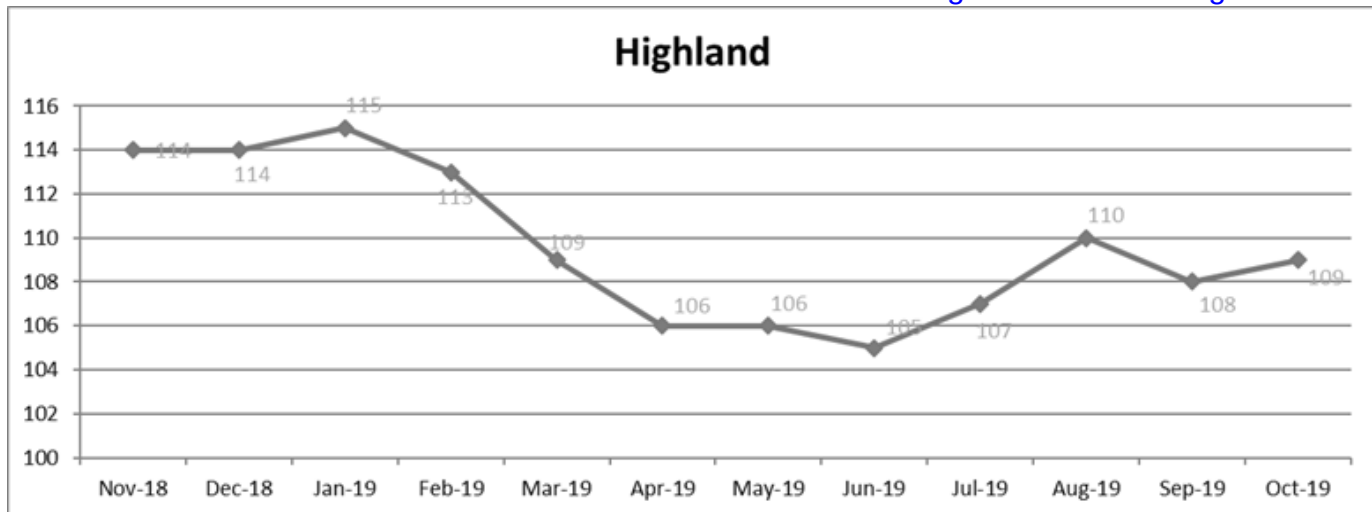
All,

Please see the attached Headcount Report and let me know if you have any questions or comments.

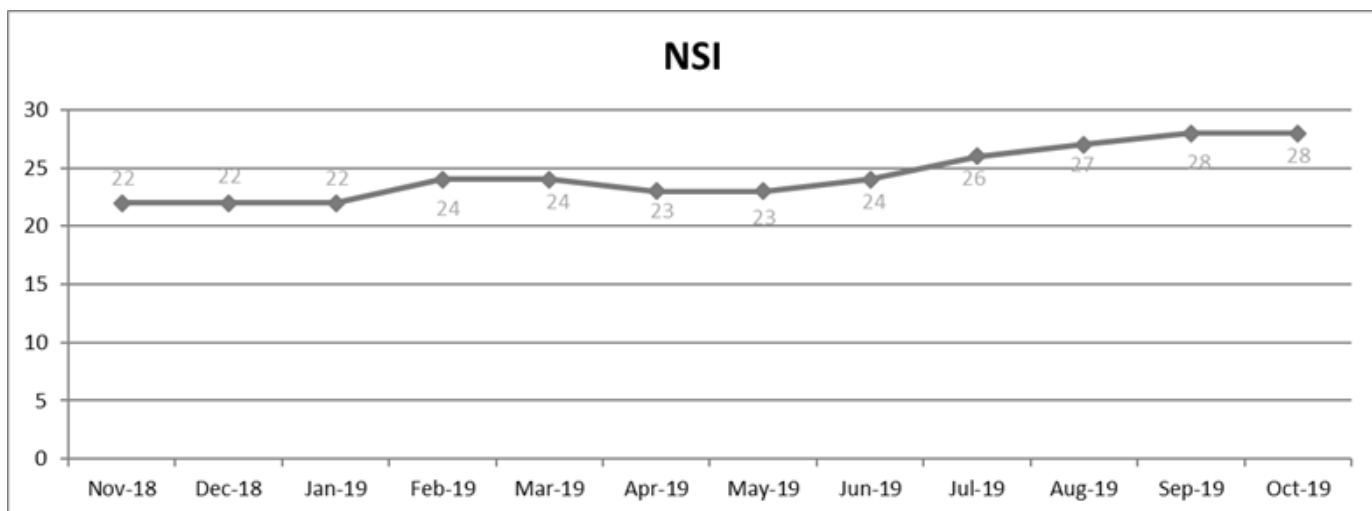
Changes during October are highlighted in yellow on the Detail tab of the spreadsheet.

The graphs below capture headcount during the last year and are on the last tab of the spreadsheet.

**Highland** new hires and terminations during the last 12 months (excludes Interns):



**NSI Wholesalers** new hires and terminations during the last 12 months:



Thank you,

Kellie Stevens | HR Manager

**HIGHLAND CAPITAL  
MANAGEMENT**

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O: 972.419.4472 | F: 972.628.4137  
[kstevens@highlandcapital.com](mailto:kstevens@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

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002220

ACL-081972

## **EXHIBIT 152**

002221

**From:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>

**To:** Kristin Hendrix <KHendrix@HighlandCapital.com>

**Cc:** David Klos <DKlos@HighlandCapital.com>

**Subject:** RE: Wires for today

**Date:** Wed, 1 Apr 2020 16:56:54 +0000

**Importance:** Normal

**Inline-Images:** image001.jpg; image002.jpg

ok

**From:** Kristin Hendrix

**Sent:** Wednesday, April 1, 2020 11:56 AM

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>

**Cc:** David Klos <DKlos@HighlandCapital.com>

**Subject:** Wires for today

**HCM**

Crescent TC	USD	158,702.63	
Pershing	USD	1,758.74	Staltari DRIP contribution award (net of taxes)

**HCMNY**

Times Square	USD	27,203.00
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**HCMFA**

HCM	USD	416,000.00	Subadvisory Fees
Pershing	USD	1,758.76	Pearson DRIP contribution award (net of taxes)

**NPA**

HCM	USD	420,000.00	SS & Subadvisory Fees
Bloomberg	USD	18,572.57	

**HCDFD**

Cameron Urano	USD	7,872.87	3/31 paycheck; gave Kellie wrong direct deposit acct info - receiving back from Paylocity
Daniel Hitchcock	USD	3,722.15	3/31 paycheck; gave Kellie wrong direct deposit acct info - receiving back from Paylocity

Okay to release?

Kristin Hendrix, CPA | Manager, n. Carot erAer capui i e3ngnC

**HIGHLAND CAPITAL  
MANAGEMENT**

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Highland Capital Management, LP



002222

ACL-081989

## **EXHIBIT 153**

002223



November 30, 2020

Highland Capital Management Fund Advisors, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel

**RE: Termination of Second Amended and Restated Shared Services Agreement, effective as of February 8, 2013, by and among Highland Capital Management, L.P. (“HCMLP”), and Highland Capital Management Fund Advisors, L.P. (the “Agreement”).**

To Whom It May Concern:

As set forth in Section 7.02 of the Agreement, the Agreement is terminable at will upon at least 60 days advance written notice.

By this letter, HCMLP is notifying you that it is terminating the Agreement. Such termination will be effective January 31, 2021. HCMLP reserves the right to rescind this notice of termination.

Please feel free to contact me with any questions.

Sincerely,

HIGHLAND CAPITAL MANAGEMENT, L.P.

/s/ James P. Seery, Jr.

James P. Seery, Jr.  
Chief Executive Officer  
Chief Restructuring Officer

## **EXHIBIT 154**

002225

November 30, 2020

NexPoint Advisors, L.P.  
200 Crescent Court, Suite 700  
Dallas, Texas 75201

**RE: Termination of Amended and Restated Shared Services Agreement, dated January 1, 2018, and among Highland Capital Management, L.P. (“HCMLP”), and NexPoint Advisors, L.P. (the “Agreement”).**

To Whom It May Concern:

As set forth in Section 7.01 of the Agreement, the Agreement is terminable at will upon at least 30 days advance written notice.

By this letter, HCMLP is notifying you that it is terminating the Agreement. Such termination will be effective January 31, 2021. HCMLP reserves the right to rescind this notice of termination.

Please feel free to contact me with any questions.

Sincerely,

HIGHLAND CAPITAL MANAGEMENT, L.P.

/s/ James P. Seery, Jr.

James P. Seery, Jr.  
Chief Executive Officer  
Chief Restructuring Officer

## **EXHIBIT 155**

002227

# NEXPOINT

November 24, 2020

Mr. James Seery  
Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, TX 75201

Dear Jim:

We are writing to follow up on our letter dated October 16, 2020 and to reiterate the concerns we have expressed about the sale of certain assets held in several CLOs, the interests in which are also owned by the NexPoint Advisors, L.P. ("NexPoint") and Highland Capital Management Fund Advisors, L.P. ("HCMFA," and together with NexPoint, the "Advisors") and/or the mutual funds, closed-end funds, and other investment vehicles (collectively, the "Funds") with which they and their affiliates have advisory contracts. As we have previously advised, the sale of such assets has the potential to negatively affect the valuation of the Funds, and a rush to sell these assets at fire-sale prices could result in both the Funds and Highland Capital Management, L.P. ("HCMLP") not realizing their full value. In addition, with recent CLO quarterly payments being made and potential upside for the remaining securities held by the CLOs, sales of these securities at this time could further negatively impact the valuation. We have previously requested that no CLO assets be sold without prior notice to and prior consent from the Advisors. We understand that Charitable DAF HoldCo, Ltd. has made a similar request. Accordingly, we hereby re-urge our request that no CLO assets be sold without prior notice to and prior consent from the Advisors.

Thank you for your prompt attention to this matter.

Sincerely,



Dustin Norris

cc: Thomas Surgent (tsurgent@highlandcapital.com)  
John Dubel (jdubel@dubel.com)  
Russell Nelms (rfargar@yahoo.com)

002228

## **EXHIBIT 156**

002229



K&L GATES

December 22, 2020

A. Lee Hogewood, III  
Lee.hogewood@klgates.com

T: 1-919-743-7306

Jeffrey N. Pomerantz  
Ira D. Kharasch  
John A. Morris  
Gregory V. Demo  
Hayley R. Winograd  
Pachulski Stang Ziehl & Jones, LLP  
10100 Santa Monica Blvd., 13th Floor  
Los Angeles, CA 90067

Dear Counsel:

I am writing to you on behalf of our clients Highland Capital Management Fund Advisors, L.P. ("HCMFA") and NexPoint Advisors, L.P. ("NexPoint", and together with HCMFA, the "Advisors"), and Highland Income Fund, NexPoint Strategic Opportunities Fund, and NexPoint Capital, Inc. (together, the "Funds"). CLO Holdco, Ltd. ("CLO Holdco") whose counsel is copied below, joins in this notice and request.

As you are aware, certain registered investment companies and a business development company managed by either NexPoint or HCMFA own preference shares in many of the CLOs. In the following cases those companies own a majority of such shares<sup>1</sup>:

- Stratford CLO, Ltd. 69.05%
- Grayson CLO, Ltd. 60.47%
- Greenbriar CLO, Ltd. 53.44%

---

<sup>1</sup> These ownership percentages are derived from information provided by the Debtor. If the Debtor contends that the ownership percentages are inaccurate, please inform us of the Debtor's differing calculations.

In other cases, such companies in combination with CLO Holdco hold all, a super-majority, or a majority of the preference shares in the following CLOs:

- Liberty CLO, Ltd. 70.43%
- Stratford CLO, Ltd. 69.05%<sup>2</sup>
- Aberdeen Loan Funding, Ltd. 64.58%
- Grayson CLO, Ltd. 61.65%\*
- Westchester CLO, Ltd. 58.13%
- Rockwall CDO, Ltd. 55.75%
- Brentwood CLO, Ltd. 55.74%
- Greenbriar CLO, Ltd. 53.44%\*

Additionally, such companies own significant minority stakes in the following CLO's:

- Eastland CLO, Ltd. 41.69%
- Red River CLO, Ltd. 33.33%

The ownerships described above represent in many cases the total remaining outstanding interests in such CLOs, because the noteholders have been paid in full. In others, the remaining noteholders represent only a small percentage of remaining interests. Thus, the economic ownership of the registered investment companies, business development company, and CLO Holdco largely represent the investors in the CLOs identified above.

Contractually, the Debtor is obligated to maximize value for the benefit of the preference shareholders. Accordingly, we respectfully request that no further dispositions of CLO interests occur pending the confirmation hearing. While we recognize the Court denied the Advisor and Funds motion on this subject, the Court did not require liquidations occur immediately, and we reserve all rights to and remedies against the Debtor should the Debtor continue to liquidate CLO interests in contravention of this joint request. Given the Advisor, Funds, and CLO Holdco's requests, it is difficult to understand the Debtor's rationale for continued liquidations, or the benefit to the Debtor from pursuing those sales.

As you know, HCMLP's duties are set forth in the portfolio management agreements of the CLOs, which themselves have been adopted under the Investment Advisers Act of 1940 ("Advisers Act"). As HCMLP readily admits, it is: (i) terminating employees on January 31, 2021, which will result in a loss of the employees that have traditionally serviced those CLOs; (ii) ignoring the requests of the Advisors, Funds, and CLO Holdco, which together account for all or a majority of interests in certain CLOs, and selling assets of those CLOs prior to plan-confirmation; and (iii) adding a replacement manager as subadvisor prior to January 31, 2021. The Advisors, Funds, and CLO Holdco assert that those actions run in contravention to HCMLP's duty to maximize value for the holders of preference shares and thus what HCMLP has agreed to under the portfolio management agreement, as well as its duties under the Advisers Act, which ultimately will adversely impact the economic owners noted above.

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<sup>2</sup> CLO's marked with an asterisk (\*) appear in the foregoing list as well.



For the forgoing and other reasons, we request that no further CLO transactions occur at least until the issues raised by and addressed in the Debtor's plan are resolved at the confirmation hearing.

Sincerely,

*A. Lee Hogewood, III*

A. Lee Hogewood, III

## **EXHIBIT 157**

002233



K&L GATES

December 23, 2020

A. Lee Hogewood, III  
Lee.hogewood@klgates.com

T: 1-919-743-7306

Jeffrey N. Pomerantz  
Ira D. Kharasch  
John A. Morris  
Gregory V. Demo  
Hayley R. Winograd  
Pachulski Stang Ziehl & Jones, LLP  
10100 Santa Monica Blvd., 13th Floor  
Los Angeles, CA 90067

Dear Counsel:

I am writing to you on behalf of our clients Highland Capital Management Fund Advisors, L.P. ("HCMFA") and NexPoint Advisors, L.P. ("NexPoint", and together with HCMFA, the "Advisors"), and Highland Income Fund, NexPoint Strategic Opportunities Fund, and NexPoint Capital, Inc. (together, the "Funds"). CLO Holdco, Ltd. ("CLO Holdco") whose counsel is copied below, joins in this notice and request.

As you are aware, certain registered investment companies and a business development company managed by either NexPoint or HCMFA own preference shares in many of the CLOs. In the following cases those companies own a majority of such shares<sup>1</sup>:

- Stratford CLO, Ltd. 69.05%
- Grayson CLO, Ltd. 60.47%
- Greenbriar CLO, Ltd. 53.44%

---

<sup>1</sup> These ownership percentages are derived from information provided by the Debtor. If the Debtor contends that the ownership percentages are inaccurate, please inform us of the Debtor's differing calculations.

In other cases, such companies in combination with CLO Holdco hold, a super-majority, or a majority of the preference shares in the following CLOs:

- Liberty CLO, Ltd. 70.43%
- Stratford CLO, Ltd. 69.05%\*<sup>2</sup>
- Aberdeen Loan Funding, Ltd. 64.58%
- Grayson CLO, Ltd. 61.65%\*
- Westchester CLO, Ltd. 58.13%
- Rockwall CDO, Ltd. 55.75%
- Brentwood CLO, Ltd. 55.74%
- Greenbriar CLO, Ltd. 53.44%\*

Additionally, such companies own significant minority stakes in the following CLO's:

- Eastland CLO, Ltd. 41.69%
- Red River CLO, Ltd. 33.33%

The ownerships described above represent in many cases the total remaining outstanding interests in such CLOs, because the noteholders have been paid in full. In others, the remaining noteholders represent only a small percentage of remaining interests. Thus, the economic ownership of the registered investment companies, business development company, and CLO Holdco largely represent the investors in the CLOs identified above.

In pleadings filed with the Bankruptcy Court, you asserted that one or more of the entities identified above lacked the authority to seek a replacement of the Debtor as fund manager because of the alleged affiliate status of the beneficial owners of such entities. We disagree.

Consequently, in addition to our request of yesterday, where appropriate and consistent with the underlying contractual provisions, one or more of the entities above intend to notify the relevant trustees and/or issuers that the process of removing the Debtor as fund manager should be initiated, subject to and with due deference for the applicable provisions of the United States Bankruptcy Code, including the automatic stay of Section 362. The basis for initiating the process for such removal includes, but is not limited to, the fact that HCMLP's duties, as set forth in the portfolio management agreements of the CLOs, are subject to the requirements of the Investment Advisers Act of 1940 ("Advisers Act"). HCMLP appears to be acting contrary to those duties under the agreements and where HCMLP is not fulfilling its duties under the portfolio management agreement it is therefore violating the Advisers Act. Thus, because HCMLP is (i) terminating employees on January 31, 2021, which will result in a loss of the employees that have traditionally serviced, including key investment professionals identified in the transactional documents for those CLOs (generally Mark Okada and Jim Dondero); (ii) ignoring the requests of the Advisors, Funds, and CLO Holdco, which together account for all or a majority of interests in certain CLOs, and selling assets of those CLOs prior to plan confirmation; (iii)

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<sup>2</sup> CLO's marked with an asterisk (\*) appear in the foregoing list as well.

adding a replacement manager as subadviser prior to January 31, 2021; and (iv) for other cause, the Advisors, Funds, and CLO Holdco have concluded that they have no choice but to initiate HCMLP's removal as fund manager where such entities are contractually and legally permitted or obligated to do so.

Because the process of removal is being initiated, subject to the applicable provisions of the Bankruptcy Code, we respectfully request that no further CLO transactions occur at least until the issues raised by and addressed in the Debtor's plan are resolved at the confirmation hearing. To the extent there are CLO transactions prior to the confirmation, we intend to fully explore the business justification for doing so, as we do not believe there is any rational business reason to liquidate securities prior to that time.

Sincerely,

*A. Lee Hogewood, III*

A. Lee Hogewood, III

## **EXHIBIT 158**

002237



K&L GATES

R. Charles Miller  
202.778.9372  
chuck.miller@klgates.com

December 31, 2020

Jeffrey N. Pomerantz  
Ira D. Kharasch  
John A. Morris  
Gregory V. Demo  
Hayley R. Winograd  
Pachulski Stang Ziehl & Jones, LLP  
10100 Santa Monica Blvd., 13th Floor  
Los Angeles, CA 90067

Re: Termination of Dondero access to office and services

Dear Counsel:

We are writing to you on behalf of our clients Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint”, and together with HCMFA, the “Advisors”), and Highland Income Fund, NexPoint Strategic Opportunities Fund, NexPoint Capital, Inc. and the other retail funds advised by the Advisors (together, the “Funds”).

We have been provided a copy of your December 23, 2020 letter to Mr. Lynn regarding the termination of Mr. Dondero’s access to the office and services. We are extremely concerned that the loss of such access by Mr. Dondero could have serious effects for our clients and do unintended damage to their interests. In particular, the Funds, many of which are publicly-listed, registered with and regulated by the Securities and Exchange Commission, and have thousands of shareholders, may be economically disadvantaged to the extent that the Debtor’s actions deny Mr. Dondero the access and ability to provide the necessary and contractual services to them.

Mr. Dondero is portfolio manager and/or officer of various entities which occupy space in the premises and have shared access to email accounts, computers and other relevant material pursuant to the terms of various shared services agreements (the “Agreements”), which the Debtor has not rejected and for which such entities pay the Debtor significant fees. We are not aware of any provisions under the Agreements which give the Debtor the power to determine which employees of NexPoint Advisors,

December 30, 2020

Page 2

L.P. and other entities may enter the premises or have access to the email and related systems. If there are, please direct us to those provisions. The Debtor has given written notice to the Advisors and the Funds that the Agreements will remain in place until January 31, 2021, at which time they will terminate, and our clients have been and are acting in reliance on those written representations from the Debtor.

Mr. Dondero is the lead (and in some cases the sole) portfolio manager for certain of the Funds. He is intimately involved in the day-to-day operations and investment decisions regarding those Funds and in the operations of the Advisors. We believe that denying Mr. Dondero access to the premises, email and related systems will materially and adversely affect the function and reputation of the Advisors and the Funds. We ask that the Debtor reconsider its position refusing Mr. Dondero necessary access to the email, operating systems and building required to serve the Funds and the Advisors.

Sincerely,

/s R. Charles Miller

R. Charles Miller

Cc:

D. Michael Lynn (via email)



## **EXHIBIT 159**

002240

## Highland Capital Management LP

## Shared Services Invoice

Services provided to Highland Capital Management Fund Advisors, L.P.

Services Rendered September 2020

Compliance		Acct	Cost w Markup
General Compliance	\$ 92,661	C&B	\$ 97,294
Compliance Systems	158	69250 - Computer Software	166
Total	\$ 92,819		\$ 97,460
Facilities			
Equipment	2,000	69250 - Computer Software	2,100
General Overhead	5,000	69290 - Office Overhead - Other	5,250
Office Supplies	1,000	69220 - Office Supplies	1,050
Rent	14,292	69110 - Rent - Dallas	15,007
Parking	1,268	69290 - Office Overhead - Other	1,332
Total	\$ 23,560		\$ 24,738
Retail Operations	\$ 13,419	C&B	\$ 14,090
Finance & Accounting			
Total	\$ 29,154	C&B	\$ 30,612
HR			
Drinks/snacks	1,000	69290 - Office Overhead - Other	1,050
General HR & Recruiting	5,296	C&B	5,561
Lunches	1,960	69450 - Employee Lunch	2,058
Total	\$ 8,256		\$ 8,669
IT			
General support & maintenance (OMS, development, support)	10,000	61300 - Consulting	10,500
Telecom (cell, phones, broadband) - Mobile portion	1,286	69234 - Telephones - Mobile	1,351
Telecom (cell, phones, broadband) - Other portion	1,929	69232 - Telephones - Office	2,026
WSO	-	61355 - Data Service Fees	-
Total	\$ 13,215		\$ 13,876
Legal			
Total	\$ 10,000	61100 - Legal	\$ 10,500
Marketing and PR			
Public relations	\$ 10,000	61300 - Consulting	\$ 10,500
Valuation	\$ 7,667	C&B	\$ 8,051
Operations	\$ 25,202	C&B	\$ 26,462
Tax			
Total	\$ 14,133	C&B	\$ 14,840
Pull-Through HCFD Shared Services Billed by HCMF, but Incurred by HCMLP			
Dallas Rent	\$ 20,975	69110 - Rent - Dallas	22,023
Finance & Accounting	3,168	C&B	3,327
General HR & Recruiting	13,231	C&B	13,892
Compliance Systems	-	69250 - Computer Software	-
General support & maintenance (OMS, development, support)	1,250	61300 - Consulting	1,313
Telecom (cell, phones, broadband) - Mobile portion	3,815	69234 - Telephones - Mobile	4,006
Telecom (cell, phones, broadband) - Other portion	1,436	69232 - Telephones - Office	1,508
Legal	1,250	61100 - Legal	1,313
Tax	868	C&B	912
Total	\$ 45,993	Total	\$ 48,292
Grand Total	\$ 293,419		\$ 308,090
Amount due to HCMLP - Markup = 5%	\$ 308,090		
Amount if annualized	\$ 3,697,080	Total C&B	\$ 215,039

## **EXHIBIT 161**

002242





**UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF  
TEXAS, DALLAS DIVISION**

**In Re: Highland Capital Management, L.P.** § Case No. **19-34054-SGJ-11**  
**NexPoint Advisors, L.P. et al** §

Appellant § 21-03010

vs. §

**Highland Capital Management, L.P.** §

Appellee § **3:22-CV-02170-S**

**[126] Judgment (final). Entered on 9/14/2022**

**APPELLANT RECORD**

**VOLUME 12**

Davor Rukavina, Esq.  
 Texas Bar No. 24030781  
 Thomas D. Berghman, Esq.  
 Texas Bar No. 24082683  
 Julian P. Vasek, Esq.  
 Texas Bar No. 24070790  
 MUNSCH HARDT KOPF & HARR P.C.  
 500 N. Akard Street, Suite 3800  
 Dallas, Texas 75201  
 (214) 855-7500

COUNSEL FOR HIGHLAND CAPITAL MANAGEMENT  
 FUND ADVISORS, L.P. AND NEXPOINT ADVISORS, L.P.

UNITED STATES BANKRUPTCY COURT  
 NORTHERN DISTRICT OF TEXAS  
 DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj11
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

INDEX

**AMENDED DESIGNATION OF ITEMS FOR THE RECORD ON APPEAL  
 BY NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this *Amended Designation of Items for the Record on Appeal*, designating the following items for the record of said appeal:

<u>Item</u>	<u>Docket No.</u>	<u>Description</u>
<b>ADVERSARY PROCEEDING (21-03010-sgj)</b>		
1	128	Joint Notice of Appeal
2	126	Judgment
3		Docket Sheet
4	1	Plaintiff Highland Capital Management, L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief
5	33	Original Answer
6	37	Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters
7	49	Response to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
8	56	Highland Capital Management, L.P.'s Reply In Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
9	90	Advisors' Trial Brief
10	91	Highland's Proposed Findings of Fact and Conclusions of Law
11	96	Joint Pretrial Order
12	124	Findings of Fact and Conclusions of Law
<b>BANKRUPTCY CASE (19-34054-sgj-11)</b>		
13	1826	Application for Allowance of Administrative Expense Claim
14	2274	Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
<b>EVIDENCE AND TRANSCRIPTS (21-03010-SGJ)</b>		
15	115	All exhibits admitted into evidence at trial on April 12, 2022 and April 13, 2022 Thru Vol. 12
16	113	Transcript of April 12, 2022 trial
17	116	Transcript of April 13, 2022 trial
18	122	Transcript of April 27, 2022 closing arguments



RESPECTFULLY SUBMITTED this 4th day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina

Davor Rukavina, Esq.  
Texas Bar No. 24030781  
Julian P. Vasek, Esq.  
Texas Bar No. 24070790  
500 N. Akard Street, Suite 3800  
Dallas, Texas 75201-6659  
Telephone: (214) 855-7500  
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Email: [drukavina@munsch.com](mailto:drukavina@munsch.com)  
Email: [jvasek@munsch.com](mailto:jvasek@munsch.com)

**ATTORNEYS FOR NEXPOINT ADVISORS,  
L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 4th day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

Davor Rukavina, Esq.

## PAYROLL REIMBURSEMENT AGREEMENT

THIS PAYROLL REIMBURSEMENT AGREEMENT (this "*Agreement*") entered into on this 1st day of May, 2018 by and among Highland Capital Management, L.P., a Delaware limited partnership ("*HCMLP*"), and Highland Capital Management Fund Advisors, L.P., a Delaware limited partnership ("*HCMFA*"), and any affiliate of HCMFA that becomes a party hereto, is effective as of January 1, 2018 (the "*Effective Date*"). Each of the signatories hereto is individually a "*Party*" and collectively the "*Parties*".

## RECITALS

A. During the Term, HCMLP will seek reimbursement from HCMFA for the cost of certain employees who are dual employees of HCMLP and HCMFA and who provide advice to registered investment companies advised by HCMFA under the direction and supervision of HCMFA as more fully described in this Agreement.

## AGREEMENT

In consideration of the foregoing recitals and the mutual covenants and conditions contained herein, the Parties agree, intending to be legally bound, as follows:

ARTICLE I  
DEFINITIONS

"*Actual Cost*" means, with respect to any period hereunder, the actual costs and expenses caused by, incurred or otherwise arising from or relating to each Dual Employee, in each case during such period. Absent any changes to employee reimbursement, as set forth in Section 2.02, such costs and expenses are equal to \$416,000 per month.

"*Affiliate*" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person. The term "*control*" (including, with correlative meanings, the terms "*controlled by*" and "*under common control with*") means the possession of the power to direct the management and policies of the referenced Person, whether through ownership interests, by contract or otherwise.

"*Agreement*" has the meaning set forth in the preamble.

"*Allocation Percentage*" has the meaning set forth in Section 3.01.

"*Dual Employee*" has the meaning set forth in Section 2.01.

"*Effective Date*" has the meaning set forth in the preamble.

"*Party*" or "*Parties*" has the meaning set forth in the preamble.

"*Person*" means an association, a corporation, an individual, a partnership, a limited liability company, a trust or any other entity or organization.

"*Tax*" or "*Taxes*" means: (i) all state and local sales, use, value-added, gross receipts, foreign, privilege, utility, infrastructure maintenance, property, federal excise and similar levies, duties and other similar tax-like charges lawfully levied by a duly constituted taxing authority against or upon the Shared



Services and the Shared Assets; and (ii) tax-related surcharges or fees that are related to the Shared Services and the Shared Assets identified and authorized by applicable tariffs.

## ARTICLE II EMPLOYEE REIMBURSEMENT

Section 2.01 Employee Reimbursement. During the Term, HCMFA shall reimburse HCMLP for the Actual Cost to HCMLP of certain employees who (i) are dual employees of HCMLP and HCMFA and (ii) provide advice to any investment company registered under the Investment Company Act of 1940, as amended (the “*1940 Act*”) pursuant to an investment advisory agreement between HCMFA and such investment company (each, a “*Fund*”) under the direction and supervision of HCMFA (each, a “*Dual Employee*”).

Section 2.02 Changes to Employee Reimbursement. During the Term, the Parties may agree to modify the terms and conditions of HCMFA’s reimbursement in order to reflect new procedures or processes, including modifying the Allocation Percentage (defined below) applicable to such Dual Employee to reflect the then current fair market value of such Dual Employee’s employment. The Parties will negotiate in good faith the terms of such modification.

## ARTICLE III COST ALLOCATION

Section 3.01 Actual Cost Allocation Formula. The Actual Cost of any Dual Employee relating to the investment advisory services provided to a Fund shall be allocated based on the Allocation Percentage. For purposes of this Agreement, “*Allocation Percentage*” means the Parties’ good faith determination of the percentage of each Dual Employee’s aggregate hours worked during a quarter that were spent on HCMFA matters, as listed on Exhibit A.

## ARTICLE IV PAYMENT OF COST AND REVENUE SHARE; TAXES

Section 4.01 Settlement Payments. At any time during the Term, HCMFA may make payment of the amounts that are allocable to it.

Section 4.02 Determination and Payment of Cost. HCMFA shall promptly make payment of the Actual Cost within ten (10) days of the end of each calendar month. Should either Party determine that a change to employee reimbursement is appropriate, as set forth in Section 2.02, the Party requesting the modification shall notify the other Party on or before the last business day of the calendar month.

Section 4.03 Taxes.

(a) HCMFA is responsible for and will pay all Taxes applicable to it, provided, that such payments by HCMFA to HCMLP will be made in the most tax-efficient manner and provided further, that HCMLP will not be subject to any liability for Taxes applicable to the cost of a Dual Employee of HCMFA as a result of such payment by HCMFA. HCMLP will collect such Tax from HCMFA in the same manner it collects such Taxes from other customers in the ordinary course of its business, but in no event prior to the time it invoices HCMFA for costs for which such Taxes are levied. HCMFA may provide HCMLP with a certificate evidencing its exemption from payment of or liability for such Taxes.

(b) HCMFA will reimburse HCMLP for any Taxes collected from HCMLP and refunded to HCMFA. In the event a Tax is assessed against HCMFA that is solely the responsibility of



HCMLP and HCMFA desires to protest such assessment, HCMLP will submit to HCMFA a statement of the issues and arguments requesting that HCMFA grant HCMLP the authority to prosecute the protest in HCMFA's name. HCMFA's authorization will not be unreasonably withheld. HCMLP will finance, manage, control and determine the strategy for such protest while keeping HCMFA reasonably informed of the proceedings. However, the authorization will be periodically reviewed by HCMFA to determine any adverse impact on HCMFA, and HCMFA will have the right to reasonably withdraw such authority at any time. Upon notice by HCMFA that it is so withdrawing such authority, HCMLP will expeditiously terminate all proceedings. Any adverse consequences suffered by HCMLP as a result of the withdrawal will be submitted to litigation pursuant to Section 6.14. Any contest for Taxes brought by HCMLP may not result in any lien attaching to any property or rights of HCMFA or otherwise jeopardize HCMFA's interests or rights in any of its property.

(c) The provisions of this Section 4.03 will govern the treatment of all Taxes arising as a result of or in connection with this Agreement notwithstanding any other Article of this Agreement to the contrary.

#### ARTICLE V TERM AND TERMINATION

Section 5.01 Term. The term of this Agreement will commence as of the Effective Date and will continue in full force and effect until the first anniversary of the Effective Date (the "***Term***"), unless terminated earlier in accordance with Section 5.02. The Term shall automatically renew for successive one year periods unless sooner terminated under Section 5.02.

Section 5.02 Termination. Either Party may terminate this Agreement, with or without cause, upon at least 60 days advance written notice at any time prior to the expiration of the Term.

#### ARTICLE VI MISCELLANEOUS

Section 6.01 No Partnership or Joint Venture; Independent Contractor. Nothing contained in this Agreement will constitute or be construed to be or create a partnership or joint venture between or among HCMLP or HCMFA or their respective successors or assigns. The Parties understand and agree that this Agreement does not make any of them an agent or legal representative of the other for any purpose whatsoever. Neither Party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibilities, express or implied, on behalf of or in the name of any other Party, or to bind any other Party in any manner whatsoever.

Section 6.02 Amendments; Waivers. Except as expressly provided herein, this Agreement may be amended only by agreement in writing of all Parties. No waiver of any provision nor consent to any exception to the terms of this Agreement or any agreement contemplated hereby will be effective unless in writing and signed by all of the Parties affected and then only to the specific purpose, extent and instance so provided. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 6.03 Schedules and Exhibits; Integration. Each Schedule and Exhibit delivered pursuant to the terms of this Agreement must be in writing and will constitute a part of this Agreement, although schedules need not be attached to each copy of this Agreement. This Agreement, together with such Schedules and Exhibits constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the Parties in connection therewith.



Section 6.04 Further Assurances. Each Party will take such actions as any other Party may reasonably request or as may be necessary or appropriate to consummate or implement the transactions contemplated by this Agreement or to evidence such events or matters.

Section 6.05 Governing Law. This Agreement and the legal relations between the Parties will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed in such State and without regard to conflicts of law doctrines unless certain matters are preempted by federal law.

Section 6.06 Assignment. Except as otherwise provided hereunder, neither this Agreement nor any rights or obligations hereunder are assignable by one Party without the express prior written consent of the other Parties.

Section 6.07 Headings. The descriptive headings of the Articles, Sections and subsections of this Agreement are for convenience only and do not constitute a part of this Agreement.

Section 6.08 Counterparts. This Agreement and any amendment hereto or any other agreement delivered pursuant hereto may be executed in one or more counterparts and by different Parties in separate counterparts. All counterparts will constitute one and the same agreement and will become effective when one or more counterparts have been signed by each Party and delivered to the other Parties.

Section 6.09 Successors and Assigns; No Third Party Beneficiaries. This Agreement is binding upon and will inure to the benefit of each Party and its successors or assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 6.10 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given: (i) immediately when personally delivered; (ii) when received by first class mail, return receipt requested; (iii) one day after being sent for overnight delivery by Federal Express or other overnight delivery service; or (iv) when receipt is acknowledged, either electronically or otherwise, if sent by facsimile, telecopy or other electronic transmission device. Notices, demands and communications to the other Parties will, unless another address is specified by such Parties in writing, be sent to the addresses indicated below:

**If to HCMLP, addressed to:**

Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147

**If to HCMFA, addressed to:**

Highland Capital Management Fund Advisors, L.P.  
200 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147

Section 6.11 Expenses. Except as otherwise provided herein, the Parties will each pay their own expenses incident to the negotiation, preparation and performance of this Agreement, including the fees, expenses and disbursements of their respective investment bankers, accountants and counsel.

Section 6.12 Waiver. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 6.13 Severability. If any provision of this Agreement is held to be unenforceable for any reason, it will be adjusted rather than voided, if possible, to achieve the intent of the Parties. All other provisions of this Agreement will be deemed valid and enforceable to the extent possible.

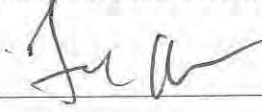
Section 6.14 Dispute Resolution; Jurisdiction. The Parties hereby agree that any action, claim, litigation, or proceeding of any kind whatsoever against any other Party in any way arising from or relating to this Agreement, including, but not limited to, claims sounding in contract, equity, tort, fraud and statute ("Dispute") shall be submitted exclusively to the the courts located in Dallas County, Texas, and any appellate court thereof ("Enforcement Court"). Each party irrevocably and unconditionally submits to the exclusive personal and subject matter jurisdiction of the Enforcement Court for any Dispute and agrees to bring any Dispute only in the Enforcement Court. Each Party further agrees it shall not commence any Dispute in any forum, including, but not limited to, administrative, arbitration, or litigation, other than the Enforcement Court.

Section 6.15 General Rules of Construction. For all purposes of this Agreement and the Exhibits and Schedules delivered pursuant to this Agreement: (i) the terms defined in Article I have the meanings assigned to them in Article I and include the plural as well as the singular; (ii) all accounting terms not otherwise defined herein have the meanings assigned under GAAP; (iii) all references in this Agreement to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of the body of this Agreement; (iv) pronouns of either gender or neuter will include, as appropriate, the other pronoun forms; (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; (vi) "or" is not exclusive; (vii) "including" and "includes" will be deemed to be followed by "but not limited to" and "but is not limited to," respectively; (viii) any definition of or reference to any law, agreement, instrument or other document herein will be construed as referring to such law, agreement, instrument or other document as from time to time amended, supplemented or otherwise modified; and (ix) any definition of or reference to any statute will be construed as referring also to any rules and regulations promulgated thereunder.

IN WITNESS HEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized officers as of the day and year first above written.

**HIGHLAND CAPITAL MANAGEMENT, L.P.**

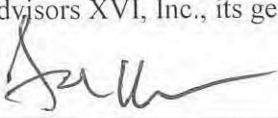
By: Strand Advisors, Inc., its general partner

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**HIGHLAND CAPITAL MANAGEMENT FUND  
ADVISORS, L.P.**

By: Strand Advisors XVI, Inc., its general partner

By:  \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A****EMPLOYEE ALLOCATIONS  
(AS OF JANUARY 1, 2018)**

EMPLOYEE NAME	PERCENTAGE (%) ALLOCATION TO HCMFA ADVISORS, L.P.
Abayarathna, Sahan	29%
Baynard, Cameron	29%
Burns, Nathan	10%
Covitz, Hunter	5%
Desai, Neil	5%
Dondero, James	30%
Fedoryshyn, Eric	29%
Gray, Matthew	29%
Gulati, Sanjay	100%
Hayes, Christopher	29%
Hill, Robert	5%
McFarling, Brandon	29%
Moore, Carl	5%
Nikolayev, Yegor	29%
Owens, David	29%
Parker, Trey	30%
Parmentier, Andrew	40%
Phillips, Michael	29%
Poglitsch, Jon	75%
Ryder, Phillip	5%
Sachdev, Kunal	29%
Smallwood, Allan	29%
Staltari, Mauro	29%
Tomlin, Jake	29%
Vira, Sagar	29%

002251



## Highland Capital Management LP

## Shared Services Invoice

Services provided to Highland Capital Management Fund Advisors, L.P.

Services Rendered December 2019

Compliance		Acct	Cost w Markup
General Compliance	\$ 92,661	C&B	\$ 97,294
Compliance Systems	156	69250 - Computer Software	163
Total	\$ 92,816		\$ 97,457
Facilities			
Equipment	2,000	69250 - Computer Software	2,100
General Overhead	5,000	69290 - Office Overhead - Other	5,250
Office Supplies	1,000	69220 - Office Supplies	1,050
Rent	13,567	69110 - Rent - Dallas	14,245
Parking	1,228	69290 - Office Overhead - Other	1,290
Total	\$ 22,795		\$ 23,935
Retail Operations	\$ 16,355	C&B	\$ 17,172
Finance & Accounting			
Total	\$ 27,704	C&B	\$ 29,089
HR			
Drinks/snacks	1,000	69290 - Office Overhead - Other	1,050
General HR & Recruiting	5,125	C&B	5,381
Lunches	1,764	69450 - Employee Lunch	1,852
Total	\$ 7,889		\$ 8,283
IT			
General support & maintenance (OMS, development, support)	10,000	61300 - Consulting	10,500
Telecom (cell, phones, broadband) - Mobile portion	1,246	69234 - Telephones - Mobile	1,308
Telecom (cell, phones, broadband) - Other portion	1,869	69232 - Telephones - Office	1,962
WSO	-	61355 - Data Service Fees	-
Total	\$ 13,115		\$ 13,770
Legal			
Total	\$ 10,000	61100 - Legal	\$ 10,500
Marketing and PR			
Public relations	\$ 10,000	61300 - Consulting	\$ 10,500
Valuation	\$ 6,083	C&B	\$ 6,387
Operations	\$ 21,837	C&B	\$ 22,929
Tax			
Total	\$ 12,719	C&B	\$ 13,354
Pull-Through HCFD Shared Services Billed by HCMF, but Incurred by HCMLP			
Dallas Rent	\$ 21,134	69110 - Rent - Dallas	22,191
Finance & Accounting	3,049	C&B	3,202
General HR & Recruiting	12,412	C&B	13,032
Compliance Systems	-	69250 - Computer Software	-
General support & maintenance (OMS, development, support)	1,250	61300 - Consulting	1,313
Telecom (cell, phones, broadband) - Mobile portion	3,613	69234 - Telephones - Mobile	3,794
Telecom (cell, phones, broadband) - Other portion	1,435	69232 - Telephones - Office	1,507
Legal	1,250	61100 - Legal	1,313
Tax	1,018	C&B	1,069
Total	\$ 45,161	Total	\$ 47,419
Grand Total	\$ 286,474		\$ 300,797
Amount due to HCMLP - Markup = 5%	\$ 300,797		
Amount if annualized	\$ 3,609,564	Total C&B	\$ 208,910

ADVISOR'S  
EXHIBIT  
AA

002252

ACL-072572

## Highland Capital Management LP

## Shared Services Invoice

Services provided to Highland Capital Management Fund Advisors, L.P.

Services Rendered January 2021

Compliance		Acct	Cost w Markup
General Compliance	\$ 66,764	<b>C&amp;B</b>	\$ 70,102
Compliance Systems	153	<b>69250 - Computer Software</b>	161
Total	\$ 66,917		\$ 70,262
Facilities			
Equipment	2,000	<b>69250 - Computer Software</b>	2,100
General Overhead	5,000	<b>69290 - Office Overhead - Other</b>	5,250
Office Supplies	1,000	<b>69220 - Office Supplies</b>	1,050
Rent	14,781	<b>69110 - Rent - Dallas</b>	15,520
Parking	1,268	<b>69290 - Office Overhead - Other</b>	1,332
Total	\$ 24,049		\$ 25,251
Retail Operations	\$ 13,917	<b>C&amp;B</b>	\$ 14,613
Finance & Accounting			
Total	\$ 30,200	<b>C&amp;B</b>	\$ 31,710
HR			
Drinks/snacks	1,000	<b>69290 - Office Overhead - Other</b>	1,050
General HR & Recruiting	5,178	<b>C&amp;B</b>	5,437
Lunches	1,960	<b>69450 - Employee Lunch</b>	2,058
Total	\$ 8,138		\$ 8,545
IT			
General support & maintenance (OMS, development, support)	10,000	<b>61300 - Consulting</b>	10,500
Telecom (cell, phones, broadband) - Mobile portion	1,286	<b>69234 - Telephones - Mobile</b>	1,350
Telecom (cell, phones, broadband) - Other portion	1,928	<b>69232 - Telephones - Office</b>	2,025
WSO	-	<b>61355 - Data Service Fees</b>	-
Total	\$ 13,214		\$ 13,875
Legal			
Total	\$ 10,000	<b>61100 - Legal</b>	\$ 10,500
Marketing and PR			
Public relations	\$ 10,000	<b>61300 - Consulting</b>	\$ 10,500
Valuation	\$ 22,332	<b>C&amp;B</b>	\$ 23,448
Operations	\$ 25,202	<b>C&amp;B</b>	\$ 26,462
Tax			
Total	\$ 14,133	<b>C&amp;B</b>	\$ 14,840
Pull-Through HCFD Shared Services Billed by HCMF, but Incurred by HCMLP			
Dallas Rent	\$ 20,776	<b>69110 - Rent - Dallas</b>	21,815
Finance & Accounting	3,630	<b>C&amp;B</b>	3,811
General HR & Recruiting	11,791	<b>C&amp;B</b>	12,380
Compliance Systems	-	<b>69250 - Computer Software</b>	-
General support & maintenance (OMS, development, support)	1,250	<b>61300 - Consulting</b>	1,313
Telecom (cell, phones, broadband) - Mobile portion	3,797	<b>69234 - Telephones - Mobile</b>	3,987
Telecom (cell, phones, broadband) - Other portion	1,423	<b>69232 - Telephones - Office</b>	1,494
Legal	1,250	<b>61100 - Legal</b>	1,313
Tax	868	<b>C&amp;B</b>	912
Total	\$ 44,784	<b>Total</b>	\$ 47,023
Grand Total	\$ 282,884		<b>\$ 297,028</b>
<b>Amount due to HCMLP - Markup = 5%</b>	<b>\$ 297,028</b>		
Amount if annualized	\$ 3,564,336	Total C&B	\$ 203,714

## Highland Capital Management LP

## Shared Services Invoice

Services provided to Highland Capital Management Fund Advisors, L.P.

Services Rendered February 2020

Compliance		Acct	Cost w Markup
General Compliance	\$ 92,661	C&B	\$ 97,294
Compliance Systems	161	69250 - Computer Software	169
Total	\$ 92,822		\$ 97,463
Facilities			
Equipment	2,000	69250 - Computer Software	2,100
General Overhead	5,000	69290 - Office Overhead - Other	5,250
Office Supplies	1,000	69220 - Office Supplies	1,050
Rent	14,246	69110 - Rent - Dallas	14,958
Parking	1,268	69290 - Office Overhead - Other	1,332
Total	\$ 23,514		\$ 24,690
Retail Operations	\$ 11,310	C&B	\$ 11,875
Finance & Accounting			
Total	\$ 27,704	C&B	\$ 29,089
HR			
Drinks/snacks	1,000	69290 - Office Overhead - Other	1,050
General HR & Recruiting	5,292	C&B	5,556
Lunches	1,862	69450 - Employee Lunch	1,955
Total	\$ 8,154		\$ 8,562
IT			
General support & maintenance (OMS, development, support)	10,000	61300 - Consulting	10,500
Telecom (cell, phones, broadband) - Mobile portion	1,286	69234 - Telephones - Mobile	1,351
Telecom (cell, phones, broadband) - Other portion	1,930	69232 - Telephones - Office	2,026
WSO	-	61355 - Data Service Fees	-
Total	\$ 13,216		\$ 13,877
Legal			
Total	\$ 10,000	61100 - Legal	\$ 10,500
Marketing and PR			
Public relations	\$ 10,000	61300 - Consulting	\$ 10,500
Valuation	\$ 6,083	C&B	\$ 6,387
Operations	\$ 21,837	C&B	\$ 22,929
Tax			
Total	\$ 12,719	C&B	\$ 13,354
Pull-Through HCFD Shared Services Billed by HCMF, but Incurred by HCMLP			
Dallas Rent	\$ 20,350	69110 - Rent - Dallas	21,367
Finance & Accounting	3,049	C&B	3,202
General HR & Recruiting	12,316	C&B	12,932
Compliance Systems	-	69250 - Computer Software	-
General support & maintenance (OMS, development, support)	1,250	61300 - Consulting	1,313
Telecom (cell, phones, broadband) - Mobile portion	3,712	69234 - Telephones - Mobile	3,897
Telecom (cell, phones, broadband) - Other portion	1,359	69232 - Telephones - Office	1,427
Legal	1,250	61100 - Legal	1,313
Tax	1,018	C&B	1,069
Total	\$ 44,304	Total	\$ 46,519
Grand Total	\$ 281,662		\$ 295,745
Amount due to HCMLP - Markup = 5%	\$ 295,745		
Amount if annualized	\$ 3,548,940	Total C&B	\$ 203,688

## Highland Capital Management LP

## Shared Services Invoice

Services provided to Highland Capital Management Fund Advisors, L.P.

Services Rendered March 2020

Compliance		Acct	Cost w Markup
General Compliance	\$ 92,661	C&B	\$ 97,294
Compliance Systems	163	69250 · Computer Software	172
Total	\$ 92,824		\$ 97,466
Facilities			
Equipment	2,000	69250 · Computer Software	2,100
General Overhead	5,000	69290 · Office Overhead - Other	5,250
Office Supplies	1,000	69220 · Office Supplies	1,050
Rent	14,308	69110 · Rent - Dallas	15,023
Parking	1,263	69290 · Office Overhead - Other	1,326
Total	\$ 23,571		\$ 24,749
Retail Operations	\$ 13,419	C&B	\$ 14,090
Finance & Accounting			
Total	\$ 29,154	C&B	\$ 30,612
HR			
Drinks/snacks	1,000	69290 · Office Overhead - Other	1,050
General HR & Recruiting	5,466	C&B	5,739
Lunches	2,156	69450 · Employee Lunch	2,264
Total	\$ 8,622		\$ 9,053
IT			
General support & maintenance (OMS, development, support)	10,000	61300 - Consulting	10,500
Telecom (cell, phones, broadband) - Mobile portion	1,281	69234 - Telephones - Mobile	1,346
Telecom (cell, phones, broadband) - Other portion	1,922	69232 - Telephones - Office	2,018
WSO	-	61355 - Data Service Fees	-
Total	\$ 13,204		\$ 13,864
Legal			
Total	\$ 10,000	61100 - Legal	\$ 10,500
Marketing and PR			
Public relations	\$ 10,000	61300 - Consulting	\$ 10,500
Valuation	\$ 7,667	C&B	\$ 8,051
Operations	\$ 25,202	C&B	\$ 26,462
Tax			
Total	\$ 13,632	C&B	\$ 14,313
Pull-Through HCFD Shared Services Billed by HCMF, but Incurred by HCMLP			
Dallas Rent	\$ 20,505	69110 · Rent - Dallas	21,530
Finance & Accounting	3,049	C&B	3,202
General HR & Recruiting	12,123	C&B	12,729
Compliance Systems	-	69250 · Computer Software	-
General support & maintenance (OMS, development, support)	1,250	61300 - Consulting	1,313
Telecom (cell, phones, broadband) - Mobile portion	3,610	69234 - Telephones - Mobile	3,791
Telecom (cell, phones, broadband) - Other portion	1,358	69232 - Telephones - Office	1,425
Legal	1,250	61100 - Legal	1,313
Tax	955	C&B	1,003
Total	\$ 44,100	Total	\$ 46,305
Grand Total	\$ 291,395		\$ 305,965
Amount due to HCMLP - Markup = 5%	\$ 305,965		
Amount if annualized	\$ 3,671,580	Total C&B	\$ 213,495

## Highland Capital Management LP

## Shared Services Invoice

Services provided to Highland Capital Management Fund Advisors, L.P.

Services Rendered April 2020

Compliance		Acct		Cost w Markup	
General Compliance	\$ 92,661	C&B	\$ 97,294		
Compliance Systems	162	69250 - Computer Software	170		
Total	\$ 92,823		\$ 97,464		
Facilities					
Equipment	2,000	69250 - Computer Software	2,100		
General Overhead	5,000	69290 - Office Overhead - Other	5,250		
Office Supplies	1,000	69220 - Office Supplies	1,050		
Rent	14,712	69110 - Rent - Dallas	15,448		
Parking	1,253	69290 - Office Overhead - Other	1,316		
Total	\$ 23,965		\$ 25,164		
Retail Operations	\$ 13,419	C&B	\$ 14,090		
Finance & Accounting					
Total	\$ 29,154	C&B	\$ 30,612		
HR					
Drinks/snacks	1,000	69290 - Office Overhead - Other	1,050		
General HR & Recruiting	5,424	C&B	5,695		
Lunches	2,058	69450 - Employee Lunch	2,161		
Total	\$ 8,482		\$ 8,906		
IT					
General support & maintenance (OMS, development, support)	10,000	61300 - Consulting	10,500		
Telecom (cell, phones, broadband) - Mobile portion	1,272	69234 - Telephones - Mobile	1,335		
Telecom (cell, phones, broadband) - Other portion	1,907	69232 - Telephones - Office	2,003		
WSO	-	61355 - Data Service Fees	-		
Total	\$ 13,179		\$ 13,838		
Legal					
Total	\$ 10,000	61100 - Legal	\$ 10,500		
Marketing and PR					
Public relations	\$ 10,000	61300 - Consulting	\$ 10,500		
Valuation	\$ 7,667	C&B	\$ 8,051		
Operations	\$ 25,202	C&B	\$ 26,462		
Tax					
Total	\$ 12,409	C&B	\$ 13,030		
Pull-Through HCFD Shared Services Billed by HCMF, but Incurred by HCMLP					
Dallas Rent	\$ 21,887	69110 - Rent - Dallas	22,982		
Finance & Accounting	3,168	C&B	3,327		
General HR & Recruiting	13,408	C&B	14,079		
Compliance Systems	-	69250 - Computer Software	-		
General support & maintenance (OMS, development, support)	1,250	61300 - Consulting	1,313		
Telecom (cell, phones, broadband) - Mobile portion	3,816	69234 - Telephones - Mobile	4,006		
Telecom (cell, phones, broadband) - Other portion	1,437	69232 - Telephones - Office	1,509		
Legal	1,250	61100 - Legal	1,313		
Tax	868	C&B	912		
Total	\$ 47,085	Total	\$ 49,439		
Grand Total	\$ 293,386		\$ 308,056		
Amount due to HCMLP - Markup = 5%	\$ 308,056				
Amount if annualized	\$ 3,696,672	Total C&B	\$ 213,551		

## Highland Capital Management LP

## Shared Services Invoice

Services provided to Highland Capital Management Fund Advisors, L.P.

Services Rendered May 2020

Compliance		Acct	Cost w Markup
General Compliance	\$ 92,661	C&B	\$ 97,294
Compliance Systems	160	69250 · Computer Software	168
Total	\$ 92,821		\$ 97,462
Facilities			
Equipment	2,000	69250 · Computer Software	2,100
General Overhead	5,000	69290 · Office Overhead - Other	5,250
Office Supplies	1,000	69220 · Office Supplies	1,050
Rent	14,482	69110 · Rent - Dallas	15,206
Parking	1,253	69290 · Office Overhead - Other	1,316
Total	\$ 23,735		\$ 24,922
Retail Operations	\$ 13,419	C&B	\$ 14,090
Finance & Accounting			
Total	\$ 29,154	C&B	\$ 30,612
HR			
Drinks/snacks	1,000	69290 · Office Overhead - Other	1,050
General HR & Recruiting	5,346	C&B	5,613
Lunches	1,960	69450 · Employee Lunch	2,058
Total	\$ 8,306		\$ 8,721
IT			
General support & maintenance (OMS, development, support)	10,000	61300 - Consulting	10,500
Telecom (cell, phones, broadband) - Mobile portion	1,271	69234 - Telephones - Mobile	1,335
Telecom (cell, phones, broadband) - Other portion	1,907	69232 - Telephones - Office	2,002
WSO	-	61355 - Data Service Fees	-
Total	\$ 13,178		\$ 13,837
Legal			
Total	\$ 10,000	61100 - Legal	\$ 10,500
Marketing and PR			
Public relations	\$ 10,000	61300 - Consulting	\$ 10,500
Valuation	\$ 7,667	C&B	\$ 8,051
Operations	\$ 25,202	C&B	\$ 26,462
Tax			
Total	\$ 12,409	C&B	\$ 13,030
Pull-Through HCFD Shared Services Billed by HCMF, but Incurred by HCMLP			
Dallas Rent	\$ 21,493	69110 · Rent - Dallas	22,568
Finance & Accounting	3,168	C&B	3,327
General HR & Recruiting	13,144	C&B	13,801
Compliance Systems	-	69250 · Computer Software	-
General support & maintenance (OMS, development, support)	1,250	61300 - Consulting	1,313
Telecom (cell, phones, broadband) - Mobile portion	3,814	69234 - Telephones - Mobile	4,004
Telecom (cell, phones, broadband) - Other portion	1,435	69232 - Telephones - Office	1,507
Legal	1,250	61100 - Legal	1,313
Tax	868	C&B	912
Total	\$ 46,422	Total	\$ 48,743
Grand Total	\$ 292,314		\$ 306,930
Amount due to HCMLP - Markup = 5%	\$ 306,930		
Amount if annualized	\$ 3,683,160	Total C&B	\$ 213,191

## Highland Capital Management LP

## Shared Services Invoice

Services provided to Highland Capital Management Fund Advisors, L.P.

Services Rendered June 2020

Compliance		Acct	Cost w Markup
General Compliance	\$ 92,661	C&B	\$ 97,294
Compliance Systems	158	69250 · Computer Software	166
Total	\$ 92,818		\$ 97,459
Facilities			
Equipment	2,000	69250 · Computer Software	2,100
General Overhead	5,000	69290 · Office Overhead - Other	5,250
Office Supplies	1,000	69220 · Office Supplies	1,050
Rent	14,482	69110 · Rent - Dallas	15,206
Parking	1,253	69290 · Office Overhead - Other	1,316
Total	\$ 23,735		\$ 24,922
Retail Operations	\$ 13,419	C&B	\$ 14,090
Finance & Accounting			
Total	\$ 29,154	C&B	\$ 30,612
HR			
Drinks/snacks	1,000	69290 · Office Overhead - Other	1,050
General HR & Recruiting	5,270	C&B	5,534
Lunches	2,156	69450 · Employee Lunch	2,264
Total	\$ 8,426		\$ 8,848
IT			
General support & maintenance (OMS, development, support)	10,000	61300 - Consulting	10,500
Telecom (cell, phones, broadband) - Mobile portion	1,271	69234 - Telephones - Mobile	1,335
Telecom (cell, phones, broadband) - Other portion	1,907	69232 - Telephones - Office	2,002
WSO	-	61355 - Data Service Fees	-
Total	\$ 13,178		\$ 13,837
Legal			
Total	\$ 10,000	61100 - Legal	\$ 10,500
Marketing and PR			
Public relations	\$ 10,000	61300 - Consulting	\$ 10,500
Valuation	\$ 7,667	C&B	\$ 8,051
Operations	\$ 25,202	C&B	\$ 26,462
Tax			
Total	\$ 12,409	C&B	\$ 13,030
Pull-Through HCFD Shared Services Billed by HCMF, but Incurred by HCMLP			
Dallas Rent	\$ 20,009	69110 · Rent - Dallas	21,009
Finance & Accounting	3,168	C&B	3,327
General HR & Recruiting	12,826	C&B	13,467
Compliance Systems	-	69250 · Computer Software	-
General support & maintenance (OMS, development, support)	1,250	61300 - Consulting	1,313
Telecom (cell, phones, broadband) - Mobile portion	3,712	69234 - Telephones - Mobile	3,897
Telecom (cell, phones, broadband) - Other portion	1,359	69232 - Telephones - Office	1,427
Legal	1,250	61100 - Legal	1,313
Tax	868	C&B	912
Total	\$ 44,442	Total	\$ 46,664
Grand Total	\$ 290,451		\$ 304,974
Amount due to HCMLP - Markup = 5%	\$ 304,974		
Amount if annualized	\$ 3,659,688	Total C&B	\$ 212,778

## Highland Capital Management LP

## Shared Services Invoice

Services provided to Highland Capital Management Fund Advisors, L.P.

Services Rendered July 2020

Compliance		Acct	Cost w Markup
General Compliance	\$ 92,661	C&B	\$ 97,294
Compliance Systems	158	69250 · Computer Software	166
Total	\$ 92,819		\$ 97,460
Facilities			
Equipment	2,000	69250 · Computer Software	2,100
General Overhead	5,000	69290 · Office Overhead - Other	5,250
Office Supplies	1,000	69220 · Office Supplies	1,050
Rent	14,292	69110 · Rent - Dallas	15,007
Parking	1,268	69290 · Office Overhead - Other	1,332
Total	\$ 23,560		\$ 24,738
Retail Operations	\$ 13,419	C&B	\$ 14,090
Finance & Accounting			
Total	\$ 29,154	C&B	\$ 30,612
HR			
Drinks/snacks	1,000	69290 · Office Overhead - Other	1,050
General HR & Recruiting	5,296	C&B	5,561
Lunches	2,156	69450 · Employee Lunch	2,264
Total	\$ 8,452		\$ 8,874
IT			
General support & maintenance (OMS, development, support)	10,000	61300 - Consulting	10,500
Telecom (cell, phones, broadband) - Mobile portion	1,286	69234 - Telephones - Mobile	1,351
Telecom (cell, phones, broadband) - Other portion	1,929	69232 - Telephones - Office	2,026
WSO	-	61355 - Data Service Fees	-
Total	\$ 13,215		\$ 13,876
Legal			
Total	\$ 10,000	61100 - Legal	\$ 10,500
Marketing and PR			
Public relations	\$ 10,000	61300 - Consulting	\$ 10,500
Valuation	\$ 7,667	C&B	\$ 8,051
Operations	\$ 25,202	C&B	\$ 26,462
Tax			
Total	\$ 14,133	C&B	\$ 14,840
Pull-Through HCFD Shared Services Billed by HCMF, but Incurred by HCMLP			
Dallas Rent	\$ 19,816	69110 · Rent - Dallas	20,806
Finance & Accounting	3,168	C&B	3,327
General HR & Recruiting	12,535	C&B	13,162
Compliance Systems	-	69250 · Computer Software	-
General support & maintenance (OMS, development, support)	1,250	61300 - Consulting	1,313
Telecom (cell, phones, broadband) - Mobile portion	3,709	69234 - Telephones - Mobile	3,895
Telecom (cell, phones, broadband) - Other portion	1,357	69232 - Telephones - Office	1,425
Legal	1,250	61100 - Legal	1,313
Tax	868	C&B	912
Total	\$ 43,953	Total	\$ 46,151
Grand Total	\$ 291,576		\$ 306,154
Amount due to HCMLP - Markup = 5%	\$ 306,154		
Amount if annualized	\$ 3,673,848	Total C&B	\$ 214,309



## Highland Capital Management LP

## Shared Services Invoice

Services provided to Highland Capital Management Fund Advisors, L.P.

Services Rendered August 2020

Compliance		Acct	Cost w Markup
General Compliance	\$ 92,661	C&B	\$ 97,294
Compliance Systems	157	69250 - Computer Software	165
Total	\$ 92,818		\$ 97,459
Facilities			
Equipment	2,000	69250 - Computer Software	2,100
General Overhead	5,000	69290 - Office Overhead - Other	5,250
Office Supplies	1,000	69220 - Office Supplies	1,050
Rent	14,175	69110 - Rent - Dallas	14,884
Parking	1,268	69290 - Office Overhead - Other	1,332
Total	\$ 23,443		\$ 24,615
Retail Operations	\$ 13,419	C&B	\$ 14,090
Finance & Accounting			
Total	\$ 29,154	C&B	\$ 30,612
HR			
Drinks/snacks	1,000	69290 - Office Overhead - Other	1,050
General HR & Recruiting	5,259	C&B	5,522
Lunches	2,058	69450 - Employee Lunch	2,161
Total	\$ 8,317		\$ 8,733
IT			
General support & maintenance (OMS, development, support)	10,000	61300 - Consulting	10,500
Telecom (cell, phones, broadband) - Mobile portion	1,286	69234 - Telephones - Mobile	1,350
Telecom (cell, phones, broadband) - Other portion	1,929	69232 - Telephones - Office	2,026
WSO	-	61355 - Data Service Fees	-
Total	\$ 13,215		\$ 13,876
Legal			
Total	\$ 10,000	61100 - Legal	\$ 10,500
Marketing and PR			
Public relations	\$ 10,000	61300 - Consulting	\$ 10,500
Valuation	\$ 7,667	C&B	\$ 8,051
Operations	\$ 25,202	C&B	\$ 26,462
Tax			
Total	\$ 14,133	C&B	\$ 14,840
Pull-Through HCFD Shared Services Billed by HCMF, but Incurred by HCMLP			
Dallas Rent	\$ 20,783	69110 - Rent - Dallas	21,822
Finance & Accounting	3,168	C&B	3,327
General HR & Recruiting	13,015	C&B	13,666
Compliance Systems	-	69250 - Computer Software	-
General support & maintenance (OMS, development, support)	1,250	61300 - Consulting	1,313
Telecom (cell, phones, broadband) - Mobile portion	3,813	69234 - Telephones - Mobile	4,004
Telecom (cell, phones, broadband) - Other portion	1,435	69232 - Telephones - Office	1,507
Legal	1,250	61100 - Legal	1,313
Tax	868	C&B	912
Total	\$ 45,583	Total	\$ 47,862
Grand Total	\$ 292,951		\$ 307,599
Amount due to HCMLP - Markup = 5%	\$ 307,599		
Amount if annualized	\$ 3,691,188	Total C&B	\$ 214,774

## Highland Capital Management LP

## Shared Services Invoice

Services provided to Highland Capital Management Fund Advisors, L.P.

Services Rendered September 2020

Compliance			Acct	Cost w Markup
General Compliance	\$	92,661	C&B	\$ 97,294
Compliance Systems		158	69250 - Computer Software	166
Total	\$	92,819		\$ 97,460
Facilities				
Equipment		2,000	69250 - Computer Software	2,100
General Overhead		5,000	69290 - Office Overhead - Other	5,250
Office Supplies		1,000	69220 - Office Supplies	1,050
Rent		14,292	69110 - Rent - Dallas	15,007
Parking		1,268	69290 - Office Overhead - Other	1,332
Total	\$	23,560		\$ 24,738
Retail Operations	\$	13,419	C&B	\$ 14,090
Finance & Accounting				
Total	\$	29,154	C&B	\$ 30,612
HR				
Drinks/snacks		1,000	69290 - Office Overhead - Other	1,050
General HR & Recruiting		5,296	C&B	5,561
Lunches		1,960	69450 - Employee Lunch	2,058
Total	\$	8,256		\$ 8,669
IT				
General support & maintenance (OMS, development, support)		10,000	61300 - Consulting	10,500
Telecom (cell, phones, broadband) - Mobile portion		1,286	69234 - Telephones - Mobile	1,351
Telecom (cell, phones, broadband) - Other portion		1,929	69232 - Telephones - Office	2,026
WSO		-	61355 - Data Service Fees	-
Total	\$	13,215		\$ 13,876
Legal				
Total	\$	10,000	61100 - Legal	\$ 10,500
Marketing and PR				
Public relations	\$	10,000	61300 - Consulting	\$ 10,500
Valuation	\$	7,667	C&B	\$ 8,051
Operations	\$	25,202	C&B	\$ 26,462
Tax				
Total	\$	14,133	C&B	\$ 14,840
Pull-Through HCFD Shared Services Billed by HCMF, but Incurred by HCMLP				
Dallas Rent	\$	20,975	69110 - Rent - Dallas	22,023
Finance & Accounting		3,168	C&B	3,327
General HR & Recruiting		13,231	C&B	13,892
Compliance Systems		-	69250 - Computer Software	-
General support & maintenance (OMS, development, support)		1,250	61300 - Consulting	1,313
Telecom (cell, phones, broadband) - Mobile portion		3,815	69234 - Telephones - Mobile	4,006
Telecom (cell, phones, broadband) - Other portion		1,436	69232 - Telephones - Office	1,508
Legal		1,250	61100 - Legal	1,313
Tax		868	C&B	912
Total	\$	45,993	Total	\$ 48,292
Grand Total	\$	293,419		\$ 308,090
Amount due to HCMLP - Markup = 5%	\$	308,090		
Amount if annualized	\$	3,697,080	Total C&B	\$ 215,039

## Highland Capital Management LP

## Shared Services Invoice

Services provided to Highland Capital Management Fund Advisors, L.P.

Services Rendered October 2020

Compliance		Acct	Cost w Markup
General Compliance	\$ 92,661	C&B	\$ 97,294
Compliance Systems	156	69250 - Computer Software	164
Total	\$ 92,817		\$ 97,458
Facilities			
Equipment	2,000	69250 - Computer Software	2,100
General Overhead	5,000	69290 - Office Overhead - Other	5,250
Office Supplies	1,000	69220 - Office Supplies	1,050
Rent	14,175	69110 - Rent - Dallas	14,884
Parking	1,268	69290 - Office Overhead - Other	1,332
Total	\$ 23,443		\$ 24,615
Retail Operations	\$ 13,419	C&B	\$ 14,090
Finance & Accounting			
Total	\$ 29,154	C&B	\$ 30,612
HR			
Drinks/snacks	1,000	69290 - Office Overhead - Other	1,050
General HR & Recruiting	5,222	C&B	5,483
Lunches	2,156	69450 - Employee Lunch	2,264
Total	\$ 8,378		\$ 8,797
IT			
General support & maintenance (OMS, development, support)	10,000	61300 - Consulting	10,500
Telecom (cell, phones, broadband) - Mobile portion	1,286	69234 - Telephones - Mobile	1,350
Telecom (cell, phones, broadband) - Other portion	1,929	69232 - Telephones - Office	2,025
WSO	-	61355 - Data Service Fees	-
Total	\$ 13,215		\$ 13,876
Legal			
Total	\$ 10,000	61100 - Legal	\$ 10,500
Marketing and PR			
Public relations	\$ 10,000	61300 - Consulting	\$ 10,500
Valuation	\$ 7,667	C&B	\$ 8,051
Operations	\$ 25,202	C&B	\$ 26,462
Tax			
Total	\$ 14,133	C&B	\$ 14,840
Pull-Through HCFD Shared Services Billed by HCMF, but Incurred by HCMLP			
Dallas Rent	\$ 20,830	69110 - Rent - Dallas	21,872
Finance & Accounting	3,168	C&B	3,327
General HR & Recruiting	13,538	C&B	14,215
Compliance Systems	-	69250 - Computer Software	-
General support & maintenance (OMS, development, support)	1,250	61300 - Consulting	1,313
Telecom (cell, phones, broadband) - Mobile portion	3,917	69234 - Telephones - Mobile	4,113
Telecom (cell, phones, broadband) - Other portion	1,438	69232 - Telephones - Office	1,510
Legal	1,250	61100 - Legal	1,313
Tax	868	C&B	912
Total	\$ 46,260	Total	\$ 48,573
Grand Total	\$ 293,689		\$ 308,374
Amount due to HCMLP - Markup = 5%	\$ 308,374		
Amount if annualized	\$ 3,700,488	Total C&B	\$ 215,285

## Highland Capital Management LP

## Shared Services Invoice

Services provided to Highland Capital Management Fund Advisors, L.P.

Services Rendered November 2020

Compliance		Acct	Cost w Markup
General Compliance	\$ 66,764	C&B	\$ 70,102
Compliance Systems	156	69250 - Computer Software	164
Total	\$ 66,920		\$ 70,266
Facilities			
Equipment	2,000	69250 - Computer Software	2,100
General Overhead	5,000	69290 - Office Overhead - Other	5,250
Office Supplies	1,000	69220 - Office Supplies	1,050
Rent	14,060	69110 - Rent - Dallas	14,763
Parking	1,268	69290 - Office Overhead - Other	1,332
Total	\$ 23,328		\$ 24,494
Retail Operations	\$ 13,917	C&B	\$ 14,613
Finance & Accounting			
Total	\$ 30,200	C&B	\$ 31,710
HR			
Drinks/snacks	1,000	69290 - Office Overhead - Other	1,050
General HR & Recruiting	5,286	C&B	5,550
Lunches	1,960	69450 - Employee Lunch	2,058
Total	\$ 8,246		\$ 8,658
IT			
General support & maintenance (OMS, development, support)	10,000	61300 - Consulting	10,500
Telecom (cell, phones, broadband) - Mobile portion	1,286	69234 - Telephones - Mobile	1,350
Telecom (cell, phones, broadband) - Other portion	1,929	69232 - Telephones - Office	2,025
WSO	-	61355 - Data Service Fees	-
Total	\$ 13,215		\$ 13,876
Legal			
Total	\$ 10,000	61100 - Legal	\$ 10,500
Marketing and PR			
Public relations	\$ 10,000	61300 - Consulting	\$ 10,500
Valuation	\$ 22,332	C&B	\$ 23,448
Operations	\$ 25,202	C&B	\$ 26,462
Tax			
Total	\$ 14,133	C&B	\$ 14,840
Pull-Through HCFD Shared Services Billed by HCMF, but Incurred by HCMLP			
Dallas Rent	\$ 21,758	69110 - Rent - Dallas	22,846
Finance & Accounting	3,630	C&B	3,811
General HR & Recruiting	14,712	C&B	15,448
Compliance Systems	-	69250 - Computer Software	-
General support & maintenance (OMS, development, support)	1,250	61300 - Consulting	1,313
Telecom (cell, phones, broadband) - Mobile portion	3,919	69234 - Telephones - Mobile	4,115
Telecom (cell, phones, broadband) - Other portion	1,514	69232 - Telephones - Office	1,590
Legal	1,250	61100 - Legal	1,313
Tax	868	C&B	912
Total	\$ 48,902	Total	\$ 51,348
Grand Total	\$ 286,394		\$ 300,714
Amount due to HCMLP - Markup = 5%	\$ 300,714		
Amount if annualized	\$ 3,608,568	Total C&B	\$ 206,895

## Highland Capital Management LP

## Shared Services Invoice

Services provided to Highland Capital Management Fund Advisors, L.P.

Services Rendered December 2020

Compliance		Acct	Cost w Markup
General Compliance	\$ 66,764	<b>C&amp;B</b>	\$ 70,102
Compliance Systems	148	<b>69250 · Computer Software</b>	155
Total	\$ 66,912		\$ 70,257
Facilities			
Equipment	2,000	<b>69250 · Computer Software</b>	2,100
General Overhead	5,000	<b>69290 · Office Overhead - Other</b>	5,250
Office Supplies	1,000	<b>69220 · Office Supplies</b>	1,050
Rent	14,292	<b>69110 · Rent - Dallas</b>	15,007
Parking	1,268	<b>69290 · Office Overhead - Other</b>	1,332
Total	\$ 23,560		\$ 24,738
Retail Operations	\$ 13,917	<b>C&amp;B</b>	\$ 14,613
Finance & Accounting			
Total	\$ 30,200	<b>C&amp;B</b>	\$ 31,710
HR			
Drinks/snacks	1,000	<b>69290 · Office Overhead - Other</b>	1,050
General HR & Recruiting	5,007	<b>C&amp;B</b>	5,258
Lunches	2,156	<b>69450 · Employee Lunch</b>	2,264
Total	\$ 8,163		\$ 8,572
IT			
General support & maintenance (OMS, development, support)	10,000	<b>61300 - Consulting</b>	10,500
Telecom (cell, phones, broadband) - Mobile portion	1,285	<b>69234 - Telephones - Mobile</b>	1,349
Telecom (cell, phones, broadband) - Other portion	1,928	<b>69232 - Telephones - Office</b>	2,024
WSO	-	<b>61355 - Data Service Fees</b>	-
Total	\$ 13,213		\$ 13,873
Legal			
Total	\$ 10,000	<b>61100 - Legal</b>	\$ 10,500
Marketing and PR			
Public relations	\$ 10,000	<b>61300 - Consulting</b>	\$ 10,500
Valuation	\$ 22,332	<b>C&amp;B</b>	\$ 23,448
Operations	\$ 25,202	<b>C&amp;B</b>	\$ 26,462
Tax			
Total	\$ 14,133	<b>C&amp;B</b>	\$ 14,840
Pull-Through HCFD Shared Services Billed by HCMF, but Incurred by HCMLP			
Dallas Rent	\$ 20,776	<b>69110 · Rent - Dallas</b>	21,815
Finance & Accounting	3,630	<b>C&amp;B</b>	3,811
General HR & Recruiting	11,791	<b>C&amp;B</b>	12,380
Compliance Systems	-	<b>69250 · Computer Software</b>	-
General support & maintenance (OMS, development, support)	1,250	<b>61300 - Consulting</b>	1,313
Telecom (cell, phones, broadband) - Mobile portion	3,797	<b>69234 - Telephones - Mobile</b>	3,987
Telecom (cell, phones, broadband) - Other portion	1,423	<b>69232 - Telephones - Office</b>	1,494
Legal	1,250	<b>61100 - Legal</b>	1,313
Tax	868	<b>C&amp;B</b>	912
Total	\$ 44,784	<b>Total</b>	\$ 47,023
Grand Total	\$ 282,415		<b>\$ 296,535</b>
<b>Amount due to HCMLP - Markup = 5%</b>	<b>\$ 296,535</b>		
Amount if annualized	\$ 3,558,420	Total C&B	\$ 203,535

## PAYROLL REIMBURSEMENT AGREEMENT

THIS PAYROLL REIMBURSEMENT AGREEMENT (this "*Agreement*") entered into on this 1st day of May, 2018 by and among Highland Capital Management, L.P., a Delaware limited partnership ("*HCMLP*"), and NexPoint Advisors, L.P., a Delaware limited partnership ("*NexPoint*"), and any affiliate of NexPoint that becomes a party hereto, is effective as of January 1, 2018 (the "*Effective Date*"). Each of the signatories hereto is individually a "*Party*" and collectively the "*Parties*".

## RECITALS

A. During the Term, HCMLP will seek reimbursement from NexPoint for the cost of certain employees who are dual employees of HCMLP and NexPoint and who provide advice to registered investment companies advised by NexPoint under the direction and supervision of NexPoint as more fully described in this Agreement.

## AGREEMENT

In consideration of the foregoing recitals and the mutual covenants and conditions contained herein, the Parties agree, intending to be legally bound, as follows:

ARTICLE I  
DEFINITIONS

"*Actual Cost*" means, with respect to any period hereunder, the actual costs and expenses caused by, incurred or otherwise arising from or relating to each Dual Employee, in each case during such period. Absent any changes to employee reimbursement, as set forth in Section 2.02, such costs and expenses are equal to \$252,000 per month.

"*Affiliate*" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person. The term "*control*" (including, with correlative meanings, the terms "*controlled by*" and "*under common control with*") means the possession of the power to direct the management and policies of the referenced Person, whether through ownership interests, by contract or otherwise.

"*Agreement*" has the meaning set forth in the preamble.

"*Allocation Percentage*" has the meaning set forth in Section 3.01.

"*Dual Employee*" has the meaning set forth in Section 2.01.

"*Effective Date*" has the meaning set forth in the preamble.

"*Party*" or "*Parties*" has the meaning set forth in the preamble.

"*Person*" means an association, a corporation, an individual, a partnership, a limited liability company, a trust or any other entity or organization.

"*Tax*" or "*Taxes*" means: (i) all state and local sales, use, value-added, gross receipts, foreign, privilege, utility, infrastructure maintenance, property, federal excise and similar levies, duties and other similar tax-like charges lawfully levied by a duly constituted taxing authority against or upon the Shared Services and the Shared Assets; and (ii) tax-related surcharges or fees that are related to the Shared Services

ADVISOR'S  
EXHIBIT  
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EXHIBIT M  
002265



and the Shared Assets identified and authorized by applicable tariffs.

## ARTICLE II EMPLOYEE REIMBURSEMENT

Section 2.01 Employee Reimbursement. During the Term, NexPoint shall reimburse HCMLP for the Actual Cost to HCMLP of certain employees who (i) are dual employees of HCMLP and NexPoint and (ii) provide advice to any investment company registered under the Investment Company Act of 1940, as amended (the “*1940 Act*”) pursuant to an investment advisory agreement between NexPoint and such investment company (each, a “*Fund*”) under the direction and supervision of NexPoint (each, a “*Dual Employee*”).

Section 2.02 Changes to Employee Reimbursement. During the Term, the Parties may agree to modify the terms and conditions of NexPoint’s reimbursement in order to reflect new procedures or processes, including modifying the Allocation Percentage (defined below) applicable to such Dual Employee to reflect the then current fair market value of such Dual Employee’s employment. The Parties will negotiate in good faith the terms of such modification.

## ARTICLE III COST ALLOCATION

Section 3.01 Actual Cost Allocation Formula. The Actual Cost of any Dual Employee relating to the investment advisory services provided to a Fund shall be allocated based on the Allocation Percentage. For purposes of this Agreement, “*Allocation Percentage*” means the Parties’ good faith determination of the percentage of each Dual Employee’s aggregate hours worked during a quarter that were spent on NexPoint matters, as listed on Exhibit A.

## ARTICLE IV PAYMENT OF COST AND REVENUE SHARE; TAXES

Section 4.01 Settlement Payments. At any time during the Term, NexPoint may make payment of the amounts that are allocable to it.

Section 4.02 Determination and Payment of Cost. NexPoint shall promptly make payment of the Actual Cost within ten (10) days of the end of each calendar month. Should either Party determine that a change to employee reimbursement is appropriate, as set forth in Section 2.02, the Party requesting the modification shall notify the other Party on or before the last business day of the calendar month.

Section 4.03 Taxes.

(a) NexPoint is responsible for and will pay all Taxes applicable to it, provided, that such payments by NexPoint to HCMLP will be made in the most tax-efficient manner and provided further, that HCMLP will not be subject to any liability for Taxes applicable to the cost of a Dual Employee of NexPoint as a result of such payment by NexPoint. HCMLP will collect such Tax from NexPoint in the same manner it collects such Taxes from other customers in the ordinary course of its business, but in no event prior to the time it invoices NexPoint for costs for which such Taxes are levied. NexPoint may provide HCMLP with a certificate evidencing its exemption from payment of or liability for such Taxes.

(b) NexPoint will reimburse HCMLP for any Taxes collected from HCMLP and refunded to NexPoint. In the event a Tax is assessed against NexPoint that is solely the responsibility of HCMLP and HCMLP desires to protest such assessment, HCMLP will submit to NexPoint a statement of



the issues and arguments requesting that NexPoint grant HCMLP the authority to prosecute the protest in NexPoint's name. NexPoint's authorization will not be unreasonably withheld. HCMLP will finance, manage, control and determine the strategy for such protest while keeping NexPoint reasonably informed of the proceedings. However, the authorization will be periodically reviewed by NexPoint to determine any adverse impact on NexPoint, and NexPoint will have the right to reasonably withdraw such authority at any time. Upon notice by NexPoint that it is so withdrawing such authority, HCMLP will expeditiously terminate all proceedings. Any adverse consequences suffered by HCMLP as a result of the withdrawal will be submitted to litigation pursuant to Section 6.14. Any contest for Taxes brought by HCMLP may not result in any lien attaching to any property or rights of NexPoint or otherwise jeopardize NexPoint's interests or rights in any of its property.

(c) The provisions of this Section 4.03 will govern the treatment of all Taxes arising as a result of or in connection with this Agreement notwithstanding any other Article of this Agreement to the contrary.

#### ARTICLE V TERM AND TERMINATION

Section 5.01 Term. The term of this Agreement will commence as of the Effective Date and will continue in full force and effect until the first anniversary of the Effective Date (the "**Term**"), unless terminated earlier in accordance with Section 5.02. The Term shall automatically renew for successive one year periods unless sooner terminated under Section 5.02.

Section 5.02 Termination. Either Party may terminate this Agreement, with or without cause, upon at least 60 days advance written notice at any time prior to the expiration of the Term.

#### ARTICLE VI MISCELLANEOUS

Section 6.01 No Partnership or Joint Venture; Independent Contractor. Nothing contained in this Agreement will constitute or be construed to be or create a partnership or joint venture between or among HCMLP or NexPoint or their respective successors or assigns. The Parties understand and agree that this Agreement does not make any of them an agent or legal representative of the other for any purpose whatsoever. Neither Party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibilities, express or implied, on behalf of or in the name of any other Party, or to bind any other Party in any manner whatsoever.

Section 6.02 Amendments; Waivers. Except as expressly provided herein, this Agreement may be amended only by agreement in writing of all Parties. No waiver of any provision nor consent to any exception to the terms of this Agreement or any agreement contemplated hereby will be effective unless in writing and signed by all of the Parties affected and then only to the specific purpose, extent and instance so provided. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 6.03 Schedules and Exhibits; Integration. Each Schedule and Exhibit delivered pursuant to the terms of this Agreement must be in writing and will constitute a part of this Agreement, although schedules need not be attached to each copy of this Agreement. This Agreement, together with such Schedules and Exhibits constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the Parties in connection therewith.



Section 6.04 Further Assurances. Each Party will take such actions as any other Party may reasonably request or as may be necessary or appropriate to consummate or implement the transactions contemplated by this Agreement or to evidence such events or matters.

Section 6.05 Governing Law. This Agreement and the legal relations between the Parties will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed in such State and without regard to conflicts of law doctrines unless certain matters are preempted by federal law.

Section 6.06 Assignment. Except as otherwise provided hereunder, neither this Agreement nor any rights or obligations hereunder are assignable by one Party without the express prior written consent of the other Parties.

Section 6.07 Headings. The descriptive headings of the Articles, Sections and subsections of this Agreement are for convenience only and do not constitute a part of this Agreement.

Section 6.08 Counterparts. This Agreement and any amendment hereto or any other agreement delivered pursuant hereto may be executed in one or more counterparts and by different Parties in separate counterparts. All counterparts will constitute one and the same agreement and will become effective when one or more counterparts have been signed by each Party and delivered to the other Parties.

Section 6.09 Successors and Assigns; No Third Party Beneficiaries. This Agreement is binding upon and will inure to the benefit of each Party and its successors or assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 6.10 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given: (i) immediately when personally delivered; (ii) when received by first class mail, return receipt requested; (iii) one day after being sent for overnight delivery by Federal Express or other overnight delivery service; or (iv) when receipt is acknowledged, either electronically or otherwise, if sent by facsimile, telecopy or other electronic transmission device. Notices, demands and communications to the other Parties will, unless another address is specified by such Parties in writing, be sent to the addresses indicated below:

**If to HCMLP, addressed to:**

Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147

**If to NexPoint, addressed to:**

NexPoint Advisors, L.P.  
200 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147

Section 6.11 Expenses. Except as otherwise provided herein, the Parties will each pay their own expenses incident to the negotiation, preparation and performance of this Agreement, including the fees, expenses and disbursements of their respective investment bankers, accountants and counsel.

Section 6.12 Waiver. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 6.13 Severability. If any provision of this Agreement is held to be unenforceable for any reason, it will be adjusted rather than voided, if possible, to achieve the intent of the Parties. All other provisions of this Agreement will be deemed valid and enforceable to the extent possible.

Section 6.14 Dispute Resolution; Jurisdiction. The Parties hereby agree that any action, claim, litigation, or proceeding of any kind whatsoever against any other Party in any way arising from or relating to this Agreement, including, but not limited to, claims sounding in contract, equity, tort, fraud and statute (“Dispute”) shall be submitted exclusively to the the courts located in Dallas County, Texas, and any appellate court thereof (“Enforcement Court”). Each party irrevocably and unconditionally submits to the exclusive personal and subject matter jurisdiction of the Enforcement Court for any Dispute and agrees to bring any Dispute only in the Enforcement Court. Each Party further agrees it shall not commence any Dispute in any forum, including, but not limited to, administrative, arbitration, or litigation, other than the Enforcement Court.

Section 6.15 General Rules of Construction. For all purposes of this Agreement and the Exhibits and Schedules delivered pursuant to this Agreement: (i) the terms defined in Article I have the meanings assigned to them in Article I and include the plural as well as the singular; (ii) all accounting terms not otherwise defined herein have the meanings assigned under GAAP; (iii) all references in this Agreement to designated “Articles,” “Sections” and other subdivisions are to the designated Articles, Sections and other subdivisions of the body of this Agreement; (iv) pronouns of either gender or neuter will include, as appropriate, the other pronoun forms; (v) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; (vi) “or” is not exclusive; (vii) “including” and “includes” will be deemed to be followed by “but not limited to” and “but is not limited to,” respectively; (viii) any definition of or reference to any law, agreement, instrument or other document herein will be construed as referring to such law, agreement, instrument or other document as from time to time amended, supplemented or otherwise modified; and (ix) any definition of or reference to any statute will be construed as referring also to any rules and regulations promulgated thereunder.

IN WITNESS HEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized officers as of the day and year first above written.

**HIGHLAND CAPITAL MANAGEMENT, L.P.**

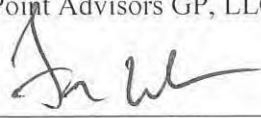
By: Strand Advisors, Inc., its general partner

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**NEXPOINT ADVISORS, L.P.**

By: NexPoint Advisors GP, LLC, its general partner

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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**EXHIBIT A**EMPLOYEE ALLOCATIONS  
(AS OF JANUARY 1, 2018)

EMPLOYEE NAME	PERCENTAGE (%) ALLOCATION TO NEXPOINT ADVISORS, L.P.
Abayarathna, Sahan	9%
Baynard, Cameron	9%
Burns, Nathan	70%
Covitz, Hunter	25%
Desai, Neil	25%
Fedoryshyn, Eric	9%
Gray, Matthew	9%
Hayes, Christopher	9%
Hill, Robert	5%
McFarling, Brandon	9%
Moore, Carl	10%
Nikolayev, Yegor	9%
Okada, Mark	20%
Owens, David	9%
Parker, Trey	15%
Parmentier, Andrew	40%
Phillips, Michael	9%
Poglitsch, Jon	10%
Ryder, Phillip	5%
Sachdev, Kunal	9%
Smallwood, Allan	9%
Staltari, Mauro	9%
Tomlin, Jake	9%
Vira, Sagar	9%
Wilson, Scott	5%

002271

**From:** Kristin Hendrix <KHendrix@HighlandCapital.com>**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>**Subject:** Wires for today**Date:** Fri, 16 Oct 2020 06:29:49 -0500**Importance:** Normal**Inline-Images:** image001.jpg**HCM**

Strategas Securities LLC	USD	19,159.48	pending Seery approval
ICE Data Pricing & Reference Data, LLC	USD	7,551.64	pending Seery approval
DTCC ITP LLC	USD	3,236.64	pending Seery approval
Canteen Vending Services	USD	2,391.37	pending Seery approval
GRUBHUB for Work	USD	1,825.96	pending Seery approval
Standard Insurance Company	USD	938.36	pending Seery approval
PACER Service Center	USD	636.90	pending Seery approval
Verity Group	USD	320.90	pending Seery approval
UPS Supply Chain Solutions	USD	293.63	pending Seery approval

**HCMNY**

Times Square Tower Associates LLC	USD	4,150.00
PITNEY BOWES FINANCIAL SERVICES LLC	USD	248.24

**HCMFA**

HIGHLAND CAPITAL MANAGEMENT, LP	USD	308,090.00	shared svcs
Strategas Securities LLC	USD	9,635.27	
Pershing LLC	USD	3,176.12	
DST Asset Manager Solutions	USD	559.92	
Standard Insurance Company	USD	147.24	

**NPA**

Strategas Securities LLC	USD	4,565.45
AnchorsGordan, PA	USD	3,654.30
American Solutions for Business	USD	3,106.54
UMB Bank, N.A.	USD	2,131.00
Charles Schwab & Co., Inc.	USD	2,000.00
UPS Supply Chain Solutions	USD	594.47
Standard Insurance Company	USD	160.40

**HCFD Oper**

Highland Capital Management Fund Advisors	USD	61,408.00	shared svcs
American Solutions for Business	USD	939.46	
UPS Supply Chain Solutions	USD	289.55	

**Falcon E&P**

PetroCap Operating, LLC	USD	34,062.67
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Okay to release?

<b>ADVISOR'S EXHIBIT</b>
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BB

002272

ACL-009953



300 Crescent Court | Suite 700 | Dallas, Texas 75201

O: 972.628.4127 | F: 972.628.4147

[khendrix@highlandcapital.com](mailto:khendrix@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

EXHIBIT

4

David Klos  
3/14/2022

Michael E. Miller, FAPR, RDR, CRR

AMENDMENT NUMBER ONE  
TO  
PAYROLL REIMBURSEMENT AGREEMENT

This Amendment Number One (this "*Amendment*") to the Payroll Reimbursement Agreement (the "*Agreement*") is entered into on December 14, 2018 by and among Highland Capital Management, L.P., a Delaware limited partnership ("*HCMLP*") and Highland Capital Management Fund Advisors, L.P., a Delaware limited partnership ("*HCMFA*"). Each of the signatories hereto is individually a "*Party*" and collectively the "*Parties*". Capitalized terms not defined herein shall have the meaning set forth in the Agreement.

**WHEREAS**, HCMLP and HCMFA entered into the Agreement on May 1, 2018 to facilitate HCMFA's reimbursement to HCMLP for the cost of certain employees who are dual employees of HCMLP and HCMFA; and

**WHEREAS**, HCMLP and HCMFA now desire to amend the Agreement to capture a one time payment of estimated additional Actual Costs owed to HCMLP for additional resources used by HCMFA during the Term of the Agreement.

In consideration of the foregoing recitals and the mutual covenants and conditions contained herein, the Parties agree, intending to be legally bound, as follows:

1. Payment of Additional Cost. In accordance with Section 2.02 of the Agreement (Changes to Employee Reimbursement), HCMFA hereby agrees to pay \$1,200,000.00 to HCMLP, representing an estimate of additional Actual Costs owed under the Agreement for additional resources used by HCMFA (the "*Additional Actual Cost*"). HCMFA shall make payment of the Additional Actual Cost within ten (10) days of the date of this Agreement.
2. Ratification of Agreement. Except as expressly amended and provided herein, all of the terms, conditions and provisions of the Agreement are hereby ratified and confirmed to be of full force and effect, and shall continue in full force and effect.
3. Counterparts. This Agreement and any amendment hereto or any other agreement delivered pursuant hereto may be executed in one or more counterparts and by different Parties in separate counterparts. All counterparts will constitute one and the same agreement and will become effective when one or more counterparts have been signed by each Party and delivered to the other Parties.
4. Governing Law. This Agreement and the legal relations between the Parties will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed in such State and without regard to conflicts of law doctrines unless certain matters are preempted by federal law.

[SIGNATURE PAGE FOLLOWS]

ADVISOR'S  
EXHIBIT


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IN WITNESS WHEREOF, each of the Parties has caused this Amendment to be executed by its duly authorized officers as of the day and year first above written.

**HIGHLAND CAPITAL MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its general partner


By: 

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**HIGHLAND CAPITAL MANAGEMENT FUND  
ADVISORS, L.P.**

By: Strand Advisors XVI, Inc., its general partner

By: 

Name: \_\_\_\_\_

Title: \_\_\_\_\_



**EXHIBIT****5**

David Klos

3/14/2022

Michael E. Miller, FAPR, RDR, CRR

**AMENDMENT NUMBER ONE  
TO  
PAYROLL REIMBURSEMENT AGREEMENT**

This Amendment Number One (this "*Amendment*") to the Payroll Reimbursement Agreement (the "*Agreement*") is entered into on December 14, 2018 by and among Highland Capital Management, L.P., a Delaware limited partnership ("*HCMLP*") and NexPoint Advisors, L.P., a Delaware limited partnership ("*NexPoint*"). Each of the signatories hereto is individually a "*Party*" and collectively the "*Parties*". Capitalized terms not defined herein shall have the meaning set forth in the Agreement.

**WHEREAS**, HCMLP and NexPoint entered into the Agreement on May 1, 2018 to facilitate NexPoint's reimbursement to HCMLP for the cost of certain employees who are dual employees of HCMLP and NexPoint; and

**WHEREAS**, HCMLP and NexPoint now desire to amend the Agreement to capture a one time payment of estimated additional Actual Costs owed to HCMLP for additional resources used by NexPoint during the Term of the Agreement.

In consideration of the foregoing recitals and the mutual covenants and conditions contained herein, the Parties agree, intending to be legally bound, as follows:

1. Payment of Additional Cost. In accordance with Section 2.02 of the Agreement (Changes to Employee Reimbursement), NexPoint hereby agrees to pay \$1,300,000.00 to HCMLP, representing an estimate of additional Actual Costs owed under the Agreement for additional resources used by NexPoint (the "*Additional Actual Cost*"). NexPoint shall make payment of the Additional Actual Cost within ten (10) days of the date of this Agreement.
2. Ratification of Agreement. Except as expressly amended and provided herein, all of the terms, conditions and provisions of the Agreement are hereby ratified and confirmed to be of full force and effect, and shall continue in full force and effect.
3. Counterparts. This Agreement and any amendment hereto or any other agreement delivered pursuant hereto may be executed in one or more counterparts and by different Parties in separate counterparts. All counterparts will constitute one and the same agreement and will become effective when one or more counterparts have been signed by each Party and delivered to the other Parties.
4. Governing Law. This Agreement and the legal relations between the Parties will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed in such State and without regard to conflicts of law doctrines unless certain matters are preempted by federal law.

[SIGNATURE PAGE FOLLOWS]

**ADVISOR'S  
EXHIBIT**

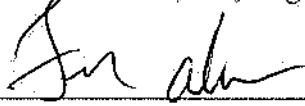
D

002276

IN WITNESS WHEREOF, each of the Parties has caused this Amendment to be executed by its duly authorized officers as of the day and year first above written.

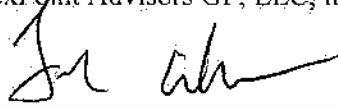
**HIGHLAND CAPITAL MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its general partner

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NEXPOINT ADVISORS, L.P.**

By: NexPoint Advisors GP, LLC, its general partner

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**From:** David Klos <DKlos@HighlandCapital.com>

**To:** Isaac Leventon <ILeventon@HighlandCapital.com>

**Subject:** privileged

**Date:** Mon, 4 Nov 2019 14:42:30 +0000

**Importance:** Normal

**Attachments:** Interco\_analysis\_11.4.19.pdf

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Here's the intercompany allocation summary.

<b>ADVISOR'S EXHIBIT</b> DD
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ACL-081993



## SECOND AMENDED AND RESTATED SHARED SERVICES AGREEMENT

THIS SECOND AMENDED AND RESTATED SHARED SERVICES AGREEMENT (this "**Agreement**") is entered into to be effective as of 8<sup>th</sup> day of February, 2013 (the "**Effective Date**") by and among Highland Capital Management, L.P., a Delaware limited partnership ("**HCMLP**"), and Highland Capital Management Fund Advisors, L.P., formerly known as Pyxis Capital, L.P., a Delaware limited partnership ("**HCMFA**"), and any affiliate of HCMFA that becomes a party hereto. Each of the signatories hereto is individually a "**Party**" and collectively the "**Parties**".

### RECITALS

A. During the Term, HCMLP will provide to HCMFA certain services as more fully described herein and the Parties desire to allocate the costs incurred for such services and assets among them in accordance with the terms and conditions in this Agreement.

### AGREEMENT

In consideration of the foregoing recitals and the mutual covenants and conditions contained herein, the Parties agree, intending to be legally bound, as follows:

### ARTICLE I DEFINITIONS

"**Actual Cost**" means, with respect to any period hereunder, one hundred percent (100%) of the actual costs and expenses caused by, incurred or otherwise arising from or relating to (i) the Shared Services and (ii) the Shared Assets, in each case during such period.

"**Affiliate**" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person. The term "**control**" (including, with correlative meanings, the terms "**controlled by**" and "**under common control with**") means the possession of the power to direct the management and policies of the referenced Person, whether through ownership interests, by contract or otherwise.

"**Agreement**" has the meaning set forth in the preamble.

"**Allocation Percentage**" has the meaning set forth in Section 4.01.

"**Applicable Margin**" shall mean an additional amount equal to 5% of all costs allocated by Service Provider to the other parties hereto under Article IV; provided that the parties may agree on a different margin percentage as to any item or items to the extent the above margin percentage, together with the allocated cost of such item or service, would not reflect an arm's length value of the particular service or item allocated.

"**Change**" has the meaning set forth in Section 2.02(a).

"**Change Request**" has the meaning set forth in Section 2.02(b).

"**Code**" means the Internal Revenue Code of 1986, as amended, and the related regulations and published interpretations.

ADVISOR'S  
EXHIBIT

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***“Effective Date”*** has the meaning set forth in the preamble.

***“Governmental Entity”*** means any government or any regulatory agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

***“Liabilities”*** means any cost, liability, indebtedness, obligation, co-obligation, commitment, expense, claim, deficiency, guaranty or endorsement of or by any Person of any nature (whether direct or indirect, known or unknown, absolute or contingent, liquidated or unliquidated, due or to become due, accrued or unaccrued, matured or unmatured).

***“Loss”*** means any cost, damage, disbursement, expense, liability, loss, obligation, penalty or settlement, including interest or other carrying costs, legal, accounting and other professional fees and expenses incurred in the investigation, collection, prosecution and defense of claims and amounts paid in settlement, that may be imposed on or otherwise incurred or suffered by the referenced Person; provided, however, that the term ***“Loss”*** will not be deemed to include any special, exemplary or punitive damages, except to the extent such damages are incurred as a result of third party claims.

***“New Shared Service”*** has the meaning set forth in Section 2.03.

***“Party”*** or ***“Parties”*** has the meaning set forth in the preamble.

***“Person”*** means an association, a corporation, an individual, a partnership, a limited liability company, a trust or any other entity or organization, including a Governmental Entity.

***“Quarterly Report”*** has the meaning set forth in Section 5.01.

***“Recipient”*** means HCMFA and any of HCMFA’s direct or indirect Subsidiaries or managed funds or accounts in their capacity as a recipient of the Shared Services and/or Shared Assets.

***“Service Provider”*** means any of HCMLP and its direct or indirect Subsidiaries in its capacity as a provider of Shared Services or Shared Assets.

***“Service Standards”*** has the meaning set forth in Section 6.01.

***“Shared Assets”*** shall have the meaning set forth in Section 3.02.

***“Shared Services”*** shall have the meaning set forth in Section 2.01.

***“Subsidiary”*** means, with respect to any Person, any Person in which such Person has a direct or indirect equity ownership interest in excess of 50%.

***“Tax”*** or ***“Taxes”*** means: (i) all state and local sales, use, value-added, gross receipts, foreign, privilege, utility, infrastructure maintenance, property, federal excise and similar levies, duties and other similar tax-like charges lawfully levied by a duly constituted taxing authority against or upon the Shared Services and the Shared Assets; and (ii) tax-related surcharges or fees that are related to the Shared Services and the Shared Assets identified and authorized by applicable tariffs.

***“Term”*** has the meaning set forth in Section 7.01.

ARTICLE II  
SHARED SERVICES

Section 2.01 Services. During the Term, Service Provider will provide Recipient with Shared Services, including without limitation, all of the (i) finance and accounting services, (ii) human resources services, (iii) marketing services, (iv) legal services, (v) corporate services, (vi) information technology services, and (vii) operations services; each as requested by HCMFA and as described more fully on Annex A attached hereto, the “*Shared Services*”), it being understood that personnel providing Shared Services may be deemed to be employees of HCMFA to the extent necessary for purposes of the Investment Advisers Act of 1940, as amended.

Section 2.02 Changes to the Shared Services.

(a) During the Term, the Parties may agree to modify the terms and conditions of a Service Provider’s performance of any Shared Service in order to reflect new procedures, processes or other methods of providing such Shared Service, including modifying the applicable fees for such Shared Service to reflect the then current fair market value of such service (a “*Change*”). The Parties will negotiate in good faith the terms upon which a Service Provider would be willing to provide such New Shared Service to Recipient.

(b) The Party requesting a Change will deliver a description of the Change requested (a “*Change Request*”) and no Party receiving a Change Request may unreasonably withhold, condition or delay its consent to the proposed Change.

(c) Notwithstanding any provision of this Agreement to the contrary, a Service Provider may make: (i) Changes to the process of performing a particular Shared Service that do not adversely affect the benefits to Recipient of Service Provider’s provision or quality of such Shared Service in any material respect or increase Recipient’s cost for such Shared Service; (ii) emergency Changes on a temporary and short-term basis; and/or (iii) Changes to a particular Shared Service in order to comply with applicable law or regulatory requirements, in each case without obtaining the prior consent of Recipient. A Service Provider will notify Recipient in writing of any such Change as follows: in the case of clauses (i) and (iii) above, prior to the implementation of such Change, and, in the case of clause (ii) above, as soon as reasonably practicable thereafter.

Section 2.03 New Shared Services. The Parties may, from time to time during the Term of this Agreement, negotiate in good faith for Shared Services not otherwise specifically listed in Section 2.01 (a “*New Shared Service*”). Any agreement between the Parties on the terms for a New Shared Service must be in accordance with the provisions of Article IV and Article V hereof, will be deemed to be an amendment to this Agreement and such New Shared Service will then be a “*Shared Service*” for all purposes of this Agreement.

Section 2.04 Subcontractors. Nothing in this Agreement will prevent Service Provider from, with the consent of Recipient, using subcontractors, hired with due care, to perform all or any part of a Shared Service hereunder. A Service Provider will remain fully responsible for the performance of its obligations under this Agreement in accordance with its terms, including any obligations it performs through subcontractors, and a Service Provider will be solely responsible for payments due to its subcontractors.

### ARTICLE III SHARED ASSETS

Section 3.01 Shared IP Rights. Each Service Provider hereby grants to Recipient a non-exclusive right and license to use the intellectual property and other rights granted or licensed, directly or indirectly, to such Service Provider (the “**Shared IP Rights**”) pursuant to third party intellectual property Agreements (“**Third Party IP Agreements**”), provided that the rights granted to Recipient hereunder are subject to the terms and conditions of the applicable Third Party IP Agreement, and that such rights shall terminate, as applicable, upon the expiration or termination of the applicable Third Party IP Agreement. Recipient shall be licensed to use the Shared IP Rights only for so long as it remains an Affiliate of HCMLP. In consideration of the foregoing licenses, Recipient agrees to take such further reasonable actions as a Service Provider deems to be necessary or desirable to comply with its obligations under the Third Party IP Agreements.

Section 3.02 Other Shared Assets. Subject to Section 3.01, each Service Provider hereby grants Recipient the right, license or permission, as applicable, to use and access the benefits under the agreements, contracts and licenses that such Service Provider will purchase, acquire, become a party or beneficiary to or license on behalf of Recipient (the “**Future Shared Assets**” and collectively with the Shared IP Rights, the “**Shared Assets**”).

### ARTICLE IV COST ALLOCATION

Section 4.01 Actual Cost Allocation Formula. The Actual Cost of any item relating to any Shared Services or Shared Assets shall be allocated based on the Allocation Percentage. For purposes of this Agreement, “**Allocation Percentage**” means:

- (a) To the extent 100% of such item is demonstrably attributable to HCMFA, 100% of the Actual Cost of such item shall be allocated to HCMFA as agreed by HCMFA;
- (b) To the extent a specific percentage of use of such item can be determined (e.g., 70% for HCMLP and 30% for HCMFA), that specific percentage of the Actual Cost of such item will be allocated to HCMLP or HCMFA, as applicable and as agreed by HCMFA; and
- (c) All other portions of the Actual Cost of any item that cannot be allocated pursuant to clause (a) or (b) above shall be allocated between HCMLP and HCMFA in such proportion as is agreed in good faith between the parties.

Section 4.02 Non-Cash Cost Allocation. The actual, fully burdened cost of any item relating to any Shared Services or Shared Assets that does not result in a direct, out of pocket cash expense may be allocated to HCMLP and HCMFA for financial statement purposes only, as agreed by HCMFA, without any corresponding cash reimbursement required, in accordance with generally accepted accounting principles, based on the Allocation Percentage principles described in Section 4.01 hereof.

### ARTICLE V PAYMENT OF COST AND REVENUE SHARE; TAXES

Section 5.01 Quarterly Statements. Within thirty (30) days following the end of each calendar quarter during the Term (or at such time as may be otherwise agreed by the parties), each Service Provider shall furnish the other Parties hereto with a written statement with respect to the Actual Cost paid by it in respect of Shared Services and Shared Assets provided by it, in each case, during such



period, setting forth (i) the cost allocation in accordance with Article IV hereof together with the Applicable Margin on such allocated amounts, and (ii) any amounts paid pursuant to Section 5.02 hereof, together with such other data and information necessary to complete the items described in Section 5.03 hereof (hereinafter referred to as the “*Quarterly Report*”).

Section 5.02 Settlement Payments. At any time during the Term, any Party may make payment of the amounts that are allocable to such Party together with the Applicable Margin related thereto, regardless of whether an invoice pursuant to Section 5.03 hereof has been issued with respect to such amounts.

Section 5.03 Determination and Payment of Cost and Revenue Share.

(a) Within ten (10) days of the submission of the Quarterly Report described in Section 5.02 hereof (or at such other time as may be agreed by the parties), the Parties shall (i) agree on the cost share of each of the Parties and Applicable Margin as calculated pursuant to the provisions of this Agreement; and (ii) prepare and issue invoices for the cost share and Applicable Margin payments that are payable by any of the Parties.

(b) Within ten (10) days of preparation of the agreement and the issuance of the invoice described in Section 5.03(a) (or at such other time as may be agreed by the parties), the Parties shall promptly make payment of the amounts that are set forth on such cost allocation invoice. Notwithstanding anything in this Agreement to the contrary, provision of the Shared Services shall commence from the Effective Date, but no fees shall be payable from Recipient or otherwise accrue with respect to such services provided during the month of December 2011.

Section 5.04 Taxes.

(a) Recipient is responsible for and will pay all Taxes applicable to the Shared Services and the Shared Assets provided to Recipient, provided, that such payments by Recipient to Service Provider will be made in the most tax-efficient manner and provided further, that Service Provider will not be subject to any liability for Taxes applicable to the Shared Services and the Shared Assets as a result of such payment by Recipient. Service Provider will collect such Tax from Recipient in the same manner it collects such Taxes from other customers in the ordinary course of Service Provider's business, but in no event prior to the time it invoices Recipient for the Shared Services and Shared Assets, costs for which such Taxes are levied. Recipient may provide Service Provider with a certificate evidencing its exemption from payment of or liability for such Taxes.

(b) Service Provider will reimburse Recipient for any Taxes collected from Recipient and refunded to Service Provider. In the event a Tax is assessed against Service Provider that is solely the responsibility of Recipient and Recipient desires to protest such assessment, Recipient will submit to Service Provider a statement of the issues and arguments requesting that Service Provider grant Recipient the authority to prosecute the protest in Service Provider's name. Service Provider's authorization will not be unreasonably withheld. Recipient will finance, manage, control and determine the strategy for such protest while keeping Service Provider reasonably informed of the proceedings. However, the authorization will be periodically reviewed by Service Provider to determine any adverse impact on Service Provider, and Service Provider will have the right to reasonably withdraw such authority at any time. Upon notice by Service Provider that it is so withdrawing such authority, Recipient will expeditiously terminate all proceedings. Any adverse consequences suffered by Recipient as a result of the withdrawal will be submitted to arbitration pursuant to Section 9.14. Any contest for Taxes brought by Recipient may not result in any lien attaching to any property or rights of Service Provider or otherwise jeopardize Service Provider's interests or rights in any of its property. Recipient agrees to

indemnify Service Provider for all Losses that Service Provider incurs as a result of any such contest by Recipient.

(c) The provisions of this Section 5.04 will govern the treatment of all Taxes arising as a result of or in connection with this Agreement notwithstanding any other Article of this Agreement to the contrary.

## ARTICLE VI SERVICE PROVIDER RESPONSIBILITIES

Section 6.01 Service Provider General Obligations. Service Provider will provide the Shared Services and the Shared Assets to Recipient on a non-discriminatory basis and will provide the Shared Services and the Shared Assets in the same manner as if it were providing such services and assets on its own account (the “*Service Standards*”). Service Provider will conduct its duties hereunder in a lawful manner in compliance with applicable laws, statutes, rules and regulations and in accordance with the Service Standards, including, for avoidance of doubt, laws and regulations relating to privacy of customer information.

Section 6.02 Books and Records; Access to Information. Service Provider will keep and maintain books and records on behalf of Recipient in accordance with past practices and internal control procedures. Recipient will have the right, at any time and from time to time upon reasonable prior notice to Service Provider, to inspect and copy (at its expense) during normal business hours at the offices of Service Provider the books and records relating to the Shared Services and Shared Assets, with respect to Service Provider’s performance of its obligations hereunder. This inspection right will include the ability of Recipient’s financial auditors to review such books and records in the ordinary course of performing standard financial auditing services for Recipient (but subject to Service Provider imposing reasonable access restrictions to Service Provider’s and its Affiliates’ proprietary information and such financial auditors executing appropriate confidentiality agreements reasonably acceptable to Service Provider). Service Provider will promptly respond to any reasonable requests for information or access. For the avoidance of doubt, all books and records kept and maintained by Service Provider on behalf of Recipient shall be the property of Recipient, and Service Provider will surrender promptly to Recipient any of such books or records upon Recipient’s request (provided that Service Provider may retain a copy of such books or records) and shall make all such books and records available for inspection and use by the Securities and Exchange Commission or any person retained by Recipient at all reasonable times. Such records shall be maintained by Service Provider for the periods and in the places required by laws and regulations applicable to Recipient.

Section 6.03 Return of Property and Equipment. Upon expiration or termination of this Agreement, Service Provider will be obligated to return to Recipient, as soon as is reasonably practicable, any equipment or other property or materials of Recipient that is in Service Provider’s control or possession.

## ARTICLE VII TERM AND TERMINATION

Section 7.01 Term. The term of this Agreement will commence as of the Effective Date and will continue in full force and effect until the first anniversary of the Effective Date (the “*Term*”), unless terminated earlier in accordance with Section 9.02. The Term shall automatically renew for successive one year periods unless sooner terminated under Section 7.02.

Section 7.02 Termination. Either Party may terminate this Agreement, with or without cause, upon at least 60 days advance written notice at any time prior to the expiration of the Term.

#### ARTICLE VIII LIMITED WARRANTY

Section 8.01 Limited Warranty. Service Provider will perform the Shared Services hereunder in accordance with the Service Standards. Except as specifically provided in this Agreement, Service Provider makes no express or implied representations, warranties or guarantees relating to its performance of the Shared Services and the granting of the Shared Assets under this Agreement, including any warranty of merchantability, fitness, quality, non-infringement of third party rights, suitability or adequacy of the Shared Services and the Shared Assets for any purpose or use or purpose. Service Provider will (to the extent possible and subject to Service Provider's contractual obligations) pass through the benefits of any express warranties received from third parties relating to any Shared Service and Shared Asset, and will (at Recipient's expense) assist Recipient with any warranty claims related thereto.

#### ARTICLE IX MISCELLANEOUS

Section 9.01 No Partnership or Joint Venture; Independent Contractor. Nothing contained in this Agreement will constitute or be construed to be or create a partnership or joint venture between or among HCMLP or HCMFA or their respective successors or assigns. The Parties understand and agree that, with the exception of the procurement by Service Provider of licenses or other rights on behalf of Recipient pursuant to Section 3.01, this Agreement does not make any of them an agent or legal representative of the other for any purpose whatsoever. With the exception of the procurement by Service Provider of licenses or other rights on behalf of Recipient pursuant to Section 3.01, no Party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibilities, express or implied, on behalf of or in the name of any other Party, or to bind any other Party in any manner whatsoever. The Parties expressly acknowledge that Service Provider is an independent contractor with respect to Recipient in all respects, including with respect to the provision of the Shared Services.

Section 9.02 Amendments; Waivers. Except as expressly provided herein, this Agreement may be amended only by agreement in writing of all Parties. No waiver of any provision nor consent to any exception to the terms of this Agreement or any agreement contemplated hereby will be effective unless in writing and signed by all of the Parties affected and then only to the specific purpose, extent and instance so provided. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 9.03 Schedules and Exhibits; Integration. Each Schedule and Exhibit delivered pursuant to the terms of this Agreement must be in writing and will constitute a part of this Agreement, although schedules need not be attached to each copy of this Agreement. This Agreement, together with such Schedules and Exhibits constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the Parties in connection therewith.

Section 9.04 Further Assurances. Each Party will take such actions as any other Party may reasonably request or as may be necessary or appropriate to consummate or implement the transactions contemplated by this Agreement or to evidence such events or matters.

Section 9.05 Governing Law. This Agreement and the legal relations between the Parties will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed in such State and without regard to conflicts of law doctrines unless certain matters are preempted by federal law.

Section 9.06 Assignment. Except as otherwise provided hereunder, neither this Agreement nor any rights or obligations hereunder are assignable by one Party without the express prior written consent of the other Parties.

Section 9.07 Headings. The descriptive headings of the Articles, Sections and subsections of this Agreement are for convenience only and do not constitute a part of this Agreement.

Section 9.08 Counterparts. This Agreement and any amendment hereto or any other agreement delivered pursuant hereto may be executed in one or more counterparts and by different Parties in separate counterparts. All counterparts will constitute one and the same agreement and will become effective when one or more counterparts have been signed by each Party and delivered to the other Parties.

Section 9.09 Successors and Assigns; No Third Party Beneficiaries. This Agreement is binding upon and will inure to the benefit of each Party and its successors or assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person or Governmental Entity any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 9.10 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given: (i) immediately when personally delivered; (ii) when received by first class mail, return receipt requested; (iii) one day after being sent for overnight delivery by Federal Express or other overnight delivery service; or (iv) when receipt is acknowledged, either electronically or otherwise, if sent by facsimile, telecopy or other electronic transmission device. Notices, demands and communications to the other Parties will, unless another address is specified by such Parties in writing, be sent to the addresses indicated below:

If to HCMLP, addressed to:

Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147

If to HCMFA, addressed to:

Highland Capital Management Fund Advisors, L.P.  
300 Crescent Court, Suite 700  
Dallas, Texas 75201  
Attention: General Counsel  
Fax: (972) 628-4147

Section 9.11 Expenses. Except as otherwise provided herein, the Parties will each pay their own expenses incident to the negotiation, preparation and performance of this Agreement, including the fees, expenses and disbursements of their respective investment bankers, accountants and counsel.

Section 9.12 Waiver. No failure on the part of any Party to exercise or delay in exercising any right hereunder will be deemed a waiver thereof, nor will any single or partial exercise preclude any further or other exercise of such or any other right.

Section 9.13 Severability. If any provision of this Agreement is held to be unenforceable for any reason, it will be adjusted rather than voided, if possible, to achieve the intent of the Parties. All other provisions of this Agreement will be deemed valid and enforceable to the extent possible.

Section 9.14 Arbitration; Jurisdiction. Notwithstanding anything contained in this Agreement or the Annexes hereto to the contrary, in the event there is an unresolved legal dispute between the parties and/or any of their respective officers, directors, partners, employees, agents, affiliates or other representatives that involves legal rights or remedies arising from this Agreement, the parties agree to submit their dispute to binding arbitration under the authority of the Federal Arbitration Act; provided, however, that either party or such applicable affiliate thereof may pursue a temporary restraining order and/or preliminary injunctive relief in connection with confidentiality covenants or agreements binding on the other party, with related expedited discovery for the parties, in a court of law, and, thereafter, require arbitration of all issues of final relief. The Arbitration will be conducted by the American Arbitration Association, or another, mutually agreeable arbitration service. The arbitrator(s) shall be duly licensed to practice law in the State of Texas. The discovery process shall be limited to the following: Each side shall be permitted no more than (i) two party depositions of six hours each. Each deposition is to be taken pursuant to the Texas Rules of Civil Procedure; (ii) one non-party deposition of six hours; (iii) twenty-five interrogatories; (iv) twenty-five requests for admission; (v) ten requests for production. In response, the producing party shall not be obligated to produce in excess of 5,000 total pages of documents. The total pages of documents shall include electronic documents; (vi) one request for disclosure pursuant to the Texas Rules of Civil Procedure. Any discovery not specifically provided for in this paragraph, whether to parties or non-parties, shall not be permitted. The arbitrator(s) shall be required to state in a written opinion all facts and conclusions of law relied upon to support any decision rendered. No arbitrator will have authority to render a decision that contains an outcome determinative error of state or federal law, or to fashion a cause of action or remedy not otherwise provided for under applicable state or federal law. Any dispute over whether the arbitrator(s) has failed to comply with the foregoing will be resolved by summary judgment in a court of law. In all other respects, the arbitration process will be conducted in accordance with the American Arbitration Association's dispute resolution rules or other mutually agreeable, arbitration service rules. The party initiating arbitration shall pay all arbitration costs and arbitrator's fees, subject to a final arbitration award on who should bear costs and fees. All proceedings shall be conducted in Dallas, Texas, or another mutually agreeable site. Each party shall bear its own attorneys fees, costs and expenses, including any costs of experts, witnesses and/or travel, subject to a final arbitration award on who should bear costs and fees. The duty to arbitrate described above shall survive the termination of this Agreement. Except as otherwise provided above, the parties hereby waive trial in a court of law or by jury. All other rights, remedies, statutes of limitation and defenses applicable to claims asserted in a court of law will apply in the arbitration.

Section 9.15 General Rules of Construction. For all purposes of this Agreement and the Exhibits and Schedules delivered pursuant to this Agreement: (i) the terms defined in Article I have the meanings assigned to them in Article I and include the plural as well as the singular; (ii) all accounting terms not otherwise defined herein have the meanings assigned under GAAP; (iii) all references in this Agreement to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of the body of this Agreement; (iv) pronouns of either gender or neuter will include, as appropriate, the other pronoun forms; (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; (vi) "or" is not exclusive; (vii) "including" and "includes" will be deemed to be followed by "but not limited to" and "but is not limited to," "respectively; (viii) any definition of or

reference to any law, agreement, instrument or other document herein will be construed as referring to such law, agreement, instrument or other document as from time to time amended, supplemented or otherwise modified; and (ix) any definition of or reference to any statute will be construed as referring also to any rules and regulations promulgated thereunder.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized officers as of the day and year first above written.

**HIGHLAND CAPITAL MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its general partner

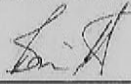
By: 

Name: James Dondero

Title: President

**HIGHLAND CAPITAL MANAGEMENT FUND  
ADVISORS, L.P.**

By: Strand Advisors XVI, Inc., its general partner

By: 

Name: Brian Mitts

Title: Assistant Secretary



**Annex A**

**Shared Services**

Compliance

General compliance  
Compliance systems

Facilities

Equipment  
General Overhead  
Office Supplies  
Rent & Parking

Finance & Accounting

Book keeping  
Cash management  
Cash forecasting  
Credit facility reporting  
Financial reporting  
Accounts payable  
Accounts receivable  
Expense reimbursement  
Vendor management

HR

Drinks/snacks  
Lunches  
Recruiting

IT

General support & maintenance (OMS, development, support)  
Telecom (cell, phones, broadband)  
WSO

Legal

Corporate secretarial services  
Document review and preparation  
Litigation support  
Management of outside counsel

Marketing and PR

Public relations

Tax

Tax audit support  
Tax planning  
Tax prep and filing

Investments

Investment research on an ad hoc basis as requested by HCMFA



	Valuation Committee
<u>Trading</u>	
	Trading desk services
<u>Operations</u>	
	Trade settlement

EXHIBIT

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David Klos

3/14/2022

Michael E. Miller, FAPR, RDR, CRR

## AMENDED AND RESTATED SHARED SERVICES AGREEMENT

This Amended and Restated Shared Services Agreement (as amended, modified, waived, supplemented or restated from time to time in accordance with the terms hereof, this "Agreement"), dated effective as of January 1, 2018, is entered into by and between NexPoint Advisors, L.P., a Delaware limited partnership, as the management company hereunder (in such capacity, the "Management Company"), and Highland Capital Management, L.P., a Delaware limited partnership ("Highland"), as the staff and services provider hereunder (in such capacity, the "Staff and Services Provider") and together with the Management Company, the "Parties").

### RECITALS

WHEREAS, the Staff and Services Provider is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act");

WHEREAS, the Staff and Services Provider and the Management Company are engaged in the business of providing investment management services;

WHEREAS, the Parties entered into that certain Shared Services Agreement, dated effective as of January 1, 2013 (the "Original Agreement");

WHEREAS, the Parties desire to amend and restate the Original Agreement and the Staff and Services Provider is hereby being retained to provide certain back- and middle-office services and administrative, infrastructure and other services to assist the Management Company in conducting its business, and the Staff and Services Provider is willing to make such services available to the Management Company, in each case, on the terms and conditions hereof;

WHEREAS, the Management Company may employ certain individuals to perform portfolio selection and asset management functions for the Management Company, and certain of these individuals may also be employed simultaneously by the Staff and Services Provider during their employment with the Management Company; and

WHEREAS, each Person employed by both the Management Company and the Staff and Services Provider as described above (each, a "Shared Employee"), if any, is and shall be identified on the books and records of each of the Management Company and the Staff and Services Provider (as amended, modified, supplemented or restated from time to time).

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree, and the Original Agreement is hereby amended, restated and replaced in its entirety as follows.

### ARTICLE I

#### DEFINITIONS

Section 1.01 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

ADVISOR'S  
EXHIBIT

002293



“Affiliate” shall mean with respect to a Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the first Person. The term “control” means (i) the legal or beneficial ownership of securities representing a majority of the voting power of any person or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether by contract or otherwise.

“Applicable Asset Criteria and Concentrations” means any applicable eligibility criteria, portfolio concentration limits and other similar criteria or limits which the Management Company instructs in writing to the Staff and Services Provider in respect of the Portfolio or one or more Accounts, as such criteria or limits may be modified, amended or supplemented from time to time in writing by the Management Company;

“Applicable Law” shall mean, with respect to any Person or property of such Person, any action, code, consent decree, constitution, decree, directive, enactment, finding, guideline, law, injunction, interpretation, judgment, order, ordinance, policy statement, proclamation, formal guidance, promulgation, regulation, requirement, rule, rule of law, rule of public policy, settlement agreement, statute, writ, or any particular section, part or provision thereof of any Governmental Authority to which the Person in question is subject or by which it or any of its property is bound.

“Client or Account” shall mean any fund, client or account advised by the Management Company, as applicable.

“Covered Person” shall mean the Staff and Services Provider, any of its Affiliates, and any of their respective managers, members, principals, partners, directors, officers, shareholders, employees and agents (but shall not include the Management Company, its subsidiaries or member(s) and any managers, members, principals, partners, directors, officers, shareholders, employees and agents of the Management Company or its subsidiaries or member(s) (in their capacity as such)).

“Governmental Authority” shall mean (i) any government or quasi-governmental authority or political subdivision thereof, whether national, state, county, municipal or regional, whether U.S. or non-U.S.; (ii) any agency, regulator, arbitrator, board, body, branch, bureau, commission, corporation, department, master, mediator, panel, referee, system or instrumentality of any such government, political subdivision or other government or quasi-government entity, whether non-U.S. or U.S.; and (iii) any court, whether U.S. or non-U.S.

“Indebtedness” shall mean: (a) all indebtedness for borrowed money and all other obligations, contingent or otherwise, with respect to surety bonds, guarantees of borrowed money, letters of credit and bankers’ acceptances whether or not matured, and hedges and other derivative contracts and financial instruments; (b) all obligations evidenced by notes, bonds, debentures, or similar instruments, or incurred under bank guaranty or letter of credit facilities or credit agreements; (c) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to any property of the Management Company or any subsidiary; (d) all capital lease obligations; (e) all indebtedness guaranteed by such Person or any of its subsidiaries; and (f) all indebtedness guaranteed by such Person or any of its subsidiaries.



“Operating Guidelines” means any operating guidelines attached to any portfolio management agreement, investment management agreement or similar agreement entered into between the Management Company and a Client or Account.

“Portfolio” means the portfolio of securities and other assets, including without limitation, financial instruments, equity investments, collateral loan obligations, debt securities, preferred return notes and other similar obligations held directly or indirectly by, or on behalf of, Clients and Accounts from time to time;

“Securities Act” shall mean the Securities Act of 1933, as amended.

Section 1.02 Interpretation. The following rules apply to the use of defined terms and the interpretation of this Agreement: (i) the singular includes the plural and the plural includes the singular; (ii) “or” is not exclusive (unless preceded by “either”) and “include” and “including” are not limiting; (iii) unless the context otherwise requires, references to agreements shall be deemed to mean and include such agreements as the same may be amended, supplemented, waived and otherwise modified from time to time; (iv) a reference to a law includes any amendment or modification to such law and any rules or regulations issued thereunder or any law enacted in substitution or replacement therefor; (v) a reference to a Person includes its successors and assigns; (vi) a reference to a Section without further reference is to the relevant Section of this Agreement; (vii) the headings of the Sections and subsections are for convenience and shall not affect the meaning of this Agreement; (viii) “writing”, “written” and comparable terms refer to printing, typing, lithography and other shall mean of reproducing words in a visible form (including telefacsimile and electronic mail); (ix) “hereof”, “herein”, “hereunder” and comparable terms refer to the entire instrument in which such terms are used and not to any particular article, section or other subdivision thereof or attachment thereto; and (x) references to any gender include any other gender, masculine, feminine or neuter, as the context requires.

## ARTICLE II

### SERVICES

Section 2.01 General Authority. Highland is hereby appointed as Staff and Services Provider for the purpose of providing such services and assistance as the Management Company may request from time to time to, and if applicable, to make available the Shared Employees to, the Management Company in accordance with and subject to the provisions of this Agreement and the Staff and Services Provider hereby accepts such appointment. The Staff and Services Provider hereby agrees to such engagement during the term hereof and to render the services described herein for the compensation provided herein, subject to the limitations contained herein.

Section 2.02 Provision of Services. Without limiting the generality of Section 2.01 and subject to Section 2.04 (Applicable Asset Criteria and Concentrations) below, the Staff and Services Provider hereby agrees, from the date hereof, to provide the following back- and middle-office services and administrative, infrastructure and other services to the Management Company.

(a) *Back- and Middle-Office*: Assistance and advice with respect to back- and middle-office functions including, but not limited to, investment research, trade desk services,



including trade execution and settlement, finance and accounting, payments, operations, book keeping, cash management, cash forecasting, accounts payable, accounts receivable, expense reimbursement, vendor management, and information technology (including, without limitation, general support and maintenance (OMS, development, support), telecom (cellphones, telephones and broadband) and WSO);

(b) *Legal/Compliance/Risk Analysis.* Assistance and advice with respect to legal issues, litigation support, management of outside counsel, compliance support and implementation and general risk analysis;

(c) *Tax.* Assistance and advice with respect to tax audit support, tax planning and tax preparation and filing.

(d) *Management of Clients and Accounts.* Assistance and advice with respect to (i) the adherence to Operating Guidelines by the Management Company, and (ii) performing any obligations of the Management Company under or in connection with any back- and middle-office function set forth in any portfolio management agreement, investment management agreement or similar agreement in effect between the Management Company and any Client or Account from time to time.

(e) *Valuation.* Advice relating to the appointment of suitable third parties to provide valuations on assets comprising the Portfolio and including, but not limited to, such valuations required to facilitate the preparation of financial statements by the Management Company or the provision of valuations in connection with, or preparation of reports otherwise relating to, a Client or Account for which the Management Company serves as portfolio manager or investment manager or in a similar capacity;

(f) *Execution and Documentation.* Assistance relating to the negotiation of the terms of, and the execution and delivery by the Management Company of, any and all documents which the Management Company considers to be necessary in connection with the acquisition and disposition of an asset in the Portfolio by the Management Company or a Client or Account managed by the Management Company, transactions involving the Management Company or a Client or Account managed by the Management Company, and any other rights and obligations of the Management Company or a Client or Account managed by the Management Company;

(g) *Marketing.* Provide access to marketing team representatives to assist with the marketing of the Management Company and any specified Clients or Accounts managed by the Management Company conditional on the Management Company's agreement that any incentive compensation related to such marketing shall be borne by the Management Company;

(h) *Reporting.* Assistance relating to any reporting the Management Company is required to make in relation to the Portfolio or any Client or Account, including reports relating to (i) credit facility reporting and purchases, sales, liquidations, acquisitions, disposals, substitutions and exchanges of assets in the Portfolio, (ii) the requirements of an applicable regulator, or (iii) other type of reporting which the Management Company and Staff and Services Provider may agree from time to time;



(i) *Administrative Services.* The provision of office space, information technology services and equipment, infrastructure, rent and parking and other related services requested or utilized by the Management Company from time to time;

(j) *Shared Employees.* To the extent applicable, the provision of Shared Employees and such additional human capital as may be mutually agreed by the Management Company and the Staff and Services Provider in accordance with the provisions of Section 2.03 hereof;

(k) *Ancillary Services.* Assistance and advice on all things ancillary or incidental to the foregoing; and

(l) *Other.* Assistance and advice relating to such other back- and middle-office services in connection with the day-to-day business of the Management Company as the Management Company and the Staff and Services Provider may from time to time agree.

For the avoidance of doubt, none of the services contemplated hereunder shall constitute investment advisory services, and the Staff & Services Provider shall not provide any advice to the Management Company or perform any duties on behalf of the Management Company, other than the back- and middle-office services contemplated herein, with respect to (a) the general management of the Management Company, its business or activities, (b) the initiation or structuring of any Client or Account or similar securitization, (c) the substantive investment management decisions with respect to any Client or Account or any related collateral obligations or securitization, (d) the actual selection of any collateral obligation or assets by the Management Company, (e) binding recommendations as to any disposal of or amendment to any Collateral Obligation or (f) any similar functions.

#### Section 2.03 Shared Employees.

(a) The Staff and Services Provider hereby agrees and consents that each Shared Employee, if any, shall be employed by the Management Company, and the Management Company hereby agrees and consents that each Shared Employee shall be employed by the Staff and Services Provider. Except as may otherwise separately be agreed in writing between the applicable Shared Employee and the Management Company and/or the Staff and Services Provider, in each of their discretion, each Shared Employee is an at-will employee and no guaranteed employment or other employment arrangement is agreed or implied by this Agreement with respect to any Shared Employee, and for avoidance of doubt this Agreement shall not amend, limit, constrain or modify in any way the employment arrangements as between any Shared Employee and the Staff and Services Provider or as between any Shared Employee and the Management Company, it being understood that the Management Company may enter into a short-form employment agreement with any Shared Employee memorializing such Shared Employee's status as an employee of the Management Company. To the extent applicable, the Staff and Services Provider shall ensure that the Management Company has sufficient access to the Shared Employees so that the Shared Employees spend adequate time to provide the services required hereunder. The Staff and Services Provider may also employ the services of persons other than the Specified Persons as it deems fit in its sole discretion.



(b) Notwithstanding that the Shared Employees, if any, shall be employed by both the Staff and Services Provider and the Management Company, the Parties acknowledge and agree that any and all salary and benefits of each Shared Employee shall be paid exclusively by the Staff and Services Provider and shall not be paid or borne by the Management Company and no additional amounts in connection therewith shall be due from the Management Company to the Staff and Services Provider.

(c) To the extent that a Shared Employee participates in the rendering of services to the Management Company's clients, the Shared Employee shall be subject to the oversight and control of the Management Company and such services shall be provided by the Shared Employee exclusively in his or her capacity as a "supervised person" of, or "person associated with", the Management Company (as such terms are defined in Sections 202(a)(25) and 202(a)(17), respectively, of the Advisers Act).

(d) Each Party may continue to oversee, supervise and manage the services of each Shared Employee in order to (1) ensure compliance with the Party's compliance policies and procedures, (2) ensure compliance with regulations applicable to the Party and (3) protect the interests of the Party and its clients; *provided* that Staff and Services Provider shall (A) cooperate with the Management Company's supervisory efforts and (B) make periodic reports to the Management Company regarding the adherence of Shared Employees to Applicable Law, including but not limited to the 1940 Act, the Advisers Act and the United States Commodity Exchange Act of 1936, as amended, in performing the services hereunder.

(e) Where a Shared Employee provides services hereunder through both Parties, the Parties shall cooperate to ensure that all such services are performed consistently with Applicable Law and relevant compliance controls and procedures designed to prevent, among other things, breaches in information security or the communication of confidential, proprietary or material non-public information.

(f) The Staff and Services Provider shall ensure that each Shared Employee has any registrations, qualifications and/or licenses necessary to provide the services hereunder.

(g) The Parties will cooperate to ensure that information about the Shared Employees is adequately and appropriately disclosed to clients, investors (and potential investors), investment banks operating as initial purchaser or placement agent with respect to any Client or Account, and regulators, as applicable. To facilitate such disclosure, the Staff and Services Provider agrees to provide, or cause to be provided, to the Management Company such information as is deemed by the Management Company to be necessary or appropriate with respect to the Staff and Services Provider and the Shared Employees (including, but not limited to, biographical information about each Shared Employee).

(h) The Parties shall cooperate to ensure that, when so required, each has adopted a Code of Ethics meeting the requirements of the Advisers Act ("Code of Ethics") that is consistent with applicable law and which is substantially similar to the other Party's Code of Ethics.



(i) The Staff and Services Provider shall make reasonably available for use by the Management Company, including through Shared Employees providing services pursuant to this Agreement, any relevant intellectual property and systems necessary for the provision of the services hereunder.

(i) The Staff and Services Provider shall require that each Shared Employee:

(i) certify that he or she is subject to, and has been provided with, a copy of each Party's Code of Ethics and will make such reports, and seek prior clearance for such actions and activities, as may be required under the Codes of Ethics;

(ii) be subject to the supervision and oversight of each Party's officers and directors, including without limitation its Chief Compliance Officer ("CCO"), which CCO may be the same Person, with respect to the services provided to that Party or its clients;

(iii) provide services hereunder and take actions hereunder only as approved by the Management Company;

(iv) provide any information requested by a Party, as necessary to comply with applicable disclosure or regulatory obligations;

(v) to the extent authorized to transact on behalf of the Management Company or a Client or Account, take reasonable steps to ensure that any such transaction is consistent with any policies and procedures that may be established by the Parties and all Applicable Asset Criteria and Concentrations; and

(vi) act, at all times, in a manner consistent with the fiduciary duties and standard of care owed by the Management Company to its members and direct or indirect investors or to a Client or Account as well as clients of Staff and Services Provider by seeking to ensure that, among other things, information about any investment advisory or trading activity applicable to a particular client or group of clients is not used to benefit the Shared Employee, any Party or any other client or group of clients in contravention of such fiduciary duties or standard of care.

(k) Unless specifically authorized to do so, or appointed as an officer or authorized person of the Management Company with such authority, no Shared Employee may contract on behalf or in the name of the Management Company, acting as principal.

Section 2.04 Applicable Asset Criteria and Concentrations. The Management Company will promptly inform the Staff and Services Provider in writing of any Applicable Asset Criteria and Concentrations to which it agrees from time to time and the Staff and Services Provider shall take such Applicable Asset Criteria and Concentrations into account when providing assistance and advice in accordance with Section 2.02 above and any other assistance or advice provided in accordance with this Agreement.

Section 2.05 Compliance with Management Company Policies and Procedures. The Management Company will from time to time provide the Staff and Services Provider and the



Shared Employees, if any, with any policy and procedure documentation which it establishes internally and to which it is bound to adhere in conducting its business pursuant to regulation, contract or otherwise. Subject to any other limitations in this Agreement, the Staff and Services Provider will use reasonable efforts to ensure any services it and the Shared Employees provide pursuant to this Agreement complies with or takes account of such internal policies and procedures.

Section 2.06 Authority. The Staff and Services Provider's scope of assistance and advice hereunder is limited to the services specifically provided for in this Agreement. The Staff and Services Provider shall not assume or be deemed to assume any rights or obligations of the Management Company under any other document or agreement to which the Management Company is a party. Notwithstanding any other express or implied provision to the contrary in this Agreement, the activities of the Staff and Services Provider pursuant to this Agreement shall be subject to the overall policies of the Management Company, as notified to the Staff and Services Provider from time to time. The Staff and Services Provider shall not have any duties or obligations to the Management Company unless those duties and obligations are specifically provided for in this Agreement (or in any amendment, modification or novation hereto or hereof to which the Staff and Services Provider is a party).

Section 2.07 Third Parties.

(a) The Staff and Services Provider may employ third parties, including its affiliates, to render advice, provide assistance and to perform any of its duties under this Agreement; *provided* that notwithstanding the employment of third parties for any such purpose, the Staff and Services Provider shall not be relieved of any of its obligations or liabilities under this Agreement.

(b) In providing services hereunder, the Staff and Services Provider may rely in good faith upon and will incur no liability for relying upon advice of nationally recognized counsel (which may be counsel for the Management Company, a Client or Account or any Affiliate of the foregoing), accountants or other advisers as the Staff and Services Provider determines, in its sole discretion, is reasonably appropriate in connection with the services provided by the Staff and Services Provider under this Agreement.

Section 2.08 Management Company to Cooperate with the Staff and Services Provider. In furtherance of the Staff and Services Provider's obligations under this Agreement the Management Company shall cooperate with, provide to, and fully inform the Staff and Services Provider of, any and all documents and information the Staff and Services Provider reasonably requires to perform its obligations under this Agreement.

Section 2.09 Power of Attorney. If the Management Company considers it necessary for the provision by the Staff and Services Provider of the assistance and advice under this Agreement (after consultation with the Staff and Services Provider), it may appoint the Staff and Services Provider as its true and lawful agent and attorney, with full power and authority in its name to sign, execute, certify, swear to, acknowledge, deliver, file, receive and record any and all documents that the Staff and Services Provider reasonably deems appropriate or necessary in connection with the execution and settlement of acquisitions of assets as directed by the Management Company



and the Staff and Services Provider's powers and duties hereunder (which for the avoidance of doubt shall in no way involve the discretion and/or authority of the Management Company with respect to investments). Any such power shall be revocable in the sole discretion of the Management Company.

### ARTICLE III

#### CONSIDERATION AND EXPENSES

Section 3.01 Consideration. As compensation for its performance of its obligations as Staff and Services Provider under this Agreement, the Staff and Services Provider will be entitled to receive a flat fee of \$168,000 per month (the "Staff and Services Fee"), payable monthly in advance on the first business day of each month.

Section 3.02 Costs and Expenses. Each party shall bear its own expenses; *provided* that the Management Company shall reimburse the Staff and Services Provider for any and all costs and expenses that may be borne properly by the Management Company.

Section 3.03 Deferral. Notwithstanding anything to the contrary contained herein, if on any date the Management Company determines that it would not have sufficient funds available to it to make a payment of Indebtedness, it shall have the right to defer any all and amounts payable to the Staff and Services Provider pursuant to this Agreement, including any fees and expenses; *provided* that the Management Company shall promptly pay all such amounts on the first date thereafter that sufficient amounts exist to make payment thereof.

### ARTICLE IV

#### REPRESENTATIONS AND COVENANTS

Section 4.01 Representations. Each of the Parties hereto represents and warrants that:

(a) It has full power and authority to execute and deliver, and to perform its obligations under, this Agreement;

(b) this Agreement has been duly authorized, executed and delivered by it and constitutes its valid and binding, obligation, enforceable in accordance with its terms except as the enforceability hereof may be subject to (i) bankruptcy, insolvency, reorganization moratorium, receivership, conservatorship or other similar laws now or hereafter in effect relating to creditors' rights and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding, in equity or at law);

(c) no consent, approval, authorization or order of or declaration or filing with any Governmental Authority is required for the execution of this Agreement or the performance by it of its duties hereunder, except such as have been duly made or obtained; and

(d) neither the execution and delivery of this Agreement nor the fulfillment of the terms hereof conflicts with or results in a breach or violation of any of the terms or provisions of, or constitutes a default under, (i) its constituting and organizational documents; or (ii) the terms



of any material indenture, contract, lease, mortgage, deed of trust, note, agreement or other evidence of indebtedness or other material agreement, obligation, condition, covenant or instrument to which it is a party or by which it is bound.

## ARTICLE V

### COVENANTS

#### Section 5.01 Compliance: Advisory Restrictions.

(a) The Staff and Services Provider shall reasonably cooperate with the Management Company in connection with the Management Company's compliance with its policies and procedures relating to oversight of the Staff and Services Provider. Specifically, the Staff and Services Provider agrees that it will provide the Management Company with reasonable access to information relating to the performance of Staff and Services Provider's obligations under this Agreement.

(b) This Agreement is not intended to and shall not constitute an assignment, pledge or transfer of any portfolio management agreement or any part thereof. It is the express intention of the parties hereto that this Agreement and all services performed hereunder comply in all respects with all (a) applicable contractual provisions and restrictions contained in each portfolio management agreement, investment management agreement or similar agreement and each document contemplated thereby; and (b) Applicable Laws (collectively, the "Advisory Restrictions"). If any provision of this Agreement is determined to be in violation of any Advisory Restriction, then the services to be provided under this Agreement shall automatically be limited without action by any person or entity, reduced or modified to the extent necessary and appropriate to be enforceable to the maximum extent permitted by such Advisory Restriction.

#### Section 5.02 Records: Confidentiality.

The Staff and Services Provider shall maintain or cause to be maintained appropriate books of account and records relating to its services performed hereunder, and such books of account and records shall be accessible for inspection by representatives of the Management Company and its accountants and other agents at any time during normal business hours and upon not less than three (3) Business Days' prior notice; *provided* that the Staff and Services Provider shall not be obligated to provide access to any non-public information if it in good faith determines that the disclosure of such information would violate any applicable law, regulation or contractual arrangement.

The Staff and Services Provider shall follow its customary procedures to keep confidential any and all information obtained in connection with the services rendered hereunder that is either (a) of a type that would ordinarily be considered proprietary or confidential, such as information concerning the composition of assets, rates of return, credit quality, structure or ownership of securities, or (b) designated as confidential obtained in connection with the services rendered by the Staff and Services Provider hereunder and shall not disclose any such information to non-affiliated third parties, except (i) with the prior written consent of the Management Company, (ii) such information as a rating agency shall reasonably request in connection with its



rating of notes issued by a CLO or supplying credit estimates on any obligation included in the Portfolio, (iii) in connection with establishing trading or investment accounts or otherwise in connection with effecting transactions on behalf of the Management Company or any Client or Account for which the Management Company serves as portfolio manager or investment manager or in a similar capacity, (iv) as required by (A) Applicable Law or (B) the rules or regulations of any self-regulating organization, body or official having jurisdiction over the Staff and Services Provider or any of its Affiliates, (v) to its professional advisors (including, without limitation, legal, tax and accounting advisors), (vi) such information as shall have been publicly disclosed other than in known violation of this Agreement or shall have been obtained by the Staff and Services Provider on a non-confidential basis, (vii) such information as is necessary or appropriate to disclose so that the Staff and Services Provider may perform its duties hereunder, (viii) as expressly permitted in the final offering memorandum or any definitive transaction documents relating to any Client or Account, (ix) information relating to performance of the Portfolio as may be used by the Staff and Services Provider in the ordinary course of its business or (xx) such information as is routinely disclosed to the trustee, custodian or collateral administrator of any Client or Account in connection with such trustee's, custodian's or collateral administrator's performance of its obligations under the transaction documents related to such Client or Account. Notwithstanding the foregoing, it is agreed that the Staff and Services Provider may disclose without the consent of any Person (1) that it is serving as staff and services provider to the Management Company, (2) the nature, aggregate principal amount and overall performance of the Portfolio, (3) the amount of earnings on the Portfolio, (4) such other information about the Management Company, the Portfolio and the Clients or Accounts as is customarily disclosed by staff and services providers to management vehicles similar to the Management Company, and (5) the United States federal income tax treatment and United States federal income tax structure of the transactions contemplated by this Agreement and the related documents and all materials of any kind (including opinions and other tax analyses) that are provided to them relating to such United States federal income tax treatment and United States income tax structure. This authorization to disclose the U.S. tax treatment and tax structure does not permit disclosure of information identifying the Staff and Services Provider, the Clients or Accounts or any other party to the transactions contemplated by this Agreement (except to the extent such information is relevant to U.S. tax structure or tax treatment of such transactions).

## ARTICLE VI

### EXCULPATION AND INDEMNIFICATION

Section 6.01 Standard of Care. Except as otherwise expressly provided herein, each Covered Person shall discharge its duties under this Agreement with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. To the extent not inconsistent with the foregoing, each Covered Person shall follow its customary standards, policies and procedures in performing its duties hereunder. No Covered Person shall deal with the income or assets of the Management Company in such Covered Person's own interest or for its own account. Each Covered Person in its respective sole and absolute discretion may separately engage or invest in any other business ventures, including those that may be in competition with the Management Company, and the Management Company will not have any rights in or to such ventures or the income or profits derived therefrom.



Section 6.02 Exculpation. To the fullest extent permitted by law, no Covered Person will be liable to the Management Company, any Member, or any shareholder, partner or member thereof, for (i) any acts or omissions by such Covered Person arising out of or in connection with the conduct of the business of the Management Company or its General Partner, or any investment made or held by the Management Company or its General Partner, unless it is determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, to be the result of gross negligence or to constitute fraud or willful misconduct (as interpreted under the laws of the State of Delaware) (each, a “Disabling Conduct”) on the part of such Covered Person, (ii) any act or omission of any Investor, (iii) any mistake, gross negligence, misconduct or bad faith of any employee, broker, administrator or other agent or representative of such Covered Person, *provided* that such employee, broker, administrator or agent was selected, engaged or retained by or on behalf of such Covered Person with reasonable care, or (iv) any consequential (including loss of profit), indirect, special or punitive damages. To the extent that, at law or in equity, any Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the Management Company or any Member, no Covered Person acting under this Agreement shall be liable to the Management Company or to any such Member for its good-faith reliance on the provisions of this Agreement. The exculpations set forth in this Section 6.02 shall exculpate any Covered Person regardless of such Covered Person’s sole, comparative, joint, concurrent, or subsequent negligence.

To the fullest extent permitted by law, no Covered Person shall have any personal liability to the Management Company or any Member solely by reason of any change in U.S. federal, state or local or foreign income tax laws, or in interpretations thereof, as they apply to the Management Company or the Members, whether the change occurs through legislative, judicial or administrative action.

Any Covered Person in its sole and absolute discretion may consult legal counsel, accountants or other advisers selected by it, and any act or omission taken, or made in good faith by such Person on behalf of the Management Company or in furtherance of the business of the Management Company in good-faith reliance on and in accordance with the advice of such counsel, accountants or other advisers shall be full justification for the act or omission, and to the fullest extent permitted by applicable law, no Covered Person shall be liable to the Management Company or any Member in so acting or omitting to act if such counsel, accountants or other advisers were selected, engaged or retained with reasonable care.

Section 6.03 Indemnification by the Management Company. The Management Company shall and hereby does, to the fullest extent permitted by applicable law, indemnify and hold harmless any Covered Person from and against any and all claims, causes of action (including, but not limited to, strict liability, negligence, statutory violation, regulatory violation, breach of contract, and all other torts and claims arising under common law), demands, liabilities, costs, expenses, damages, losses, suits, proceedings, judgments, assessments, actions and other liabilities, whether judicial, administrative, investigative or otherwise, of whatever nature, known or unknown, liquidated or unliquidated (“Claims”), that may accrue to or be incurred by any Covered Person, or in which any Covered Person may become involved, as a party or otherwise, or with which any Covered Person may be threatened, relating to or arising out of the investment or other activities of the Management Company or its General Partner, or activities undertaken in connection with the Management Company or its General Partner, or otherwise relating to or



arising out of this Agreement, including amounts paid in satisfaction of judgments, in compromise or as fines or penalties, and attorneys' fees and expenses incurred in connection with the preparation for or defense or disposition of any investigation, action, suit, arbitration or other proceeding (a "Proceeding"), whether civil or criminal (all of such Claims, amounts and expenses referred to therein are referred to collectively as "Damages"), except to the extent that it shall have been determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, that such Damages arose primarily from Disabling Conduct of such Covered Person. The termination of any Proceeding by settlement, judgment, order, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that any Damages relating to such settlement, judgment, order, conviction or plea of nolo contendere or its equivalent or otherwise relating to such Proceeding arose primarily from Disabling Conduct of any Covered Persons. Any Covered Person shall be indemnified under the terms of this Section 6.03 regardless of such Covered Person's sole, comparative, joint, concurrent, or subsequent negligence.

Expenses (including attorneys' fees) incurred by a Covered Person in defense or settlement of any Claim that may be subject to a right of indemnification hereunder shall be advanced by the Management Company prior to the final disposition thereof upon receipt of a written undertaking by or on behalf of the Covered Person to repay the amount advanced to the extent that it shall be determined ultimately by a court of competent jurisdiction that the Covered Person is not entitled to be indemnified hereunder. The right of any Covered Persons to the indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which the Covered Person may otherwise be entitled by contract or as a matter of law or equity and shall be extended to the Covered Person's successors, assigns and legal representatives. Any judgments against the Management Company and/or any Covered Persons in respect of which such Covered Person is entitled to indemnification shall first be satisfied from the assets of the Management Company, including Drawdowns, before such Covered Person is responsible therefor.

Notwithstanding any provision of this Agreement to the contrary, the provisions of this Section 6.03 shall not be construed so as to provide for the indemnification of any Covered Person for any liability (including liability under Federal securities laws which, under certain circumstances, impose liability even on persons that act in good faith), to the extent (but only to the extent) that such indemnification would be in violation of applicable law, but shall be construed so as to effectuate the provisions of this Section 6.03 to the fullest extent permitted by law.

Section 6.04 Other Sources of Recovery etc. The indemnification rights set forth in Section 6.03 are in addition to, and shall not exclude, limit or otherwise adversely affect, any other indemnification or similar rights to which any Covered Person may be entitled. If and to the extent that other sources of recovery (including proceeds of any applicable policies of insurance or indemnification from any Person in which any of the Clients or Accounts has an investment) are available to any Covered Person, such Covered Person shall use reasonable efforts to obtain recovery from such other sources before the Company shall be required to make any payment in respect of its indemnification obligations hereunder; *provided* that, if such other recovery is not available without delay, the Covered Person shall be entitled to such payment by the Management Company and the Management Company shall be entitled to reimbursement out of such other recovery when and if obtained.



Section 6.05 Rights of Heirs, Successors and Assigns. The indemnification rights provided by Section 6.03 shall inure to the benefit of the heirs, executors, administrators, successors and assigns of each Covered Person.

Section 6.06 Reliance. A Covered Person shall incur no liability to the Management Company or any Member in acting upon any signature or writing reasonably believed by him, her or it to be genuine, and may rely in good faith on a certificate signed by an officer of any Person in order to ascertain any fact with respect to such Person or within such Person's knowledge. Each Covered Person may act directly or through his, her or its agents or attorneys.

## ARTICLE VII

### TERMINATION

Section 7.01 Termination. Either Party may terminate this Agreement at any time upon at least thirty (30) days' written notice to the other.

## ARTICLE VIII

### MISCELLANEOUS

Section 8.01 Amendments. This Agreement may not be amended or modified except by an instrument in writing signed by each Party.

Section 8.02 Assignment and Delegation.

(a) Neither Party may assign, pledge, grant or otherwise encumber or transfer all or any part of its rights or responsibilities under this Agreement, in whole or in part, except (i) as provided in clauses (b) and (c) of this Section 8.02, without the prior written consent of the other Party and (ii) in accordance with Applicable Law.

(b) Except as otherwise provided in this Section 8.02, the Staff and Services Provider may not assign its rights or responsibilities under this Agreement unless (i) the Management Company consents in writing thereto and (ii) such assignment is made in accordance with Applicable Law.

(c) The Staff and Services Provider may, without satisfying any of the conditions of Section 8.02(a) other than clause (ii) thereof, (1) assign any of its rights or obligations under this Agreement to an Affiliate; *provided* that such Affiliate (i) has demonstrated ability, whether as an entity or by its principals and employees, to professionally and competently perform duties similar to those imposed upon the Staff and Services Provider pursuant to this Agreement and (ii) has the legal right and capacity to act as Staff and Services Provider under this Agreement, or (2) enter into (or have its parent enter into) any consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all of its assets to, another entity; *provided* that, at the time of such consolidation, merger, amalgamation or transfer the resulting, surviving or transferee entity assumes all the obligations of the Staff and Services Provider under this Agreement generally (whether by operation of law or by contract) and the other entity is a continuation of the Staff and Services Provider in another corporate or similar form and has



substantially the same staff; *provided further* that the Staff and Services Provider shall deliver ten (10) Business Days' prior notice to the Management Company of any assignment or combination made pursuant to this sentence. Upon the execution and delivery of any such assignment by the assignee, the Staff and Services Provider will be released from further obligations pursuant to this Agreement except to the extent expressly provided herein.

Section 8.03 Non-Recourse; Non-Petition.

(a) The Staff and Services Provider agrees that the payment of all amounts to which it is entitled pursuant to this Agreement shall be payable by the Management Company only to the extent of assets held in the Portfolio.

(b) Notwithstanding anything to the contrary contained herein, the liability of the Management Company to the Staff and Services Provider hereunder is limited in recourse to the Portfolio, and if the proceeds of the Portfolio following the liquidation thereof are insufficient to meet the obligations of the Management Company hereunder in full, the Management Company shall have no further liability in respect of any such outstanding obligations, and such obligations and all claims of the Staff and Services Provider or any other Person against the Management Company hereunder shall thereupon extinguish and not thereafter revive. The Staff and Services Provider accepts that the obligations of the Management Company hereunder are the corporate obligations of the Management Company and are not the obligations of any employee, member, officer, director or administrator of the Management Company and no action may be taken against any such Person in relation to the obligations of the Management Company hereunder.

(c) Notwithstanding anything to the contrary contained herein, any Staff and Services Provider agrees not to institute against, or join any other Person in instituting against, the Management Company any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings, or other proceedings under United States federal or state bankruptcy laws, or similar laws until at least one year and one day (or, if longer, the then applicable preference period plus one day) after the payment in full all amounts payable in respect of any Indebtedness incurred to finance any portion of the Portfolio; *provided* that nothing in this provision shall preclude, or be deemed to stop, the Staff and Services Provider from taking any action prior to the expiration of the aforementioned one year and one day period (or, if longer, the applicable preference period then in effect plus one day) in (i) any case or proceeding voluntarily filed or commenced by the Management Company, or (ii) any involuntary insolvency proceeding filed or commenced against the Management Company by a Person other than the Staff and Services Provider.

(d) The Management Company hereby acknowledges and agrees that the Staff and Services Provider's obligations hereunder shall be solely the corporate obligations of the Staff and Services Provider, and are not the obligations of any employee, member, officer, director or administrator of the Staff and Services Provider and no action may be taken against any such Person in relation to the obligations of the Staff and Services Provider hereunder.

(e) The provisions of this Section 8.03 shall survive termination of this Agreement for any reason whatsoever.



Section 8.04 Governing Law.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas. The Parties unconditionally and irrevocably consent to the exclusive jurisdiction of the courts located in the State of Texas and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

(b) The Parties irrevocably agree for the benefit of each other that the courts of the State of Texas and the United States District Court located in the Northern District of Texas in Dallas are to have exclusive jurisdiction to settle any disputes (whether contractual or non-contractual) which may arise out of or in connection with this Agreement and that accordingly any action arising out of or in connection therewith (together referred to as "Proceedings") may be brought in such courts. The Parties irrevocably submit to the jurisdiction of such courts and waive any objection which they may have now or hereafter to the laying of the venue of any Proceedings in any such court and any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably agree that a judgment in any Proceedings brought in such courts shall be conclusive and binding upon the Parties and may be enforced in the courts of any other jurisdiction.

Section 8.05 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR ITS ENTERING INTO THIS AGREEMENT.

Section 8.06 Severability. The provisions of this Agreement are independent of and severable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties.

Section 8.07 No Waiver. The performance of any condition or obligation imposed upon any Party may be waived only upon the written consent of the Parties. Such waiver shall be limited to the terms thereof and shall not constitute a waiver of any other condition or obligation of the other Party. Any failure by any Party to enforce any provision shall not constitute a waiver of that or any other provision or this Agreement.

Section 8.08 Counterparts. This Agreement may be executed in any number of counterparts by facsimile or other written or electronic form of communication, each of which shall be deemed to be an original as against any Party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the Parties reflected hereon as the signatories.



Section 8.09 Third Party Beneficiaries. This Agreement is for the sole benefit of the Parties hereto and their permitted assigns and nothing herein express or implied shall give or be construed to give to any Person, other than the Parties hereto and such permitted assigns, any legal or equitable rights hereunder. For avoidance of doubt, this Agreement is not for the benefit or and is not enforceable by any Shared Employee, Client or Account or any investor (directly or indirectly) in the Management Company.

Section 8.10 No Partnership or Joint Venture. Nothing set forth in this Agreement shall constitute, or be construed to create, an employment relationship, a partnership or a joint venture between the Parties. Except as expressly provided herein or in any other written agreement between the Parties, no Party has any authority, express or implied, to bind or to incur liabilities on behalf of, or in the name of, any other Party.

Section 8.11 Independent Contractor. Notwithstanding anything to the contrary, the Staff and Services Provider shall be deemed to be an independent contractor and, except as expressly provided or authorized herein, shall have no authority to act for or represent the Management Company or any Client or Account in which the Management Company acts as portfolio manager or investment manager or in a similar capacity in any manner or otherwise be deemed an agent of the Management Company or any Client or Account in which the Management Company acts as portfolio manager or investment manager or in a similar capacity.

Section 8.12 Written Disclosure Statement. The Management Company acknowledges receipt of Part 2 of the Staff and Services Provider's Form ADV, as required by Rule 204-3 under the Advisers Act, on or before the date of execution of this Agreement.

Section 8.13 Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 8.14 Entire Agreement. This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, between the Parties with respect to such subject matter.

Section 8.15 Notices. Any notice or demand to any Party to be given, made or served for any purposes under this Agreement shall be given, made or served by sending the same by overnight mail or email transmission or by delivering it by hand as follows:

(a) If to the Management Company:

NexPoint Advisors, L.P.  
200 Crescent Court  
Suite 700  
Dallas, TX 75201

(b) If to the Staff and Services Provider:

Highland Capital Management, L.P.  
300 Crescent Court  
Suite 700  
Dallas, TX 75201


or to such other address or email address as shall have been notified to the other Parties.

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IN WITNESS WHEREOF, each Party has caused this Agreement to be executed as of the date hereof by its duly authorized representative.

**NEXPOINT ADVISORS, L.P.**

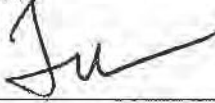
By: NexPoint Advisors GP, LLC, its  
General Partner

By: 

Name: Frank Waterhouse  
Title: Treasurer

**HIGHLAND CAPITAL  
MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its General  
Partner

By: 

Name: Frank Waterhouse  
Title: Treasurer

## Estimated Overbilling/Overpayment of Actual Costs under Payroll Reimbursement agreements between NPA and HCMLP and HCMFA and HCMLP

	Total for NPA and HCMFA	HCMFA	NPA
Total Amount reimbursed from Bankruptcy Filing through 11/30/20 based on "Actual Costs" of dual employees as stated in the original agreement from 2018	\$ 9,018,000	\$ 5,616,000	\$ 3,402,000
Estimated actual costs with appropriate employees	2,811,109	1,647,664	1,163,446
Difference/overpayment amount	\$ 6,206,891	\$ 3,968,336	\$ 2,238,554
Additional two months - billed by HCMLP based on original employees in 5/1/18 agreement for period from Dec '20 to Jan 21	1,336,000	832,000	504,000
Estimated actual costs with appropriate employees	264,988	118,627	146,362
Difference/overpayment amount	1,071,012	713,373	357,638
Extension of 19 days - amount paid based on original employees in 5/1/18 agreement	453,286	282,286	171,000
19 days based on actual appropriate employees	81,246	35,892	45,354
Difference/overpayment amount	372,040	246,393	125,646
Total Overbilling For Payroll Reimbursement from BK Filing through 2/19/2021	\$ 7,649,942	\$ 4,928,103	\$ 2,721,839

ADVISOR'S  
EXHIBIT  
G

CONFIDENTIAL

Advisors: ~~Advisors: Supplemental~~  
002312

Employee	2019 Base and Overtime	Bonuses paid in 2019	Estimated Total Annual Compensation to Allocate (salary, bonus, and 15% estimate for Benefits and taxes)	Employed In Feb 2021	Employed at time of Bankruptcy Filing	Termination Date	NPA Allocation based on Exhibit A of agreement dated 5/1/18	NPA Estimated \$ Monthly Reimb as of BK filing Date	HCMFA Allocation based on Exhibit A of agreement dated 5/1/18	HCMFA Estimated \$ Monthly Reimb	Total Monthly HMF+NPA
Abayarantha	106,920	50,000	180,458	Yes	Yes	n/a	9%	\$ 1,353	29%	\$ 4,361	\$ 5,715
Baynard	180,000	317,656	557,656	Yes	Yes	n/a	9%	\$ 4,182	29%	\$ 13,477	\$ 17,659
Burns	196,666	456,880	713,546	Yes	Yes	n/a	70%	\$ 41,624	10%	\$ 5,946	\$ 47,570
Covitz	225,000	482,398	767,398	Yes	Yes	n/a	25%	\$ 15,987	5%	\$ 3,197	\$ 19,185
Desai	N/A	NA	N/A	No	No	6/24/2019	25%	-	5%	-	-
Fedorshyn	N/A	NA	NA	No	No	5/23/2018	9%	-	29%	-	-
Gray	200,000	416,797	676,797	Yes	Yes	n/a	9%	\$ 5,076	29%	\$ 16,356	\$ 21,432
Hayes	N/A	NA	N/A	No	No	10/26/2018	9%	-	29%	-	-
Hill	N/A	NA	N/A	No	No	8/3/2018	5%	-	5%	-	-
McFarling	N/A	NA	N/A	No	No	2/27/2019	9%	-	29%	-	-
Moore	N/A	NA	N/A	No	No	11/21/2018	10%	-	5%	-	-
Nikolayev	93,198	70,000	187,678	Yes	Yes	n/a	9%	\$ 1,408	29%	\$ 4,536	\$ 5,943
Okada	N/A	NA	N/A	No	No	9/30/2019	20%	-	0%	-	-
Owens	104,869	85,000	218,349	Yes	Yes	n/a	9%	\$ 1,638	29%	\$ 5,277	\$ 6,914
Parker	350,000	1,125,435	1,535,435	No	No	2/28/2020	15%	\$ 19,193	30%	\$ 38,386	\$ 57,579
Parmentier	NA	NA	NA	No	No	5/17/2019	40%	-	40%	-	-
Philips	NA	NA	NA	No	No	2/20/2018	9%	-	29%	-	-
Pogitsch	250,000	539,062	849,062	No	Yes	9/22/2020	10%	\$ 7,076	75%	\$ 53,066	\$ 60,142
Ryder	NA	NA	N/A	No	No	4/13/2018	5%	-	5%	-	-
Sachdev	105,067	50,000	178,327	Yes	Yes	n/a	9%	\$ 1,337	29%	\$ 4,310	\$ 5,647
Smallwood	NA	NA	NA	No	No	4/8/2019	9%	-	29%	-	-
Staltari	86,753	46,667	153,433	No	Yes	12/31/2020	9%	\$ 1,151	29%	\$ 3,708	\$ 4,859
Tomlin	NA	NA	NA	No	No	2/20/2018	9%	-	29%	-	-
Vira	NA	NA	NA	No	No	9/13/2019	9%	-	29%	-	-
Wilson	NA	NA	NA	No	No	9/19/2018	5%	-	0%	-	-
Dondero	562,500		622,500	No	Yes	10/9/2020		\$ -	30%	\$ 15,563	\$ 15,563
Gulati	NA	NA	NA	No	No	3/22/2018		\$ -	100%	-	-

Estimated Monthly actual costs at time of BK filing

6,640,639

\$ 100,025

168,182

268,207

Notes to calculation

Starting actual per original NPA agrmt - amounts as of 1/1/18

252,000

Starting Amount per original HCMFA agrmt - amounts as of 1/1/18

416,000

668,000

Estimated Taxes and Benefits rate

15% Per Brian Collins, Former Director of HR at HCMLP, 13-15% was used as a general average for Taxes and Benefits, with the high end hitting \$60k, and he didn't believe anyone received more than \$60k

Max

60,000

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Advisors -

002313



Estimated HCMFA amount based on ACTUAL EMPLOYEES																		
		October 2019 (15 days)	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb 2020 - 19 days
Employee																		
Abayarantha		2,181	4,361	4,361	4,361	4,361	4,361	4,361	4,361	4,361	4,361	4,361	4,361	4,361	4,361	4,361	4,361	2,724
Baynard		6,738	13,477	13,477	13,477	13,477	13,477	13,477	13,477	13,477	13,477	13,477	13,477	13,477	13,477	13,477	13,477	8,418
Burns		2,973	5,946	5,946	5,946	5,946	5,946	5,946	5,946	5,946	5,946	5,946	5,946	5,946	5,946	5,946	5,946	3,714
Covitz		1,599	3,197	3,197	3,197	3,197	3,197	3,197	3,197	3,197	3,197	3,197	3,197	3,197	3,197	3,197	3,197	1,997
Desai		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fedorshyn		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gray		8,178	16,356	16,356	16,356	16,356	16,356	16,356	16,356	16,356	16,356	16,356	16,356	16,356	16,356	16,356	16,356	10,217
Hayes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hill		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
McFarling		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Moore		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nikolayev		2,268	4,536	4,536	4,536	4,536	4,536	4,536	4,536	4,536	4,536	4,536	4,536	4,536	4,536	4,536	4,536	2,833
Okada		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Owens		2,638	5,277	5,277	5,277	5,277	5,277	5,277	5,277	5,277	5,277	5,277	5,277	5,277	5,277	5,277	5,277	3,296
Parker		19,193	38,386	38,386	38,386	38,386	38,386	38,386	38,386	38,386	38,386	38,386	38,386	38,386	38,386	38,386	38,386	38,386
Parmentier		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Phillips		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pogitsch		26,533	53,066	53,066	53,066	53,066	53,066	53,066	53,066	53,066	53,066	53,066	53,066	53,066	53,066	53,066	53,066	53,066
Ryder		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sachdev		2,155	4,310	4,310	4,310	4,310	4,310	4,310	4,310	4,310	4,310	4,310	4,310	4,310	4,310	4,310	4,310	2,692
Smallwood		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stattari		1,854	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708	3,708
Tomlin		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vira		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wilson		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dondero		7,781	15,563	15,563	15,563	15,563	15,563	15,563	15,563	15,563	15,563	15,563	15,563	15,563	15,563	15,563	15,563	15,563
Gulati		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

84,091	168,182	168,182	152,619	152,619	152,619	114,234	114,234	114,234	114,234	114,234	114,234	114,234	114,234	61,167	61,167	57,459	35,892
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\$ 208,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 416,000	\$ 282,286
\$ 123,909	\$ 247,818	\$ 247,818	\$ 263,381	\$ 263,381	\$ 263,381	\$ 301,766	\$ 301,766	\$ 301,766	\$ 301,766	\$ 301,766	\$ 301,766	\$ 301,766	\$ 301,766	\$ 354,833	\$ 354,833	\$ 358,541	\$ 246,393

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 Advisors:   
 002314  
 000012

Estimated NPA amount based on ACTUAL EMPLOYEES																		
		October 2019 (15 days)	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb 2020 - 19 days
Employee	677	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	845
Abayarantha Baynard	2,091	4,182	4,182	4,182	4,182	4,182	4,182	4,182	4,182	4,182	4,182	4,182	4,182	4,182	4,182	4,182	4,182	2,613
Burns	20,812	41,624	41,624	41,624	41,624	41,624	41,624	41,624	41,624	41,624	41,624	41,624	41,624	41,624	41,624	41,624	41,624	26,000
Covitz	7,994	15,987	15,987	15,987	15,987	15,987	15,987	15,987	15,987	15,987	15,987	15,987	15,987	15,987	15,987	15,987	15,987	9,987
Desai	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fedorshyn	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gray	2,538	5,076	5,076	5,076	5,076	5,076	5,076	5,076	5,076	5,076	5,076	5,076	5,076	5,076	5,076	5,076	5,076	3,171
Hayes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
McFarling	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Moore	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nikolayev	704	1,408	1,408	1,408	1,408	1,408	1,408	1,408	1,408	1,408	1,408	1,408	1,408	1,408	1,408	1,408	1,408	879
Okada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Owens	819	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,023
Parker	9,596	19,193	19,193	19,193	19,193	19,193	-	-	-	-	-	-	-	-	-	-	-	-
Parmentier	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PHillips	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pogitsch	3,538	7,076	7,076	7,076	7,076	7,076	7,076	7,076	7,076	7,076	7,076	7,076	7,076	7,076	7,076	7,076	7,076	-
Ryder	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sachdev	669	1,337	1,337	1,337	1,337	1,337	1,337	1,337	1,337	1,337	1,337	1,337	1,337	1,337	1,337	1,337	1,337	835
Smallwood	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Staltari	575	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	-
Tomlin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vira	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wilson	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dondero	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gulati	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

50,012	100,025	100,025	100,025	100,025	100,025	80,832	80,832	80,832	80,832	80,832	80,832	80,832	73,756	73,756	73,756	72,605	45,354
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\$ 126,000	\$ 252,000	\$ 252,000	\$ 252,000	\$ 252,000	\$ 252,000	\$ 252,000	\$ 252,000	\$ 252,000	\$ 252,000	\$ 252,000	\$ 252,000	\$ 252,000	\$ 252,000	\$ 252,000	\$ 252,000	\$ 252,000	\$ 171,000
\$ 75,988	\$ 151,975	\$ 151,975	\$ 151,975	\$ 151,975	\$ 151,975	\$ 171,168	\$ 171,168	\$ 171,168	\$ 171,168	\$ 171,168	\$ 171,168	\$ 171,168	\$ 171,168	\$ 171,168	\$ 171,168	\$ 179,395	\$ 125,646

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Advisors: **002315**



Name	Hire Date	Term Date	Title	Department	Years Service	Notes
Dunham, Matthew	08/17/2005	2/2/2007		PAR/MS	1.5	
Manges, Jeffery A	02/05/2007	3/9/2007		Legal	0.1	
Whitlock, Richard	04/01/2006	3/9/2007	Senior Portfolio Analyst	Private Equity	0.9	
Johnson, Eric	04/01/2006	3/9/2007	Senior Portfolio Analyst	Private Equity	0.9	
Galante, John	08/07/2006	3/20/2007	Senior Portfolio Analyst	Trading	0.6	
McCurry, Kaylen	04/01/2005	3/23/2007	Administrative Assistant	Office Administration	2.0	
Hightower, Ryan	08/28/2006	3/27/2007	Portfolio Operations Analyst	Hedge Fund Operations	0.6	
Woods, Stephen	08/16/2004	4/5/2007	Retail Analyst	Retail	2.6	
Conner, Denise	10/31/2005	4/6/2007	Compliance Manager	Legal	1.4	
Lampe, Blair N	2/12/2007	4/13/2007		Office Administration	0.2	
Crull, David	05/01/2006	5/4/2007	Senior Financial Analyst	Corporate Finance	1.0	
Manning, Ellen	04/11/2005	5/18/2007	Executive Accounting Manager	Office Administration	2.1	
Liddle, Brianne	4/25/2005	5/25/2007	Senior Administrative Assistant	Office Administration	2.1	
Guy, Brad	03/09/2005	5/31/2007	HR Director	Human Resources	2.2	
White, Matthew	5/23/2005	6/15/2007		Office Administration	2.1	
Kapadia, Kaniya	04/16/2007	6/15/2007		PAR	0.2	
Martin, Jon E	04/16/2007	6/21/2007	Managing Director, Business Developm	HFP	0.2	
Hall, Nathan	8/17/2005	6/29/2007	Portfolio Analyst	PAR	1.9	
Baldwin, Travis	8/17/2005	6/29/2007	Portfolio Analyst	Trading	1.9	
Graft, Charles	05/07/2007	6/29/2007		Structured Products	0.1	**Intern
Niknejad, Daryoush	2/12/2007	7/3/2007	Associate General Counsel	Legal	0.4	
Minces, Michael	8/12/2004	7/13/2007		Legal	2.9	
Kaspar, Jason	8/1/2006	7/13/2007	Portfolio Analyst	PAR	0.9	
Sutton, Windy	6/27/2005	7/26/2007	Trading Assistant	Trading	2.1	
Stern, Todd	5/21/2007	8/3/2007	Intern	PAR	0.2	**Intern
Welch, Alan	6/4/2007	8/7/2007	Investment Intern	Distressed	0.2	**Intern
Chambers, Catherine	8/31/1998	8/10/2007		Office Administration	8.9	
Chen, Kai	11/14/2005	8/15/2007	Portfolio Operations Analyst	Hedge Fund Operations	1.8	
Glucot, Evan	6/18/2007	8/21/2007	Investment Intern	PAR	0.2	**Intern
Carlson, Stephen	6/20/2007	8/22/2007		PAR	0.2	**Intern
Green, Jason	6/4/2007	8/24/2007	Distressed Trader	Private Equity	0.2	**Intern
Plohg, Jim	10/3/2005	9/5/2007	Associate General Counsel	Legal	1.9	
Hill, Jennifer D	1/16/2007	9/7/2007	Corporate Accountant	HFP	0.6	
Johnson, Daniel C	7/30/2007	9/14/2007		PAR	0.1	
Walker, Jamie	4/2/2007	9/28/2007	Settlement	Settlement - UK	0.5	
Fuller, Allison	4/30/2007	9/28/2007	Receptionist	Office Administration	0.4	
Barrett, Bruce	3/13/2006	10/10/2007		Marketing	1.6	
Pauleit, Nicholas	9/18/2006	10/12/2007		Hedge Fund Operations	1.1	
Carter, Thaddeus	8/17/2005	10/17/2007		PAR	2.2	
Trent, Sarah	9/20/2006	10/17/2007	Senior Accountant	HFP	1.1	
Chavez, Edward	8/16/2004	10/26/2007		Settlement	3.2	
Evans, Brady	2/15/2006	11/14/2007	Compliance Manager	Legal	1.7	
Hymen, Coby	6/17/2003	12/10/2007	Tax Counsel	Corporate Finance	4.5	
Cornelison, Shannon	4/3/2006	12/21/2007	Finance Coordinator	PAR/Real Estate	1.7	
Scott, Sandra	6/4/2007	12/31/2007		Legal	0.6	
Jackson, Christopher	1/16/2006	1/18/2008		Information Technology	2.0	
Patterson, Marion	10/2/2006	1/31/2008		Marketing	1.3	
Lindsey, Larry	4/2/2007	1/31/2008	Senior Recruiting Associate	Recruiting	0.8	
Johnson, Amanda M	2/20/2007	2/12/2008	Portfolio Operations Analyst	Hedge Fund Operations	1.0	
Enochs, Candler	1/4/2006	2/15/2008		Recruiting	2.1	
Mohan, Andrea M	4/16/2007	2/15/2008	Portfolio Operations Analyst	Cash Reconciliation	0.8	
Flack, Abigail	10/8/2007	2/29/2008	Compliance Manager	Legal	0.4	
Jimenez, Jaime	4/17/2006	2/29/2008	Portfolio Analyst	Private Equity	1.9	
Patel, Vandini	4/18/2006	2/29/2008	Settlement Associate	Settlement	1.9	
Holesko, Amy	06/01/2002	3/14/2008	Recruiting Associate	Recruiting - Private Equity	5.8	
Knipp, Laura	06/05/2006	3/14/2008	Senior Tax Manager	Corporate Finance	1.8	
Chan, Henry	01/16/2007	3/21/2008	Settlement Associate	Settlement	1.2	
Norwood, Terry	08/01/2006	3/21/2008		PAR	1.6	
Hill, Carol	10/15/2007	3/21/2008	Documentation Manager	Legal	0.4	
Smith, William	02/28/2006	3/31/2008		PAR/Real Estate	2.1	
Chung, Peter	07/15/2002	3/31/2008	Portfolio Manager	Distressed	5.7	
Brown, Heather	7/27/2006	4/4/2008	Settlement Associate	Settlement	1.7	
Coleman, Christopher	9/11/2007	4/4/2008		Private Equity	0.6	
Thompson, Matthew D	9/4/2007	4/18/2008	Controller and Director, Financial Repo	HFP	0.6	
Campbell, Jim L	11/6/2006	4/30/2008	Director	Private Equity	1.5	
Ganuchau, Peter	9/18/2006	5/2/2008	Portfolio Manager	Equities	1.6	
Pope, James	3/19/2001	5/15/2008		PAR	7.2	
Applegate, Tamra	9/26/2005	5/30/2008	Administrative Assistant	Office Administration	2.7	
Ernst, Ronald	9/22/2003	6/2/2008		NSI Marketing	4.7	NOT HCMLP
Bashrum, Scott	4/1/2006	6/30/2008	Senior Portfolio Analyst	Distressed/Private Equity	2.2	
Cifuentes, Julio	4/3/2006	6/30/2008	Portfolio Analyst	PAR	2.2	
Sigmon, James B.	8/7/2006	6/30/2008	Portfolio Analyst	PAR/Real Estate	1.9	
Hicks, Albert	8/7/2006	6/30/2008	Portfolio Analyst	Distressed/Private Equity	1.9	
Halliburton, Jena A	8/27/2007	7/4/2008	Compliance Manager	Legal	0.9	
Wooldridge, Brittnee	2/19/2008	7/9/2008	Receptionist	Office Administration	0.4	
Rosenthal, Scott	1/28/2008	7/11/2008	Software Engineer	Information Technology	0.5	

Name	Hire Date	Term Date	Title	Department	Years Service	Notes
Ciavarra, Joseph	3/22/2004	7/30/2008		HFP	4.4	
Tolusic, Mislav	4/1/2006	7/31/2008	Senior Portfolio Analyst	Distressed/Private Equity	2.3	
Ward, Shawn	5/21/2007	7/31/2008	Director Human Resources	Human Resources	1.2	
Harris, Leslie L	7/11/2007	7/31/2008	Paralegal	Legal	1.1	
Wikert, Cody	06/16/2008	8/1/2008	Investment Intern	Real Estate	0.1	**Intern
Thomas, Drew	06/09/2008	8/13/2008	Investment Intern	Retail	0.2	**Intern
Failli, Denise	01/22/2008	8/15/2008	Recruiting Coordinator	Recruiting	0.6	
Beckman, Keith	05/13/2002	8/15/2008	Portfolio Manager	Real Estate	6.3	
Lee, Mary	08/04/2008	8/18/2008		Office Administration	0.0	
Lonsdale, Jeffrey J	10/01/2007	8/18/2008		Tax	0.9	
Broadbent, Brian	11/03/2004	8/18/2008	Portfolio Manager	PAR	3.8	
Robinson, Jonathan	04/23/2007	8/21/2008	Senior Operations Analyst	Distressed/Private Equity	1.3	
James Paglioli	10/18/2004	8/22/2008		NSI Wholesaler	3.8	NOT HCMLP
Jackson, Terry	06/09/2008	8/22/2008	Investment Intern	Trading	0.2	**Intern
Hennegan, John	06/16/2008	8/22/2008	Investment Intern	Distressed/Private Equity	0.2	**Intern
Ambrose, Jake	06/16/2008	8/29/2008	Investment Intern	Distressed	0.2	**Intern
Joseph, Chima	06/16/2008	8/29/2008	Investment Intern	Retail	0.2	**Intern
Chong, Victor	06/23/2008	8/29/2008	Investment Intern	Retail	0.2	**Intern
Nair, Hari Krishnan	07/12/2004	8/29/2008		Information Technology	4.1	
Shilkett, James	06/23/2008	9/5/2008		Equities	0.2	**Intern
Stearns, Aaron	06/23/2008	9/5/2008	Investment Intern	PAR/Real Estate	0.2	**Intern
Theriot, Amy S	10/30/2006	9/8/2008	Senior HR Manager	Human Resources	1.9	
Zegeye, Fiteh	06/23/2008	9/12/2008	Corporate Finance Intern	Corporate Finance	0.2	**Intern
Higgins, Lance	3/17/2008	9/13/2008	Real Estate Asset Manager	Real Estate	0.5	
Voss, William	8/1/2005	9/19/2008		Trading	3.1	
Chura, Niles	6/9/2003	9/30/2008	Portfolio Manager	PAR	5.3	
Turner, Mark K	7/30/2007	10/1/2008	Portfolio Analyst	Distressed/Private Equity	1.2	
Timothy Symington	9/15/2004	10/2/2008		NSI Wholesaler	4.0	
Thomas Rigatti	11/1/2004	10/2/2008		NSI Wholesaler	3.9	
Jay Sluis	10/17/2005	10/2/2008		NSI Wholesaler	3.0	
Camp Cuthrell	4/26/2006	10/2/2008		NSI Wholesaler	2.4	
Badros, Mark J	9/17/2007	10/2/2008	Senior Portfolio Analyst	PAR	1.0	
Lohrding, Brian	5/5/2003	10/7/2008	Chief of Staff	Finance	5.4	
Lee, Christina	8/20/2007	10/9/2008	Human Resources Manager	Human Resources	1.1	
McGovern, Kenneth S	7/11/2007	10/14/2008		Risk	1.3	
Ethridge, Kevin M	02/06/2007	10/22/2008	Trading Assistant	Real Estate	1.7	
Jurrius, Jennifer	02/07/2005	10/22/2008	Cash Reconciliation Manager	Cash Reconciliation	3.7	
Fullerton, David	02/12/2007	10/22/2008	Structured Products Analyst	Portfolio Surveillance	1.7	
Wang, Alice	03/10/2008	10/22/2008	Treasury Analyst	Treasury	0.6	
Rich, Michael	03/20/2000	10/22/2008		Trading	8.6	
Methvin, James	03/21/2005	10/22/2008		Par	3.6	
Zang, Weijun	03/26/2007	10/22/2008		Par	1.6	
Winata, Nicodemus	04/01/2006	10/22/2008	Operations Analyst	Distressed/private Equity	2.6	
Olenec, Nicholas	04/14/2008	10/22/2008		Hfp	0.5	
Hegde, Narayan	04/23/2007	10/22/2008	Senior Portfolio Analyst	Distressed/private Equity	1.5	
Tailor, Anish	04/28/2008	10/22/2008	Settlement Associate	Settlement	0.5	
Schein, Scott	04/30/2007	10/22/2008	Senior Portfolio Analyst	Distressed/private Equity	1.5	
Chen, Roger	05/07/2007	10/22/2008	Senior Portfolio Analyst	Real Estate	1.5	
Groves, Shawn	06/01/2004	10/22/2008	Portfolio Manager	Par	4.4	
Weston, Brandon	06/02/2008	10/22/2008	Cash Reconciliation Analyst	Cash Reconciliation	0.4	
Brown, Oxana	06/04/2007	10/22/2008	Corporate Accountant	Hfp	1.4	
Miller, Lisa	06/30/2008	10/22/2008	Receptionist	Office Administration	0.3	
Bridges, Jenna	07/02/2007	10/22/2008	Corporate Accountant	Corporate Finance	1.3	
Mack, Bradley	07/16/2007	10/22/2008	Valuation Analyst	Valuation	1.3	
Voiles, Lucas C	07/30/2007	10/22/2008		Distressed/private Equity	1.2	
Gupta, Sandeep	07/30/2007	10/22/2008	Senior Portfolio Analyst	Par	1.2	
Watson, Reed R	07/30/2007	10/22/2008	Portfolio Analyst	Par	1.2	
Castelino, Oliver A	07/30/2007	10/22/2008	Portfolio Analyst	Real Estate	1.2	
Shahbaz, Kevin	07/30/2007	10/22/2008		Retail	1.2	
Blanks, David	07/30/2007	10/22/2008	Portfolio Analyst	Trading	1.2	
Hosking, Jessica	08/04/2008	10/22/2008		Office Administration	0.2	
Carty, Jamal	08/06/2007	10/22/2008	Senior Portfolio Analyst	Par	1.2	
Kephart, Eric	08/18/2008	10/22/2008	Software Engineer	Information Technology	0.2	
Chang, Victor	08/20/2007	10/22/2008	Cash Reconciliation Analyst	Cash Reconciliation	1.2	
Wilcher, Michael	10/15/2007	10/22/2008		Par	1.0	
Walls, David B.	10/16/2000	10/22/2008		Par	8.0	
Sanchez, Carolyn	12/03/2007	10/22/2008	Settlement Associate	Settlement	0.9	
Patel, Divyash	12/17/2007	10/22/2008	Software Engineer	Information Technology	0.8	
Jaramillo, Jorge	05/21/2007	10/28/2008	Senior Portfolio Analyst	Retail	1.4	
Szkodzinski, Michael	10/15/2007	10/29/2008		Legal	1.0	
Martin, Marcus D	7/6/2005	10/31/2008		Retail	3.3	
Harden, Natalie	04/01/2006	10/31/2008	Executive Assistant	Office Administration	2.6	
Douglas, Stephen	06/23/2008	10/31/2008	Managing Director - Tax	Tax	0.4	
Vonderhaar, Bernard	9/22/2003	11/1/2008		NSI Marketing	5.1	
Staurt, John	4/1/2006	11/7/2008	Portfolio Manager	Private Equity	2.6	
Conner, Patrick	2/5/2002	11/14/2008	Partner, Senior Portfolio Analyst	Equity	6.8	

Name	Hire Date	Term Date	Title	Department	Years Service	Notes
Emily Amuke	2/27/2006	11/19/2008	Office Manager	Office Administration	2.7	
Taner Hastan	9/11/2006	11/19/2008		Research	2.2	
Ferguson, Michael	7/1/2007	11/25/2008	Software Engineer	Information Technology	1.4	
Bishop, Courtney	10/3/2005	11/25/2008	Executive Assistant	Office Administration	3.1	
Alarcon, Stephen	8/4/2008	11/28/2008	Portfolio Analyst	Research	0.3	
Austin, Timothy	8/4/2008	12/22/2008		Real Estate	0.4	
Toudouze, Kenneth	4/16/2001	12/23/2008		Private Equity	7.7	
Nau, Steven	4/1/2006	12/23/2008		Private Equity	2.7	
O'Hanna, David	5/30/2006	12/23/2008		Private Equity	2.6	
Imamoto, Gregg	7/16/2007	12/23/2008		Private Equity	1.4	
Boguslawski, David	10/29/2007	12/23/2008		Private Equity	1.2	
Shifferd, Charles	9/2/2008	12/23/2008		Private Equity	0.3	
Sharry, Greg	9/8/2008	12/24/2008	Compliance Analyst	Distressed/Private Equity	0.3	**Intern
Harrison, Chris	7/28/2008	1/9/2009		NSI Marketing	0.5	
Hukill, Nathan	06/27/2005	1/21/2009	Portfolio Manager	Retail	3.6	
Rice, Charles	08/15/2005	1/23/2009	Contractor	Hedge Fund Accounting	3.4	
Wiser, Jason	03/17/2008	1/30/2009	IT Domain Administrator	Information Technology	0.9	
Lvovich, Yaraslav J	7/30/2007	2/6/2009		Research	1.5	
Shah, Amol	8/1/2006	2/9/2009	Manager - Valuation	Valuation	2.5	
Sievert, Amy	11/26/2007	2/13/2009	Recruiting Associate	Recruiting	1.2	
Jensen, Astrid	2/4/2008	2/18/2009	Settlement Associate	Settlement	1.0	
Home, Brian	8/14/2006	2/27/2009	Portfolio Manager	Real Estate	2.5	
Jones, David	1/2/2008	3/3/2009		Private Equity	1.2	
Hill, Owen	6/27/2005	3/10/2009	Assistant General Counsel	Legal	3.7	
Chavarriaga, Mauricio	11/1/2003	3/11/2009	Contractor	Sector Rotation	5.4	
Bush, Peyton	4/2/2007	3/13/2009	Senior Portfolio Analyst	Equities	1.9	
Tiampo, Saukok	7/15/2007	3/18/2009	Managing Director, Business Development	Business Development	1.7	
Tandberg, Scott	7/30/2007	3/20/2009	Valuation Manager	Valuation	1.6	
Sisk, Jessica	10/21/2008	3/25/2009	Administrative Assistant	Office Administration	0.4	
Staggs, Jody	8/1/2006	3/27/2009	Senior Portfolio Analyst	Equities	2.7	
Cornelius, William	4/2/2007	3/27/2009		Retail	2.0	
Brady, Charla L	10/1/2007	3/27/2009	Administrative Assistant	Office Administration	1.5	
Black, Winston	9/17/2007	3/30/2009	Senior Portfolio Analyst	Research	1.5	
Brown, Britton	8/11/2004	3/31/2009		Treasury	4.6	
Simek, David	9/1/2007	4/1/2009	CMBS PM and Trader	Trading	1.6	
Ziegenhagen, Randall	1/22/2008	4/6/2009	Cash Reconciliation Analyst	Cash Reconciliation	1.2	
Wootton, Jennifer	7/13/2007	4/13/2009		HR	1.8	
Manning, Ellen	4/11/2005	4/17/2009	Executive Accounting Manager	Accounting	4.0	
Ewing, Leah	10/8/2007	4/17/2009	Senior HR Manager	HR	1.5	
Ramamurthy, Sundar	4/23/2007	4/24/2009	Senior Portfolio Analyst	Retail	2.0	
Mano, Jonathan	8/6/2007	4/24/2009		Retail	1.7	
Hull, Cynthia D	10/1/2007	4/24/2009		Corporate Finance	1.6	
Iabadie, Michael	10/29/2007	4/24/2009		Information Technology	1.5	
Le, Eli	8/18/2008	4/24/2009	Software Engineer	Information Technology	0.7	
Singh, Tania	8/28/2008	4/24/2009	Associate, Product Management	Marketing	0.7	
Simmons, David	12/21/2007	4/27/2009	Controller	HFP	1.4	
Deadman, Davis	5/4/1998	4/30/2009	Partner, Senior Portfolio Manager	Real Estate	11.0	
Crowell, Scott	11/16/2006	5/1/2009	Fund Accountant	Hedge Fund Accounting	2.5	
Linden, Rich	5/21/2007	5/1/2009	Senior Portfolio Analyst	Retail	1.9	
Emmanuel, Joe	1/22/2008	5/1/2009	Corporate Accountant	HFP	1.3	
Siegel, Harold	7/9/2003	5/5/2009	Managing Director	Wholesale	5.8	
Paipanandiker, Chet	3/26/2002	5/8/2009	Portfolio Manager	Research	7.1	
Mah, Jeffrey	8/20/2007	5/8/2009		Structured Products	1.7	
Williams, Andrew	9/25/2006	5/26/2009	Jr. Portfolio Surveillance Analyst	Portfolio Surveillance	2.7	
Peirce, Nicole	4/11/2007	5/26/2009	Receptionist	Office Administration	2.1	
Glasgow, Sam	8/4/2008	5/26/2009	Portfolio Analyst	Research	0.8	
Yang, Jack	5/27/2003	5/29/2009	Head of Business Development	Marketing	6.0	
Mundassery, Appu	11/3/2003	5/29/2009	Portfolio Manager	Research	5.6	
Ware-Fredrikson, Nicholas	7/14/2005	5/29/2009		Research	3.9	
Eberlin, Jean-Luc	5/4/2006	5/29/2009	Portfolio Manager	Research	3.1	
Cox, Brian	6/12/2006	5/29/2009	Managing Director	Marketing	3.0	
Innes, John	4/16/2007	5/29/2009	Senior Portfolio Analyst	Research	2.1	
Barnard, Rozelle	4/16/2007	5/29/2009	Portfolio Surveillance	Portfolio Surveillance	2.1	
Razooli-wathooth, Johan	5/30/2007	5/29/2009		Research	2.0	
Karel, Travis	9/22/2008	5/29/2009	Settlement Associate	Settlement	0.7	
Ngo, Hongvien	4/3/2006	6/5/2009	Director, Product Management	Marketing	3.2	
Noble, Shelby	6/5/2006	6/5/2009	Trading Assistant	Retail	3.0	
Smith, Sean	7/30/2007	6/5/2009	Portfolio Analyst	Research	1.9	
Sanborn, Christina	6/2/2008	6/5/2009	Settlement Associate	Settlements	1.0	
Mitchell, Maureen	7/1/2008	6/5/2009		NSI Marketing	0.9	
Goldstein, Elizabeth	8/1/2008	6/12/2009		NSI Marketing	0.9	
Losey, Nick	5/30/2005	6/15/2009	Portfolio Manager	Research	4.0	
Travers, Todd	2/1/1995	6/30/2009	Partner, Senior Portfolio Manager, Head of HFP	HFP	14.4	
Raju, Pramod	3/5/2007	6/30/2009	Portfolio Analyst	Research	2.3	
Korngut, Brian	7/30/2007	6/30/2009		Research	1.9	
Liu, Jeff	10/1/2007	6/30/2009	Portfolio Analyst	Fund Management	1.7	

Name	Hire Date	Term Date	Title	Department	Years Service	Notes
Wendell, Morton	1/29/2007	7/20/2009	Investment Finance Liasion	Treasury	2.5	
Legg, Brian	4/28/2008	7/24/2009	Senior Portfolio Analyst	Real Estate	1.2	
Killebrew, Matt	7/24/2004	7/31/2009	Contractor	Hedge Fund Accounting	5.0	
Lederman, Shawn	4/23/2007	8/1/2009		Private Equity	2.3	
Stewart, Steve	6/4/2007	8/1/2009		Private Equity	2.2	
Grateke, Ryan	8/7/2006	8/7/2009	Head of Hedge Fund Accounting	Hedge Fund Accounting	3.0	
Lenge, Andrew	11/14/2005	8/17/2009	Marketing Analyst	Business Development	3.8	
Assar, Vatsal	2/12/2007	9/15/2009	Separate Accounts Analyst	Corporate Finance	2.6	
Dalton, Timothy	9/15/2004	9/16/2009		NSI Wholesale	5.0	
Drew, Rick	4/13/2005	9/29/2009	Retail Fund Accountant	Retail	4.5	
Morgan, John	3/13/2000	9/30/2009	Partner, Senior Portfolio Analyst	Real Estate	9.6	
Liddle, Brianne	4/25/2005	10/6/2009	Senior Administrative Assistant	Office Administration	4.5	
Shuster, Sharon	10/16/2006	10/6/2009	Associate, Product Management	Marketing	3.0	
Gunnerson, Erik	2/5/2007	10/9/2009	Portfolio Manager	Research	2.7	
Mackin, John	8/1/2008	10/9/2009		Broker/Dealer	1.2	
Martin, Criss	8/11/2008	10/9/2009	Software Engineer	IT Development	1.2	
Brown, Lee	5/7/2007	10/16/2009	Senior Portfolio Analyst	Research	2.4	
Sanchez, Ricky	1/2/2007	10/20/2009	Insurance Products Manager	Insurance Products	2.8	
Borud, Brad	11/25/1996	10/30/2009	Partner, CIO of Retail Products	Retail	12.9	
Kreilich Lloyd, Andrea	9/2/2003	10/30/2009		Retail	6.2	Rehired on 11/12/12
Fehlig, Stacy	8/18/2008	11/6/2009		Legal	1.2	
Kucher, Tom	5/1/2006	12/16/2009		Business Development	3.6	
Pelzel, Terry	8/1/2006	12/21/2009	Senior Portfolio Analyst	Equity	3.4	
Plumer, Kurt	7/26/1999	12/24/2009	Partner, Senior Portfolio Manager, Hea	Research	10.4	
Thavorn, Siri	6/4/2007	1/8/2010		NSI Marketing	2.6	
Linvel, Shannon	4/11/2005	1/15/2010	Desktop Engineer	IT Support	4.8	
Arora, Sandeep	8/4/2008	1/15/2010	Sr. Manager, Compensation and Benefi	HR	1.4	
Lawrence, Suzanne	4/27/2009	1/26/2010	Managing Director	Marketing	0.8	
Pusateri, Michael	5/8/2006	1/29/2010	CTO	IT	3.7	
Trahan, Michael	7/30/2007	3/8/2010	Senior Portfolio Analyst	Research	2.6	
Miltnerberger, Bill	7/31/2006	3/9/2010	Senior Portfolio Analyst	Research	3.6	
Dorenbaum, Andrei	5/7/2007	3/12/2010	Assistant General Counsel	Legal	2.8	
Zimmerman, John	7/30/2007	3/12/2010	Portfolio Analyst	Retail	2.6	
Huntington, John	5/19/2008	3/16/2010	Associate, Business Development	Business Development	1.8	
Schnabel, Matt	7/30/2007	3/18/2010		Retail	2.6	
Moore, Caleb	8/4/2008	3/18/2010	Portfolio Analyst	Research	1.6	
Tripathy, Nina	6/14/2005	3/30/2010	Portfolio Surveillance	UK	4.8	
Schuler, Karissa	12/1/2003	4/16/2010	Marketing Associate, Retail Products	Retail Operations	6.4	
Baransi, Samer	6/2/2008	4/19/2010	Valuation Analyst	Valuation	1.9	
Martinson, Mark	9/6/2005	5/7/2010	Portfolio Manager	Research	4.7	
Miller, Debby	7/16/2004	5/14/2010	Recruiting Senior Associate	Recruiting	5.8	
Harrison, Matthew	3/8/2010	5/21/2010	Portfolio Analyst	Cummings Bay	0.2	CB hire date was 6/1/200
Speicher, Nate	8/4/2008	6/11/2010	Senior Portfolio Analyst	Research	1.9	
Orent, Courtney	1/2/2007	6/25/2010	Accounting Associate	Corporate Accounting	3.5	
Hendershot, Paul	8/4/2008	6/25/2010	Portfolio Analyst	Retail Investments	1.9	
Alfermann, Nicholas W	7/30/2007	7/8/2010		Research	2.9	
Li, Roger M.K.	7/11/2007	7/30/2010		NSI Marketing	3.1	
Seaman, Cristina	8/25/2008	9/8/2010	Executive Accountant	Executive Support	2.0	
Mason, Frederic	10/15/2007	9/17/2010		Trading	2.9	
Sakungew, Pon	4/3/2006	9/23/2010	Senior Portfolio Analyst	Retail Investments	4.5	
Eidson, Allison	5/21/2007	9/23/2010	Senior Portfolio Analyst	Real Estate	3.3	
Gonzalez, Evan	6/4/2007	9/24/2010	Senior Portfolio Analyst	Research	3.3	
Spector, Anastasiya	6/23/2008	10/8/2010		Legal	2.3	
Latimer, Kevin	7/1/2008	10/8/2010	Partner	Marketing	2.3	
Mahmud, Gibran	1/2/2003	10/22/2010	Portfolio Manager	Structured Products	7.8	
Roos, Paul	5/22/2006	10/22/2010	Portfolio Manager	Structured Products	4.4	
Lehuquet, David	10/3/2005	11/1/2010		NSI Wholesaler	5.1	
Blackburn, Jason	10/29/2001	11/3/2010	Director of Retail Operations	Retail Operations	9.0	
Halpin, Chris	10/17/2005	11/5/2010	Controller	Finance	5.1	
Kulwich, Stephanie	2/1/2010	11/9/2010	Marketing Assistant	Marketing	0.8	
Tesla, Nick	5/7/2007	11/10/2010		Operations	3.5	
Crest, David	3/10/2008	11/15/2010	Valuation Analyst	Fund Accounting	2.7	
Flores, Josphe	2/17/2009	11/16/2010	Regional Sales Director	NSI Wholesaler	1.7	
Green, Jason	7/21/2008	1/12/2011	Distressed Trader	Trading	2.5	
Alvarez, Adriana	9/29/2010	1/19/2011	Executive Accountant	Executive Support	0.3	
Means, Bradley	5/10/2004	2/10/2011	Partner	Retail Investments	6.8	
Ferrell, John	7/9/2003	2/10/2011		Retail Investments	7.6	
Lui, Vincent	12/4/2006	2/11/2011	Sr. Portfolio Analyst	Insurance Products	4.2	
Nilsen, Christopher C	7/30/2007	2/11/2011	Senior Portfolio Analyst	Research	3.5	
Murray, Andrew	7/28/2008	2/18/2011	Operations Analyst	Operations	2.6	
Shifferd, Charles	12/23/2008	3/15/2011	Director	Private Equity	2.2	
Chan, Wing Fung Willy	4/16/2007	3/22/2011	Senior Database Administrator	IT - Development	3.9	
Daetsch, Molly K	7/30/2007	4/8/2011	Analyst	Legal	3.7	
Rugg, Stacey	5/1/2000	4/15/2011	Fund Analyst	Retail Trading	11.0	
Drinnon, Kasey	7/19/2010	4/21/2011	Accounts Payable Associate	Corporate Accounting	0.8	
Billinghurst, Mindy	4/16/2009	5/12/2011	Settlement Associate	Retail Operations	2.1	

Name	Hire Date	Term Date	Title	Department	Years Service	Notes
Kwok, Nam	6/16/2008	5/18/2011	Director	Research	2.9	
Padilla, Andrew	7/28/2008	5/18/2011	Marketing Associate	Marketing	2.8	
Nguyen, Tiffany	5/10/2010	6/10/2011	Business and Reporting Analyst	Retail Operations	1.1	
Schembri, Stephen	8/4/2008	6/17/2011	Director	Research	2.9	
Colvin, Christopher D	7/30/2007	6/24/2011	Director	Research	3.9	
Rangel, Victor M	11/13/2006	7/25/2011		IT - Development	4.7	
Hunt, Heather	1/11/2011	8/12/2011	Accounts Payable Associate	Finance	0.6	Rehired on 9/28/2012
Madden, Sam	8/4/2008	9/13/2011	Director	Retail	3.1	
Campbell, Jim L	10/1/2010	9/15/2011	Director	Private Equity	1.0	
Cunningham, Brittney	2/5/2007	9/27/2011	Executive Assistant, Office Manager	Office Administration	4.6	
Kauffman, Paul	6/22/1998	9/30/2011	Partner	Executive	13.3	
Heatherington, Lindy	7/30/2008	9/30/2011	Executive Assistant	Office Administration	3.2	
Okolita, Matt	3/17/2008	10/11/2011	Chief Compliance Officer	Legal	3.6	
Daugherty, Patrick	4/1/1998	10/31/2011	Partner, Head of Distressed	Private Equity	13.6	
Smith, David	9/15/2008	10/31/2011	Director	Private Equity	3.1	
Urbanic, Matthew	8/11/2008	11/3/2011	Sr. Tax Analyst	Tax	3.2	
Williams, Meredith	4/11/2003	11/11/2011	Executive Assistant	Executive	8.6	
Dandar, Christina	5/9/2011	11/18/2011	Administrative Assistant	Executive	0.5	
Colvin, Michael	6/18/2007	12/30/2011	General Counsel	Legal	4.5	
Herren, Casey	2/28/2011	2/28/2012	Director	Marketing	1.0	
Rourke, Kevin	11/7/2005	2/28/2012	Director	Research	6.3	
Enoch, Kevin	7/19/2004	2/28/2012	Analyst	Finance	7.6	
Jenkins, Amy S	1/22/2007	3/1/2012	Marketing Associate	Marketing	5.1	
Passmore, Michael R	2/6/2007	3/1/2012	Retail Fund Accountant	Retail Operations	5.1	
Lovelace, Naomi	6/20/2006	3/7/2012	File Clerk	Office Administration	5.7	
Bateman, Jack	9/15/2008	3/7/2012	Investor Relations Analyst	Marketing	3.5	
Ziegler, Jason S	3/12/2007	3/16/2012	Director	Structured Products	5.0	
McCaulley, Geraldine	5/13/2010	3/20/2012	Administrative Assistant	UK	1.9	
Burke, Rebecca	11/13/2006	3/22/2012	Settlement Manager	UK	5.4	
Griffith, Matthew	6/2/2008	4/18/2012	Executive Accountant	Executive	3.9	
Gauntt, Amanda	11/1/2004	4/30/2012	Retail Funds Analyst	Retail Operations	7.5	
Trantham, Austin	3/17/2008	4/30/2012	Vice President, Real Estate	Real Estate	4.1	
Walia, Amit	7/28/2003	5/18/2012	Partner	Research	8.8	
Dougherty, Raymond	3/5/1998	6/8/2012	Partner, Head of Retail Products	Pyxis Management	14.3	
Allen, Tara	4/16/2009	7/6/2012	Executive Assistant	Office Administration	3.2	
Roby, John	6/27/2011	7/13/2012	Marketing Analyst	Marketing	1.0	
Kuratti, Mohan	5/19/2008	7/16/2012	Director - Product Development	Marketing	4.2	
Nguyen, Kristine	2/19/2008	7/20/2012	Retail Fund Analyst	Retail	4.4	
Callahan, David	9/15/2006	7/24/2012	Wholesaler	NSI Wholesaler	5.9	*NSI
Marsh, Kevin	1/15/2009	7/24/2012	Wholesaler	NSI Wholesaler	3.5	*NSI
Anderson, Charles	11/8/2010	7/24/2012	Wholesaler	NSI Wholesaler	1.7	*NSI
Wright, Michael	12/1/2010	7/24/2012	Wholesaler	NSI Wholesaler	1.6	*NSI
Bermiss, Dan	4/25/2011	7/24/2012	Wholesaler	NSI Wholesaler	1.2	*NSI
Hoffman, Wayne	11/1/2011	7/24/2012	Wholesaler	NSI Wholesaler	0.7	*NSI
Schray, Nathan	2/4/2008	7/27/2012	Manager	HR	4.5	
Matthews, Catherine	9/17/2007	8/6/2012	Trader	Trading	4.9	
Berihun, Elizabeth	6/11/2012	8/9/2012	Intern	HR	0.2	**Intern
Taylor, Luke	6/4/2012	8/17/2012	Intern	HR	0.2	**Intern
Wan, Selina	7/9/2012	8/17/2012	Intern	HR	0.1	**Intern
Hopson, Stuart	8/1/2012	8/30/2012	Intern	HR	0.1	**Intern
McAuliffe, John	4/5/2005	8/31/2012	Managing Director	Structured Products	7.4	
Phelan, Kevin	7/24/2006	8/31/2012	Director, IT Development	IT Development	6.1	
Rutledge, Robert	11/13/2006	8/31/2012	Senior Software Engineer	IT Development	5.8	
Melendez, Helder	7/11/2007	8/31/2012	Head of IT Development	IT Development	5.1	
Donaldson, Michael	2/8/2010	8/31/2012	IT Business Analyst	IT Development	2.6	
Nguyen, Tony	8/8/2011	8/31/2012	Business and Reporting Analyst	IT Development	1.1	
Carlson, Stephen	9/2/2008	9/6/2012	Director	Research	4.0	
Ahluwalia, Sanjiv	6/18/2012	9/12/2012	Intern	HR	0.2	**Intern
McGregor, Michelle	7/19/2010	9/14/2012	Executive Assistant	Finance	2.2	
Salvino, Don	1/16/2003	9/16/2012	MD, Pyxis Funds	Pyxis Management	9.7	*NSI
Silver, Ashley	7/23/2012	9/18/2012	Internal Wholesaler	Pyxis Wholesalers	0.2	*NSI
Stuecheli, Greg	6/17/2002	9/21/2012	Partner	Pyxis Management	10.3	
Delarosa, Steven	7/1/2010	9/26/2012	MD, Pyxis Funds	Pyxis Management	2.2	*NSI
Fitch, Stephanie	2/20/2006	10/3/2012	Administrative Assistant	Office Administration	6.6	
Lemme, Matthew	3/5/2007	10/10/2012	Managing Director	Research	5.6	
Bauer, William	9/17/2004	10/12/2012	External Wholesaler	NSI Wholesaler	8.1	*NSI
Eimen, Catherine	1/3/2012	10/13/2012	Administrative Assistant	Office Administration	0.8	
Webster, Greg	1/15/2009	10/26/2012	External Wholesaler	NSI Wholesaler	3.8	*NSI
Miao, Gene	3/30/2007	10/31/2012	Managing Director	Specialty Products	5.6	
Hamilton, Todd	7/14/2008	11/8/2012	Product Development Associate	Product Development	4.3	
Meserve, Nick	10/20/2004	11/26/2012	Director	Pyxis Investments	8.1	
Gilchrist, Clint	12/5/2005	12/7/2012	Director, Investor Relations	Marketing	7.0	
Anderson, Kirk	6/2/2011	12/12/2012	Director	Equity	1.5	
Rush, Daryl	12/4/2012	12/12/2012	Regional Sales Consultant	NSI Internal Wholesaler	0.0	*NSI
Lombardi, Chris	7/1/2010	1/4/2013	Director	Private Equity	2.5	
Garza, Lauren	6/2/2008	1/7/2013	Business Development Associate	Legal	4.6	



Name	Hire Date	Term Date	Title	Department	Years Service	Notes
Yoon, Chris	9/1/2011	1/23/2013	Director of Business Development	Marketing	1.4	
Price, Whitney	2/8/2012	1/31/2013	Administrative Assistant	Office Administration	1.0	
Pfertner, Jim	7/30/2007	2/1/2013	Director	Real Estate	5.5	
Rusch, Maryam	12/5/2011	2/15/2013	Regional Sales Director	NSI External Wholesaler	1.2	*NSI
Nash, Clarissa	1/23/2006	2/27/2013	Retail Fund Accountant	Pyxis Operations	7.1	
Van Hoef, Ashley	12/27/2011	2/27/2013	Administrative Assistant	Office Administration	1.2	
Schuler, Elliot	10/10/2011	3/4/2013	Assistant General Counsel	Legal	1.4	
Drabinski, Dan	6/1/2005	3/8/2013	Senior Trader	Trading	7.8	
Delgado, Mauricio	2/7/2011	3/15/2013	Director	Research	2.1	
Vanacour, Jason	11/8/2010	3/19/2013	Assistant General Counsel	Legal	2.4	
Zarin, Greg	1/9/2012	3/19/2013	Assistant General Counsel	Legal	1.2	
Hunt, Heather	9/28/2012	3/22/2013	Receptionist	Office Administration	0.5	
Hasenauer, Michael	8/17/2005	3/29/2013	Director	Research	7.6	
Watts, Keith	9/4/2012	4/1/2013	MD, Head of Sales	NSI Wholesaler	0.6	*NSI
McFarlane, Peter	11/1/2010	4/2/2013	Wholesaler	NSI Wholesaler	2.4	*NSI
Plum, Keith	4/6/2011	4/15/2013	Trading Assistant	Trading	2.0	
Tremor, Lauren	9/4/2012	5/2/2013	Receptionist	Office Administration	0.7	
Chambers, Tracie	12/21/2011	5/8/2013	Administrative Assistant	Office Administration	1.4	
Shumway, Clay	12/16/2009	5/15/2013	MD, Head of Business Development	Marketing	3.4	
Herrick, Kathryn	9/12/2011	5/17/2013	Recruiter	Recruiting	1.7	
Roark, Branden	1/18/2011	6/14/2013	Valuation Analyst	Valuation	2.4	
Naponic, Jill	4/17/2012	6/19/2013	Associate	Marketing	1.2	
Januleski, Geoff	7/23/2012	7/3/2013	Internal Wholesaler	NSI Wholesaler	0.9	*NSI
Caron, John	8/20/2012	7/29/2013	Wholesaler	NSI Wholesaler	0.9	*NSI
Set, Gus	6/24/2013	8/14/2013	Intern	HR	0.1	**Intern
Terrell, Artis	2/27/2012	8/16/2013	Director	Marketing	1.5	
Bose, Rohan	6/5/2013	8/16/2013	Intern	HR	0.2	**Intern
Jung, Kevin	6/10/2013	8/16/2013	Intern	HR	0.2	**Intern
Lunney, Brittany	5/20/2013	8/22/2013	Intern	HR	0.3	**Intern
Bock, Maria	6/10/2013	8/23/2013	Intern	HR	0.2	**Intern
Urban, Ashley	6/20/2013	8/28/2013	Intern	HR	0.2	**Intern
Beard, Matthew	9/5/2006	9/11/2013	Senior Analyst	Portfolio Surveillance	7.0	
Wood, Hannah	10/14/2011	9/12/2013	Administrative Assistant	Office Administration	1.9	
Sereni, Lexi	10/10/2011	9/12/2013	Executive Assistant	Office Administration	1.9	
Lawler, Tim	4/10/2006	9/13/2013	Managing Director	Private Equity	7.4	
Lee, Jeff	8/4/2008	9/16/2013	Director	Research	5.1	
Gillum, Katie	11/5/2012	10/2/2013	Administrative Assistant	Andrew Merrick Homes	0.9	***Andrew Merrick Hom
Gimbel, Jessica	10/22/2012	10/8/2013	Administrative Assistant	Office Administration	1.0	
Engstrom, Donna	7/30/2007	10/18/2013	Senior Operations Analyst	Operations	6.2	
Daum, Kurt	1/12/2009	11/1/2013	Director & Restructuring Counsel	Private Equity	4.8	
Bodron, Mike	2/4/2013	11/1/2013	Regional Sales Consultant	NSI Wholesaler	0.7	*NSI
Pereira, Thomas	4/16/2007	11/25/2013	Director	Research	6.6	
Bock, Maria	12/11/2013	12/17/2013	Intern	Legal	0.02	**Intern
Pittman, Tabor	6/4/2012	1/17/2014	Assistant General Counsel	Legal	1.62	
Palley, Rennick	1/6/2014	1/31/2014	Intern	HR	0.07	
Wentworth, Kevin	5/28/2013	1/30/2014	Regional Sales Director	Retail Operations	0.68	
Poer, Katie	1/3/2012	3/18/2014	Administrative Assistant	Office Administration	2.21	
Jones, Bobby	8/9/2010	3/26/2014	Director	Research	3.63	
Brown, Blake	4/14/2014	4/24/2014	Regional Sales Consultant	Internal Wholesalers	0.03	*HCFD
Hubble, Jonathan	5/27/2010	5/8/2014	HR Manager	HR	3.95	
Malouf, Jordan	1/10/2011	5/23/2014	Client Service Associate	Marketing	3.37	
Thedford, Lauren	1/23/2014	5/9/2014	Intern, Legal	Legal	0.29	**Intern
Lloyd, Andrea	11/12/2012	6/6/2014	Credit Trader	Trading	1.56	
Leak, Elizabeth	12/20/2010	6/6/2014	Senior Tax Analyst	Tax	3.46	
Gibb, Allison	7/20/2013	6/20/2014	Administrative Assistant	Office Administration	0.92	
Shpilberg, Scott	1/21/2014	7/18/2014	Regional Sales Director	Retail Operations	0.49	*HCFD
Kortlander, Matthew	12/3/2012	7/11/2014	Regional Sales Consultant	Internal Wholesalers	1.60	*HCFD
Price, Brian	7/2/2007	7/11/2014	Director	Marketing	7.03	
Boyce, Patrick	3/1/2004	7/31/2014	Partner	Private Equity	10.42	
Callan, Bentley	7/31/2006	7/31/2014	Managing Director	Private Equity	8.01	
Hsieh, Ada	1/10/2011	8/1/2014	Operations Analyst	Operations	3.56	
Wemple, Stefanie	6/11/2013	8/14/2014	Product Development Intern	Marketing	1.18	**Intern
Okada, Luke	6/2/2014	8/22/2014	Intern	Marketing	0.22	**Intern
Wilson, Steve	12/4/2012	9/15/2014	Regional Sales Director	Retail Operations	1.78	*HCFD
Downen, Martin	5/19/2008	9/17/2014	Managing Director	Research	6.33	
Carroll, Justin	7/8/2013	9/17/2014	Director	Private Equity	1.19	
Head, Alan	11/22/2010	9/19/2014	Chief Compliance Officer, HCMF	Legal	3.83	
Rachal, Travis	5/31/2011	9/26/2014	Retail Fund Analyst	HCMF Operations	3.33	
Beall-Sarris, Ashley	1/3/2012	10/20/2014	Paralegal	Legal	2.80	
Lyon, David	2/19/2013	11/7/2014	Director of Client Service	Marketing	1.72	
Pearson, Kyle	11/10/2014	11/14/2014	Trading and Structured Products Analyst	Fund Management	0.01	
Honis, John	6/1/2006	11/14/2014	Partner	Executive	8.46	
Choi, Tommy	1/23/2014	11/26/2014	Intern, Legal	Legal	0.84	**Intern
Rodda, Sandie	11/12/2012	12/5/2014	Regional Sales Director	Retail Operations	2.06	*HCFD
Wise, Chris	6/4/2007	12/12/2014	Senior Manager	Fund Accounting	7.53	
Yagnisis, Airlia	10/9/2013	12/19/2014	Administrative Assistant	Office Administration	1.19	

Name	Hire Date	Term Date	Title	Department	Years Service	Notes
Corcoran, Kim	2/5/1990	12/15/2014	Compliance Associate	Legal	24.87	
Luchey, Brittany	1/15/2013	12/31/2014	Senior Tax Analyst	Tax	1.96	
Mortensen, Christopher	11/20/2014	1/9/2015	Regional Sales Consultant	Retail Operations	0.14	*HCFD
Wherry, Shannon	3/26/2012	1/12/2015	Director, Corporate Communications	Public Relations	2.80	
Jackson, Jesse	8/26/2014	2/4/2015	Director, Financial Reporting (REIT)	Real Estate Operations	0.44	
Leo, Edward	9/26/2005	2/18/2015	Manager	Portfolio Surveillance	9.40	
Goldsmith, Jason	6/3/2013	2/23/2015	Assistant General Counsel	Legal	1.73	
Gathings, Sally	12/2/2013	2/28/2015	Executive Admin	Office Administration	1.24	
Hall, Phil	6/30/2010	2/26/2015	Managing Director	Insurance Products	4.66	
Gonzaga, Gabriella	7/13/2011	2/26/2015	Associate, Structured Products	Structured Products Administration	3.63	
Dronov, Alexey	4/9/2012	3/16/2015	Director	Structured Products	2.93	
DeWitt, Audrey	2/21/2012	3/20/2015	Compliance Senior Analyst	Legal	3.08	
McNamara, John	8/27/2014	4/1/2015	Intern	Marketing	0.59	**Intern
Castella, Andres	6/4/2012	4/10/2015	Senior Fund Analyst	HCMF Operations	2.85	
Mason, Deana	3/18/2013	5/4/2015	Executive Admin	Office Administration	2.13	
Price, Kevin	6/16/2014	5/7/2015	Regional Sales Consultant	Retail Operations	0.89	*NSI
Severson, Keith	9/2/2014	5/19/2015	Regional Sales Director	Retail Operations	0.71	*NSI
Shahda, Chris	7/1/2013	5/22/2015	Regional Sales Director	Retail Operations	1.89	*HCFD
Engle, Deanne	8/27/2012	5/29/2015	Executive Admin	Office Administration	2.75	
Thompson, Robin	10/28/2013	6/22/2015	Divisional Sales Director, Western U.S.	Retail Operations	1.65	*HCFD
Ouyang, Kasey	11/17/2014	6/30/2015	Investor Relations Associate	Marketing	0.62	
Selman, Matthew	6/23/2014	6/30/2015	Regional Sales Director	Retail Operations	1.02	*NSI
Klisares, Michael	6/2/2014	6/30/2015	Regional Sales Director	Retail Operations	1.08	*NSI
Stone, Dave	11/24/2014	6/30/2015	Regional Sales Director	Retail Operations	0.60	*NSI
McCaffety, Chris	6/30/2015	7/10/2015	Regional Sales Director	Retail Operations	0.03	*NSI
Hazen, Anthony	6/23/2014	7/23/2015	Regional Sales Director	Retail Operations	1.08	*NSI
Rentfro, Tyler	5/18/2015	7/31/2015	Intern	Real Estate	0.20	**Intern
Mayo, Chris	6/1/2015	7/31/2015	Intern	HCMF Strategy/Marketing	0.16	**Intern
Brown, Austin	6/1/2015	7/31/2015	Intern	Finance	0.16	**Intern
Li, Chaoyi	5/18/2015	8/14/2015	Intern	Structured Products	0.24	**Intern
Griffith, Candice	7/23/2012	8/17/2015	Associate Director, National Accounts	Retail Operations	3.07	*HCFD
Martin, Daniel	10/9/2013	8/21/2015	Public Relations Associate	Public Relations	1.87	
Brittain, William	6/26/2006	8/21/2015	Partner	Research	9.16	
Manzo, Marc	7/30/2007	8/21/2015	Managing Director	Research	8.07	
Pope, Theresa	3/3/2014	8/26/2015	Director, Consultant Relations	Marketing	1.48	
Sullivan, Jourdan	10/25/2011	8/28/2015	Accounts Payable Associate	Corporate Accounting	3.84	
Conway, Jacob	3/5/2015	9/8/2015	Intern	Marketing	0.51	**Intern
Church, Daniel	8/18/2014	9/11/2015	Regional Sales Director	Retail Operations	1.07	*NSI
Brittain, Mark	1/26/2015	9/11/2015	Manager of Financial Reporting	HCMF Operations	0.62	
John, Kyle	7/16/2012	9/15/2015	Manager, Investment Relations	Marketing	3.17	
Braner, Philip	3/16/2004	9/15/2015	Managing Director	Structured Products	11.51	
Arredondo, Alba	9/29/2014	10/5/2015	Investor Relations Associate	Marketing	1.02	
Boguslawski, David	10/3/2011	10/6/2015	Director	Private Equity	4.01	
Buntz, Jennifer	1/20/2015	10/7/2015	IBD Regional Sales Consultant	Retail Operations	0.71	*NSI
Marson, Stacy	10/8/2014	10/22/2015	Director Defined Contribution Investments	Retail Operations	1.04	
Ransom, Garrett	3/25/2015	10/30/2015	Intern	Equity	0.60	**Intern
Morgans, Jonathan	5/31/2011	10/30/2015	Senior CLO Analyst	Portfolio Surveillance	4.42	
Wilson, Anthony	4/1/2013	11/4/2015	Regional Sales Director	Retail Operations	2.59	*HCFD
Jetti, Vikram	2/2/2015	11/15/2015	Trading & Structured Products Analyst	Trading	0.78	
Green, Allison	6/15/2015	11/16/2015	Executive Assistant	Office Administration	0.42	
Kiely, Tom	4/1/2015	11/20/2015	Regional Sales Director	Retail Operations	0.64	*HCFD
Hunt, Brandon	9/23/2015	12/4/2015	IBD Regional Sales Director	Retail Operations	0.20	*NSI
Rademacher, Cole	8/20/2015	12/4/2015	Intern	Business Development	0.29	**Intern
Powell, Ethan	4/23/2007	12/4/2015	Chief Product Strategist, ETFs	HCMF Strategy/Marketing	8.62	
Manian, Meagan	5/26/2015	12/7/2015	Intern	HCMF Strategy/Marketing	0.53	**Intern
Frick, Tina	4/29/2013	12/11/2015	Recruiting Manager	Human Resources	2.62	
Rice, Brian	12/28/2011	12/18/2015	Managing Director	Marketing	3.98	
Knutson, Derek	5/20/2014	12/24/2015	IBD Regional Sales Consultant	Retail Operations	1.60	*NSI
Garcia, Ericka	11/21/2013	12/30/2015	Executive Assistant	Office Administration	2.11	
Purcell, Ondina	10/14/2013	12/31/2015	Director of Marketing	HCFD Marketing	2.21	*HCFD
Helwig, Kevin	6/2/2014	1/4/2016	IBD Regional Sales Director	Retail Operations	1.59	*NSI
Wilton, William	8/26/2014	1/11/2016	Regional Sales Director	Retail Operations	1.38	*HCFD
Tarsha, Daniel	12/7/2012	1/12/2016	Regional Sales Director	Retail Operations	3.10	*HCFD
O'Brien, Justin	11/5/2012	1/15/2016	Divisional Sales Director, Eastern U.S.	Retail Operations	3.19	*HCFD
Richofsky, Lori	7/28/2015	2/5/2016	IBD Regional Sales Director	Retail Operations	0.53	*NSI
McCormick, Bobby	7/28/2014	2/5/2016	Product Strategy Associate, Liquid Alte	HCMF Strategy/Marketing	1.53	*HCFD (HCMF departme
Riordan, Terry	12/19/2012	2/19/2016	Regional Sales Director	Retail Operations	3.17	*HCFD
Medanich, Michael	6/2/2014	2/24/2016	Regional Sales Consultant	Retail Operations	1.73	*HCFD
Martin, Andrew	1/5/2016	3/4/2016	IBD Regional Sales Consultant	Retail Operations	0.16	*NSI
Martin, Carla	10/27/2014	3/8/2016	Managing Director, National Accounts	Retail Operations	1.36	*HCFD
Andersen, Derek	1/8/2013	3/11/2016	Regional Sales Director	Retail Operations	3.17	*HCFD
Antonovich, Tom	7/1/2013	3/11/2016	Regional Sales Director	Retail Operations	2.70	*HCFD
Cohen, Jeff	3/31/2015	3/11/2016	Regional Sales Director	Retail Operations	0.95	*HCFD
Dharnidharka, Kerry	8/18/2014	3/11/2016	Regional Sales Director	Retail Operations	1.56	*HCFD
Gage, Casey	10/29/2012	3/11/2016	Regional Sales Director	Retail Operations	3.37	*HCFD
Kuehn, Rich	6/2/2014	3/11/2016	Regional Sales Director	Retail Operations	1.78	*HCFD

Name	Hire Date	Term Date	Title	Department	Years Service	Notes
Wharf, Paul	8/19/2013	3/11/2016	Regional Sales Director	Retail Operations	2.56	*HCFD
Hughes, Alex	10/27/2014	3/14/2016	Regional Sales Consultant	Retail Operations	1.38	*HCFD
Urech, Danielle	10/10/2011	3/15/2016	Office Manager	Office Administration	4.43	
Stuhlsatz, Amy	12/29/2014	3/24/2016	Regional Sales Consultant	Retail Operations	1.24	*HCFD
Peacock, Carissa	2/16/2016	4/15/2016	Director	Marketing	0.16	
Nelson, Caitlin	6/2/2014	4/30/2016	Corporate Counsel	Legal	1.91	
Dedyo, Stephen	9/17/2012	5/2/2016	MD, National Accounts	Retail Operations	3.62	*HCFD
Kearney, Joseph	7/15/2013	5/4/2016	Regional Sales Director	Retail Operations	2.81	*HCFD
Baker, Scott	9/10/2012	5/20/2016	Director	Research	3.69	
Brown, Rachel	6/9/2015	5/26/2016	Executive Assistant	Office Administration	0.96	
Wilson, Owen	11/24/2014	5/30/2016	Regional Sales Consultant	Retail Operations	1.52	*HCFD
Faria, Rich	5/5/2014	6/1/2016	Regional Sales Director	Retail Operations	2.08	*HCFD
Honeycutt, Brooks	8/16/2010	6/1/2016	Regional Sales Director	Retail Operations	5.80	*HCFD
Mendenhall, Brad	9/2/2015	6/6/2016	Regional Sales Director	Retail Operations	0.76	*HCFD
Chen, Jonathen	9/8/2014	6/10/2016	Financial Reporting Analyst	Portfolio Surveillance	1.76	
Estevez, Jaime	8/24/2015	6/13/2016	Regional Sales Consultant	Retail Operations	0.81	*HCFD
Pollock, Staci	8/17/2015	6/13/2016	Regional Sales Consultant	Retail Operations	0.82	*HCFD
Smith, Ian	5/27/2014	6/13/2016	Regional Sales Consultant	Retail Operations	2.05	*HCFD
Terry, Josh	7/25/2005	6/15/2016	Partner and Head of Structured Product	Trading	10.90	
Danahy, Brian	7/30/2012	6/16/2016	Regional Sales Director	Retail Operations	3.88	*HCFD
Smith, Felicia	11/3/2014	6/17/2016	Managing Director, Structured Product	Structured Products	1.62	
Seaver, Jeff	10/5/2015	7/15/2016	Managing Director	Marketing	0.78	
Lemus, Luis	1/10/2013	7/15/2016	Regional Sales Director	Retail Operations	3.51	*HCFD
Coburn, Jason	11/5/2012	7/15/2016	Regional Sales Director	Retail Operations	3.69	*HCFD
Saehler, Chris	2/24/2014	7/15/2016	Regional Sales Director	Retail Operations	2.39	*HCFD
Ridgeway, Brian	2/10/2014	7/15/2016	Regional Sales Director	Retail Operations	2.43	*HCFD
Brownell, Jesse	5/6/2013	7/15/2016	Regional Sales Director	Retail Operations	3.19	*HCFD
Reynolds, Steve	1/4/2016	7/20/2016	IBD Regional Sales Director	Retail Operations	0.54	*HCFD
Murray, Mason	6/6/2016	7/29/2016	Intern	Human Resources	0.15	**Intern
Wiley, Grant	6/6/2016	7/29/2016	Intern	Human Resources	0.15	**Intern
O'Connor, Shannon	6/6/2016	7/29/2016	Intern	Human Resources	0.15	**Intern
Ritch, Lauren	12/7/2015	8/12/2016	Executive Assistant	Office Administration	0.68	
Hardin, Mary Martha	8/5/2013	8/12/2016	Internal Sales Desk Manager	Retail Operations	3.02	*HCFD
Hersey, William	12/14/2015	8/12/2016	IBD Regional Sales Consultant	Retail Operations	0.66	*HCFD
Naskar, Anjali	9/3/2013	8/12/2016	Due Diligence Analyst	Retail Operations	2.94	*HCFD
Taylor, Brian	2/16/2016	8/15/2016	IBD Regional Sales Director	Retail Operations	0.50	*HCFD
Fordham, Michael	2/16/2016	8/15/2016	IBD Regional Sales Director	Retail Operations	0.50	*HCFD
Weatherly, Brian	1/4/2016	8/18/2016	IBD Regional Sales Consultant	Retail Operations	0.62	*HCFD
Rentfro, Tyler	6/6/2016	8/19/2016	Intern	Human Resources	0.20	**Intern
Godier, Lindsey	7/11/2016	9/13/2016	Recruiter	Human Resources	0.18	
Lederman, Shawn	3/16/2011	9/14/2016	Director	Private Equity	5.50	
Hebert, Eric	8/23/2010	9/19/2016	Director	Equity	6.08	
Gilles, Erin	1/19/2010	9/20/2016	Marketing Manager - Wirehouse and R	HCMF Strategy/Marketing	6.67	
McDaniel, PJ	10/1/2015	9/20/2016	Managing Director, Head of IBD Sales	Retail Operations	0.97	*HCFD
Whatley, Chad	12/14/2015	9/22/2016	IBD Regional Sales Director	Retail Operations	0.78	*HCFD
Reiter, Jon	2/11/2015	9/30/2016	Manager, Financial Reporting	Portfolio Surveillance	1.64	
Polsen, Greg	8/24/2015	9/30/2016	Client Portfolio Manager	Retail Operations	1.10	*HCFD
Lamba, Menka	12/16/2015	9/30/2016	Director	Marketing	0.79	
Beauchamp, Tom	6/16/2014	10/14/2016	Fund Analyst	Fund Accounting	2.33	
Larsen, Jess	9/3/2012	10/24/2016	Managing Director, Europe	Marketing	4.14	
Dessaint, Coleman	7/1/2015	10/28/2016	IBD Regional Sales Consultant	Retail Operations	1.33	*HCFD
Hansen, Jessica	9/14/2015	11/11/2016	Project Manager, National Accounts	HCMF Strategy/Marketing	1.16	
Forns, Alison	3/29/2016	11/18/2016	Executive Assistant	Office Administration	0.64	
Brookover, Steven	9/29/2014	12/5/2016	Operations Analyst	Operations	2.19	
Leung, Timothy	12/7/2015	12/7/2016	Director, Institutional Marketing	Marketing	1.00	
Pogranichny, Paul	2/25/2013	12/9/2016	Associate, Equity	Equity	3.79	
Emert, Craig	9/21/2015	12/15/2016	Intern	Human Resources	1.24	**Intern
Arnold, Jeff	11/30/2015	1/15/2017	IBD Regional Sales Director	Retail Operations	1.13	*HCFD
Mirani, Parth	8/8/2016	1/20/2017	Par Credit Analyst	Research	0.45	
Nguyen, Hung	8/18/2014	1/20/2017	Compliance Senior Analyst	Legal	2.43	
Girard, Eric	5/28/2013	2/9/2017	Assistant General Counsel	Legal	3.71	
Stone, Kenneth	6/15/2015	2/27/2017	Intern	Legal	1.71	**Intern
Fink, Jason	10/14/2014	2/28/2017	SEO and Social Media Manager	Finance	2.38	
Meunier, Marc	12/23/2015	3/3/2017	IBD Regional Sales Director	Retail Operations	1.19	*HCFD
Ferguson, Misty	7/28/2014	3/15/2017	Executive Assistant	Office Administration	2.63	
Terry, Ali	2/22/2016	3/24/2017	Executive Assistant	Office Administration	1.08	
Lemus, Luis	7/15/2016	3/31/2017	Client Portfolio Manager	Retail Operations	0.71	*HCFD - (prior employe
Lee, Shawn	2/16/2016	4/21/2017	Par Credit Analyst	Research	1.18	
Baker, Stephen	2/3/2016	4/21/2017	IBD Regional Sales Director	Retail Operations	1.21	*HCFD
Watts, Andrew	1/9/2017	4/26/2017	Intern	Business Development	0.29	**Intern
Murphy, George	6/13/2016	4/27/2017	IBD Regional Sales Consultant	Retail Operations	0.87	*HCFD
Fitzsimmons, Brian	1/21/2014	4/28/2017	IBD Regional Sales Director	Retail Operations	3.27	*HCFD
Jhawer, Shan	7/15/2013	5/12/2017	Par Credit Analyst	Research	3.83	
Gardner, William	1/23/2017	5/17/2017	Intern	Human Resources	0.31	**Intern
Coch, Trevor	8/22/2016	5/18/2017	IBD Regional Sales Consultant	Retail Operations	0.74	*HCFD



Name	Hire Date	Term Date	Title	Department	Years Service	Notes
Cooke, Brad	8/24/2015	5/19/2017	IBD Regional Sales Consultant	Retail Operations	1.74	*HCFD
Penland, Nathan	11/24/2014	5/19/2017	Senior Financial Analyst, Valuation	Valuation	2.48	
Burkey, John	5/23/2016	5/25/2017	IBD Regional Sales Director	Retail Operations	1.01	*HCFD
Coughlin, William	7/20/2015	5/25/2017	Regional Sales Director	Retail Operations	1.85	*HCFD
Cowie, Jason	12/14/2015	5/25/2017	IBD Regional Sales Director	Retail Operations	1.45	*HCFD
Dunn, John	7/24/2015	5/25/2017	IBD Regional Sales Director	Retail Operations	1.84	*HCFD
Flink, Robert	12/14/2015	5/25/2017	IBD Regional Sales Director	Retail Operations	1.45	*HCFD
Kerns, Brian	4/13/2015	5/25/2017	Regional Sales Director	Retail Operations	2.12	*HCFD
Nelson, Kramer	4/1/2013	5/25/2017	Regional Sales Director	Retail Operations	4.15	*HCFD
Mohring, Chris	6/29/2015	5/25/2017	IBD Regional Sales Director	Retail Operations	1.91	*HCFD
Chang, Lewis	6/6/2016	5/31/2017	Intern	Human Resources	0.98	**Intern
Jones, Terry	9/14/2015	5/31/2017	President of Institutional Products	Executive	1.71	
Dieckhaus, Scott	3/29/2010	6/1/2017	Director	Equity	7.18	
Mawn, Christopher	12/1/2003	6/15/2017	Managing Director	Research	13.55	
Trenkner, Jamie	6/8/2015	6/16/2017	Investor Relations Associate	Marketing	2.02	
Stewart, Steve	6/4/2007	6/23/2017	Director	Private Equity	10.06	
Hoermann, Scott	12/12/2016	6/26/2017	Client Portfolio Manager	Retail Operations	0.54	*HCFD
Chakheeva, Alisa	11/14/2016	6/28/2017	Financial Accountant (REIT)	Real Estate Operations	0.62	
Murphy, Matt	3/3/2014	6/30/2017	Associate Director, National Accounts	Retail Operations	3.33	*HCFD
Honis, Trevor	6/5/2017	7/28/2017	Intern	Human Resources	0.15	**Intern
Landry, John	6/5/2017	7/28/2017	Intern	Human Resources	0.15	**Intern
Lee, Dylan	6/5/2017	7/28/2017	Intern	Human Resources	0.15	**Intern
Meeks, Lucas	6/5/2017	7/28/2017	Intern	Human Resources	0.15	**Intern
Peltekian, Michael	6/5/2017	7/28/2017	Intern	Human Resources	0.15	**Intern
Smith, Teddy	6/5/2017	7/28/2017	Intern	Human Resources	0.15	**Intern
Krishnan, Prasad	9/14/2015	7/28/2017	Par Credit Analyst	Research	1.87	
McClung, Buffy	4/25/2017	7/31/2017	Executive Assistant	Office Administration	0.27	
White, Jeremy	5/2/2017	8/4/2017	Intern	Human Resources	0.26	**Intern
Ricci, Jennifer	2/10/2014	9/6/2017	Director, National Accounts	Retail Operations	3.57	*HCFD
Wemple, Stefanie	7/1/2015	9/15/2017	Investor Relations Associate	Marketing	2.21	
McMains, Aubree	12/17/2015	9/29/2017	Manager of Financial Reporting	Fund Accounting	1.79	
Williams, Andy	5/1/2017	11/3/2017	Managing Director, Specialty Finance	Insurance Products	0.51	
Duffy, Brad	1/17/2017	11/3/2017	Regional Sales Director	Retail Operations	0.79	*HCFD
O'Brien, Justin	1/23/2017	11/14/2017	Executive Director, Sales and Business	Retail Operations	0.81	*HCFD - prior employe
Stronczek, Jillian	11/20/2013	11/22/2017	Executive Assistant	Office Administration	4.01	
Cole, Nate	11/28/2016	12/15/2017	IBD Regional Sales Consultant	Retail Operations	1.05	*HCFD
Stonecypher, Abbie	5/18/2015	12/20/2017	Senior Tax Analyst	Tax	2.59	
Dunn, Chris	11/12/2012	12/22/2017	Manager, Fund Analysis	Fund Accounting	5.11	
Blumer, Jennifer	11/5/2007	12/31/2017	Tax Manager	Tax	10.16	
Dameris, Ted	3/17/2008	12/31/2017	Managing Director	Real Estate	9.80	(start date with NexBank
Jameson, Matt	1/9/2012	12/31/2017	Managing Director	Private Equity	5.98	
Evans, Christian	3/6/2017	1/10/2018	IBD Regional Sales Consultant	Retail Operations	0.85	
Gautier, Chris	9/26/2016	1/12/2018	IBD Regional Sales Consultant	Retail Operations	1.30	*HCFD
Hanson, Adam	10/5/2015	1/17/2018	Regional Sales Director	Retail Operations	2.29	*HCFD
Wang, Chen-Han	5/20/2014	1/18/2018	Regional Sales Director	Retail Operations	3.67	
Eden, Brad	8/29/2016	1/19/2018	Managing Director, Global Head of Mai	Marketing	1.39	
Ridgeway, Brian	5/1/2017	2/9/2018	Regional Sales Director	Retail Operations	0.78	*HCFD - prior employe
Phillips, Michael	6/12/2015	2/20/2018	Director	Research	2.70	
Tomlin, William J.	6/21/2006	2/20/2018	Managing Director	Research	11.68	
Donaldson, Steven	11/7/2017	3/9/2018	Intern	Human Resources	0.33	**Intern
Murray, Wesley	9/6/2016	3/14/2018	CLO Surveillance Analyst	Portfolio Surveillance	1.52	
Ross, Brad	6/18/2012	3/19/2018	Managing Director, Head of NexBank V	Wealth Management	5.75	
Gulati, Sanjay	4/29/2013	3/22/2018	Credit Trader & Portfolio Manager	Trading	4.90	
Aaron, Philip	2/6/2017	3/23/2018	Senior Compliance Analyst	Legal	1.12	
Saehler, Chris	1/18/2017	3/29/2018	Regional Sales Director	Retail Operations	1.19	*HCFD - prior employe
Brown, Austin	9/26/2016	3/29/2018	Regional Sales Consultant	Retail Operations	1.50	*HCFD
Gregory, Michael	3/8/2010	4/5/2018	Managing Director	Equity	8.08	
Vlahakis, Eleni	3/14/2011	4/6/2018	Director	Insurance Products	7.07	
Ryder, Phil	10/20/2014	4/13/2018	Director, Private Equity	Private Equity	3.48	
Fedoryshyn, Eric	10/4/2010	5/23/2018	Managing Director	Research	7.64	
Krytzer, Damon	2/27/2017	5/31/2018	Managing Director, Institutional Marke	Marketing	1.25	
Tomasino, Matt	9/2/2014	7/13/2018	IBD Regional Sales Director	Retail Operations	3.86	*HCFD
White, Kelly	2/27/2018	7/26/2018	Data Analyst Intern	Office Administration	0.41	**Intern
Honis, Trevor	6/19/2018	7/26/2018	Intern	Office Administration	0.10	**Intern
Whetstone, Laurie	1/2/2018	7/31/2018	Managing Director, Institutional Marke	Marketing	0.58	
Brennan, Kieran	1/8/2018	7/31/2018	Director, Institutional Marketing	Marketing	0.56	
Baradach, Artsiom	6/4/2018	8/3/2018	Intern	Office Administration	0.16	**Intern
Chen, Bryan	6/4/2018	8/3/2018	Intern	Office Administration	0.16	**Intern
Bailey, Connor	6/4/2018	8/3/2018	Intern	Office Administration	0.16	**Intern
Peltekian, Michael	6/4/2018	8/3/2018	Intern	Office Administration	0.16	**Intern
Zosel, August	6/4/2018	8/3/2018	Intern	Office Administration	0.16	**Intern
Hill, Bobby	6/1/2015	8/3/2018	Compliance Analyst	Legal	3.18	
Jones, Owen	6/22/2018	8/10/2018	Intern	Office Administration	0.13	**Intern
Miner, Chris	7/9/2018	8/17/2018	Intern	Office Administration	0.11	**Intern
Wagner, Grace	6/18/2018	8/17/2018	Intern	Office Administration	0.16	**Intern
Wilson, Drew	2/6/2012	9/14/2018	Senior Corporate Accountant	Corporate Accounting	6.61	

Name	Hire Date	Term Date	Title	Department	Years Service	Notes
Wilson, Scott	4/28/2008	9/19/2018	Managing Director, Strategy	Private Equity	10.40	
Mangin, Andrew	1/30/2017	9/26/2018	Regional Sales Director	Retail Operations	1.65	*HCFD
Spence, Austin	9/21/2015	10/9/2018	Senior CLO Surveillance Analyst	Portfolio Surveillance	3.05	
Hess, Zack	11/6/2017	10/17/2018	Fund Analyst	Fund Accounting	0.95	
Hayes, Chris	8/18/2014	10/26/2018	Head of Credit Trading	Trading	4.19	
Gill, Nikki	2/4/2013	10/26/2018	Director of Investor Relations	Marketing	5.73	
Musser, Carley	3/1/2017	10/26/2018	Executive Assistant (Part Time)	Office Administration	1.65	
Moore, Carl	9/2/2003	11/21/2018	Managing Director	Private Equity	15.23	
Lamensdorf, Jonathan	8/18/2008	11/30/2018	Managing Director	Equity	10.29	
Diffenderffer, Augie	5/1/2017	1/7/2019	Regional Sales Director	Retail Operations	1.69	*HCFD
Wang, Ruozhou	10/20/2014	2/14/2019	PR & Communications Associate	Public Relations	4.32	
McFarling, Brandon	1/18/2011	2/27/2019	Director	Research	8.12	
Palmer, James	11/8/2010	3/1/2019	Senior Manager, Fund Analysis	Fund Accounting	8.32	
Chism, Carter	9/18/2006	3/14/2019	Director of Operations	Operations	12.49	
Muller, Mary	1/1/2014	3/15/2019	Executive Assistant and Event Manager	Office Administration	5.20	
Thompson, Jordan	11/2/2015	3/15/2019	Senior Fund Analyst	Fund Accounting	3.37	
Boyce-Field, Mollie	9/19/2016	4/4/2019	National Accounts Director	NSI National Accounts	2.54	*NSI (prev. HCFD)
Knott, Brandon	10/30/2014	4/5/2019	Manager, Financial Reporting (REIT)	Real Estate Operations	4.43	
Smallwood, Allan	5/16/2016	4/8/2019	Managing Director	Research	2.90	
Holloway, Travis	6/1/2016	4/12/2019	Manager, Fund Analysis	Fund Accounting	2.86	
Hilgenbrink, Andrew	1/3/2012	4/23/2019	Managing Director	Equity	7.31	
Parmentier, Andrew	5/30/2017	5/17/2019	Partner, Co-Head of Private Equity	Private Equity	1.96	
Allen Sue	3/12/2014	6/12/2019	Executive Assistant	Office Administration	5.25	
Ridgely, Taylor	6/24/2013	6/21/2019	Portfolio Manager & Product Strategist	NexPoint Strategy/Marketing	5.99	
Jang, Jin Ho	1/21/2019	6/21/2019	Intern (Korea)	Office Administration	0.41	**Intern
Desai, Neil	8/24/2015	6/24/2019	Managing Director	Structured Products	3.84	
Lattig, Larry	9/16/2017	7/1/2019	Managing Director	Legal	1.79	
Lizarazo-Burr, Mireya	12/29/2017	7/19/2019	Executive Assistant	Office Administration	1.55	
Arndell, Connor	6/3/2019	8/2/2019	Intern	Office Administration	0.16	**Intern
Bailey, Connor	6/3/2019	8/2/2019	Intern	Office Administration	0.16	**Intern
Kim, Austen	6/3/2019	8/2/2019	Intern	Office Administration	0.16	**Intern
Peltekian, Michael	6/3/2019	8/2/2019	Intern	Office Administration	0.16	**Intern
Ragen, Spencer	6/3/2019	8/2/2019	Intern	Office Administration	0.16	**Intern
Snyder, Evan	6/3/2019	8/2/2019	Intern	Office Administration	0.16	**Intern
Swadley, Emily	6/3/2019	8/2/2019	Intern	Office Administration	0.16	**Intern
Choi, Jae	2/4/2019	8/2/2019	Private Equity Intern	Office Administration	0.49	**Intern
Nicklas, James	7/23/2018	8/15/2019	Intern	Office Administration	1.06	**Intern
Nesmith, Chris	8/1/2016	9/4/2019	Senior Tax Analyst	Tax	3.09	
Luna, Jose	4/1/2019	9/6/2019	Fund Analyst	Fund Accounting	0.43	
Knox, Haley	11/20/2013	9/6/2019	Household Manager	JMIJM	5.80	
Vira, Sagar	8/24/2015	9/13/2019	Par Credit Analyst	Research	4.06	
McLochlin, Michael	7/20/2009	9/23/2019	Managing Director	Equity	10.18	
Okada, Mark	7/15/1990	9/30/2019	Partner, Co-CIO	Executive	29.23	
Lee, Woenjun	3/20/2017	11/15/2019	Director, Private Equity	Private Equity	2.66	
Crisostomo, Norm	11/1/2018	11/29/2019	Regional Sales Director	Retail Operations	1.08	*NSI
Ringheimer, Jeremy	2/12/2014	12/27/2019	Manager, Operations	Operations	5.87	
Carmona, Ben	11/1/2018	1/7/2020	Regional Sales Director	Retail Operations	1.18	*NSI
Kinder, Travis	11/19/2018	1/17/2020	Fund Analyst	Fund Accounting	1.16	
Graves, Vanessa	7/31/2017	1/24/2020	Executive Assistant	Office Administration	2.48	
Wurz, Brandon	9/15/2016	1/31/2020	Project Manager	Finance	3.38	
Chang, Freddy	8/1/2018	2/7/2020	Assistant General Counsel, Real Estate	Legal	1.52	
Parker, Trey	3/12/2007	2/28/2020	Partner, Head of Private Equity	Private Equity	12.98	
Adkins, Paul	2/1/2007	2/28/2020	Managing Director	Marketing	13.08	
Hale, Sarah	8/1/2016	3/6/2020	Executive Assisant	Office Administration	3.60	
Scherer, Scott	12/2/2019	3/13/2020	Regional Sales Director	Retail Operations	0.28	*NSI
Lee, Jae	6/18/2018	3/20/2020	Senior Tax Analyst	Tax	1.76	
Stoops, Cliff	7/5/2006	4/3/2020	Chief Accounting Officer	Fund Accounting	13.76	
Navejas, Mariana	4/29/2013	4/17/2020	Executive Assistant	Office Administration	6.97	
Duffy, Will	9/5/2017	6/1/2020	Valuation Analyst	Valuation	2.74	
Silva, Alison	2/22/2019	6/4/2020	National Accounts Director	NSI National Accounts	1.28	*NSI
Young, Priya	9/6/2018	6/5/2020	Intern, Communications	Public Relations	1.75	
Clark, Jimmy	7/25/2016	6/30/2020	Regional Sales Consultant	Retail Operations	3.93	*NSI
Honis, Dylan	7/6/2020	8/7/2020	Intern	Office Administration	0.09	**Intern
Morton, Cody	9/10/2018	8/25/2020	Financial Analyst, Real Estate	Real Estate	1.96	
Jain, Ajit	4/11/2016	9/1/2020	Director, Risk and Financial Engineering	Risk Management	4.39	
Pogltisch, Jon	9/17/2007	9/22/2020	Head of Credit Research	Research	13.02	
Okada, Luke	10/1/2019	9/30/2020	Intern (Korea)	Office Administration	1.00	**intern
DeMaio, Paul	1/1/2020	11/30/2020	Director of RIA and Family Office Sales	Retail Operations	0.92	*NSI
Hannan, Evan	11/11/2019	12/2/2020	Regional Sales Consultant	Retail Operations	1.06	*NSI
Staltari, Mauro	11/16/2015	12/30/2020	Financial Analyst	Trading	5.13	
Ellington, Scott	5/21/2007	1/5/2021	Head of Distressed, Chief Legal Officer	Legal	13.64	
Leventon, Isaac	9/21/2009	1/5/2021	Managing Director, Distressed, and Ass Legal		11.30	
Owens, David	9/28/2015	1/6/2021	Sr. Trading & Structured Products Analyst	Trading	5.28	
Jardine, Jordan	9/16/2019	1/22/2021	Regional Sales Consultant	Retail Operations	1.35	*NSI
Webb, Justin	11/12/2018	1/25/2021	Digital Marketing Specialist	NSI Strategy/Marketing	2.21	*NSI
Connell, John	2/2/2015	1/31/2021	Director, Business Development/Opera	NSP	6.00	*NSP

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*Counsel for Highland Capital Management, L.P.*

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

In re:

HIGHLAND CAPITAL MANAGEMENT, L.P.,<sup>1</sup>

Debtor.

HIGHLAND CAPITAL MANAGEMENT, L.P.,

Plaintiff,

v.

HIGHLAND CAPITAL MANAGEMENT FUND  
ADVISORS, L.P. AND NEXPOINT ADVISORS,  
L.P.,

Defendants.

§  
§ Chapter 11  
§  
§ Case No. 19-34054-sgj11  
§  
§  
§  
§  
§ Adv. Proc. No. 21-03010  
§  
§  
§  
§  
§  
§  
§

<sup>1</sup> The Debtor's last four digits of its taxpayer identification number are (6725). The headquarters and service address for the above-captioned Debtor is 300 Crescent Court, Suite 700, Dallas, TX 75201.

**HIGHLAND’S RESPONSES AND OBJECTIONS TO DEFENDANTS’ REQUESTS FOR ADMISSIONS, INTERROGATORIES, AND REQUESTS FOR PRODUCTION**

Highland Capital Management, L.P., the reorganized debtor<sup>2</sup> (“Highland” or, as may be temporally required, the “Debtor”) in the above-captioned chapter 11 case (the “Bankruptcy Case”) and plaintiff in the above-captioned adversary proceeding (the “Adversary Proceeding”), hereby responds to *Defendant’s Requests for Admissions, Interrogatories, and Requests for Production* (the “Requests”)<sup>3</sup> served by Highland Capital Management Fund Advisors, L.P. (“HCMFA”) and NexPoint Advisors, L.P. (“NexPoint” and together with HCMFA, the “Advisors” or “Defendants”) in the Adversary Proceeding (the “Adversary Proceeding”), in connection with the Advisors’ Admin Claim and the Breach of Contract Claim, as those terms are defined in the *Stipulation (A) Amending Scheduling Order, and (B) Consolidating and Resolving Certain Matters*, approved by the Court on August 5, 2021 [Docket No. 2678]. Highland’s responses and objections to the Requests (the “Responses”) are made pursuant to Federal Rules of Civil Procedure (“FRCP”) 26, 33, and 34 as made applicable in bankruptcy cases pursuant to Federal Rules of Bankruptcy Procedure 7026, 7033, and 7034.

**GENERAL OBJECTIONS**

Unless otherwise specified, the following general objections and caveats are applicable to each and every Response and are incorporated into each Response as though set forth in full:

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<sup>2</sup> On February 22, 2021, the Bankruptcy Court entered the *Order (i) Confirming the Fifth Amended Plan of Reorganization (as Modified) and (ii) Granting Related Relief* [Docket No. 1943] (the “Confirmation Order”) which confirmed the *Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.*, as modified (the “Plan”). The Plan went Effective (as defined in the Plan) on August 11, 2021, and Highland is the Reorganized Debtor (as defined in the Plan) since the Effective Date. See *Notice of Occurrence of Effective Date of Confirmed Fifth Amended Plan of Reorganization of Highland Capital Management, L.P.* [Docket No. 2700].

<sup>3</sup> Capitalized terms not defined herein shall have the meanings ascribed to them in the Requests.

1. The Responses contained herein are based upon information presently known and ascertained by the Debtor and Highland reserves the right to amend, supplement, or modify these Responses during depositions or otherwise.

2. Highland objects to the Requests to the extent they seek information or documents that are protected from discovery by the attorney-client privilege, the attorney work product doctrine or any other privilege or immunity. The inadvertent disclosure or production of any document that is protected from discovery by any privilege or immunity shall not constitute a waiver of any such privilege or immunity. All references in these objections and responses to Highland's agreement to produce documents shall be construed to mean non-privileged documents.

3. Highland objects to the Requests to the extent they request information that is not reasonably or readily available to it, in its possession, custody or control, or is more readily available to the Advisors from another source or for which the burden of obtaining such information is not substantially greater for the Advisors than it is for Highland.

4. Highland objects to the Requests to the extent they call for legal conclusions and/or analyses.

5. All specific responses to the Requests are provided without waiver of, and with express reservation of (a) all objections as to competency, relevancy, materiality, and admissibility of the responses and the subject matter thereof as evidence for any purpose in any further proceedings in this matter; (b) all privileges, including the attorney-client privilege and work product doctrine; (c) the right to object to the use of such responses, or the subject matter thereof, on any ground in any further proceeding in this action; and (d) the right to object on any

ground at any time to a demand or request for further responses to these or any other discovery requests or other discovery proceedings.

6. Highland objects to the Requests to the extent they seek to expand on or conflict with Federal Rules of Civil Procedure, the Federal Rules of Bankruptcy Procedure and/or the Local Rules of the Bankruptcy Court for the Northern District of Texas.

7. Highland's agreement to produce documents with respect to a specific Request shall not be construed as a representation that such documents actually exist or are within Plaintiff's possession, custody or control.

8. These General Objections and Responses shall be deemed to be incorporated by reference into the Specific Responses and Objections set forth below.

### **DEFINITIONS**

1. "Advisors' CLO Motion" refers to *Motion for Order Imposing Temporary Restrictions on Debtor's Ability, as Portfolio Manager, to Initiate Sales by Non-Debtor CLO Vehicles*, filed by the Advisors on December 8, 2020 [Docket No. 1528].

2. "Advisors' Letters" refer, collectively, to the (i) October 16, 2020 Letter; (ii) November 24, 2020 Letter; (iii) December 22, 2020 Letter; (iv) December 23, 2020 Letter; and (v) December 31, 2020 Letter.

3. "October 16, 2020 Letter" refers to the letter sent on behalf of the Advisors to Highland on October 16, 2020.

4. "November 24, 2020 Letter" refers to the letter sent on behalf of the Advisors to Highland on November 24, 2020.

5. "December 22, 2020 Letter" refers to the letter sent on behalf of the Advisors to Highland on December 22, 2020.

6. “December 23, 2020 Letter” refers to the letter sent on behalf of the Advisors to Highland on December 23, 2020.

7. “December 31, 2020 Letter” refers to the letter sent on behalf of the Advisors to Highland on December 23, 2020.

8. “Mandatory Injunction Proceeding” refers to the February 23, 2021 hearing on the *Debtor’s Emergency Motion for a Mandatory Injunction Requiring the Advisors to Adopt and Implement a Plan for the Transition of Services by February 28, 2021* [Adv. Proc. Docket No. 1], filed by the Debtor on February 17, 2021.

9. “Transition of Services Negotiations” refers to the failed negotiations between the Debtor and the Advisors relating to the transition of Shared Services that caused the Debtor to bring Mandatory Injunction Motion.

## **RESPONSES TO REQUESTS FOR ADMISSIONS**

### **REQUEST FOR ADMISSION NO. 1:**

Admit that NexPoint never waived any rights under the NexPoint SSA in writing.

### **RESPONSE TO REQUEST FOR ADMISSION NO. 1:**

Highland objects to Request for Admission No. 1 on the grounds that it is vague and ambiguous and calls for a legal conclusion or legal analysis. Subject to the General Objections and these specific objections, Highland denies Request for Admission No. 1 and refers NexPoint to, among other things: (i) the Advisors’ Letters; (ii) the Advisors’ CLO Motion; (iii) the Mandatory Injunction Proceeding; and (iv) the Transition of Services Negotiations.

### **REQUEST FOR ADMISSION NO. 2:**

Admit that NexPoint never waived any rights under the NexPoint PRA in writing.

### **RESPONSE TO REQUEST FOR ADMISSION NO. 2:**



Highland objects to Request for Admission No. 2 on the grounds that it is vague and ambiguous and calls for a legal conclusion or legal analysis. Subject to the General Objections and these specific objections, Highland denies Request for Admission No. 2 and refers NexPoint to, among other things: (i) the Advisors' Letters; (ii) the Advisors' CLO Motion; (iii) the Mandatory Injunction Proceeding; and (iv) the Transition of Services Negotiations, and notwithstanding that many of the Dual Employees left Highland's employ while Mr. Dondero simultaneously controlled Highland and each of the Advisors.

**REQUEST FOR ADMISSION NO. 3:**

Admit that HCMFA never waived any rights under the HCMFA SSA in writing.

**RESPONSE TO REQUEST FOR ADMISSION NO. 3:**

Highland objects to Request for Admission No. 3 on the grounds that it is vague and ambiguous and calls for a legal conclusion or legal analysis. Subject to the General Objections and these specific objections, Highland denies Request for Admission No. 3 and refers HCMFA to, among other things, (i) the Advisors' Letters; (ii) the Advisors' CLO Motion; (iii) the Mandatory Injunction Proceeding; and (iv) the Transition of Services Negotiations.

**REQUEST FOR ADMISSION NO. 4:**

Admit that HCMFA never waived any rights under the HCMFA PRA in writing.

**RESPONSE TO REQUEST FOR ADMISSION NO. 4:**

Highland objects to Request for Admission No. 4 on the grounds that it is vague and ambiguous and calls for a legal conclusion or legal analysis. Subject to the General Objections and these specific objections, Highland denies Request for Admission No. 4 and refers HCMFA to, among other things, (i) the Advisors' Letters; (ii) the Advisors' CLO Motion; (iii) the Mandatory Injunction Proceeding; and (iv) the Transition of Services Negotiations, and



notwithstanding that many of the Dual Employees left Highland's employ while Mr. Dondero simultaneously controlled Highland and each of the Advisors.

**REQUEST FOR ADMISSION NO. 5:**

Admit that the voluntary-payment rule does not apply to breach of contract claims under Texas law.

**RESPONSE TO REQUEST FOR ADMISSION NO. 5:**

Highland objects to Request for Admission No. 5 on the grounds that it is vague and ambiguous and calls for a legal conclusion or legal analysis.

**REQUEST FOR ADMISSION NO. 6:**

Admit that, beginning around July 2020, James Seery directed the Debtor to cease providing services to the Advisors under the Agreements.

**RESPONSE TO REQUEST FOR ADMISSION NO. 6:**

Highland denies Request for Admission No. 6 and asserts that James P. Seery, Jr. never directed the Debtor to cease providing services to the Advisors under the Agreements. Rather, consistent with his fiduciary duties to the Debtor's estate, and in response to the Bankruptcy Court's specific concerns regarding issues of conflict, *see Order on Motion for Clarification of Ruling [DE #914] and The Joinders Thereto* [Bankr. Docket No. 935], in or after August 2020, Mr. Seery reminded the Debtor's employees that they could not take any action on behalf of the Advisors that were adverse to Highland.

**REQUEST FOR ADMISSION NO. 7:**

Admit that the Debtor was responsible for making payments due under the Agreements on the Advisors' behalf pursuant to the SSA.

**RESPONSE TO REQUEST FOR ADMISSION NO. 7:**

Highland objects to Request for Admission No. 7 on the grounds that it is vague and ambiguous to the extent it requests that the Debtor admit that it was "responsible" for making

payments under the Agreements on the Advisors' behalf pursuant to the SSA. Subject to the General Objections and these specific objections, Highland denies Request for Admission No. 7 because (a) it had no contractual or other duty or obligation to make payments on behalf of the Advisors under the Agreements, and (b) upon information and belief, Mr. Dondero directed the Advisors not to make any payments under the Agreements after the Debtor provided written notice that it was exercising its contractual right to terminate the Agreements, (initially) effective January 31, 2021.

**REQUEST FOR ADMISSION NO. 8:**

Admit that, prior to the Petition Date, the Debtor made payments due under the Agreement on the Advisors' behalf.

**RESPONSE TO REQUEST FOR ADMISSION NO. 8:**

Highland admits that Prior to the Petition Date, the Debtor assisted in effectuating one or more payments due under the Agreement on the Advisors' behalf.

**OBJECTIONS AND RESPONSES TO INTERROGATORIES****INTERROGATORY NO. 1:**

Identify all Dual Employees from the Initiation Date to present by providing each such individual's name, address, telephone number, email address, the date upon which the Debtor contends such individual ceased being a Dual Employee (if applicable), and the date of such individual's termination by the Debtor (if applicable).

**RESPONSE TO INTERROGATORY NO. 1:**

Highland objects to Interrogatory No. 1 on the grounds that it is overly broad, unduly burdensome, not proportional to the needs of the case, and not relevant to the parties' claims or defenses. *See* Fed. R. Civ. P. 26(b)(1). Subject to the General Objections and these specific objections, Highland identifies the following Dual Employees pursuant to the PRAs, and the date on which each ceased to be employed by the Debtor, noting that such list does not include individuals who were hired or who provided investment services to the Advisors after the PRAs became effective, but who were not included on the PRAs.

	Term date (if before February 2021)
Employees as of 1/1/18	
Abayarathna, Sahan	n/a
Baynard, Cameron	n/a
Burns, Nathan	n/a
Covitz, Hunter	n/a
Desai, Neil	6/24/2019
Dondero, James	10/9/2020
Fedoryshyn, Eric	5/23/2018
Gray, Matthew	n/a
Gulati, Sanjay	3/22/2018
Hayes, Christopher	10/26/2018
Hill, Robert	8/3/2018
McFarling, Brandon	2/27/2019
Moore, Carl	11/21/2018
Nikolayev, Yegor	n/a
Okada, Mark	9/30/2019
Owens, David	1/6/2021

Parker, Trey	2/28/2020
Parmentier, Andrew	5/17/2019
Phillips, Michael	2/20/2018
Poglitsch, Jon	9/22/2020
Ryder, Phillip	4/13/2018
Sachdev, Kunal	n/a
Smallwood, Allan	4/8/2019
Staltari, Mauro	12/30/2020
Tomlin, Jake	2/20/2018
Vira, Sagar	9/13/2019
Wilson, Scott	9/19/2018

**INTERROGATORY NO. 2:**

Identify and itemize on a day-by-day, employee-by-employee, and Actual-Cost-by-Actual-Cost basis all services, including Shared Services, the Debtor actually provided to the Advisors from the Initiation Date to present.

**RESPONSE TO INTERROGATORY NO. 2:**

Highland objects to Interrogatory No. 2 on the grounds that it is overly broad, unduly burdensome, not proportional to the needs of the case, and not relevant to the parties' claims or defenses. *See* Fed. R. Civ. P. 26(b)(1).

**INTERROGATORY NO. 3:**

For each of the individuals listed on Exhibit A to one or both of the PRAs, state the date such individual's employment by the Debtor was terminated.

**RESPONSE TO INTERROGATORY NO. 3:**

In response to Interrogatory No. 3, Highland refers the Advisors to its Response to Interrogatory No. 1.

**INTERROGATORY NO. 4:**

Describe in detail the legal and factual basis for the Debtor's argument that the Advisors waived their rights under the Agreements.

**RESPONSE TO INTERROGATORY NO. 4:**

Highland objects to Interrogatory No. 4 on the grounds that it is subject to ongoing discovery and calls for a legal analysis or legal conclusion. Subject to the General Objections and these specific objections, Highland asserts that (a) the Advisors failed to alleged any breach of the Agreements prior to January 24, 2021, including in connection with: (i) the Advisors' Letters; (ii) the Advisors' CLO Motion; (iii) the Mandatory Injunction Proceeding; and (iv) the Transition of Services, (b) the Advisors made all payments due under the Agreements until Mr. Dondero resigned as employee of Highland, effective October 9, 2020, (c) upon information and belief, Mr. Dondero directed the Advisors not to make any further payments under the Agreements following his resignation, (c) Mr. Dondero and the Advisors knew that many of the Dual Employees under the PRAs ceased to be employed by Debtor prior to the Petition Date, yet the Advisors received all required services under the Agreements and made all payments due thereunder without objection or reservation of rights when Highland and the Advisors were all simultaneously controlled by Mr. Dondero.

**INTERROGATORY NO. 5:**

In addition to those listed in paragraph 32 of the Objection, describe in detail all other facts and circumstances that the Debtor contends give rise to waiver.

**RESPONSE TO INTERROGATORY NO. 5:**

In response to Interrogatory No. 5, Highland refers the Advisors to its Response to Interrogatory No. 4.

**INTERROGATORY NO. 6:**

State the Debtor's position regarding whether or not the automatic stay prohibited any action by the Advisors to terminate the Agreements.

**RESPONSE TO INTERROGATORY NO. 6:**

Highland objects to Interrogatory No. 6 on the ground that it calls for a legal analysis or legal conclusion. Subject to the General Objections and this specific objection, Highland states that nothing prevented the Advisors from moving to lift the automatic stay to terminate the Agreements or from seeking other judicial relief to protect their rights to the extent the Advisors actually believed that was necessary or appropriate. Indeed, in their December 23, 2020 Letter, the Advisors threatened to initiate the termination of certain CLO management agreements to which they were not even parties, “subject to and with due deference for the applicable provisions of the United States Bankruptcy Code, including the automatic stay of Section 362.”

**INTERROGATORY NO. 7:**

State the Debtor’s position regarding whether or not any order of the Bankruptcy Court prohibited any action by the Advisors to terminate the Agreements.

**RESPONSE TO INTERROGATORY NO. 7:**

The Debtor objects to Interrogatory No. 7 on the ground that it calls for a legal analysis or legal conclusion. Subject to the General Objections and this specific objection, Highland states that while the *Order Approving Settlement with Official Committee of Unsecured Creditors Regarding Governance of the Debtor and Procedures for Operations in the Ordinary Course* [Bankr. Docket No. # 339] (the “January 2020 Order”) directed James Dondero not “to cause any Related Entity to terminate any Agreements with the Debtor,” the January 2020 Order did not prevent the Advisors from seeking judicial relief to protect its rights, including, for example, (a) moving to compel compliance with the Agreements in the face of an actual breach, or (b) seeking to lift the automatic stay to terminate the Agreements due to an actual, material breach. In other words, by its terms, the January 2020 Order did nothing but prevent Mr. Dondero from causing a Related Entity to unilaterally terminate the Agreements (as Mr. Dondero did with certain Acis-related contracts).

**INTERROGATORY NO. 8:**

State the Debtor's position regarding whether or not the automatic stay prohibited any action by the Advisors to withhold payments under the Agreements.

**RESPONSE TO INTERROGATORY NO. 8:**

The Debtor objects to Interrogatory No. 8 on the ground that it calls for a legal analysis or legal conclusion. Subject to the General Objections and this specific objection, Highland incorporates by reference its Responses to Interrogatory Nos. 6 and 7 and otherwise avers that the Advisors had the same rights to seek judicial relief as any counterparty to a contract with a debtor in bankruptcy who allegedly is in breach.

**INTERROGATORY NO. 9:**

State the Debtor's position regarding whether or not any order of the Bankruptcy Court prohibited any action by the Advisors to withhold payments under the Agreements.

**RESPONSE TO INTERROGATORY NO. 9:**

The Debtor objects to Interrogatory No. 9 on the ground that it calls for a legal analysis or legal conclusion. Subject to the General Objections and this specific objection, Highland incorporates by reference its Response to Interrogatory No.8.

**INTERROGATORY NO. 10:**

Identify and describe in detail all of the Advisors' conduct that the Debtor claims was unequivocally inconsistent with enforcing the nonwaiver provisions in the Agreements.

**RESPONSE TO INTERROGATORY NO. 10:**

The Debtor objects to Interrogatory No. 10 on the ground that the phrase "unequivocally inconsistent" is vague and ambiguous and it is otherwise overly broad, unduly burdensome, and not proportional to the needs of the case. *See* Fed. R. Civ. P. 26(b)(1).

**INTERROGATORY NO. 11:**

For each invoice/bill transmitted by the Debtor or calculated by the Debtor for any given monthly, quarterly, or annual period stating how much the Debtor believed was owed under each of the Agreements, break down and state the identity of each employee the subject thereof, whether such employee was a Dual Employee, the amount payable to or on account of such employee, how much the Debtor paid such employee (gross and net amounts) for such period, and whether such employee was actually employed by the Debtor for the whole of such period.

**RESPONSE TO INTERROGATORY NO. 11:**

Highland objects to Interrogatory No. 11 on the grounds that it is overly broad, unduly burdensome, not proportional to the needs of the case, and not relevant to the parties' claims or defenses. *See* Fed. R. Civ. P. 26(b)(1).

**INTERROGATORY NO. 12:**

For each invoice/bill transmitted by the Debtor or calculated by the Debtor for any given monthly, quarterly, or annual period stating how much the Debtor believed was owed under each of the Agreements, identify each individual involved in making such calculations, and specify the individual in charge.

**RESPONSE TO INTERROGATORY NO. 12:**

In response to Interrogatory No. 12, Highland states that, from the Petition Date through the termination of the Agreements, Hayley Eliason was involved in making the calculations related to the Agreements. Kristin Hendrix oversaw Hayley's work, Frank Waterhouse was in charge through the reporting lines, and David Klos was in between Kristin and Frank in the chain of command through end of March 2020.

**INTERROGATORY NO. 13:**

From three years before the Petition Date to present, describe in detail how (*i.e.* the practical mechanism by which) payments due under the Agreements were made to the Debtor by the Advisors. For example, did Debtor employees make such payments on the Advisors' behalf under the SSAs from Advisor funds? If so, what was the nature of such employee's authority? Were invoices/bills sent to the Advisors? If so, did each payment require the Advisors' express consent, whether written or verbal, and which individuals were involved in the process? These questions should not be construed as limiting the scope of the response but instead as exemplifying the minimum detail expected.



**RESPONSE TO INTERROGATORY NO. 13:**

The Debtor objects to Interrogatory No. 13 on the ground that it is vague, overly broad, unduly burdensome, not relevant to the parties' claims or defenses, and not proportional to the needs of the case. *See* Fed. R. Civ. P. 26(b)(1).

**INTERROGATORY NO. 14:**

For each payment the Advisors made to the Debtor under the Agreements from the Initiation Date to present, state and identify the applicable Agreement, the amount of each payment, when such payment was made, and how such payment was made (wire, check, etc.).

**RESPONSE TO INTERROGATORY NO. 14:**

In response to Interrogatory No. 14, Highland refers to **Exhibit A**, attached hereto.

**INTERROGATORY NO. 15:**

For each Request for Admission above that the Debtor did not unequivocally admit, describe in detail the legal and factual bases for not doing so.

**RESPONSE TO INTERROGATORY NO. 15:**

In response to Interrogatory No. 15, Highland incorporates its Responses above. Highland reserves all rights to supplement its Responses in light of ongoing discovery.

**SPECIFIC OBJECTIONS AND RESPONSES TO DOCUMENT REQUESTS**

**REQUEST FOR PRODUCTION NO. 1:**

All Documents that identify all amounts, including Actual Costs, from the Initiation Date to present that the Debtor contends the Advisors were or are obligated to pay.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 1:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 1.

**REQUEST FOR PRODUCTION NO. 2:**

All Documents that identify all amounts, including Actual Costs, from the Initiation Date to present that the Advisors have actually paid.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 2:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 2.

**REQUEST FOR PRODUCTION NO. 3:**

All Documents and Communications related to the Allocation Percentage from the Initiation Date to present.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 3:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 3, including by using search terms and custodians that Highland reasonably believes are likely to yield responsive documents.

**REQUEST FOR PRODUCTION NO. 4:**

All Documents and Communications related to all Shared Services the Debtor actually provided to the Advisors from the Initiation Date to present.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 4:**

Highland objects to Request for Production No. 4 on the grounds that it is overly broad, unduly burdensome, not proportional to the needs of the case, and not relevant to the parties' claims or defenses. *See* Fed. R. Civ. P. 26(b)(1).

**REQUEST FOR PRODUCTION NO. 5:**

All Documents and Communications related to all payments the Debtor received from the Advisors under the Agreements from the Initiation Date to Present.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 5:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 5, including by using search terms and custodians that Highland reasonably believes are likely to yield responsive documents.

**REQUEST FOR PRODUCTION NO. 6:**

All Documents and Communications related to the identity of all Debtor employees (and former Debtor employees) who provided services to the Advisors from the Initiation Date to present, including all Dual Employees.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 6:**

Highland objects to Request for Production No. 6 on the grounds that it is overly broad, unduly burdensome, not proportional to the needs of the case, and not relevant to the parties' claims or defenses. *See* Fed. R. Civ. P. 26(b)(1).

**REQUEST FOR PRODUCTION NO. 7:**

All Documents and Communications related to termination of the Agreements.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 7:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 7, including by using search terms and custodians that Highland reasonably believes are likely to yield responsive documents.

**REQUEST FOR PRODUCTION NO. 8:**

All Quarterly Reports.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 8:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 8.

**REQUEST FOR PRODUCTION NO. 9:**

All invoices prepared under section 5.03 of the HCMFA SSA.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 9:**

Subject to the General Objections, Highland will search for and produce documents responsive to Request for Production No. 9.

**REQUEST FOR PRODUCTION NO. 10:**

The Agreements, along with all amendments thereto and restatements thereof.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 10:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 10.

**REQUEST FOR PRODUCTION NO. 11:**

All Communications related to the October 16, 2020 letter referenced in paragraph 16 of the Objection.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 11:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 11, including by using search terms and custodians that Highland reasonably believes are likely to yield responsive documents.

**REQUEST FOR PRODUCTION NO. 12:**

All Documents and Communications that support the Debtor's allegation in paragraph 29 of the Objection that "the Advisors owe approximately \$2.56 million under the Agreements, as well as approximately \$2.22 million in unpaid expense reimbursements."

**RESPONSE TO REQUEST FOR PRODUCTION NO. 12:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 12, including by using search terms and custodians that Highland reasonably believes are likely to yield responsive documents.

**REQUEST FOR PRODUCTION NO. 13:**

All emails to or from James Seery regarding the Agreements.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 13:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 13, including by using search terms that Highland reasonably believes are likely to yield responsive documents.

**REQUEST FOR PRODUCTION NO. 14:**

All emails to or from James Seery regarding the Shared Services.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 14:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 14, including by using search terms that Highland reasonably believes are likely to yield responsive documents.

**REQUEST FOR PRODUCTION NO. 15:**

All notifications made pursuant to section 2.02 of the HCMFA SSA from the Initiation Date to the present.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 15:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 15.

**REQUEST FOR PRODUCTION NO. 16:**

Documents and communications related to any settlement payments made pursuant to Section 5.02 of the HCMFA SSA.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 16:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 16, including by using search terms and custodians that Highland reasonably believes are likely to yield responsive documents.

**REQUEST FOR PRODUCTION NO. 17:**

Documents and communications related to the determination and payment of cost and revenue share under the HCMFA SSA, and specifically as contemplated under Section 5.03 of the HCMFA SSA.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 17:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 17, including by using search terms and custodians that Highland reasonably believes are likely to yield responsive documents.

**REQUEST FOR PRODUCTION NO. 18:**

Documents and communications related to “any and all costs and expenses” owing by NexPoint under Section 3.02 of the NexPoint SSA.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 18:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 18, including by using search terms and custodians that Highland reasonably believes are likely to yield responsive documents.

**REQUEST FOR PRODUCTION NO. 19:**

From the Initiation Date to present, each invoice/bill transmitted by the Debtor or calculated by the Debtor for any given monthly, quarterly, or annual period stating how much the Debtor believed was owed under each of the Agreements.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 19:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 19.

**REQUEST FOR PRODUCTION NO. 20:**

All documents and communications, from the Initiation Date to present, that identify each individual involved in preparing each invoice/bill transmitted by the Debtor or calculated by the Debtor for any given monthly, quarterly, or annual period stating how much the Debtor believed was owed under each of the Agreements.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 20:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 20, including by using search terms and custodians that Highland reasonably believes are likely to yield responsive documents.

**REQUEST FOR PRODUCTION NO. 21:**

All documents and communications, from the Initiation Date to present, showing all backup and/or internal calculations related to each invoice/bill transmitted by the Debtor or calculated by the Debtor for any given monthly, quarterly, or annual period stating how much the Debtor believed was owed under each of the Agreements.

**RESPONSE TO REQUEST FOR PRODUCTION NO. 21:**

Subject to the General Objections, Highland will conduct a reasonable search for and produce documents responsive to Request for Production No. 21, including by using search terms and custodians that Highland reasonably believes are likely to yield responsive documents.

Dated: September 3, 2021

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**Exhibit A****Payment Detail - Petition Date to termination of agreements**

<b><u>Entity</u></b>	<b><u>Amount*</u></b>	<b><u>Receipt Date</u></b>	<b><u>Related Agreement</u></b>
Highland Capital Management Fund Advisors, LP	\$ 416,000.00	11/4/2019	Payroll Reimbursement
Highland Capital Management Fund Advisors, LP	\$ 416,000.00	12/2/2019	Payroll Reimbursement
Highland Capital Management Fund Advisors, LP	\$ 416,000.00	12/30/2019	Payroll Reimbursement
Highland Capital Management Fund Advisors, LP	\$ 416,000.00	2/3/2020	Payroll Reimbursement
Highland Capital Management Fund Advisors, LP	\$ 416,000.00	3/2/2020	Payroll Reimbursement
Highland Capital Management Fund Advisors, LP	\$ 416,000.00	3/30/2020	Payroll Reimbursement
Highland Capital Management Fund Advisors, LP	\$ 416,000.00	4/27/2020	Payroll Reimbursement
Highland Capital Management Fund Advisors, LP	\$ 416,000.00	6/1/2020	Payroll Reimbursement
Highland Capital Management Fund Advisors, LP	\$ 416,000.00	6/29/2020	Payroll Reimbursement
Highland Capital Management Fund Advisors, LP	\$ 416,000.00	8/3/2020	Payroll Reimbursement
Highland Capital Management Fund Advisors, LP	\$ 416,000.00	8/31/2020	Payroll Reimbursement
Highland Capital Management Fund Advisors, LP	\$ 416,000.00	10/5/2020	Payroll Reimbursement
Highland Capital Management Fund Advisors, LP	\$ 416,000.00	11/2/2020	Payroll Reimbursement
Highland Capital Management Fund Advisors, LP	\$ 296,321.00	11/11/2019	Shared Services
Highland Capital Management Fund Advisors, LP	\$ 294,703.00	12/9/2019	Shared Services
Highland Capital Management Fund Advisors, LP	\$ 298,280.00	1/13/2020	Shared Services
Highland Capital Management Fund Advisors, LP	\$ 300,797.00	2/10/2020	Shared Services
Highland Capital Management Fund Advisors, LP	\$ 295,745.00	3/9/2020	Shared Services
Highland Capital Management Fund Advisors, LP	\$ 305,965.00	4/13/2020	Shared Services
Highland Capital Management Fund Advisors, LP	\$ 308,056.00	5/11/2020	Shared Services
Highland Capital Management Fund Advisors, LP	\$ 306,930.00	6/8/2020	Shared Services
Highland Capital Management Fund Advisors, LP	\$ 304,974.00	7/13/2020	Shared Services
Highland Capital Management Fund Advisors, LP	\$ 306,154.00	8/10/2020	Shared Services
Highland Capital Management Fund Advisors, LP	\$ 307,599.00	9/21/2020	Shared Services
Highland Capital Management Fund Advisors, LP	\$ 308,090.00	10/12/2020	Shared Services
Highland Capital Management Fund Advisors, LP	\$ 308,374.00	11/30/2020	Shared Services
Highland Capital Management Fund Advisors, LP	\$ 360,241.00	1/25/2021	Combination of SSA and PRA
Highland Capital Management Fund Advisors, LP	\$ 128,657.00	2/8/2021	Combination of SSA and PRA
NexPoint Advisors, LP	\$ 252,000.00	11/4/2019	Payroll Reimbursement
NexPoint Advisors, LP	\$ 252,000.00	12/2/2019	Payroll Reimbursement
NexPoint Advisors, LP	\$ 252,000.00	12/30/2019	Payroll Reimbursement
NexPoint Advisors, LP	\$ 252,000.00	2/3/2020	Payroll Reimbursement
NexPoint Advisors, LP	\$ 252,000.00	3/2/2020	Payroll Reimbursement
NexPoint Advisors, LP	\$ 252,000.00	3/30/2020	Payroll Reimbursement
NexPoint Advisors, LP	\$ 252,000.00	4/27/2020	Payroll Reimbursement
NexPoint Advisors, LP	\$ 252,000.00	6/1/2020	Payroll Reimbursement
NexPoint Advisors, LP	\$ 252,000.00	6/29/2020	Payroll Reimbursement
NexPoint Advisors, LP	\$ 252,000.00	8/3/2020	Payroll Reimbursement
NexPoint Advisors, LP	\$ 252,000.00	8/31/2020	Payroll Reimbursement
NexPoint Advisors, LP	\$ 252,000.00	10/5/2020	Payroll Reimbursement
NexPoint Advisors, LP	\$ 252,000.00	11/2/2020	Payroll Reimbursement
NexPoint Advisors, LP	\$ 126,000.00	1/25/2021	Payroll Reimbursement
NexPoint Advisors, LP	\$ 168,000.00	11/4/2019	Shared Services
NexPoint Advisors, LP	\$ 168,000.00	12/2/2019	Shared Services
NexPoint Advisors, LP	\$ 168,000.00	12/30/2019	Shared Services
NexPoint Advisors, LP	\$ 168,000.00	2/3/2020	Shared Services
NexPoint Advisors, LP	\$ 168,000.00	3/2/2020	Shared Services
NexPoint Advisors, LP	\$ 168,000.00	3/30/2020	Shared Services
NexPoint Advisors, LP	\$ 168,000.00	4/27/2020	Shared Services
NexPoint Advisors, LP	\$ 168,000.00	6/1/2020	Shared Services
NexPoint Advisors, LP	\$ 168,000.00	6/29/2020	Shared Services
NexPoint Advisors, LP	\$ 168,000.00	8/3/2020	Shared Services
NexPoint Advisors, LP	\$ 168,000.00	8/31/2020	Shared Services
NexPoint Advisors, LP	\$ 168,000.00	10/5/2020	Shared Services
NexPoint Advisors, LP	\$ 168,000.00	11/2/2020	Shared Services
NexPoint Advisors, LP	\$ 84,000.00	1/25/2021	Shared Services
NexPoint Advisors, LP	\$ 75,000.00	2/8/2021	Combination of SSA and PRA
<b><u>Out of pocket costs and expenses reimbursed, exclusive of insurance:</u></b>			
NexPoint Advisors, LP	\$ 181,098.39	12/4/2019	
NexPoint Advisors, LP	\$ 9,359.37	3/27/2020	
NexPoint Advisors, LP	\$ 473.58	4/29/2020	
NexPoint Advisors, LP	\$ 32,408.19	5/8/2020	
NexPoint Advisors, LP	\$ 81,579.82	7/31/2020	
NexPoint Advisors, LP	\$ 19,291.46	8/14/2020	
Highland Capital Management Fund Advisors, LP	\$ 13,165.09	5/29/2020	

\* Actual wire amounts from NexPoint Advisors, LP to Highland Capital Management, LP typically combined the payroll reimbursement and shared service amounts as a single wire for \$420,000 each month. Amounts are shown separately within this schedule.

**From:** Sean Fox <SFox@HighlandCapital.com>

**To:** Corporate Accounting <CorporateAccounting@hcmlp.com>

**Cc:** Tim Cournoyer <TCournoyer@HighlandCapital.com>, Thomas Surgent  
<TSurgent@HighlandCapital.com>, Helen Kim <HKim@HighlandCapital.com>

**Subject:** RE: NREA / NPA SS Agreement Amendments

**Date:** Thu, 11 Jan 2018 23:45:30 +0000

**Attachments:** NexPoint\_Real\_Estate\_Advisors\_Shared\_Services\_Agreement.pdf;  
NexPoint\_Advisors\_Shared\_Services\_Agreement.pdf;  
NexPoint\_Real\_Estate\_Advisors\_Sub-Advisory\_Agreement.pdf;  
NexPoint\_Advisors\_Sub-Advisory\_Agreement.pdf

**Inline-Images:** image001.jpg

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Fully executed copies of the agreements attached and saved down in the Corporate Audit folder. Thanks for your help on these, Tim.

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**From:** Tim Cournoyer

**Sent:** Tuesday, January 9, 2018 10:22 AM

**To:** Frank Waterhouse ; David Klos ; Sean Fox

**Cc:** Thomas Surgent

**Subject:** RE: NREA / NPA SS Agreement Amendments

Attached are revised Shared Services Agreements and Sub-Advisory Agreements. Please let me know if you have any comments or questions.

TIMOTHY J. COURNOYER | ASSISTANT GENERAL COUNSEL

O: 972.628.4100 | D: 972.628.4153 | F: 972.628.4147

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**From:** Sean Fox

**Sent:** Monday, January 8, 2018 3:24 PM

**To:** Tim Cournoyer <TCournoyer@HighlandCapital.com>

**Subject:** RE: NREA / NPA SS Agreement Amendments

Ok cool, thanks

---

**From:** Tim Cournoyer

**Sent:** Monday, January 8, 2018 3:23 PM

**To:** Sean Fox <SFox@HighlandCapital.com>

**Subject:** RE: NREA / NPA SS Agreement Amendments

No I just need to draft them – I'll get it done this week, just a lot going on.

TIMOTHY J. COURNOYER | ASSISTANT GENERAL COUNSEL

O: 972.628.4100 | D: 972.628.4153 | F: 972.628.4147

ADVISOR'S  
EXHIBIT

J 002349

ACL-081426

**From:** Sean Fox  
**Sent:** Monday, January 8, 2018 3:23 PM  
**To:** Tim Cournoyer <[TCournoyer@HighlandCapital.com](mailto:TCournoyer@HighlandCapital.com)>  
**Subject:** RE: NREA / NPA SS Agreement Amendments

Tim – do you need anything else from us to wrap these up? Thanks for your help.

---

**From:** David Klos  
**Sent:** Thursday, January 4, 2018 3:16 PM  
**To:** Tim Cournoyer <[TCournoyer@HighlandCapital.com](mailto:TCournoyer@HighlandCapital.com)>; Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Cc:** Thomas Surgent <[TSurgent@HighlandCapital.com](mailto:TSurgent@HighlandCapital.com)>; Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>  
**Subject:** RE: NREA / NPA SS Agreement Amendments

Tim,

For purposes of the amounts for the agreements, see below.

These are unchanged from the sheet I dropped off yesterday. Note that NexPoint Advisors (not HCMLP) should be the sub-advisory agreement service provider to NexPoint Real Estate Advisors since the investment professionals that support NexPoint Real Estate Advisors are employed at NexPoint Advisors. All amounts are per month.

Agreement List

Service Provider	Service Recipient	Agreement	Amount per month
HCMLP	NPA	Sub-adv	\$ 252,000
HCMLP	NPA	SS	168,000
<b>NPA</b>	NREA	Sub-adv	120,000
HCMLP	NREA	SS	80,000

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**From:** Tim Cournoyer  
**Sent:** Wednesday, January 3, 2018 5:05 PM  
**To:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Cc:** Thomas Surgent <[TSurgent@HighlandCapital.com](mailto:TSurgent@HighlandCapital.com)>; Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>  
**Subject:** RE: NREA / NPA SS Agreement Amendments

As discussed, I'll draft sub-advisory agreements for each of the advisors as well to account for the provision if investment advisory services.

TIMOTHY J. COURNOYER | ASSISTANT GENERAL COUNSEL

O: 972.628.4100 | D: 972.628.4153 | F: 972.628.4147

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**From:** David Klos  
**Sent:** Wednesday, January 3, 2018 10:28 AM  
**To:** Tim Cournoyer <[TCournoyer@HighlandCapital.com](mailto:TCournoyer@HighlandCapital.com)>; Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Cc:** Thomas Surgent <[TSurgent@HighlandCapital.com](mailto:TSurgent@HighlandCapital.com)>; Frank Waterhouse

002350

ACL-081427

**Subject:** RE: NREA / NPA SS Agreement Amendments

These apply to both docs, but otherwise, I'm good.

Is there a way to pare back the language in section 2.03? I highlighted the sections below that I'd prefer to exclude or modify as this looks like we're just creating work that will certainly slip through the cracks.

Additionally, please include the following headers in section 2.02.

*Investments.* Investment research and recommendations on an ad hoc basis

*Trading.* Trading desk services, including execution

Shared Employees.

(a) The Staff and Services Provider hereby agrees and consents that each Shared Employee, if any, shall be employed by the Management Company, and the Management Company hereby agrees and consents that each Shared Employee shall be employed by the Staff and Services Provider. The name, location and such other matters as the Parties desire to reflect with respect to each Shared Employee shall be identified on the books and records of each of the Management Company and the Staff and Services Provider, which may be amended in writing from time to time by the Parties to add or remove any Shared Employee to reflect the employment (or lack thereof) of such employee. Except as may otherwise separately be agreed in writing between the applicable Shared Employee and the Management Company and/or the Staff and Services Provider, in each of their discretion, each Shared Employee is an at-will employee and no guaranteed employment or other employment arrangement is agreed or implied by this Agreement with respect to any Shared Employee, and for avoidance of doubt this Agreement shall not amend, limit, constrain or modify in any way the employment arrangements as between any Shared Employee and the Staff and Services Provider or as between any Shared Employee and the Management Company, it being understood that the Management Company may enter into a short-form employment agreement with any Shared Employee memorializing such Shared Employee's status as an employee of the Management Company. If at any time any Shared Employee (or any other person employed by the Staff and Services provider who also provides services to the Management Company) shall be terminated from employment with the Staff and Services Provider or otherwise resigns or is removed from employment with the Staff and Services Provider, then such person may only serve as a separate direct employee of the Management Company upon the approval of the Management Company. To the extent applicable, the Staff and Services Provider shall ensure that the Management Company has sufficient access to the Shared Employees so that the Shared Employees spend adequate time to provide the services required hereunder. The Staff and Services Provider may also employ the services of persons other than the Specified Persons as it deems fit in its sole discretion

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**From:** Tim Cournoyer

**Sent:** Tuesday, January 2, 2018 12:20 PM

**To:** Sean Fox <SFox@HighlandCapital.com>

**Cc:** Thomas Surgent <TSurgent@HighlandCapital.com>; Frank Waterhouse

<FWaterhouse@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>

**Subject:** RE: NREA / NPA SS Agreement Amendments

Attached are draft Amended and Restated Shared Services Agreement for each adviser, which are based on more recent template. Please let me know if you have any comments or questions.

**TIMOTHY J. COURNOYER** | ASSISTANT GENERAL COUNSEL

O: 972.628.4100 | D: 972.628.4153 | F: 972.628.4147

002351

ACL-081428

**From:** Sean Fox  
**Sent:** Tuesday, December 19, 2017 2:04 PM  
**To:** Tim Cournoyer <[TCournoyer@HighlandCapital.com](mailto:TCournoyer@HighlandCapital.com)>  
**Subject:** NREA / NPA SS Agreement Amendments

Tim,

Can you please update the agreements to pay a flat monthly fee? Mechanically, both advisors receive management fees on the first business day of the month, and since the SS fee is now known for the month, we'd like to pay the SS to HCMLP at the beginning of the month too (not sure if we need to get this specific in the agreements or not).

NREA to HCMLP: \$200k/month

NPA to HCMLP: \$300k/month

Let me know if you have any questions.

Thanks,

Sean

Sean T. Fox | Manager, Finance



300 Crescent Court | Suite 700 | Dallas, Texas 75201

O: 972.419.4443 | C: 214.679.6298 | F: 972.628.4147

[sfox@highlandcapital.com](mailto:sfox@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

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## AMENDED AND RESTATED SHARED SERVICES AGREEMENT

This Amended and Restated Shared Services Agreement (as amended, modified, waived, supplemented or restated from time to time in accordance with the terms hereof, this "Agreement"), dated effective as of January 1, 2018, is entered into by and between NexPoint Advisors, L.P., a Delaware limited partnership, as the management company hereunder (in such capacity, the "Management Company"), and Highland Capital Management, L.P., a Delaware limited partnership ("Highland"), as the staff and services provider hereunder (in such capacity, the "Staff and Services Provider" and together with the Management Company, the "Parties").

### RECITALS

WHEREAS, the Staff and Services Provider is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act");

WHEREAS, the Staff and Services Provider and the Management Company are engaged in the business of providing investment management services;

WHEREAS, the Parties entered into that certain Shared Services Agreement, dated effective as of January 1, 2013 (the "Original Agreement");

WHEREAS, the Parties desire to amend and restate the Original Agreement and the Staff and Services Provider is hereby being retained to provide certain back- and middle-office services and administrative, infrastructure and other services to assist the Management Company in conducting its business, and the Staff and Services Provider is willing to make such services available to the Management Company, in each case, on the terms and conditions hereof;

WHEREAS, the Management Company may employ certain individuals to perform portfolio selection and asset management functions for the Management Company, and certain of these individuals may also be employed simultaneously by the Staff and Services Provider during their employment with the Management Company; and

WHEREAS, each Person employed by both the Management Company and the Staff and Services Provider as described above (each, a "Shared Employee"), if any, is and shall be identified on the books and records of each of the Management Company and the Staff and Services Provider (as amended, modified, supplemented or restated from time to time).

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree, and the Original Agreement is hereby amended, restated and replaced in its entirety as follows.

### ARTICLE I

#### DEFINITIONS

Section 1.01 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:



“Affiliate” shall mean with respect to a Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the first Person. The term “control” means (i) the legal or beneficial ownership of securities representing a majority of the voting power of any person or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether by contract or otherwise.

“Applicable Asset Criteria and Concentrations” means any applicable eligibility criteria, portfolio concentration limits and other similar criteria or limits which the Management Company instructs in writing to the Staff and Services Provider in respect of the Portfolio or one or more Accounts, as such criteria or limits may be modified, amended or supplemented from time to time in writing by the Management Company;

“Applicable Law” shall mean, with respect to any Person or property of such Person, any action, code, consent decree, constitution, decree, directive, enactment, finding, guideline, law, injunction, interpretation, judgment, order, ordinance, policy statement, proclamation, formal guidance, promulgation, regulation, requirement, rule, rule of law, rule of public policy, settlement agreement, statute, writ, or any particular section, part or provision thereof of any Governmental Authority to which the Person in question is subject or by which it or any of its property is bound.

“Client or Account” shall mean any fund, client or account advised by the Management Company, as applicable.

“Covered Person” shall mean the Staff and Services Provider, any of its Affiliates, and any of their respective managers, members, principals, partners, directors, officers, shareholders, employees and agents (but shall not include the Management Company, its subsidiaries or member(s) and any managers, members, principals, partners, directors, officers, shareholders, employees and agents of the Management Company or its subsidiaries or member(s) (in their capacity as such)).

“Governmental Authority” shall mean (i) any government or quasi-governmental authority or political subdivision thereof, whether national, state, county, municipal or regional, whether U.S. or non-U.S.; (ii) any agency, regulator, arbitrator, board, body, branch, bureau, commission, corporation, department, master, mediator, panel, referee, system or instrumentality of any such government, political subdivision or other government or quasi-government entity, whether non-U.S. or U.S.; and (iii) any court, whether U.S. or non-U.S.

“Indebtedness” shall mean: (a) all indebtedness for borrowed money and all other obligations, contingent or otherwise, with respect to surety bonds, guarantees of borrowed money, letters of credit and bankers’ acceptances whether or not matured, and hedges and other derivative contracts and financial instruments; (b) all obligations evidenced by notes, bonds, debentures, or similar instruments, or incurred under bank guaranty or letter of credit facilities or credit agreements; (c) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to any property of the Management Company or any subsidiary; (d) all capital lease obligations; (e) all indebtedness guaranteed by such Person or any of its subsidiaries; and (f) all indebtedness guaranteed by such Person or any of its subsidiaries.

“Operating Guidelines” means any operating guidelines attached to any portfolio management agreement, investment management agreement or similar agreement entered into between the Management Company and a Client or Account.

“Portfolio” means the portfolio of securities and other assets, including without limitation, financial instruments, equity investments, collateral loan obligations, debt securities, preferred return notes and other similar obligations held directly or indirectly by, or on behalf of, Clients and Accounts from time to time;

“Securities Act” shall mean the Securities Act of 1933, as amended.

Section 1.02 Interpretation. The following rules apply to the use of defined terms and the interpretation of this Agreement: (i) the singular includes the plural and the plural includes the singular; (ii) “or” is not exclusive (unless preceded by “either”) and “include” and “including” are not limiting; (iii) unless the context otherwise requires, references to agreements shall be deemed to mean and include such agreements as the same may be amended, supplemented, waived and otherwise modified from time to time; (iv) a reference to a law includes any amendment or modification to such law and any rules or regulations issued thereunder or any law enacted in substitution or replacement therefor; (v) a reference to a Person includes its successors and assigns; (vi) a reference to a Section without further reference is to the relevant Section of this Agreement; (vii) the headings of the Sections and subsections are for convenience and shall not affect the meaning of this Agreement; (viii) “writing”, “written” and comparable terms refer to printing, typing, lithography and other shall mean of reproducing words in a visible form (including telefacsimile and electronic mail); (ix) “hereof”, “herein”, “hereunder” and comparable terms refer to the entire instrument in which such terms are used and not to any particular article, section or other subdivision thereof or attachment thereto; and (x) references to any gender include any other gender, masculine, feminine or neuter, as the context requires.

## ARTICLE II

### SERVICES

Section 2.01 General Authority. Highland is hereby appointed as Staff and Services Provider for the purpose of providing such services and assistance as the Management Company may request from time to time to, and if applicable, to make available the Shared Employees to, the Management Company in accordance with and subject to the provisions of this Agreement and the Staff and Services Provider hereby accepts such appointment. The Staff and Services Provider hereby agrees to such engagement during the term hereof and to render the services described herein for the compensation provided herein, subject to the limitations contained herein.

Section 2.02 Provision of Services. Without limiting the generality of Section 2.01 and subject to Section 2.04 (Applicable Asset Criteria and Concentrations) below, the Staff and Services Provider hereby agrees, from the date hereof, to provide the following back- and middle-office services and administrative, infrastructure and other services to the Management Company.

(a) *Back- and Middle-Office*: Assistance and advice with respect to back- and middle-office functions including, but not limited to, investment research, trade desk services,



including trade execution and settlement, finance and accounting, payments, operations, book keeping, cash management, cash forecasting, accounts payable, accounts receivable, expense reimbursement, vendor management, and information technology (including, without limitation, general support and maintenance (OMS, development, support), telecom (cellphones, telephones and broadband) and WSO);

(b) *Legal/Compliance/Risk Analysis.* Assistance and advice with respect to legal issues, litigation support, management of outside counsel, compliance support and implementation and general risk analysis;

(c) *Tax.* Assistance and advice with respect to tax audit support, tax planning and tax preparation and filing.

(d) *Management of Clients and Accounts.* Assistance and advice with respect to (i) the adherence to Operating Guidelines by the Management Company, and (ii) performing any obligations of the Management Company under or in connection with any back- and middle-office function set forth in any portfolio management agreement, investment management agreement or similar agreement in effect between the Management Company and any Client or Account from time to time.

(e) *Valuation.* Advice relating to the appointment of suitable third parties to provide valuations on assets comprising the Portfolio and including, but not limited to, such valuations required to facilitate the preparation of financial statements by the Management Company or the provision of valuations in connection with, or preparation of reports otherwise relating to, a Client or Account for which the Management Company serves as portfolio manager or investment manager or in a similar capacity;

(f) *Execution and Documentation.* Assistance relating to the negotiation of the terms of, and the execution and delivery by the Management Company of, any and all documents which the Management Company considers to be necessary in connection with the acquisition and disposition of an asset in the Portfolio by the Management Company or a Client or Account managed by the Management Company, transactions involving the Management Company or a Client or Account managed by the Management Company, and any other rights and obligations of the Management Company or a Client or Account managed by the Management Company;

(g) *Marketing.* Provide access to marketing team representatives to assist with the marketing of the Management Company and any specified Clients or Accounts managed by the Management Company conditional on the Management Company's agreement that any incentive compensation related to such marketing shall be borne by the Management Company;

(h) *Reporting.* Assistance relating to any reporting the Management Company is required to make in relation to the Portfolio or any Client or Account, including reports relating to (i) credit facility reporting and purchases, sales, liquidations, acquisitions, disposals, substitutions and exchanges of assets in the Portfolio, (ii) the requirements of an applicable regulator, or (iii) other type of reporting which the Management Company and Staff and Services Provider may agree from time to time;

(i) *Administrative Services.* The provision of office space, information technology services and equipment, infrastructure, rent and parking and other related services requested or utilized by the Management Company from time to time;

(j) *Shared Employees.* To the extent applicable, the provision of Shared Employees and such additional human capital as may be mutually agreed by the Management Company and the Staff and Services Provider in accordance with the provisions of Section 2.03 hereof;

(k) *Ancillary Services.* Assistance and advice on all things ancillary or incidental to the foregoing; and

(l) *Other.* Assistance and advice relating to such other back- and middle-office services in connection with the day-to-day business of the Management Company as the Management Company and the Staff and Services Provider may from time to time agree.

For the avoidance of doubt, none of the services contemplated hereunder shall constitute investment advisory services, and the Staff & Services Provider shall not provide any advice to the Management Company or perform any duties on behalf of the Management Company, other than the back- and middle-office services contemplated herein, with respect to (a) the general management of the Management Company, its business or activities, (b) the initiation or structuring of any Client or Account or similar securitization, (c) the substantive investment management decisions with respect to any Client or Account or any related collateral obligations or securitization, (d) the actual selection of any collateral obligation or assets by the Management Company, (e) binding recommendations as to any disposal of or amendment to any Collateral Obligation or (f) any similar functions.

Section 2.03 Shared Employees.

(a) The Staff and Services Provider hereby agrees and consents that each Shared Employee, if any, shall be employed by the Management Company, and the Management Company hereby agrees and consents that each Shared Employee shall be employed by the Staff and Services Provider. Except as may otherwise separately be agreed in writing between the applicable Shared Employee and the Management Company and/or the Staff and Services Provider, in each of their discretion, each Shared Employee is an at-will employee and no guaranteed employment or other employment arrangement is agreed or implied by this Agreement with respect to any Shared Employee, and for avoidance of doubt this Agreement shall not amend, limit, constrain or modify in any way the employment arrangements as between any Shared Employee and the Staff and Services Provider or as between any Shared Employee and the Management Company, it being understood that the Management Company may enter into a short-form employment agreement with any Shared Employee memorializing such Shared Employee's status as an employee of the Management Company. To the extent applicable, the Staff and Services Provider shall ensure that the Management Company has sufficient access to the Shared Employees so that the Shared Employees spend adequate time to provide the services required hereunder. The Staff and Services Provider may also employ the services of persons other than the Specified Persons as it deems fit in its sole discretion

(b) Notwithstanding that the Shared Employees, if any, shall be employed by both the Staff and Services Provider and the Management Company, the Parties acknowledge and agree that any and all salary and benefits of each Shared Employee shall be paid exclusively by the Staff and Services Provider and shall not be paid or borne by the Management Company and no additional amounts in connection therewith shall be due from the Management Company to the Staff and Services Provider.

(c) To the extent that a Shared Employee participates in the rendering of services to the Management Company's clients, the Shared Employee shall be subject to the oversight and control of the Management Company and such services shall be provided by the Shared Employee exclusively in his or her capacity as a "supervised person" of, or "person associated with", the Management Company (as such terms are defined in Sections 202(a)(25) and 202(a)(17), respectively, of the Advisers Act).

(d) Each Party may continue to oversee, supervise and manage the services of each Shared Employee in order to (1) ensure compliance with the Party's compliance policies and procedures, (2) ensure compliance with regulations applicable to the Party and (3) protect the interests of the Party and its clients; *provided* that Staff and Services Provider shall (A) cooperate with the Management Company's supervisory efforts and (B) make periodic reports to the Management Company regarding the adherence of Shared Employees to Applicable Law, including but not limited to the 1940 Act, the Advisers Act and the United States Commodity Exchange Act of 1936, as amended, in performing the services hereunder.

(e) Where a Shared Employee provides services hereunder through both Parties, the Parties shall cooperate to ensure that all such services are performed consistently with Applicable Law and relevant compliance controls and procedures designed to prevent, among other things, breaches in information security or the communication of confidential, proprietary or material non-public information.

(f) The Staff and Services Provider shall ensure that each Shared Employee has any registrations, qualifications and/or licenses necessary to provide the services hereunder.

(g) The Parties will cooperate to ensure that information about the Shared Employees is adequately and appropriately disclosed to clients, investors (and potential investors), investment banks operating as initial purchaser or placement agent with respect to any Client or Account, and regulators, as applicable. To facilitate such disclosure, the Staff and Services Provider agrees to provide, or cause to be provided, to the Management Company such information as is deemed by the Management Company to be necessary or appropriate with respect to the Staff and Services Provider and the Shared Employees (including, but not limited to, biographical information about each Shared Employee).

(h) The Parties shall cooperate to ensure that, when so required, each has adopted a Code of Ethics meeting the requirements of the Advisers Act ("Code of Ethics") that is consistent with applicable law and which is substantially similar to the other Party's Code of Ethics.

(i) The Staff and Services Provider shall make reasonably available for use by the Management Company, including through Shared Employees providing services pursuant to this Agreement, any relevant intellectual property and systems necessary for the provision of the services hereunder.

(j) The Staff and Services Provider shall require that each Shared Employee:

(i) certify that he or she is subject to, and has been provided with, a copy of each Party's Code of Ethics and will make such reports, and seek prior clearance for such actions and activities, as may be required under the Codes of Ethics;

(ii) be subject to the supervision and oversight of each Party's officers and directors, including without limitation its Chief Compliance Officer ("CCO"), which CCO may be the same Person, with respect to the services provided to that Party or its clients;

(iii) provide services hereunder and take actions hereunder only as approved by the Management Company;

(iv) provide any information requested by a Party, as necessary to comply with applicable disclosure or regulatory obligations;

(v) to the extent authorized to transact on behalf of the Management Company or a Client or Account, take reasonable steps to ensure that any such transaction is consistent with any policies and procedures that may be established by the Parties and all Applicable Asset Criteria and Concentrations; and

(vi) act, at all times, in a manner consistent with the fiduciary duties and standard of care owed by the Management Company to its members and direct or indirect investors or to a Client or Account as well as clients of Staff and Services Provider by seeking to ensure that, among other things, information about any investment advisory or trading activity applicable to a particular client or group of clients is not used to benefit the Shared Employee, any Party or any other client or group of clients in contravention of such fiduciary duties or standard of care.

(k) Unless specifically authorized to do so, or appointed as an officer or authorized person of the Management Company with such authority, no Shared Employee may contract on behalf or in the name of the Management Company, acting as principal.

Section 2.04 Applicable Asset Criteria and Concentrations. The Management Company will promptly inform the Staff and Services Provider in writing of any Applicable Asset Criteria and Concentrations to which it agrees from time to time and the Staff and Services Provider shall take such Applicable Asset Criteria and Concentrations into account when providing assistance and advice in accordance with Section 2.02 above and any other assistance or advice provided in accordance with this Agreement.

Section 2.05 Compliance with Management Company Policies and Procedures. The Management Company will from time to time provide the Staff and Services Provider and the



Shared Employees, if any, with any policy and procedure documentation which it establishes internally and to which it is bound to adhere in conducting its business pursuant to regulation, contract or otherwise. Subject to any other limitations in this Agreement, the Staff and Services Provider will use reasonable efforts to ensure any services it and the Shared Employees provide pursuant to this Agreement complies with or takes account of such internal policies and procedures.

Section 2.06 Authority. The Staff and Services Provider's scope of assistance and advice hereunder is limited to the services specifically provided for in this Agreement. The Staff and Services Provider shall not assume or be deemed to assume any rights or obligations of the Management Company under any other document or agreement to which the Management Company is a party. Notwithstanding any other express or implied provision to the contrary in this Agreement, the activities of the Staff and Services Provider pursuant to this Agreement shall be subject to the overall policies of the Management Company, as notified to the Staff and Services Provider from time to time. The Staff and Services Provider shall not have any duties or obligations to the Management Company unless those duties and obligations are specifically provided for in this Agreement (or in any amendment, modification or novation hereto or hereof to which the Staff and Services Provider is a party).

Section 2.07 Third Parties.

(a) The Staff and Services Provider may employ third parties, including its affiliates, to render advice, provide assistance and to perform any of its duties under this Agreement; *provided* that notwithstanding the employment of third parties for any such purpose, the Staff and Services Provider shall not be relieved of any of its obligations or liabilities under this Agreement.

(b) In providing services hereunder, the Staff and Services Provider may rely in good faith upon and will incur no liability for relying upon advice of nationally recognized counsel (which may be counsel for the Management Company, a Client or Account or any Affiliate of the foregoing), accountants or other advisers as the Staff and Services Provider determines, in its sole discretion, is reasonably appropriate in connection with the services provided by the Staff and Services Provider under this Agreement.

Section 2.08 Management Company to Cooperate with the Staff and Services Provider. In furtherance of the Staff and Services Provider's obligations under this Agreement the Management Company shall cooperate with, provide to, and fully inform the Staff and Services Provider of, any and all documents and information the Staff and Services Provider reasonably requires to perform its obligations under this Agreement.

Section 2.09 Power of Attorney. If the Management Company considers it necessary for the provision by the Staff and Services Provider of the assistance and advice under this Agreement (after consultation with the Staff and Services Provider), it may appoint the Staff and Services Provider as its true and lawful agent and attorney, with full power and authority in its name to sign, execute, certify, swear to, acknowledge, deliver, file, receive and record any and all documents that the Staff and Services Provider reasonably deems appropriate or necessary in connection with the execution and settlement of acquisitions of assets as directed by the Management Company

and the Staff and Services Provider's powers and duties hereunder (which for the avoidance of doubt shall in no way involve the discretion and/or authority of the Management Company with respect to investments). Any such power shall be revocable in the sole discretion of the Management Company.

### ARTICLE III

#### CONSIDERATION AND EXPENSES

Section 3.01 Consideration. As compensation for its performance of its obligations as Staff and Services Provider under this Agreement, the Staff and Services Provider will be entitled to receive a flat fee of \$168,000 per month (the "Staff and Services Fee"), payable monthly in advance on the first business day of each month.

Section 3.02 Costs and Expenses. Each party shall bear its own expenses; *provided* that the Management Company shall reimburse the Staff and Services Provider for any and all costs and expenses that may be borne properly by the Management Company.

Section 3.03 Deferral. Notwithstanding anything to the contrary contained herein, if on any date the Management Company determines that it would not have sufficient funds available to it to make a payment of Indebtedness, it shall have the right to defer any all and amounts payable to the Staff and Services Provider pursuant to this Agreement, including any fees and expenses; *provided* that the Management Company shall promptly pay all such amounts on the first date thereafter that sufficient amounts exist to make payment thereof.

### ARTICLE IV

#### REPRESENTATIONS AND COVENANTS

Section 4.01 Representations. Each of the Parties hereto represents and warrants that:

(a) It has full power and authority to execute and deliver, and to perform its obligations under, this Agreement;

(b) this Agreement has been duly authorized, executed and delivered by it and constitutes its valid and binding, obligation, enforceable in accordance with its terms except as the enforceability hereof may be subject to (i) bankruptcy, insolvency, reorganization moratorium, receivership, conservatorship or other similar laws now or hereafter in effect relating to creditors' rights and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding, in equity or at law);

(c) no consent, approval, authorization or order of or declaration or filing with any Governmental Authority is required for the execution of this Agreement or the performance by it of its duties hereunder, except such as have been duly made or obtained; and

(d) neither the execution and delivery of this Agreement nor the fulfillment of the terms hereof conflicts with or results in a breach or violation of any of the terms or provisions of, or constitutes a default under, (i) its constituting and organizational documents; or (ii) the terms

of any material indenture, contract, lease, mortgage, deed of trust, note, agreement or other evidence of indebtedness or other material agreement, obligation, condition, covenant or instrument to which it is a party or by which it is bound.

## ARTICLE V

### COVENANTS

#### Section 5.01 Compliance; Advisory Restrictions.

(a) The Staff and Services Provider shall reasonably cooperate with the Management Company in connection with the Management Company's compliance with its policies and procedures relating to oversight of the Staff and Services Provider. Specifically, the Staff and Services Provider agrees that it will provide the Management Company with reasonable access to information relating to the performance of Staff and Services Provider's obligations under this Agreement.

(b) This Agreement is not intended to and shall not constitute an assignment, pledge or transfer of any portfolio management agreement or any part thereof. It is the express intention of the parties hereto that this Agreement and all services performed hereunder comply in all respects with all (a) applicable contractual provisions and restrictions contained in each portfolio management agreement, investment management agreement or similar agreement and each document contemplated thereby; and (b) Applicable Laws (collectively, the "Advisory Restrictions"). If any provision of this Agreement is determined to be in violation of any Advisory Restriction, then the services to be provided under this Agreement shall automatically be limited without action by any person or entity, reduced or modified to the extent necessary and appropriate to be enforceable to the maximum extent permitted by such Advisory Restriction.

#### Section 5.02 Records; Confidentiality.

The Staff and Services Provider shall maintain or cause to be maintained appropriate books of account and records relating to its services performed hereunder, and such books of account and records shall be accessible for inspection by representatives of the Management Company and its accountants and other agents at any time during normal business hours and upon not less than three (3) Business Days' prior notice; *provided* that the Staff and Services Provider shall not be obligated to provide access to any non-public information if it in good faith determines that the disclosure of such information would violate any applicable law, regulation or contractual arrangement.

The Staff and Services Provider shall follow its customary procedures to keep confidential any and all information obtained in connection with the services rendered hereunder that is either (a) of a type that would ordinarily be considered proprietary or confidential, such as information concerning the composition of assets, rates of return, credit quality, structure or ownership of securities, or (b) designated as confidential obtained in connection with the services rendered by the Staff and Services Provider hereunder and shall not disclose any such information to non-affiliated third parties, except (i) with the prior written consent of the Management Company, (ii) such information as a rating agency shall reasonably request in connection with its

rating of notes issued by a CLO or supplying credit estimates on any obligation included in the Portfolio, (iii) in connection with establishing trading or investment accounts or otherwise in connection with effecting transactions on behalf of the Management Company or any Client or Account for which the Management Company serves as portfolio manager or investment manager or in a similar capacity, (iv) as required by (A) Applicable Law or (B) the rules or regulations of any self-regulating organization, body or official having jurisdiction over the Staff and Services Provider or any of its Affiliates, (v) to its professional advisors (including, without limitation, legal, tax and accounting advisors), (vi) such information as shall have been publicly disclosed other than in known violation of this Agreement or shall have been obtained by the Staff and Services Provider on a non-confidential basis, (vii) such information as is necessary or appropriate to disclose so that the Staff and Services Provider may perform its duties hereunder, (viii) as expressly permitted in the final offering memorandum or any definitive transaction documents relating to any Client or Account, (ix) information relating to performance of the Portfolio as may be used by the Staff and Services Provider in the ordinary course of its business or (xx) such information as is routinely disclosed to the trustee, custodian or collateral administrator of any Client or Account in connection with such trustee's, custodian's or collateral administrator's performance of its obligations under the transaction documents related to such Client or Account. Notwithstanding the foregoing, it is agreed that the Staff and Services Provider may disclose without the consent of any Person (1) that it is serving as staff and services provider to the Management Company, (2) the nature, aggregate principal amount and overall performance of the Portfolio, (3) the amount of earnings on the Portfolio, (4) such other information about the Management Company, the Portfolio and the Clients or Accounts as is customarily disclosed by staff and services providers to management vehicles similar to the Management Company, and (5) the United States federal income tax treatment and United States federal income tax structure of the transactions contemplated by this Agreement and the related documents and all materials of any kind (including opinions and other tax analyses) that are provided to them relating to such United States federal income tax treatment and United States income tax structure. This authorization to disclose the U.S. tax treatment and tax structure does not permit disclosure of information identifying the Staff and Services Provider, the Clients or Accounts or any other party to the transactions contemplated by this Agreement (except to the extent such information is relevant to U.S. tax structure or tax treatment of such transactions).

## ARTICLE VI

### EXCULPATION AND INDEMNIFICATION

Section 6.01. Standard of Care. Except as otherwise expressly provided herein, each Covered Person shall discharge its duties under this Agreement with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. To the extent not inconsistent with the foregoing, each Covered Person shall follow its customary standards, policies and procedures in performing its duties hereunder. No Covered Person shall deal with the income or assets of the Management Company in such Covered Person's own interest or for its own account. Each Covered Person in its respective sole and absolute discretion may separately engage or invest in any other business ventures, including those that may be in competition with the Management Company, and the Management Company will not have any rights in or to such ventures or the income or profits derived therefrom.



Section 6.02 Exculpation. To the fullest extent permitted by law, no Covered Person will be liable to the Management Company, any Member, or any shareholder, partner or member thereof, for (i) any acts or omissions by such Covered Person arising out of or in connection with the conduct of the business of the Management Company or its General Partner, or any investment made or held by the Management Company or its General Partner, unless it is determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, to be the result of gross negligence or to constitute fraud or willful misconduct (as interpreted under the laws of the State of Delaware) (each, a “Disabling Conduct”) on the part of such Covered Person, (ii) any act or omission of any Investor, (iii) any mistake, gross negligence, misconduct or bad faith of any employee, broker, administrator or other agent or representative of such Covered Person, *provided* that such employee, broker, administrator or agent was selected, engaged or retained by or on behalf of such Covered Person with reasonable care, or (iv) any consequential (including loss of profit), indirect, special or punitive damages. To the extent that, at law or in equity, any Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the Management Company or any Member, no Covered Person acting under this Agreement shall be liable to the Management Company or to any such Member for its good-faith reliance on the provisions of this Agreement. The exculpations set forth in this Section 6.02 shall exculpate any Covered Person regardless of such Covered Person’s sole, comparative, joint, concurrent, or subsequent negligence.

To the fullest extent permitted by law, no Covered Person shall have any personal liability to the Management Company or any Member solely by reason of any change in U.S. federal, state or local or foreign income tax laws, or in interpretations thereof, as they apply to the Management Company or the Members, whether the change occurs through legislative, judicial or administrative action.

Any Covered Person in its sole and absolute discretion may consult legal counsel, accountants or other advisers selected by it, and any act or omission taken, or made in good faith by such Person on behalf of the Management Company or in furtherance of the business of the Management Company in good-faith reliance on and in accordance with the advice of such counsel, accountants or other advisers shall be full justification for the act or omission, and to the fullest extent permitted by applicable law, no Covered Person shall be liable to the Management Company or any Member in so acting or omitting to act if such counsel, accountants or other advisers were selected, engaged or retained with reasonable care.

Section 6.03 Indemnification by the Management Company. The Management Company shall and hereby does, to the fullest extent permitted by applicable law, indemnify and hold harmless any Covered Person from and against any and all claims, causes of action (including, but not limited to, strict liability, negligence, statutory violation, regulatory violation, breach of contract, and all other torts and claims arising under common law), demands, liabilities, costs, expenses, damages, losses, suits, proceedings, judgments, assessments, actions and other liabilities, whether judicial, administrative, investigative or otherwise, of whatever nature, known or unknown, liquidated or unliquidated (“Claims”), that may accrue to or be incurred by any Covered Person, or in which any Covered Person may become involved, as a party or otherwise, or with which any Covered Person may be threatened, relating to or arising out of the investment or other activities of the Management Company or its General Partner, or activities undertaken in connection with the Management Company or its General Partner, or otherwise relating to or

arising out of this Agreement, including amounts paid in satisfaction of judgments, in compromise or as fines or penalties, and attorneys' fees and expenses incurred in connection with the preparation for or defense or disposition of any investigation, action, suit, arbitration or other proceeding (a "Proceeding"), whether civil or criminal (all of such Claims, amounts and expenses referred to therein are referred to collectively as "Damages"), except to the extent that it shall have been determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, that such Damages arose primarily from Disabling Conduct of such Covered Person. The termination of any Proceeding by settlement, judgment, order, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that any Damages relating to such settlement, judgment, order, conviction or plea of nolo contendere or its equivalent or otherwise relating to such Proceeding arose primarily from Disabling Conduct of any Covered Persons. Any Covered Person shall be indemnified under the terms of this Section 6.03 regardless of such Covered Person's sole, comparative, joint, concurrent, or subsequent negligence.

Expenses (including attorneys' fees) incurred by a Covered Person in defense or settlement of any Claim that may be subject to a right of indemnification hereunder shall be advanced by the Management Company prior to the final disposition thereof upon receipt of a written undertaking by or on behalf of the Covered Person to repay the amount advanced to the extent that it shall be determined ultimately by a court of competent jurisdiction that the Covered Person is not entitled to be indemnified hereunder. The right of any Covered Persons to the indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which the Covered Person may otherwise be entitled by contract or as a matter of law or equity and shall be extended to the Covered Person's successors, assigns and legal representatives. Any judgments against the Management Company and/or any Covered Persons in respect of which such Covered Person is entitled to indemnification shall first be satisfied from the assets of the Management Company, including Drawdowns, before such Covered Person is responsible therefor.

Notwithstanding any provision of this Agreement to the contrary, the provisions of this Section 6.03 shall not be construed so as to provide for the indemnification of any Covered Person for any liability (including liability under Federal securities laws which, under certain circumstances, impose liability even on persons that act in good faith), to the extent (but only to the extent) that such indemnification would be in violation of applicable law, but shall be construed so as to effectuate the provisions of this Section 6.03 to the fullest extent permitted by law.

Section 6.04 Other Sources of Recovery etc. The indemnification rights set forth in Section 6.03 are in addition to, and shall not exclude, limit or otherwise adversely affect, any other indemnification or similar rights to which any Covered Person may be entitled. If and to the extent that other sources of recovery (including proceeds of any applicable policies of insurance or indemnification from any Person in which any of the Clients or Accounts has an investment) are available to any Covered Person, such Covered Person shall use reasonable efforts to obtain recovery from such other sources before the Company shall be required to make any payment in respect of its indemnification obligations hereunder; *provided* that, if such other recovery is not available without delay, the Covered Person shall be entitled to such payment by the Management Company and the Management Company shall be entitled to reimbursement out of such other recovery when and if obtained.

Section 6.05 Rights of Heirs, Successors and Assigns. The indemnification rights provided by Section 6.03 shall inure to the benefit of the heirs, executors, administrators, successors and assigns of each Covered Person.

Section 6.06 Reliance. A Covered Person shall incur no liability to the Management Company or any Member in acting upon any signature or writing reasonably believed by him, her or it to be genuine, and may rely in good faith on a certificate signed by an officer of any Person in order to ascertain any fact with respect to such Person or within such Person's knowledge. Each Covered Person may act directly or through his, her or its agents or attorneys.

## ARTICLE VII

### TERMINATION

Section 7.01 Termination. Either Party may terminate this Agreement at any time upon at least thirty (30) days' written notice to the other.

## ARTICLE VIII

### MISCELLANEOUS

Section 8.01 Amendments. This Agreement may not be amended or modified except by an instrument in writing signed by each Party.

Section 8.02 Assignment and Delegation.

(a) Neither Party may assign, pledge, grant or otherwise encumber or transfer all or any part of its rights or responsibilities under this Agreement, in whole or in part, except (i) as provided in clauses (b) and (c) of this Section 8.02, without the prior written consent of the other Party and (ii) in accordance with Applicable Law.

(b) Except as otherwise provided in this Section 8.02, the Staff and Services Provider may not assign its rights or responsibilities under this Agreement unless (i) the Management Company consents in writing thereto and (ii) such assignment is made in accordance with Applicable Law.

(c) The Staff and Services Provider may, without satisfying any of the conditions of Section 8.02(a) other than clause (ii) thereof, (1) assign any of its rights or obligations under this Agreement to an Affiliate; *provided* that such Affiliate (i) has demonstrated ability, whether as an entity or by its principals and employees, to professionally and competently perform duties similar to those imposed upon the Staff and Services Provider pursuant to this Agreement and (ii) has the legal right and capacity to act as Staff and Services Provider under this Agreement, or (2) enter into (or have its parent enter into) any consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all of its assets to, another entity; *provided* that, at the time of such consolidation, merger, amalgamation or transfer the resulting, surviving or transferee entity assumes all the obligations of the Staff and Services Provider under this Agreement generally (whether by operation of law or by contract) and the other entity is a continuation of the Staff and Services Provider in another corporate or similar form and has

substantially the same staff; *provided further* that the Staff and Services Provider shall deliver ten (10) Business Days' prior notice to the Management Company of any assignment or combination made pursuant to this sentence. Upon the execution and delivery of any such assignment by the assignee, the Staff and Services Provider will be released from further obligations pursuant to this Agreement except to the extent expressly provided herein.

Section 8.03 Non-Recourse; Non-Petition.

(a) The Staff and Services Provider agrees that the payment of all amounts to which it is entitled pursuant to this Agreement shall be payable by the Management Company only to the extent of assets held in the Portfolio.

(b) Notwithstanding anything to the contrary contained herein, the liability of the Management Company to the Staff and Services Provider hereunder is limited in recourse to the Portfolio, and if the proceeds of the Portfolio following the liquidation thereof are insufficient to meet the obligations of the Management Company hereunder in full, the Management Company shall have no further liability in respect of any such outstanding obligations, and such obligations and all claims of the Staff and Services Provider or any other Person against the Management Company hereunder shall thereupon extinguish and not thereafter revive. The Staff and Services Provider accepts that the obligations of the Management Company hereunder are the corporate obligations of the Management Company and are not the obligations of any employee, member, officer, director or administrator of the Management Company and no action may be taken against any such Person in relation to the obligations of the Management Company hereunder.

(c) Notwithstanding anything to the contrary contained herein, any Staff and Services Provider agrees not to institute against, or join any other Person in instituting against, the Management Company any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings, or other proceedings under United States federal or state bankruptcy laws, or similar laws until at least one year and one day (or, if longer, the then applicable preference period plus one day) after the payment in full all amounts payable in respect of any Indebtedness incurred to finance any portion of the Portfolio; *provided* that nothing in this provision shall preclude, or be deemed to stop, the Staff and Services Provider from taking any action prior to the expiration of the aforementioned one year and one day period (or, if longer, the applicable preference period then in effect plus one day) in (i) any case or proceeding voluntarily filed or commenced by the Management Company, or (ii) any involuntary insolvency proceeding filed or commenced against the Management Company by a Person other than the Staff and Services Provider.

(d) The Management Company hereby acknowledges and agrees that the Staff and Services Provider's obligations hereunder shall be solely the corporate obligations of the Staff and Services Provider, and are not the obligations of any employee, member, officer, director or administrator of the Staff and Services Provider and no action may be taken against any such Person in relation to the obligations of the Staff and Services Provider hereunder.

(e) The provisions of this Section 8.03 shall survive termination of this Agreement for any reason whatsoever.



Section 8.04 Governing Law.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas. The Parties unconditionally and irrevocably consent to the exclusive jurisdiction of the courts located in the State of Texas and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

(b) The Parties irrevocably agree for the benefit of each other that the courts of the State of Texas and the United States District Court located in the Northern District of Texas in Dallas are to have exclusive jurisdiction to settle any disputes (whether contractual or non-contractual) which may arise out of or in connection with this Agreement and that accordingly any action arising out of or in connection therewith (together referred to as "Proceedings") may be brought in such courts. The Parties irrevocably submit to the jurisdiction of such courts and waive any objection which they may have now or hereafter to the laying of the venue of any Proceedings in any such court and any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably agree that a judgment in any Proceedings brought in such courts shall be conclusive and binding upon the Parties and may be enforced in the courts of any other jurisdiction.

Section 8.05 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR ITS ENTERING INTO THIS AGREEMENT.

Section 8.06 Severability. The provisions of this Agreement are independent of and severable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties.

Section 8.07 No Waiver. The performance of any condition or obligation imposed upon any Party may be waived only upon the written consent of the Parties. Such waiver shall be limited to the terms thereof and shall not constitute a waiver of any other condition or obligation of the other Party. Any failure by any Party to enforce any provision shall not constitute a waiver of that or any other provision or this Agreement.

Section 8.08 Counterparts. This Agreement may be executed in any number of counterparts by facsimile or other written or electronic form of communication, each of which shall be deemed to be an original as against any Party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the Parties reflected hereon as the signatories.

Section 8.09 Third Party Beneficiaries. This Agreement is for the sole benefit of the Parties hereto and their permitted assigns and nothing herein express or implied shall give or be construed to give to any Person, other than the Parties hereto and such permitted assigns, any legal or equitable rights hereunder. For avoidance of doubt, this Agreement is not for the benefit or and is not enforceable by any Shared Employee, Client or Account or any investor (directly or indirectly) in the Management Company.

Section 8.10 No Partnership or Joint Venture. Nothing set forth in this Agreement shall constitute, or be construed to create, an employment relationship, a partnership or a joint venture between the Parties. Except as expressly provided herein or in any other written agreement between the Parties, no Party has any authority, express or implied, to bind or to incur liabilities on behalf of, or in the name of, any other Party.

Section 8.11 Independent Contractor. Notwithstanding anything to the contrary, the Staff and Services Provider shall be deemed to be an independent contractor and, except as expressly provided or authorized herein, shall have no authority to act for or represent the Management Company or any Client or Account in which the Management Company acts as portfolio manager or investment manager or in a similar capacity in any manner or otherwise be deemed an agent of the Management Company or any Client or Account in which the Management Company acts as portfolio manager or investment manager or in a similar capacity.

Section 8.12 Written Disclosure Statement. The Management Company acknowledges receipt of Part 2 of the Staff and Services Provider's Form ADV, as required by Rule 204-3 under the Advisers Act, on or before the date of execution of this Agreement.

Section 8.13 Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 8.14 Entire Agreement. This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, between the Parties with respect to such subject matter.

Section 8.15 Notices. Any notice or demand to any Party to be given, made or served for any purposes under this Agreement shall be given, made or served by sending the same by overnight mail or email transmission or by delivering it by hand as follows:

- (a) If to the Management Company:

NexPoint Advisors, L.P.  
200 Crescent Court  
Suite 700  
Dallas, TX 75201

(b) If to the Staff and Services Provider:

Highland Capital Management, L.P.  
300 Crescent Court  
Suite 700  
Dallas, TX 75201


or to such other address or email address as shall have been notified to the other Parties.

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IN WITNESS WHEREOF, each Party has caused this Agreement to be executed as of the date hereof by its duly authorized representative.

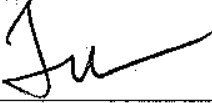
**NEXPOINT ADVISORS, L.P.**

By: NexPoint Advisors GP, LLC, its  
General Partner

By:   
\_\_\_\_\_  
Name: Frank Waterhouse  
Title: Treasurer

**HIGHLAND CAPITAL  
MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its General  
Partner

By:   
\_\_\_\_\_  
Name: Frank Waterhouse  
Title: Treasurer



## AMENDED AND RESTATED SHARED SERVICES AGREEMENT

This Amended and Restated Shared Services Agreement (as amended, modified, waived, supplemented or restated from time to time in accordance with the terms hereof, this "Agreement"), dated effective as of January 1, 2018, is entered into by and between NexPoint Real Estate Advisors, L.P., a Delaware limited partnership, as the management company hereunder (in such capacity, the "Management Company"), and Highland Capital Management, L.P., a Delaware limited partnership ("Highland"), as the staff and services provider hereunder (in such capacity, the "Staff and Services Provider" and together with the Management Company, the "Parties").

### RECITALS

WHEREAS, the Staff and Services Provider is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act");

WHEREAS, the Staff and Services Provider and the Management Company are engaged in the business of providing investment management services;

WHEREAS, the Parties entered into that certain Shared Services Agreement, dated effective as of April 1, 2015 (the "Original Agreement");

WHEREAS, the Parties desire to amend and restate the Original Agreement and the Staff and Services Provider is hereby being retained to provide certain back- and middle-office services and administrative, infrastructure and other services to assist the Management Company in conducting its business, and the Staff and Services Provider is willing to make such services available to the Management Company, in each case, on the terms and conditions hereof;

WHEREAS, the Management Company may employ certain individuals to perform portfolio selection and asset management functions for the Management Company, and certain of these individuals may also be employed simultaneously by the Staff and Services Provider during their employment with the Management Company; and

WHEREAS, each Person employed by both the Management Company and the Staff and Services Provider as described above (each, a "Shared Employee"), if any, is and shall be identified on the books and records of each of the Management Company and the Staff and Services Provider (as amended, modified, supplemented or restated from time to time).

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree, and the Original Agreement is hereby amended, restated and replaced in its entirety as follows.

### ARTICLE I

#### DEFINITIONS

Section 1.01 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

“Affiliate” shall mean with respect to a Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the first Person. The term “control” means (i) the legal or beneficial ownership of securities representing a majority of the voting power of any person or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether by contract or otherwise.

“Applicable Asset Criteria and Concentrations” means any applicable eligibility criteria, portfolio concentration limits and other similar criteria or limits which the Management Company instructs in writing to the Staff and Services Provider in respect of the Portfolio or one or more Accounts, as such criteria or limits may be modified, amended or supplemented from time to time in writing by the Management Company;

“Applicable Law” shall mean, with respect to any Person or property of such Person, any action, code, consent decree, constitution, decree, directive, enactment, finding, guideline, law, injunction, interpretation, judgment, order, ordinance, policy statement, proclamation, formal guidance, promulgation, regulation, requirement, rule, rule of law, rule of public policy, settlement agreement, statute, writ, or any particular section, part or provision thereof of any Governmental Authority to which the Person in question is subject or by which it or any of its property is bound.

“Client or Account” shall mean any fund, client or account advised by the Management Company, as applicable.

“Covered Person” shall mean the Staff and Services Provider, any of its Affiliates, and any of their respective managers, members, principals, partners, directors, officers, shareholders, employees and agents (but shall not include the Management Company, its subsidiaries or member(s) and any managers, members, principals, partners, directors, officers, shareholders, employees and agents of the Management Company or its subsidiaries or member(s) (in their capacity as such)).

“Governmental Authority” shall mean (i) any government or quasi-governmental authority or political subdivision thereof, whether national, state, county, municipal or regional, whether U.S. or non-U.S.; (ii) any agency, regulator, arbitrator, board, body, branch, bureau, commission, corporation, department, master, mediator, panel, referee, system or instrumentality of any such government, political subdivision or other government or quasi-government entity, whether non-U.S. or U.S.; and (iii) any court, whether U.S. or non-U.S.

“Indebtedness” shall mean: (a) all indebtedness for borrowed money and all other obligations, contingent or otherwise, with respect to surety bonds, guarantees of borrowed money, letters of credit and bankers’ acceptances whether or not matured, and hedges and other derivative contracts and financial instruments; (b) all obligations evidenced by notes, bonds, debentures, or similar instruments, or incurred under bank guaranty or letter of credit facilities or credit agreements; (c) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to any property of the Management Company or any subsidiary; (d) all capital lease obligations; (e) all indebtedness guaranteed by such Person or any of its subsidiaries; and (f) all indebtedness guaranteed by such Person or any of its subsidiaries.

“Operating Guidelines” means any operating guidelines attached to any portfolio management agreement, investment management agreement or similar agreement entered into between the Management Company and a Client or Account.

“Portfolio” means the portfolio of securities and other assets, including without limitation, financial instruments, equity investments, collateral loan obligations, debt securities, preferred return notes and other similar obligations held directly or indirectly by, or on behalf of, Clients and Accounts from time to time;

“Securities Act” shall mean the Securities Act of 1933, as amended.

Section 1.02 Interpretation. The following rules apply to the use of defined terms and the interpretation of this Agreement: (i) the singular includes the plural and the plural includes the singular; (ii) “or” is not exclusive (unless preceded by “either”) and “include” and “including” are not limiting; (iii) unless the context otherwise requires, references to agreements shall be deemed to mean and include such agreements as the same may be amended, supplemented, waived and otherwise modified from time to time; (iv) a reference to a law includes any amendment or modification to such law and any rules or regulations issued thereunder or any law enacted in substitution or replacement therefor; (v) a reference to a Person includes its successors and assigns; (vi) a reference to a Section without further reference is to the relevant Section of this Agreement; (vii) the headings of the Sections and subsections are for convenience and shall not affect the meaning of this Agreement; (viii) “writing”, “written” and comparable terms refer to printing, typing, lithography and other shall mean of reproducing words in a visible form (including telefacsimile and electronic mail); (ix) “hereof”, “herein”, “hereunder” and comparable terms refer to the entire instrument in which such terms are used and not to any particular article, section or other subdivision thereof or attachment thereto; and (x) references to any gender include any other gender, masculine, feminine or neuter, as the context requires.

## ARTICLE II

### SERVICES

Section 2.01 General Authority. Highland is hereby appointed as Staff and Services Provider for the purpose of providing such services and assistance as the Management Company may request from time to time to, and if applicable, to make available the Shared Employees to, the Management Company in accordance with and subject to the provisions of this Agreement and the Staff and Services Provider hereby accepts such appointment. The Staff and Services Provider hereby agrees to such engagement during the term hereof and to render the services described herein for the compensation provided herein, subject to the limitations contained herein.

Section 2.02 Provision of Services. Without limiting the generality of Section 2.01 and subject to Section 2.04 (Applicable Asset Criteria and Concentrations) below, the Staff and Services Provider hereby agrees, from the date hereof, to provide the following back- and middle-office services and administrative, infrastructure and other services to the Management Company.

(a) *Back- and Middle-Office*: Assistance and advice with respect to back- and middle-office functions including, but not limited to, investment research, trade desk services,

including trade execution and settlement, finance and accounting, payments, operations, book keeping, cash management, cash forecasting, accounts payable, accounts receivable, expense reimbursement, vendor management, human resources services (including, without limitation, payroll services, health insurance and employee benefits) and information technology (including, without limitation, general support and maintenance (OMS, development, system infrastructure support), telecom (cellphones, telephones and broadband, website management and email and hardware support);

(b) *Legal/Compliance/Risk Analysis.* Assistance and advice with respect to legal issues, litigation support, management of outside counsel, compliance support and implementation and general risk analysis;

(c) *Tax.* Assistance and advice with respect to tax audit support, tax planning and tax preparation and filing.

(d) *Management of Clients and Accounts.* Assistance and advice with respect to (i) the adherence to Operating Guidelines by the Management Company, and (ii) performing any obligations of the Management Company under or in connection with any back- and middle-office function set forth in any portfolio management agreement, investment management agreement or similar agreement in effect between the Management Company and any Client or Account from time to time.

(e) *Valuation.* Advice relating to the appointment of suitable third parties to provide valuations on assets comprising the Portfolio and including, but not limited to, such valuations required to facilitate the preparation of financial statements by the Management Company or the provision of valuations in connection with, or preparation of reports otherwise relating to, a Client or Account for which the Management Company serves as portfolio manager or investment manager or in a similar capacity;

(f) *Execution and Documentation.* Assistance relating to the negotiation of the terms of, and the execution and delivery by the Management Company of, any and all documents which the Management Company considers to be necessary in connection with the acquisition and disposition of an asset in the Portfolio by the Management Company or a Client or Account managed by the Management Company, transactions involving the Management Company or a Client or Account managed by the Management Company, and any other rights and obligations of the Management Company or a Client or Account managed by the Management Company;

(g) *Marketing.* Provide access to marketing team representatives to assist with the marketing of the Management Company and any specified Clients or Accounts managed by the Management Company conditional on the Management Company's agreement that any incentive compensation related to such marketing shall be borne by the Management Company;

(h) *Reporting.* Assistance relating to any reporting the Management Company is required to make in relation to the Portfolio or any Client or Account, including reports relating to (i) credit facility reporting and purchases, sales, liquidations, acquisitions, disposals, substitutions and exchanges of assets in the Portfolio, (ii) the requirements of an applicable



regulator, or (iii) other type of reporting which the Management Company and Staff and Services Provider may agree from time to time;

(i) *Administrative Services.* The provision of office space, information technology services and equipment, infrastructure, rent and parking and other related services requested or utilized by the Management Company from time to time;

(j) *Shared Employees.* To the extent applicable, the provision of Shared Employees and such additional human capital as may be mutually agreed by the Management Company and the Staff and Services Provider in accordance with the provisions of Section 2.03 hereof;

(k) *Ancillary Services.* Assistance and advice on all things ancillary or incidental to the foregoing; and

(l) *Other.* Assistance and advice relating to such other back- and middle-office services in connection with the day-to-day business of the Management Company as the Management Company and the Staff and Services Provider may from time to time agree.

For the avoidance of doubt, none of the services contemplated hereunder shall constitute investment advisory services, and the Staff & Services Provider shall not provide any advice to the Management Company or perform any duties on behalf of the Management Company, other than the back- and middle-office services contemplated herein, with respect to (a) the general management of the Management Company, its business or activities, (b) the initiation or structuring of any Client or Account or similar securitization, (c) the substantive investment management decisions with respect to any Client or Account or any related collateral obligations or securitization, (d) the actual selection of any collateral obligation or assets by the Management Company, (e) binding recommendations as to any disposal of or amendment to any Collateral Obligation or (f) any similar functions.

#### Section 2.03 Shared Employees.

(a) The Staff and Services Provider hereby agrees and consents that each Shared Employee, if any, shall be employed by the Management Company, and the Management Company hereby agrees and consents that each Shared Employee shall be employed by the Staff and Services Provider. Except as may otherwise separately be agreed in writing between the applicable Shared Employee and the Management Company and/or the Staff and Services Provider, in each of their discretion, each Shared Employee is an at-will employee and no guaranteed employment or other employment arrangement is agreed or implied by this Agreement with respect to any Shared Employee, and for avoidance of doubt this Agreement shall not amend, limit, constrain or modify in any way the employment arrangements as between any Shared Employee and the Staff and Services Provider or as between any Shared Employee and the Management Company, it being understood that the Management Company may enter into a short-form employment agreement with any Shared Employee memorializing such Shared Employee's status as an employee of the Management Company. To the extent applicable, the Staff and Services Provider shall ensure that the Management Company has sufficient access to the Shared Employees so that the Shared Employees spend adequate time to provide the services required

hereunder. The Staff and Services Provider may also employ the services of persons other than the Specified Persons as it deems fit in its sole discretion

(b) Notwithstanding that the Shared Employees, if any, shall be employed by both the Staff and Services Provider and the Management Company, the Parties acknowledge and agree that any and all salary and benefits of each Shared Employee shall be paid exclusively by the Staff and Services Provider and shall not be paid or borne by the Management Company and no additional amounts in connection therewith shall be due from the Management Company to the Staff and Services Provider.

(c) To the extent that a Shared Employee participates in the rendering of services to the Management Company's clients, the Shared Employee shall be subject to the oversight and control of the Management Company and such services shall be provided by the Shared Employee exclusively in his or her capacity as a "supervised person" of, or "person associated with", the Management Company (as such terms are defined in Sections 202(a)(25) and 202(a)(17), respectively, of the Advisers Act).

(d) Each Party may continue to oversee, supervise and manage the services of each Shared Employee in order to (1) ensure compliance with the Party's compliance policies and procedures, (2) ensure compliance with regulations applicable to the Party and (3) protect the interests of the Party and its clients; *provided* that Staff and Services Provider shall (A) cooperate with the Management Company's supervisory efforts and (B) make periodic reports to the Management Company regarding the adherence of Shared Employees to Applicable Law, including but not limited to the 1940 Act, the Advisers Act and the United States Commodity Exchange Act of 1936, as amended, in performing the services hereunder.

(e) Where a Shared Employee provides services hereunder through both Parties, the Parties shall cooperate to ensure that all such services are performed consistently with Applicable Law and relevant compliance controls and procedures designed to prevent, among other things, breaches in information security or the communication of confidential, proprietary or material non-public information.

(f) The Staff and Services Provider shall ensure that each Shared Employee has any registrations, qualifications and/or licenses necessary to provide the services hereunder.

(g) The Parties will cooperate to ensure that information about the Shared Employees is adequately and appropriately disclosed to clients, investors (and potential investors), investment banks operating as initial purchaser or placement agent with respect to any Client or Account, and regulators, as applicable. To facilitate such disclosure, the Staff and Services Provider agrees to provide, or cause to be provided, to the Management Company such information as is deemed by the Management Company to be necessary or appropriate with respect to the Staff and Services Provider and the Shared Employees (including, but not limited to, biographical information about each Shared Employee).

(h) The Parties shall cooperate to ensure that, when so required, each has adopted a Code of Ethics meeting the requirements of the Advisers Act ("Code of Ethics") that is

consistent with applicable law and which is substantially similar to the other Party's Code of Ethics.

(i) The Staff and Services Provider shall make reasonably available for use by the Management Company, including through Shared Employees providing services pursuant to this Agreement, any relevant intellectual property and systems necessary for the provision of the services hereunder.

(j) The Staff and Services Provider shall require that each Shared Employee:

(i) certify that he or she is subject to, and has been provided with, a copy of each Party's Code of Ethics and will make such reports, and seek prior clearance for such actions and activities, as may be required under the Codes of Ethics;

(ii) be subject to the supervision and oversight of each Party's officers and directors, including without limitation its Chief Compliance Officer ("CCO"), which CCO may be the same Person, with respect to the services provided to that Party or its clients;

(iii) provide services hereunder and take actions hereunder only as approved by the Management Company;

(iv) provide any information requested by a Party, as necessary to comply with applicable disclosure or regulatory obligations;

(v) to the extent authorized to transact on behalf of the Management Company or a Client or Account, take reasonable steps to ensure that any such transaction is consistent with any policies and procedures that may be established by the Parties and all Applicable Asset Criteria and Concentrations; and

(vi) act, at all times, in a manner consistent with the fiduciary duties and standard of care owed by the Management Company to its members and direct or indirect investors or to a Client or Account as well as clients of Staff and Services Provider by seeking to ensure that, among other things, information about any investment advisory or trading activity applicable to a particular client or group of clients is not used to benefit the Shared Employee, any Party or any other client or group of clients in contravention of such fiduciary duties or standard of care.

(k) Unless specifically authorized to do so, or appointed as an officer or authorized person of the Management Company with such authority, no Shared Employee may contract on behalf or in the name of the Management Company, acting as principal.

**Section 2.04 Applicable Asset Criteria and Concentrations.** The Management Company will promptly inform the Staff and Services Provider in writing of any Applicable Asset Criteria and Concentrations to which it agrees from time to time and the Staff and Services Provider shall take such Applicable Asset Criteria and Concentrations into account when providing assistance and advice in accordance with Section 2.02 above and any other assistance or advice provided in accordance with this Agreement.

Section 2.05 Compliance with Management Company Policies and Procedures. The Management Company will from time to time provide the Staff and Services Provider and the Shared Employees, if any, with any policy and procedure documentation which it establishes internally and to which it is bound to adhere in conducting its business pursuant to regulation, contract or otherwise. Subject to any other limitations in this Agreement, the Staff and Services Provider will use reasonable efforts to ensure any services it and the Shared Employees provide pursuant to this Agreement complies with or takes account of such internal policies and procedures.

Section 2.06 Authority. The Staff and Services Provider's scope of assistance and advice hereunder is limited to the services specifically provided for in this Agreement. The Staff and Services Provider shall not assume or be deemed to assume any rights or obligations of the Management Company under any other document or agreement to which the Management Company is a party. Notwithstanding any other express or implied provision to the contrary in this Agreement, the activities of the Staff and Services Provider pursuant to this Agreement shall be subject to the overall policies of the Management Company, as notified to the Staff and Services Provider from time to time. The Staff and Services Provider shall not have any duties or obligations to the Management Company unless those duties and obligations are specifically provided for in this Agreement (or in any amendment, modification or novation hereto or hereof to which the Staff and Services Provider is a party).

Section 2.07 Third Parties.

(a) The Staff and Services Provider may employ third parties, including its affiliates, to render advice, provide assistance and to perform any of its duties under this Agreement; *provided* that notwithstanding the employment of third parties for any such purpose, the Staff and Services Provider shall not be relieved of any of its obligations or liabilities under this Agreement.

(b) In providing services hereunder, the Staff and Services Provider may rely in good faith upon and will incur no liability for relying upon advice of nationally recognized counsel (which may be counsel for the Management Company, a Client or Account or any Affiliate of the foregoing), accountants or other advisers as the Staff and Services Provider determines, in its sole discretion, is reasonably appropriate in connection with the services provided by the Staff and Services Provider under this Agreement.

Section 2.08 Management Company to Cooperate with the Staff and Services Provider. In furtherance of the Staff and Services Provider's obligations under this Agreement the Management Company shall cooperate with, provide to, and fully inform the Staff and Services Provider of, any and all documents and information the Staff and Services Provider reasonably requires to perform its obligations under this Agreement.

Section 2.09 Power of Attorney. If the Management Company considers it necessary for the provision by the Staff and Services Provider of the assistance and advice under this Agreement (after consultation with the Staff and Services Provider), it may appoint the Staff and Services Provider as its true and lawful agent and attorney, with full power and authority in its name to sign, execute, certify, swear to, acknowledge, deliver, file, receive and record any and all documents



that the Staff and Services Provider reasonably deems appropriate or necessary in connection with the execution and settlement of acquisitions of assets as directed by the Management Company and the Staff and Services Provider's powers and duties hereunder (which for the avoidance of doubt shall in no way involve the discretion and/or authority of the Management Company with respect to investments). Any such power shall be revocable in the sole discretion of the Management Company.

### ARTICLE III

#### CONSIDERATION AND EXPENSES

Section 3.01 Consideration. As compensation for its performance of its obligations as Staff and Services Provider under this Agreement, the Staff and Services Provider will be entitled to receive a flat fee of \$80,000 per month (the "Staff and Services Fee"), payable monthly in advance on the first business day of each month.

Section 3.02 Costs and Expenses. Each party shall bear its own expenses; *provided* that the Management Company shall reimburse the Staff and Services Provider for any and all costs and expenses that may be borne properly by the Management Company.

Section 3.03 Deferral. Notwithstanding anything to the contrary contained herein, if on any date the Management Company determines that it would not have sufficient funds available to it to make a payment of Indebtedness, it shall have the right to defer any all and amounts payable to the Staff and Services Provider pursuant to this Agreement, including any fees and expenses; *provided* that the Management Company shall promptly pay all such amounts on the first date thereafter that sufficient amounts exist to make payment thereof.

### ARTICLE IV

#### REPRESENTATIONS AND COVENANTS

Section 4.01 Representations. Each of the Parties hereto represents and warrants that:

(a) It has full power and authority to execute and deliver, and to perform its obligations under, this Agreement;

(b) this Agreement has been duly authorized, executed and delivered by it and constitutes its valid and binding, obligation, enforceable in accordance with its terms except as the enforceability hereof may be subject to (i) bankruptcy, insolvency, reorganization moratorium, receivership, conservatorship or other similar laws now or hereafter in effect relating to creditors' rights and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding, in equity or at law);

(c) no consent, approval, authorization or order of or declaration or filing with any Governmental Authority is required for the execution of this Agreement or the performance by it of its duties hereunder, except such as have been duly made or obtained; and

(d) neither the execution and delivery of this Agreement nor the fulfillment of the terms hereof conflicts with or results in a breach or violation of any of the terms or provisions of, or constitutes a default under, (i) its constituting and organizational documents; or (ii) the terms of any material indenture, contract, lease, mortgage, deed of trust, note, agreement or other evidence of indebtedness or other material agreement, obligation, condition, covenant or instrument to which it is a party or by which it is bound.

## ARTICLE V

### COVENANTS

#### Section 5.01 Compliance; Advisory Restrictions.

(a) The Staff and Services Provider shall reasonably cooperate with the Management Company in connection with the Management Company's compliance with its policies and procedures relating to oversight of the Staff and Services Provider. Specifically, the Staff and Services Provider agrees that it will provide the Management Company with reasonable access to information relating to the performance of Staff and Services Provider's obligations under this Agreement.

(b) This Agreement is not intended to and shall not constitute an assignment, pledge or transfer of any portfolio management agreement or any part thereof. It is the express intention of the parties hereto that this Agreement and all services performed hereunder comply in all respects with all (a) applicable contractual provisions and restrictions contained in each portfolio management agreement, investment management agreement or similar agreement and each document contemplated thereby; and (b) Applicable Laws (collectively, the "Advisory Restrictions"). If any provision of this Agreement is determined to be in violation of any Advisory Restriction, then the services to be provided under this Agreement shall automatically be limited without action by any person or entity, reduced or modified to the extent necessary and appropriate to be enforceable to the maximum extent permitted by such Advisory Restriction.

#### Section 5.02 Records; Confidentiality.

The Staff and Services Provider shall maintain or cause to be maintained appropriate books of account and records relating to its services performed hereunder, and such books of account and records shall be accessible for inspection by representatives of the Management Company and its accountants and other agents at any time during normal business hours and upon not less than three (3) Business Days' prior notice; *provided* that the Staff and Services Provider shall not be obligated to provide access to any non-public information if it in good faith determines that the disclosure of such information would violate any applicable law, regulation or contractual arrangement.

The Staff and Services Provider shall follow its customary procedures to keep confidential any and all information obtained in connection with the services rendered hereunder that is either (a) of a type that would ordinarily be considered proprietary or confidential, such as information concerning the composition of assets, rates of return, credit quality, structure or ownership of securities, or (b) designated as confidential obtained in connection with the services

rendered by the Staff and Services Provider hereunder and shall not disclose any such information to non-affiliated third parties, except (i) with the prior written consent of the Management Company, (ii) such information as a rating agency shall reasonably request in connection with its rating of notes issued by a CLO or supplying credit estimates on any obligation included in the Portfolio, (iii) in connection with establishing trading or investment accounts or otherwise in connection with effecting transactions on behalf of the Management Company or any Client or Account for which the Management Company serves as portfolio manager or investment manager or in a similar capacity, (iv) as required by (A) Applicable Law or (B) the rules or regulations of any self-regulating organization, body or official having jurisdiction over the Staff and Services Provider or any of its Affiliates, (v) to its professional advisors (including, without limitation, legal, tax and accounting advisors), (vi) such information as shall have been publicly disclosed other than in known violation of this Agreement or shall have been obtained by the Staff and Services Provider on a non-confidential basis, (vii) such information as is necessary or appropriate to disclose so that the Staff and Services Provider may perform its duties hereunder, (viii) as expressly permitted in the final offering memorandum or any definitive transaction documents relating to any Client or Account, (ix) information relating to performance of the Portfolio as may be used by the Staff and Services Provider in the ordinary course of its business or (xx) such information as is routinely disclosed to the trustee, custodian or collateral administrator of any Client or Account in connection with such trustee's, custodian's or collateral administrator's performance of its obligations under the transaction documents related to such Client or Account. Notwithstanding the foregoing, it is agreed that the Staff and Services Provider may disclose without the consent of any Person (1) that it is serving as staff and services provider to the Management Company, (2) the nature, aggregate principal amount and overall performance of the Portfolio, (3) the amount of earnings on the Portfolio, (4) such other information about the Management Company, the Portfolio and the Clients or Accounts as is customarily disclosed by staff and services providers to management vehicles similar to the Management Company, and (5) the United States federal income tax treatment and United States federal income tax structure of the transactions contemplated by this Agreement and the related documents and all materials of any kind (including opinions and other tax analyses) that are provided to them relating to such United States federal income tax treatment and United States income tax structure. This authorization to disclose the U.S. tax treatment and tax structure does not permit disclosure of information identifying the Staff and Services Provider, the Clients or Accounts or any other party to the transactions contemplated by this Agreement (except to the extent such information is relevant to U.S. tax structure or tax treatment of such transactions).

## ARTICLE VI

### EXCULPATION AND INDEMNIFICATION

Section 6.01 Standard of Care. Except as otherwise expressly provided herein, each Covered Person shall discharge its duties under this Agreement with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. To the extent not inconsistent with the foregoing, each Covered Person shall follow its customary standards, policies and procedures in performing its duties hereunder. No Covered Person shall deal with the income or assets of the Management Company in such Covered Person's own interest or for its own account. Each Covered Person in its respective sole and absolute

discretion may separately engage or invest in any other business ventures, including those that may be in competition with the Management Company, and the Management Company will not have any rights in or to such ventures or the income or profits derived therefrom

**Section 6.02 Exculpation.** To the fullest extent permitted by law, no Covered Person will be liable to the Management Company, any Member, or any shareholder, partner or member thereof, for (i) any acts or omissions by such Covered Person arising out of or in connection with the conduct of the business of the Management Company or its General Partner, or any investment made or held by the Management Company or its General Partner, unless it is determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, to be the result of gross negligence or to constitute fraud or willful misconduct (as interpreted under the laws of the State of Delaware) (each, a “Disabling Conduct”) on the part of such Covered Person, (ii) any act or omission of any Investor, (iii) any mistake, gross negligence, misconduct or bad faith of any employee, broker, administrator or other agent or representative of such Covered Person, *provided* that such employee, broker, administrator or agent was selected, engaged or retained by or on behalf of such Covered Person with reasonable care, or (iv) any consequential (including loss of profit), indirect, special or punitive damages. To the extent that, at law or in equity, any Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the Management Company or any Member, no Covered Person acting under this Agreement shall be liable to the Management Company or to any such Member for its good-faith reliance on the provisions of this Agreement. The exculpations set forth in this Section 6.02 shall exculpate any Covered Person regardless of such Covered Person’s sole, comparative, joint, concurrent, or subsequent negligence.

To the fullest extent permitted by law, no Covered Person shall have any personal liability to the Management Company or any Member solely by reason of any change in U.S. federal, state or local or foreign income tax laws, or in interpretations thereof, as they apply to the Management Company or the Members, whether the change occurs through legislative, judicial or administrative action.

Any Covered Person in its sole and absolute discretion may consult legal counsel, accountants or other advisers selected by it, and any act or omission taken, or made in good faith by such Person on behalf of the Management Company or in furtherance of the business of the Management Company in good-faith reliance on and in accordance with the advice of such counsel, accountants or other advisers shall be full justification for the act or omission, and to the fullest extent permitted by applicable law, no Covered Person shall be liable to the Management Company or any Member in so acting or omitting to act if such counsel, accountants or other advisers were selected, engaged or retained with reasonable care.

**Section 6.03 Indemnification by the Management Company.** The Management Company shall and hereby does, to the fullest extent permitted by applicable law, indemnify and hold harmless any Covered Person from and against any and all claims, causes of action (including, but not limited to, strict liability, negligence, statutory violation, regulatory violation, breach of contract, and all other torts and claims arising under common law), demands, liabilities, costs, expenses, damages, losses, suits, proceedings, judgments, assessments, actions and other liabilities, whether judicial, administrative, investigative or otherwise, of whatever nature, known or unknown, liquidated or unliquidated (“Claims”), that may accrue to or be incurred by any



Covered Person, or in which any Covered Person may become involved, as a party or otherwise, or with which any Covered Person may be threatened, relating to or arising out of the investment or other activities of the Management Company or its General Partner, or activities undertaken in connection with the Management Company or its General Partner, or otherwise relating to or arising out of this Agreement, including amounts paid in satisfaction of judgments, in compromise or as fines or penalties, and attorneys' fees and expenses incurred in connection with the preparation for or defense or disposition of any investigation, action, suit, arbitration or other proceeding (a "Proceeding"), whether civil or criminal (all of such Claims, amounts and expenses referred to therein are referred to collectively as "Damages"), except to the extent that it shall have been determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, that such Damages arose primarily from Disabling Conduct of such Covered Person. The termination of any Proceeding by settlement, judgment, order, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that any Damages relating to such settlement, judgment, order, conviction or plea of nolo contendere or its equivalent or otherwise relating to such Proceeding arose primarily from Disabling Conduct of any Covered Persons. Any Covered Person shall be indemnified under the terms of this Section 6.03 regardless of such Covered Person's sole, comparative, joint, concurrent, or subsequent negligence.

Expenses (including attorneys' fees) incurred by a Covered Person in defense or settlement of any Claim that may be subject to a right of indemnification hereunder shall be advanced by the Management Company prior to the final disposition thereof upon receipt of a written undertaking by or on behalf of the Covered Person to repay the amount advanced to the extent that it shall be determined ultimately by a court of competent jurisdiction that the Covered Person is not entitled to be indemnified hereunder. The right of any Covered Persons to the indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which the Covered Person may otherwise be entitled by contract or as a matter of law or equity and shall be extended to the Covered Person's successors, assigns and legal representatives. Any judgments against the Management Company and/or any Covered Persons in respect of which such Covered Person is entitled to indemnification shall first be satisfied from the assets of the Management Company, including Drawdowns, before such Covered Person is responsible therefor.

Notwithstanding any provision of this Agreement to the contrary, the provisions of this Section 6.03 shall not be construed so as to provide for the indemnification of any Covered Person for any liability (including liability under Federal securities laws which, under certain circumstances, impose liability even on persons that act in good faith), to the extent (but only to the extent) that such indemnification would be in violation of applicable law, but shall be construed so as to effectuate the provisions of this Section 6.03 to the fullest extent permitted by law.

Section 6.04 Other Sources of Recovery etc. The indemnification rights set forth in Section 6.03 are in addition to, and shall not exclude, limit or otherwise adversely affect, any other indemnification or similar rights to which any Covered Person may be entitled. If and to the extent that other sources of recovery (including proceeds of any applicable policies of insurance or indemnification from any Person in which any of the Clients or Accounts has an investment) are available to any Covered Person, such Covered Person shall use reasonable efforts to obtain recovery from such other sources before the Company shall be required to make any payment in respect of its indemnification obligations hereunder; *provided* that, if such other recovery is not available without delay, the Covered Person shall be entitled to such payment by the Management

Company and the Management Company shall be entitled to reimbursement out of such other recovery when and if obtained.

Section 6.05 Rights of Heirs, Successors and Assigns. The indemnification rights provided by Section 6.03 shall inure to the benefit of the heirs, executors, administrators, successors and assigns of each Covered Person.

Section 6.06 Reliance. A Covered Person shall incur no liability to the Management Company or any Member in acting upon any signature or writing reasonably believed by him, her or it to be genuine, and may rely in good faith on a certificate signed by an officer of any Person in order to ascertain any fact with respect to such Person or within such Person's knowledge. Each Covered Person may act directly or through his, her or its agents or attorneys.

## ARTICLE VII

### TERMINATION

Section 7.01 Termination. Either Party may terminate this Agreement at any time upon at least thirty (30) days' written notice to the other.

## ARTICLE VIII

### MISCELLANEOUS

Section 8.01 Amendments. This Agreement may not be amended or modified except by an instrument in writing signed by each Party.

Section 8.02 Assignment and Delegation.

(a) Neither Party may assign, pledge, grant or otherwise encumber or transfer all or any part of its rights or responsibilities under this Agreement, in whole or in part, except (i) as provided in clauses (b) and (c) of this Section 8.02, without the prior written consent of the other Party and (ii) in accordance with Applicable Law.

(b) Except as otherwise provided in this Section 8.02, the Staff and Services Provider may not assign its rights or responsibilities under this Agreement unless (i) the Management Company consents in writing thereto and (ii) such assignment is made in accordance with Applicable Law.

(c) The Staff and Services Provider may, without satisfying any of the conditions of Section 8.02(a) other than clause (ii) thereof, (1) assign any of its rights or obligations under this Agreement to an Affiliate; *provided* that such Affiliate (i) has demonstrated ability, whether as an entity or by its principals and employees, to professionally and competently perform duties similar to those imposed upon the Staff and Services Provider pursuant to this Agreement and (ii) has the legal right and capacity to act as Staff and Services Provider under this Agreement, or (2) enter into (or have its parent enter into) any consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all of its assets to, another entity; *provided* that, at the time of such consolidation, merger, amalgamation or transfer the resulting, surviving or

transferee entity assumes all the obligations of the Staff and Services Provider under this Agreement generally (whether by operation of law or by contract) and the other entity is a continuation of the Staff and Services Provider in another corporate or similar form and has substantially the same staff; *provided further* that the Staff and Services Provider shall deliver ten (10) Business Days' prior notice to the Management Company of any assignment or combination made pursuant to this sentence. Upon the execution and delivery of any such assignment by the assignee, the Staff and Services Provider will be released from further obligations pursuant to this Agreement except to the extent expressly provided herein.

Section 8.03 Non-Recourse: Non-Petition.

(a) The Staff and Services Provider agrees that the payment of all amounts to which it is entitled pursuant to this Agreement shall be payable by the Management Company only to the extent of assets held in the Portfolio.

(b) Notwithstanding anything to the contrary contained herein, the liability of the Management Company to the Staff and Services Provider hereunder is limited in recourse to the Portfolio, and if the proceeds of the Portfolio following the liquidation thereof are insufficient to meet the obligations of the Management Company hereunder in full, the Management Company shall have no further liability in respect of any such outstanding obligations, and such obligations and all claims of the Staff and Services Provider or any other Person against the Management Company hereunder shall thereupon extinguish and not thereafter revive. The Staff and Services Provider accepts that the obligations of the Management Company hereunder are the corporate obligations of the Management Company and are not the obligations of any employee, member, officer, director or administrator of the Management Company and no action may be taken against any such Person in relation to the obligations of the Management Company hereunder.

(c) Notwithstanding anything to the contrary contained herein, any Staff and Services Provider agrees not to institute against, or join any other Person in instituting against, the Management Company any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings, or other proceedings under United States federal or state bankruptcy laws, or similar laws until at least one year and one day (or, if longer, the then applicable preference period plus one day) after the payment in full all amounts payable in respect of any Indebtedness incurred to finance any portion of the Portfolio; *provided* that nothing in this provision shall preclude, or be deemed to stop, the Staff and Services Provider from taking any action prior to the expiration of the aforementioned one year and one day period (or, if longer, the applicable preference period then in effect plus one day) in (i) any case or proceeding voluntarily filed or commenced by the Management Company, or (ii) any involuntary insolvency proceeding filed or commenced against the Management Company by a Person other than the Staff and Services Provider.

(d) The Management Company hereby acknowledges and agrees that the Staff and Services Provider's obligations hereunder shall be solely the corporate obligations of the Staff and Services Provider, and are not the obligations of any employee, member, officer, director or administrator of the Staff and Services Provider and no action may be taken against any such Person in relation to the obligations of the Staff and Services Provider hereunder.

(e) The provisions of this Section 8.03 shall survive termination of this Agreement for any reason whatsoever.

Section 8.04 Governing Law.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas. The Parties unconditionally and irrevocably consent to the exclusive jurisdiction of the courts located in the State of Texas and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

(b) The Parties irrevocably agree for the benefit of each other that the courts of the State of Texas and the United States District Court located in the Northern District of Texas in Dallas are to have exclusive jurisdiction to settle any disputes (whether contractual or non-contractual) which may arise out of or in connection with this Agreement and that accordingly any action arising out of or in connection therewith (together referred to as "Proceedings") may be brought in such courts. The Parties irrevocably submit to the jurisdiction of such courts and waive any objection which they may have now or hereafter to the laying of the venue of any Proceedings in any such court and any claim that any Proceedings have been brought in an inconvenient forum and further irrevocably agree that a judgment in any Proceedings brought in such courts shall be conclusive and binding upon the Parties and may be enforced in the courts of any other jurisdiction.

Section 8.05 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR ITS ENTERING INTO THIS AGREEMENT.

Section 8.06 Severability. The provisions of this Agreement are independent of and severable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties.

Section 8.07 No Waiver. The performance of any condition or obligation imposed upon any Party may be waived only upon the written consent of the Parties. Such waiver shall be limited to the terms thereof and shall not constitute a waiver of any other condition or obligation of the other Party. Any failure by any Party to enforce any provision shall not constitute a waiver of that or any other provision or this Agreement.

Section 8.08 Counterparts. This Agreement may be executed in any number of counterparts by facsimile or other written or electronic form of communication, each of which shall be deemed to be an original as against any Party whose signature appears thereon, and all of



which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the Parties reflected hereon as the signatories.

Section 8.09 Third Party Beneficiaries. This Agreement is for the sole benefit of the Parties hereto and their permitted assigns and nothing herein express or implied shall give or be construed to give to any Person, other than the Parties hereto and such permitted assigns, any legal or equitable rights hereunder. For avoidance of doubt, this Agreement is not for the benefit or and is not enforceable by any Shared Employee, Client or Account or any investor (directly or indirectly) in the Management Company.

Section 8.10 No Partnership or Joint Venture. Nothing set forth in this Agreement shall constitute, or be construed to create, an employment relationship, a partnership or a joint venture between the Parties. Except as expressly provided herein or in any other written agreement between the Parties, no Party has any authority, express or implied, to bind or to incur liabilities on behalf of, or in the name of, any other Party.

Section 8.11 Independent Contractor. Notwithstanding anything to the contrary, the Staff and Services Provider shall be deemed to be an independent contractor and, except as expressly provided or authorized herein, shall have no authority to act for or represent the Management Company or any Client or Account in which the Management Company acts as portfolio manager or investment manager or in a similar capacity in any manner or otherwise be deemed an agent of the Management Company or any Client or Account in which the Management Company acts as portfolio manager or investment manager or in a similar capacity.

Section 8.12 Written Disclosure Statement. The Management Company acknowledges receipt of Part 2 of the Staff and Services Provider's Form ADV, as required by Rule 204-3 under the Advisers Act, on or before the date of execution of this Agreement.

Section 8.13 Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 8.14 Entire Agreement. This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, between the Parties with respect to such subject matter.

Section 8.15 Notices. Any notice or demand to any Party to be given, made or served for any purposes under this Agreement shall be given, made or served by sending the same by overnight mail or email transmission or by delivering it by hand as follows:

(a) If to the Management Company:

NexPoint Real Estate Advisors, L.P.  
200 Crescent Court  
Suite 700  
Dallas, TX 75201

(b) If to the Staff and Services Provider:

Highland Capital Management, L.P.  
300 Crescent Court  
Suite 700  
Dallas, TX 75201


or to such other address or email address as shall have been notified to the other Parties.

*[The remainder of this page intentionally left blank.]*

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed as of the date hereof by its duly authorized representative.


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

By: NexPoint Real Estate Advisors GP,  
LLC, its General Partner

By:   
Name: Frank Waterhouse  
Title: Treasurer

**HIGHLAND CAPITAL  
MANAGEMENT, L.P.**

By: Strand Advisors, Inc., its General  
Partner

By:   
Name: Frank Waterhouse  
Title: Treasurer

### SUB-ADVISORY AGREEMENT

This Sub-Advisory Agreement (as amended, modified, waived, supplemented or restated from time to time in accordance with the terms hereof, this "Agreement"), dated effective as of January 1, 2018, is entered into by and between NexPoint Real Estate Advisors, L.P., a Delaware limited partnership, as the management company hereunder (in such capacity, the "Management Company"), and NexPoint Advisors, L.P., a Delaware limited partnership ("NexPoint Advisors"), as the sub-advisor hereunder (in such capacity, the "Sub-Advisor" and together with the Management Company, the "Parties").

WHEREAS, the Management Company from time to time has entered and will enter into portfolio management agreements, investment management agreements and/or similar agreements (each such agreement as amended, modified, waived, supplemented or restated, subject in each case to the requirements of Section 8, a "Management Agreement") and related indentures, credit agreements, collateral administration agreements, service agreements or other agreements (each such agreement as amended, modified, waived, supplemented or restated, subject in each case to the requirements of Section 8, a "Related Agreement"), in each case as set forth on Appendix A hereto, as amended from time to time, pursuant to which the Management Company has agreed to provide portfolio and/or investment management services to certain funds and accounts (any such fund or account, an "Account", and the assets comprising the portfolio of such Account, a "Portfolio"); and

WHEREAS, the Management Company and the Sub-Advisor desire to enter into this Agreement in order to permit the Sub-Advisor to provide certain limited services to assist the Management Company in performing certain obligations under the Management Agreements and Related Agreements.

NOW, THEREFORE, in consideration of the foregoing recitals, and the receipt of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows.

1. Appointment: Limited Scope of Services.

(a) NexPoint Advisors is hereby appointed as Sub-Advisor to the Management Company for the purpose of assisting the Management Company in managing the Portfolios of each Account pursuant to the related Management Agreement and Related Agreements, in each case that have been included in the scope of this Agreement pursuant to the provisions of Section 8, subject to the terms set forth herein and subject to the supervision of the Management Company, and NexPoint Advisors hereby accepts such appointment.

(b) Without limiting the generality of the foregoing, the Sub-Advisor shall, during the term and subject to the provisions of this Agreement:

(i) make recommendations to the Management Company in its capacity as portfolio manager, investment manager or any similar capacity for any applicable Account as to the general composition and allocation of the Portfolio with respect to such Account among various types of securities, the nature and timing of the changes therein and the manner of implementing such changes,

including recommendations as to the specific assets to be purchased, retained or sold by any such Account;

(ii) place orders with respect to, and arrange for, any investment by or on behalf of such Account (including executing and delivering all documents relating to such Account's investments on behalf of such Account or the Management Company, as applicable), upon receiving a proper instruction from the Management Company;

(iii) identify, evaluate and recommend to the Management Company, in its capacity as portfolio manager, investment manager or any similar capacity for any applicable Account, and, if applicable, negotiate the structure and/or terms of investment opportunities within the specific investment strategy of the Management Company for such Account;

(iv) assist the Management Company in its capacity as portfolio manager, investment manager or any similar capacity for any applicable Account in performing due diligence on prospective Portfolio investments by such Account;

(v) provide information to the Management Company in its capacity as portfolio manager, investment manager or any similar capacity for any applicable Account regarding any investments to facilitate the monitoring and servicing of such investments and, if requested by the Management Company, provide information to assist in monitoring and servicing other investments by such Account;

(vi) assist and advise the Management Company in its capacity as portfolio manager, investment manager or any similar capacity for any applicable Account with respect to credit functions including, but not limited to, credit analysis and market research and analysis; and

(vii) assist the Management Company in performing any of its other obligations or duties as portfolio manager, investment manager or any similar capacity for any applicable Account.

The foregoing responsibilities and obligations are collectively referred to herein as the "Services."

Notwithstanding the foregoing, all investment decisions will ultimately be the responsibility of, and will be made by and at the sole discretion of, the Management Company. Furthermore, the parties acknowledge and agree that the Sub-Advisor shall be required to provide only the services expressly described in this Section 1(b), and shall have no responsibility hereunder to provide any other services to the Management Company, including, but not limited to, administrative, management or similar services.

(c) The Sub-Advisor agrees during the term hereof to furnish the Services on the terms and conditions set forth herein and subject to the limitations contained herein. The Sub-Advisor agrees that, in performing the Services, it will comply with all applicable obligations of the Management Company set forth in the Management Agreements and the Related Agreements.

In addition, with respect to any obligation that would be part of the Services but for the fact that the relevant Management Agreement or Related Agreement does not permit such obligation to be delegated by the Management Company to the Sub-Advisor, the Sub-Advisor, upon request in writing by the Management Company, shall work in good faith with the Management Company and shall use commercially reasonable efforts to assist the Management Company in satisfying all such obligations.

2. Compensation.

(a) As compensation for its performance of its obligations as Sub-Advisor under this Agreement, the Sub-Advisor will be entitled to receive a monthly fee in the amount of One Hundred Twenty Thousand and 00/100 Dollars (\$120,000.00) (the "Sub-Advisory Fee"). The Sub-Advisory Fee shall be payable monthly in advance.

(b) Each party shall bear its own expenses.

(c) Notwithstanding anything to the contrary contained herein, if on any date the Management Company determines that it would not have sufficient funds available to it to make a payment of Indebtedness, it shall have the right to defer any and all amounts payable to the Sub-Advisor pursuant to this Agreement, including any fees and expenses; *provided* that the Management Company shall promptly pay all such amounts on the first date thereafter that sufficient amounts exist to make payment thereof.

3. Representations and Warranties.

(a) Each of the Management Company and the Sub-Advisor represents and warrants, as to itself only, that:

(i) it has full power and authority to execute and deliver, and to perform its obligations under, this Agreement;

(ii) this Agreement has been duly authorized, executed and delivered by it and constitutes its valid and binding, obligation, enforceable in accordance with its terms except as the enforceability hereof may be subject to (i) bankruptcy, insolvency, reorganization moratorium, receivership, conservatorship or other similar laws now or hereafter in effect relating to creditors' rights and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding, in equity or at law);

(iii) no consent, approval, authorization or order of or declaration or filing with any government, governmental instrumentality or court or other person or entity is required for the execution of this Agreement or the performance by it of its duties hereunder, except such as have been duly made or obtained; and

(iv) neither the execution and delivery of this Agreement nor the fulfillment of the terms hereof conflicts with or results in a breach or violation of any of the terms or provisions of, or constitutes a default under, (A) its constituting and organizational documents; (B) the terms of any material indenture, contract,



lease, mortgage, deed of trust, note, agreement or other evidence of indebtedness or other material agreement, obligation, condition, covenant or instrument to which it is a party or by which it is bound; (C) any statute applicable to it; or (D) any law, decree, order, rule or regulation applicable to it of any court or regulatory, administrative or governmental agency, body of authority or arbitration having or asserting jurisdiction over it or its properties, which, in the case of clauses (B) through (D) above, would have a material adverse effect upon the performance of its duties hereunder.

(b) The Sub-Advisor represents and warrants to the Management Company that it is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

(c) The Management Company acknowledges that it has received Part 2 of the Sub-Advisor’s Form ADV filed with the Securities and Exchange Commission. The Sub-Advisor will provide to the Management Company an updated copy of Part 2 of its Form ADV promptly upon any amendment to such Form ADV being filed with the Securities and Exchange Commission.

#### 4. Standard of Care; Liability; Indemnification.

(a) Sub-Advisor Standard of Care. Subject to the terms and provisions of this Agreement, the Management Agreements and/or the Related Agreements, as applicable, the Sub-Advisor will perform its obligations hereunder and under the Management Agreements and/or the Related Agreements in good faith with reasonable care using a degree of skill and attention no less than that which the Sub-Advisor uses with respect to comparable assets that it manages for others and, without limiting the foregoing, in a manner which the Sub-Advisor reasonably believes to be consistent with the practices and procedures followed by institutional managers of national standing relating to assets of the nature and character of the Portfolios, in each case except as expressly provided otherwise under this Agreement, the Management Agreements and/or the Related Agreements. To the extent not inconsistent with the foregoing, the Sub-Advisor will follow its customary standards, policies and procedures in performing its duties hereunder, under the Management Agreements and/or under the Related Agreements.

(b) Exculpation. To the fullest extent permitted by law, none of the Sub-Advisor, any of its affiliates, and any of their respective managers, members, principals, partners, directors, officers, shareholders, employees and agents (but shall not include the Management Company, its subsidiaries or member(s) and any managers, members, principals, partners, directors, officers, shareholders, employees and agents of the Management Company or its subsidiaries or member(s) (in their capacity as such)) (each a “Covered Person”) will be liable to the Management Company, any Member, any shareholder, partner or member thereof, any Account (or any other adviser, agent or representative thereof), or to any holder of notes, securities or other indebtedness issued by any Account (collectively, the “Management Company Related Parties”), for (i) any acts or omissions by such Covered Person arising out of or in connection with the provision of the Services hereunder, for any losses that may be sustained in the purchase, holding or sale of any security or debt obligation by any Account, or as a result of any activities of the Sub-Advisor, the Management Company or any other adviser to or agent of the Account or

any other sub-advisor appointed by the Management Company to provide portfolio management services to any other delegatee of the Management Company or any other person or entity, unless it is determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, to be the result of gross negligence or to constitute fraud or willful misconduct (as interpreted under the laws of the State of Delaware) (each, a “Disabling Conduct”) on the part of such Covered Person, (ii) any mistake, gross negligence, misconduct or bad faith of any employee, broker, administrator or other agent or representative of the Sub-Advisor, *provided* that such employee, broker, administrator or agent was selected, engaged or retained by or on behalf of the Sub-Advisor with reasonable care, or (iii) any consequential (including loss of profit), indirect, special or punitive damages. To the extent that, at law or in equity, any Covered Person has duties (including fiduciary duties) and liabilities relating thereto to any Management Company Related Party, no Covered Person acting under this Agreement shall be liable to such Management Company Related Party for its good-faith reliance on the provisions of this Agreement. The exculpations set forth in this Section 4(b) shall exculpate any Covered Person regardless of such Covered Person’s sole, comparative, joint, concurrent, or subsequent negligence.

To the fullest extent permitted by law, no Covered Person shall have any personal liability to any Management Company Related Party solely by reason of any change in U.S. federal, state or local or foreign income tax laws, or in interpretations thereof, as they apply to any such Management Company Related Party, whether the change occurs through legislative, judicial or administrative action.

Any Covered Person in its sole and absolute discretion may consult legal counsel, accountants or other advisers selected by it, and any act or omission taken, or made in good faith by such Person on behalf of the Management Company or in furtherance of the business of the Management Company in good-faith reliance on and in accordance with the advice of such counsel, accountants or other advisers shall be full justification for the act or omission, and to the fullest extent permitted by applicable law, no Covered Person shall be liable to any Management Company Related Party in so acting or omitting to act if such counsel, accountants or other advisers were selected, engaged or retained with reasonable care.

(c) Indemnification. The Management Company shall and hereby does, to the fullest extent permitted by applicable law, indemnify and hold harmless any Covered Person from and against any and all claims, causes of action (including, but not limited to, strict liability, negligence, statutory violation, regulatory violation, breach of contract, and all other torts and claims arising under common law), demands, liabilities, costs, expenses, damages, losses, suits, proceedings, judgments, assessments, actions and other liabilities, whether judicial, administrative, investigative or otherwise, of whatever nature, known or unknown, liquidated or unliquidated, whether currently existing or accruing in the future (“Claims”), that may accrue to or be incurred by any Covered Person, or in which any Covered Person may become involved, as a party or otherwise, or with which any Covered Person may be threatened, relating to or arising out of the Services, the activities of the Management Company Related Parties, or activities undertaken in connection with the Management Company Related Parties, or otherwise relating to or arising out of this Agreement, any Management Agreement and/or the Related Documents, including amounts paid in satisfaction of judgments, in compromise or as fines or penalties, and attorneys’ fees and expenses incurred in connection with the preparation for or defense or disposition of any investigation, action, suit, arbitration or other proceeding (a “Proceeding”),



whether civil or criminal (all of such Claims, amounts and expenses referred to therein are referred to collectively as “Damages”), except to the extent that it shall have been determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, that such Damages arose primarily from Disabling Conduct of such Covered Person. The termination of any Proceeding by settlement, judgment, order, conviction or upon a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that any Damages relating to such settlement, judgment, order, conviction or plea of *nolo contendere* or its equivalent or otherwise relating to such Proceeding arose primarily from Disabling Conduct of any Covered Persons. Any Covered Person shall be indemnified under the terms of this Section 4(c) regardless of such Covered Person’s sole, comparative, joint, concurrent, or subsequent negligence.

Expenses (including attorneys’ fees) incurred by a Covered Person in defense or settlement of any Claim that may be subject to a right of indemnification hereunder shall be advanced by the Management Company prior to the final disposition thereof upon receipt of a written undertaking by or on behalf of the Covered Person to repay the amount advanced to the extent that it shall be determined ultimately by a court of competent jurisdiction that the Covered Person is not entitled to be indemnified hereunder. The right of any Covered Persons to the indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which the Covered Person may otherwise be entitled by contract or as a matter of law or equity and shall be extended to the Covered Person’s successors, assigns and legal representatives. Any judgments against the Management Company and/or any Covered Persons in respect of which such Covered Person is entitled to indemnification shall first be satisfied from the assets of the Management Company, including Drawdowns, before such Covered Person is responsible therefor.

Notwithstanding any provision of this Agreement to the contrary, the provisions of this Section 4(c) shall not be construed so as to provide for the indemnification of any Covered Person for any liability (including liability under Federal securities laws which, under certain circumstances, impose liability even on persons that act in good faith), to the extent (but only to the extent) that such indemnification would be in violation of applicable law, but shall be construed so as to effectuate the provisions of this Section 4(c) to the fullest extent permitted by law

(d) Other Sources of Recovery etc. The indemnification rights set forth in Section 4(c) are in addition to, and shall not exclude, limit or otherwise adversely affect, any other indemnification or similar rights to which any Covered Person may be entitled. If and to the extent that other sources of recovery (including proceeds of any applicable policies of insurance or indemnification from any Person in which any Account has an investment) are available to any Covered Person, such Covered Person shall use reasonable efforts to obtain recovery from such other sources before the Company shall be required to make any payment in respect of its indemnification obligations hereunder; *provided* that, if such other recovery is not available without delay, the Covered Person shall be entitled to such payment by the Management Company and the Management Company shall be entitled to reimbursement out of such other recovery when and if obtained

(e) Rights of Heirs, Successors and Assigns. The indemnification rights provided by Section 4(c) shall inure to the benefit of the heirs, executors, administrators, successors and assigns of each Covered Person

(f) Reliance. A Covered Person shall incur no liability to any Management Company Related Party in acting upon any signature or writing reasonably believed by him, her or it to be genuine, and may rely in good faith on a certificate signed by an officer of any Person in order to ascertain any fact with respect to such Person or within such Person's knowledge. Each Covered Person may act directly or through his, her or its agents or attorneys.

(g) Rights Under Management Agreements and Related Agreements. The Management Company will ensure that the Sub-Advisor is provided substantially similar indemnification and exculpation rights as are afforded to the Management Company in its role as portfolio manager under any future Management Agreement or Related Agreement encompassed within the Services hereunder, and it is expressly acknowledged by the Parties that the Sub-Advisor may not consent to including a Management Agreement and Related Agreements within the scope of this Agreement pursuant to Section 8 if such indemnification and exculpation rights are not reasonably acceptable to it.

5. Limitations on Employment of the Sub-Advisor: Conflicts of Interest.

(a) The services of the Sub-Advisor to the Management Company are not exclusive, and the Sub-Advisor may engage in any other business or render similar or different services to others including, without limitation, the direct or indirect sponsorship or management of other transactions, investment-based accounts or commingled pools of capital, however structured, having investment objectives similar to those of the Management Company or the Accounts. Moreover, nothing in this Agreement shall limit or restrict the right of any manager, partner, officer or employee of the Sub-Advisor to engage in any other business or to devote his or her time and attention in part to any other business, whether of a similar or dissimilar nature to the Management Company or any Account, or to receive any fees or compensation in connection therewith.

(b) So long as this Agreement or any extension, renewal or amendment of this Agreement remains in effect, the Sub-Advisor shall be the only portfolio management sub-advisor for the Management Company. The Sub-Advisor assumes no responsibility under this Agreement other than to render the services called for hereunder. It is understood that directors, officers, employees, members and managers of the Management Company are or may become interested in the Sub-Advisor and its Affiliates as directors, officers, employees, partners, stockholders, members, managers or otherwise, and that the Sub-Advisor and directors, officers, employees, partners, stockholders, members and managers of the Sub-Advisor and its Affiliates are or may become similarly interested in the Management Company as members or otherwise.

(c) The Management Company acknowledges that various potential and actual conflicts of interest may exist with respect to the Sub-Advisor as described in the Sub-Advisor's Form ADV Part 2A and as described in Appendix B hereto, and the Management Company expressly acknowledges and agrees to the provisions contained in such Appendix B, as amended from time to time with mutual consent of the Parties.

6. Termination; Survival.

(a) This Agreement may be terminated, in its entirety or with respect to any Management Agreement, at any time without payment of penalty, by the Management Company upon 30 days' prior written notice to the Sub-Advisor.

(b) This Agreement shall terminate automatically with respect to any Management Agreement on the date on which (i) such Management Agreement has been terminated (and, if required thereunder, a successor portfolio manager has been appointed and accepted) or discharged; or (ii) the Management Company is no longer acting as portfolio manager, investment manager or in a similar capacity (whether due to removal, resignation or assignment) under such Management Agreement and the Related Agreements. Upon the termination of this Agreement with respect to any Management Agreement the Management Company shall provide prompt notice thereof to the Sub-Advisor, and Appendix A hereto shall be deemed to be amended by deleting such Management Agreement and the Related Agreements related thereto.

(c) All accrued and unpaid financial and indemnification obligations with respect to any conduct or events occurring prior to the effective date of the termination of this Agreement shall survive the termination of this Agreement.

7. Cooperation with Management Company. The Sub-Advisor shall reasonably cooperate with the Management Company in connection with the Management Company's compliance with its policies and procedures relating to oversight of the Sub-Advisor. Specifically, the Sub-Advisor agrees that it will provide the Management Company with reasonable access to information relating to the performance of Sub-Advisor's obligations under this Agreement.

8. Management Agreements and Related Agreements. The Sub-Advisor's duty to provide Services in connection with any Management Agreement shall not commence until (a) Appendix A to this Agreement has been amended by mutual agreement of the Parties to include such Management Agreement and the related Account, fund and/or account and Related Agreements and (b) the Sub-Advisor acknowledges receipt of such Management Agreement and each Related Agreement. The Sub-Advisor shall not be bound to comply with any amendment, modification, supplement or waiver to any Management Agreement or any Related Agreement until it has received a copy thereof from the Management Company. No amendment, modification, supplement or waiver to any Management Agreement or Related Agreement that, when applied to the obligations and rights of the Management Company under such Management Agreement or Related Agreement, affects (i) the obligations or rights of the Sub-Advisor hereunder; (ii) the amount or priority of any fees or other amounts payable to the Sub-Advisor hereunder; or (iii) any definitions relating to the matters covered in clause (i) or (ii) above, will apply to the Sub-Advisor under this Agreement unless in each such case the Sub-Advisor has consented thereto in writing (such consent not to be unreasonably withheld or delayed unless the Sub-Advisor determines in its reasonable judgment that such amendment, modification, supplement or waiver could have a material adverse effect on the Sub-Advisor).

9. Amendments; Assignments.

(a) Neither Party may assign, pledge, grant or otherwise encumber or transfer all or any part of its rights or responsibilities under this Agreement, in whole or in part, except (i) as provided in clauses (b) and (c) of this Section 9, without the prior written consent of the other Party and (ii) in accordance with the Advisers Act and other applicable law.

(b) Except as otherwise provided in this Section 9, the Sub-Advisor may not assign its rights or responsibilities under this Agreement unless (i) the Management Company consents in writing thereto and (ii) such assignment is made in accordance with the Advisers Act and other applicable law.

(c) The Sub-Advisor may, without satisfying any of the conditions of Section 9(a) other than clause (ii) thereof (so long as such assignment does not constitute an assignment within the meaning of Section 202(a)(1) of the Advisers Act), (1) assign any of its rights or obligations under this Agreement to an affiliate; *provided* that such affiliate (i) has demonstrated ability, whether as an entity or by its principals and employees, to professionally and competently perform duties similar to those imposed upon the Sub-Advisor pursuant to this Agreement and (ii) has the legal right and capacity to act as Sub-Advisor under this Agreement, or (2) enter into (or have its parent enter into) any consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all of its assets to, another entity; *provided* that, at the time of such consolidation, merger, amalgamation or transfer the resulting, surviving or transferee entity assumes all the obligations of the Sub-Advisor under this Agreement generally (whether by operation of law or by contract) and the other entity is a continuation of the Sub-Advisor in another corporate or similar form and has substantially the same staff; *provided*, further, that the Sub-Advisor shall deliver ten (10) Business Days' prior notice to the Management Company of any assignment or combination made pursuant to this sentence. Upon the execution and delivery of any such assignment by the assignee, the Sub-Advisor will be released from further obligations pursuant to this Agreement except to the extent expressly provided herein.

10. Advisory Restrictions. This Agreement is not intended to and shall not constitute an assignment, pledge or transfer of any Management Agreement or any part thereof. It is the express intention of the parties hereto that (i) the Services are limited in scope; and (ii) this Agreement complies in all respects with all applicable (A) contractual provisions and restrictions contained in each Management Agreement and each Related Agreement and (B) laws, rules and regulations (collectively, the "Advisory Restrictions"). If any provision of this Agreement is determined to be in violation of any Advisory Restriction, then the Services to be provided under this Agreement shall automatically without action by any person or entity be limited, reduced or modified to the extent necessary and appropriate to be enforceable to the maximum extent permitted by such Advisory Restriction.

11. Records; Confidentiality.

(a) The Sub-Advisor shall maintain or cause to be maintained appropriate books of account and records relating to its services performed hereunder, and such books of account and records shall be accessible for inspection by representatives of the Management Company and its accountants and other agents at any time during normal business hours and upon



not less than three (3) Business Days' prior notice; provided, that the Sub-Advisor shall not be obligated to provide access to any non-public information if it in good faith determines that the disclosure of such information would violate any applicable law, regulation or contractual arrangement.

(b) The Sub-Advisor shall follow its customary procedures to keep confidential any and all information obtained in connection with the services rendered hereunder that is either (a) of a type that would ordinarily be considered proprietary or confidential, such as information concerning the composition of assets, rates of return, credit quality, structure or ownership of securities, or (b) designated as confidential obtained in connection with the services rendered by the Sub-Advisor hereunder and shall not disclose any such information to non-affiliated third parties except (i) with the prior written consent of the Management Company, (ii) such information as a rating agency shall reasonably request in connection with its rating of notes issued by an Account or supplying credit estimates on any obligation included in the Portfolios, (iii) in connection with establishing trading or investment accounts or otherwise in connection with effecting transactions on behalf of the Management Company or any Account for which the Management Company serves as portfolio manager, (iv) as required by (A) applicable law or (B) the rules or regulations of any self-regulating organization, body or official having jurisdiction over the Sub-Advisor or any of its affiliates, (v) to its professional advisors (including, without limitation, legal, tax and accounting advisors), (vi) such information as shall have been publicly disclosed other than in known violation of this Agreement or shall have been obtained by the Sub-Advisor on a non-confidential basis, (vii) such information as is necessary or appropriate to disclose so that the Sub-Advisor may perform its duties hereunder, (viii) as expressly permitted in the final offering memorandum or any definitive transaction documents relating to any transaction, or (ix) information relating to performance of the Portfolios as may be used by the Sub-Advisor in the ordinary course of its business. Notwithstanding the foregoing, it is agreed that the Sub-Advisor may disclose without the consent of any Person (1) that it is serving as Sub-Advisor to the Management Company and each Account, (2) the nature, aggregate principal amount and overall performance of the Portfolios, (3) the amount of earnings on the Portfolios, (4) such other information about the Management Company, the Portfolios as is customarily disclosed by Sub-Advisors to management vehicles similar to the Management Company, and (5) the United States federal income tax treatment and United States federal income tax structure of the transactions contemplated by this Agreement and the related documents and all materials of any kind (including opinions and other tax analyses) that are provided to them relating to such United States federal income tax treatment and United States income tax structure. This authorization to disclose the U.S. tax treatment and tax structure does not permit disclosure of information identifying the Sub-Advisor, the Management Company, the Accounts or any other party to the transactions contemplated by this Agreement (except to the extent such information is relevant to U.S. tax structure or tax treatment of such transactions).

12. Notice. Any notice or demand to any party to this Agreement to be given, made or served for any purposes under this Agreement shall be given, made or served by sending the same by overnight mail, facsimile or email transmission or by delivering it by hand as follows (or to such other address, email address or facsimile number as shall have been notified to the other parties hereto):

(a) If to the Management Company:

NexPoint Real Estate Advisors, L.P.  
200 Crescent Court  
Suite 700  
Dallas, TX 75201

(b) If to the Sub-Advisor:

NexPoint Advisors, L.P.  
200 Crescent Court  
Suite 700  
Dallas, TX 75201

13. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas. The parties unconditionally and irrevocably consent to the exclusive jurisdiction of the courts located in the State of Texas and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

14. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR ITS ENTERING INTO THIS AGREEMENT.

15. Severability. The provisions of this Agreement are independent of and severable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties.

16. No Waiver. The performance of any condition or obligation imposed upon any party hereunder may be waived only upon the written consent of the parties hereto. Such waiver shall be limited to the terms thereof and shall not constitute a waiver of any other condition or obligation of the other party under this Agreement. Any failure by any party to this Agreement to enforce any provision shall not constitute a waiver of that or any other provision or this Agreement.

17. Counterparts. This Agreement may be executed in any number of counterparts by facsimile or other written form of communication, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

18. Third Party Beneficiaries. Nothing in this Agreement will be construed to give any person or entity other than the parties to this Agreement, the Accounts and any person or entity with indemnification rights hereunder any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement. Except as provided in the foregoing sentence, this Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and assigns.

19. No Partnership or Joint Venture. Nothing set forth in this Agreement shall constitute, or be construed to create, an employment relationship, a partnership or a joint venture between the parties. Except as expressly provided herein or in any other written agreement between the parties, no party has any authority, express or implied, to bind or to incur liabilities on behalf of, or in the name of, any other party.

20. Entire Agreement. This Agreement, together with each Management Agreement and Related Agreement, constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, between the parties with respect to such subject matter.

[Remainder of Page Intentionally Left Blank]



IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

**NEXPOINT REAL ESTATE ADVISORS, L.P.,**  
as the Management Company

By: NexPoint Real Estate Advisors GP, LLC, its  
General Partner

By: 

Name: Frank Waterhouse

Title: Treasurer

**NEXPOINT ADVISORS, L.P.,**  
as the Sub-Advisory

By: NexPoint Advisors GP, LLC, its General  
Partner

By: 

Name: Frank Waterhouse

Title: Treasurer

*Sub-Advisory Agreement*

002403

ACL-081498

Appendix A

Fund or Account	Management Agreement	Related Agreements	Date of Management Agreement
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

APPENDIX BPurchase and Sale Transactions; Brokerage

The Management Company acknowledges and agrees that the Sub-Advisor or any of its affiliates may acquire or sell obligations or securities, for its own account or for the accounts of its clients, without either requiring or precluding the acquisition or sale of such obligations or securities for the account of any Account. Such investments may be the same or different from those made by or on behalf of the Management Company or the Accounts.

Additional Activities of the Sub-Advisor

Nothing herein shall prevent the Sub-Advisor or any of its clients, its partners, its members, funds or other investment accounts managed by it or any of its affiliates, or their employees and their affiliates (collectively, the “Related Entities”), from engaging in other businesses, or from rendering services of any kind to the Management Company, its affiliates, any Account or any other Person or entity regardless of whether such business is in competition with the Management Company, its affiliates, such Account or otherwise. Without limiting the generality of the Sub-Advisor and its Related Entities may:

(a) serve as managers or directors (whether supervisory or managing), officers, employees, partners, agents, nominees or signatories for the Management Company or any affiliate thereof, or for any obligor or issuer in respect of any of the Portfolio assets or any affiliate thereof, to the extent permitted by their respective organizational documents and underlying instruments, as from time to time amended, or by any resolutions duly adopted by the Management Company, any Account, their respective affiliates or any obligor or issuer in respect of any of the Portfolio assets (or any affiliate thereof) pursuant to their respective organizational documents;

(b) receive fees for services of whatever nature rendered to the obligor or issuer in respect of any of the Portfolio Assets or any affiliate thereof;

(c) be retained to provide services unrelated to this Agreement to the Management Company, any Account or their respective affiliates and be paid therefor, on an arm’s-length basis;

(d) be a secured or unsecured creditor of, or hold a debt obligation of or equity interest in, the Management Company, any Account or any affiliate thereof or any obligor or issuer of any Portfolio asset or any affiliate thereof;

(e) sell any Portfolio asset to, or purchase or acquire any Portfolio asset from, any Account while acting in the capacity of principal or agent; *provided, however*, that any such sale or purchase effected by the Sub-Advisor shall be subject to applicable law and any applicable provisions of this Agreement, the related Management Agreement and Related Agreements, as applicable;

(f) underwrite, arrange, structure, originate, syndicate, act as a distributor of or make a market in any Portfolio asset;

(g) serve as a member of any “creditors’ board”, “creditors’ committee” or similar creditor group with respect to any Portfolio asset; or

(h) act as portfolio manager, portfolio manager, investment manager and/or investment adviser or sub-advisor in collateralized bond obligation vehicles, collateralized loan obligation vehicles and other similar warehousing, financing or other investment vehicles.

As a result, such individuals may possess information relating to obligors and issuers of Portfolio assets that is (a) not known to or (b) known but restricted as to its use by the individuals at the Sub-Advisor responsible for monitoring the Portfolio assets and performing the Services under this Agreement. Each of such ownership and other relationships may result in securities laws restrictions on Transactions in such securities by the Management Company and/or any Account and otherwise create conflicts of interest for the Management Company and/or any Account. The Management Company acknowledges and agrees that, in all such instances, the Sub-Advisor and its affiliates may in their discretion make investment recommendations and decisions that may be the same as or different from those made by the Management Company with respect to the investments of any Account and they have no duty, in making or managing such investments, to act in a way that is favorable to any Account.

The Management Company acknowledges that there are generally no ethical screens or information barriers between the Sub-Advisor and certain of its affiliates of the type that many firms implement to separate Persons who make investment decisions from others who might possess applicable material, non-public information that could influence such decisions. The officers or affiliates of the Sub-Advisor may possess information relating to obligors or issuers of Portfolio Assets that is not known to the individuals at the Sub-Advisor responsible for providing the Services under this Agreement. As a result, the Sub-Advisor may from time to time come into possession of material nonpublic information that limits the ability of the Sub-Advisor to effect a Transaction for the Management Company and/or any Account, and the Management Company and/or such Account’s investments may be constrained as a consequence of the Sub-Advisor’s inability to use such information for advisory purposes or otherwise to effect Transactions that otherwise may have been initiated on behalf of its clients, including the Management Company and/or such Account.

Unless the Sub-Advisor determines in its sole discretion that a Portfolio investment complies with the conflicts of interest provisions set forth in the applicable Management Agreement and Related Agreements, the Sub-Advisor will not direct any Account to acquire or sell loans or securities entered into or issued by (i) Persons of which the Sub-Advisor, any of its affiliates or any of its officers, directors or employees are directors or officers, (ii) Persons of which the Sub-Advisor or any of its respective affiliates act as principal or (iii) Persons about which the Sub-Advisor or any of its affiliates have material non-public information which the Sub-Advisor deems would prohibit it from advising as to the trading of such securities in accordance with applicable law.

It is understood that the Sub-Advisor and any of its affiliates may engage in any other business and furnish investment management and advisory services to others, including Persons which may have investment policies similar to those followed by the Management Company with respect to the Portfolio assets and which may own securities or obligations of the same class, or which are of the same type, as the Portfolio assets or other securities or obligations of the obligors or issuers of the Portfolio assets. The Sub-Advisor and its affiliates will be free, in their sole discretion, to

make recommendations to others, or effect Transactions on behalf of themselves or for others, which may be the same as or different from those effected with respect to the Collateral. Nothing in this Agreement, in the Management Agreements or in the Related Agreements shall prevent the Sub-Advisor or any of its affiliates, acting either as principal or agent on behalf of others, from buying or selling, or from recommending to or directing any other account to buy or sell, at any time, securities or obligations of the same kind or class, or securities or obligations of a different kind or class of the same obligor or issuer, as those directed by the Sub-Advisor to be purchased or sold on behalf of an Account. It is understood that, to the extent permitted by applicable law, the Sub-Advisor, its Related Entities, or any of their owners, directors, managers, officers, stockholders, members, partners, partnership committee members, employees, agents or affiliates or the other Covered Persons or any member of their families or a Person or entity advised by the Sub-Advisor may have an interest in a particular transaction or in securities or obligations of the same kind or class, or securities or obligations of a different kind or class of the same issuer, as those that may be owned or acquired by an Account. The Management Company agrees that, in the course of providing the Services, the Sub-Advisor may consider its relationships with other clients (including obligors and issuers) and its affiliates.

The Management Company agrees that neither the Sub-Advisor nor any of its affiliates is under any obligation to offer any investment opportunity of which they become aware to the Management Company or any Account or to account to the Management Company or any Account for (or share with the Management Company or any Account or inform the Management Company or any Account of) any such transaction or any benefit received by them from any such transaction. The Management Company understands that the Sub-Advisor and/or its affiliates may have, for their own accounts or for the accounts of others, portfolios with substantially the same portfolio criteria as are applicable to the Accounts. Furthermore, the Sub-Advisor and/or its affiliates may make an investment on behalf of any client or on their own behalf without offering the investment opportunity or making any investment on behalf of the Management Company or any Account and, accordingly, investment opportunities may not be allocated among all such clients. The Management Company acknowledges that affirmative obligations may arise in the future, whereby the Sub-Advisor and/or its affiliates are obligated to offer certain investments to clients before or without the Sub-Advisor offering those investments to the Management Company or any Account.

The Management Company acknowledges that the Sub-Advisor and its affiliates may make and/or hold investments in an obligor's or issuer's obligations or securities that may be *pari passu*, senior or junior in ranking to an investment in such obligor's or issuer's obligations or securities made and/or held by the Management Company or any Account, or in which partners, security holders, members, officers, directors, agents or employees of the Sub-Advisor and its affiliates serve on boards of directors, or otherwise have ongoing relationships or otherwise have interests different from or adverse to those of the Management Company and the Accounts.

#### Defined Terms

For purposes of this Appendix B, the following defined terms shall have the meanings set forth below:

"Portfolio" shall mean, with respect to any Account, the assets held by or in the name of the Account or any subsidiary of the Account in respect of such Transaction, whether or not for the benefit of the related secured parties, securing the obligations of such Account.

“Transaction” shall mean any action taken by the Sub-Advisor on behalf of any Account with respect to the Portfolio, including, without limitation, (i) selecting the Portfolio assets to be acquired by the Account, (ii) investing and reinvesting the Portfolio, (iii) amending, waiving and/or taking any other action commensurate with managing the Portfolio and (iv) instructing the Account with respect to any acquisition, disposition or tender of a Portfolio asset or other assets received in respect thereof in the open market or otherwise by the Account.



### SUB-ADVISORY AGREEMENT

This Sub-Advisory Agreement (as amended, modified, waived, supplemented or restated from time to time in accordance with the terms hereof, this "Agreement"), dated effective as of January 1, 2018, is entered into by and between NexPoint Advisors, L.P., a Delaware limited partnership, as the management company hereunder (in such capacity, the "Management Company"), and Highland Capital Management, L.P., a Delaware limited partnership ("Highland"), as the sub-advisor hereunder (in such capacity, the "Sub-Advisor" and together with the Management Company, the "Parties").

WHEREAS, the Management Company from time to time has entered and will enter into portfolio management agreements, investment management agreements and/or similar agreements (each such agreement as amended, modified, waived, supplemented or restated, subject in each case to the requirements of Section 8, a "Management Agreement") and related indentures, credit agreements, collateral administration agreements, service agreements or other agreements (each such agreement as amended, modified, waived, supplemented or restated, subject in each case to the requirements of Section 8, a "Related Agreement"), in each case as set forth on Appendix A hereto, as amended from time to time, pursuant to which the Management Company has agreed to provide portfolio and/or investment management services to certain funds and accounts (any such fund or account, an "Account", and the assets comprising the portfolio of such Account, a "Portfolio"); and

WHEREAS, the Management Company and the Sub-Advisor desire to enter into this Agreement in order to permit the Sub-Advisor to provide certain limited services to assist the Management Company in performing certain obligations under the Management Agreements and Related Agreements.

NOW, THEREFORE, in consideration of the foregoing recitals, and the receipt of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows.

1. Appointment; Limited Scope of Services.

(a) Highland is hereby appointed as Sub-Advisor to the Management Company for the purpose of assisting the Management Company in managing the Portfolios of each Account pursuant to the related Management Agreement and Related Agreements, in each case that have been included in the scope of this Agreement pursuant to the provisions of Section 8, subject to the terms set forth herein and subject to the supervision of the Management Company, and Highland hereby accepts such appointment.

(b) Without limiting the generality of the foregoing, the Sub-Advisor shall, during the term and subject to the provisions of this Agreement:

(i) make recommendations to the Management Company in its capacity as portfolio manager, investment manager or any similar capacity for any applicable Account as to the general composition and allocation of the Portfolio with respect to such Account among various types of securities, the nature and timing of the changes therein and the manner of implementing such changes,



including recommendations as to the specific assets to be purchased, retained or sold by any such Account;

(ii) place orders with respect to, and arrange for, any investment by or on behalf of such Account (including executing and delivering all documents relating to such Account's investments on behalf of such Account or the Management Company, as applicable), upon receiving a proper instruction from the Management Company;

(iii) identify, evaluate and recommend to the Management Company, in its capacity as portfolio manager, investment manager or any similar capacity for any applicable Account, and, if applicable, negotiate the structure and/or terms of investment opportunities within the specific investment strategy of the Management Company for such Account;

(iv) assist the Management Company in its capacity as portfolio manager, investment manager or any similar capacity for any applicable Account in performing due diligence on prospective Portfolio Investments by such Account;

(v) provide information to the Management Company in its capacity as portfolio manager, investment manager or any similar capacity for any applicable Account regarding any investments to facilitate the monitoring and servicing of such investments and, if requested by the Management Company, provide information to assist in monitoring and servicing other investments by such Account;

(vi) assist and advise the Management Company in its capacity as portfolio manager, investment manager or any similar capacity for any applicable Account with respect to credit functions including, but not limited to, credit analysis and market research and analysis; and

(vii) assist the Management Company in performing any of its other obligations or duties as portfolio manager, investment manager or any similar capacity for any applicable Account.

The foregoing responsibilities and obligations are collectively referred to herein as the "Services."

Notwithstanding the foregoing, all investment decisions will ultimately be the responsibility of, and will be made by and at the sole discretion of, the Management Company. Furthermore, the parties acknowledge and agree that the Sub-Advisor shall be required to provide only the services expressly described in this Section 1(b), and shall have no responsibility hereunder to provide any other services to the Management Company, including, but not limited to, administrative, management or similar services.

(c) The Sub-Advisor agrees during the term hereof to furnish the Services on the terms and conditions set forth herein and subject to the limitations contained herein. The Sub-Advisor agrees that, in performing the Services, it will comply with all applicable obligations of the Management Company set forth in the Management Agreements and the Related Agreements.

In addition, with respect to any obligation that would be part of the Services but for the fact that the relevant Management Agreement or Related Agreement does not permit such obligation to be delegated by the Management Company to the Sub-Advisor, the Sub-Advisor, upon request in writing by the Management Company, shall work in good faith with the Management Company and shall use commercially reasonable efforts to assist the Management Company in satisfying all such obligations.

2. Compensation.

(a) As compensation for its performance of its obligations as Sub-Advisor under this Agreement, the Sub-Advisor will be entitled to receive a monthly fee in the amount of Two Hundred Fifty-Two Thousand and 00/100 Dollars (\$252,000.00) (the "Sub-Advisory Fee"). The Sub-Advisory Fee shall be payable monthly in advance.

(b) Each party shall bear its own expenses.

(c) Notwithstanding anything to the contrary contained herein, if on any date the Management Company determines that it would not have sufficient funds available to it to make a payment of Indebtedness, it shall have the right to defer any and all amounts payable to the Sub-Advisor pursuant to this Agreement, including any fees and expenses; *provided* that the Management Company shall promptly pay all such amounts on the first date thereafter that sufficient amounts exist to make payment thereof.

3. Representations and Warranties.

(a) Each of the Management Company and the Sub-Advisor represents and warrants, as to itself only, that:

(i) it has full power and authority to execute and deliver, and to perform its obligations under, this Agreement;

(ii) this Agreement has been duly authorized, executed and delivered by it and constitutes its valid and binding, obligation, enforceable in accordance with its terms except as the enforceability hereof may be subject to (i) bankruptcy, insolvency, reorganization moratorium, receivership, conservatorship or other similar laws now or hereafter in effect relating to creditors' rights and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding, in equity or at law);

(iii) no consent, approval, authorization or order of or declaration or filing with any government, governmental instrumentality or court or other person or entity is required for the execution of this Agreement or the performance by it of its duties hereunder, except such as have been duly made or obtained; and

(iv) neither the execution and delivery of this Agreement nor the fulfillment of the terms hereof conflicts with or results in a breach or violation of any of the terms or provisions of, or constitutes a default under, (A) its constituting and organizational documents; (B) the terms of any material indenture, contract,

lease, mortgage, deed of trust, note, agreement or other evidence of indebtedness or other material agreement, obligation, condition, covenant or instrument to which it is a party or by which it is bound; (C) any statute applicable to it; or (D) any law, decree, order, rule or regulation applicable to it of any court or regulatory, administrative or governmental agency, body of authority or arbitration having or asserting jurisdiction over it or its properties, which, in the case of clauses (B) through (D) above, would have a material adverse effect upon the performance of its duties hereunder.

(b) The Sub-Advisor represents and warrants to the Management Company that it is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

(c) The Management Company acknowledges that it has received Part 2 of the Sub-Advisor’s Form ADV filed with the Securities and Exchange Commission. The Sub-Advisor will provide to the Management Company an updated copy of Part 2 of its Form ADV promptly upon any amendment to such Form ADV being filed with the Securities and Exchange Commission.

#### 4. Standard of Care; Liability; Indemnification.

(a) Sub-Advisor Standard of Care. Subject to the terms and provisions of this Agreement, the Management Agreements and/or the Related Agreements, as applicable, the Sub-Advisor will perform its obligations hereunder and under the Management Agreements and/or the Related Agreements in good faith with reasonable care using a degree of skill and attention no less than that which the Sub-Advisor uses with respect to comparable assets that it manages for others and, without limiting the foregoing, in a manner which the Sub-Advisor reasonably believes to be consistent with the practices and procedures followed by institutional managers of national standing relating to assets of the nature and character of the Portfolios, in each case except as expressly provided otherwise under this Agreement, the Management Agreements and/or the Related Agreements. To the extent not inconsistent with the foregoing, the Sub-Advisor will follow its customary standards, policies and procedures in performing its duties hereunder, under the Management Agreements and/or under the Related Agreements.

(b) Exculpation. To the fullest extent permitted by law, none of the Sub-Advisor, any of its affiliates, and any of their respective managers, members, principals, partners, directors, officers, shareholders, employees and agents (but shall not include the Management Company, its subsidiaries or member(s) and any managers, members, principals, partners, directors, officers, shareholders, employees and agents of the Management Company or its subsidiaries or member(s) (in their capacity as such)) (each a “Covered Person”) will be liable to the Management Company, any Member, any shareholder, partner or member thereof, any Account (or any other adviser, agent or representative thereof), or to any holder of notes, securities or other indebtedness issued by any Account (collectively, the “Management Company Related Parties”), for (i) any acts or omissions by such Covered Person arising out of or in connection with the provision of the Services hereunder; for any losses that may be sustained in the purchase, holding or sale of any security or debt obligation by any Account, or as a result of any activities of the Sub-Advisor, the Management Company or any other adviser to or agent of the Account or

any other sub-advisor appointed by the Management Company to provide portfolio management services to any other delegatee of the Management Company or any other person or entity, unless it is determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, to be the result of gross negligence or to constitute fraud or willful misconduct (as interpreted under the laws of the State of Delaware) (each, a “Disabling Conduct”) on the part of such Covered Person, (ii) any mistake, gross negligence, misconduct or bad faith of any employee, broker, administrator or other agent or representative of the Sub-Advisor, *provided* that such employee, broker, administrator or agent was selected, engaged or retained by or on behalf of the Sub-Advisor with reasonable care, or (iii) any consequential (including loss of profit), indirect, special or punitive damages. To the extent that, at law or in equity, any Covered Person has duties (including fiduciary duties) and liabilities relating thereto to any Management Company Related Party, no Covered Person acting under this Agreement shall be liable to such Management Company Related Party for its good-faith reliance on the provisions of this Agreement. The exculpations set forth in this Section 4(b) shall exculpate any Covered Person regardless of such Covered Person’s sole, comparative, joint, concurrent, or subsequent negligence.

To the fullest extent permitted by law, no Covered Person shall have any personal liability to any Management Company Related Party solely by reason of any change in U.S. federal, state or local or foreign income tax laws, or in interpretations thereof, as they apply to any such Management Company Related Party, whether the change occurs through legislative, judicial or administrative action.

Any Covered Person in its sole and absolute discretion may consult legal counsel, accountants or other advisers selected by it, and any act or omission taken, or made in good faith by such Person on behalf of the Management Company or in furtherance of the business of the Management Company in good-faith reliance on and in accordance with the advice of such counsel, accountants or other advisers shall be full justification for the act or omission, and to the fullest extent permitted by applicable law, no Covered Person shall be liable to any Management Company Related Party in so acting or omitting to act if such counsel, accountants or other advisers were selected, engaged or retained with reasonable care.

(c) Indemnification. The Management Company shall and hereby does, to the fullest extent permitted by applicable law, indemnify and hold harmless any Covered Person from and against any and all claims, causes of action (including, but not limited to, strict liability, negligence, statutory violation, regulatory violation, breach of contract, and all other torts and claims arising under common law), demands, liabilities, costs, expenses, damages, losses, suits, proceedings, judgments, assessments, actions and other liabilities, whether judicial, administrative, investigative or otherwise, of whatever nature, known or unknown, liquidated or unliquidated, whether currently existing or accruing in the future (“Claims”), that may accrue to or be incurred by any Covered Person, or in which any Covered Person may become involved, as a party or otherwise, or with which any Covered Person may be threatened, relating to or arising out of the Services, the activities of the Management Company Related Parties, or activities undertaken in connection with the Management Company Related Parties, or otherwise relating to or arising out of this Agreement, any Management Agreement and/or the Related Documents, including amounts paid in satisfaction of judgments, in compromise or as fines or penalties, and attorneys’ fees and expenses incurred in connection with the preparation for or defense or disposition of any investigation, action, suit, arbitration or other proceeding (a “Proceeding”),



whether civil or criminal (all of such Claims, amounts and expenses referred to therein are referred to collectively as “Damages”), except to the extent that it shall have been determined ultimately by a court of competent jurisdiction, in a final nonappealable judgment, that such Damages arose primarily from Disabling Conduct of such Covered Person. The termination of any Proceeding by settlement, judgment, order, conviction or upon a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that any Damages relating to such settlement, judgment, order, conviction or plea of *nolo contendere* or its equivalent or otherwise relating to such Proceeding arose primarily from Disabling Conduct of any Covered Persons. Any Covered Person shall be indemnified under the terms of this Section 4(c) regardless of such Covered Person’s sole, comparative, joint, concurrent, or subsequent negligence.

Expenses (including attorneys’ fees) incurred by a Covered Person in defense or settlement of any Claim that may be subject to a right of indemnification hereunder shall be advanced by the Management Company prior to the final disposition thereof upon receipt of a written undertaking by or on behalf of the Covered Person to repay the amount advanced to the extent that it shall be determined ultimately by a court of competent jurisdiction that the Covered Person is not entitled to be indemnified hereunder. The right of any Covered Persons to the indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which the Covered Person may otherwise be entitled by contract or as a matter of law or equity and shall be extended to the Covered Person’s successors, assigns and legal representatives. Any judgments against the Management Company and/or any Covered Persons in respect of which such Covered Person is entitled to indemnification shall first be satisfied from the assets of the Management Company, including Drawdowns, before such Covered Person is responsible therefor.

Notwithstanding any provision of this Agreement to the contrary, the provisions of this Section 4(c) shall not be construed so as to provide for the indemnification of any Covered Person for any liability (including liability under Federal securities laws which, under certain circumstances, impose liability even on persons that act in good faith), to the extent (but only to the extent) that such indemnification would be in violation of applicable law, but shall be construed so as to effectuate the provisions of this Section 4(c) to the fullest extent permitted by law

(d) Other Sources of Recovery etc. The indemnification rights set forth in Section 4(c) are in addition to, and shall not exclude, limit or otherwise adversely affect, any other indemnification or similar rights to which any Covered Person may be entitled. If and to the extent that other sources of recovery (including proceeds of any applicable policies of insurance or indemnification from any Person in which any Account has an investment) are available to any Covered Person, such Covered Person shall use reasonable efforts to obtain recovery from such other sources before the Company shall be required to make any payment in respect of its indemnification obligations hereunder; *provided* that, if such other recovery is not available without delay, the Covered Person shall be entitled to such payment by the Management Company and the Management Company shall be entitled to reimbursement out of such other recovery when and if obtained

(e) Rights of Heirs, Successors and Assigns. The indemnification rights provided by Section 4(c) shall inure to the benefit of the heirs, executors, administrators, successors and assigns of each Covered Person

(f) Reliance. A Covered Person shall incur no liability to any Management Company Related Party in acting upon any signature or writing reasonably believed by him, her or it to be genuine, and may rely in good faith on a certificate signed by an officer of any Person in order to ascertain any fact with respect to such Person or within such Person's knowledge. Each Covered Person may act directly or through his, her or its agents or attorneys.

(g) Rights Under Management Agreements and Related Agreements. The Management Company will ensure that the Sub-Advisor is provided substantially similar indemnification and exculpation rights as are afforded to the Management Company in its role as portfolio manager under any future Management Agreement or Related Agreement encompassed within the Services hereunder, and it is expressly acknowledged by the Parties that the Sub-Advisor may not consent to including a Management Agreement and Related Agreements within the scope of this Agreement pursuant to Section 8 if such indemnification and exculpation rights are not reasonably acceptable to it.

5. Limitations on Employment of the Sub-Advisor; Conflicts of Interest.

(a) The services of the Sub-Advisor to the Management Company are not exclusive, and the Sub-Advisor may engage in any other business or render similar or different services to others including, without limitation, the direct or indirect sponsorship or management of other transactions, investment-based accounts or commingled pools of capital, however structured, having investment objectives similar to those of the Management Company or the Accounts. Moreover, nothing in this Agreement shall limit or restrict the right of any manager, partner, officer or employee of the Sub-Advisor to engage in any other business or to devote his or her time and attention in part to any other business, whether of a similar or dissimilar nature to the Management Company or any Account, or to receive any fees or compensation in connection therewith.

(b) So long as this Agreement or any extension, renewal or amendment of this Agreement remains in effect, the Sub-Advisor shall be the only portfolio management sub-advisor for the Management Company. The Sub-Advisor assumes no responsibility under this Agreement other than to render the services called for hereunder. It is understood that directors, officers, employees, members and managers of the Management Company are or may become interested in the Sub-Advisor and its Affiliates as directors, officers, employees, partners, stockholders, members, managers or otherwise, and that the Sub-Advisor and directors, officers, employees, partners, stockholders, members and managers of the Sub-Advisor and its Affiliates are or may become similarly interested in the Management Company as members or otherwise.

(c) The Management Company acknowledges that various potential and actual conflicts of interest may exist with respect to the Sub-Advisor as described in the Sub-Advisor's Form ADV Part 2A and as described in Appendix B hereto, and the Management Company expressly acknowledges and agrees to the provisions contained in such Appendix B, as amended from time to time with mutual consent of the Parties.

6. Termination; Survival.

(a) This Agreement may be terminated, in its entirety or with respect to any Management Agreement, at any time without payment of penalty, by the Management Company upon 30 days' prior written notice to the Sub-Advisor.

(b) This Agreement shall terminate automatically with respect to any Management Agreement on the date on which (i) such Management Agreement has been terminated (and, if required thereunder, a successor portfolio manager has been appointed and accepted) or discharged; or (ii) the Management Company is no longer acting as portfolio manager, investment manager or in a similar capacity (whether due to removal, resignation or assignment) under such Management Agreement and the Related Agreements. Upon the termination of this Agreement with respect to any Management Agreement the Management Company shall provide prompt notice thereof to the Sub-Advisor, and Appendix A hereto shall be deemed to be amended by deleting such Management Agreement and the Related Agreements related thereto.

(c) All accrued and unpaid financial and indemnification obligations with respect to any conduct or events occurring prior to the effective date of the termination of this Agreement shall survive the termination of this Agreement.

7. Cooperation with Management Company. The Sub-Advisor shall reasonably cooperate with the Management Company in connection with the Management Company's compliance with its policies and procedures relating to oversight of the Sub-Advisor. Specifically, the Sub-Advisor agrees that it will provide the Management Company with reasonable access to information relating to the performance of Sub-Advisor's obligations under this Agreement.

8. Management Agreements and Related Agreements. The Sub-Advisor's duty to provide Services in connection with any Management Agreement shall not commence until (a) Appendix A to this Agreement has been amended by mutual agreement of the Parties to include such Management Agreement and the related Account, fund and/or account and Related Agreements and (b) the Sub-Advisor acknowledges receipt of such Management Agreement and each Related Agreement. The Sub-Advisor shall not be bound to comply with any amendment, modification, supplement or waiver to any Management Agreement or any Related Agreement until it has received a copy thereof from the Management Company. No amendment, modification, supplement or waiver to any Management Agreement or Related Agreement that, when applied to the obligations and rights of the Management Company under such Management Agreement or Related Agreement, affects (i) the obligations or rights of the Sub-Advisor hereunder; (ii) the amount or priority of any fees or other amounts payable to the Sub-Advisor hereunder; or (iii) any definitions relating to the matters covered in clause (i) or (ii) above, will apply to the Sub-Advisor under this Agreement unless in each such case the Sub-Advisor has consented thereto in writing (such consent not to be unreasonably withheld or delayed unless the Sub-Advisor determines in its reasonable judgment that such amendment, modification, supplement or waiver could have a material adverse effect on the Sub-Advisor).



9. Amendments; Assignments.

(a) Neither Party may assign, pledge, grant or otherwise encumber or transfer all or any part of its rights or responsibilities under this Agreement, in whole or in part, except (i) as provided in clauses (b) and (c) of this Section 9, without the prior written consent of the other Party and (ii) in accordance with the Advisers Act and other applicable law.

(b) Except as otherwise provided in this Section 9, the Sub-Advisor may not assign its rights or responsibilities under this Agreement unless (i) the Management Company consents in writing thereto and (ii) such assignment is made in accordance with the Advisers Act and other applicable law.

(c) The Sub-Advisor may, without satisfying any of the conditions of Section 9(a) other than clause (ii) thereof (so long as such assignment does not constitute an assignment within the meaning of Section 202(a)(1) of the Advisers Act), (1) assign any of its rights or obligations under this Agreement to an affiliate; *provided* that such affiliate (i) has demonstrated ability, whether as an entity or by its principals and employees, to professionally and competently perform duties similar to those imposed upon the Sub-Advisor pursuant to this Agreement and (ii) has the legal right and capacity to act as Sub-Advisor under this Agreement, or (2) enter into (or have its parent enter into) any consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all of its assets to, another entity; *provided* that, at the time of such consolidation, merger, amalgamation or transfer the resulting, surviving or transferee entity assumes all the obligations of the Sub-Advisor under this Agreement generally (whether by operation of law or by contract) and the other entity is a continuation of the Sub-Advisor in another corporate or similar form and has substantially the same staff; *provided*, further, that the Sub-Advisor shall deliver ten (10) Business Days' prior notice to the Management Company of any assignment or combination made pursuant to this sentence. Upon the execution and delivery of any such assignment by the assignee, the Sub-Advisor will be released from further obligations pursuant to this Agreement except to the extent expressly provided herein.

10. Advisory Restrictions. This Agreement is not intended to and shall not constitute an assignment, pledge or transfer of any Management Agreement or any part thereof. It is the express intention of the parties hereto that (i) the Services are limited in scope; and (ii) this Agreement complies in all respects with all applicable (A) contractual provisions and restrictions contained in each Management Agreement and each Related Agreement and (B) laws, rules and regulations (collectively, the "Advisory Restrictions"). If any provision of this Agreement is determined to be in violation of any Advisory Restriction, then the Services to be provided under this Agreement shall automatically without action by any person or entity be limited, reduced or modified to the extent necessary and appropriate to be enforceable to the maximum extent permitted by such Advisory Restriction.

11. Records; Confidentiality.

(a) The Sub-Advisor shall maintain or cause to be maintained appropriate books of account and records relating to its services performed hereunder, and such books of account and records shall be accessible for inspection by representatives of the Management Company and its accountants and other agents at any time during normal business hours and upon

not less than three (3) Business Days' prior notice; provided, that the Sub-Advisor shall not be obligated to provide access to any non-public information if it in good faith determines that the disclosure of such information would violate any applicable law, regulation or contractual arrangement.

(b) The Sub-Advisor shall follow its customary procedures to keep confidential any and all information obtained in connection with the services rendered hereunder that is either (a) of a type that would ordinarily be considered proprietary or confidential, such as information concerning the composition of assets, rates of return, credit quality, structure or ownership of securities, or (b) designated as confidential obtained in connection with the services rendered by the Sub-Advisor hereunder and shall not disclose any such information to non-affiliated third parties except (i) with the prior written consent of the Management Company, (ii) such information as a rating agency shall reasonably request in connection with its rating of notes issued by an Account or supplying credit estimates on any obligation included in the Portfolios, (iii) in connection with establishing trading or investment accounts or otherwise in connection with effecting transactions on behalf of the Management Company or any Account for which the Management Company serves as portfolio manager, (iv) as required by (A) applicable law or (B) the rules or regulations of any self-regulating organization, body or official having jurisdiction over the Sub-Advisor or any of its affiliates, (v) to its professional advisors (including, without limitation, legal, tax and accounting advisors), (vi) such information as shall have been publicly disclosed other than in known violation of this Agreement or shall have been obtained by the Sub-Advisor on a non-confidential basis, (vii) such information as is necessary or appropriate to disclose so that the Sub-Advisor may perform its duties hereunder, (viii) as expressly permitted in the final offering memorandum or any definitive transaction documents relating to any transaction, or (ix) information relating to performance of the Portfolios as may be used by the Sub-Advisor in the ordinary course of its business. Notwithstanding the foregoing, it is agreed that the Sub-Advisor may disclose without the consent of any Person (1) that it is serving as Sub-Advisor to the Management Company and each Account, (2) the nature, aggregate principal amount and overall performance of the Portfolios, (3) the amount of earnings on the Portfolios, (4) such other information about the Management Company, the Portfolios as is customarily disclosed by Sub-Advisors to management vehicles similar to the Management Company, and (5) the United States federal income tax treatment and United States federal income tax structure of the transactions contemplated by this Agreement and the related documents and all materials of any kind (including opinions and other tax analyses) that are provided to them relating to such United States federal income tax treatment and United States income tax structure. This authorization to disclose the U.S. tax treatment and tax structure does not permit disclosure of information identifying the Sub-Advisor, the Management Company, the Accounts or any other party to the transactions contemplated by this Agreement (except to the extent such information is relevant to U.S. tax structure or tax treatment of such transactions).

12. Notice. Any notice or demand to any party to this Agreement to be given, made or served for any purposes under this Agreement shall be given, made or served by sending the same by overnight mail, facsimile or email transmission or by delivering it by hand as follows (or to such other address, email address or facsimile number as shall have been notified to the other parties hereto):

- (a) If to the Management Company:

NexPoint Advisors, L.P.  
200 Crescent Court  
Suite 700  
Dallas, TX 75201

- (b) If to the Sub-Advisor:

Highland Capital Management, L.P.  
300 Crescent Court  
Suite 700  
Dallas, TX 75201

13. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas. The parties unconditionally and irrevocably consent to the exclusive jurisdiction of the courts located in the State of Texas and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

14. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR ITS ENTERING INTO THIS AGREEMENT.

15. Severability. The provisions of this Agreement are independent of and severable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties.

16. No Waiver. The performance of any condition or obligation imposed upon any party hereunder may be waived only upon the written consent of the parties hereto. Such waiver shall be limited to the terms thereof and shall not constitute a waiver of any other condition or obligation of the other party under this Agreement. Any failure by any party to this Agreement to enforce any provision shall not constitute a waiver of that or any other provision or this Agreement.

17. Counterparts. This Agreement may be executed in any number of counterparts by facsimile or other written form of communication, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

18. Third Party Beneficiaries. Nothing in this Agreement will be construed to give any person or entity other than the parties to this Agreement, the Accounts and any person or entity with indemnification rights hereunder any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement. Except as provided in the foregoing sentence, this Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and assigns.

19. No Partnership or Joint Venture. Nothing set forth in this Agreement shall constitute, or be construed to create, an employment relationship, a partnership or a joint venture between the parties. Except as expressly provided herein or in any other written agreement between the parties, no party has any authority, express or implied, to bind or to incur liabilities on behalf of, or in the name of, any other party.

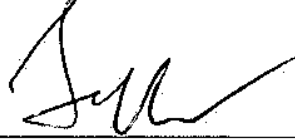
20. Entire Agreement. This Agreement, together with each Management Agreement and Related Agreement, constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, between the parties with respect to such subject matter.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

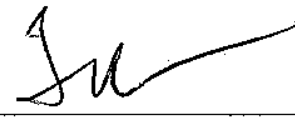
**HIGHLAND CAPITAL MANAGEMENT, L.P.,**  
as the Sub-Advisor

By: Strand Advisors, Inc., its General Partner

By:   
Name: Frank Waterhouse  
Title: Treasurer

**NEXPOINT ADVISORS, L.P.,**  
as the Management Company

By: NexPoint Advisors GP, LLC, its General Partner

By:   
Name: Frank Waterhouse  
Title: Treasurer

*Sub-Advisory Agreement*

Appendix A

Fund or Account	Management Agreement	Related Agreements	Date of Management Agreement
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



## APPENDIX B

### Purchase and Sale Transactions; Brokerage

The Management Company acknowledges and agrees that the Sub-Advisor or any of its affiliates may acquire or sell obligations or securities, for its own account or for the accounts of its clients, without either requiring or precluding the acquisition or sale of such obligations or securities for the account of any Account. Such investments may be the same or different from those made by or on behalf of the Management Company or the Accounts.

### Additional Activities of the Sub-Advisor

Nothing herein shall prevent the Sub-Advisor or any of its clients, its partners, its members, funds or other investment accounts managed by it or any of its affiliates, or their employees and their affiliates (collectively, the “Related Entities”), from engaging in other businesses, or from rendering services of any kind to the Management Company, its affiliates, any Account or any other Person or entity regardless of whether such business is in competition with the Management Company, its affiliates, such Account or otherwise. Without limiting the generality of the Sub-Advisor and its Related Entities may:

(a) serve as managers or directors (whether supervisory or managing), officers, employees, partners, agents, nominees or signatories for the Management Company or any affiliate thereof, or for any obligor or issuer in respect of any of the Portfolio assets or any affiliate thereof, to the extent permitted by their respective organizational documents and underlying instruments, as from time to time amended, or by any resolutions duly adopted by the Management Company, any Account, their respective affiliates or any obligor or issuer in respect of any of the Portfolio assets (or any affiliate thereof) pursuant to their respective organizational documents;

(b) receive fees for services of whatever nature rendered to the obligor or issuer in respect of any of the Portfolio Assets or any affiliate thereof;

(c) be retained to provide services unrelated to this Agreement to the Management Company, any Account or their respective affiliates and be paid therefor, on an arm’s-length basis;

(d) be a secured or unsecured creditor of, or hold a debt obligation of or equity interest in, the Management Company, any Account or any affiliate thereof or any obligor or issuer of any Portfolio asset or any affiliate thereof;

(e) sell any Portfolio asset to, or purchase or acquire any Portfolio asset from, any Account while acting in the capacity of principal or agent; *provided, however*, that any such sale or purchase effected by the Sub-Advisor shall be subject to applicable law and any applicable provisions of this Agreement, the related Management Agreement and Related Agreements, as applicable;

(f) underwrite, arrange, structure, originate, syndicate, act as a distributor of or make a market in any Portfolio asset;



(g) serve as a member of any “creditors’ board”, “creditors’ committee” or similar creditor group with respect to any Portfolio asset; or

(h) act as portfolio manager, portfolio manager, investment manager and/or investment adviser or sub-advisor in collateralized bond obligation vehicles, collateralized loan obligation vehicles and other similar warehousing, financing or other investment vehicles.

As a result, such individuals may possess information relating to obligors and issuers of Portfolio assets that is (a) not known to or (b) known but restricted as to its use by the individuals at the Sub-Advisor responsible for monitoring the Portfolio assets and performing the Services under this Agreement. Each of such ownership and other relationships may result in securities laws restrictions on Transactions in such securities by the Management Company and/or any Account and otherwise create conflicts of interest for the Management Company and/or any Account. The Management Company acknowledges and agrees that, in all such instances, the Sub-Advisor and its affiliates may in their discretion make investment recommendations and decisions that may be the same as or different from those made by the Management Company with respect to the investments of any Account and they have no duty, in making or managing such investments, to act in a way that is favorable to any Account.

The Management Company acknowledges that there are generally no ethical screens or information barriers between the Sub-Advisor and certain of its affiliates of the type that many firms implement to separate Persons who make investment decisions from others who might possess applicable material, non-public information that could influence such decisions. The officers or affiliates of the Sub-Advisor may possess information relating to obligors or issuers of Portfolio Assets that is not known to the individuals at the Sub-Advisor responsible for providing the Services under this Agreement. As a result, the Sub-Advisor may from time to time come into possession of material nonpublic information that limits the ability of the Sub-Advisor to effect a Transaction for the Management Company and/or any Account, and the Management Company and/or such Account’s investments may be constrained as a consequence of the Sub-Advisor’s inability to use such information for advisory purposes or otherwise to effect Transactions that otherwise may have been initiated on behalf of its clients, including the Management Company and/or such Account.

Unless the Sub-Advisor determines in its sole discretion that a Portfolio investment complies with the conflicts of interest provisions set forth in the applicable Management Agreement and Related Agreements, the Sub-Advisor will not direct any Account to acquire or sell loans or securities entered into or issued by (i) Persons of which the Sub-Advisor, any of its affiliates or any of its officers, directors or employees are directors or officers, (ii) Persons of which the Sub-Advisor or any of its respective affiliates act as principal or (iii) Persons about which the Sub-Advisor or any of its affiliates have material non-public information which the Sub-Advisor deems would prohibit it from advising as to the trading of such securities in accordance with applicable law.

It is understood that the Sub-Advisor and any of its affiliates may engage in any other business and furnish investment management and advisory services to others, including Persons which may have investment policies similar to those followed by the Management Company with respect to the Portfolio assets and which may own securities or obligations of the same class, or which are of the same type, as the Portfolio assets or other securities or obligations of the obligors or issuers of the Portfolio assets. The Sub-Advisor and its affiliates will be free, in their sole discretion, to

make recommendations to others, or effect Transactions on behalf of themselves or for others, which may be the same as or different from those effected with respect to the Collateral. Nothing in this Agreement, in the Management Agreements or in the Related Agreements shall prevent the Sub-Advisor or any of its affiliates, acting either as principal or agent on behalf of others, from buying or selling, or from recommending to or directing any other account to buy or sell, at any time, securities or obligations of the same kind or class, or securities or obligations of a different kind or class of the same obligor or issuer, as those directed by the Sub-Advisor to be purchased or sold on behalf of an Account. It is understood that, to the extent permitted by applicable law, the Sub-Advisor, its Related Entities, or any of their owners, directors, managers, officers, stockholders, members, partners, partnership committee members, employees, agents or affiliates or the other Covered Persons or any member of their families or a Person or entity advised by the Sub-Advisor may have an interest in a particular transaction or in securities or obligations of the same kind or class, or securities or obligations of a different kind or class of the same issuer, as those that may be owned or acquired by an Account. The Management Company agrees that, in the course of providing the Services, the Sub-Advisor may consider its relationships with other clients (including obligors and issuers) and its affiliates.

The Management Company agrees that neither the Sub-Advisor nor any of its affiliates is under any obligation to offer any investment opportunity of which they become aware to the Management Company or any Account or to account to the Management Company or any Account for (or share with the Management Company or any Account or inform the Management Company or any Account of) any such transaction or any benefit received by them from any such transaction. The Management Company understands that the Sub-Advisor and/or its affiliates may have, for their own accounts or for the accounts of others, portfolios with substantially the same portfolio criteria as are applicable to the Accounts. Furthermore, the Sub-Advisor and/or its affiliates may make an investment on behalf of any client or on their own behalf without offering the investment opportunity or making any investment on behalf of the Management Company or any Account and, accordingly, investment opportunities may not be allocated among all such clients. The Management Company acknowledges that affirmative obligations may arise in the future, whereby the Sub-Advisor and/or its affiliates are obligated to offer certain investments to clients before or without the Sub-Advisor offering those investments to the Management Company or any Account.

The Management Company acknowledges that the Sub-Advisor and its affiliates may make and/or hold investments in an obligor's or issuer's obligations or securities that may be *pari passu*, senior or junior in ranking to an investment in such obligor's or issuer's obligations or securities made and/or held by the Management Company or any Account, or in which partners, security holders, members, officers, directors, agents or employees of the Sub-Advisor and its affiliates serve on boards of directors, or otherwise have ongoing relationships or otherwise have interests different from or adverse to those of the Management Company and the Accounts.

#### Defined Terms

For purposes of this Appendix B, the following defined terms shall have the meanings set forth below:

"Portfolio" shall mean, with respect to any Account, the assets held by or in the name of the Account or any subsidiary of the Account in respect of such Transaction, whether or not for the benefit of the related secured parties, securing the obligations of such Account.

“Transaction” shall mean any action taken by the Sub-Advisor on behalf of any Account with respect to the Portfolio, including, without limitation, (i) selecting the Portfolio assets to be acquired by the Account, (ii) investing and reinvesting the Portfolio, (iii) amending, waiving and/or taking any other action commensurate with managing the Portfolio and (iv) instructing the Account with respect to any acquisition, disposition or tender of a Portfolio asset or other assets received in respect thereof in the open market or otherwise by the Account.

**From:** David Klos <DKlos@HighlandCapital.com>**To:** Lauren Thedford <LThedford@HighlandCapital.com>**Cc:** Sean Fox <SFox@HighlandCapital.com>**Subject:** RE: Employee Reimbursement Agreement**Date:** Fri, 27 Apr 2018 14:29:45 +0000

Here are the listings for the reimbursement agreements. Monthly amounts should be \$416,000 for HCMFA and \$252,000 for NPA.

Employees as of 1/1/18	HCMFA %
Abayarathna, Sahan	29%
Baynard, Cameron	29%
Burns, Nathan	10%
Covitz, Hunter	5%
Desai, Neil	5%
Dondero, James	30%
Fedoryshyn, Eric	29%
Gray, Matthew	29%
Gulati, Sanjay	100%
Hayes, Christopher	29%
Hill, Robert	5%
McFarling, Brandon	29%
Moore, Carl	5%
Nikolayev, Yegor	29%
Owens, David	29%
Parker, Trey	30%
Parmentier, Andrew	40%
Phillips, Michael	29%
Poglitsch, Jon	75%
Ryder, Phillip	5%
Sachdev, Kunal	29%
Smallwood, Allan	29%
Staltari, Mauro	29%
Tomlin, Jake	29%
Vira, Sagar	29%
Wilson, Scott	5%

Employees as of 1/1/18	NPA %
Abayarathna, Sahan	9%
Baynard, Cameron	9%
Burns, Nathan	70%
Covitz, Hunter	25%



002427

Desai, Neil	25%
Fedoryshyn, Eric	9%
Gray, Matthew	9%
Hayes, Christopher	9%
Hill, Robert	5%
McFarling, Brandon	9%
Moore, Carl	10%
Nikolayev, Yegor	9%
Okada, Mark	20%
Owens, David	9%
Parker, Trey	15%
Parmentier, Andrew	40%
Phillips, Michael	9%
Poglitsch, Jon	10%
Ryder, Phillip	5%
Sachdev, Kunal	9%
Smallwood, Allan	9%
Staltari, Mauro	9%
Tomlin, Jake	9%
Vira, Sagar	9%
Wilson, Scott	5%

---

**From:** David Klos  
**Sent:** Tuesday, April 17, 2018 5:35 PM  
**To:** Lauren Thedford  
**Cc:** Sean Fox  
**Subject:** RE: Employee Reimbursement Agreement

We'll have to work on one. It'll be some sort of fully loaded compensation amount times an allocated percentage which will have to be reasonable.

---

**From:** Lauren Thedford  
**Sent:** Tuesday, April 17, 2018 5:23 PM  
**To:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Cc:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Subject:** RE: Employee Reimbursement Agreement

I think it's workable – do you have a methodology for the outset determination?

---

**From:** David Klos  
**Sent:** Tuesday, April 17, 2018 10:56 AM  
**To:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>  
**Cc:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Subject:** RE: Employee Reimbursement Agreement

Could we say that Actual Cost is being determined at the outset of the agreement, have a schedule as of Jan 1, 2018 and say that Actual Cost shall be as set out in that schedule and shall be paid in monthly installments

002428

ACL-081399

Beyond that year, termination provisions kick-in, so if there's a belief that Actual Costs have changed materially, either party could terminate and/or renegotiate for an amended agreement.

---

**From:** Lauren Thedford  
**Sent:** Tuesday, April 17, 2018 10:49 AM  
**To:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Cc:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Subject:** RE: Employee Reimbursement Agreement

I'm open to changing from definition of Actual Costs but my understand from Fox was that there needs to be some method of determining the amounts. Per counsel, treating this as a reimbursement is important, however.

---

**From:** David Klos  
**Sent:** Tuesday, April 17, 2018 10:48 AM  
**To:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>  
**Cc:** Sean Fox <[SFox@HighlandCapital.com](mailto:SFox@HighlandCapital.com)>  
**Subject:** RE: Employee Reimbursement Agreement

Lauren,

Does it have to be framed as reimbursement of actual costs? We'd much rather it be characterized as just an agreed upon amount between the two entities. It's not a small task and involves subjective assumptions to allocate individual employees, so as it's written, it would be creating a ton of internal work that isn't adding any value to the overall complex.

---

**From:** Sean Fox  
**Sent:** Monday, April 16, 2018 10:36 PM  
**To:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>  
**Cc:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Subject:** Re: Employee Reimbursement Agreement

+Klos - can you review while I'm out?

Sent from my iPhone

On Apr 13, 2018, at 6:53 PM, Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)> wrote:

Please review and let me know if this works for you.

**LAUREN THEDFORD** | Associate General Counsel

Pl

300 Crescent Court | Suite 700 | Dallas, Texas 75201

O: 972.628.4100 | D: 972.419.6223 | F: 972.628.4147

[lthedford@HighlandCapital.com](mailto:lthedford@HighlandCapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

PRIVILEGE WARNING: The sender or recipient of this message is a member of the legal department at Highland Capital Management. This message and any attachments hereto may constitute attorney work product or be protected by the attorney-client privilege. Do not disclose this message or any attachments hereto without prior consent of a member of the legal department at Highland Capital Management.



---

**From:** David Klos  
**Sent:** Monday, June 15, 2020 3:44 PM CDT  
**To:** Lauren Thedford; Dustin Norris  
**CC:** Jason Post  
**Subject:** RE: Proposed Email

See minor updates below.

---

**From:** Lauren Thedford  
**Sent:** Monday, June 15, 2020 3:38 PM  
**To:** David Klos <DKlos@HighlandCapital.com>; Dustin Norris <DNorris@NexPointSecurities.com>  
**Cc:** Jason Post <JPost@HighlandCapital.com>  
**Subject:** RE: Proposed Email

Please review –

I am writing to inform you about a development indirectly related to the Debtor's bankruptcy. Brookmont is an advisor for which Ethan Powell acts as Principal and CIO. Mr. Powell is a former Debtor employee and Chairman of the Retail Board and is in talks to purchase the investment management agreements for the Highland Fixed Income Fund and the Highland Total Return Fund (the "Funds"). Both Funds have IMAs with HCMFA, and have no direct contracts with the Debtor. However, the Debtor does receive income from HCMFA based on the provision of services for the funds managed by HCMFA, including these Funds. Although these Funds would no longer receive services from HCMLP following completion of the transaction, the Adviser does not expect the Actual Cost (as defined in the Shared Services Agreement) of the services provided to HCMFA to significantly decrease as the Adviser does not expect changes in personnel as a result of such transaction. As such, we expect fees to HCMLP to remain materially unchanged.

---

**From:** David Klos  
**Sent:** Monday, June 15, 2020 3:30 PM  
**To:** Lauren Thedford <LThedford@HighlandCapital.com>; Dustin Norris <DNorris@NexPointSecurities.com>  
**Cc:** Jason Post <JPost@HighlandCapital.com>  
**Subject:** RE: Proposed Email

Dustin is 100% correct.

---

**From:** Lauren Thedford  
**Sent:** Monday, June 15, 2020 3:20 PM  
**To:** Dustin Norris <DNorris@NexPointSecurities.com>  
**Cc:** Jason Post <JPost@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>  
**Subject:** RE: Proposed Email

Ok – I am happy to discuss with Isaac, it's just unclear from the below who was ensuring this got done.

Klos – please confirm the question below before this goes to Isaac.

ADVISOR'S  
EXHIBIT

M

002431

Advisors-Admin-000361

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**From:** Dustin Norris  
**Sent:** Monday, June 15, 2020 3:08 PM  
**To:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>  
**Cc:** Jason Post <[JPost@HighlandCapital.com](mailto:JPost@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Subject:** RE: Proposed Email

I will defer to Isaac and Scott on the timeline and notice to HCMLP Board. However I don't think the \$178k as drafted below is accurate there wouldn't actually be a \$178k drop in shared services fees based on this, which is what the paragraph bellows seems to imply. Dave, please correct me if I am wrong, but the estimate is that even though there was an estimate of \$178k in shared services allocated to these funds, removing them from the platform would not create a significant change in the shared services fees HCMLP would receive since the shared services fees are largely based on resources and HCMLP would not fire anyone due to the removal of these two funds. The shares services fees would not materially change, but the allocations would probably just change to the other funds. May just need to add a sentence at the end explaining that.

---

**From:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>  
**Sent:** Monday, June 15, 2020 2:22 PM  
**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>  
**Cc:** Jason Post <[JPost@HighlandCapital.com](mailto:JPost@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Subject:** RE: Proposed Email

Dustin – here is the memo to the Board re: assignment of sub-advised fund IMAs. This is planned to go to the Board tomorrow in board book (no approvals requested), so want to make sure you're looped in given timing below. Do you want Isaac to review the memo? Not sure of mechanics given back and forth below.

*I am writing to inform you about a development indirectly related to the Debtor's bankruptcy. Brookmont is an advisor for which Ethan Powell acts as Principal and CIO. Mr. Powell is a former Debtor employee and Chairman of the Retail Board and is in talks to purchase the investment management agreements for the Highland Fixed Income Fund and the Highland Total Return Fund. Both Funds have IMAs with HCMFA, and have no direct contracts with the Debtor. However, the Debtor does receive income from HCMFA based on the provision of services for the funds managed by HCMFA, including these two Funds. Under the shared services agreement, the Debtor estimated approximately \$[178,000] of shared services earned last year from HCMFA were on account of the provision of services for these two funds [using an adjusted AUM-based allocation].*

---

**From:** Dustin Norris  
**Sent:** Thursday, June 4, 2020 9:20 AM  
**To:** Lauren Thedford <[LThedford@HighlandCapital.com](mailto:LThedford@HighlandCapital.com)>; Jason Post <[JPost@HighlandCapital.com](mailto:JPost@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Subject:** RE: Proposed Email

Let's make sure whatever notice here is sent in a timely manner.

---

**From:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Sent:** Thursday, May 14, 2020 6:50 PM

**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>; Ethan Powell <[ethanpowell@impactshares.org](mailto:ethanpowell@impactshares.org)>

**Subject:** RE: Proposed Email

Yes, language around the calcs would need a little tweaking. I've also added a bracket on the \$178k number, which was an adjusted AUM-based estimated allocation used for 15c purposes. Other changes highlighted with respect to the first paragraph.

*I am writing to inform you about a development indirectly related to the Debtor's bankruptcy. Impact Shares, an advisor run by Ethan Powell, a former Debtor employee and a member of the Retail Board, is in talks to purchase the investment management agreements for the Highland Fixed Income Fund and the Highland Total Return Fund. Both Funds have IMAs with HCMFA, and have no direct contracts with the Debtor. However, the Debtor does receive income from HCMFA based on the provision of services for the funds managed by HCMFA, including these two Funds. Under the shared services agreement, the Debtor estimated approximately \$[178,000] of shared services earned last year from HCMFA were on account of the provision of services for these two funds [using an adjusted AUM-based allocation].*

---

**From:** Dustin Norris

**Sent:** Thursday, May 14, 2020 6:37 PM

**To:** Ethan Powell <[ethanpowell@impactshares.org](mailto:ethanpowell@impactshares.org)>

**Cc:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>

**Subject:** RE: Proposed Email

Thanks, agreed, we can wait on any communication since there is work to do on the terms, and I think given the discussions on how shared services are calculated, he would need to be amend the language below, since this is saying the AUM is generating the fees, but it sounds like there wouldn't be a significant change in shared services fees from taking these funds off the platform. Adding Klos who can help with that language once they are ready to send to the Board.

---

**From:** Ethan Powell <[ethanpowell@impactshares.org](mailto:ethanpowell@impactshares.org)>

**Sent:** Thursday, May 14, 2020 5:55 PM

**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>

**Subject:** Fwd: Proposed Email

FYI, Isaac is wanting to inform the hcmfp board on our conversations. I told him to hold off until I talk to you.

Ethan Powell  
469-442-8424

Begin forwarded message:

**From:** Isaac Leventon <[ILEventon@HighlandCapital.com](mailto:ILEventon@HighlandCapital.com)>

**Date:** May 14, 2020 at 5:49:36 PM CDT

**To:** Ethan Powell <[ethanpowell@impactshares.org](mailto:ethanpowell@impactshares.org)>

**Subject:** Proposed Email

[DRAFT]

I am writing to inform you about a development indirectly related to the Debtor's bankruptcy. Impact Shares, advisor run by Ethan Powell, a former Debtor employee and a member of the Retail Board, is in talks to purchase the investment management agreements for the Highland Fixed Income Fund and the Highland Total Return Fund. Both Funds have IMAs with HCMFA, and have no direct contracts with the Debtor. However, the Debtor does receive income from HCMFA based on the AUM managed by HCMFA. Under the shared services agreement, the Debtor received approximately \$178,000 last year from HCMFA on account of the AUM of these two funds.

Impact Shares proposes to pay HCMFA \$500,000 over five years for the two IMAs. Please note that neither Mr. Dondero nor any of his affiliates have any ownership in Impact Shares. The primary investor in both funds is First Foundation, an independent third party. First Foundation is the primary constituent advancing the sale as in the best interests of the two Funds' investors.

The sale is not final and remains to be formally approved by the HCMFA Board and the Funds' investors. However, we wanted to bring this to your attention now and allow you to discuss the matter with Mr. Powell if you so desire. His email address is [ethanpowell@impactshares.org](mailto:ethanpowell@impactshares.org) and I can provide additional contact details or set up a call if needed.

Thanks,

ISAAC LEVENTON | ASSISTANT GENERAL COUNSEL



300 Crescent Court | Suite 700 | Dallas, Texas 75201

O: 972.628.4100 | D: 972.419.4482 | F: 972.628.4147

[ileventon@highlandcapital.com](mailto:ileventon@highlandcapital.com) | [www.highlandcapital.com](http://www.highlandcapital.com)

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**From:** Dustin Norris  
**Sent:** Wednesday, June 24, 2020 5:53 PM CDT  
**To:** John Dubel; Russel Nelms (rfargar@yahoo.com); James Seery Jr. (jpseeryjr@gmail.com)  
**CC:** Lauren Thedford; Jason Post  
**Subject:** Update on two HCMFA Mutual Funds  
**Attachments:** HCMFA Discussion of Assign IMA for FI and TR to Brookmont (06.17.20).pdf

Strand Board,

I am writing in my capacity as Executive Vice President of Highland Capital Management Fund Advisors, L.P. ("HCMFA") to inform you about a development indirectly related to the Debtor's bankruptcy. Brookmont is an advisor for which Ethan Powell acts as Principal and CIO. Mr. Powell is a former Debtor employee and Chairman of the Retail Board and is in talks to purchase the investment management agreements for the Highland Fixed Income Fund and the Highland Total Return Fund (the "Funds"). Both Funds have IMAs with HCMFA and have no direct contracts with the Debtor. However, the Debtor does receive income from HCMFA based on the provision of services for the funds managed by HCMFA, including these Funds. Although these Funds would no longer receive services from HCMLP following completion of the transaction, the Adviser does not expect the Actual Cost (as defined in the Shared Services Agreement) of the services provided to HCMFA to significantly decrease as the Adviser does not expect changes in personnel as a result of such transaction. As such, we expect fees to HCMLP to remain materially unchanged.

Impact Shares proposes to pay HCMFA an annual trail payment for the two IMAs. Please note that neither Mr. Dondero nor any of his affiliates have any ownership in Brookmont. The primary investor in both funds is First Foundation, an independent third party. First Foundation is the primary constituent advancing the sale as in the best interests of the two Funds' investors.

The sale is not final and remains to be formally approved by the HCMFA Board and the Funds' investors. However, we wanted to bring this to your attention now and allow you to discuss the matter with Mr. Powell if you so desire. His email address is [ethanpowell@impactshares.org](mailto:ethanpowell@impactshares.org) and I can provide additional contact details or set up a call if needed. Attached is a memo that was provided by HCMFA to the Retail Board with a summary of the proposal and a timeline of important milestones.

Regards,

DUSTIN NORRIS  
HEAD OF DISTRIBUTION AND CHIEF PRODUCT STRATEGIST

**NEXPOINT**

200 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4495 | Sales Desk: 877.665.1287

[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com) | [www.NexPointAdvisors.com](http://www.NexPointAdvisors.com)

**ADVISOR'S  
EXHIBIT**

N

**002436**

Advisors-Admin-000380

**CONFIDENTIAL**

**HIGHLAND CAPITAL  
MANAGEMENT  
FUND ADVISORS**

**DATE:** June 18-19, 2020

**TO:** The Board of Trustees of Highland Funds II (“HFII”), on behalf of Highland Fixed Income Fund (the “Fixed Income Fund”) and Highland Total Return Fund (the “Total Return Fund”, and together with the Fixed Income Fund, the “Funds”, and each, a “Fund”), each a series of HFII

**FROM:** Highland Capital Management Fund Advisers, L.P. (“HCMFA”, or the “Adviser”)

**RE:** Discussion of Assignment of Investment Advisory Contracts for the Funds to Brookmont

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**I. Ongoing Fund Rationalization Process**

As discussed with the Board of Trustees (the “Board”) at the September 2019 and February 2020 in-person meetings and the November 7, 2019 and April 9, 2020 meetings, the Adviser has reviewed and continues to assess the open-end funds advised by it and overseen by the Board to determine what efficiencies may be gained by, including but not limited to, merging, liquidating, rebranding or changing investment advisers for certain funds. In connection with this review, the Adviser has proposed and the Board has approved the (i) liquidation of three funds (the Highland Tax-Exempt Fund, Highland Opportunistic Credit Fund, and the Highland Energy MLP Fund); (ii) the merger of Highland Long/Short Equity into Highland Merger Arbitrage Fund (ongoing); and (iii) the change in investment strategy of the Highland Long/Short Healthcare Fund to the Highland Healthcare Opportunities Fund.

Additionally, over the past year the Adviser has pursued the sale and/or assignment of the management contracts of each of the Fixed Income Fund (\$191 million in net assets) and the Total Return Fund (\$68 million in net assets), which are sub-advised by First Foundation Advisors (“FFA”, or the “Sub-Adviser”). The fixed income and total return strategies are not core to the Adviser’s business of providing value to both institutional and retail investors by providing access to alternatives in a range of investment vehicles and are not currently a sales focus of the NexPoint Securities, Inc. (“NSI”), the Funds’ distributor. As noted to the Board in prior meetings and pursuant to the Quarterly Report of Profitability on the Sub-Advised Funds, the Funds do not contribute meaningful profitability to the Adviser, as the Adviser pays half of the advisory fee to the Sub-Adviser and the residual fee narrowly covers the allocated costs of servicing the Funds.

**II. Marketing of Investment Advisor Contracts**

The Adviser proposed to assign the Funds’ investment advisory agreements (“IMAs”) to FFA since a majority of the shareholders are FFA banking clients whose votes are controlled by FFA by proxy and FFA acts as sub-adviser. In response, FFA indicated that it does not have the infrastructure in place to directly advise and provide back office services to the Funds. FFA desires to continue to sub-advise the Funds, but is not in a position to take over as investment adviser or to reorganize the Funds into a separate series trust. Therefore, FFA proposed that the Adviser consider Brookmont Capital Management, LLC (“Brookmont”) as an advisor capable of assuming the responsibilities under the IMAs.



In the first quarter 2020, the Adviser entered into discussions with Brookmont, which believes it has the appropriate experience and expertise to manage the Funds and can provide material cost savings to shareholders once the Funds are reorganized into a large series trust. The Board may also recall its prior relationship with Brookmont when it sub-advised the Highland Dividend Equity Fund. Brookmont has indicated that material cost savings are available if the Funds can be merged into shell series of the Advisers' Inner Circle III Trust ("AIC"), which is SEI's turnkey series trust solution that brings expertise to investment managers looking to compete in the mutual fund, ETF, auction fund and liquid alts marketplace. As part of the AIC, the Funds would benefit from AIC's size (\$75 billion in assets), bargaining power, back office services, and associated economies of scale. The Adviser did not engage in discussions with investment advisers other than FFA and Brookmont due to the Fund and the Board's prior, positive experience with Brookmont. The Adviser believes the utilization of an adviser familiar with the Funds and the Adviser will facilitate a smooth transition of the Funds to AIC and, as noted below, material expected savings to shareholders.

### **III. Proposed Transaction**

Subject to further diligence and Board approval, the Adviser believes it is in the best interest of the Funds to assign the Fund's IMAs to Brookmont and the Board will be asked to consider certain reorganizations that would be effected as a result of the assignment of the IMAs of the Fixed Income Fund and the Total Return Fund to Brookmont (the "Transaction"). Pursuant to the Transaction, the Board will be asked to approve (i) reorganizations of the Funds into shell series of ACI, pursuant to agreements and plans of reorganization which will provide for termination of the IMAs currently place; (iii) interim advisory agreements for the Funds; and (iv) removal of the applicable series from the registration statement of HFII following consummation of the Transaction.

Interim advisory agreements are proposed in the event that there is any Fund for which shareholder approval is not received in advance of the Transaction closing. This provision would only be expected to be utilized in the event that a Fund did not reach quorum prior to the Transaction closing, and allows continuity of management for those Funds while the remaining shareholder votes are obtained. In order to approve interim advisory agreements under Rule 15a-4(b)(2), the Board would be required to approve the interim agreement before the previous agreement is terminated or assigned and to determine that the scope and quality of services to be provided under the interim agreement will be at least equivalent to the scope and quality of services provided under the previous agreement. In addition, 15a-4(b)(2) requires that, among other conditions, compensation under the interim agreement must be no great than under the previous agreement and any compensation earned under the interim agreement must be held in escrow.

The Adviser believes that obtaining the shareholder vote for the reorganizations will be straightforward given FFA's investment discretion and voting ability over 50% and slightly less than 50% of the Total Return Fund shares and Fixed Income Fund shares, respectively.

Last, the Adviser notes that Ethan Powell, Chairman of the Board of HFII, serves as Principal and CIO of Brookmont as of May 2020. In consideration for HCMFA's assignment of the investment advisory relationship with the Funds, Brookmont has agreed to pay, in perpetuity, an annual fee to HCMFA as follows:

Net Assets of the Funds	Fee
Less than \$250 million	10 basis points
\$250 million - \$500 million	8 basis points
More than \$500 million	6 basis points

#### IV. Structure and 1940 Act Considerations

The Fixed Income Fund and the Total Return Fund (for purposes of this section, the “Target Funds”) are registered open-end investment companies, series of HFII and managed by HCMFA. SEI will create two new shell series of AIC into which the Funds will merge (the “Acquiring Funds”). There are no changes to the investment strategy or fees contemplated pursuant to the Transaction and the accounting survivor of each merger is expected to be the Target Fund.

Special requirements apply to the reorganizations pursuant to the Investment Company Act of 1940 (the “1940 Act”). The Target Funds and Acquiring Funds may be considered to be affiliated persons under the 1940 Act and Section 17(a) of the 1940 Act, which generally prohibits purchases or sales of securities between an investment company and its affiliated persons, due to Chairman Ethan Powell’s position with Brookmont. However, Rule 17a-8 under the 1940 Act permits reorganizations of affiliated investment companies if the conditions of the rule are satisfied. Rule 17a-8 requires, among other things, that the Board, including a majority of the Trustees of HFII who are not “interested persons” of HFII, determine that participation in the reorganization (i) is in the best interests of each Target Fund and (ii) will not result in the dilution of the interests of a Target Fund’s shareholders. In addition, approval of each reorganization is required by (a) majority of the Trustees of the Trust who are not “interested persons” of the Trust; and (b) the lesser of (x) 67% of the shares of a Target Fund present at a shareholder meeting, if the holders of more than 50% of the shares of the Target Fund are present or represented by proxy, or (y) more than 50% of the outstanding voting securities of a Target Fund (a “1940 Act Majority”).

As noted above, the Adviser is confident in its ability to obtain shareholder approval due to FFA’s investment discretion of approximately 50% of each Target Fund. Due to this level of ownership and FFA’s support of the Transaction, approval for the merger may be sought from a majority of the outstanding shares of each Target Fund and conduct by written consent in lieu of a special meeting, as permitted under HFII’s organizational documents. As such, the shareholder facing document will be a registration statement on Form N-14 (proxy/prospectus) but no solicitation will be conducted and no special meeting will be required. The Adviser believes this structure will result in material cost savings to the Target Funds.

The *estimated* Merger timeline is as follows:

Date	Item
June 18-19, 2020	Review with Board
June 22, 2020	Submit DDQ to Brookmont
July 10, 2020	Deadline for Brookmont Response to DDQ
July 2020	HFII Board Review, Add’l Requests if applicable
August 10, 2020	AIC Board Meeting to Approve Transaction

August 13, 2020	HFII Board Meeting to Approve Transaction
August 18, 2020	File preliminary N-14 pursuant to Rule 488 AIC to file N-1A for new series
Aug-Sept 2020	Expect SEC comments
September 17, 2020	Effective date (30 days from filing, if filing under Rule 488)
September 23, 2020	Record Date
September 30, 2020	File 497 <sup>1</sup> (Final offering document)
October 7, 2020	Estimated date of mailing
November 11, 2020	Est. Merger Date

## **V. Next Steps and Other Considerations**

The Adviser is recommending the Transaction to the Board and the Board will be asked to take formal action at a future meeting. The Adviser notes that a conflict of interest exists in that the Adviser is recommending the Transaction to the Board but will receive a fee (described in Section III) should the Transaction be approved and consummated. Notwithstanding this conflict, and Mr. Powell's position at Brookmont, the Adviser is recommending the Transaction following its consideration of alternative options, including assigning the Funds' advisory agreements to FFA and/or liquidating the Funds, as the Adviser believes that the Transaction is in the best interests of the Funds and is a more attractive option than the other alternatives considered.

The Board must request and evaluate such information as may reasonably be necessary to make the aforementioned determinations. HCMFA proposes that the Board treat this analysis similar to the Section 15(c) analysis undertaken by the Board each year and that, in connection with the Merger, the Board request and review materials from Brookmont necessary to make such determination. In addition, as noted above with respect to the interim advisory agreements, the Board will be required to make certain findings and approvals with respect to Rule 15a-4.

## **V. Conclusion**

This memorandum is provided for informational purposes only and no approval is requested at this time. The Board will be requested to take formal action related to the Transaction at a future in-person meeting.

\* \* \*

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<sup>1</sup> Timing dependent on nature and amount of SEC comments.

**Exhibit A**

**Rule 17a-8 under the Investment Company Act of 1940**

**Rule 17a-8. Mergers of affiliated companies.**

(a) Exemption of affiliated mergers. A Merger of a registered investment company (or a series thereof) and one or more other registered investment companies (or series thereof) or Eligible Unregistered Funds is exempt from sections 17(a)(1) and (2) of the Act (15 U.S.C. 80a-17(a)(1)-(2)) if:

(1) Surviving company. The Surviving Company is a registered investment company (or a series thereof).

(2) Board determinations. As to any registered investment company (or series thereof) participating in the Merger ("Merging Company"):

(i) The board of directors, including a majority of the directors who are not interested persons of the Merging Company or of any other company or series participating in the Merger, determines that:

(A) Participation in the Merger is in the best interests of the Merging Company; and

(B) The interests of the Merging Company's existing shareholders will not be diluted as a result of the Merger.

(ii) The directors have requested and evaluated such information as may reasonably be necessary to their determinations in paragraph (a)(2)(i) of this section, and have considered and given appropriate weight to all pertinent factors.

*Note to paragraph (a)(2)(i): For a discussion of factors that may be relevant to the determinations in paragraph (a)(2)(i) of this section, see Investment Company Act Release No. 25666, July 18, 2002.*

(iii) The directors, in making the determination in paragraph (a)(2)(i)(B) of this section, have approved procedures for the valuation of assets to be conveyed by each Eligible Unregistered Fund participating in the Merger. The approved procedures provide for the preparation of a report by an Independent Evaluator, to be considered in assessing the value of any securities (or other assets) for which market quotations are not readily available, that sets forth the fair value of each such asset as of the date of the Merger.

(iv) The determinations required in paragraph (a)(2)(i) of this section and the bases thereof, including the factors considered by the directors pursuant to paragraph (a)(2)(ii) of this section, are recorded fully in the minute books of the Merging Company.

(3) Shareholder approval. Participation in the Merger is approved by the vote of a majority of the outstanding voting securities (as provided in section 2(a)(42) of the Act (15 U.S.C. 80a-2(a)(42))) of any Merging Company that is not a Surviving Company, unless –

(i) No policy of the Merging Company that under section 13 of the Act (15 U.S.C. 80a-13) could not be changed without a vote of a majority of its outstanding voting securities, is materially different from a policy of the Surviving Company;

(ii) No advisory contract between the Merging Company and any investment adviser thereof is materially different from an advisory contract between the Surviving Company and any investment adviser thereof, except for the identity of the investment companies as a party to the contract;

(iii) Directors of the Merging Company who are not interested persons of the Merging Company and who were elected by its shareholders, will comprise a majority of the directors of the Surviving Company who are not interested persons of the Surviving Company; and

(iv) Any distribution fees (as a percentage of the fund's average net assets) authorized to be paid by the Surviving Company pursuant to a plan adopted in accordance with § 270.12b-1 are no greater than the distribution fees (as a percentage of the fund's average net assets) authorized to be paid by the Merging Company pursuant to such a plan.

(4) Board composition; independent directors.

(i) A majority of the directors are not interested persons of the Merging Company and those directors select and nominate any other disinterested directors.

(ii) Any person who acts as legal counsel for the disinterested directors is an independent legal counsel.

(5) Merger records. Any Surviving Company preserves written records that describe the Merger and its terms for six years after the Merger (and for the first two years in an easily accessible place).

(b) Definitions. For purposes of this section:

(1) Merger means the merger, consolidation, or purchase or sale of substantially all of the assets between a registered investment company (or a series thereof) and another company;

(2) Eligible Unregistered Fund means:

(i) A collective trust fund, as described in section 3(c)(11) of the Act (15 U.S.C. 80a-3(c)(11));

(ii) A common trust fund or similar fund, as described in section 3(c)(3) of the Act (15 U.S.C. 80a-3(c)(3)); or

(iii) A separate account, as described in section 2(a)(37) of the Act (15 U.S.C. 80a-2(a)(37)), that is neither registered under section 8 of the Act, nor required to be so registered;

(3) Independent Evaluator means a person who has expertise in the valuation of securities and other financial assets and who is not an interested person, as defined in section 2(a)(19) of the Act (15 U.S.C. 80a-2(a)(19)), of the Eligible Unregistered Fund or any affiliate thereof except the Merging Company; and

(4) Surviving Company means a company in which shareholders of a Merging Company will obtain an interest as a result of a Merger.

---

**From:** Jenny School  
**Sent:** Friday, October 16, 2020 12:26 PM CDT  
**To:** Jim Seery  
**CC:** Dustin Norris  
**Subject:** Correspondence from NexPoint Advisors  
**Attachments:** NexPoint Letter to HCMLP\_USE\_Active01\_308062413\_4.pdf

Mr. Seery,  
Please see attached document correspondence from NexPoint Advisors.  
If you have any questions please contact Dustin Norris.  
THANKS,

JENNY SCHOOL  
EXECUTIVE ASSISTANT

**NEXPOINT**

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[JSchool@NexPointSecurities.com](mailto:JSchool@NexPointSecurities.com) | [www.NexPointGroup.com](http://www.NexPointGroup.com)

ADVISOR'S  
EXHIBIT

○

002444



# NEXPOINT

October 16, 2020

Mr. James Seery  
Highland Capital Management, L.P.  
300 Crescent Court, Suite 700  
Dallas, TX 75201

Dear Jim:

We are writing to reiterate the concerns we have expressed about the scope and maintenance of quality of the services currently being provided by Highland Capital Management, L.P. ("HCMLP") to NexPoint Advisors, L.P. ("NexPoint") and Highland Capital Management Fund Advisors, L.P. ("HCMFA," and together with NexPoint, the "Advisors") under their respective shared services agreements (together, the "Shared Services Agreements" or "Agreements"). As you know, the Shared Services Agreements obligate HCMLP to provide a variety of investment, administrative, legal, and back-office services to the Advisors. These responsibilities on the part of HCMLP are critical to the Advisors' ability to provide top-notch advisory services to the mutual funds, closed-end funds, and other investment vehicles (collectively, the "Funds") with which they have advisory contracts.

In particular, the refusal by HCMLP to allow its employees to work on certain matters that jointly affect HCMLP and the Advisors has resulted in the Advisors incurring additional third-party costs and expenses to procure services that should rightfully be performed by HCMLP under the Shared Services Agreements. These third-party services, for which the Advisors are already compensating HCMLP under the Agreements, represent supplemental costs and expenses that the Advisors should not be obligated to pay.

Additionally, it is our understanding that all HCMLP employees will be given notice that their employment will be terminated effective as of December 31, 2020. If these employees are terminated, or are informed that they will be terminated and elect to resign, HCMLP will no longer be able to carry out its duties and obligations under the Agreements. We would thus like to request assurances from HCMLP that if elects to terminate its employees, it will work in good faith with the Advisors to put in place an orderly transition plan. Such a plan would provide for an effective transfer of services to the Advisors, seek to maximize employee retention, and permit the Advisors (or their affiliates) to hire any and all HCMLP employees, which would ensure the delivery of uninterrupted services previously provided by HCMLP under the Agreements.

Finally, we understand that HCMLP is contemplating the sale of certain assets held in several CLOs, the interests in which are also owned by the Advisors and/or the Funds advised by

308062413.3

NexPoint, HCMFA and/or their affiliates. The sale of such assets has the potential to negatively affect the valuation of the Funds. Specifically, a rush to sell these assets at fire sale prices could result in both the Funds and HCMLP not realizing their full value. Accordingly, we hereby request that no CLO assets be sold without prior notice to and prior consent from the Advisors.

We feel certain that our mutually shared goals are to minimize disruption and costs, to prevent the dislocation of services to the Advisors and the Funds, and to maximize returns for Funds and accounts advised by NexPoint, HCMFA, HCMLP, or any of their affiliates. We believe that through working cooperatively we can achieve these goals.

Thank you for your prompt attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Dustin Norris". The signature is fluid and cursive, with the first name "Dustin" and last name "Norris" clearly distinguishable.

Dustin Norris

**From:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>

**To:** Dustin Norris <DNorris@NexPointSecurities.com>, David Klos  
<DKlos@HighlandCapital.com>, DC Sauter <DSauter@NexPointadvisors.com>

**Subject:** RE: Time for a call

**Date:** Tue, 1 Dec 2020 09:46:37 -0600

**Importance:** Normal

**Inline-Images:** image001.jpg



The retail advisors could always terminate on their end if they deemed it necessary

---

**From:** Dustin Norris

**Sent:** Tuesday, December 1, 2020 9:45 AM

**To:** Frank Waterhouse ; David Klos ; DC Sauter

**Subject:** RE: Time for a call

Seems like that should be the case, because without the shared services there doesn't seem like an ability to provide dual employees.

---

**From:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>

**Sent:** Tuesday, December 1, 2020 9:14 AM

**To:** Dustin Norris <DNorris@NexPointSecurities.com>; David Klos <DKlos@HighlandCapital.com>; DC Sauter <DSauter@NexPointadvisors.com>

**Subject:** RE: Time for a call

My guess is that it was overlooked

---

**From:** Dustin Norris <DNorris@NexPointSecurities.com>

**Sent:** Tuesday, December 1, 2020 9:14 AM

**To:** David Klos <DKlos@HighlandCapital.com>; DC Sauter <DSauter@NexPointadvisors.com>

**Cc:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>

**Subject:** RE: Time for a call

DC, let's discuss next steps on these contracts, since they didn't submit termination notices for these, but did for the shared services.

---

**From:** David Klos <DKlos@HighlandCapital.com>

**Sent:** Tuesday, December 1, 2020 9:12 AM

**To:** Dustin Norris <DNorris@NexPointSecurities.com>; DC Sauter <DSauter@NexPointadvisors.com>

**Cc:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>

**Subject:** RE: Time for a call

These have not changed since BK, which given the changes in headcount you point out along with not paying insider bonus compensation, has increased the profitability of the contracts from HCMLP's perspective.



**From:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>  
**Sent:** Tuesday, December 1, 2020 9:06 AM  
**To:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>  
**Subject:** RE: Time for a call

Thanks Dave, big numbers. Have these changed now that most of the people on the list are no longer employed by HCMLP, including Mark, Jim, Pogs, Trey, Parm, and many others, or are we still paying the same amounts because of the BK? The agreement specifically says we pay for dual employees, but as agreed with HCMLP.

---

**From:** David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Sent:** Tuesday, December 1, 2020 9:00 AM  
**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>; DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>  
**Subject:** RE: Time for a call

Couple clarifications regarding amounts...Subadvisory fees for HCMFA listed below includes those fees paid to FFA for Fixed Income and Total Return. When you strip those out, "subadvisory" (which is really the expense reimbursement agreement) is \$4,992,000 from HCMFA to HCMLP, not \$5,438,000.

Also, not sure if worth noting, but NREA which is 100% owned by NPA pays an additional \$960k per year in shared services to HCMLP. That amount is incremental to the \$2,016,000 listed below.

---

**From:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>  
**Sent:** Tuesday, December 1, 2020 8:53 AM  
**To:** DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Subject:** RE: Time for a call

Worth noting that these subadvisory fees were higher than the shared services fees, so need to make sure these agreements are fully understood in the context of HCMLPs termination notices for the shared services agreement. Here are the totals for the twelve months ended 6/30/20

	TTM ending 6/30/20		
	Shared Services	Subadvisory Fees	Total
NPA	2,016,000	3,024,000	5,040,000
HMFA	3,603,000	5,438,000	9,041,000
Total	5,619,000	8,462,000	14,081,000

---

**From:** Dustin Norris  
**Sent:** Monday, November 30, 2020 7:08 PM  
**To:** DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>  
**Subject:** FW: Time for a call

---

**From:** Dustin Norris  
**Sent:** Tuesday, October 13, 2020 12:49 PM

Case 3:22-cv-02170-S Document 2-12 Filed 11/22/22 Page 209 of 241 PageID 2534  
**To:** DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>  
**Subject:** FW: Time for a call

---

**From:** Dustin Norris  
**Sent:** Tuesday, October 6, 2020 5:52 PM  
**To:** DC Sauter <[DSauter@NexPointadvisors.com](mailto:DSauter@NexPointadvisors.com)>  
**Subject:** FW: Time for a call

Let's discuss, I will come by

---

**From:** Dustin Norris  
**Sent:** Tuesday, October 6, 2020 4:56 PM  
**To:** [George.Zornada@klgates.com](mailto:George.Zornada@klgates.com); Dupuy, Jon-Luc <[Jon-Luc.Dupuy@klgates.com](mailto:Jon-Luc.Dupuy@klgates.com)>  
**Subject:** Time for a call

George and JL, do you have a 15 minutes for a call this evening to discuss shared services and other agreements with HCMLP?

DUSTIN NORRIS  
HEAD OF DISTRIBUTION AND CHIEF PRODUCT STRATEGIST

**NEXPOINT**

200 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4495 | Sales Desk: 877.665.1287  
[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com) | [www.NexPointGroup.com](http://www.NexPointGroup.com)

**From:** David Klos <DKlos@HighlandCapital.com>

**To:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>

**Subject:** cost estimate

**Date:** Tue, 8 Dec 2020 15:40:36 -0600

**Importance:** Normal

**Attachments:** Summary\_interco\_12.8.20.pdf

---

Frank,

See attached for the summary estimate you requested, rolling forward the information prepared for DSI and FTI last fall.

Notable changes from that analysis:

1. Reflects current headcount (terms removed, new hires added)
2. Bonuses – assumes no bonuses (cash or deferred) are awarded to employees by HCMLP for the 2020 performance year

Output here is roughly an annualized \$9.6mm gain, primarily attributable to the front office payroll reimbursement agreements, which makes sense given the material reduction in headcount, especially at the senior level. Biggest difference between this sort of analysis and actual P&L being recorded on HCMLP's books is that on the books, HCMLP has been accruing for 2020 bonus expenses throughout the year. Please let me know if you have any comments. Thanks.

Dave

ADVISOR'S  
EXHIBIT

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002450

ACL-044159

**Departmental View - Intercompany service agreements**  
Privileged and confidential  
Costs estimated using 12/8/20 headcount and allocations originally compiled using 9/30/19 data (in \$ millions, except as otherwise noted)  
Draft - subject to further review and revision

	Investment support vs shared services	NPA Allocation (mid)	HCMA Allocation (mid)	Supplemental: HCMLP Allocation (mid)	Total allocated costs - all entities
Grouping					
Insider	Split	0.2	0.3	1.3	1.8
Legal and compliance	Shared services	0.2	0.3	0.6	1.1
Litigation	Shared services	0.1	0.1	1.4	1.6
Credit & Structured Products	Investment support	0.5	0.5	0.5	1.6
Accounting, finance, and back office ops	Shared services	0.9	1.1	1.3	3.4
Tax	Shared services	0.3	0.3	0.6	1.3
IT	Shared services	0.2	0.2	0.2	0.6
Private Equity	Investment support	0.1	0.1	0.7	0.8
HR and recruiting	Shared services	0.2	0.2	0.2	0.7
Risk	Investment support	0.1	0.1	0.0	0.2
Equities	Investment support	-	-	-	-
Facilities and security	Shared services	0.0	0.1	0.1	0.2
Administrative	Shared services	0.2	0.2	0.3	0.7
Marketing & PR	Shared services	0.1	0.1	0.2	0.4
<b>Totals</b>		<b>\$ 3.3</b>	<b>\$ 3.7</b>	<b>\$ 7.5</b>	<b>\$ 14.5</b>
<b>Front office</b>					
	Current charge	3.0	5.0		
	Investment support	0.7	0.7		
	Est. point in time profitability	\$ 2.3	\$ 4.3		
<b>Unadjusted gain on expense reimbursement agreements</b>					
		<b>\$ 6.6</b>			
+ offset for non-Debtor employees providing services to the Debtor		\$ 1.1			
<b>Adjusted gain on expense reimbursement agreements</b>		<b>\$ 7.8</b>			
<b>Shared services</b>					
	Current charge	3.0	3.6		
	Shared services	2.6	3.0		
	Litigation	0.0	0.0		
	Est. point in time profitability	\$ 0.4	\$ 0.6		
<b>Unadjusted gain on material shared services agreements</b>					
		<b>\$ 1.0</b>			
+ estimated fees from non-material shared services agreement		0.9			
<b>Adjusted gain on shared services agreements</b>		<b>\$ 1.9</b>			
<b>Estimated gain on all intercompany agreements</b>		<b>\$ 9.6</b>			



**From:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>

**To:** Frank <fgwaterhouse@yahoo.com>

**Subject:** Fwd: insider shared service charges

**Date:** Tue, 22 Dec 2020 15:12:57 -0600

**Importance:** Normal

**Attachments:** Estimated\_2019\_insider\_acct\_and\_compl\_bonuses\_charged.xlsx

---



Begin forwarded message:

**From:** David Klos

**Date:** December 22, 2020 at 3:11:19 PM CST

**To:** Frank Waterhouse

**Subject:** insider shared service charges

Frank,

See attached as requested. Estimated total as it relates to solely you and Thomas is \$1,069k. Happy to walk through at your convenience if you'd like.

---

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002452  
ACL-003087

Summary of amounts charged to HCMFA and NPA/NREA for the 2019 Year relating to expected bonuses  
 HCMFA based on actual billings; NPA/NREA inferred based on HCMFA

Month	HCMFA Bonus charges applied to billing						NPA / NREA		Estimated 2019 bonuses paid to HCMLP for FW and TS from HCMFA and NPA
	Total Shared Services Charge	FW	TS	Total FW/TS *	% of charge		Total Shared Services Charge	Inferred bonus charges (FW/TS) **	
Jan-19	\$ 349,050	\$ 11,564	\$ 35,508	\$ 47,072	13%		\$ 248,000	\$ 39,714	\$ 86,786
Feb-19	\$ 352,474	\$ 11,564	\$ 35,508	\$ 47,072	13%		\$ 248,000	\$ 39,714	\$ 86,786
Mar-19	\$ 317,380	\$ 11,318	\$ 38,466	\$ 49,784	16%		\$ 248,000	\$ 39,714	\$ 89,498
Apr-19	\$ 302,722	\$ 11,318	\$ 38,466	\$ 49,784	16%		\$ 248,000	\$ 39,714	\$ 89,498
May-19	\$ 296,930	\$ 11,318	\$ 38,466	\$ 49,784	17%		\$ 248,000	\$ 39,714	\$ 89,498
Jun-19	\$ 297,458	\$ 11,318	\$ 38,466	\$ 49,784	17%		\$ 248,000	\$ 39,714	\$ 89,498
Jul-19	\$ 296,205	\$ 11,318	\$ 38,466	\$ 49,784	17%		\$ 248,000	\$ 39,714	\$ 89,498
Aug-19	\$ 298,308	\$ 11,318	\$ 38,466	\$ 49,784	17%		\$ 248,000	\$ 39,714	\$ 89,498
Sep-19	\$ 296,895	\$ 11,318	\$ 38,466	\$ 49,784	17%		\$ 248,000	\$ 39,714	\$ 89,498
Oct-19	\$ 296,321	\$ 11,318	\$ 38,466	\$ 49,784	17%		\$ 248,000	\$ 39,714	\$ 89,498
Nov-19	\$ 294,703	\$ 11,318	\$ 38,466	\$ 49,784	17%		\$ 248,000	\$ 39,714	\$ 89,498
Dec-19	\$ 298,280	\$ 11,318	\$ 38,466	\$ 49,784	17%		\$ 248,000	\$ 39,714	\$ 89,498
Total 2019	\$ 3,696,726	\$ 136,308	\$ 455,676	\$ 591,984	16%		\$ 2,976,000	\$ 476,569	\$ 1,068,553

\* Note: legal charge for HCMFA is based on an overall flat monthly fee at \$11,813/month or \$141,750 per year.

\*\* Inferred using same average percentage of the overall billing as applied to HCMFA for 2019 (16%).

---

**From:** Taylor Colbert  
**Sent:** Wednesday, January 6, 2021 9:31 PM CST  
**To:** Matt McGraner; DC Sauter  
**Subject:** Fwd: Shared Services

Begin forwarded message:

**From:** James Seery <jpseeryjr@gmail.com>  
**Date:** January 6, 2021 at 9:29:16 PM CST  
**To:** Taylor Colbert <TColbert@nexpointadvisors.com>  
**Cc:** Greg Demo <gdemo@pszlaw.com>  
**Subject: Re: Shared Services**

I don't know you. I disagree with everything in your email below.  
Please work through my counsel who is copied.

Sent from my iPhone

On Jan 6, 2021, at 2:38 PM, Taylor Colbert <TColbert@nexpointadvisors.com> wrote:

Mr. Seery,

My name is Taylor Colbert, and I've been tasked with negotiating the shared services agreement going forward.

Couple quick questions that I'm hoping you can clarify for me:

- Can you send me the most recent split proposal to help me get up to speed?
- Regarding overbilling for shared services in the past (which I understand to be \$8mm-\$9mm), do you anticipate that overpayment being applied first in upcoming payments?
- Are we assuming the immediate transfer of the CLOs to NexPoint at the start of the agreement?

Thanks,

TAYLOR COLBERT, CFA, CPA

<image001.jpg>

ADVISOR'S  
EXHIBIT

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002454

Advisors-Admin-000845

300 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.6280 | C: 615.598.7504 | F: 972.628.4147  
[tcolbert@nexpointadvisors.com](mailto:tcolbert@nexpointadvisors.com) | [www.nexpointgroup.com](http://www.nexpointgroup.com)

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**From:** David Klos <DKlos@HighlandCapital.com>

**To:** Jack Donohue <JDonohue@DSIConsulting.com>

**Cc:** Fred Caruso <fcaruso@DSIConsulting.com>, Frank Waterhouse <FWaterhouse@HighlandCapital.com>, Brian Collins <BCollins@HighlandCapital.com>, JP Sevilla <JSevilla@HighlandCapital.com>, Kristin Hendrix <KHendrix@HighlandCapital.com>

**Subject:** FW: HCMLP - Payment Demand

**Date:** Wed, 27 Jan 2021 20:24:36 -0600

**Importance:** Normal

---

Jack,

Per Dustin's email below, he is requesting underlying detail underpinning the calculations related to the demand. As time is of the essence and I believe you were principally involved in building/reconciling the schedule, I'm hoping you can assist with coordinating with Dustin for the support that HCMLP is able to provide in the context of this request. Please let me know asap.

-Dave

---

**From:** Dustin Norris

**Sent:** Wednesday, January 27, 2021 7:18 PM

**To:** JP Sevilla

**Cc:** Frank Waterhouse ; David Klos ; Brian Collins

**Subject:** Re: HCMLP - Payment Demand

Guys, I want to follow up on our call. As you know, we've been working hard to facilitate a transition of services and employees to avoid a disruption of business to the advisors and the funds. We haven't heard many specific responses since we talked on 1/13, we've been actively pushing to move to a draft agreement since 1/19, and the whole time we've been repeatedly assured that there would be no disruption in services. We've also raised the issue of overpayment, which you all have acknowledged we are. Without the underlying detail, we're not in a position to sign off on any of the calculations.

Please send the term sheet this evening.

Sent from my iPhone

On Jan 27, 2021, at 2:29 PM, JP Sevilla <[JSevilla@highlandcapital.com](mailto:JSevilla@highlandcapital.com)> wrote:

We have been told that Wilmer is circulating a term sheet today.

---

**From:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>

**Sent:** Wednesday, January 27, 2021 2:28 PM

**To:** JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>

**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos

ADVISOR'S EXHIBIT T
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002456

CONFIDENTIAL

D-NNL-010404

**Subject:** RE: HCMLP - Payment Demand

Also, we have been talking about this for several weeks, and we have been given assurances there would be no interruption of services, and now we are given two days' notice of an abrupt stop to all services. We also have been asking for an agreement, or even who will be drafting the agreement, for 10 days, with no response on your end. I would assume that term sheet will be sent today?

---

**From:** Dustin Norris

**Sent:** Wednesday, January 27, 2021 2:23 PM

**To:** JP Sevilla <JSevilla@HighlandCapital.com>

**Cc:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>; Brian Collins <BCollins@HighlandCapital.com>

**Subject:** RE: HCMLP - Payment Demand

I don't represent or control a number of the entities below. This is the first notice of this I have received, so I will give you a call JP to discuss our entities.

---

**From:** JP Sevilla <JSevilla@HighlandCapital.com>

**Sent:** Wednesday, January 27, 2021 12:45 PM

**To:** Dustin Norris <DNorris@NexPointSecurities.com>

**Cc:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>; Brian Collins <BCollins@HighlandCapital.com>

**Subject:** FW: HCMLP - Payment Demand

Dustin, let's discuss.

Separately (but relatedly), Wilmer Hale will be circulating a draft term sheet for the parties to finalize and execute to get everyone through February while a definitive document is finalized.

---

**From:** Fred Caruso <FCaruso@DSIConsulting.com>

**Sent:** Wednesday, January 27, 2021 10:51 AM

**To:** Brian Collins <BCollins@HighlandCapital.com>; JP Sevilla <JSevilla@HighlandCapital.com>; Frank Waterhouse <FWaterhouse@HighlandCapital.com>; David Klos <DKlos@HighlandCapital.com>

**Cc:** Jim Seery <jpseeryjr@gmail.com>

**Subject:** FW: HCMLP - Payment Demand

Brian, JP, Frank and David,

As you know, there are outstanding fees and cost reimbursements that remain unpaid. Per our discussions, the following amounts must be paid by close of business on Friday, January 29<sup>th</sup>. No further services will be provided if this payment is not received in full by such time.

HCMFA	\$ 2,121,276.13
DAF	1,066,667
NexPoint Advisors, LP	932,977
Ohio State Life Insurance	495,686
NexBank	432,667
NexPoint Real Estate Advisors	160,000
HCM Services	116,531
NexPoint Capital	13,941
Rand	93,736
Dugaboy Investment Trust	14,392

Jim Dondero/Mark Okada	9,659
Jim Dondero	8,501
HCMLP/Dugaboy/Services	<u>1,385</u>
	\$ 5,467,418.36

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---

**From:** Dustin Norris  
**Sent:** Thursday, January 28, 2021 11:43 AM CST  
**To:** Jack Donohue  
**CC:** Fred Caruso; DC Sauter  
**Subject:** RE: HCMLP - Payment Demand

Thanks Jack, I think I am good for now, but it may be helpful later after we get the more important transition items finalized. Just to clarify, I understand what you are asking for in payments of all past due amounts, and that you are not making any adjustments for actual employees employed today by HCMLP or for actual services provided or not provided to our advisors, but rather just charging the same amounts that have been charged since the beginning of the bankruptcy. Dave Klos and Frank walked me through that last night.

We have brought this up multiple times since November that there is a reimbursement for employees and services that no longer are being provided under the agreement. One simple example that has been communicated is the expense reimbursement for actual costs of dual employees. In those agreements, there is a list of 25 employees, and approximately 2/3 are no longer employed by HCMLP, and no updates in good faith have been made to those amounts we are reimbursing for employees no longer employed and no longer providing any services to our advisors. We are not saying this needs to be resolved now, and understand there is a proper process with the court to do that, but we have asked multiple times for support for these calculations and billings, so after we work through the term sheet it would be nice to have that info.

Feel free to call me on my direct number 972-419-4495, I'm happy to talk through anything else.

Regards,

DUSTIN NORRIS

**NEXPOINT**

200 Crescent Court | Suite 700 | Dallas, Texas 75201  
O: 972.419.4495 | Sales Desk: 877.665.1287  
[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com) | [www.NexPointGroup.com](http://www.NexPointGroup.com)

---

**From:** Jack Donohue <[JDonohue@DSIConsulting.com](mailto:JDonohue@DSIConsulting.com)>  
**Sent:** Thursday, January 28, 2021 11:36 AM  
**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>  
**Cc:** Fred Caruso <[fcaruso@DSIConsulting.com](mailto:fcaruso@DSIConsulting.com)>  
**Subject:** RE: HCMLP - Payment Demand  
**Importance:** High

Dustin,

ADVISOR'S  
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002459

CONFIDENTIAL

Advisors-Admin-000876

Do you want to have a call at noon?

Jack

---

Jack M. Donohue, CPA  
Development Specialists, Inc.  
10 South LaSalle Street, Suite 3300 | Chicago, Illinois 60603  
**Phone:** (312) 263-4141 | **Fax:** (312) 263-1180  
<http://DSIconsulting.com/>

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**From:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>  
**Sent:** Thursday, January 28, 2021 11:00 AM  
**To:** Fred Caruso <[FCaruso@DSIConsulting.com](mailto:FCaruso@DSIConsulting.com)>; Jack Donohue <[JDonohue@DSIConsulting.com](mailto:JDonohue@DSIConsulting.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>; JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>; Bradley Sharp <[bsharp@DSIConsulting.com](mailto:bsharp@DSIConsulting.com)>  
**Subject:** RE: HCMLP - Payment Demand

Thanks Fred, appreciate your help. More importantly, we need to see a term sheet ASAP today. We all generally agreed to the terms of the transition plan verbally over 10 days ago, and again by email on 1/19. I understand the AR spreadsheet, but secondarily, after we get the term sheet I would like to see the detailed support for the calculations of the actual costs charged for these months for the shared services and the detail of which dual employees that we are reimbursing you for under the payroll reimbursement agreements for NexPoint Advisors and Highland Capital Management Fund Advisors, however this is all secondary to getting the term sheet in the form we have agreed to so we can ensure a proper transition of all applicable services.

---

**From:** Fred Caruso <[FCaruso@DSIConsulting.com](mailto:FCaruso@DSIConsulting.com)>  
**Sent:** Thursday, January 28, 2021 10:37 AM  
**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>; Jack Donohue <[JDonohue@DSIConsulting.com](mailto:JDonohue@DSIConsulting.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>; JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>; Bradley Sharp <[bsharp@DSIConsulting.com](mailto:bsharp@DSIConsulting.com)>  
**Subject:** FW: HCMLP - Payment Demand

Dustin

Per your request below, I have asked Jack reach out to you to coordinate a call to walk you thru the AR calculation. Please try to get this done asap today. Thank you, Fred

Fred C. Caruso  
Senior Managing Director

DSI  
Suite 3300  
10 S LaSalle Street  
Chicago, IL 60603  
Office: 312-263-4141 Ext 1240  
Cell: 847-302-6534  
[fcaruso@dsiconsulting.com](mailto:fcaruso@dsiconsulting.com)

Please note new street, suite # and e-mail address; prior e-mail address still functional.



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---

**From:** David Klos [<mailto:DKlos@HighlandCapital.com>]  
**Sent:** Wednesday, January 27, 2021 8:25 PM  
**To:** Jack Donohue <[JDonohue@DSIConsulting.com](mailto:JDonohue@DSIConsulting.com)>  
**Cc:** Fred Caruso <[FCaruso@DSIConsulting.com](mailto:FCaruso@DSIConsulting.com)>; Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>; JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>; Kristin Hendrix <[KHendrix@HighlandCapital.com](mailto:KHendrix@HighlandCapital.com)>  
**Subject:** FW: HCMLP - Payment Demand

Jack,  
Per Dustin's email below, he is requesting underlying detail underpinning the calculations related to the demand. As time is of the essence and I believe you were principally involved in building/reconciling the schedule, I'm hoping you can assist with coordinating with Dustin for the support that HCMLP is able to provide in the context of this request. Please let me know asap.

-Dave

---

**From:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>  
**Sent:** Wednesday, January 27, 2021 7:18 PM  
**To:** JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>  
**Subject:** Re: HCMLP - Payment Demand

Guys, I want to follow up on our call. As you know, we've been working hard to facilitate a transition of services and employees to avoid a disruption of business to the advisors and the funds. We haven't heard many specific responses since we talked on 1/13, we've been actively pushing to move to a draft agreement since 1/19, and the whole time we've been repeatedly assured that there would be no

disruption in services. We've also raised the issue of overpayment, which you all have acknowledged we are. Without the underlying detail, we're not in a position to sign off on any of the calculations.

Please send the term sheet this evening.

Sent from my iPhone

On Jan 27, 2021, at 2:29 PM, JP Sevilla <[JSevilla@highlandcapital.com](mailto:JSevilla@highlandcapital.com)> wrote:

We have been told that Wilmer is circulating a term sheet today.

---

**From:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>  
**Sent:** Wednesday, January 27, 2021 2:28 PM  
**To:** JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>  
**Subject:** RE: HCMLP - Payment Demand

Also, we have been talking about this for several weeks, and we have been given assurances there would be no interruption of services, and now we are given two days' notice of an abrupt stop to all services. We also have been asking for an agreement, or even who will be drafting the agreement, for 10 days, with no response on your end. I would assume that term sheet will be sent today?

---

**From:** Dustin Norris  
**Sent:** Wednesday, January 27, 2021 2:23 PM  
**To:** JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>  
**Subject:** RE: HCMLP - Payment Demand

I don't represent or control a number of the entities below. This is the first notice of this I have received, so I will give you a call JP to discuss our entities.

---

**From:** JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>  
**Sent:** Wednesday, January 27, 2021 12:45 PM  
**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>  
**Cc:** Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>; Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>  
**Subject:** FW: HCMLP - Payment Demand

Dustin, let's discuss.

Separately (but relatedly), Wilmer Hale will be circulating a draft term sheet for the parties to finalize and execute to get everyone through February while a definitive document is finalized.

**From:** Fred Caruso <[FCaruso@DSIConsulting.com](mailto:FCaruso@DSIConsulting.com)>  
**Sent:** Wednesday, January 27, 2021 10:51 AM  
**To:** Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>; JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>; Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Cc:** Jim Seery <[jpsseeryjr@gmail.com](mailto:jpsseeryjr@gmail.com)>  
**Subject:** FW: HCMLP - Payment Demand

Brian, JP, Frank and David,

As you know, there are outstanding fees and cost reimbursements that remain unpaid. Per our discussions, the following amounts must be paid by close of business on Friday, January 29<sup>th</sup>. No further services will be provided if this payment is not received in full by such time.

HCMFA	\$ 2,121,276.13
DAF	1,066,667
NexPoint Advisors, LP	932,977
Ohio State Life Insurance	495,686
NexBank	432,667
NexPoint Real Estate Advisors	160,000
HCM Services	116,531
NexPoint Capital	13,941
Rand	93,736
Dugaboy Investment Trust	14,392
Jim Dondero/Mark Okada	9,659
Jim Dondero	8,501
HCMLP/Dugaboy/Services	<u>1,385</u>
	\$ 5,467,418.36

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**From:** i uHy LPha (R ukPn4 LPha' f k oRuNyCumkuPsnR )  
**Sent:** E TyNTayu, J DuNr ud, 2?J 2021 842: 3M  
**To:** Dst i nNhor T 7D nNhor T' i S.CnNar RkNl p nR @  
**Cc:** ; dTy Cudr an 7; Cudr an' i S.CnNar RkNl p nR @; duNt E ucTdnr aT  
7; E ucTdnr aT' f k oRuNyCumkuPsnR @- duN CnPNa 7- CnPNa' f k oRuNyCumkuPsnR @DB STHPR  
7DTHPR' f k oRuNyCumkuPsnR @L dcdNf TNYdk 7Lf TNYdk' f k oRuNyCumkuPsnR @  
**Subject:** ; E 4f CMv8 b3u, R TNci TR uNy

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3Tdi radNba TR ukP9TPh> JoT ka dT\_r TackNl r NyTd, kNl yTculPr NyTchNNNN coT suBr RuckNa dTRucTy cn coT  
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asoTyr PTJ .BR onnkNl, nr suN uaakac > lco snndy kNucNl > lco i radN/ndcoT ar mmdc couc f CMv8 ka u9PT cn  
mchHyT kN coT snNcT<c n/ cola dT\_r Tacp 3PTuaT PtcR T tNh> uaump

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**From:** i radN endle 7i endle' e T<3nkNcSTsr dcdTapsnR @  
**Sent:** E TyNTayu, J DuNr ud, 2?J 2021 ?418 3M  
**To:** DB STHPR 7DTHPR' f k oRuNyCumkuPsnR @  
**Cc:** ; duNt E ucTdnr aT 7; E ucTdnr aT' f k oRuNyCumkuPsnR @i uHy LPha  
7i LPha' f k oRuNyCumkuPsnR @- duN CnPNa 7- CnPNa' f k oRuNyCumkuPsnR @  
**Subject:** I T4f CMv8 b3u, R TNci TR uNy

qr, al. > uNc cn /nPh> r mnNnr dsuPp Aa, nr tNn> J> T[HT 9TTN> ndt kNl ousy cn /uskKucT u cduNalckNn/ aTchHsTa uNy TR nPh, TTa cn uHhly u yladr mcnNn/9r akNTaa cn coT uyHenda uNy coT /r Nyap E T ouHTN[c oTudy R uN, antSkyls dTammNaTa akNsT > T cuR Ty nN 151j J> T[HT 9TTN usckHTP, nr aokNl cn R nHT cn u ydu/c ul dTTR TNc akNsT 1516J uNy coT > onPT dR T > T[HT 9TTN dTntucTyP, uaar dTy couc coTdT > nr Ry 9T Nn yladr mcnNn kNaTchHsTap E T[HT uRan dulaTy coT laar T n/ nHTdmu, R TNcl > olso, nr uPouHT ustNn> Pyl Ty > T udTp E lconr ccoT r NyTdP, kNl yTculP > T[dT Nnc kNu mackNn cn ak Nn// nN uN, n/ coT suBr RuckNap

3PuaT aTny coT cTdR aoTTc cola THTNkNl p

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E T ouHT 9TTNcnRy couc E kR Tdla skdr RuckNl u cTdR aoTTcnyu, p

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**From:** i radNendla 7i endla' eT<3nkNcSTsr dckTapsnR @  
**Sent:** E TyNTayu, J DuNr ud, 2?J 2021 2428 3M  
**To:** DB STHPR 7 STHPR' f k oRuNyCumkuPsnR @  
**Cc:** ; duNt E ucTdnr aT 7; E ucTdnr aT' f k oRuNyCumkuPsnR @Fi uHly LPha  
 7i LPha' f k oRuNyCumkuPsnR @- duN CnPhNa 7- CnPhNa' f k oRuNyCumkuPsnR @  
**Subject:** I g4f CMv8 b3u, R TNci TR uNy

A RnJ > T ouHT 9TTN cuR kNl u9nr c cola /ndaTHTdP> TTtal uNy > T ouHT 9TTN l kHTN uaar duNsTa coTdT > nr Ry 9T Nn kNcTdr mcnNn/ aTchHsTa uNy Nn> > T udf l kHTN > n yu, aBNndsT n/ uN u9dr nt acnmcn uP aTchHsTap E T uRan ouHT 9TTN uat kNl /nduN ul dTTR TNcl ndTHTN> on > kP9T ydu/cNl coT ul dTTR TNcl /nd10 yu, al > kco Nn dTammNaT nN, nr dTNyp. > nr Ry uaar R T couc cTdR aoTTc > kP9T aTNcnyu, ]

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**From:** i radNendla  
**Sent:** E TyNTayu, J DuNr ud, 2?J 2021 242j 3M  
**To:** DB STHPR 7 STHPR' f k oRuNyCumkuPsnR @  
**Cc:** ; duNt E ucTdnr aT 7; E ucTdnr aT' f k oRuNyCumkuPsnR @Fi uHly LPha  
 7i LPha' f k oRuNyCumkuPsnR @- duN CnPhNa 7- CnPhNa' f k oRuNyCumkuPsnR @  
**Subject:** I g4f CMv8 b3u, R TNci TR uNy

. ynNB dTmdTaTnc ndsnNcdhPu Nr R 9TdN/ coT TNcdTa 9TH> p hola la coT /kdc NndsT n/ cola. ouHT dTsTKHTyJan. > kPl kHT, nr u suPDB cn ylasr aa nr dTNcdTap

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**From:** DB STHPR 7 STHPR' f k oRuNyCumkuPsnR @  
**Sent:** E TyNTayu, J DuNr ud, 2?J 2021 124x: 3M  
**To:** i radNendla 7i endla' eT<3nkNcSTsr dckTapsnR @  
**Cc:** ; duNt E ucTdnr aT 7; E ucTdnr aT' f k oRuNyCumkuPsnR @Fi uHly LPha  
 7i LPha' f k oRuNyCumkuPsnR @- duN CnPhNa 7- CnPhNa' f k oRuNyCumkuPsnR @  
**Subject:** ; E 4f CMv8 b3u, R TNci TR uNy

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uNy T<Tsr cT cn l TcTHTd, nNT codhr l o ; T9dr ud, > okT u yT/kNckHT ynsr R TNc la /kNuRGTyp

**From:** ; dTy Cudr an 7; Cudr an' i S.CnNar RkNI psnR @

**Sent:** E TyNTay u, J DuNr ud 2?J 2021 104 1 AM

**To:** - duN CnPNa 7- CnPNa' f k oRuNyCumkupsnR @F B STHPU 7STHPU' f k oRuNyCumkupsnR @; duNt  
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**Cc:** DR STTd 7'maTTd 'd I R ukpsnR @

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snNacd Ty ua u RR kudnN nd> uHTdn/uN, n/ar so dk ocap

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----- Forwarded message -----

From: **Dustin Norris** <[norris.dustin@gmail.com](mailto:norris.dustin@gmail.com)>

Date: Thu, Jan 28, 2021 at 12:22 AM

Subject: Call with JP, Frank, and Klos

To: Dustin Norris <[norris.dustin@gmail.com](mailto:norris.dustin@gmail.com)>

Notes to self regarding the conversation noted below. This is all true and accurate based on everything I remember. The overall tone was not friendly, it was adversarial from the beginning as JP dove in with a very adversarial tone and a take it or leave it or lose your business approach, and there was a contentious back and forth throughout.

I had a call with JP, Frank, and Klos today, 1/27 at 4:45pm to discuss the transition of shared services and in particular the new development in our negotiations for an orderly transition of services where they are demanding payment of various amounts from all Jim related entities or they will cease services on 1/29. This was the first time payment of these amounts was mentioned, and after many assurance that they wouldn't pull access to anything, this was sent today.

The call started out with JP saying that these amounts had to be paid and that there was no other option, and that they would like to walk through the spreadsheet with me so that I had a chance to make sure I understood the numbers and that they were correct. This is the first time these amounts had been discussed in ANY of our conversations.

He turned the call over to Klos who then started to walk though the numbers on tab 2. He mentioned that the numbers being requested were the amounts owed under the shared services agreements and expense reimbursement agreements. I stopped him and asked before we proceeded for him to confirm that these were in fact the amounts that we owe under the agreements are for actual services provided. He said they were, and I then requested additional clarification in regards to the amounts owed under the NPA and HCMFA agreements, and he said they were, and i again pushed on the specifics of the agreements , which he had previously acknowledged we are overpaying for reimbursement of employees who no longer work for HCMLP and in regards to the services we receive form HCMLP that we are paying a reimbursement +5%, including legal services for which we have not received any legal or litigation support from HCMLP in months. He acknowledged that the amounts did not include the actual reimbursements in either of those cases but were the same amounts that had been billed each month in the past, so no change to the previous billing. I called them all out on this, that wasn't consistent with the agreements, and they pushed back and then forcefully yelled back that this isn't the time to litigate the agreements. I agreed and just stated that the agreements

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should be paid as they are stated and again referred to the schedule noted in the shared services agreement, and they got hostile, all of them, and I then ask Frank if he had actually read the agreements. I reminded him that he was the signer on behalf of NPA and HCMFA, but also countersigned for HCMLP. He said he had read the agreements, but not since they were first drafted. That would have been about three years ago.

We agreed to not dive into any more of the specifics of the interpretation of agreements, but they all acknowledged that they all agreed we had been overpaying for the agreements, with Frank emphasizing that they all agree these aren't the proper amounts, they just couldn't change it from what was being paid before. I reminded Frank that the only people paying the amounts each month had been Frank and Dave, that no one else that I know of has the ability to process the payments. Frank said they have known that these amounts were overpayments for over a year and tried to update them, but couldn't due to the automatic stay. I pressed him on this as I was not aware at all of this fact. He said they had discussed with inside and outside counsel and there was nothing they could do now due to the automatic Stay. I let him know I knew nothing about these agreements and the overpayments until DC and myself discovered these a couple months ago as we were looking at the agreements and he said he did know and had actually created the calculation of the overpayment amounts. I reiterated my view that we aren't trying to litigate what is owed, but to actually just have the calculations done appropriately as defined by the agreement, but Frank hadn't even read the agreements since they were first drafted.

I then asked them if they have any backup plans if Jim doesn't pay. Frank asked what I meant, and I clarified and asked if they have any backup plans to provide any services to the funds, and if he as principal financial officer of the funds and CFO of the retail advisors had any plans to provide the needed services. (As an aside, in previous conversation, there was always an assurance given that the services would transition smoothly, and that Seery and Fred had no intention of cutting things off or disrupting our business, including a direct conversation with Fred last week on this, they also in other conversation had assured us that even if there was an interim period, Seery would have no issue allowing people to continue providing services- that was in discussion within the last week). Frank said there is no backup plan, and that Jim has no leverage and just has to pay. JP stepped in and said if payment isn't received by Friday Seery said he will cut off all access to the servers and emails and will shut off all access to the building. He repeated that Jim has no negotiating power here. I asked them again what the backup plan is, if they will just stop performing services on Feb 1 and then just work until their already determined last day on Feb 19 and then collect their severance check?!? Frank reiterated there is no other option now, but he guesses HCMLP employees could quit if Jim would hire them and pay them but we still wouldn't have access to our files, emails, and domains. I pointed to the books and records provisions of the shared services agreement, but JP just said they could just print out the papers and deliver them several days later, or we would have to go to the court to enforce it, and that would be of no use to us and would be too late to keep our business going if we don't have any access to the servers and email, and months later after going to the court things would be ruined (I don't think he used the word ruined, but it was something similar, that the businesses would not be functional any longer)

We then talked again about the amounts, and they stressed that Jim needed to get things paid, and then Frank came back in, and said just for the record, he had been working for a long time on

a backup plan, over a year to get Jim to set up another server, so the earlier discussion about him not having a backup plan wasn't accurate, but he said that Jim refused on numerous occasions to set up another server over the past year, and so now we find ourselves in this position, with only one option for Jim, but if he would have listened to Frank and set up another server things could have been transitioned over prior to this termination date. He said that the President of the RIA, Jim, had said no, so there was nothing he could do.

In all of this, it seems this was the plan all along - to wait until the last minute and then cut things off. They say they have been trying for a long time to set up a smooth transfer of services, however they never engaged with anyone other than Jim, and that wasn't even until the transition plan was sent to him on December 31. There were notes in the spreadsheet they sent that day that made it look like it was asking for the retail advisors to pay for the D&O insurance for Seery and the HCMLP Board, and so I was told it was dismissed by Jim and his attorneys. I hadn't seen the plan but Jim had and he said they couldn't believe they would even ask for that. When I finally for the first time so the term sheet for the transition plan, I saw the notes he was referring to, and was able to confirm that they were just placed in the wrong column. We were then able to quickly come to an agreement on the fee splitting, and then just needed to draft an agreement. That was about 10 days ago, and have not even seen a term sheet yet. and I asked almost daily who they wanted to draft the agreement, our side or their side and they did not give a response for many days, which now seems like they intentionally delayed things until the very end, never saying they planned to pull the services, until they actually sent the email today, despite many times saying that wasn't the plan at all.



**From:** Jack Donohue <JDonohue@DSIConsulting.com>

**To:** Fred Caruso <FCaruso@DSIConsulting.com>, Dustin Norris  
<DNorris@NexPointSecurities.com>

**Cc:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, David Klos  
<DKlos@HighlandCapital.com>, Brian Collins <BCollins@HighlandCapital.com>, "JP  
Sevilla" <JSevilla@HighlandCapital.com>, Bradley Sharp <bsharp@DSIConsulting.com>

**Subject:** RE: HCMLP - Payment Demand

**Date:** Thu, 28 Jan 2021 16:46:21 +0000

---

Dustin are you free at noon central?

Thanks,

Jack

---

Jack M. Donohue, CPA

Development Specialists, Inc.

10 South LaSalle Street, Suite 3300| Chicago, Illinois 60603

**Phone:** (312) 263-4141| **Fax:** (312) 263-1180

**<http://DSIconsulting.com/>**

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**From:** Fred Caruso

**Sent:** Thursday, January 28, 2021 10:37 AM

**To:** Dustin Norris ; Jack Donohue

**Cc:** Frank Waterhouse ; David Klos ; Brian Collins ; JP Sevilla ; Bradley Sharp

**Subject:** FW: HCMLP - Payment Demand

Dustin

Per your request below, I have asked Jack reach out to you to coordinate a call to walk you thru the AR calculation. Please try to get this done asap today. Thank you, Fred

Fred C. Caruso

Senior Managing Director

DSI

Suite 3300

10 S LaSalle Street

ADVISOR'S  
EXHIBIT  
X

002473

Office: 312-263-4141 Ext 1240

Cell: 847-302-6534

[fcarus@dsiconsulting.com](mailto:fcarus@dsiconsulting.com)

Please note new street, suite # and e-mail address; prior e-mail address still functional.



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Please send the term sheet this evening.

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I don't represent or control a number of the entities below. This is the first notice of this I have received, so I will give you a call JP to discuss our entities.

---

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Dustin, let's discuss.

Separately (but relatedly), Wilmer Hale will be circulating a draft term sheet for the parties to finalize and execute to get everyone through February while a definitive document is finalized.

---

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**Sent:** Wednesday, January 27, 2021 10:51 AM  
**To:** Brian Collins <[BCollins@HighlandCapital.com](mailto:BCollins@HighlandCapital.com)>; JP Sevilla <[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>; Frank Waterhouse <[FWaterhouse@HighlandCapital.com](mailto:FWaterhouse@HighlandCapital.com)>; David Klos <[DKlos@HighlandCapital.com](mailto:DKlos@HighlandCapital.com)>  
**Cc:** Jim Seery <[jmseeryjr@gmail.com](mailto:jmseeryjr@gmail.com)>  
**Subject:** FW: HCMLP - Payment Demand

Brian, JP, Frank and David,

As you know, there are outstanding fees and cost reimbursements that remain unpaid. Per our discussions, the following amounts must be paid by close of business on Friday, January 29<sup>th</sup>. No further services will be provided if this payment is not received in full by such time.

HCMFA	\$ 2,121,276.13
DAF	1,066,667
NexPoint Advisors, LP	932,977
Ohio State Life Insurance	495,686
NexBank	432,667
NexPoint Real Estate Advisors	160,000
HCM Services	116,531
NexPoint Capital	13,941
Rand	93,736
Dugaboy Investment Trust	14,392
Jim Dondero/Mark Okada	9,659
Jim Dondero	8,501
HCMLP/Dugaboy/Services	<u>1,385</u>
	\$ 5,467,418.36

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**From:** James Seery <jpseeryjr@gmail.com>

**To:** Jack Donohue <JDonohue@DSIConsulting.com>, Dustin Norris  
<DNorris@NexPointSecurities.com>, Fred Caruso <FCaruso@DSIConsulting.com>

**Cc:** Frank Waterhouse <FWaterhouse@HighlandCapital.com>, David Klos  
<DKlos@HighlandCapital.com>, Brian Collins <BCollins@HighlandCapital.com>, JP Sevilla  
<JSevilla@HighlandCapital.com>, Bradley Sharp <bsharp@DSIConsulting.com>, Thomas  
Surgent <TSurgent@HighlandCapital.com>

**Subject:** Re: HCMLP - Payment Demand

**Date:** Fri, 29 Jan 2021 02:12:09 +0000

---

Mr. Norris:

Without taking the time to refute each of the unfounded allegations you attempt to splash about in your emails below, suffice it to say that HCMLP disagrees with the particulars and the overall substance of each and every one.

As you are aware, we have attempted for MONTHS to try to put a transition arrangement together with the HCMLP employees that are to transfer to another entity and the Fund's Advisors. As you are further aware, Mr. Dondero, your portfolio manager and the owner and sole person controlling the advisors (and effectively the Funds), has refused to engage or permit others to do so on his behalf. He has further stated on an open call that he would make any transfer "difficult" and is apparently keeping to that path.

You, the Funds' Board, the advisors and Mr. Dondero have been aware of the termination of the shared service agreements for 60 days. You, the advisors, and Mr. Dondero (and we expect that you advised the Funds' Board) are also aware that the advisors are in default to HCMLP on substantial notes and payments under the agreements subject to termination. Instead of planning and working towards a transition, the Funds, the advisors and Mr. Dondero have done nothing save bringing frivolous actions in the Bankruptcy Court, attempting to upset the HCMLP plan process, and trying to create absolutely frivolous claims in an absurd attempt to counter the legitimate debts owed to HCMLP.

I suggest you and your team focus on the term sheet that you will receive shortly, the payments that are owed and must be paid, and the necessary conditions to a transition before the agreements terminate.

My team is focused on assuring that we can meet the terms of the term sheet to facilitate payment and continued service while we complete the transition. I am available to discuss this note.

Best. Jim

Jim Seery

631-804-2049

jpseeryjr@gmail.com

---

**From:** Jack Donohue

**Date:** Thursday, January 28, 2021 at 6:50 PM

**To:** Dustin Norris , Fred Caruso , Jim Seery

**Cc:** Frank Waterhouse , David Klos , Brian Collins , JP Sevilla , Bradley Sharp

**Subject:** RE: HCMLP - Payment Demand

Adding Jim Seery.

ADVISOR'S  
EXHIBIT  
Y

002477

ACL-075862

Jack M. Donohue, CPA

Development Specialists, Inc.

10 South LaSalle Street, Suite 3300| Chicago, Illinois 60603

**Phone:** (312) 263-4141| **Fax:** (312) 263-1180

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---

**From:** Dustin Norris

**Sent:** Thursday, January 28, 2021 11:00 AM

**To:** Fred Caruso ; Jack Donohue

**Cc:** Frank Waterhouse ; David Klos ; Brian Collins ; JP Sevilla ; Bradley Sharp

**Subject:** RE: HCMLP - Payment Demand

Thanks Fred, appreciate your help. More importantly, we need to see a term sheet ASAP today. We all generally agreed to the terms of the transition plan verbally over 10 days ago, and again by email on 1/19. I understand the AR spreadsheet, but secondarily, after we get the term sheet I would like to see the detailed support for the calculations of the actual costs charged for these months for the shared services and the detail of which dual employees that we are reimbursing you for under the payroll reimbursement agreements for NexPoint Advisors and Highland Capital Management Fund Advisors, however this is all secondary to getting the term sheet in the form we have agreed to so we can ensure a proper transition of all applicable services.

---

**From:** Fred Caruso <[FCaruso@DSIConsulting.com](mailto:FCaruso@DSIConsulting.com)>

**Sent:** Thursday, January 28, 2021 10:37 AM

**To:** Dustin Norris <[DNorris@NexPointSecurities.com](mailto:DNorris@NexPointSecurities.com)>; Jack Donohue <[JDonohue@DSIConsulting.com](mailto:JDonohue@DSIConsulting.com)>

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<[JSevilla@HighlandCapital.com](mailto:JSevilla@HighlandCapital.com)>; Bradley Sharp <[bsharp@DSIConsulting.com](mailto:bsharp@DSIConsulting.com)>

**Subject:** FW: HCMLP - Payment Demand

Dustin

Per your request below, I have asked Jack reach out to you to coordinate a call to walk you thru the AR calculation. Please try to get this done asap today. Thank you, Fred

Fred C. Caruso

Senior Managing Director

DSI

Suite 3300

002478

ACL-075863

Chicago, IL 60603

Office: 312-263-4141 Ext 1240

Cell: 847-302-6534

[fcaruso@dsiconsulting.com](mailto:fcaruso@dsiconsulting.com)

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002479

ACL-075864



Sent from my iPhone

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**UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF  
TEXAS, DALLAS DIVISION**

**In Re: Highland Capital Management, L.P.** § Case No. **19-34054-SGJ-11**  
**NexPoint Advisors, L.P. et al** §

Appellant § 21-03010

vs. §  
**Highland Capital Management, L.P.** §

Appellee § **3:22-CV-02170-S**

**[126] Judgment (final). Entered on 9/14/2022**

**APPELLANT RECORD**

**VOLUME 13**

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UNITED STATES BANKRUPTCY COURT  
 NORTHERN DISTRICT OF TEXAS  
 DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj11
	§	
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

INDEX

**AMENDED DESIGNATION OF ITEMS FOR THE RECORD ON APPEAL  
 BY NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this *Amended Designation of Items for the Record on Appeal*, designating the following items for the record of said appeal:

<u>Item</u>	<u>Docket No.</u>	<u>Description</u>
<b>ADVERSARY PROCEEDING (21-03010-sgj)</b>		
1	128	Joint Notice of Appeal
2	126	Judgment
3		Docket Sheet
4	1	Plaintiff Highland Capital Management, L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief
5	33	Original Answer
6	37	Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters
7	49	Response to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
8	56	Highland Capital Management, L.P.'s Reply In Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
9	90	Advisors' Trial Brief
10	91	Highland's Proposed Findings of Fact and Conclusions of Law
11	96	Joint Pretrial Order
12	124	Findings of Fact and Conclusions of Law
<b>BANKRUPTCY CASE (19-34054-sgj-11)</b>		
13	1826	Application for Allowance of Administrative Expense Claim
14	2274	Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
<b>EVIDENCE AND TRANSCRIPTS (21-03010-SGJ)</b>		
15	115	All exhibits admitted into evidence at trial on April 12, 2022 and April 13, 2022 Thru Vol. 12
16	113	Transcript of April 12, 2022 trial
17	116	Transcript of April 13, 2022 trial
18	122	Transcript of April 27, 2022 closing arguments

RESPECTFULLY SUBMITTED this 4th day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 4th day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

Davor Rukavina, Esq.

1 IN THE UNITED STATES BANKRUPTCY COURT

2 FOR THE NORTHERN DISTRICT OF TEXAS

3 DALLAS DIVISION

4 IN RE

5 HIGHLAND CAPITAL MANAGEMENT, L.P. §

6 § CASE NO. 19-340540SGJ11

7 § DALLAS, TEXAS

Debtor

8 § TUESDAY, APRIL 12, 2022

§ 2:19 P.M. - 6:18 P.M.

9 HIGHLAND CAPITAL MANAGEMENT, L.P., §

Plaintiff, §

vs.

10 § ADVERSARY PROCEEDING

§ NO. 21-03010-SGJ

HIGHLAND CAPITAL MANAGEMENT FUND §

11 ADVISORS, L.P., et al. §

Defendants. §

12  
13 TRIAL

14 BEFORE THE HONORABLE STACEY G. JERNIGAN  
15 UNITED STATES BANKRUPTCY JUDGE

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24  
25 Proceedings recorded by electronic sound recording;  
transcript produced by transcription service.



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1 DALLAS, TEXAS; TUESDAY, APRIL 12, 2022; 2:19:25 P.M.

2 (Counsel confer)

3 CROSS-EXAMINATION

4 BY MR. RUKAVINA:

5 Q Mr. Klos, you and I have met in deposition a couple of  
6 times but not in person, so good afternoon.

7 A Good afternoon.

8 Q I guess I'm a little bit conceptually perplexed. Is it  
9 your understanding of these contracts that if every single  
10 Highland employee quit, that the advisors would still have  
11 to keep paying under the payroll reimbursement and shared  
12 service agreements?

13 A If every single employee of Highland quit, would they  
14 still have to continue paying?

15 Q Yeah.

16 A I don't know. I don't know that practically that is  
17 ever a possibility.

18 Q But if it happened, is it your understanding as the  
19 controller and CFO and having administered these contracts  
20 for years that my clients would still have to be paying  
21 every month?

22 A I don't know as a legal matter. As a practical matter,  
23 no.

24 Q Okay. Now, just go a few background things. You're a  
25 CPA, correct?

1 A Yes.

2 Q Your -- you consider yourself a professional, correct?

3 A Yes.

4 Q You've never been disciplined as an accountant or CPA,  
5 correct?

6 A Correct.

7 Q You pride yourself in doing a professional job for your  
8 employer, correct?

9 A Yes, I pride -- I take pride in my job.

10 Q Okay. Would you not deceive anyone with your work  
11 product or your professionalism, would you not  
12 intentionally?

13 A Never intentionally, no.

14 Q Okay. You wouldn't assist someone else intentionally  
15 with deceiving the IRS or deceiving contract counterparties,  
16 would you?

17 A No. No.

18 Q You wouldn't deceive intentionally any auditor, would  
19 you?

20 A No.

21 Q Okay. You wouldn't deceive intentionally Mr.  
22 Waterhouse your boss back then, would you?

23 A No.

24 Q Or FTI or the unsecured creditor's committee, would  
25 you?

1 A No, we do things in good faith.

2 Q Or DSI too, right?

3 A Correct.

4 Q So you consider yourself as an ethical professional  
5 accountant now CFO.

6 A Yes, I consider myself ethical, yes.

7 Q Before I get into the meat of the matter, there's a  
8 couple of things I thought I heard you say that we can  
9 clarify. I thought I heard you say that the advisors had  
10 not been paying for investment advice services before the  
11 subadvisory agreements; isn't that correct?

12 A Yes, that's correct I believe, yeah.

13 Q Yeah. I think you said that the advisors were paying  
14 under shared services agreements, but there was no similar  
15 front office investment reimbursement agreement, correct?

16 A Correct. There was no front office equivalent.

17 Q Okay. How do you know that?

18 A I was a part of the corporate team throughout the  
19 period from the very beginning of NexPoint and  
20 (indiscernible) existence and wasn't aware of such an  
21 agreement or certainly any amount paid under such  
22 agreements.

23 Q Would you please turn to your Exhibit 29? It's the --  
24 yeah, it's the -- one of the thick binders.

25 Let me know when you're there, sir. This has been

1 admitted into evidence. This is the shared services  
2 agreement with NexPoint going back to 2013. Do you see  
3 that, sir?

4 A Yes.

5 Q And on the third page, Section 2.01 if you'll flip with  
6 me there, that's the services that are contracted for and  
7 being paid for, correct?

8 A I'll take your word for it, but it appears so, yes.

9 Q Well, yes, I mean, we can all read better. It talks  
10 about the services more fully, described more fully on Annex  
11 A, do you see that, sir? And if we please look to Annex A  
12 which is at the end, it's going to be page -- it's going to  
13 end with Bates label 625.

14 A Sorry --

15 Q Bottom of 625, yeah.

16 A -- 665. I'm with you.

17 Q See the very bottom there it says investments,  
18 investment research and recommendations on an ad hoc basis  
19 as requested. Do you see that?

20 A Yes, I do see that.

21 Q Isn't that front office services?

22 A It depends on your definition of front office services.  
23 It doesn't look to me like advisory services, but it's -- it  
24 is a reference to front office.

25 Q Okay. And do we have to look through the same one for

1 HCMFA or do you agree that there's a similar protegent price  
2 in the --

3 A If -- I would take your representation if you said it  
4 was.

5 Q Did you look -- when was the last time, if ever, you  
6 looked at this original shared services agreement with  
7 NexPoint?

8 A I don't recall specifically.

9 Q Would it have been in the last few weeks?

10 A I'm certain I've looked at it in the context of this --  
11 of today's events.

12 Q Is it possible that you made a mistake when you  
13 testified a little bit ago to the five years the advisors  
14 were not paying for investment services to Highland?

15 A No, I don't think I misspoke on that.

16 Q Because you said that there was no separate contract  
17 for investment services, right?

18 A Correct, there was no -- there was none.

19 Q But we see at least these contracts that just -- that  
20 investment services were actually being paid for, just not  
21 by a separate contract.

22 A We see a reference to investment research and  
23 recommendations on an ad hoc basis, as requested.

24 Q And I had another question for you that I was confused  
25 about.

1 MR. RUKAVINA: Mr. Bergham, if you'll pull up your  
2 deposition or not your deposition, Mr. Klos' deposition.

3 Q Do you remember me deposing you on March 14th?

4 A Yes, sir. I don't remember the day, but I assume  
5 that's right.

6 Q And you testified earlier today that when Mr. Dondero  
7 told you \$5 million from HCMFA and \$6 million for NexPoint  
8 because of cash needs at Highland and because they wanted  
9 deductions at the advisors, right?

10 A I don't know that those were my specific words.

11 Q What did you testify earlier today about how the 5 and  
12 \$6 million were arrived at?

13 A I don't specifically remember my testimony but that  
14 certainly those numbers originated from Mr. Dondero.

15 Q Okay. Well, let's look at how you answered my question  
16 less than a month ago, beginning on the bottom of page 10.  
17 Can you see, Mr. Klos?

18 MR. MORRIS: Objection, Your Honor, there's  
19 nothing to impeach. Why is he going to the deposition  
20 testimony?

21 THE COURT: It doesn't seem like he's done  
22 anything to impeach yet?

23 MR. RUKAVINA: Of course he does. Your Honor,  
24 this morning he testified that Dondero told him to make the  
25 numbers 6 million and 5 million because Highland needed cash



1 and the advisors needed tax deductions. When I asked him  
2 that question a month ago, you'll see he says he's  
3 speculating. I asked him. I asked him, why do you think  
4 it's 5 and 6 and he says I'm speculating. So, yes, I'm  
5 impeaching him.

6 BY MR. RUKAVINA:

7 Q Are you -- or, Mr. Klos, let's ask it this way.

8 Do you have personal knowledge as to how Mr. Dondero  
9 arrived at the 5 and \$6 million numbers he gave you for his  
10 analysis?

11 A These are two different questions, but.

12 THE COURT: Are we moving on from the other  
13 question?

14 MR. MORRIS: No, Mr. Klos is with Mr. Rukavina,  
15 they're doing fine.

16 THE COURT: Okay. Go ahead.

17 MR. RUKAVINA: Okay. So do you want to go a page  
18 higher. Go up a page higher, Mr. Bergham, page 9.

19 Q So you see there in line 16 to 18, we're talking about  
20 the two payroll reimbursement agreements. Do you see that,  
21 Mr. Klos?

22 MR. MORRIS: I'm still objecting. There's no --  
23 nothing to impeach.

24 MR. RUKAVINA: Your Honor, I haven't shown him yet  
25 what there is to impeach because again a month ago he

1 testified that he would be speculating if -- to determine  
2 how the 5 and \$6 million numbers were arrived at. This  
3 morning he testified that Dondero told him at a meeting with  
4 Mr. Waterhouse and others that Highland needed money and  
5 that the advisors needed tax deductions. That is -- I'm  
6 allowed to impeach him if he didn't -- if a month ago he's  
7 saying he's speculating and today he's saying that's what  
8 Dondero told him.

9 MR. MORRIS: Your Honor, if I may there's two  
10 different questions. One is, where did the number come  
11 from, the other, how was it arrived at. Mr. Klos testified  
12 unequivocally that the numbers came from Mr. Dondero, and if  
13 he wants to ask him the question do you know how they were  
14 calculated, he should ask him the question. There's nothing  
15 to impeach.

16 MR. RUKAVINA: That's fine.

17 BY MR. RUKAVINA:

18 Q Do you know how the numbers were calculated?

19 A I don't know where Mr. Dondero -- I would be  
20 speculating as to --

21 Q Okay.

22 A -- whether -- as to where Mr. Dondero came up with  
23 those numbers. I'm not speculating that the numbers came  
24 from Mr. Dondero.

25 Q I understand. So if this morning, if I heard you or

1 someone heard you say that Mr. Dondero told you it was 5 and  
2 6 million because of the tax deductions and cashal (ph)  
3 needs, you would have been speculating if that's what you  
4 testified?

5 A Again, I think -- I don't think that's correct as you  
6 characterized.

7 Q Let's just be very clear because this is very  
8 important. Right now, you're telling me that you do not  
9 know how Mr. Dondero arrived at the \$5 million number for  
10 HCMFA, true or false?

11 A How Mr. Dondero arrived at the number, no, I don't. I  
12 would be speculating.

13 Q Okay. And the same question for NexPoint of \$6  
14 million. Do you know how Mr. Dondero arrived at that  
15 number?

16 A Same answer, not specifically, no.

17 Q Okay. And we'll talk more about your December 2020  
18 analysis. I think you testified, correct me if I'm wrong,  
19 that Mr. Waterhouse told you to use the current head count,  
20 correct?

21 A Sorry, just to be clear on the time frame.

22 Q Yeah, let's --

23 A On December of 2020?

24 Q Yes, sir, we'll -- we can just to refresh your --  
25 pardon, to refresh your recollection it's in my exhibit

1 binder, my binders are smaller.

2 MR. RUKAVINA: Which one -- the December analysis.

3 MR. BERGHAM: Double C.

4 BY MR. RUKAVINA:

5 Q It's Q, Mr. Klos.

6 A Q?

7 Q Yes.

8 A Yes, I'm there.

9 Q Okay. So Q, this is the cover e-mail from you to Mr.  
10 Waterhouse and you attach at least the first page of an  
11 Excel spreadsheet that you PDF'd, correct?

12 A I attached the PDF.

13 Q Yeah. So I'm -- that's what I'm asking you about.  
14 When you testified earlier about this, you said that Mr.  
15 Waterhouse told you to use current head count, correct?

16 A Correct. Yeah, then current head count.

17 Q Then current.

18 And you said that Mr. Waterhouse told you to assume no  
19 bonuses, correct?

20 A Correct.

21 Q And you said that Mr. Waterhouse told you to use the  
22 same allocations as in the contracts, correct?

23 A No. No, I did not.

24 Q Okay. So did he tell you anything about the  
25 allocations?

1 A We have to be careful with allocations, two different  
2 things. The allocations that I testified to not being  
3 adjusted were the allocations that were given to the UCC,  
4 not the allocations from the PRAs.

5 Q So when you created Exhibit Q and we'll look at the  
6 Excel spreadsheet, if necessary, what allocations did you  
7 use?

8 A The same percentages that had been part of the previous  
9 year analysis for the UCC, to the best of my recollection.

10 Q Okay. Is that when you said that you did a goalpost  
11 here and a goalpost there and you took an average?

12 A Correct.

13 Q Okay. So just to be clear again, Exhibit Q it is -- it  
14 was your good faith analysis, at least as of December 2019,  
15 regarding the percentages.

16 A You said 2019.

17 Q Okay. Exhibit Q you created in December 2020, correct?

18 A Exhibit Q --

19 Q Yeah.

20 A -- yes.

21 Q But you used the percentage allocations from your  
22 December 2019 analysis that you gave to FTI, correct?

23 A Correct with a small caveat in that there had been new  
24 employees that had come on since then. So obviously they  
25 didn't have a percentage in the original because they didn't

1 exist for purposes of that analysis. And then in the '20,  
2 you know, percentages were added for those people.

3 Q I just want to make sure again that Judge Jernigan  
4 understands when we talk about Exhibit Q some more, that the  
5 percentage allocations you used were not the ones from May  
6 2018, but the ones from December 2019 done in conjunction  
7 with Evers at Highland and given to the committee and FTI.

8 A Yes, I believe that's correct.

9 Q Okay. Thank you.

10 Exhibit A, please, that's one of the payroll  
11 reimbursement agreements you have it in front of you and go  
12 to the last page which are the employee allocations.

13 A Okay. I'm there.

14 Q Are you saying, sir, that you pulled these percentage  
15 allocations out of thin air?

16 A I wouldn't say I pulled them out of thin air.

17 Q So did you apply any logic and did you at least attempt  
18 to try to get a reasonable estimate?

19 A Yes, I applied some logic.

20 Q Okay. I think we established that it's quite  
21 subjective to determine how much an employee may work for an  
22 advisor, but that even though it's very subjective you tried  
23 in good faith to find a reasonable estimate whenever you  
24 prepared these percentage allocations, correct?

25 A I think the main purpose of this analysis was to get

1 back to the numbers that we already had and the percentages  
2 on the page are -- were at the time not completely  
3 unreasonable. And to take an easier example, if I can find  
4 one.

5 Asanji Gulati (ph), for example, who's at a hundred  
6 percent for HCMFA, there's a logic to that, in that he was  
7 charged with a single fund that was managed by HCMFA hence  
8 he's a hundred percent.

9 Everybody who's not a hundred percent or zero, it's a  
10 lot more subjective.

11 Q Sir, but even though it's objective, again you  
12 established that you in good faith and employing your skill  
13 and expertise tried to find a reasonable estimate, correct?

14 A I tried to find a reasonable estimate that would also  
15 validate the outcome that was already known.

16 Q Sure. Because you had to divide a number given to you  
17 by Mr. Dondero by a certain amount of employees, right?

18 A Yes.

19 Q And then you had to use these, you had to calculate the  
20 percentages with those two metrics already known, correct?

21 A I don't know that I had to do anything, but that was  
22 the approach that was taken.

23 Q That's what you did. You were given here's the number,  
24 whatever it is per month or per year, here's the employees,  
25 now please, Mr. Klos, calculate the percentages. That's



1 what you were told to do, correct?

2 A I wouldn't put it that way. I was told here's the  
3 number.

4 Q Did you pull this list of employees or did somebody  
5 give you the list of employees?

6 A I believe I would've pulled that. I might have  
7 verified it with somebody.

8 Q I didn't hear you. Did you pull it or just verify it?

9 A I believe I pulled it.

10 Q Okay.

11 A If -- I may have, you know, I may have checked with  
12 somebody but I don't recall that specifically. I believe I  
13 probably would have pulled this list.

14 Q Okay. So not only did you try to apply some analysis  
15 to the percentage allocations, you actually picked the 25  
16 employees here?

17 A Again, picked is the wrong word, these were the  
18 Highland --

19 Q You knew that these were employees --

20 A -- Investment professionals.

21 Q -- that were working --

22 MR. MORRIS: Excuse me.

23 Q -- as Highland advisors.

24 MR. MORRIS: If he could allow the witness to  
25 finish his answer.

1 THE COURT: Yeah, he was in the middle of an  
2 answer, go ahead.

3 THE WITNESS: Sorry, could you -- I lost my train  
4 of thought.

5 BY MR. RUKAVINA:

6 Q I was asking, did you pick these 25 employees?

7 A Oh, yes. And what I was saying was, these were the  
8 employees of HCMLP so this wasn't like a subset, these were  
9 the front office professionals at HCMLP at the time.

10 Q Got it. This was the universe of front office  
11 professionals?

12 A Yes, to the best of my recollection.

13 Q Okay.

14 A Yes.

15 Q So we've established that Mr. Dondero picked the  
16 resulting number that he wanted. We've established that you  
17 picked the front office professionals --

18 A I didn't pick the front office professionals. The  
19 front office professionals were who they were.

20 Q Sir, there's no subjectivity in identifying these  
21 employees, correct?

22 A I don't believe there was, no.

23 Q Okay. The subjectivity goes to the allocation  
24 percentages and you already testified about that, correct?

25 A Correct.

1 Q Okay.

2 A And I would point out there is additional subjectivity  
3 in the analysis beyond just the percentages. So I should  
4 make that point.

5 Q Well, let's make that. Let's talk about that. Let's  
6 go to Exhibit J please.

7 A Okay. I'm there.

8 Q This is -- you might need to read several pages here to  
9 refresh your memory. I'm going to ask you about your e-mail  
10 from January 3rd, 2018 at 10:28 a.m. where you highlight  
11 certain language. Do you need to read that, sir?

12 A No, you can ask the question and I'll do my best.

13 Q Okay. Well, do you remember -- I'll represent to you  
14 that you highlighted that language, do you remember that, do  
15 you have any reason to disagree with that?

16 A No reason to disagree with that.

17 Q Okay. And is it fair to say that here you were taking  
18 a form, a contract and talking to others about language  
19 you'd like to remove from that form contract as you prepared  
20 a new search service agreement?

21 A This I'm not sure.

22 Q Well, if you read above, sir, it says, "is there a way  
23 to pare back the language in Section 2.03? I highlighted  
24 the sections below, that I prefer to exclude or modify as  
25 this looks like we're just creating work that will certainly

1 slip through the cracks." You wrote that, right?

2 A Yes.

3 Q So you were suggesting to Evers that the highlighted  
4 language down there be removed, correct?

5 A It does appear that's what I'm --

6 Q Okay.

7 A -- identifying.

8 Q And if we read the first highlighted part it says, "the  
9 name, location, and such other matters as the parties desire  
10 to reflect with respect to each shared employee shall be  
11 identified on the books and records of each of the  
12 management company and the staff and services provider,  
13 which may be amended in writing from time to time by the  
14 parties to add or remove any shared employee to reflect the  
15 employment or lack thereof of such employee."

16 Do you remember -- did I read that correctly?

17 A Yes.

18 Q And why were you asking that that language be removed?

19 A Because all -- this is accomplishing -- the language  
20 itself is accomplishing nothing for the agreement. From my  
21 perspective, again, this is all just creating internal work  
22 for no value to the overall complex. So it seems  
23 unnecessary. It seemed unnecessary to me in my review.

24 Q Here you're referring to the shared services  
25 agreements, correct?

1 A It appears so.

2 Q Because it talks about shared employee and management  
3 company, right?

4 A Well not because it talks about shared -- I'm basing  
5 that mainly on the fact that it's -- we're referring the  
6 NREA and NPA SS agreements and the subject less about  
7 management company and staff and services provider.

8 Q And ultimately as we determined and as the contracts  
9 read the shared service agreements with the advisors were  
10 flat monthly fee agreements, correct?

11 A The shared service -- in respect to NREA and NPA.

12 Q Yeah.

13 A Yes.

14 Q Now, if we go to Exhibit K you discussed this some with  
15 Mr. Morris. This is your communication with Ms. -- and I  
16 apologize because of my accent, but Ms. Fedford (ph) --

17 A Uh-huh.

18 Q -- that's just an impossible word for me to pronounce.  
19 And this led up to the payroll reimbursement agreements,  
20 correct?

21 A Yes, this is just a few days before it was executed.

22 Q Okay. So similar to the e-mail we just looked at for  
23 the shared services agreement, on April 17th, 2018 at 10:48,  
24 you write, "Lauren, does it have to be framed as  
25 reimbursement of actual costs?" Are you there, sir?

1 A Sorry.

2 Q No problem, it's my fault. It's Bates labeled bottom  
3 400.

4 A I'm with you, the 10:48 e-mail?

5 Q Yes, sir. "Does it have to be framed as reimbursement  
6 of actual costs? We'd much rather it be characterized as  
7 just an agreed upon amount between the two entities. It's  
8 not a small task and involves subjective assumptions to  
9 allocate individual employees. So as it's written, it would  
10 be creating a ton of internal work that isn't adding any  
11 value to the overall complex." You wrote that to her,  
12 right?

13 A I did.

14 Q Okay. And now she -- and she's an officer of the  
15 advisors, right?

16 A I believe so at the time.

17 Q Yeah. And she writes back to you, "I'm open to  
18 changing from definition of actual costs but my understand"  
19 -- and I apologize, apparently, she's writing very poorly --  
20 "but my understand from Fox was that there needs to be some  
21 method of determining the amounts, per counsel, treating  
22 this as a reimbursement is important, however." She wrote  
23 that, right?

24 A She did.

25 Q Okay. So you made requests from her to change the --

1 or negotiate the contract and she basically rejected your  
2 proposal, correct?

3 MR. MORRIS: Objection to the -- Your Honor, he  
4 should use the whole e-mail which we put in front of the  
5 witness because she -- he actually has her answer. If you'd  
6 give me just one second, I can tell you what the exhibit  
7 number is.

8 MR. BERGHAM: It is the whole thing.

9 MR. RUKAVINA: This is the whole thing.

10 MR. MORRIS: It's not. Give me one moment.

11 MR. RUKAVINA: If he wants to read a  
12 (indiscernible) optional completeness, this is the e-mail  
13 and I'm asking a very limited question which is, he made a  
14 request and she, the contractual counterparty, rejected it.

15 MR. MORRIS: Hold on one second.

16 MR. RUKAVINA: This e-mail's been admitted into  
17 evidence anyway.

18 MR. MORRIS: You go right ahead; I'll do it on  
19 redirect.

20 MR. RUKAVINA: Okay.

21 THE COURT: Continue.

22 BY MR. RUKAVINA:

23 Q Mr. -- you made a suggestion to Ms. Fedford and she  
24 rejected it, correct?

25 MR. MORRIS: Objection to the form of the



1 question.

2 THE COURT: To the form of the question?

3 Overruled. I mean he can answer what he thinks the answer  
4 is.

5 THE WITNESS: I don't think this is a rejection.  
6 She's -- to me it's a continuation of the discussion.

7 BY MR. RUKAVINA:

8 Q Okay. You say, we'd much rather it be characterized as  
9 just an agreed upon amount between the two entities. You  
10 wrote that, right?

11 A Yes.

12 Q And she wrote back saying basically this needs to be  
13 treated as a reimbursement, didn't she?

14 A She said treating this as a reimbursement is important,  
15 however.

16 Q And ultimately it was treated as a reimbursement,  
17 correct?

18 A No.

19 Q So you're saying that the payroll reimbursement  
20 agreements are not reimbursement?

21 A I'm saying the -- no, what I'm saying is that the  
22 payroll reimbursements, are the amount for those agreements  
23 is C-A-C actual cost, which is a defined term at a fixed  
24 amount per month.

25 Q Unless it's changed, correct?

1 A Correct, yeah, with the agreement of the two parties.

2 Q Okay. And, in fact, you respond back then to Ms.

3 Fedford, "could we say that actual costs is being determined

4 at the outset of the agreement, have a schedule as of

5 January 1, 2018 instead of actual costs shall be as set out

6 in that schedule and shall be made in monthly installments

7 for the term of the agreement, that way the exercise is only

8 performed once." You wrote that, right?

9 A I did.

10 Q Okay. And was that ultimately your understanding as to  
11 what happened, did it work itself into the agreement?

12 A It did through that definition of actual costs.

13 Q And then you write, "beyond that year, termination  
14 provisions kick in, so there's a belief that the actual  
15 costs have changed materially, either party could terminate  
16 and/or renegotiate for an amended agreement. You wrote  
17 that, right?

18 A I wrote that.

19 Q Okay. And did that concept also work itself into the  
20 agreement?

21 A I believe so. It may have already been in there, I  
22 don't recall. So I don't know if this was my addition or if  
23 it was something that was already in there.

24 Q Okay.

25 A But the concept ended up there.

1 Q That if either party had a problem with amounts being  
2 charged or paid they could terminate or renegotiate,  
3 correct?

4 A I don't recall specifically what the agreement says.

5 Q Then Ms. Fedford writes back, "I think it's workable.  
6 Do you have a methodology for the outset determination?"

7 What did you understand she meant by outset  
8 determination?

9 A Outset determination I have to assume is a reference to  
10 my e-mail where I'm saying a schedule as of January 1st, so  
11 a schedule.

12 Q That's how -- that's what you assumed back then what  
13 she meant, right?

14 A Yes, I believe so.

15 Q And you write back, "will have to work on one. It'll  
16 be so sort of fully loaded compensation amount times an  
17 allocated percentage which will have to be reasonable." You  
18 wrote that, right?

19 A Uh-huh.

20 Q And I'm sorry, you've got to say yes or no in court.

21 A Oh, I'm sorry, I apologize. Yes, I wrote that.

22 Q And what you wrote back, those percentages that you put  
23 in there, did you intend them to be reasonable?

24 A Yes, I did.

25 Q Did you intend Ms. Fedford to rely on them?

1 A No, I didn't intend for Ms. Fedford to rely on them.

2 Q Why not?

3 A I don't know that I was -- I don't know that I really  
4 -- Lauren's assistance on this was in her capacity as legal  
5 counsel. So whether she was convinced or unconvinced or  
6 partially convinced wouldn't have been the topic that was on  
7 my mind at that point.

8 Q You know it was a poor question of mine.

9 Did you understand or intend that she would take these  
10 numbers and put it into final work product?

11 A Yes, yes, certainly, yes.

12 Q And that she would, based on this e-mail, consider  
13 those numbers to be reasonable. Did you think that this  
14 would consider them to be reasonable?

15 A Same answer as before, I don't know that I cared or  
16 thought about what she thought about the numbers. So I  
17 don't know that I can really answer that.

18 Q Did you flag anything for Ms. Fedford at that time  
19 about anything fishy or that you didn't like about these  
20 payroll reimbursement agreements?

21 A Not that I can remember, other than as I testified  
22 earlier, a little bit of frustration that there's this level  
23 of work that needs to go on for what I had assumed in my  
24 mind was going to be a simple reproduction of the NexPoint  
25 subadvisory agreement that we had put in a few months

1 before.

2 Q So let's see if I can walk you through this, just so  
3 that I understand completely. On the shared service  
4 agreements you had, pardon me, suggested that a periodic  
5 change be removed and there just be a flat monthly fee,  
6 correct?

7 A I don't know that that was my suggestion.

8 Q Okay. You want to go back to Exhibit J, Mr. Klos, the  
9 highlighted language. It's Bates labeled 428.

10 A Sure, I'm there.

11 Q The top highlighted language, do you recall whether  
12 that language that you wanted removed was, in fact, removed  
13 from the shared service agreement?

14 A I'm not sure if it was or wasn't.

15 Q Okay. But you remember that the shared services  
16 agreement was a flat monthly fee.

17 A Which services -- which shared services agreement.

18 Q NexPoint.

19 A NexPoint. NexPoint advisors, yes, it was a fixed  
20 amount.

21 Q And HCMFA?

22 A It varied.

23 Q Okay. But that concept was a similar concept of just a  
24 flat fee was rejected or not -- it was not accepted by Ms.  
25 Fedford and then your alternative of let's have a set amount

1 up front subject to revision, that was accepted, correct?

2 A It's hard for me to characterize it that way, accepted,  
3 not accepted. This was a discussion happening in real time  
4 and a resolution was reached fairly quickly.

5 Q You understand, sir, that it is Highland's position at  
6 this trial today that the payroll reimbursement agreements  
7 just provided for basically I think Mr. Norris said in the  
8 beginning just shared services for a flat monthly amount.

9 A I don't know that I'm in a position to fully articulate  
10 the argument that our side is making.

11 Q The only thing that I find of real importance from you  
12 is that when you discussed this with Ms. Fedford, you and  
13 her agreed that there would be some ability to periodically  
14 adjust the amounts under the payroll reimbursement  
15 agreements or they could be terminated, correct?

16 A Again, I struggle with the word agreement. We worked  
17 through comments to a document that was going to get  
18 executed and that document was ultimately executed.

19 Q You gave her --

20 A And the document says what it says.

21 Q You gave her a concept and she put that concept into  
22 the agreement?

23 A I'm not sure.

24 Q Okay. Do you know whether those payroll reimbursement  
25 agreements still provide a monthly or quarterly or annual or

1 any kind of potential variance to the amounts?

2 A I don't recall specifically, but I'd be happy to look  
3 at the agreement.

4 Q Well, did you see the final agreement before it was  
5 executed by Mr. Waterhouse?

6 A Yes, I believe I did.

7 Q Okay. Do you remember whether you reviewed it before  
8 he signed it?

9 A Yes, I believe I did.

10 Q Do you remember if anything in there caught your  
11 attention as something outside of what you had understood  
12 the final version to be?

13 A Don't remember specifically.

14 Q Okay. So now let's go please to your December 2019  
15 analysis which you did with Mr. Waterhouse for FTI and the  
16 committee.

17 A Uh-huh.

18 MR. RUKAVINA: Now, Your Honor, briefly we have  
19 that printed out on paper. It's an Excel spreadsheet and  
20 there was a misprint. So while during the lunch break, we  
21 had a runner bring in a new one, so maybe during the next  
22 break we'll give you and the clerks the new print, the  
23 printout. In the meantime, we'll pull it up in Excel  
24 format.

25 THE COURT: Okay.



1 MR. RUKAVINA: This is the December 2019. Which  
2 one is it? It's L. Is that it, Thomas?

3 BY MR. RUKAVINA:

4 Q Now, Mr. Morris asked you a little bit about this, just  
5 so that we're clear, this was the one that actually went to  
6 the committee and DSI, right?

7 A Can you go to the summary tab please?

8 MR. RUKAVINA: Go to the summary.

9 THE WITNESS: It appears to be.

10 BY MR. RUKAVINA:

11 Q Okay. And you're not the only one who worked on this,  
12 but you were one of the people that worked on this, correct?

13 A I was one of the people that worked on this.

14 Q Okay. What was your role, I mean, summarize for me  
15 what, if anything, in here are you the one that principally  
16 analyzed or prepared?

17 A What in here did I -- sorry, one more time.

18 Q What was -- yeah. So we've established that you --  
19 you're the one that actually revisited the original  
20 allocation percentages by taking goalposts and averaging  
21 them, right?

22 A I wouldn't say it's a revisitation of the allocation  
23 percentages.

24 Q You're the one that testified that you took the  
25 goalposts on this one and went down the averages to find the

1 allocation percentages for this report, correct?

2 A Yes.

3 Q You did that.

4 A Yes.

5 Q Okay. So I'm asking --

6 A With -- you know, with collaboration with others, yes.

7 Q Okay. So anything else in here what did you if  
8 anything else do in here, as opposed to someone else?

9 A Well, I'm the -- I created the spreadsheet and  
10 populated the information throughout. I don't know --

11 Q The employees?

12 A Yes, the employees --

13 Q Their compensation?

14 A Yes.

15 Q Okay.

16 A Yes.

17 Q And when you did all that, you understood that this  
18 would be shared with an official committee of unsecured  
19 creditors, right?

20 A No. I don't know that I specifically knew exactly who  
21 the audience was going to be.

22 Q Who did you think the audience was going to be?

23 A Some combination of the UCC, FTI and DSI.

24 Q You knew that it was going to be important for the  
25 bankruptcy case, right?

1 A Important? I knew that it was an issue that had been  
2 identified very early on, so you know, from that standpoint  
3 it was the item that was on my plate and people were asking  
4 about.

5 Q And you knew that others would rely on this  
6 information, correct?

7 A No, I don't think that's correct.

8 Q You did not think people would be relying on the  
9 information you put in this analysis?

10 A I assumed and what actually happened was that we had  
11 the opportunity to present this to FTI over the course of  
12 half a day, which is what we did. That they would have the  
13 opportunity to ask questions, dig in wherever they felt they  
14 wanted to and we'd be able to respond to those questions.

15 And as I mentioned earlier, relying on is really  
16 difficult with an analysis like this and it was very  
17 clearly, very clearly maintained with in that meeting and in  
18 meetings leading up to the meeting that these were highly,  
19 highly, highly subjective assumptions. They were being put  
20 together in good faith, but there is no right answer.

21 Q And is that part of why you took the goalposts and  
22 averaged them because you knew that it was highly, highly,  
23 highly subjective so you tried to find a more reasonable  
24 middle point?

25 A My recollection of the goalposts was to recognize the

1 inherent subjectivity and say that, you know, in all  
2 likelihood somewhere between those goalposts is probably the  
3 right answer but the right answer isn't knowable. That's  
4 not to say the midpoint is the right answer, just somewhere  
5 is most likely the right answer.

6 Q Because any time you're dealing with averages one might  
7 be higher than the average, one might be lower, but the more  
8 data you have the more likely or reasonable a result is?

9 A No, I don't agree with how you phrased that.

10 Q Okay. Did you intend to deceive anyone when you  
11 prepared this exhibit?

12 A No.

13 Q Okay.

14 MR. RUKAVINA: So if we go to by department,  
15 Thomas.

16 Q So this is a tab that says by department. And you see  
17 down there it says current charge, 3.0 for NPA, ACMFA 5.0,  
18 do you see that, sir?

19 A Yes.

20 Q Those are the charges under the payroll reimbursement  
21 agreements, correct?

22 A Yes.

23 Q Okay. The line below that says investment support.  
24 What does that mean?

25 A It's a reference to the front office allocations.

1 Q The -- what you were trying to do here was to calculate  
2 the costs of those front office allocations to Highland,  
3 correct?

4 A Estimate them.

5 Q Estimate them. And according to this estimate that you  
6 prepared and that went out to the committee at -- that  
7 estimate at that point the profitability to Highland with  
8 the payroll reimbursement agreements together was \$3  
9 million, correct?

10 A That's what this tab is indicating, yes.

11 Q That's what you prepared, correct?

12 A Yes, I prepared this.

13 Q Okay. And let's go to allocations. I'm not sure this  
14 is very relevant but there's does (indiscernible) opinion  
15 tabs here.

16 MR. RUKAVINA: Thomas --

17 MR. BERGHMAN: (Indiscernible).

18 MR. RUKAVINA: Yeah, employee listing. Yeah, so  
19 let's hide the employees. Are we hiding the employees,  
20 Thomas, so that the people on the WebEx can't see it?

21 MR. BERGHMAN: Yeah, it doesn't show any --

22 MR. RUKAVINA: So where's the hidden tabs?

23 MR. BERGHMAN: We don't want these.

24 MR. RUKAVINA: Your Honor, I'm sorry, Mr. Berghman  
25 and I are just trying to not let people on the WebEx see

1 employee data, which is why we're struggling how to do this.

2 Okay. Are there any hidden tabs on here?

3 MR. BERGHMAN: There are (indiscernible) because  
4 that's where the data is.

5 MR. RUKAVINA: I'm sorry, Your Honor.

6 (Pause)

7 BY MR. RUKAVINA:

8 Q So let's look at the first person -- Mr. Klos, I need  
9 glasses, I can't read that close, what is that person's  
10 name?

11 A It's Sahan -- I apologize --

12 Q Let's pick an easy one, let's pick an easy one. Lauren  
13 Baker.

14 A Okay. Lauren Baker, I guess I see her.

15 Q Okay. So these are the allocation percentages that you  
16 created there in AC, AB, AE, AF, et cetera?

17 A AC -- yeah, AC through AF is one goalpost and then AN  
18 through AQ is the other goalpost.

19 Q Okay. And we can look at the original agreement,  
20 that's Exhibit A for Ms. -- well, we got it on the first  
21 person because Ms. Baker isn't on it. So --

22 A She's not on the PRA.

23 Q I was trying to save us --

24 A As you noticed.

25 Q The first person, though, say the first name.

1 A Sahan (ph).

2 Q So where is the midpoint of the two goalposts for Sahan  
3 that you selected?

4 A So -- well, I'll focus on HCMLP, somewhere between 10  
5 percent and when I'm referring to -- I don't know what  
6 people can see here, so AN9.

7 Q Yes.

8 A Somewhere between 10 percent and 55 percent of his time  
9 is on HCMLP.

10 Q Okay. What about HCMFA for him?

11 A HCMFA somewhere between 30 percent and 55 percent.

12 Q How did you get those goalposts, 30 and 55?

13 A 30 and 55.

14 Q Did you talk to him?

15 A No, I didn't.

16 Q Did you talk to HR?

17 A I did not talk to HR.

18 Q Okay. So what methodology, if any, did you use to get  
19 those 30 and 55 goalposts? I'm sorry, 15 and 55 goalposts?

20 A 10 and 55.

21 Q Yeah, 10 and 55.

22 A Subjectivity.

23 Q Just subjectivity, did you just pull numbers out of the  
24 air?

25 A My -- so what's the midpoint on those, about 32 and a



1 half percent.

2 MR. RUKAVINA: Are there any problems in this one,  
3 Thomas, or did you want to hide them? Just a second. We  
4 might make it easier.

5 (Pause)

6 BY MR. RUKAVINA:

7 Q This is your Excel spreadsheet. Walk us through  
8 please, are there, first of all to your knowledge, are there  
9 any unshown or hidden columns right now?

10 A Yes, there are unshown columns.

11 Q Which -- where please?

12 A Looks like --

13 MR. RUKAVINA: I'm just telling Mr. Berghman how  
14 to open them because I don't know Excel.

15 THE WITNESS: Sure. It's -- you've got to be -- I  
16 don't know if he's watching this right now, but there's  
17 quite a bit of sensitive compensation information on here.

18 Q Okay. So the hidden ones have the sensitive  
19 compensation information?

20 A Yeah, and probably some information that's not  
21 sensitive, but until we open it --

22 Q Okay.

23 A -- up, I'm not going to be able to tell you.

24 Q Well, here, just walk me through then as best you can  
25 without showing everyone sensitive information, go back to

1 Sahar or Sahan.

2 A Uh-huh.

3 Q Where is the goalpost that is the lowest for him, where  
4 is the goalpost that is the highest for him and then what is  
5 the one that you picked?

6 A Sure. So the --

7 Q I mean, for let's take HCMFA.

8 A Yeah, for HCMFA so on the lowest shared allocation 30  
9 percent and on the highest 55 percent. And so what is that  
10 42 and a half percent as a midpoint. You can't see the 42  
11 and a half percent on the screen right now, but that's the  
12 midpoint of 30 and 55.

13 Q Oh, so the 42 and a half might be in the hidden fields  
14 to do the math?

15 A I don't think the 42 and a half is even on the  
16 spreadsheet, but I'm just doing the math.

17 Q Okay. But for him on Exhibit -- on that Exhibit A to  
18 my Exhibit A he's shown at 29 percent. You can just look at  
19 it. So in this case, in this case, at the end of 2019 you  
20 applied the methodology to try to make it more reasonable  
21 and current, correct?

22 A In 2019, yes, I did.

23 Q Okay. So now we'll go to your December 2020 analysis,  
24 please.

25 A Okay.

1 Q So we've already seen the summary of it, Q and let's  
2 look at Q please. So this is the one that you prepared at  
3 the request of Mr. Waterhouse where Mr. Waterhouse told you  
4 use these assumptions, correct?

5 A Yeah, he gave me assumptions to use.

6 Q The assumptions again being current head count, assume  
7 no bonuses and use the December 2019 allocation percentages  
8 we just looked at, correct?

9 A Correct with a small caveat that, yeah, I don't state  
10 that explicitly in the e-mail but that's my recollection.  
11 And further as I testified before, there were some new  
12 employees so there wasn't a previous analysis to --

13 Q Did you include the --

14 A -- leave this in.

15 Q -- new employees in this one?

16 A I did.

17 Q Okay. So you took into account the fact of new  
18 employees.

19 A Yes.

20 Q Okay. And just to summarize, isn't it true that here,  
21 you are estimating unadjusted gain on the payroll  
22 reimbursement agreements at \$6.6 million on an annualized  
23 basis as of the snapshot in time in December 2020?

24 A Yes, with no bonus compensation.

25 Q Yes, I understand. We've talked about the assumptions.

1 A Yep, yep.

2 Q But I'm not asking you to validate those assumptions --

3 A Sure.

4 Q -- I'm just asking that to the best of your ability  
5 knowing that they're subjectivity and employing those  
6 assumptions, this is the calculation that you prepared?

7 A Yes, employing those assumptions, this is the output.

8 Q Okay. And then what's the next line, offset for non-  
9 debtor employees providing services to the debtor.

10 A That's a reference to people who weren't employed by  
11 HCMLP but who, you know, from time to time would help on  
12 HCMLP related issues.

13 Q And that happened, correct, the advisors had certain of  
14 their own employees and they would basically let HCMLP  
15 sometimes use those employees.

16 A Like I said there was a time when we were all one big  
17 happy family and everybody used --

18 Q And that continued to some degree post petition until  
19 certain things happened later in 2020 when Mr. Dondero  
20 forbade some employees from executing Mister Series (ph)  
21 trades; isn't that correct?

22 A Sorry, can you --

23 Q Strike that.

24 A Okay.

25 Q How did you calculate the \$1.1 million here?

1 A I believe it was by looking at a few of those employees  
2 and applying effectively the same logic but in reverse. So  
3 instead of Highland -- HCMLP absorbing all the costs and  
4 allocating it elsewhere, there were a couple of employees  
5 who were employed elsewhere and allocating some part of  
6 their time back to HCMLP, you know, notwithstanding that  
7 that's not how the agreement works, but it's identifying as  
8 an offset which would, you know, you can further, you know,  
9 be an addition.

10 Q And Highland never paid the advisors for the periodic  
11 use of the advisor's employees, right?

12 A Correct.

13 Q Now, walk us through please the next box there that  
14 talks about shared services. Those were the shared services  
15 agreements with the advisors I take it?

16 A These are the shared services with the advisors as well  
17 as NexPoint Real Estate advisors.

18 Q Okay. And what's the line on incurring charge?

19 A That's the amount that was being charged at the time.

20 Q Okay. And what's the line-item shared services?

21 A It looks to me --

22 Q Isn't that --

23 A I'm not sure, I'm not sure.

24 Q Isn't that you trying to calculate the actual cost of  
25 the shared services to Highland?

1 A No. No, I wouldn't characterize it that way.

2 Q Well, when you take the current charge and you delete  
3 shared services, you delete litigation to get to estimated  
4 point in time profitability, right?

5 A Correct --

6 Q So --

7 A -- current charge less shared services less litigation,  
8 yeah.

9 Q So what -- so if you're conducting shared services you  
10 have no memory of what that was?

11 A My -- I'm speculating a bit here, but my guess is that  
12 this is just a simple summation of everything in that top  
13 box that has shared services next to it.

14 Q Uh-huh.

15 A Notwithstanding that that may or may not be an exact  
16 one-for-one with the actual agreement.

17 Q Okay. And what about the line litigation, what is  
18 that?

19 A I believe it's the same thing and because there isn't  
20 anything up above with litigation it's pulling nothing.

21 Q Okay. And then estimated point in time profitability  
22 .4 and .6, let's just 1 million together, was that your  
23 estimate based on Mr. Waterhouse's assumptions given to you  
24 of the profitability to Highland of the shared service  
25 agreements as of December 2020?

1 A No.

2 Q What -- then what did that -- what did those .4 and .6  
3 mean?

4 A Sitting here today they're -- to me they're numbers on  
5 a page. They're the output of an analysis that manages to  
6 exclude pretty relevant data.

7 Q Okay. What about the next line, unadjusted gain on  
8 material shared services agreement, 1.0 -- I'm sorry, 1.0  
9 million.

10 A Uh-huh.

11 Q What does that mean?

12 A That number is just the summation of the .4 and the .6  
13 directly above.

14 Q Okay. Sir, didn't you have to somewhere in here deduct  
15 the actual cost to Highland of providing the shared services  
16 to arrive at a \$1 million annualized profit?

17 A Sorry, can you ask that again, it's just --

18 Q You are here concluding, right or wrong, it's okay, you  
19 were here on --

20 A If I can stop, I don't know if I'm concluding anything  
21 with this. I'm taking a direction from my boss and I'm  
22 returning that analysis to him. I've spent a lot more time  
23 in the last 20 minutes thinking about this than when the  
24 request was given to me. I didn't have a belief that --

25 Q I'm asking you a --



1 A -- matched what's --

2 Q -- very simple question, Mr. Klos. I'm asking you a  
3 very simple --

4 MR. MORRIS: Your Honor, he's interrupting him  
5 again.

6 MR. RUKAVINA: No, I'm not. He started -- he  
7 answered my question and then elaborated.

8 THE COURT: Okay. Overruled.

9 BY MR. RUKAVINA:

10 Q I'm asking a very simple question. Is there anywhere  
11 on this page an estimate by you of the actual costs to  
12 Highland of providing the shared services under the shared  
13 services agreements?

14 A No, it's not. It's not called out on this page.

15 Q Okay. And you're not prepared to say that this report  
16 at least shows that you estimated at that point in time of  
17 \$1 million annualized gain on the shared services agreements  
18 to Highland?

19 A I would never put my reputation on the line for this  
20 analysis. This is not at all reflective of what my views  
21 were then, what my views were -- are now. This is like I  
22 said a response to a request.

23 Q Okay. So on the cover e-mail to Mr. Waterhouse, where  
24 did you tell him, hey, Frank, this may not make sense, this  
25 may be bogus, this may be junk math? Where here do you

1 caution him at all about that this might not reflect your  
2 views or reality?

3 A I don't know that that's contained in my e-mail to  
4 Frank.

5 Q In fact, you tell him output here is roughly an  
6 annualized \$9.6 million gain primarily attributable to the  
7 front office payroll reimbursement agreements, that's what  
8 you write, correct?

9 A Yes.

10 Q And again, those front office payroll reimbursement  
11 agreements are the what we call here the payroll  
12 reimbursement agreements, correct?

13 A Yes, it looks to be one in the same.

14 Q And then you write, "which makes sense, given the  
15 material reduction in head count, especially at the senior  
16 level." You wrote that, right?

17 A I wrote that.

18 Q Yeah, and that's very logical because a lot of those  
19 employees that the advisors were paying for simply weren't  
20 employed anymore, correct?

21 A I disagree with the characterization of the question; I  
22 don't believe they were paying for a portion of individual  
23 employees' time.

24 Q Then you tell the judge what you meant by which makes  
25 sense given the material reduction in head count especially

1 at the senior level.

2 A So we had three departures that in my mind were fairly  
3 material. Those were from a dollar perspective, Trey Parker  
4 (ph), John Poglich (ph), and Ajit Jain. I feel like I'm  
5 forgetting someone on the front office side, but my point is  
6 the same point I was making earlier, which is that when  
7 revenue stays the same and expenses go down, profitability  
8 improves.

9 Q And expenses went down because Highland didn't have  
10 some of those employees that were listed on the attachments  
11 to your exhibits to the payroll reimbursement agreements?

12 A I wouldn't characterize it that way.

13 Q How would you characterize it?

14 A I would say it had certain of the employees did leave,  
15 some of them weren't on the original list, Agit is a good  
16 example of that, as someone who was not on the PRA list,  
17 notwithstanding that he did all of his work for us,  
18 substantially all of his work for the advisors.

19 So when he departed, Highland became more profitable in  
20 a short term from the standpoint that it no longer has an  
21 expense that it has to bear. But again, he's not a great --  
22 he's not even on the PRA.

23 Q "Biggest difference between this sort of analysis and  
24 actual P&L being recorded on HCMLP's books is that on the  
25 books HCMLP has been accruing for 2020 bonus expenses

1 throughout the year." What did you mean by that, sir?

2 A What I meant by that is HCMLP had been accruing bonuses  
3 throughout the year of 2020.

4 Q On it's -- accruing on its financials, right?

5 A Yes.

6 Q But not necessarily paying the bonuses to all  
7 employees, right?

8 A It was accruing -- it had paid bonuses to virtually all  
9 employees except for the insiders that weren't allowed to be  
10 paid.

11 Q Yes. And those are the ones that got the seven figure  
12 bonuses, right?

13 A I don't remember. I don't remember their specific  
14 bonuses, I think some were lower, some were higher.

15 Q Some were in the seven figures, right?

16 A Yes, none who were part of the payroll reimbursement  
17 agreement though.

18 Q Understand. But you took all that into account --  
19 well, strike that.

20 Are you, sir, today saying that your analysis on  
21 Exhibit Q was not your good faith estimate of the  
22 profitability of these contracts for Highland?

23 A No, because that's not the exercise I was asked to  
24 undertake.

25 Q You undertook the exercise that you were given which

1 was to in good faith estimate the profitability of these  
2 contracts --

3 A That's not the exercise I was given. It's not.

4 Q Then telling me exactly what exercise you were doing.

5 A The exercise I was given was take the work product from  
6 last year, update it with these assumptions and send it to  
7 me.

8 Q And what was the exercise of the work product from last  
9 year?

10 A The exercise of the work product was admittedly a much  
11 more thoughtful analysis with all compensation included and  
12 with, you know, at least a good faith effort to estimate the  
13 then current percentages with the caveat that they were  
14 within a huge -- was in a huge band of goalposts, like we  
15 saw for Sahan or it's somewhere between, you know, 10 and 55  
16 percent, you can drive a truck through.

17 Q Okay. Did you ever discuss -- I'm just going to call  
18 them overpayments, okay, they're alleged overpayments, you  
19 don't have to say that they're overpayments we can call them  
20 something else if you want. Did you ever discuss the  
21 advisors' alleged overpayments under the payroll  
22 reimbursement agreements with anyone internally at Highland  
23 like Mr. Waterhouse?

24 A I'd prefer to call them something other than that  
25 word --

1 Q Tell me what to call them.

2 A -- overpayments.

3 Q Tell me what to call them.

4 A It's the amounts that Highland was paying under those  
5 agreements would be my preference.

6 Q The amounts that Highland was paying?

7 A Sorry, sorry, the amount that the advisors were paying.

8 Q I'll just call them alleged overpayments, okay?

9 A Okay.

10 Q Did you discuss the alleged overpayments with anyone  
11 internally at Highland?

12 A I'm sorry I can't get over the alleged overpayments. I  
13 discussed --

14 Q Did you discuss with anyone at Highland the fact that  
15 the advisors were paying under the payroll reimbursement  
16 agreement for employees who were no longer there?

17 A Not sure, maybe.

18 Q Did you discuss it with Mr. Waterhouse during the  
19 process in 2019 when y'all were preparing the analysis for  
20 the committee?

21 A I don't believe so.

22 Q Do you know whether Mr. Waterhouse or did you hear Mr.  
23 Waterhouse tell Frank -- I'm sorry, tell Fred Caruso that  
24 the advisors were overpaid?

25 A Did I hear him ask that?

1 Q Yeah.

2 A I don't believe so.

3 Q Okay. Did Mr. Waterhouse ever tell you that he told  
4 Mr. Caruso that the advisors were overpaid?

5 A Not that I remember.

6 Q Okay. Did you ever hear anything about the automatic  
7 stay being mentioned as preventing any adjustment of the  
8 payroll reimbursement agreements?

9 A I heard of the automatic stay; I can't say I was  
10 entirely vassaled with what the provisions of it.

11 Q Okay. But did you hear at some point in time that the  
12 automatic stay, whatever it is, prevented any adjustment of  
13 those reimbursement amounts under the PRA?

14 A I don't remember specifically, no.

15 Q Okay. Do you remember anything not specifically?

16 A No.

17 Q Did you ever discuss that with Mr. Norris?

18 A Did I ever discuss what with Mr. Norris?

19 Q The possibility that the advisors were overpaying  
20 because employees weren't there anymore?

21 A Yes. I remember Dustin bringing that issue to me.

22 Q And did you tell him that the automatic stay prevented  
23 any adjustment of those?

24 A Not that I remember. I don't ever remember using  
25 automatic stay.



1 Q Okay. Would you have used something similar,  
2 bankruptcy stay, bankruptcy laws?

3 A Since we've been in BK, that kind of --

4 Q Okay.

5 A Since we've been in BK, this is what we've been paying.

6 Q Do you remember any discussions that because we're in  
7 BK we can't adjust the amounts under the PRAs?

8 A I don't remember those discussions with Dustin, no.

9 Q Do you remember them with anyone like Mr. Waterhouse,  
10 Mr. Levenger --

11 A No, not --

12 Q -- Mr. Dondero?

13 A -- specifically.

14 Q Okay. Not specifically, so okay.

15 So you're not saying they didn't happen you just don't  
16 remember specifically?

17 A I suppose so, yeah, I just don't remember.

18 Q Okay. Now, you mentioned that the notices of  
19 termination of the shared services agreements went out  
20 November 30th or December 1st, somewhere along there.

21 A Yeah, I think it was the evening of November 30th, yes.

22 Q Were the PRAs ever terminated?

23 A I don't believe so.

24 Q Why?

25 A I don't know.

1 Q Didn't you tell Mr. Norris that it was because they  
2 were too profitable for Highland to terminate?

3 A No.

4 Q Did you discuss with Mr. Norris at all as to why  
5 Highland was not terminating the PRAs even at the same time  
6 that it was terminating the shared service agreements?

7 A I don't remember any of those discussions.

8 Q Did it not strike you as strange that Highland is  
9 terminating two agreements, but not ones that you calculated  
10 the profit on?

11 A Did I find it strange?

12 Q Yes.

13 A I thought about it, I don't know if I would use the  
14 word strange, but I thought about it.

15 Q And you didn't discuss it with anyone?

16 A I might have discussed it with Frank, I don't remember  
17 specifically but.

18 Q Were you part of the negotiations for the transitions  
19 services agreement?

20 A A small part.

21 Q Do you remember that one of the conditions that the  
22 advisors made to enter into that transition service  
23 agreement was that Highland does, in fact, terminate the  
24 PRAs?

25 A I'm not aware.

1 Q Okay. So sitting here today you don't remember any  
2 discussion about the fact that Highland didn't terminate the  
3 PRAs because they were profitable?

4 A No, not specifically.

5 Q Okay. Go to Exhibit P, I think we looked at Exhibit P  
6 before. P as in Paul. In particular, the bottom e-mail  
7 from you to Mr. Norris, Mr. Sauter, Mr. Waterhouse.

8 A Uh-huh.

9 Q Where you write that, these have not changed since BK,  
10 which given the changes in head count, you point out along  
11 with not paying inside the bonus compensation has increased  
12 the profitability of the contracts from HCMLP's perspective.  
13 Do you see that?

14 A I see that.

15 Q And by that point in time, according to the December  
16 2019 analysis you had calculated that there was a \$3 million  
17 profit on the PRAs.

18 A In December 19th --

19 Q Yeah, December 2019 the one that we looked at that  
20 went to the committee and FTI. You remember that you  
21 had calculated or estimated, I'm sorry, estimated a \$3  
22 million --

23 A I think that was the output of the midpoint of that  
24 analysis.

25 Q Yeah. And in which you're -- so when you write, it has

1 increased the profitability of the contracts in your own  
2 mind, you're acknowledging that since that time it's even  
3 more profitable to Highland, aren't you?

4 A There's a lot of conflating here. We're talking about  
5 insider bonus compensation which isn't even relevant for the  
6 PRAs, so I don't -- I think it's kind of apples and oranges.

7 Q Okay. But no where in any of these e-mails we've  
8 looked at do you tell anyone that it's apples and oranges or  
9 this might not be reliable data, do you?

10 A No, I can't imagine why I would do that.

11 Q Because at that point in time you believe in good faith  
12 that your estimates were reasonable, correct?

13 A Which estimates are we referring to?

14 Q The profitability, sir, the December 2019, the December  
15 2020.

16 A So some of those are reasonable, some of them aren't,  
17 some are less reasonable, some are more, they're all  
18 varied.

19 Q That's not my question.

20 A Okay. Okay.

21 Q I'm saying at that point in time, at that point in  
22 time, you believe that they were reasonable enough not to  
23 alert anyone in any of these e-mails we've looked at that  
24 maybe they shouldn't rely on them?

25 A No, nothing rose to the point of having to interject in

1 this e-mail.

2 Q Okay. You mentioned that dual employees were hired in  
3 2018 and 2019, who were you referring to?

4 A In 2018 and 2019 in terms of hires, there's Ajit Jain  
5 and Bailika Jain, no relation. There's -- what's -- I'm  
6 sorry, what's the time period, 2018?

7 Q I believe -- yes, 2018 and 2019. I recall you  
8 testifying to Mr. Morris that although a number of dual  
9 employees had left, some had been hired, some replacement  
10 ones had been hired.

11 A Yes, yes. So more thoroughly, there were around 11 or  
12 so effectively backfills through either transfers, new  
13 hires, or -- when I say transfers, transfers of employer,  
14 new hires, or transition of role. A good example of those  
15 being the ones that Mr. Norris took me through for the legal  
16 and distress team where their roles were modified, expanded  
17 to perform those services.

18 Q Okay.

19 MR. RUKAVINA: Pass the witness, Your Honor, thank  
20 you.

21 THE COURT: Okay. Redirect?

22 MR. MORRIS: I think this will be brief.

23 THE COURT: Okay.

24 REDIRECT EXAMINATION

25 BY MR. MORRIS:

1 Q Mr. Klos, are you familiar -- we looked at the invoice  
2 for --

3 A Uh-huh.

4 Q -- the HCMFA shared services agreement. Do you  
5 remember that?

6 A I remember.

7 Q And am I correct that that invoice is calculated on  
8 cost plus 5 percent?

9 A Yes.

10 Q And is that what the contract -- is that your  
11 understanding of what the contract between HCMFA and  
12 Highland provided?

13 A Yes, that's what the contract says.

14 Q So there was an agreement to limit Highland's profit in  
15 that contract; is that correct?

16 A Yes.

17 Q Was there any limit on the profit that Highland could  
18 earn under the payroll reimbursement agreements?

19 A No.

20 Q So the parties to the payroll reimbursement agreement  
21 knew how to enter into an agreement that would limit profit  
22 as they did under the share's services agreement, but your  
23 recollection is that they didn't do that under the payroll  
24 reimbursement agreement; is that right?

25 A Correct.

1 Q Okay. Your analysis showed profit under the payroll  
2 reimbursement agreement but it showed losses under the  
3 shared services agreement, is that generally, correct?

4 A That's generally correct as of that December analysis.

5 Q Is there any protection anywhere for Highland against  
6 losses?

7 A No, if I'm understanding.

8 Q Right. So they're upset that Highland was making a  
9 profit. Did they care, did they express, were they -- are  
10 you aware of any discussions where the advisors promised to  
11 make Highland whole for all the losses they suffered under  
12 the shared services agreement?

13 A No. No, no.

14 Q Okay. Let's go to Exhibit Q in their binder. This is  
15 the December 2020 analysis.

16 A Yes.

17 Q I believe I heard you when you were asked about the  
18 estimate point and time profitability, I think that's the  
19 spot where you said that there was material data that was  
20 excluded. Did I hear that correctly?

21 A Yes, yes.

22 Q Would you describe for the Court what material data was  
23 excluded?

24 A The material data that's in the analysis you mean?

25 Q Yeah.



1 A Yes. So primarily the bonuses themselves, cash bonus,  
2 deferred bonus, those were the main amounts that are not in  
3 there whatsoever.

4 Q And those bonuses were all paid in 2020 except for the  
5 senior executives; is that right?

6 A Correct.

7 Q Okay. And all of this is taking place in December  
8 2020; is that right?

9 A Yes.

10 Q And that's not only after Highland had given notice of  
11 termination of the shared services agreements, do you recall  
12 that that's also the moment in time where Highland had an  
13 approved plan and disclosure statement or an approved  
14 disclosure statement?

15 A Yes. I think the disclosure statement was around the  
16 November time frame, yes.

17 Q And do you remember that in or around December you and  
18 others and my firm were preparing for confirmation?

19 A Yes.

20 Q And so was there any expectation that somehow Highland  
21 was going to terminate the shares services agreement, but  
22 somehow retained these enormously profitable payroll  
23 reimbursement agreements for the future?

24 A Certainly not that I was aware of and it's patently  
25 ridiculous that they would continue.

1 Q Was there some secret plan to somehow get out from  
2 under the burdensome shared services agreements but go  
3 forward with these profitable agreements with the payroll  
4 reimbursement agreement?

5 A No, and it's a pretty ridiculous proposition.

6 Q That's what I thought. Mr. Rukavina spent a lot of  
7 time trying to get you to embrace the reasonableness of the  
8 percentages in Exhibits 80. Do you remember that?

9 A Uh-huh. Yes, sorry.

10 Q And you would agree that that was your best good faith  
11 estimate to try to come to an allocation; is that fair?

12 A Are we referring to the '19 and '20 or the '19 analysis  
13 or are we referring to the Exhibit A?

14 Q Exhibit A.

15 A Exhibit A. And, sorry, ask -- please repeat the  
16 question.

17 Q You did that in good faith, right?

18 A The 2018?

19 Q Yeah.

20 A Yeah, yeah, I did.

21 Q But it was within the bounds of the 252 number, wasn't  
22 it?

23 A Yes, absolutely.

24 Q And --

25 A And if I could add one more thing, it was also in the

1 bounds of the fact that we had -- I'm going to estimate, in  
2 the neighborhood of 3 million -- \$3 billion of ACIS funds  
3 that were part of that allocation and then would disappear  
4 within the matter of months.

5 Q If the number in the subservice -- the subadvisory  
6 agreement was not 352, but 452, let's say it was 500, twice  
7 as much, would you have used the same allocations that are  
8 in Exhibit A?

9 A No, the allocations would have been different, up to  
10 some boundary. There would be some point where the  
11 allocations would get just -- at some point the allocations  
12 would get beyond a hundred percent, right, but within the  
13 boundaries, yes.

14 Q Is it fair to say that the allocation that you came up  
15 with was a reasonably good faith estimate in the bounds of  
16 the restrictions of 252?

17 A Yes.

18 Q Okay. Just one or two more questions here going back  
19 to December '19 the analysis that was given to the UCC.

20 A Yes.

21 Q I think you've testified pretty extensively that it was  
22 a very subjective analysis. Do I have that right?

23 A Yes.

24 Q And can you just remind Judge Jernigan what your goal  
25 was in preparing that analysis?

1 A Yes. The main thing is, more time and demonstrate that  
2 on the whole these are neither making nor losing a  
3 tremendous amount of time and with the focus on the whole.  
4 What was presented to the UCC, was the total costs, the 16.1  
5 if I remember correctly. So focusing on the fact that  
6 putting our best foot forward with them, these contracts are  
7 neither making you nor losing you significant amounts of  
8 money to give time for what I understood to be a process of  
9 trying to work through the bankruptcy fairly quickly.

10 Q Did you ever expect when you prepared those analyses in  
11 late 2019 that they would somehow be used as the basis for  
12 the advisors to claim profitability under the payroll  
13 reimbursement contracts?

14 A No, absolutely not.

15 Q Was it prepared for that purpose at all?

16 A No.

17 MR. MORRIS: I have no further questions, Your  
18 Honor.

19 THE COURT: All right. Recross?

20 RE CROSS-EXAMINATION

21 BY MR. RUKAVINA:

22 Q Under the payroll reimbursement agreements the advisors  
23 are paying for 25 employees, correct?

24 MR. MORRIS: Objection to the form of the  
25 question. No, it's okay.

1 THE COURT: All right. I think he withdrew his  
2 objection.

3 MR. MORRIS: Withdrawn.

4 THE WITNESS: They were paying -- no, there may be  
5 25, I don't know the exact number, but there are  
6 approximately 25 people on the schedule to the PRAs.

7 BY MR. RUKAVINA:

8 Q And of those approximately 25 by the end, 20 had been  
9 gone, correct?

10 A Of the original 25 around that. I don't have the  
11 number --

12 Q Around that?

13 A -- memorized, but yeah, in that ballpark.

14 Q And you don't have a single problem with that, that for  
15 more than a year your department was billing the advisors  
16 for about 20 employees that weren't there anymore? You  
17 don't have any problem with that?

18 A I have no issues with that whatsoever --

19 Q Okay.

20 A -- because if I may --

21 Q No, you may not.

22 A Okay.

23 Q Was your department not charged under the shared  
24 services agreements to periodically review the advisors'  
25 contracts with vendors and advise the advisors about

1 potential overpayments, set-offs, credits, et cetera?

2 A I don't recall those provisions specifically, no.

3 Q Okay. Well maybe Mr. Waterhouse will.

4 Go to Exhibit A, please, my Exhibit A, Section 5.02,  
5 please. That's about termination. Termination on at least  
6 60 days advanced written notice, do you see that?

7 A Yes, I see that.

8 Q So if it was Highland's intent to terminate these  
9 agreements contemporaneously with the shared services  
10 agreements why in the world wouldn't they have sent us  
11 notice at least 60 days in advance?

12 MR. MORRIS: Objection, Your Honor, assumes facts  
13 not in evidence.

14 MR. RUKAVINA: He testified --

15 THE COURT: Overruled. He can answer.

16 BY MR. RUKAVINA:

17 Q Go ahead.

18 A Sorry, again please.

19 Q Yeah. You testified on redirect there was no master  
20 plan to keep sucking money out of the advisors by not  
21 terminating these, I'm exaggerating obviously, but that's  
22 basically what you testified about, right? That there was  
23 no plan to just keep charging the advisors. Let me just ask  
24 it again.

25 A I don't --

1 Q I'm going to ask it again, Mr. Klos, because you  
2 can't --

3 A I don't know what the plan was.

4 Q But when Mr. Morris asked you, you said that you knew  
5 that there was no plan.

6 A It would -- it struck me as --

7 Q Are you just answering whatever he asks you?

8 A No.

9 Q Okay. So can you think of a reason why Mr. Seery would  
10 not have sent a notice terminating the payroll reimbursement  
11 agreement contemporaneously with the notice terminating the  
12 shared services agreement?

13 A I don't know the reason behind --

14 Q Okay.

15 A -- it.

16 Q That's what I wanted to know, because I think a lot of  
17 things you've testified about today are speculation.

18 MR. RUKAVINA: Thank you.

19 THE COURT: All right. You are excused, Mr. Klos.

20 THE WITNESS: Thank you.

21 (Witness excused)

22 THE COURT: All right. We should take a break.  
23 You're going to call Mr. Waterhouse next?

24 MR. MORRIS: Yes, Your Honor.

25 THE COURT: You said he needs to finish today.

1 MR. MORRIS: Yes.

2 THE COURT: Do we have a time estimate?

3 MR. MORRIS: I'm hoping it's an hour or less.

4 MR. RUKAVINA: I'll have an hour or less.

5 THE COURT: Okay. We'll take a ten-minute break.

6 THE MARSHAL: All rise.

7 (Recessed at 3:35 p.m.; reconvened at 3:51 p.m.)

8 THE MARSHAL: All rise.

9 THE COURT: Please be seated. All right. We're  
10 back on the record in Highland. Mr. Morris, are you ready  
11 to call Mr. Waterhouse?

12 MR. MORRIS: Yes, Your Honor.

13 THE COURT: You may.

14 MR. MORRIS: Highland calls Frank Waterhouse.

15 THE COURT: Mr. Waterhouse, please approach the  
16 bench and the witness box.

17 MR. WATERHOUSE: Right here?

18 MR. MORRIS: Yeah.

19 THE COURT: Please raise your right hand.

20 FRANK WATERHOUSE, WITNESS, SWORN

21 THE COURT: All right. Please be seated.

22 DIRECT EXAMINATION

23 BY MR. MORRIS:

24 Q Good afternoon, Mr. Waterhouse.

25 A Good afternoon.



1 Q Just get comfortable for a moment. Okay. So in front  
2 of you are a few witness -- a few exhibit binders. We try  
3 not to bind our witnesses.

4 Exhibit binders, so that the two big ones are  
5 Highland's exhibits, the smaller one to your right are the  
6 advisor's agreement -- exhibits and I may ask you to refer  
7 them time to time, just so you know what they are there.  
8 Okay?

9 A Okay.

10 Q Mr. Waterhouse, prior to February 2021 you were  
11 Highland's CFO, correct?

12 A Yes.

13 Q And you held that position for roughly a decade; is  
14 that right?

15 A Yes.

16 Q And as Highland's CFO you were responsible for  
17 overseeing Highland's corporate accounting group, correct?

18 A Yes.

19 Q And Mr. Klos, David Klos was in that corporate  
20 accounting group, correct?

21 A Yes.

22 Q And Mr. Klos reported directly to you, correct?

23 A Yes.

24 Q You were his boss, right?

25 A He -- yes.

1 Q Okay. You wore many hats when you were at Highland,  
2 right?

3 A I don't know what many hats is but I managed several  
4 different teams.

5 Q You served as an officer of more than a half a dozen  
6 entities; is that fair?

7 A I don't recall how many entities that I was an officer  
8 of.

9 Q You don't recall if it's more or less than a half a  
10 dozen?

11 A It's around that. I mean, I don't recall, John.

12 Q Do you know how many entities for which you served as  
13 an officer today?

14 A Three or four.

15 Q Okay. And among them, are NexPoint advisors and HCMFA?

16 A Yes.

17 Q And you served as the treasurer of those entities,  
18 right?

19 A Yes.

20 Q And you served as the treasurer of those entities from  
21 at least some time before January 1st, 2018, correct?

22 A I'm sorry, did I serve as treasurer prior to January  
23 1st, 2018 for those entities?

24 Q You've been -- let me try to be clear. You've been  
25 serving as the treasurer of the advisors on a continuous

1 basis from some time prior to January 1st, 2018 until today,  
2 correct?

3 A Yes.

4 Q Okay. And is the treasurer of your advisors, you're  
5 personally the person responsible for the advisors'  
6 accounting, correct?

7 A No.

8 Q As the treasurer, you're not the person who's  
9 responsible for the advisors' accounting?

10 A I don't -- I don't believe I'm personally responsible,  
11 you know, again it's -- there's a team of people, right,  
12 that are involved in putting together other books and  
13 records for the advisors and things like that. Yes, I am  
14 the treasurer, but I'm not a lawyer, but I don't know if I'm  
15 personally responsible. There's a team of people that does,  
16 you know, put together -- you know, it's quite an endeavor.

17 Q And they -- and that whole team reports to you,  
18 correct?

19 A Are you saying in 2018 or what time period?

20 Q That's fair.

21 Let's focus on the period January 1st, 2018 until the  
22 time you left Highland a little bit more, you know, February  
23 of 2021. Okay. So that three plus year period. I'll call  
24 it the relevant period; is that fair?

25 A Okay.

1 Q Okay. During the relevant period, you were the officer  
2 of the advisors who was responsible for the advisors'  
3 accounting, correct?

4 A Yes.

5 Q Thank you. You were the person acting on behalf of the  
6 advisors who was expected to make sure that the advisors  
7 paid the proper amount due under the advisors' contracts,  
8 correct?

9 A Yeah, I would say, I mean, that is a team approach as  
10 far as -- I'm not processing payables or every contract or  
11 things like that. Yes, I'm the treasurer, but, yeah, I'm  
12 not personally responsible.

13 Q Can you identify the officer of the advisors who was  
14 responsible for making sure that the advisors only pay the  
15 proper amounts due under the advisors' contracts? Who is  
16 responsible for that if it's not you?

17 A I mean, as treasurer, I mean, I guess I'm referring to  
18 it is a team approach, right, so I'll just say.

19 Q I appreciate that. I'm not asking you to identify  
20 every person who does work in connection with the advisors'  
21 accounting. I'm asking you if you are the officer who is  
22 ultimately responsible for making sure that the advisors'  
23 pay the proper amounts due under the advisors' contracts.

24 A Yes, I mean, look at the other officers, I would be the  
25 one.

1 Q Thank you very much.

2 And among those contracts that you had responsibility  
3 for making sure were properly administered, were the  
4 intercompany agreements with Highland, correct?

5 A There were intercompany agreements. I mean, yes.

6 Q And during the relevant period that three-year period,  
7 2018, '19 and '20 there were shared services agreements  
8 between Highland, NexPoint, NexPoint Real Estate Advisors  
9 and HCMFA, correct?

10 A There were shared service agreements between Highland  
11 and NexPoint advisors and Highland and Highland Capital  
12 Management Fund Advisors.

13 Q And there was also a shared services agreement between  
14 Highland and NexPoint Real Estate Advisors, correct? That  
15 \$80,000 monthly, does that ring a bell?

16 A Yeah. Well, you're refreshing my memory from my --  
17 from the deposition, yeah, I forget about that one.

18 Q And there were also what became known as the payroll  
19 reimbursement agreements, right?

20 A Yes.

21 Q Okay. And I'm going to refer to those contracts that  
22 we just identified as the intercompany agreements, okay?

23 A Okay.

24 Q Okay. And so you were responsible for making sure that  
25 the advisors paid the proper amount under the intercompany

1 agreements, correct, on behalf of the advisors?

2 A Yes.

3 Q Okay. Do you know Dustin Norris?

4 A I do.

5 Q Mr. Norris is the advisors' executive vice-president;  
6 is that right?

7 A I don't recall his exact title.

8 Q But you do know that he's an officer of the advisors,  
9 correct?

10 A Yes.

11 Q And he didn't have any responsibility for administering  
12 the advisors' intercompany agreements with Highland, did he?

13 A Not that I'm aware.

14 Q Okay. You're not aware of Mr. Norris having had any  
15 responsibility for drafting any of the intercompany  
16 agreements with Highland, correct?

17 A Not that I'm aware.

18 Q You're not aware of Mr. Norris having any involvement  
19 at all in determining in the ordinary course of business how  
20 much was due under the intercompany agreements, correct?

21 A Not that I'm aware.

22 Q Is it fair to say that until late 2020, you never  
23 discussed with Mr. Norris how the amounts paid under the  
24 intercompany agreements with Highland were going to be  
25 determined?

1 A It's hard to -- can you repeat that, please?

2 Q Sure. I'm just thinking time, right, you left Highland  
3 in February of 2021, correct?

4 A Yes.

5 Q Do you remember in December of 2020, Highland had just  
6 given notice of the termination of the shared services  
7 agreements and there were a number of communications among  
8 people about the consequences of that?

9 A Yes.

10 Q Okay. Up until that month, December '20, December 2020  
11 you had never discussed with Mr. Norris how amounts paid  
12 under the intercompany agreements were going to be  
13 calculated, correct?

14 A I had a conversation with Mr. Norris about  
15 overpayments. That's what I recall.

16 Q And that took place in December 2020?

17 A It was in Q-4 of 2020, I don't recall the -- it was at  
18 the end of 2020.

19 Q Okay. But prior to that time, you've never had a  
20 conversation of any kind with Mr. Norris about how amounts  
21 under the intercompany agreements with Highland would be  
22 calculated, correct?

23 A Not that I can recall.

24 Q Okay. Let's talk about the NexPoint shared services  
25 agreement. If you can open up one of the binders that has

1 Exhibit 3. Do you have that, Mr. Waterhouse?

2 Can you just confirm if you look at the signature page  
3 that you signed this document? It's the last page of the  
4 document.

5 A This is the NexPoint amended restated.

6 Q Yes.

7 A Yes.

8 Q Those are your signatures, right?

9 A Yes.

10 Q And you signed this document on behalf of both Highland  
11 and NexPoint, correct?

12 A Yes.

13 Q And you don't recall ever seeing any drafts of this  
14 agreement before you signed it, correct?

15 A I don't recall.

16 Q And you don't recall going through the terms and  
17 conditions of this agreement within in-house counsel or  
18 outside counsel before you signed it, correct?

19 A Yeah, I don't recall.

20 Q You have no recollection whether this agreement was the  
21 subject of any negotiations, correct?

22 A I don't recall.

23 Q To the best of your recollection, the advisors never  
24 considered obtaining shared services from the source other  
25 than Highland, correct?



1 A Yeah, I don't recall.

2 Q And if you take a look at Section 3.01 which is on the  
3 page ending in Bates number 637, you understood when you  
4 signed this agreement that Highland was going to receive a  
5 flat monthly fee of \$168,000 for shared services from  
6 NexPoint, correct?

7 A Yeah, it's what it says in Section 3.01, correct.

8 Q And NexPoint paid that exact flat fee each and every  
9 month from the time you signed this agreement until the time  
10 it was terminated, notice of termination was given in -- at  
11 the end of 2020, correct?

12 A I don't believe that's right.

13 Q You don't think NexPoint paid \$168,000 for each and  
14 every month from January 1st, 2018 until November 2020?

15 A I thought you said through December of 2020. There was  
16 a time in Q-4 in 2020 where payments on these intercompany  
17 agreements were suspended.

18 Q Okay. We'll talk about that in a minute.

19 Do you know why you signed this agreement in 2018?  
20 Withdrawn.

21 Before you signed this agreement there was already in  
22 place an agreement with NexPoint, right?

23 A Yes.

24 Q And there was an agreement between NexPoint and  
25 Highland for the provision of shared services, correct?

1 A We reviewed an agreement from 2013. If that is that  
2 agreement, that's what's coming to mind, but I don't  
3 remember who. If that was NexPoint or HMFA, but if it's a  
4 2013 agreement that you're referring to, there was an  
5 agreement. I don't remember what entity that was with.

6 Q Do you have any recollection as you sit here right now  
7 as to why the new agreement was entered into with NexPoint  
8 in early 2018 for shared services?

9 A I don't recall.

10 Q Let's go to Exhibit 8 please. Before we do that, let's  
11 go to Exhibit 5. Do you know what Exhibit 5 is?

12 A It says a sub-advisory agreement between NexPoint  
13 advisors and Highland Capital Management LP.

14 Q And if you can go to the page ending in Bates number  
15 580.

16 A Okay. Is that your signature, sir?

17 A Yes, it is.

18 Q And did you sign this agreement on behalf of Highland  
19 and NexPoint?

20 A Yes.

21 Q And if you go back to the first page, do you understand  
22 that this agreement was effective as of January 1st, 2018?

23 A That's what it says in the first paragraph.

24 Q Okay. Do you have a recollection as to why you signed  
25 this document?

1 A I don't recall.

2 Q You don't recall? Do you recalling have any  
3 discussions with anybody at any time concerning the sub-  
4 advisory agreement that you signed on behalf of Highland  
5 and NexPoint?

6 A I mean sub-advisory agreements are in place to provide  
7 front office services, but I don't remember -- I don't  
8 recall why we put this agreement in at that time.

9 Q Okay. Can you turn to page 3 please? Do you see that  
10 the compensation is \$252,000 a month? I apologize, it's  
11 page 3 of Exhibit 5.

12 A Yes.

13 Q Do you know how that number was arrived at?

14 A I don't.

15 Q Did you do any analysis to determine the value of the  
16 sub-advisory services that Highland was going to be  
17 providing pursuant to this agreement?

18 A I didn't perform an analysis, but there was an analysis  
19 that was performed as part of, you know, when there's  
20 amounts like this in agreements there's a back-up. Dave  
21 Klos would typically do something like this.

22 Q I know he might typically do it; I'm asking you  
23 specifically if you have a recollection of Dave Klos  
24 preparing an analysis to justify the \$252,000 number that's  
25 reflected in this document?

1 A I don't.

2 Q Okay. Do you recall any discussion with anybody at any  
3 time about this particular agreement?

4 A I just recall generally that, you know, there's -- an  
5 agreement was needed, but I don't -- I mean, I don't recall  
6 anything else about it.

7 Q Okay. Do you recall if a sub-advisory agreement was  
8 ever prepared for Highland Capital Management Fund Advisors  
9 LP?

10 A I don't.

11 Q Do you have any recollection at all of having any  
12 conversations about the creation of a sub-advisory agreement  
13 for HCMFA?

14 A I don't.

15 Q Okay. Let's go to Exhibit 8 now. Do you see this is a  
16 payroll reimbursement agreement for NexPoint? Oh, I  
17 apologize, this is --

18 A It says Highland Capital --

19 Q -- for HCMFA.

20 A -- Management Fund Advisors.

21 Q Let's get the one for NexPoint, so we stay consistent.  
22 I apologize.

23 Can you go to Exhibit 6? Do you see this is a payroll  
24 reimbursement agreement for NexPoint and its effective  
25 January 1st, 2018?

1 A Yes.

2 Q Do you have any knowledge as to why NexPoint entered  
3 into this agreement after you signed the sub-advisory  
4 agreement on its behalf?

5 A I don't recall. I think I said that earlier.

6 Q Do you have any recollection as to why this agreement  
7 was entered into on May 1st, 2018 effective as of January  
8 1st, 2018?

9 A I don't.

10 Q Do you have any recollection that personnel at Highland  
11 had received advice that the sub-advisory agreement couldn't  
12 be used because it couldn't be made retroactive and it  
13 couldn't be approved unless approved in an in-house, in-  
14 person meeting by the retail board. Does any of that ring a  
15 bell?

16 A It doesn't.

17 Q Do you recall that ASIS, that Josh Carey (ph) filed the  
18 involuntary petition against ASIS at the end of January  
19 2018?

20 A I don't remember dates in the ASIS case.

21 Q So back to the payroll reimbursement agreement, even  
22 though you signed it, you don't recall anything about why  
23 this agreement was prepared in the spring of 2018 other than  
24 it was a general need for it, correct?

25 A Yeah, I don't recall.

1 Q And you don't remember having any conversations with  
2 anybody at any time concerning the substance of this  
3 agreement prior to the time you signed it other than the  
4 fact that it was needed, correct?

5 A Yes.

6 Q You don't recall receiving any legal advice before  
7 signing this agreement, correct? I'm sorry?

8 A Prior to signing documents, I mean, if a document is  
9 left at my office, I have a cover sheet which if it's a  
10 legal document which basically says legal reviewed and  
11 approved this document or someone walks in with a document  
12 like this for signature, I always ask them has legal  
13 reviewed and approved this document.

14 Q Okay. But you personally didn't receive any legal  
15 advice before you signed it, correct?

16 A Not that I recall.

17 Q You don't recall seeing any drafts of this agreement  
18 before you signed it, correct?

19 A Not that I recall.

20 Q You never provided any comments to this agreement,  
21 correct?

22 A Not that I recall.

23 Q You don't know who drafted this agreement, correct?

24 A Aside from what I mentioned earlier about Highland or  
25 in-house counsel reviewing and approving it, I don't know.

1 Q Okay. Do you see in the definition of actual costs it  
2 says, quote, absent any changes to employee reimbursement as  
3 set forth in Section 2.02, such costs and expenses are equal  
4 to \$252,000 per month? Do you see that?

5 A Yes.

6 Q And is it your understanding that NexPoint paid  
7 \$252,000 each and every month from the beginning of 2018  
8 until the time Mr. Dondero gave his directive to stop  
9 paying?

10 A Yes.

11 Q Okay. You don't remember how that \$252,000 number was  
12 calculated, correct?

13 A I don't recall.

14 Q Okay. Can you turn to Exhibit A -- you know, we'll get  
15 to it. We'll get to Exhibit A. Yes, turn to Exhibit A of  
16 this agreement. Do you recall that you also signed a  
17 payroll reimbursement agreement on behalf of HCMFA and  
18 Highland at the exact same time that you signed this one?

19 A We'd have to look at the document, I don't -- you say  
20 Exhibit A?

21 Q Yeah. You know before we do that, let's just stick  
22 with that binder that you had and go to Exhibit 8. And do  
23 you see that this is the payroll reimbursement agreement  
24 that was also entered into on May 1st, 2018 but this one was  
25 entered into between Highland and HCMFA?

1 A I do.

2 Q And if you turn to the document with Bates number 602  
3 and 603, those are your signatures, correct?

4 A It is.

5 Q And do you have any recollection of any facts and  
6 circumstances concerning the preparation and your review of  
7 this document before you signed it that differs from the  
8 questions that I just asked you about, the NexPoint payroll  
9 reimbursement agreement. Is there anything different about  
10 this?

11 A No, not that I recall.

12 Q Yeah, I'm just trying to speed this up a little bit.

13 A Okay.

14 Q You don't recall getting legal advice, correct?

15 A I don't.

16 Q You don't recall providing any comments to this  
17 document, correct?

18 A I don't.

19 Q You don't recall having any discussions with anybody at  
20 any time about this document before you signed it, correct?

21 A I don't.

22 Q You don't recall why it was signed, correct?

23 A Aside from a general need, I don't recall.

24 Q Okay. So now let's look at Exhibit A, it doesn't  
25 matter which agreement, let's just take a quick look at



1 Exhibit A. Before you signed it, did you know -- I  
2 apologize. It's Exhibit A to the agreement, so whether  
3 you're at Exhibit 6 or Exhibit 8, the last page is something  
4 called Exhibit A. Do you have that?

5 A Yes.

6 Q That's a list of employees.

7 A Uh-huh.

8 Q Did you know that Exhibit A was attached to these  
9 agreements before you signed it?

10 A I have a general recollection that there was an exhibit  
11 to this agreement with employees, yes.

12 Q You don't know who prepared the Exhibit A that's  
13 attached to each of these agreements, correct?

14 A I don't.

15 Q You don't know how the exhibits were prepared, correct?

16 A I don't know the person who specifically put this  
17 together.

18 Q And you don't recall discussing the Exhibit A's with  
19 Mr. Klos before you signed these two payroll reimbursement  
20 agreements, correct?

21 A Correct. This was again four years ago, I don't  
22 remember.

23 Q Okay. And you have no recollection of ever discussing  
24 Exhibit A with anybody at any time, correct?

25 A I don't recall.

1 Q And at around the time you signed this agreement you  
2 didn't have any discussions with anybody about whether the  
3 parties would make an effort to determine the dual employees  
4 -- to determine whether the dual employees were spending the  
5 allocated percentages set forth on this document, correct?

6 A I mean, there was a general understanding. If it's in  
7 a document of this type, I mean, it's not -- you know, there  
8 aren't just going to be numbers that are thrown into an  
9 exhibit.

10 Q Well, you had no expectation that Exhibit A's would  
11 ever be updated, did you?

12 A I don't -- I mean, potentially.

13 Q Well, you don't recall ever instructing Mr. Klos to  
14 update Exhibit A, did you?

15 A I don't recall.

16 Q You're not aware of anybody in the world who ever  
17 instructed Mr. Klos to update Exhibits A, are you?

18 A I'm not aware.

19 Q And you have no recollection of anybody ever updating  
20 Exhibits A, correct?

21 A I'm not aware.

22 Q And just more broadly, you have no recollection of ever  
23 asking anybody in the world at any time to update this  
24 chart, correct?

25 A Well, in Q-4 in 2019, you know, this agreement and

1 others were brought to the attention of Fred Caruso at DSI  
2 after Highland filed. And You know, at the time, Dave  
3 brought up the -- Mr. Klos brought up the overpayments by  
4 the advisors on the various agreements. This was presented  
5 to Mr. Caruso at the time.

6 So again, I -- you said there was no intent to ever  
7 update these numbers. I mean, there was an analysis put  
8 together and presented to basically the person in charge of  
9 Highland at the time because we were educating Mr. Caruso  
10 and DSI on everything Highland in Q-4 of 2019 and trying to  
11 get him up to speed as quickly as possible and this was one  
12 of the items.

13 Q And did you ever see a draft of the revision to Exhibit  
14 A at any point?

15 A Not that I recall.

16 Q Okay. No records exist today that could be used to  
17 determine whether the dual employees actually spent the  
18 allocated time working for the advisors; isn't that correct?

19 A Aside from going through work product, e-mails, or  
20 having discussions of that nature.

21 Q So it'd have to be a forensic examination?

22 A I mean, if you're saying today to go back in time, I  
23 mean, you know, none of the employees are there, so yeah,  
24 you'd have to do an estimate and again, on this Exhibit A  
25 there's a percentage allocation to HMFA to determine what

1 that allocation is.

2 Q Did you do anything to satisfy yourself that Exhibit A  
3 was accurate before signing this agreement?

4 A I remember generally having conversations on these  
5 allocations, but again like I said it was four years ago.  
6 If I didn't feel comfortable with these allocations at the  
7 time, I wouldn't have signed the document.

8 Q Okay. Nobody was at -- none of the dual employees were  
9 ever instructed to keep track of their time, so that  
10 somebody could actually determine the allocations with  
11 accuracy, correct?

12 A Not that I'm aware.

13 Q And you never personally -- and you personally never  
14 instructed any dual employee to keep track of their time so  
15 that an accurate determination of their allocation could be  
16 made, correct?

17 A Not that I recall.

18 Q And because no one was instructed to keep time records,  
19 you're unaware of any records that exist today that could be  
20 relied upon to accurately determine how much time the dual  
21 employees spent working for the advisors, correct?

22 A As I said earlier, aside from e-mails or work product  
23 or things like that that existed -- that exists on  
24 Highland's systems, you know, I don't know of any -- I don't  
25 know anything outside of that.

1 Q Before you signed this agreement, did you make any  
2 determination as to whether there was any prohibition or  
3 limitation on Highland's ability to make a profit under the  
4 payroll reimbursement agreements?

5 A That -- well, it's a payroll reimbursement agreement,  
6 right, as you described, so this agreement from the advisors  
7 to Highland is to basically reimburse Highland for any costs  
8 incurred by Highland Capital Management LP.

9 Q So then why did you personally authorize the advisors  
10 to pay the fixed fees that are set forth in each of the  
11 agreements each and -- for each and every of the 35 months  
12 between January 1st, 2018 and the end of November 2020 or Q-  
13 4?

14 MR. RUKAVINA: Object, Your Honor, there's no  
15 predicate, there's no foundation that he personally  
16 authorized any such payment.

17 THE COURT: Response?

18 MR. MORRIS: I'm happy to do that right now. I'll  
19 just skip to that and then we'll come back to it.

20 THE COURT: So I'll sustain.

21 BY MR. MORRIS:

22 Q Remember earlier you agreed that as the treasurer of  
23 the advisors you were responsible for making sure that  
24 Highland paid -- that the advisors paid the proper amounts  
25 under their intercompany agreements with Highland?

1 A Yes.

2 Q Okay. One of the ways you did that was by approving  
3 the payments in advance, correct?

4 A I mean, I think I said earlier payments and things of  
5 that nature are a team approach, but the -- yes, I mean, I  
6 do approve, you know, I do approve payments.

7 Q You did. In fact, you approved -- withdrawn.

8 It was your practice to approve every payment under the  
9 intercompany agreements before they were made; is that fair?

10 A I don't know if I approved every single one of these  
11 payments under these agreements. I would have to go back  
12 and see if I actually made approvals. I don't know.

13 Q Okay. And that's why I framed it as I did. I  
14 appreciate the fact that you can't testify with specificity  
15 as to every single payment, but your practice was to do  
16 that; is that fair?

17 A The team would communicate payments to myself on a  
18 weekly basis, you know, for again the purpose was to provide  
19 transparency into what was being paid for the week, provide  
20 another set of eyes on, you know, what payments are going  
21 out and since it's a team approach there may be payments  
22 that were inappropriate or left off of the list that others  
23 may know about.

24 So it was -- there was a review process in that regard,  
25 yes.

1 Q And at the end of that process Kristen Hendricks (ph)  
2 would send you an e-mail with a list of the payments that  
3 were going to be made on behalf of the advisors and she  
4 would seek your approval before effectuating those payments,  
5 correct?

6 A It may not have always been Kristen and it depends on  
7 -- I don't know what time period you're talking about; it  
8 may not have always been Kristen. There may have been  
9 others involved and, you know, again hopefully their list  
10 was accurate and complete.

11 Q Okay. So without regard to any particular individual,  
12 is it fair to say that the practice was to have somebody  
13 from the corporate accounting group during the three-year  
14 relevant period prepare a list of wire transfers that were  
15 going to be made, to send that list to you and to seek your  
16 approval before the wires were transferred. Was that the  
17 practice even if it didn't happen every single day, even if  
18 somebody different did it every single day?

19 A Not always, no.

20 Q Not always, but was it the practice?

21 A No.

22 Q Okay. Can you turn to 147 in your binder please?

23 A 147.

24 Q Uh-huh. It may be the other book. Can you explain to  
25 Judge Jernigan what Exhibit 147 is?

1 A This is an e-mail from Kristen Hendricks dated Tuesday,  
2 February 11th, 2020 and it's subject -- and it's cc'ing  
3 David Klos, subject is wires for today. It has HCMFA and is  
4 an HCMLP amount of \$300,797 for shared services and as  
5 amounts under NexPoint advisors, it says GPM Dugerboy (ph)  
6 for \$209,790.05 with a note of Trip Grosa (ph) --

7 Q Okay. We don't have to -- I'm going to apologize for  
8 interrupting, but is this an e-mail from Kristen to you  
9 seeking approval for the initiation of wire transfers one of  
10 which is on behalf of HCMFA for the purpose of paying shared  
11 services that were due?

12 A This e-mail is, yes.

13 Q Okay. And at the bottom of it, do you see just above  
14 her name, it says, okay to send?

15 A Yes.

16 Q Did Ms. Hendricks have a practice of sending e-mails to  
17 you with wire transfers in which she sought your approval  
18 before initiating?

19 A Yes, but I said again, I said no earlier because this  
20 is unique. This is unique because you've -- this is from  
21 February of 2020. Prior to filing at Highland, Highland  
22 didn't have a bank account at East West. They needed an  
23 East West bank account because of the bankruptcy, right, it  
24 needed a special bank account.

25 So because of that, the -- there were wires that were



1 sent by the advisors to the East West bank account. Prior  
2 to filing, Highland did not have an East West bank account.  
3 It had a bank account at NexBank. So the advisors had bank  
4 accounts at NexBank as well.

5 Those payments weren't sent by wire. They were  
6 typically like a book -- like an ACH or they're a different  
7 form. And I don't recall Ms. Hendricks or Mr. Klos on every  
8 single one of them, a lot of ACHs were done without my  
9 knowledge.

10 Q And that would've been prepetition?

11 A That'd be prepetition, right, because the East West  
12 bank account was set up after we filed in October of 2019,  
13 that is a new bank account. And there's a new process in  
14 place.

15 Q And describe the process for Judge Jernigan that was  
16 put in place after the petition date.

17 A What -- the process for Highland wires?

18 Q For HCMFA and NexPoint wires.

19 A So this e-mail is descriptive of that process to, you  
20 know, again post-petition if there were wires that was sent  
21 out, yes, I was made aware of those wires.

22 Q You weren't just made aware, but your approval was  
23 sought, correct?

24 A I was made aware; I didn't go back and recalculate this  
25 \$300,797. Again, like for the shared service or any of

1 these other payments. Again, you know, this is a team  
2 approach. These look routine and customary.

3 Q Okay. So routine and customary and you respond by  
4 telling Kristen, okay, correct?

5 A I -- yes, it's in this e-mail.

6 Q And under the process that was put in place after the  
7 petition date, could Ms. Hendricks or any person in the  
8 accounting team were they expected to initiate these wire  
9 transfers without obtaining your approval?

10 A That was the expectation, but I don't -- I mean, I  
11 don't think that -- if they didn't get my answer timely, I  
12 think it's my understanding that, you know, wires did go out  
13 from time to time.

14 Q And do you recall if that ever happened where you  
15 learned about it and you told them you made a mistake, you  
16 shouldn't have executed that wire, I've looked at it now,  
17 I've seen what you've done and you shouldn't have done that?

18 A I don't recall.

19 Q Go to Exhibit 152, please. Is it fair to say that this  
20 is just another example of the process that you just  
21 described having been put in place after the petition date  
22 with the corporate accounting group would create a list of  
23 the proposed wires and seek your approval?

24 A Yes.

25 Q Okay. And, in fact, this one specifically relates to

1 the HCMFA sub-advisory agreement in the amount of \$416,000,  
2 right?

3 A For 416,000, yes.

4 Q So you personally approved in April of 2020 a payment  
5 of \$416,000 which is exactly the number that was in the  
6 payroll reimbursement agreement that you signed back in May  
7 of 2018, correct?

8 A I said okay after reviewing it. Again, this is after  
9 being aware of this I said, okay.

10 Q And the thing is, Mr. Waterhouse, this wasn't coming  
11 into an -- this wasn't coming to you in a vacuum. You  
12 expected to get these wired requests. You expected them to  
13 be at the numbers that you received, right? You knew this  
14 was going to happen before you even got this e-mail from Ms.  
15 Hendricks, correct?

16 A What do you mean I expected to?

17 Q Well, your accounting group prepared 13-week forecasts  
18 in the ordinary course of business; isn't that right?

19 A Yes.

20 Q And those 13-week forecasts detailed every single  
21 payment that was projected to be made under the intercompany  
22 agreements during the three-year relevant period, correct?

23 A Yeah, I mean, more or less, yes.

24 Q What's less?

25 A Again, if something was missed here or there, but yeah,

1 13-week forecasts were prepared on a weekly basis. I can't  
2 remember if everyone was done a hundred percent accurately,  
3 but yes, that was done on a weekly basis.

4 Q Can you describe for Judge Jernigan any recollection  
5 you have of there being a payment under any of the  
6 intercompany agreements during the three-year relevant  
7 period that wasn't properly recorded in one of the 13-week  
8 forecasts?

9 A So you're -- I mean, that's over 150 13-week forecasts.  
10 I can't recall every single thing over that -- going back  
11 three years.

12 Q I appreciate that.

13 A You know.

14 Q But you also can't remember one error that was ever  
15 made with respect to a forecasted payment that was due under  
16 any of the intercompany agreements, correct?

17 A What I can recall over the relevant time period is yes,  
18 there were times where there were updates and comments made  
19 on 13-week cash or things that were left out or misbucketed  
20 or things of that nature or people not made aware.

21 I don't recall, you know, related to these agreements,  
22 but that doesn't mean to say it didn't happen.

23 Q Okay. These 13-week forecasts they were sent to you on  
24 a weekly basis and reviewed in group meetings, right?

25 A Yes. We -- yes.

1 Q And prior to the petition date the 13-week forecasts  
2 were also sent to Mr. Dondero, correct?

3 A The -- Mr. Dondero received them on a very ad hoc  
4 basis.

5 Q Well, for the first few months of the bankruptcy you  
6 and DSI routinely went through the 13-week forecasts with  
7 Mr. Dondero when Highland filed for bankruptcy, correct?

8 A I don't recall meeting with Mr. Dondero and DSI on a  
9 weekly basis for 13-week cash.

10 Q Okay. I'll just ask the question again.

11 For the first few months of the bankruptcy, you and DSI  
12 routinely went through the 13-week forecast with Mr. Dondero  
13 once Highland was in bankruptcy, correct?

14 A I recall a meeting here and there with Mr. Dondero and  
15 Mr. Caruso and Mr. Klos. I wouldn't say it was routine or  
16 on a weekly basis.

17 Q All right. Do you remember the deposition that we had  
18 a couple of weeks ago?

19 A Yes.

20 Q Okay.

21 MR. MORRIS: Your Honor, do you want to follow the  
22 transcript?

23 THE COURT: Do I want to follow the transcript --

24 MR. MORRIS: Yeah, as I cross-examine with it?

25 THE COURT: Well, I guess I can.

1 MR. MORRIS: Okay. That was a loaded question.

2 THE COURT: Yeah.

3 UNIDENTIFIED: John, I don't mind putting it on  
4 the screen.

5 MR. MORRIS: Yeah, you don't have to.

6 UNIDENTIFIED: Okay.

7 MR. MORRIS: Mr. Rukavina has it, correct? Okay.

8 BY MR. MORRIS:

9 Q Mr. Waterhouse, do you remember attending the  
10 deposition with me virtually a couple of weeks ago?

11 A Yes.

12 Q And my only question is whether you remember being  
13 asked this question and giving this answer. And I'm looking  
14 at page 173 and its line 20 through page 174, page 3 (sic).

15 "Q Did Mr. Dondero ever receive any of the  
16 forecasts that you've just described?

17 "A Yeah, I mean, we, we would walk Jim through  
18 cash, the 13-week cash from time-to-time. We did  
19 -- I mean, that was one thing. We met with Mr.  
20 Dondero and DSI and went through 13-week cash  
21 routinely with Mr. Dondero once we were in  
22 bankruptcy."

23 Was that -- is that -- did you give that answer to that  
24 question?

25 MR. RUKAVINA: Well, and Your Honor, I think he's

1 entitled to know that on line 7 he said,

2 "It was sporadic. So I wouldn't say it was  
3 every week."

4 So let's have optional completion.

5 THE COURT: Okay.

6 MR. MORRIS: We're going to get to that.

7 No, I actually had the context --

8 MR. RUKAVINA: I just think the witness should  
9 have a copy of the transcript.

10 MR. MORRIS: Yeah, okay. Asia, can you put it up  
11 on the screen please because I'm going to get to that very  
12 point. Here you go, Mr. Waterhouse.

13 BY MR. MORRIS:

14 Q Sir, if you can turn to page 173, my next question was  
15 actually going to be do you recall that in the beginning of  
16 2020 Mr. Dondero surrendered control of Highland to the  
17 independent board?

18 A This says deposition of Dustin Norris, is this the  
19 right one?

20 MR. RUKAVINA: No, actually. We have one.

21 THE WITNESS: Okay.

22 Q So do you recall that -- I'm sorry, Mr. Waterhouse,  
23 take your time, I don't need to rush you. You're at 173?

24 A I am.

25 Q And I just asked you that question that began at the

1 bottom of 173 and then continued to the top of 174. And  
2 now, if you could just look at me because I'm going to ask  
3 you a couple of foundational questions, Mr. Waterhouse.

4 A Okay.

5 Q Do you recall that after -- in January 2020 Mr. Dondero  
6 surrendered control of Highland to an independent board,  
7 correct?

8 A Yes.

9 Q Okay. And thereafter as the calendar turned to 2020,  
10 you still went over the 13-week forecast with Mr. Dondero  
11 just on a less frequent basis, correct?

12 A I'm trying to -- we probably met with Mr. Dondero -- I  
13 don't recall how many times we met with Mr. Dondero at the  
14 end of 2019, but it doesn't feel like a lot. Going into  
15 2020, we did meet with Mr. Dondero I think a few -- you  
16 know, I think a few times versus at the end of 2019.

17 Q And that's my point. In the first few months of the  
18 bankruptcy when he was still in control, you met with him as  
19 you testified -- you met with him routinely. And then when  
20 the independent board was put in place, you met with him  
21 sporadically is the word; is that fair?

22 A I don't recall meeting with Mr. Dondero at any time for  
23 cash after Highland filed. Mr. Dondero was very busy at the  
24 time with the filing and all that happened around the  
25 filing. So I don't recall having any meetings with Mr.



1 Dondero at the end of 2019.

2 Q Okay. Then I'm just going to go back and read the same  
3 testimony I just did if that's where we are. Page 173 --

4 MR. RUKAVINA: Your Honor, I object. Object,  
5 first of all this is now five minutes, there's no relevance  
6 to this. Mr. Morris hasn't established any relevance as to  
7 how many times that he might have met with Mr. Dondero on  
8 13-week cash forecast, has anything to do with this admin  
9 claim. Moreover, good -- the goose and the gander rule. He  
10 has not stated anything that requires impeachment from a  
11 prior deposition, the testimony is identical.

12 THE COURT: Response?

13 MR. MORRIS: Number one, I can't imagine too many  
14 more relevant issues than the person who's in control of the  
15 advisors receiving 13-week forecasts that deal every single  
16 payment that the advisors were projected to make under the  
17 intercompany agreements during the relevant period,  
18 including during the period in question, that's number one.

19 Number two, I thought we had an agreement based on  
20 his deposition testimony that, in fact, Mr. Waterhouse and  
21 DSI routinely went over this stuff after the bankruptcy  
22 filing in 2019 and I'm -- I just want to establish that Mr.  
23 Dondero continued to receive 13-week forecasts on a sporadic  
24 basis in 2020 and continued to meet with the independent  
25 board and Frank to go over it. That's what the testimony

1 is. I could just read it into the record if you'd like.

2 THE COURT: Okay. I overrule the objection.

3 BY MR. MORRIS:

4 Q So, Mr. Waterhouse, in 2020, Mr. Dondero continued to  
5 receive the 13-week forecast, even if it was sporadically,  
6 correct?

7 A He -- yes.

8 Q And, in fact, it's fair to say that Mr. Dondero  
9 personally participated in the review of the 13-week  
10 forecast with the independent board from time to time,  
11 correct?

12 A I don't recall Mr. Dondero and the independent board  
13 meeting together for a 13-week cash.

14 Q Can we go to page 175 please? Lines 4 to 13, were you  
15 asked these questions and did you give these answers?

16 "Q And then in 2020 once the board was  
17 appointed, the board also got involved in the  
18 review of the 13-week forecast, correct?

19 "A Correct, so they were part of that process  
20 as well.

21 "Q And Mr. Dondero, I'll just say from time to  
22 time also participated in that process; is that  
23 correct, is that fair?

24 "A Yes.

25 "Q And the 13-week forecast would, if a

1 payment was due under either the shared  
2 services agreement or the payroll reimbursement  
3 agreements those projected payments would be  
4 included in the forecast, right?

5 "A It would."

6 Did you give those answers to my questions a couple of  
7 weeks ago?

8 A Yes, it's in the testimony, I mean, my understanding at  
9 the time of your questions were did the independent board  
10 get involved in reviewing the 13-week forecast, correct,  
11 yes. We -- and when you said Mr. Dondero, did he  
12 participate in the process I didn't link the independent  
13 board with Mr. Dondero. I -- this -- Mr. Dondero did see  
14 cash from time to time, like I said sporadically. But I  
15 don't recall Mr. Dondero and the independent board in a room  
16 reviewing 13-week cash together.

17 Q Okay. As the CFO you were generally aware -- let's  
18 shift gears a little bit to the question of hires and  
19 terminations, right, and staffing at Highland.

20 As the CFO, you were generally aware each time there  
21 was a new hire in the Highland complex, correct?

22 A Yes.

23 Q And you were also generally aware of all employee  
24 terminations from the Highland complex, correct?

25 A Yes.

1 Q The human resources department had a process that it  
2 used to communicate to the operational groups when someone  
3 was terminated or resigned from the Highland complex,  
4 correct?

5 A Yes.

6 Q And in 2018 and 2019 Mr. Dondero personally approved  
7 the compensation for every team in the Highland complex,  
8 right?

9 A I believe so, yes.

10 Q And that would include salary, bonuses and deferred  
11 compensation if any, correct?

12 A Yes.

13 Q And you would walk him through every single employee  
14 and he would have to personally approve their compensation;  
15 is that correct?

16 A Yes.

17 Q Okay. And every month, the human resources department  
18 prepared a monthly head count report; isn't that right?

19 A Let me go back to the prior question about me walking  
20 Mr. Dondero through every single employee. I didn't walk  
21 him through every single employee. There were certain  
22 groups that I did not participate, but Mr. Dondero -- I did  
23 walk Mr. Dondero through several employees.

24 Q Can you go to page 96 of your transcript please?

25 A Sure.

1 Q Were you asked this question and did you give this  
2 answer, tell me when you're there.

3 "Q But to the best of your knowledge as the  
4 CFO Mr. Dondero would have had to personally  
5 approve any changes in compensation including  
6 salary, bonus, and deferred compensation for  
7 anybody in the Highland platform, correct?

8 "A Yes. He -- well, he reviewed all  
9 employees' base salary, bonuses, cash bonuses  
10 and deferred and we walked him through every  
11 single employee, you know, he would approve it,  
12 make changes, do what he needed to do at his  
13 discretion."

14 Is that the answer you gave a couple of weeks ago?

15 A Yes, that's the answer. I guess when I referred to we,  
16 we means myself and other Highland employees. So that we  
17 wasn't -- so when you asked did you personally walk him  
18 through every single employee, I didn't personally. There  
19 were others that participated in the process that I did not  
20 participate in.

21 Q Okay.

22 A And that's the we.

23 Q Okay. Thanks for the clarification.

24 A Sure.

25 MR. MORRIS: Ms. Canty, can you put up on the

1 screen the spreadsheet that is Exhibit 93?

2 Q And while she does that, let's look at the document.

3 If you can turn to Exhibit 93. And do you see that that's  
4 an e-mail from Kelly Stevens (ph) to a bunch of people?

5 A I see it.

6 Q And did Ms. Stevens work in Highland's human resources  
7 department during the relevant period?

8 A Yes.

9 Q And did Ms. Stevens send each and every month a head  
10 count report, an effective head count report?

11 A That's my general understanding.

12 Q Okay. It was the general practice that she would  
13 distribute an effective head count report at the beginning  
14 of each month or at the end of each month for the prior  
15 month, correct?

16 A Yes.

17 Q And you received those in the ordinary course of  
18 business, correct?

19 A I did.

20 Q And Mr. Norris, to the best of your recollection, would  
21 have received that in the ordinary course each and every  
22 month, correct?

23 A Again I think we went through this in -- I don't know  
24 if Mr. Norris was on every single one of these e-mails that  
25 Ms. Stevens sent during the relevant period. He is on this

1 e-mail dated March 4th, 2019.

2 Q Okay. And Jason Post and Lauren Bedford, would they be  
3 people that in your recollection you would have expected to  
4 receive information of this type?

5 A I don't know how this distribution was -- got formed,  
6 but they're on the -- they received this e-mail. They are  
7 in the to line.

8 Q Okay. And that monthly head count report identified  
9 every single person who was employed in the Highland complex  
10 as of the date of the e-mail, right?

11 A These have graphs of the head count.

12 Q But there was always a spreadsheet attached, correct,  
13 an Excel spreadsheet?

14 A There were spreadsheets, yes.

15 Q And the spreadsheet identified each and every employee  
16 in the Highland complex, right?

17 A I believe so.

18 Q And --

19 A I didn't really -- I think I said in my deposition I  
20 didn't really pay much attention to these reports.

21 Q Okay. You didn't pay attention to it, but you got it,  
22 right?

23 A I'm on the to line, yes.

24 Q And so if you had just clicked it open, you would've  
25 seen a list of all the employees in the Highland complex,

1 correct?

2 A From what I recall, I don't -- again, I didn't -- I  
3 don't remember (indiscernible) every single one of these, I  
4 didn't pay a lot of attention to these e-mails.

5 Q Okay. And do you recall that these reports  
6 specifically identified every single person who was  
7 terminated from the Highland complex and the date of  
8 termination?

9 A Yes. Actually you walked that tab -- I remember that  
10 in our deposition, I said that was the first time I've ever  
11 actually clicked on that tab and walked through what was on  
12 that tab.

13 MR. MORRIS: Thank you, Ms. Canty.

14 Q We've got the exhibit up on the screen and this is the  
15 attachment to the document we're just looking at, so it's  
16 the head count report for 2/28.

17 MR. MORRIS: And, Your Honor, I just want to spend  
18 a minute or two on this or three, so that -- because there's  
19 three dozen of them in the exhibit binders and the evidence  
20 as to who it was distributed, those documents have been  
21 admitted so you can see, you know, I believe -- well, I  
22 won't make any representations.

23 Can we click, Ms. Canty, on the tab that says  
24 terms? And just scroll to the top.

25 Q Do you see that it has a list of people there, Mr.



1 Waterhouse? You're not familiar with this information  
2 that's on this sheet?

3 A These are terminations, again like I said, I had never  
4 clicked on this tab to my recollection until we went through  
5 it in my deposition a few weeks ago.

6 Q Okay. So do you see that there's a list of people and  
7 in columns B and C are the dates of hire and the dates of  
8 termination?

9 A I see that.

10 MR. MORRIS: And can we scroll down to the end of  
11 this document?

12 Q Okay. And do you see that it shows -- it highlights in  
13 yellow the two people that were terminated in February 2019?

14 A It has two individuals that have a term date in  
15 February 2019.

16 Q Does that refresh your recollection that these head  
17 count reports that were sent every single month specifically  
18 highlighted every single employee who was terminated in the  
19 prior month?

20 A That is what's detailed in this spreadsheet.

21 Q Okay. Now --

22 MR. MORRIS: We can take that down off the screen.

23 Q I believe you testified and I may not get this  
24 accurate, I don't mean to characterize your testimony, but I  
25 think you testified that in or around December 2019 you had

1 a conversation with Mr. Klos where you reached a conclusion  
2 that there were overpayments on the payroll reimbursement  
3 agreement. Do you remember that just generally?

4 A Yeah, I believe I testified, you know, in Q-4 of 2019  
5 or could have been early Q-1 of 2020, yes, I had a  
6 conversation with Mr. Klos. I believe I testified that Mr.  
7 Klos identified the issue and we had a subsequent discussion  
8 with Mr. Caruso. Again, I -- we were educating DSI and Mr.  
9 Caruso because they were in charge of Highland at the time  
10 and we were trying to get them up to speed on everything  
11 Highland.

12 You know, as you went through the approval process for,  
13 you know, or they're approving all these payments, we were  
14 taken through all the revenue contracts, I mean, just you  
15 know, everything at the time.

16 Q Okay. You were not aware at that time that one of the  
17 UCC's initial focuses was on the business relationships  
18 between the debtor and other non-debtor entities that were  
19 controlled by Mr. Dondero, correct? You didn't know at that  
20 time that that was the UCC's focus, correct?

21 A I don't recall that ever being communicated to us.

22 Q Okay. You don't recall any discussions at any time  
23 about the UCC and FTI's interest in knowing about the  
24 economics between Highland and the Advisors; correct?

25 A I don't recall.

1 Q You don't recall having any discussion in October,  
2 November, or December 2019 with Mr. Klos about preparing an  
3 analysis for the UCC and FTI that would attempt to show how  
4 Highland's costs compared with its revenues under its  
5 agreements with the Advisors. You don't have any  
6 recollection of that at all; isn't that correct?

7 A I don't have a recollection. At the time, you know,  
8 DSI was getting information from the various teams. They  
9 were interfacing with Mr. Klos tremendously. I am not aware  
10 of that coming -- myself having that conversation with Mr.  
11 Klos.

12 Q And you have no recollection of ever participating in a  
13 meeting with the UCC or FTI in November or December of 2019  
14 or January 2020 where the topic of the profitability of  
15 Highland's agreements with its affiliates was discussed;  
16 correct?

17 A I don't recall.

18 Q You don't recall ever discussing with Mr. Klos whether  
19 he ever made a presentation to the UCC and to FTI concerning  
20 Highland's profitability under its agreements; correct?

21 A I don't recall.

22 Q Did Mr. Klos tell you -- did Mr. Klos prepare the  
23 analysis that you just referred to as having discussed with  
24 Mr. Caruso?

25 A Are you referring to the analysis of -- that outlined

1 overpayments?

2 Q Sure.

3 A Yes. Mr. Klos did prepare that.

4 Q Do you know why he prepared it?

5 A Yeah. My general recollection is he wanted to make DSI  
6 aware that there were overpayments on these agreements.

7 Q What would be the purpose of doing that?

8 A Again, amending the agreements to reflect, you know,  
9 the actual costs incurred by Highland.

10 Q Why would that be in Highland's interest at that moment  
11 in time?

12 A I -- we felt like we needed to make him aware of it. I  
13 mean, again, these are, you know, these are agreements that  
14 we felt that weren't, you know, that needed change and we  
15 alerted Mr. Caruso to that fact.

16 Q Who's we?

17 A Myself and Dave.

18 Q It's your testimony that Dave Klos said that he thought  
19 the agreements needed to be changed at the end of 2019 or  
20 the beginning of 2020?

21 A It's my testimony that we had a meeting with Mr.  
22 Caruso, notified him of the overpayments that were related  
23 to these agreements. You know, again, nothing came of the  
24 meeting. There were no changes or anything. And I don't --  
25 I don't recall specifically talking about hey, you know,

1 Highland needs to amend these agreements. But we made him  
2 aware of these overpayments that were related to the  
3 agreements, saying it was primarily the payroll  
4 reimbursement agreement.

5 Q Were Mr. Leventon and Mr. Ellington present in this  
6 meeting?

7 A No, they were not.

8 Q But you told them the same thing; didn't you?

9 A Well, so in that discussion with Mr. Caruso, Mr. Caruso  
10 said we -- that nothing could be changed, right? There was  
11 an automatic stay as part of the bankruptcy so you know,  
12 like thank you for letting me know this issue, but nothing  
13 can be changed. There's an automatic stay.

14 I, you know, at some point after that, I talked to  
15 Mr. Leventon and Mr. Ellington to ask them, you know, is  
16 there an automatic stay in place? And yeah, I mean, they --  
17 that's what they told me.

18 Q Did you tell them that there were overpayments?

19 A Yeah, I told them that there were, you know, agreements  
20 between the advisors and Highland that, you know, were --  
21 there were overpayments. And, you know, and DSI said we're  
22 going to -- a stay and like I'm not a lawyer, and you know,  
23 this -- this process was obviously new to myself and a lot  
24 of team members at Highland. And Mr. Leventon and Mr.  
25 Ellington were closer to, you know, they're lawyers and so I

1 asked them as well.

2 Q Did you tell them the magnitude of the overpayments?

3 A Not that I recall.

4 Q Did you tell them, do you know now when the  
5 overpayments started?

6 A I mean, if it's related to the payroll reimbursement  
7 agreement, it would have been at the time of any -- if there  
8 were any costs incurred by Highland, or costs not incurred  
9 by Highland, that the advisors reimbursed for, so I mean, it  
10 could have been as early as 2018. But if you look at the  
11 list of employees on your Exhibit A, the higher-dollar  
12 employees like Mr. Okada and Mr. Parker that had just left,  
13 that issue -- those, if something hadn't changed, those  
14 overpayments would become larger over time.

15 Q Are you aware that under the theory you just described,  
16 the advisors were overpaying Highland the very second you  
17 signed those agreements?

18 A I think in my deposition, you had -- you had pointed  
19 out an employee that had left prior to the signing of the  
20 payroll reimbursement agreement but yet -- but it was a --  
21 it was that they were employed after the effective date.

22 Q There were four dual employees who were terminated  
23 before you signed that agreement; isn't that right?

24 A Yes. The agreement was dated January 1, 2018, so I  
25 mean, you know, I think we established that's why we signed

1 as of that date.

2 Q And you understood that the agreement included the  
3 compensation for every one of the employees on Exhibit A  
4 regardless of whether or not they were terminated; correct?

5 A Yes.

6 Q And in fact, half of the employees had been terminated  
7 before anybody heard of Jim Seery or the independent board;  
8 isn't that right?

9 A I don't remember the -- the total number.

10 Q Did you ever try to do an analysis of Highland's  
11 profitability under the payroll reimbursement agreement  
12 until Mr. Klos did it in late 2019?

13 A I did not.

14 Q Was it ever a concern of yours as to whether or not  
15 Highland was making a profit under these payroll agreements  
16 until Mr. Klos prepared this analysis at the end of 2019?

17 A I don't -- I don't recall that.

18 Q Did you share Mr. Klos's analysis with Mr. Leventon and  
19 Mr. Ellington? Did you give them a copy?

20 A I did not.

21 Q Did you tell Mr. Dondero, there's overpayments here?

22 A I did not.

23 Q You didn't tell Mr. Sauter. You didn't tell Mr.  
24 Norris. You didn't tell Ms. Fedford. You didn't tell any  
25 officer or control person of the advisors about these

1 overpayments when you learned about them in November and  
2 December or January 2020; right? Late 2019, 2020. You  
3 didn't tell anybody in the world except for Mr. Leventon and  
4 Mr. Ellington and Mr. Caruso; isn't that right?

5 A Yes. I mean, I told Mr. Caruso. Like my expectation  
6 was Mr. Caruso was in charge of Highland so if he needed to  
7 speak to Mr. Dondero or others, that was Mr. -- Mr. -- that  
8 was Mr. Caruso's, you know, purview.

9 Q Did you believe that Mr. Caruso had the authority to  
10 renegotiate agreements on behalf of Highland?

11 A I mean, he -- he was in charge. I mean, that's -- I  
12 mean, that's how we treated him from my group's perspective.

13 Q Do you know who Brad Sharp is?

14 A Yes.

15 Q Do you know Brad Sharp was actually the CRO, not Fred  
16 Caruso?

17 A I mean, Fred Caruso was the person we -- he was in the  
18 office every day that we talked to and were educating on  
19 everything Highland. We were not educating Brad Sharp on  
20 everything Highland. We were educating Fred Caruso, and  
21 then Fred Caruso was, you know, doing whatever he was doing  
22 with that.

23 You know, I -- Fred, my understanding, started DSI. He  
24 had 30 years of experience in bankruptcy. I, you know, I  
25 had no reason not to rely on Fred and his expertise in



1 communicating with Brad Sharp or anyone else.

2 Q Okay. I'm asking you what the base -- you believed  
3 that Fred Caruso had the authority to renegotiate these  
4 agreements with the advisors. Is that your testimony?  
5 That's your belief?

6 A If Fred Caruso felt like it was something that was  
7 important, then yeah, he could have -- if he said talk to  
8 Brad Sharp, who's CRO, or others, or he had a relationship  
9 with Mr. Dondero, yes. I mean, if that was something that  
10 needed to be done, yeah. Mr. Caruso was -- was involved on  
11 a day -- he was -- he was on the ground at that time.

12 Q The independent board got put in place on January 9th,  
13 2020; correct?

14 A Yes.

15 Q And you spent an awful lot of time with Mr. Seery and  
16 the independent board, getting them up to speed too. You  
17 kind of had round two. Isn't that fair?

18 A That's fair.

19 Q You never told the independent board about these  
20 overpayments; correct?

21 A I didn't.

22 Q And there's no question in your mind that the  
23 independent board was in control of Highland as of January  
24 9th, 2020; correct?

25 A They were in charge.

1 Q And this is really at the -- I mean, you said it could  
2 be late 2019, early 2020. This conversation with Mr. Klos  
3 and with Mr. Caruso could have happened really after the  
4 independent board was appointed; isn't that right?

5 A No. Because this was when, I mean, the independent  
6 board wasn't there, so if it was January 9th, it would have  
7 been prior to the independent board being appointed.  
8 Because it was - Fred was there on a daily basis and we  
9 were, I mean, educating Fred, and you know, the board -- the  
10 board wasn't there. And if -- if the board was there, and  
11 they were in charge at the time, you know, after that  
12 period, it would have made more sense than to have gone to  
13 the independent board. So again, we went when Fred was in  
14 charge. We viewed Fred, you know, as being in charge.

15 Q So the conversation didn't happen in January 2020. Now  
16 you're sure it happened in December 2019?

17 A Well, if the date was January 9th of the independent  
18 board, yes. I mean, it -- it -- that date was right after  
19 the new year. And again, what I'm saying is, is that  
20 conversation with Fred didn't happen with the independent  
21 board so having that date as kind of more, of a frame of  
22 reference, would, you know, in my mind pushes that  
23 conversation more to Q4 of 2019.

24 Q Was there any question in your mind that on January  
25 9th, 2020, the independent board-controlled Highland and not

1 Fred Caruso?

2 A The independent board was in charge.

3 Q No question; right?

4 A Yes.

5 Q And that happened, at most, a couple weeks after you  
6 had this conversation with Mr. Klos and Mr. Caruso; correct?

7 A I -- again, it was in Q4 of 2019, so yes it could have  
8 been a couple weeks. It could have been a month. I don't  
9 -- I don't, you know, again --

10 Q Did the thought occur to you that maybe you ought to  
11 tell the independent board?

12 A Like -- we had communicated. I had communicated that  
13 to Mr. Caruso. Mr. Caruso was talking to the independent  
14 board and also getting them up to speed from their  
15 perspective. Mr. Caruso had every opportunity to let the  
16 independent board know as well. I did not tell the  
17 independent board.

18 MR. MORRIS: Move to strike, Your Honor. I'm  
19 going to do this because I want to move this along.

20 THE COURT: Sustained.

21 BY MR. MORRIS:

22 Q Did the thought occur to you for you to tell the  
23 independent board of what you learned?

24 A No. because I thought it was Mr. Caruso's  
25 responsibility.

1 Q Okay. You met with the independent board on a weekly  
2 basis throughout at least the first -- for most of 2020;  
3 right?

4 A Yes.

5 Q And part of those weekly meetings would be to go  
6 through the 13-week forecast; right?

7 A Yes.

8 Q And the 13-week forecast would include all the payments  
9 that were projected to be made by the Advisors under each of  
10 the intercompany agreements that it had with Highland;  
11 correct?

12 A Yes.

13 Q And at no time during those 52 meetings that you had  
14 approximately -- whatever weekly meetings you had with the  
15 independent board, at no time during the meetings, did it  
16 occur to you that you might want to alert the independent  
17 board that there were overpayments; right?

18 A No. It didn't occur to me, because as I found out with  
19 talking to Mr. Caruso, and Mr. Leventon, and Mr. Ellington,  
20 that Highland was under an automatic stay and nothing could  
21 be changed in relation to these agreements. So when I deal  
22 with board members that I served, you know, with board  
23 members, I want to focus them -- I don't want people, you  
24 know -- my energy and time need to be spent on things that  
25 can be changed and we can work on.

1           So my energy, again, at the end of 2019, once I learned  
2 that nothing could be changed, I was dealing with the 20,000  
3 other things that I had to deal with, with the bankruptcy as  
4 I testified earlier. And so I treated the independent board  
5 in the same manner. They stepped into Highland not knowing  
6 anything and we were educating them as you just -- we had a  
7 round two.

8           So as part of that education, I didn't feel like it was  
9 a need to educate them on something that they couldn't  
10 change. I focused -- board members' time is valuable, and  
11 so it's more -- you know, my view was, let them focus on  
12 things that they can change or you know, that they need to  
13 work on. And if Mr. -- again, I viewed it as Mr. Caruso's  
14 responsibility. If you want to tell the independent board  
15 and have them focus on things that couldn't change and  
16 really didn't matter, at the time, then that was his  
17 responsibility.

18 Q       Did you ever tell them, gee, Highland's making a lot of  
19 money on those contracts without even talking about  
20 overpayments? Did you characterize the payroll  
21 reimbursement agreements to the independent board as a real  
22 positive asset for the estate?

23 A       I don't -- I don't recall that.

24 Q       You didn't tell them that either? You don't have a  
25 recollection of telling them that?

1 A I don't recall.

2 Q Do you recall putting anything in writing that  
3 memorialized the conversations that you had with either Mr.  
4 Caruso or Mr. Klos about the overpayments? Did you ever  
5 send anybody an email and say, I just want to confirm, or I  
6 just want to memorialize what I've been told and what I've  
7 heard from Mr. Caruso?

8 A Mr. Morris, you have all my email records. I -- I  
9 don't recall.

10 Q You don't recall doing that, right?

11 A But -- you have all my email records, sir.

12 Q And did the thought occur to you that you might want to  
13 save your own butt by sending an email to Mr. Caruso that  
14 says, "hey, Fred, I told you about these overpayments but  
15 you told me nothing can be done about it because of the  
16 automatic stay and I'm relying on you."

17 Did you ever think that maybe you should do something  
18 to protect yourself?

19 A No. It was -- it was a collaborative work process. I  
20 don't -- I don't view working with people as saving butts.  
21 I mean, it's a collaborative work process.

22 I've always had a collaborative work process with  
23 everyone that I work with. And you know, at any time, I  
24 never felt threatened by Mr. Caruso or anyone at the  
25 independent board. So I didn't feel the need, again,

1 because it was a collaborative work process. And Mr. Caruso  
2 was very appreciative of all of the efforts of myself, Mr.  
3 Klos, and others were doing to get him up to speed.

4 Q By the way, so is Mr. Seery. Okay. I don't -- we're  
5 having a cross-examination here but I don't want you to  
6 think that the independent board wasn't also appreciative of  
7 your efforts.

8 Let's speed it up. December of 2020, Q4, you don't  
9 remember exactly but you have a conversation with Mr.  
10 Dondero where Mr. Dondero instructs you not to make any  
11 payments to Highland. Do I have that right?

12 A In Q4 of 2020?

13 Q Correct.

14 A Yes.

15 Q And that's the only reason that the Advisors stopped  
16 paying the amounts that were due under the intercompany  
17 agreements that it had with Highland, correct?

18 A Yes.

19 Q It was Mr. Dondero's specific instruction, correct?

20 A Yes.

21 Q Okay. Later in December, you asked Mr. Klos to update  
22 that analysis we've been talking about that he prepared in  
23 December 2019. Do you remember that?

24 A Yes.

25 Q And you did that because you understood that the

1 Advisors were in negotiations with Highland; correct?

2 A They're -- I was -- I was made aware that there were  
3 negotiations by the advisors. I -- my asking Mr. Klos to  
4 update the analysis, I think was predicated on those  
5 negotiations. That there were negotiations going on.

6 Q And you were told that by the Advisors? Who at the  
7 advisors told you about these negotiations?

8 A I recall Mr. Dondero and Mr. Norris.

9 Q And Mr. Dondero and Mr. Norris ask you for information  
10 that they could use in these negotiations?

11 A Not that I recall.

12 Q Is that what prompted you to ask Mr. Klos to update his  
13 analysis?

14 A Not that I recall.

15 Q But you asked Mr. Klos to update the analysis because  
16 the negotiations were ongoing; correct?

17 A There were negotiations that were ongoing. I didn't --  
18 I don't recall asking him to update the analysis  
19 specifically because of the negotiations.

20 Q Ca you turn to Page 344 of your transcript, please?  
21 Lines 11 through 14. You were asked this question, and did  
22 you give this answer?

23 "Question: What prompted you" -- I'm going to start at  
24 the prior question for context, at Page -- at Line 6.

25 "Just a last question or two. You said that



1 in December 2020, you asked Mr. Klos to update the  
2 analysis that he had done the prior December. Do  
3 I have that right?

4 "Answer: Yes.

5 "Question: What prompted you to ask him to  
6 do that?

7 "Answer: Again, it was these negotiations  
8 that were going on with the Advisors and  
9 Highland."

10 Have I read your answers correctly to my questions?

11 A Yeah, you have.

12 Q And so you asked Mr. Klos to update this analysis for  
13 use in the negotiations, correct?

14 MR. RUKAVINA: Your Honor, that's not a prior  
15 inconsistent statement. What prompted hm to do it is  
16 different from why he asked him to do it. So I don't think  
17 that this is a fair impeachment or a fair characterization.  
18 I think he was prompted to do something for one reasons, you  
19 do it for other reasons.

20 THE COURT: Overruled.

21 BY MR. MORRIS:

22 Q What prompted you to ask him to do that was the  
23 negotiations that were ongoing; correct?

24 A There were ongoing negotiations. Again, like I -- I  
25 mean, there were ongoing negotiations. You know, like I

1 testified, Mr. Dondero and Mr. Norris did not ask me to do  
2 it for these numbers. And you know, and it was, you know,  
3 as I testified earlier about like the payroll reimbursement  
4 program, the overpayments on the payroll reimbursement  
5 program would likely grow over time as the high-dollar  
6 employees -- you know, as payments were made throughout the  
7 year to the high-dollar employees that just left Highland  
8 prior to filing. So you know, it's just -- it's just  
9 knowing numbers and updating analyses that I think that --  
10 knowing that there are negotiations that are going on.

11 Q You weren't participating in those negotiations;  
12 correct?

13 A I was not.

14 Q And Mr. Seery didn't tell you about these negotiations;  
15 did he?

16 A Not that I recall.

17 Q Nobody other than Mr. Dondero and Mr. Norris told you  
18 about these negotiations; correct?

19 A Again, not that I recall.

20 Q Okay. So when you asked Mr. Klos, you were prompted to  
21 ask Mr. Klos to update the analysis that was done at the end  
22 of 2019 for use in negotiations that you weren't  
23 participating in; correct?

24 A They weren't used in the negotiations. You know,  
25 again, I wasn't participating. I didn't communicate, you

1 know, any of Dave's -- Mr. Klos's analysis to Mr. Norris or  
2 Mr. Dondero. Yet negotiations were going on at the time.

3 Q So explain to Judge Jernigan why you would ask Mr. Klos  
4 to update an analysis for a negotiation that you weren't  
5 participating in, and that you didn't give to anybody. Why  
6 did you ask him to do this?

7 A Again, I mean, people that know me, that work with me,  
8 I like to know numbers. I'm a CFO. I'm an accountant. I'm  
9 a CPA. And you know, knowing that there were negotiations  
10 go on, again, it's kind of just my nature to be curious and  
11 say, okay, well, we did an analysis last year. Oh, you  
12 know, what is this number now, look like today?

13 Q When you asked Mr. Klos to update the analysis, he  
14 asked you if you were going to use it for an adverse reason;  
15 didn't he?

16 A I don't recall talking to Mr. Klos about that.

17 Q But if Mr. Klos testified that he believed that you had  
18 an ulterior motive for asking him to update the report, by  
19 eliminating dual employees who had been terminated, your  
20 view is that he's entitled to his opinion; correct?

21 A Mr. Klos is entitled to his opinion. You know, I -- I  
22 would never put Mr. Klos in a position, and it was never my  
23 practice of putting him in a position where he was doing  
24 something wrong or incorrect.

25 Q How much money did you receive from NexPoint after the

1 petition date?

2 A Approximately \$90,000.

3 Q And you didn't disclose that to the independent board;  
4 correct?

5 A I did not.

6 Q And you don't recall why you got that money; correct?

7 A Correct.

8 Q And you spoke with Brian Collins. He's the one who  
9 told you you'd be receiving the money; correct?

10 A Correct.

11 Q And he also told you that Isaac Leventon and Scott  
12 Ellington and Thomas Surgent were also going to be receiving  
13 payments from NexPoint; correct?

14 A That's correct.

15 Q And you don't recall him explaining to you why this  
16 money was coming to you from NexPoint?

17 A I don't.

18 Q Do you recall if the payments had anything to do with  
19 the bonuses that were not going to be paid as a result of  
20 the Court's decision?

21 A I wasn't aware of the Court's decision.

22 Q You don't recall that in the spring of 2020, there was  
23 a motion to pay bonuses and an order was entered, permitting  
24 all bonuses to be paid to all employees except for the  
25 senior four?

1 A I -- I wasn't aware of that. It was my understanding  
2 that the senior employees were still eligible.

3 MR. MORRIS: Just one second, Your Honor.

4 I have no further questions, Your Honor.

5 THE COURT: Pass the witness, Mr. Rukavina.

6 CROSS-EXAMINATION

7 BY MR. RUKAVINA:

8 Q Mr. Waterhouse, it's unusual that I examine my own  
9 officer without a chance to prepare you but have you and I  
10 -- have we met before in person?

11 A Not in person. Just over Zoom.

12 Q And through all the times that we met on Webex, was it  
13 at depositions?

14 A Correct.

15 Q I have not had a chance to prepare you before today;  
16 have I?

17 A You have not.

18 Q Okay. This 90 --

19 MR. MORRIS: I'm sorry.

20 BY MR. RUKAVINA:

21 Q This \$90,000 payment; the insinuation is that somehow  
22 that motivated you to take actions that you wouldn't have  
23 otherwise. Is there any merit to such an insinuation?

24 A No.

25 Q Is \$90,000 material to a man like you that makes over

1 seven figures every year?

2 A It's not.

3 Q Okay. Whose idea was it that the \$90,000 be paid?

4 A It's my understanding Mr. Dondero authorized it.

5 Q But do you know whose idea it originally was to ask Mr.  
6 Dondero to authorize the payment? Was it your idea?

7 A It was not.

8 Q Was it Mr. Surgent's idea?

9 A I don't know whose idea it was.

10 Q Okay. And that payment happened sometime prior to your  
11 December 2020 interaction with Mr. Klos; is that correct?

12 A Yes.

13 Q Okay. So just very clearly, did that \$90,000 payment  
14 have anything to do with your discussion with Mr. Klos to  
15 walk forward his prior analysis for FTI and DSI?

16 A No.

17 Q Did that -- could that payment have any -- have had  
18 anything to do with the results that Mr. Klos reached?

19 A No.

20 Q Did Mr. Klos receive some kind of bonus or hidden  
21 payment or whatever they want to call it? From the  
22 Advisors?

23 A Not that I'm aware.

24 Q So even if somehow you were on the take, which is  
25 offensive, Mr. Klos certainly wasn't; was he?

1 A I'm not aware of any payments to Mr. Klos.

2 Q And are you aware that one of the assumptions that Mr.  
3 Klos used in his December analysis was to use current  
4 headcount? Do you want to see that email to refresh  
5 yourself?

6 A Yeah. I think that'd be --

7 Q I think that would be fair to you. It's Exhibit Q in  
8 the small binder.

9 (Witness reviews document)

10 BY MR. RUKAVINA:

11 Q You'll remember this, sir. We discussed it at your  
12 deposition. You see that one of the things that Mr. Klos  
13 says is that changes from that analysis -- that analysis  
14 serves the prior DSI analysis; right? That you talked  
15 about?

16 A Yes.

17 Q Okay. And Mr. Klos says, "reflects current headcount.  
18 Terms removed, new hires added." Do you see that?

19 A Yes.

20 Q Okay. Did you tell Mr. Klos to make that assumption?

21 A Not that I recall.

22 Q If one was trying to get an accurate sense of the  
23 profitability of the payroll reimbursement agreements to  
24 Highland, can you think of anything wrong with using the  
25 current, then real-world, headcount?

1 A So if I'm understanding you right, again, he only had  
2 -- reflects current headcount on the payroll reimbursement  
3 agreement.

4 Q Yes, I'm asking you as a CPA, as a professional, as a  
5 CFO of a very large company, what's wrong with making that  
6 assumption? Whoever's idea it was, what's wrong with it?

7 A I'm just -- if this is the payroll reimbursement  
8 agreement, look, I -- I honestly don't, as I sit here today,  
9 know what the current headcount relates to --

10 Q Mr. Waterhouse, I'm not asking you that. I'm saying,  
11 as the CFO, you asked your subordinate to walk forward a  
12 prior analysis of profitability. Is that accurate?

13 MR. MORRIS: Your Honor, I'm going to object as  
14 leading. Mr. Rukavina may have never met Mr. Waterhouse.  
15 He is the advisors' officer. He is their treasurer today.  
16 He should not be leading this witness.

17 THE COURT: Sustained.

18 MR. RUKAVINA: Your Honor, I'm not really leading.  
19 I'm just bringing him up to the next question. I'm allowed  
20 to recap prior -- to set -- to phrase the next question.

21 THE COURT: I think it was leading. Sustained.

22 MR. RUKAVINA: Okay. Okay.

23 BY MR. RUKAVINA:

24 Q Well, listen to my question, okay.

25 A Okay



1 Q So I'm not going to lead you, okay? Why did you ask --  
2 you already testified, but we already spent a half an hour  
3 on this, so why did you ask Mr. Klos to walk forward his  
4 December 2019 analysis?

5 A Again, I just wanted to see what those numbers  
6 reflected.

7 Q Did you want his analysis to be reasonable?

8 A Yes.

9 Q What did you expect him to do when you gave him that  
10 instruction?

11 A To again walk forward the analysis that was done in the  
12 prior year.

13 Q Did you expect him to do it in good faith?

14 A Yes.

15 Q As a professional?

16 A Yes.

17 Q What about what numbers should he have used? What  
18 would have been your expectation if you were looking for a  
19 real-world analysis?

20 A I mean, he would have used, again, --

21 Q Well, we know --

22 A -- he would have used all, again, he would have used  
23 all costs in relation to this analysis. So if there were,  
24 you know, again, if there were terms that renewed but costs  
25 that were incurred for those terms; right, that would have

1 been if you're looking at costs that were incurred by  
2 Highland and would be paid in the reimbursement program, it  
3 would have been inappropriate to remove those costs.

4 Q Okay. That's not the question though. The question is  
5 as follows: The assumption there says reflects current  
6 headcount. Do you see that?

7 A Mm-hmm.

8 Q So I'm asking you, as his boss, as a CPA, as a  
9 professional man for a long time, can you think of anything  
10 wrong with using the current headcount for what Mr. Klos was  
11 doing for you?

12 A Again, if -- if there were prior headcount that should  
13 be used in the analysis --

14 Q Please look at the analysis. It's in the binder.

15 A -- that should be used in the analysis, then you know,  
16 those prior employees likely should have been included in  
17 the, you know, in the analysis.

18 Q Did you think that Mr. Klos's analysis was reasonable  
19 when you received it?

20 A I -- I didn't -- when Mr. Klos sent me this analysis, I  
21 didn't look at the -- at any of the detail or the backup to  
22 this analysis.

23 Q What did you think when you got this from Mr. Klos?

24 A You know, I thought that Mr. Klos made some assumptions  
25 that he put in.

1 Q Okay. And stop that -- stop there. What did you think  
2 about his assumptions? Were they fair? Were they unfair?

3 A Well, if you are looking at the costs incurred on the  
4 payroll reimbursement program, let's take that one for  
5 example. That agreement is -- was put in place, again, to  
6 reimburse Highland for costs that it incurred, right? And  
7 to reimburse them. And that was a -- a fully loaded cost.  
8 So if there were costs that were excluded from that  
9 analysis, yeah, they may not have been appropriate.

10 Q What would you have expected Mr. Klos to do with  
11 respect to those potential costs, removed from that  
12 analysis? In other words, would you have expected him to  
13 account for that or not account for it?

14 A No, I mean, those cost should have been accounted -- I  
15 mean, again, if you -- if we're looking in, for -- this is  
16 done in December of 2020, you look at all of the costs that  
17 were incurred by Highland for the relevant employees if  
18 we're talking about the payroll reimbursement program. And  
19 that would include, on a cash basis, any bonuses or anything  
20 else that were paid to those employees. Because that was  
21 incurred. That was cash paid to those employees by  
22 Highland; right? And the agreement is going to reimburse  
23 from the Advisors for those costs that were actually  
24 incurred.

25 Q Did Mr. Klos tell you anything about is analysis other

1 than what's in this Exhibit Q? That email?

2 A I don't recall having -- I don't recall discussing  
3 anything outside of this.

4 Q Did Mr. Klos tell you anything to the effect of that  
5 his analysis might be unreasonable or unreliable?

6 A No. I mean, Mr. Klos put -- detailed assumptions that  
7 he used in this analysis. Mr. Klos and I have, over the  
8 years, he's put together hundreds of analyses and pro  
9 formas, and there are, you know, certain things that can be  
10 assumed in an analysis, and you know, I mean, maybe it's  
11 right. Maybe it's wrong.

12 Q One more question, Mr. Waterhouse, and then we'll move  
13 on, because I don't think you're understanding my question.

14 The insinuation is that for your \$90,000 payment,  
15 somehow you had Mr. Klos prepare an unreliable document for  
16 an ulterior motive. And I'm asking you, even if you had any  
17 such motive, which I find, and you find offensive, what  
18 could you have told Mr. Klos to do that would have made his  
19 resulting analysis unreliable? Did you tell him to lie?

20 A No.

21 Q Did you tell him to fabricate numbers?

22 A No.

23 Q Did you tell him to have a prearranged result in sight?

24 A No.

25 Q Did you tell him to have any particular result or

1 conclusion in mind?

2 A No. I --

3 Q You told him to walk forward the numbers. Is that  
4 correct?

5 A Bless you.

6 Q Is that correct?

7 A Mm-hmm.

8 Q You have to say yes or no.

9 A Yes.

10 Q And maybe you told him to use these assumptions, maybe  
11 you didn't. You don't remember; right?

12 A I don't recall.

13 Q And very quickly now, one more thing that caught my  
14 attention. Look at Exhibit I, please, in my binder. And go  
15 to the last page.

16 Now keep that open and go to Exhibit 147 in Mr.  
17 Morris'. This is going to get a little bit complicated but  
18 go to Exhibit 147 in Mr. Morris'.

19 Now, you asked about this. You see that there is a  
20 transfer of \$300,000 -- \$300,797. Do you see that, sir?

21 A I do.

22 Q Okay. And you see the date that Ms. Hendrix (ph) is  
23 asking you about that? What's that date?

24 A It's Tuesday, February 11th, 2020.

25 Q And that's the same date that you went back to her in

1 the morning or I'm sorry, what time did you go back? 12:34  
2 p.m.?

3 A Yes.

4 Q Now in Exhibit I, can you locate that same \$300,797  
5 transfer? It's in the top third.

6 A Yes.

7 Q What's that date?

8 A February 10th.

9 Q And what's the --

10 A 2020.

11 Q What's the heading of that column?

12 A Receipt date.

13 Q Do you have any idea how Highland could have received  
14 that letter the day before Ms. Hendrix sought your approval  
15 and you gave it?

16 A I don't.

17 Q Okay. Returning to the payroll reimbursement  
18 agreements, let's go through some things rather quickly. Do  
19 you know, sir, how the monthly preset reimbursement rates  
20 were arrived at in those two agreements?

21 A I don't.

22 Q Okay. Do you know whether anyone in particular set  
23 those numbers?

24 A I don't. I think I testified earlier that, you know,  
25 there's an analysis to back up numbers that are put into

1 these agreements.

2 Q And did you believe that that analysis had been done in  
3 good faith?

4 A Yes.

5 Q And did you believe that that analysis was a reasonable  
6 estimate of the actual reimbursable amounts that should have  
7 been payable to Highland?

8 A Yes.

9 Q Would you have signed those agreements if you believed  
10 that there was anything misleading or deceptive about them?

11 A No. I would not have.

12 Q Okay. I have the same question with the shared  
13 services agreements. Do you know how the monthly payable  
14 amounts were arrived at in those agreements?

15 A I don't.

16 Q And before signing or -- I'm sorry. You didn't sign  
17 those agreements. But do you know whether or do you have  
18 any idea of whether an analysis was actually done for what  
19 those monthly reimbursable rates should be?

20 A Same as I answered earlier. An analysis, you know,  
21 again, is put together to support these numbers. I think I  
22 also, you know, I testified earlier in my deposition, that  
23 you know, for contracts of this type, when we're audited,  
24 you know, we have to provide support to auditors for these  
25 -- for these numbers. Again, you know, there is an analysis

1 that is there for those purposes.

2 Q Did you ever hear Mr. Dondero just pick a number and  
3 tell anyone that that's -- unilaterally, that that's the  
4 number that should be used for those monthly or annual  
5 reimbursement rates?

6 A I don't -- I don't recall.

7 Q And I think you were asked about this but those payroll  
8 reimbursement agreements and shared services agreements, do  
9 you know whether they were approved by the internal lawyers  
10 at Highland, the Highland legal department?

11 A I don't but I testified earlier about you know, if I  
12 have a document that is dropped off at my office, for  
13 signature, there is a section which asks, you know, has  
14 Legal reviewed it and approved, or if someone walks a  
15 document of this nature into my office for signature, I  
16 would ask them that -- the same.

17 Q And go to Exhibit C, please. C and D are very similar.  
18 You can look at both of them. They're identical except one  
19 is for HCMFA and one is for NexPoint, and they're in  
20 different amounts. Do you recall these two documents? I  
21 mean, from your deposition, do you recall these two  
22 documents?

23 A I do.

24 Q And you signed these two documents; right?

25 A Yes, I did. d



1 Q So do you know how the \$1.2 million amount in one  
2 agreement and the \$1.3 million amount in the other agreement  
3 was arrived at?

4 A I don't recall.

5 Q Did you ever hear Mr. Dondero or anyone else say  
6 something like we need tax deductions at the advisors so  
7 let's channel some money over to Highland?

8 A I don't recall.

9 Q If Highland -- if there were a series of promissory  
10 notes with Highland and various insiders, you're generally  
11 aware of that; correct?

12 A Yes.

13 Q And from time to time, as Highland's finances were not  
14 doing well and Highland would need some cash, did sometimes  
15 some of these note parties prepay certain obligations on the  
16 most of Highland in order to get Highland cash?

17 A There were promissory notes between Highland and the --  
18 you know, and the insiders. I don't recall every -- you  
19 know, I don't recall --

20 Q Sure.

21 A -- every instance where money was lent to Highland.

22 Q Okay. But I'm asking on occasion, if Highland needed  
23 immediate liquidity, would sometimes Highland ask one of  
24 these note parties to prepay or pay quicker its obligations?

25 A Yes.

1 Q Okay. And that was a way sometimes for Highland to get  
2 immediate liquidity?

3 A Yes.

4 Q So can you think of a reason why someone would have  
5 done these Exhibits C and D to get \$2.5 million to Highland,  
6 as opposed to just working on one of the notes?

7 A I don't recall.

8 Q Okay. So these -- both of these contracts here say  
9 that the payments are a one-time payment of estimated  
10 additional actual costs owed to HCMLP for additional  
11 resources used by HCMFA. Do you see that, sir?

12 A Uh --

13 Q It's the second whereas.

14 A Yes, I see that.

15 Q Okay. Do you have any reason to disbelieve that what  
16 this here says is true?

17 THE COURT: I apologize. What exhibit are you on?

18 MR. RUKAVINA: I'm on Exhibit C. C and D are,  
19 again, identical.

20 BY MR. RUKAVINA:

21 Q Do you have any reason to believe that what Exhibit C  
22 says there in the second whereas is not true?

23 A I don't.

24 Q Okay. What about Exhibit D? Do you have any reason to  
25 disbelieve that what Exhibit D says is true? The second

1    whereas.

2    A     I don't.

3    Q     Okay. Now, you don't have -- I'm sorry. Do you have  
4    any specific recollection of these two amendments: C and D?

5    A     I don't. I don't recall.

6    Q     Okay. So separate from these two, was there a process  
7    at Highland, whereby Highland would periodically review or  
8    true up or reconcile long-term contracts?

9    A     I mean, if it was stated -- yes.

10   Q     Okay. What was that process, generally, before we talk  
11   about any particular contract?

12   A     I mean, if there was, you know, something stated in an  
13   agreement, you know, and needed -- you know, needed truing  
14   up, yes. I mean, things like that would be trued up on a  
15   periodic basis.

16   Q     And what was that -- what is the general practice of  
17   that period? What was the period?

18   A     I just remember generally, but it is -- I mean, that  
19   would be, like, more on a yearly basis. From what I recall,  
20   in years past, there were -- it was just too onerous to true  
21   up agreements on less than a yearly basis. So yearly is  
22   kind of more of the practice. But again, this is just a  
23   general recollection.

24   Q     Do you have any specific recollection that there was an  
25   annual true-up like that for the two payroll reimbursement

1 agreements?

2 A I don't -- from what I recall from the DIPs, I don't  
3 think there was a true-up mechanism in the agreements.

4 Q Okay. You're, of course, familiar with the services  
5 agreements and the services that Highland was providing to  
6 the advisors under those agreements, are you?

7 A Yes. I'm generally aware.

8 Q Okay. So the services that Highland is providing to  
9 the advisors under shared services, would those services  
10 have related to reviewing the advisor's payables?

11 A There was a list of shared services or services to be  
12 provided to the advisors that were in the agreements and  
13 detailed in the shared services agreements. Yeah, I mean,  
14 the advisor did not have back-office personnel, so payroll  
15 review or things of that nature would be covered.

16 But again, there's a list of shared services to be  
17 provided to the advisors by Highland Personnel that's  
18 detailed in those agreements.

19 Q And did those services, to your understanding, include  
20 reviewing invoices and bills to the advisors for whether  
21 those invoices and bills were proper and payable?

22 A Yes.

23 Q Did those services include reviewing the advisor's  
24 contracts for whether rebates, setoffs, or deductions were  
25 appropriate?

1 A I mean, if there were items of those -- of that nature,  
2 you know, in an invoice, yeah. I mean, it would have been  
3 the team's responsibility to look at items of that nature.

4 Q Well, you talked about the overpayments. When you  
5 learned about the overpayments, you took them, and you told  
6 Mr. Caruso about that. Did you feel like you had some duty  
7 as the Highland employee under the services agreements to  
8 tell Mr. Caruso about that?

9 A Wait. I don't know -- I'm not a lawyer, and I don't  
10 know about duty, but I provided services. We provided  
11 services under those agreements. And that's what we --  
12 that's what I was providing, and that's what others on the  
13 team were providing, the services that were detailed under  
14 the agreements. We felt the need to tell Mr. Caruso in Q4  
15 of 2019, because we felt it was important when we were  
16 educating him on all things Highland for him to be made  
17 aware of this.

18 Q Okay. The services that Highland was providing to the  
19 advisors, as you understand them -- forget about the  
20 contract. Forget about the law. You're not a lawyer. As  
21 you understand, and understood those services for almost ten  
22 years, would they have or should they have included catching  
23 alleged overpayments that the advisors were making to some  
24 vendor?

25 MR. MORRIS: Objection to the form of the

1 question.

2 MR. RUKAVINA: Form is a deposition objection, not  
3 a trial objection, Your Honor.

4 MR. MORRIS: Fine. It assumes a fact not in  
5 evidence.

6 MR. RUKAVINA: It's a hypothetical question  
7 intentionally.

8 THE COURT: Overruled. Overruled.

9 BY MR. RUKAVINA:

10 Q Do you remember my question?

11 A No.

12 Q Okay. Again, not based on you being a non-lawyer or  
13 the contracts, just based on your experience of providing  
14 shared services as Highland's CFO for almost ten years, do  
15 you -- would you have expected that those services would  
16 have included Highland reviewing advisor contracts with  
17 vendors for potential overpayments that the advisors might  
18 be making?

19 A I mean, it should have been applied to all -- you know,  
20 any vendors, any invoices, that the advisors were paying. I  
21 mean, it was, you know, again, the advisors don't have these  
22 back-office personnel, so it's the Highland employees that  
23 are providing those services, if they're overpayments to  
24 vendors or, you know, other third-party contracts as well.

25 Q Okay. And we saw from that example, Exhibit 147, where

1 Ms. Hendricks is sending you a list to approve. To  
2 summarize, did Highland accounting employees under your  
3 direction have access to the advisor's bank accounts post-  
4 petition?

5 A Yes.

6 Q Okay. Did they have the ability to cause the advisors  
7 from the advisor's bank accounts to wire funds to vendors,  
8 when approved of by you and other people?

9 A Yes.

10 Q Okay. And is that how the advisors paid Highland post-  
11 petition under the payroll reimbursement agreement and the  
12 shared services agreement? Meaning that Highland employees  
13 would basically pay Highland from the advisor's bank  
14 accounts?

15 MR. MORRIS: Objection to the form of the  
16 question.

17 MR. RUKAVINA: Again, Your Honor --

18 THE COURT: Overruled.

19 THE WITNESS: I think he said was it -- it was --  
20 sorry, back to your question. I think you said it was the  
21 advisor's employees that effectuated --

22 BY MR. RUKAVINA:

23 Q Let me start again. Let me start again. Was it the  
24 practice -- strike that.

25 The Advisors paid Highland under the payroll

1 reimbursement agreement and the shared services agreement by  
2 wiring funds to Highland. We've established that, correct?

3 A Yes.

4 Q Which human beings actually facilitated those wire  
5 transfers? Actually inputted them and actually made them?

6 A It would have been members on the corporate accounting  
7 team, which were Highland employees.

8 Q That's my point. Were they also advisor employees at  
9 that time?

10 A They were not.

11 Q So if we can summarize, Highland employees would make  
12 sure that the advisors would pay Highland under these  
13 agreements, but from the advisor's funds.

14 MR. MORRIS: Objection. Leading.

15 MR. RUKAVINA: I'm just summarizing, Your Honor.

16 THE COURT: Overruled.

17 THE WITNESS: That's correct.

18 BY MR. RUKAVINA:

19 Q And I think you mentioned, did the advisors themselves  
20 have any employees prior to the termination of these  
21 agreements that would have or could have facilitated the  
22 payment of invoices?

23 A Mr. Dondero is authorized signatory on the advisor  
24 accounts, but he doesn't -- I mean, he's never sent a  
25 payment, to my knowledge.



1 Q And going back briefly to those shared services  
2 agreements, you established that one of the services that  
3 Highland should have or could have been providing was  
4 reviewing payables. Is that something that you personally  
5 would have done?

6 A I wasn't reviewing invoices or payables. That was the  
7 team's responsibility.

8 Q You were a C-level executive?

9 A Yeah. I did that earlier in my career.

10 Q Sure. Sure.

11 A But as CFO, I did not do that.

12 Q So if there were alleged overpayments from the advisors  
13 to Highland, is that something that you feel like you  
14 personally should have gone investigating and figured out?  
15 Or something that someone lower level than you should have  
16 brought to your attention?

17 A Yeah. I mean, I'm not reviewing all the invoices or,  
18 you know, things to that degree. Like I said, it's a team  
19 effort. If there's others that were aware of that, yes --

20 Q Okay.

21 A -- they need to be brought to, you know, my attention  
22 and things of that nature.

23 Q So that's my point. If there are alleged overpayments,  
24 would you have known about it without one of your team  
25 members bringing it to your attention?

1 A Unless I was intimately aware, yes -- I mean, it -- I  
2 would have relied on my team members for that.

3 Q But were you aware of these overpayments prior to Mr.  
4 Klos bringing it to your attention in Q4 2019?

5 A I don't -- no, I don't remember being concerned or  
6 anything to that effect.

7 Q Okay. And based on what Mr. Klos told you, you talked  
8 to Mr. Caruso, and the two lawyers, just to be clear, Mr.  
9 Scott -- Ellington. He was the general counsel of Highland,  
10 was he?

11 A I believe that was his title.

12 Q And what was Mr. Leviton? Associate General Counsel?

13 A I don't know.

14 Q So just -- I'm asking you. You're now the CFO of  
15 Highland. And the COO and the GC, the general counsel, tell  
16 you about the automatic stay, and you mentioned that after  
17 that, you felt that there was nothing really more to  
18 discuss. Do you remember that?

19 A Yes.

20 Q Okay. Who else could you have gone to if you suspected  
21 the voracity of these people's -- these experts' statements  
22 to you?

23 A I didn't feel the need to talk to anybody else. Again,  
24 as I testified earlier, nothing could have changed based on  
25 what I was told by, you know, the firm that was now in

1 control, and Mr. Caruso, by in-house counsel, and you know,  
2 there was so much going on at that time. Again, I wanted to  
3 focus my efforts, my team's efforts on things that we needed  
4 to work on, or we could change, or you know, we could be  
5 helpful on.

6 Q Did you discuss with Mr. Caruso or these two lawyers  
7 that these overpayment issues would be addressed in due  
8 course in the future?

9 A That was my understanding.

10 Q Okay. Do you remember anything that any one of them  
11 told you about that, specifically?

12 A He was just, you're under a stay, and you know --

13 Q And there's nothing that can be done.

14 A Nothing can be done, and it would be, you know, again  
15 addressed, you know, down the line.

16 Q So let me ask you now. Now, you're wearing your  
17 treasurer hat for the advisors, okay? Are you following me?  
18 Now, you're not the CFO of Highland. Now, you're the  
19 treasurer of the advisors, okay? Who would you have gone to  
20 seek legal advice from, having heard what you just heard  
21 about the automatic stay? Who was providing legal services  
22 to Highland at that time?

23 A Highland in-house counsel.

24 Q The same two people we just mentioned?

25 A Yes, amongst others.

1 Q So both as the CFO of Highland and the treasurer of the  
2 advisors, it would have been the same people, who would have  
3 told you the same thing; is that correct?

4 A That's correct.

5 Q Okay. Did you have any reason to disbelieve what they  
6 were telling you about the automatic stay?

7 A No. I'm not an attorney, and they are. And I'm going  
8 to my general counsel, and others that are intimately  
9 involved with the bankruptcy. I had no reason to doubt them  
10 or think otherwise.

11 Q Did you rely on what they told you about the automatic  
12 stay?

13 A Yeah, 100 percent.

14 Q Did you believe, based on what they told you, that it  
15 would eventually be worked out in the bankruptcy?

16 A Yeah. I didn't have reason to believe otherwise.

17 Q And I think you mentioned also that you did not discuss  
18 the matter with Mr. Dondero until sometime in late 2020,  
19 correct?

20 A That is correct.

21 Q Okay. And is that also for the same reasons that you  
22 just mentioned, because you felt that there was nothing that  
23 could be done?

24 A That -- yes. I mean, again, I think I testified  
25 earlier, Mr. Dondero was very busy with the bankruptcy. And

1 if nothing can be done, you know, and again I said Mr.

2 Caruso wanted -- and Sarah wanted to talk to Mr. Dondero,  
3 they certainly could have.

4 Q How did you find Mr. Klos to be as your employee for  
5 years and years? As far as his professional abilities.

6 A I always found Mr. Klos as a tremendous employee. I've  
7 enjoyed working with him for many years. He's a great  
8 individual.

9 Q Okay. Would you have expected him to inform you of any  
10 red flags that he would see or suspect?

11 A What do you mean by red -- like just --

12 Q Issues. Would you have expected him to flag issues to  
13 raise with his boss if he found them?

14 A Yes. I mean, Mr. Klos is very good at doing things  
15 like that.

16 Q Would you have expected Mr. Klos to advise you that  
17 perhaps certain numbers or analysis are less reliable than  
18 they should be, for whatever reason?

19 A Mr. Klos was always good when he would put together a  
20 pro forma estimate. He would list the assumptions in his  
21 analysis. Yeah. And if there were some that maybe were --  
22 if he made an assumption and maybe he's like okay, you know,  
23 maybe this isn't the best assumption to make, but I did do  
24 it, it'd be something that we would discuss over time, or we  
25 would discuss -- we would discuss that assumption when he

1 would go through the analysis of the pro forma. You know,  
2 again, I'm speaking generally over the years.

3 Q Because some of what you guys do, by definition, is  
4 subjective, right?

5 A Yeah. There are always estimates, or you put together  
6 pro formas, there are certain assumptions that need to be  
7 made.

8 Q So did Mr. Klos ever tell you that there was anything  
9 with respect to the December 2019 DSI analysis that we  
10 discussed? Did he ever tell you that there's anything in  
11 there that he red flagged for you as potentially a problem?

12 A Not that a recall.

13 Q What about the December 2020 analysis he did at your  
14 direction, Exhibit Q?

15 A In the December 2020, Dave changed assumptions versus  
16 the 2019 analysis, that he detailed in the email.

17 Q But he told you what those changes were.

18 A Yes. It was detailed in that email.

19 Q Yeah. Did he tell you that those assumptions might be  
20 dangerous, or unwarranted, or anything like that?

21 A I don't recall having a conversation with Mr. Klos  
22 about that.

23 Q Okay. And Mr. Morris asked you when you were  
24 suggesting to Mr. Caruso that the payroll agreements be  
25 updated or changed, he asked you how that could possibly be

1 in the best interest of Highland. Do you remember that?

2 A Yes.

3 Q But if Highland was contractually obligated under the  
4 shared services agreement to do that, then do you have a  
5 different answer?

6 A I mean --

7 Q I mean, Highland might lose 7 or \$8 million a year, but  
8 what would be the appropriate business ethics thing to do in  
9 your mind?

10 A Look, I don't -- I mean, again, I go back to there was  
11 an automatic stay put in place. And I don't know what  
12 could've been changed.

13 Q So was Mr. Morris's question to you academic because  
14 nothing could be changed anyway?

15 A Yeah. I mean, that's what -- again, that's what we  
16 found out in these discussions, right, that there was an  
17 automatic stay. And so at that point, again, I didn't worry  
18 about it. I can't speak for Mr. Klos, but, you know, we  
19 moved on to other things.

20 Q Okay.

21 MR. RUKAVINA: Thank you. I'll pass the witness,  
22 Your Honor.

23 THE COURT: All right. Redirect.

24 REDIRECT EXAMINATION

25 BY MR. MORRIS:

1 Q Mr. Waterhouse, do you understand that my firm is a  
2 bankruptcy boutique?

3 A Yes. You all deal with bankruptcies.

4 Q Do you understand that we're bankruptcy specialists,  
5 right?

6 A Yes.

7 Q And you communicated with me and my colleagues in late  
8 2019 and early 2020 about a lot of things, right?

9 A Yes. It was primarily around -- was it the first day  
10 or day one filings. That was primarily my involvement with  
11 communicating with you all.

12 Q I spent a lot of time with you. I defended you in a  
13 deposition that was taken by the UCC after this case got  
14 transferred here to Dallas, right?

15 A Yes.

16 Q And you never asked me, or any of my colleagues if the  
17 automatic stay would somehow prevent the redress of these  
18 overpayments, right?

19 A I did not.

20 Q You understand that neither Mr. Ellington, nor Mr.  
21 Leviton are bankruptcy lawyers, right?

22 A They aren't bankruptcy lawyers, but they were talking  
23 -- again, they had -- Mr. Ellington and Mr. Leviton were  
24 talking to Mr. Pomerantz and others on a routine basis. But  
25 again, I'll go back to when I was informed by Mr. Caruso



1 that we were in a stay, the counsel I talked to in-house, if  
2 I remember right, hired Pachulski, right, and recommended  
3 Pachulski. So I had no reason not to believe Mr. Ellington  
4 or Mr. Leviton.

5 Q Okay. Last question on the topic. Just to be clear.  
6 At no time did you ask any bankruptcy lawyer that was  
7 retained by your employer, about the automatic stay in the  
8 context of these overpayments, correct?

9 A I did not.

10 Q Okay. Thank you. Mr. Rukavina asked you a bunch of  
11 questions about shared services and who was responsible for  
12 certain services. Do you remember that?

13 A Yes.

14 Q Okay. You are not aware of any specific service under  
15 the shared services agreement that Highland failed to  
16 provide at any time from the petition date until the  
17 agreements were terminated in early 2001, correct?

18 A Yeah. I'm not aware.

19 Q Okay. You never had any conversation with anybody at  
20 any time about Highland's failure or alleged failure to  
21 provide any services under the shared services agreement at  
22 any time from the petition date until they were terminated  
23 in early 2021, correct?

24 A Yeah. I'm not aware.

25 Q Okay. The issue of overpayments, it's pretty simple,

1 right? There's only two pieces of information that one  
2 needs to know if the advisors are paying for employees who  
3 are no longer employed, right?

4 A I mean, so if you break down every agreement -- the  
5 payroll reimbursement agreement, you need to know what costs  
6 were incurred by Highland, and then any -- the time  
7 allocation that was in the Exhibit A. And if I remember  
8 correctly from our deposition for one of the HCMFA or it was  
9 the HCMFA shared service agreement, there was a calculation  
10 done with a markup that you walked me through. So there's  
11 more to that calculation.

12 Q All right. Maybe I'm being too simplistic. One of the  
13 things you have to know is how much money was paid. If you  
14 want to know if there was an overpayment, you have to know  
15 how much money was paid, correct?

16 A Yes.

17 Q Okay. And if you just want to know if the advisors  
18 were paying for dual employees who had been terminated, all  
19 you have to do is know which employees were terminated,  
20 right, and then you could back out their compensation from  
21 the analysis?

22 A I'm sorry. I'm trying to follow your question. You're  
23 saying the advisors are making payments, right, on a monthly  
24 basis. And you're saying there are -- if you want to see if  
25 they overpaid, I mean, you have to look at the costs that

1 were incurred by Highland, you know, during that time  
2 period.

3 Q Correct. And one way to do that is to say I'm not  
4 going to pay for dual employees who have been terminated,  
5 right? Isn't that part of why you think there was an  
6 overpayment, because the advisors were paying for dual  
7 employees who were terminated? Isn't that the bulk of this  
8 analysis, if not the entirety?

9 A Yes. And a time allocation as well.

10 Q Okay. But if they had been terminated, the time  
11 allocation is irrelevant, right?

12 A That is correct.

13 Q So if you know how much money was paid, and when the  
14 dual employees were terminated, you'll be able to know that  
15 there was an overpayment if the advisors had been paying for  
16 these terminated employees, right?

17 A Correct.

18 Q Okay. Can you think of one single payment that was  
19 made after the petition date on account of any of the  
20 intercompany agreements that the advisors had with Highland  
21 that you questioned? Where you questioned the execution of  
22 the payment. Where you said that payment shouldn't have  
23 been made; or that payment was made for too much.

24 A No, because we were in an automatic stay.

25 Q Okay. Did you -- I may have misheard you. Did you

1 testify a moment ago that you actually discussed the issue  
2 of overpayments with Mr. Dondero in December 2020?

3 A I don't think I said that. I mean, I --

4 Q So let me ask you the question. Did you discuss the  
5 issue of overpayments with Mr. Dondero at any time in the  
6 year 2020?

7 A Yes. I mean, Mr. Dondero, when he -- we talked earlier  
8 with what I talked with Mr. Rukavina, Mr. Dondero instructed  
9 me to not make any additional payments from the advisors to  
10 Highland. In that conversation, he said there were  
11 overpayments that had been made.

12 Q Okay. Mr. Rukavina spent a fair amount of time on the  
13 \$90,000 that you received from NexPoint. Do you remember  
14 that?

15 A Yes.

16 Q And you testified that that wouldn't influence you in  
17 any way because it didn't really matter to somebody who --  
18 of a man of means, like yourself?

19 A Yes.

20 Q Did you receive any other payments from any other  
21 entities that are owned indirectly or directly by Mr.  
22 Dondero or Mr. Ellington in 2020?

23 A Yes.

24 Q How much more money did you receive from them?

25 A I don't recall the exact amount.

1 Q Was it more than a half a million dollars in total?

2 A Yes.

3 Q Okay. Is that an amount of money that causes you to  
4 think about what you're doing?

5 A No.

6 MR. MORRIS: I have no further questions, Your  
7 Honor.

8 THE COURT: Any recross?

9 MR. RUKAVINA: One moment, Your Honor.

10 (Pause)

11 MR. RUKAVINA: I have no further questions, Your  
12 Honor.

13 THE COURT: All right. You are excused, Mr.  
14 Waterhouse.

15 (Witness excused at 6:17 p.m.)

16 THE COURT: All right. Well, we're going to stop.  
17 It's 6:17 p.m. Do you think you're going to be able to  
18 finish tomorrow?

19 MR. MORRIS: I expect at some point during the day  
20 I might move for a directed verdict. But if not, if I  
21 decide not to do that, I still remain optimistic that we'll  
22 finish tomorrow. That is definitely my goal.

23 THE COURT: Okay. Are you optimistic, Mr.  
24 Rukavina?

25 MR. RUKAVINA: Not if he makes a motion for a

1 directed verdict. That's the first I've heard of that. And  
2 I would note that because we're going out of sequence, it  
3 would be a little bit unfair.

4 But provided that that doesn't happen, then yes,  
5 we'll be finished with the witnesses and closing arguments  
6 tomorrow.

7 THE COURT: Okay. All right. Well, we'll go  
8 ahead and start at 9:30 in the morning. And I'll let you  
9 know that I do have to give a CLE presentation, a Zoom  
10 presentation, at noon tomorrow. So I've got to take the  
11 full one-hour lunch tomorrow. We'll probably stop at about  
12 11:45 to allow me to get hooked in.

13 MR. MORRIS: All right. So just to keep the Court  
14 informed, while I had suggested that we would call Mr. Seery  
15 this afternoon if time permitted, we're going to be calling  
16 the retail board first, because it's a third-party witness  
17 and --

18 THE COURT: Okay.

19 MR. MORRIS: -- I want to be respectful to them.  
20 I expect it to be a relatively brief examination and then  
21 we'll go to Mr. Seery.

22 THE COURT: Okay. All right.

23 (WHEREUPON, the proceeding adjourned at 6:18 p.m.)

24 \* \* \* \* \*

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I N D E X

WITNESS	DIRECT	CROSS	REDIRECT	RECROSS
DAVID KLOS		3	55	61
FRANK WATERHOUSE	65	126	152	

R U L I N G S

PAGE

None

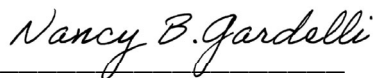
C E R T I F I C A T I O N

We, Sheila Orms and Nancy B. Gardelli, Court approved transcriptionists, for Acorn Transcripts, LLC, certify that the foregoing transcript is a correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter.

FOR ACORN TRANSCRIPTS, LLC April 14, 2022

/s/ 

SHEILA ORMS

/s/ 

April 14, 2022

Nancy B. Gardelli

Operating Manager



**UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF  
TEXAS, DALLAS DIVISION**

**In Re: Highland Capital Management, L.P.** § Case No. **19-34054-SGJ-11**  
**NexPoint Advisors, L.P. et al** §

Appellant § 21-03010  
vs. §  
**Highland Capital Management, L.P.** §

Appellee § **3:22-CV-02170-S**

**[126] Judgment (final). Entered on 9/14/2022**

**APPELLANT RECORD**

**VOLUME 14**

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UNITED STATES BANKRUPTCY COURT  
 NORTHERN DISTRICT OF TEXAS  
 DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj 11
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

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**AMENDED DESIGNATION OF ITEMS FOR THE RECORD ON APPEAL  
 BY NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this *Amended Designation of Items for the Record on Appeal*, designating the following items for the record of said appeal:

<u>Item</u>	<u>Docket No.</u>	<u>Description</u>
<b>ADVERSARY PROCEEDING (21-03010-sgj)</b>		
1	128	Joint Notice of Appeal
2	126	Judgment
3		Docket Sheet
4	1	Plaintiff Highland Capital Management, L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief
5	33	Original Answer
6	37	Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters
7	49	Response to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
8	56	Highland Capital Management, L.P.'s Reply In Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
9	90	Advisors' Trial Brief
10	91	Highland's Proposed Findings of Fact and Conclusions of Law
11	96	Joint Pretrial Order
12	124	Findings of Fact and Conclusions of Law
<b>BANKRUPTCY CASE (19-34054-sgj-11)</b>		
13	1826	Application for Allowance of Administrative Expense Claim
14	2274	Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
<b>EVIDENCE AND TRANSCRIPTS (21-03010-SGJ)</b>		
15	115	All exhibits admitted into evidence at trial on April 12, 2022 and April 13, 2022 Thru Vol. 12
16	113	Transcript of April 12, 2022 trial
17	116	Transcript of April 13, 2022 trial
18	122	Transcript of April 27, 2022 closing arguments

RESPECTFULLY SUBMITTED this 4th day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina

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**ATTORNEYS FOR NEXPOINT ADVISORS,  
L.P. AND HIGHLAND CAPITAL  
MANAGEMENT FUND ADVISORS, L.P.**

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 4th day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

Davor Rukavina, Esq.

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS (DALLAS)

IN RE:	.	Case No. 19-34054-11 (SGJ)
	.	
HIGHLAND CAPITAL	.	Earle Cabell Federal Building
MANAGEMENT, L.P.,	.	1100 Commerce Street
	.	Dallas, Texas 75242
Debtor.	.	
. . . . .	.	
	.	Adv. No. 21-AP-3010 (SGJ)
HIGHLAND CAPITAL	.	
MANAGEMENT, L.P.,	.	
	.	
Plaintiff,	.	
	.	
v.	.	
	.	
HIGHLAND CAPITAL,	.	
MANAGEMENT, FUND	.	
ADVISORS, L.P., et al.,	.	
	.	
Defendant.	.	Wednesday, April 13, 2022
. . . . .	.	1:09 p.m.

TRANSCRIPT OF TRIAL  
PM SESSION  
BEFORE HONORABLE STACEY G. JERNIGAN  
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

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**FOR THE DEFENDANT:**

(None)

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**FOR THE PLAINTIFF:**

(None)

**FOR THE DEFENDANT:**

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1 (Proceedings resumed after the lunch recess at 1:09 p.m.)

2 THE CLERK: All rise.

3 THE COURT: Please be seated.

4 All right. We're back on the record in the Highland  
5 trial. Mr. Morris, Mr. Rukavina, what do you have?

6 MR. MORRIS: Just before we proceed with the next  
7 witness, I think Mr. Rukavina just wants to present the exhibit  
8 that he used on --

9 MR. RUKAVINA: Yes, Your Honor.

10 THE COURT: Okay.

11 MR. MORRIS: -- with Mr. Seery.

12 MR. RUKAVINA: As I promised, we do have paper copies  
13 couriered. I've marked it as EE.

14 THE COURT: Okay.

15 MR. RUKAVINA: If I may approach and move for the  
16 admission of EE as an impeachment exhibit.

17 THE COURT: Okay. And there's no objection?

18 MR. MORRIS: No objection.

19 THE COURT: Okay. You may approach.

20 Thank you. EE will be admitted.

21 (Defendant's Exhibit EE admitted into evidence)

22 MR. MORRIS: I do want to note that -- maybe I spoke  
23 too fast. I object to the extent it's being offered for the  
24 truth of the matter asserted. Mr. Rukavina specifically said  
25 it was for impeachment, and I have no objection to its use for

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1 that purpose.

2 THE COURT: Okay. So impeachment in an attempt to  
3 impeach Mr. Seery saying he had never heard anything --

4 MR. MORRIS: Correct.

5 THE COURT: -- until January 2021 --

6 MR. MORRIS: Correct.

7 THE COURT: -- about the alleged overpayments. Okay.

8 MR. RUKAVINA: Yeah. That's all it's offered for,  
9 Your Honor.

10 THE COURT: It's admitted for that purpose.

11 MR. RUKAVINA: That's fine by me. That's all I'm  
12 offering it for.

13 THE COURT: Okay.

14 MR. MORRIS: Okay. So Highland's next witness is Mr.  
15 James Dondero.

16 THE COURT: All right. Mr. Dondero, if you could  
17 approach the witness box, I will swear you in.

18 Please raise your right hand.

19 JAMES DONDERO, PLAINTIFF'S WITNESS, SWORN

20 THE COURT: All right. Please be seated.

21 DIRECT EXAMINATION

22 BY MR. MORRIS:

23 Q Good afternoon, Mr. Dondero.

24 A Good afternoon.

25 Q Let me know when you're comfortable.



Dondero - Direct

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1 A Good afternoon.

2 Q Are you okay there?

3 A Yes.

4 Q Okay. So there's three binders in front of you. From  
5 time to time, I may ask you to look at a particular document.  
6 There's water there if you need it. I don't expect my  
7 examination of you to be very long. We'll see what happens.

8 But are you ready to proceed?

9 A Yes.

10 Q Okay. Frank Waterhouse is the treasurer of the Advisors.  
11 Correct?

12 A I -- I don't know his title specifically. I think he's  
13 the CFLA. I don't know.

14 Q He's an officer of the Advisors. Correct?

15 A Yes.

16 Q And when I use the phrase Advisors, you understand I mean  
17 NexPoint Advisors LP and Highland Capital Management Fund  
18 Advisors L.P. Is that fair?

19 A I don't know specifically.

20 I believe HFAM. I don't know about NexPoint. I think  
21 NexPoint has its own CFO now. I don't know if he's treasurer.  
22 I -- I don't know these things. I know these things -- I know  
23 these things on a current basis, but I want to be refreshed.

24 Q You don't -- do you know if Mr. -- let's take it one at a  
25 time. Do you know if Mr. Waterhouse serves as an officer of

Dondero - Direct

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1 NexPoint Advisors, LP today?

2 A I don't know for sure.

3 I believe so, but I -- I don't know. But Nexpoint has its  
4 own -- excuse me -- it's own CFO and it has its own C-Suite in  
5 the various (indiscernible) separate from Frank. But I don't  
6 know the corporate ownership of NexPoint.

7 Q Okay.

8 A I don't believe so.

9 Q I'm not asking you about ownership. I don't mean to  
10 interrupt. I'm not asking about ownership. I'm just asking  
11 specifically whether Mr. Waterhouse has a role or a title at  
12 NexPoint today?

13 A I -- I don't know.

14 Q Okay. Do you know if Mr. Waterhouse has a role or a title  
15 today at HCMFA?

16 A I -- I don't know post the restructuring with Skyview, et  
17 cetera. I -- I don't know. I believe so, but I don't know.

18 Q Okay. Let's focus on the period January 1st, 2018 until  
19 the end of 2020, that three-year period, okay. So 2018, 2019,  
20 and 2020. I'm going to refer to that as the relevant period.  
21 Are you with me?

22 A Yes.

23 Q Do you recall if Mr. Waterhouse had a role or a title at  
24 NexPoint during the relevant period?

25 A I -- I believe he was an officer of all the major entities

Dondero - Direct

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1 during that period.

2 Q And when you use the phrase "all the major entities," what  
3 are you referring to when you use that phrase?

4 A Highland, Strand, NexPoint, HFAM. I believe he was an  
5 officer of all the -- all the major operating entities.

6 Q And do you recall that he served as either the treasurer  
7 or the CFO of the Advisors at all times during the relevant  
8 period?

9 A I believe so.

10 Q And do you have an understanding of what Mr. Waterhouse's  
11 duties and responsibilities were as the treasurer or the CFO of  
12 the Advisors during the relevant period?

13 A Yes.

14 Q Can you describe for the Court your understanding of what  
15 Mr. Waterhouse's duties and responsibilities were in that  
16 capacity at that time?

17 A To be the chief financial accounting officer above  
18 corporate accountants, above the tax accountants, above  
19 anything accounting and regulatory-wise other than compliance  
20 reporting. Other -- other than compliance didn't report to  
21 him.

22 Q And did you understand that as an officer that  
23 Mr. Waterhouse was a fiduciary of the Advisors during the  
24 relevant period?

25 A I -- I don't want to broadly answer that question

Dondero - Direct

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1 generally, but it varies depends on -- depending on the level  
2 of fiduciary responsibility, depends on whether it's a public  
3 entity or a listed fund or a -- or a private entity.

4 Q Okay. I appreciate that distinction, and I just want you  
5 to focus on the two advisors, NexPoint Fund Advisors, L.P., and  
6 NexPoint -- Highland Capital Management Fund Advisors.

7 Is it your understanding as the person in control of those  
8 entities that Mr. Waterhouse owed those entities a fiduciary  
9 duty during the relevant period?

10 A Yes.

11 Q Okay. And was one of his duties as the treasurer or the  
12 chief financial officer of the Advisors, was that to make sure  
13 that the Advisors only paid the amounts that they owed under  
14 the contracts that they had?

15 A I would describe it more generally as to administer  
16 contracts according to the contracts, the spirits of the  
17 contracts and best industry practices.

18 Q Okay. And to the best of your knowledge, did  
19 Mr. Waterhouse fulfill the responsibility of administering  
20 contracts in accordance with their terms during the relevant  
21 period?

22 A I -- I don't know and I can't make a blanket statement.

23 Q Do you have any knowledge about any failure on  
24 Mr. Waterhouse's part to fulfill his responsibility of  
25 administering contracts in accordance with their terms during

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1 the relevant period?

2 A When does the relevant period end again?

3 Q December 31st, 2020.

4 A I think there are a lot of issues in the last year or in  
5 that 2020 year.

6 I think his employment was -- or his responsibilities or  
7 who reported to him changed materially in that year. And what  
8 other people performed or responsibilities or DSI had, I don't  
9 know. I -- yeah, I don't know how long he had responsibility  
10 or control.

11 Q Is it your understanding that DSI had any responsibility  
12 whatsoever for anything having to do with either of the  
13 Advisors after the petition date?

14 A I'm just saying as Frank got neutered and  
15 compartmentalized and we moved from various different roles,  
16 somebody else filled them, and I don't know who. But I -- I  
17 can't say that Frank was responsible if he wasn't in his same  
18 position of responsibility and authority.

19 Q Did Frank Waterhouse fail to administer the contracts that  
20 the Advisors entered into with Highland after the petition  
21 date?

22 A I -- I think there was a failure by Highland to administer  
23 the contracts. Whether it was Frank's responsibility or  
24 somebody else's, I don't know.

25 Q Who on behalf of the Advisors was charged with the

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1 responsibility of making sure that the contracts that the  
2 Advisors were party to were properly administered after the  
3 petition date? Who is the person?

4 A There -- there's almost nobody at the Advisors, period.

5 The Advisors were paid a fee for Highland to administer  
6 the contracts. Highland had all the accountants, compliance,  
7 and lawyers. The Advisors had either no employees or they had  
8 a portfolio manager or trader or somebody who is front office  
9 focused on the investor funds. So there wouldn't have been  
10 anybody to make sure or double check or be persistent if  
11 Highland wasn't doing it.

12 Q So did Frank Waterhouse have the duty and the obligation  
13 to administer contracts in accordance with their terms on  
14 behalf of the Advisors or did he not?

15 A It depends on the time frame. Pre -- pre-bankruptcy,  
16 sure. And any of his group were doing it for everybody, and  
17 they were doing it well. But by the time 2020 came along, his  
18 authority and responsibilities changed materially along the  
19 way.

20 Q Who changed his authority?

21 A Seery.

22 Q Jim Seery changed Frank Waterhouse's authority with  
23 respect to the Advisors?

24 A With respect to everything in his role at Highland, which  
25 is -- his role at Highland was administering -- one of his

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1 roles at Highland or his group's roles were administering the  
2 contracts with NexPoint and HFAM.

3 Q And it's your testimony that Jim Seery told Frank  
4 Waterhouse that he couldn't do the exact same thing with  
5 respect to the administration of these contracts after he got  
6 appointed than he was before he got appointed?

7 A I'm saying by middle of '20 when Seery kind of started  
8 betraying the estate and moving for his own self-interest, he  
9 started making material changes to the employee and  
10 responsibility base of the Highland employees, and one of those  
11 people were Frank Waterhouse. And Frank Waterhouse's authority  
12 and functions changed materially.

13 And I don't know -- I -- I wasn't privy to a lot of that,  
14 and some of it was negotiating part of a settlement or a lease  
15 with him and some other stuff. But his -- his responsibilities  
16 and his role changed materially. I'm not sure how it changed.  
17 I wasn't privy to it, but I can't broad-brush Frank as being  
18 responsible or liable for the fact that the Advisors were  
19 overbilled by Highland.

20 Q Did Frank Waterhouse tell you at any time that he was no  
21 longer able to continue to perform the function of  
22 administering the Advisors' contracts in accordance with their  
23 terms? Did he tell you that?

24 A Not specifically.

25 Q Did anybody in the world ever tell you you're not going to

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1 believe what Seery did, Seery told Frank cut it out, you're not  
2 allowed to administer the contracts on behalf of the Advisors  
3 anymore? Anybody say that?

4 A No.

5 But no one said he still could in his reduced, diminished,  
6 changed role, either. I wasn't -- I wasn't aware. But I  
7 assumed Highland was still performing the functions that it was  
8 getting paid for.

9 Q Can you tell Judge Jernigan your understanding of exactly  
10 what Frank Waterhouse was allowed and not allowed to do with  
11 respect to the administration of the Advisors' contracts? What  
12 was he not allowed to do?

13 A I wasn't privy to those reductions of his responsibility.  
14 I was really handed to a portfolio management position that was  
15 not managerial, and Seery was cutting side deals and bribing  
16 people and doing all kinds of crap.

17 MR. MORRIS: I move to strike, Your Honor.

18 THE COURT: You move to strike the words "bribe?"

19 MR. MORRIS: Yes. Yes. The entirety of the last  
20 portion because the question was about Frank Waterhouse.

21 THE COURT: Okay. Sustained.

22 BY MR. MORRIS:

23 Q This would go a lot smoother if you'd just stick to the  
24 issues.

25 What is the basis for your testimony that Frank Waterhouse



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1 was not permitted to administer the contracts on behalf of the  
2 Advisors in the exact same way after the Independent Board was  
3 appointed as he did before the Independent Board was appointed?  
4 What's the basis for that?

5 A His role was changed.

6 His responsibility -- responsibilities and people who  
7 reported to him diminished and changed at least a couple of  
8 times starting in the summer of '20. I can't represent that he  
9 was told not to administer contracts, but I also can't  
10 represent that he was still administering contracts and didn't  
11 do them. I'm just saying it's not logical -- it's not logical  
12 for me to be able to represent any of that.

13 Q Okay. When did you learn this?

14 A I don't want to say contemporaneously, you know, because  
15 there was always -- again, I wasn't privy to it. I wasn't  
16 supposed to be part of management. I would hear it with a  
17 delay either at water-cooler conversations or from lawyers.  
18 But I don't even -- I don't remember who.

19 Q So you don't remember who told you this and you don't  
20 remember when you learned it. Is that fair?

21 A I'm saying a lot of the times it happened in second half  
22 of '20.

23 Q So you learned about it in the second half. What did you  
24 do when you heard this? Did you try to make sure that there  
25 was somebody who was going to look out to make sure that the

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1 contracts for the Advisors were properly administered when you  
2 learned that Frank couldn't do it? What did you do?

3 A In the early, early summer of '20, nothing because I  
4 assumed that with the monies we were paying from TSI and with  
5 the staff -- accounting staff that was still at Highland, that  
6 they would be administering and providing the services that we  
7 were paying for. I didn't do anything until I found out we had  
8 overpaid by \$14 million and that the overpayments were continue  
9 -- or they were continuing. That's the only time I did  
10 something which was a couple -- three or four months later.

11 Q Do you know how that \$14 million was calculated?

12 A It was -- part of the contracts with Highland were for  
13 people, and I think people plus a five or ten percent  
14 processing surcharge. And a lot of the people have left or the  
15 percentage of time that they were spending on our stuff changed  
16 such that we had been billed as if people were still there and  
17 as if people were still working on our accounts when they  
18 weren't.

19 Q So you controlled the Advisors. Correct?

20 A Yes.

21 Q And you learned sometime early in the summer of 2020 that  
22 Frank Waterhouse was no longer going to be able to perform his  
23 function of administering the contracts on behalf of the  
24 Advisors. You learned that in the early part of the -- in the  
25 summer?

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1 A No. That's not what I've said.

2 Q So when did you -- I thought you said early summer. When  
3 did you learn it?

4 A I said his roles were diminished, but I didn't know what  
5 his roles were diminished to, nor did I make the assumption  
6 that in his diminished roles, no one would pick up the contract  
7 administration if he wasn't.

8 Q Did you --

9 A But he might still have been.

10 Q Did you ask Frank how did your role change?

11 A No.

12 Q Did you ask anybody in the world how did Frank's role  
13 change?

14 A I wasn't supposed to be part of management. I wasn't  
15 supposed to talk to anybody. Do you remember all the stupid  
16 shit you put through?

17 MR. MORRIS: I move to strike, Your Honor.

18 THE COURT: I will strike, and I'll ask you, Mr.  
19 Dondero, to refrain from the profanity.

20 THE WITNESS: Excuse me. I apologize for that.

21 THE COURT: Okay.

22 BY MR. MORRIS:

23 Q You and I didn't have a court experience together until  
24 December of 2020. Right?

25 MR. RUKAVINA: Your Honor, this really now is just a

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1 point of badgering and repetitiveness. He has his answer and  
2 now he's just haragging [sic] this witness just to intimidate  
3 him on an irrelevant topic.

4 MR. MORRIS: I wish I had the ability to intimidate  
5 Mr. Dondero, but the fact of the matter is I don't have an  
6 answer yet as to who was responsible for administering the  
7 contracts in accordance with their terms on behalf of the  
8 Advisors after the Independent Board was appointed.

9 MR. RUKAVINA: He does.

10 MR. MORRIS: And that's what I'm trying to get to.

11 MR. RUKAVINA: He has his answer. Mr. Dondero  
12 testified that it was Highland's responsibility.  
13 Mr. Waterhouse was here yesterday. He could have asked Mr.  
14 Waterhouse these questions.

15 MR. MORRIS: And --

16 MR. RUKAVINA: He didn't.

17 THE COURT: All right. I'll overrule and give you a  
18 little bit more latitude.

19 MR. MORRIS: Thank you.

20 THE COURT: But I think he's --

21 BY MR. MORRIS:

22 Q Did you make sure that there was a fiduciary for the  
23 Advisors who was looking out for the Advisors' interest after  
24 the time that you learned that Mr. Waterhouse's wings had been  
25 clipped?

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1 A Not until 2021. Not until later.

2 Q Did you do anything to make sure that Highland was  
3 actually doing what you now claim you expected? Did you do  
4 anything to satisfy yourself that Highland was going to  
5 administer the Advisors' contracts in accordance with their  
6 terms or did you just assume that that was going to happen?

7 A I assumed Highland would honor the contracts we were  
8 paying for --

9 Q But --

10 A -- and they were paying for.

11 Q But you didn't do anything other than make that  
12 assumption. Right? You didn't have your lawyers write a  
13 letter, you didn't pick up the phone and call anybody. You  
14 were still in open communication with Mr. Seery at this time,  
15 right, in the summer of 2020?

16 A It ended in the summer of 2020.

17 Q There was no prohibition for you to pick up the phone and  
18 call Mr. Seery and say, hey, what's happening with Waterhouse,  
19 are you guys going to just make sure you're doing this right?

20 A I don't know when the prohibition of talking to him  
21 started. I don't remember.

22 Q But you're not relying on that prohibition to excuse your  
23 failure to call Mr. Seery to complain about this change.  
24 Right?

25 MR. RUKAVINA: Your Honor, it's been almost 30

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1 minutes on the same topic which he has answered repeatedly.  
2 That Mr. Morris might not agree with that answer, doesn't  
3 matter. And this is a matter for closing arguments, not to  
4 take this witness for a two-hour road as to what Mr.  
5 Waterhouse's clipped wings meant when he said he doesn't know.

6 THE COURT: Well, it hasn't been 30 minutes,  
7 technically, but what is your response?

8 MR. MORRIS: I think this is an incredibly important  
9 topic because our position, among many others, is that Mr.  
10 Waterhouse did exactly the same thing after the petition date  
11 as he did before the petition date. In fact, he testified to  
12 it yesterday. Mr. Waterhouse testified very clearly that a new  
13 process was put in place after the petition date where,  
14 generally, he would have to approve all of the payments that  
15 were made on behalf of the Advisors under these contracts.

16 And now I have a witness here who is completely  
17 contradicting the witness himself, Mr. Waterhouse. And I don't  
18 understand -- I don't understand the basis for this testimony.  
19 We haven't heard anything about who told him, when he learned  
20 of this, what he did in response. I just -- I'll move on.

21 MR. RUKAVINA: But the point is --

22 MR. MORRIS: I'll move on, Mr. Rukavina, okay?

23 MR. RUKAVINA: The point is, Your Honor, that  
24 Mr. Waterhouse is the best evidence of what Mr. Waterhouse did.  
25 And Mr. Morris opened a door to this just for the purpose of

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1 trying to badger my witness.

2 MR. MORRIS: That's not fair. Mr. Dondero controls  
3 these entities.

4 THE COURT: Okay.

5 MR. MORRIS: He should know that there is somebody  
6 looking out for the interests of these entities. He should  
7 know that.

8 THE COURT: Okay. I overrule the objection.

9 MR. MORRIS: But I will move on.

10 THE COURT: Okay.

11 BY MR. MORRIS:

12 Q Mr. Dondero, in 2020, entities directly or indirectly  
13 owned by you and Mr. Ellington made payments to Mr. Ellington,  
14 Mr. Waterhouse, Mr. Surgent, and Mr. Leventon. Correct?

15 A Yes.

16 Q And did you decide to have those payments made to those  
17 individuals in 2020?

18 A Yes.

19 Q How much was paid to them in the aggregate?

20 A An amount equal to exactly what they would have been  
21 entitled to if they had been rooked by Highland.

22 Q Do you understand that Highland made a motion to try to  
23 have those bonuses paid to those individuals?

24 A Highland could have paid it at any time.

25 Q Didn't it need the Court's permission to do that? Are you

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1 aware of that?

2 A Not -- not in my opinion. Not for prior-year bonuses and  
3 not for prior -- and not for earned bonuses and -- and not for  
4 amounts that Seery told everybody he was going to pay them.

5 Q So you don't have a recollection of Highland under Mr.  
6 Seery's direction making a motion to this Court to have those  
7 very bonuses paid? You don't remember that?

8 A No.

9 Q Do you remember that every single person in the Highland  
10 complex had their bonus paid except for those four individuals?

11 A No. That's not true.

12 Q Okay. So you paid them. And how much were the bonuses  
13 that Mr. Seery stiffed them off?

14 A It's all in -- it's all in the Highland servers, the exact  
15 amounts. I believe it was close to ten million bucks.

16 Q Okay.

17 A You -- you guys have all this information.

18 Q Okay. But your recollection is that you caused entities  
19 owned and controlled by you and Mr. Ellington to pay something  
20 around \$10 million to Mr. Waterhouse and Highland's most senior  
21 legal and compliance officers. Correct?

22 A What was the first part of the question, please? I didn't  
23 --

24 Q You caused entities owned and controlled by -- directly or  
25 indirectly by you and Mr. Ellington to pay somewhere



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1 approximately \$10 million in 2020 to Mr. Waterhouse and  
2 Highland's senior legal and compliance officers --  
3 Mr. Ellington, Mr. Leventon, and Mr. Surgent. Is that right?

4 A Yes.

5 So I just want to emphasize it wasn't a targeted amount.  
6 It was an amount meant to be exactly what they would have been  
7 paid if Highland had not been in bankruptcy and just paid  
8 normal bonuses in the normal course.

9 Q So --

10 A It's exactly that amount.

11 Q So -- and you didn't disclose that to the Court, did you?  
12 Those payments?

13 MR. RUKAVINA: Your Honor, I object to the  
14 implication that Mr. Dondero had any requirement to disclose  
15 anything to this Court. It would have been those individuals'  
16 obligations. So that is an unfair question. Why would Mr.  
17 Dondero have to disclose to this Court that he's paying  
18 bonuses?

19 MR. MORRIS: If Your Honor thinks it's an irrelevant  
20 question --

21 MR. RUKAVINA: I didn't say it's about relevant. I  
22 said that the question was improperly phrased as assuming that  
23 he had any legal obligation to inform the Court.

24 MR. MORRIS: I --

25 THE COURT: Overruled.

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1 BY MR. MORRIS:

2 Q Mr. Dondero, did you or anybody on your behalf ever inform  
3 the Court that entities owned, directly or indirectly, by you  
4 and Mr. Ellington were going to pay approximately \$10 million  
5 to Mr. Waterhouse, Mr. Leventon, Mr. Ellington, and  
6 Mr. Surgent?

7 A I know we were counseled. I know counsel told us we had  
8 no obligation.

9 Q Okay. Did you tell Mr. Seery?

10 A Seery knew. But I didn't tell him.

11 Q Okay. That's my question. My only --

12 MR. MORRIS: -- and I move to strike, Your Honor. He  
13 ought to answer my question.

14 BY MR. MORRIS:

15 Q Did you tell Mr. Seery? That's the only question there  
16 is.

17 A No.

18 THE COURT: Okay. Strike what you asked.

19 MR. MORRIS: Thank you.

20 BY MR. MORRIS:

21 Q Do you know if anybody told Mr. Seery about these payments  
22 at the time they were made?

23 A I know -- I know he knew from either Frank or from Thomas  
24 Surgent. But I don't know from which party.

25 Q Did Thomas Surgent tell you that he had informed Mr. Seery

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23

1 of these payments?

2 A No.

3 Q Did Frank Waterhouse ever tell you that he had informed  
4 Mr. Seery of these payments?

5 A I -- I can't recall specifically.

6 And I -- I want to use that as the same answer on Thomas  
7 Surgent. I can't recall specifically. But I know -- I know  
8 one of the -- one of the two of them contemporaneously  
9 discussed it with Seery.

10 Q How did you learn that?

11 A From one or the other. I just can't specifically remember  
12 --

13 Q Did they --

14 A -- a conversation.

15 Q Did they report to you what Mr. Seery said?

16 A No.

17 Q Each of these individuals subsequently filed a proof of  
18 claim in the bankruptcy court for their bonus. Isn't that  
19 correct?

20 A Yes.

21 Q And those claims were subsequently assigned to entities  
22 owned, directly or indirectly, by you or Mr. Ellington.  
23 Correct?

24 A Yes.

25 Q Sir, you personally knew how much the Advisors were going

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1 to pay Highland under the Payroll Reimbursement Agreement and  
2 the Shared Services Agreement. Correct?

3 A No.

4 Q Did you ever ask?

5 A No.

6 Q You determined in late 2017 that NexPoint would pay  
7 Highland \$6 million per year for subadvisory and shared  
8 services effective January 1st, 2018. Correct?

9 A I -- I don't know the specific agreements from each year.

10 There was an agreement each year. The agreements changed  
11 from being a flat fee to a back-service -- back-office fee plus  
12 a reimbursement of employees fee sometime more recently. But I  
13 -- I don't know the exact dates on -- of specific contract.

14 Q Do you recall in late 2017 speaking with Mr. Klos and  
15 Mr. Waterhouse about having to get more money from the Advisors  
16 to Highland because Highland was losing a lot of money?

17 A No.

18 Q Do you recall discussing with them that Highland should  
19 receive \$6 million from NexPoint for services rendered?

20 A The -- no. All the efforts were to be fair and accurate  
21 and compliant from a regulatory and tax standpoint. All the  
22 centralized cost allocation things.

23 Q Was your personal tax liability ever a factor in  
24 determining how much money would be paid from the Advisors to  
25 Highland?

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25

1 A No.

2 Q Do you recall that there was a substantial change in the  
3 method and amount of money that was paid from the Advisors to  
4 Highland on account for services rendered at the beginning of  
5 2018?

6 A I recall there was an old agreement from '13, which was  
7 neither best practices nor compliant from a regulatory or tax  
8 standpoint, that had to be improved and made more specific.  
9 And a team from accounting, legal, and compliance re-crafted  
10 the Shared Services Agreement and front-office allocation  
11 appropriately in that 2017-'18 time period.

12 Q Are you aware that Frank Waterhouse signed the Payroll  
13 Reimbursement Agreements, the Sub-Advisory Agreements, and the  
14 New NexPoint Shared Services Agreement in 2018, in the first  
15 half of 2018?

16 A I'm not specifically aware. It doesn't surprise me.

17 Q Did you ever review any of those agreements?

18 A No. Yeah, no.

19 Q Okay. You didn't participate in the drafting of those  
20 documents. Correct?

21 A No.

22 It was a typical shared services of a complicated  
23 financial services firm that centralizes functions. It was a  
24 -- it was a typical agreement that would be put together and  
25 administered by accounting.

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1 Q But people like Frank Waterhouse actually wore multiple  
2 hats. Correct?

3 A Sure.

4 Q And he wore the hats of the Advisors and he wore the hats  
5 of Highland at the exact same time. Right?

6 A Sure. It's possible to be fair doing that.

7 Q And you're the one who decided that he should wear these  
8 multiple hats. Right? You're the one who appointed him to  
9 these positions?

10 A Yes.

11 Q Okay. Do you recall that you participated in annual  
12 review meetings with Mr. Waterhouse and Mr. Klos and Mr. Okada?

13 A Yes.

14 It would be multiple, generally. Sometimes there were tax  
15 ones, sometimes there were budgeting, sometimes it was  
16 performance reviews. Yeah. Yes.

17 Q You know, I just want to go back to that issue of taxes  
18 for just a moment. Do you recall that in 2017 and 2018, the  
19 Advisors earned millions of dollars of income?

20 A Not specifically, but --

21 Q Do you recall that they earned positive income in those  
22 years?

23 A I believe so.

24 Q And do you recall that Highland had negative income in  
25 those years?

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1 A I don't know.

2 Highland's a giant solvent pool of assets. So the  
3 liquidity, it varies from year to year. But -- and, also, the  
4 mark-to-marketing of those assets varied from year to year. So  
5 whether or not Highland made money in a given year, I don't  
6 know. There's some years it makes a lot but has limited cash  
7 flow; other years, it has material cash flow and makes a lot.  
8 Some years it has material cash flow and loses a lot.

9 Q All right. Let me just focus on operating profits. On an  
10 operating basis, Highland lost a lot of money in 2017 and 2018.  
11 Correct?

12 A I don't know.

13 Q Okay. Can you grab your book there, please?

14 A Sure.

15 Q And turn to Exhibit 86. I think it's in Volume 2 of 2.

16 Mr. Dondero, if there's any portion of the book that you  
17 in particular want to read, just let me know. But I'd ask you  
18 to just turn to Page 2.

19 A Page -- I'm on Page 2.

20 Q Okay. And do you see near the top, it says, quote,  
21 overall operating income projected at \$900,000, but there's a  
22 \$12 million loss for HCMLP which doesn't account for some other  
23 items? Do you see that?

24 A Yes.

25 Q Does that refresh your recollection that Highland was

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1 projected to lose \$12 million in 2018?

2 A Well, it actually refreshes my recollection on what I  
3 said.

4 And there's substantial underlies in expected investment  
5 and investment commitments. There's a balance sheet that's  
6 moving around that dwarfs the \$12 million, which is what my  
7 point was.

8 Q I'm not talking about assets, sir. I'm talking about  
9 operating income, the ability to pay your bills.

10 A Right.

11 What I'm talking about is if you have 650 million of  
12 assets, which we still have today, you have more than enough  
13 solvency to cover 12.

14 Q So this wasn't a problem from your perspective?

15 A Correct.

16 Q Okay.

17 A It never had been.

18 Q Okay. Let's go to Slide 29, please.

19 A In the same book?

20 Q Yeah.

21 THE COURT: I'm sorry, you said 29?

22 MR. MORRIS: 29, yeah.

23 BY MR. MORRIS:

24 Q And if you could just -- I'm just going to ask you quickly  
25 29, 30, 31, 32, that's all information about human resources.



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1 Correct?

2 A I'm sorry. Exhibit 29, the Shared Services Agreement?

3 Q No, no. I'm sorry. In 86, just Page 29.

4 A Oh, okay.

5 Q Yeah.

6 A Page 29, yes.

7 Q Okay. So if you look at 29, 30, 31, 32, you're given a  
8 lot of -- this deck was presented to you by Mr. Waterhouse and  
9 Mr. Klos. Right? If you look at the front?

10 A Okay. I don't know. I assume so.

11 Q Okay. So on that assumption, if you look at 29, 30, 31,  
12 whether this is the exact book or not, you would agree that you  
13 were presented with a lot of information about the Highland  
14 platform's employees. Correct?

15 A Yes.

16 Q And did you personally have to approve everybody who was  
17 hired?

18 A No.

19 Q But you were informed of everybody who was hired.

20 Correct?

21 A Generally.

22 Q And you were generally informed about everybody who was  
23 fired. Correct?

24 A Generally.

25 Q And everybody who was terminated? If you look at 32, for

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1 example, they tell you exactly the number of people who were  
2 terminated and they identified by name the names of the  
3 individuals who were terminated.

4 Do you see that? If you look at 32.

5 A Sure. Okay.

6 Q So there's no question that you were given that  
7 information. Right?

8 A Once a year at the end of the year. Is that what you're  
9 asking me?

10 Q In this deck.

11 A Right.

12 Q And you met with Brian Collins from time to time to  
13 discuss personnel matters. Right?

14 A Yes.

15 Q And you're the person who set the compensation for  
16 everybody who worked for Highland. Right?

17 A No. Just generally.

18 Q Nobody got a raise without your approval. Did they?

19 A Yes. I mean I get told about it afterwards or something.

20 Q Who had the authority to give raises without your prior  
21 approval? Who in the organization had the ability to hand out  
22 money without your approval?

23 A Well, if it was a large amount, they would seek my  
24 approval. But I'm saying small amounts, unit heads would have  
25 that ability.

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1 Q Okay. So you had to approve -- let's -- can we use the  
2 word "material?"

3 A Yeah.

4 Q Okay. You had the authority and the responsibility for  
5 approving all material changes in compensation for Highland's  
6 employees. Right?

7 A Yes.

8 Q Okay. Go to Slide 36, please.

9 Do you remember that these annual reviews included  
10 forecasts?

11 A Yes.

12 Q And those forecasts would contain assumptions, right?

13 A Yes.

14 Q And in this particular forecast, if you look at the top,  
15 you were told to assume that the material inter-company  
16 arrangements remained unchanged and it specifically said that  
17 NexPoint and its subsidiaries would pay \$6 million per year for  
18 subadvisory and shared services. Do you see that?

19 A Yes.

20 Q Where did that number, six million, come from?

21 A I assume it was -- I don't know.

22 It was -- these are the assumptions they're using. They  
23 probably flatlined prior years. There were probably prior  
24 years where five or six or based on growth, you know, of prior  
25 years five. There's maybe a mixture of six. I don't -- I

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1 don't know the answer.

2 Q Did you play any role in determining how much money would  
3 be paid by the Advisors to Highland for services?

4 A No. It was done via the shared services contracts that  
5 are meant to be for a variety of regulatory and tax purposes  
6 appropriate and fair.

7 MR. MORRIS: All right. I move to strike. I'm just  
8 asking him about what he did.

9 THE COURT: Sustained.

10 BY MR. MORRIS:

11 Q Did you play any role in establishing the fees that were  
12 paid by the Advisors to Highland under any of the inter-company  
13 agreements?

14 A Not the specifics, just the general direction to be  
15 compliant in best practices.

16 Q Okay. But you were told here -- right? We don't really  
17 have to debate the point. You were told, you will admit, in  
18 the beginning of 2018 that the assumption was that NexPoint and  
19 their subsidiaries would be paying \$6 million a year for  
20 subadvisory and shared services. Correct?

21 A Yes. That -- I was told here that they had to make an  
22 assumption, and they made an assumption.

23 Q Okay. Can you turn to Page 46, please?

24 Do you see that that's the NexPoint three-year profit and  
25 loss forecast?

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1 A Yes.

2 Q And do you see that in the middle of the page, there's a  
3 reference to subadvisor fees and shared service expenses?

4 A Yes.

5 Q And do you see that if you add those two numbers up for  
6 any of the years, it equals \$6 million?

7 A Yes.

8 Q So, again, the projections that you were given showed that  
9 NexPoint would be paying Highland exactly \$6 million for these  
10 services for each of those three years. Is that right?

11 A That's the assumption in this forecast.

12 They -- they missed the bankruptcy. They missed the fact  
13 that the revenue wouldn't change, but they had to make some  
14 assumptions that, you know -- whatever. But they don't know  
15 what they don't know. But they had to make some assumptions,  
16 so they -- they put a flatline assumption in there.

17 Q Well, do you know that with the exception for -- with the  
18 exception of December 2020, that assumption proved 100 percent  
19 correct? That's exactly what NexPoint paid for the first 35  
20 out of the 36 months on that forecast?

21 A We didn't have a lot of turnover before the bankruptcy,  
22 and it was based on head count and it was based on percentages  
23 of people. So, yeah, the assumption probably played out until  
24 people started moving in and out and until the assets under  
25 management changed. But, yeah, that makes sense.

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1 Q This is what you were told they would pay, and this is  
2 exactly what, in fact, they did pay with the exception of  
3 December 2020. Do you know that?

4 A I don't know that except for you're telling me that and  
5 showing me that here.

6 And I'm reluctant to give any credence to a projected  
7 (indiscernible) forecast based on a lot of assumptions having  
8 to have been -- happened to have been right in a year or two  
9 somehow overrides the contracts that's very specific and very  
10 clear.

11 Q Well, if you take \$6 million a year and you divide it by  
12 12, that's \$500,000 a month. Right? Simple math.

13 A Roughly, sure.

14 Q Not even roughly. Exactly. Right?

15 A Okay. It's not exactly six million, but yes. Okay.

16 Q Well, if you add 3,024,000 plus 2,976,000, you actually  
17 come to exactly 6,000,000. Right?

18 A Okay. Yeah, then it's exactly 500,000.

19 Q It is.

20 A Yes.

21 Q And you were told in April of 2020 that NexPoint would pay  
22 exactly \$500,000 for each and every month through the end of  
23 the year. Isn't that correct?

24 A No. No.

25 And all I'm saying is there's a responsibility to

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1 administer a contract beyond the assumptions in a -- in a pro  
2 forma. This is meant to be an overall year-end review. It's  
3 not meant to be a detailed review of all contracts. It's --  
4 it's meant to be approximate. It's summarizes everything to  
5 six, seven line items instead of a hundred line items. It's  
6 not a -- it's for planning purposes. That's -- that's what  
7 this document is.

8 Q Are you aware that the corporate accounting group prepared  
9 in the ordinary course of business 13-week forecasts?

10 A Yes.

11 Q And do you understand that those 13-week forecasts  
12 included the amount of money that the Advisors were going to  
13 pay to Highland for the services?

14 A We have similar assumptions on a variety of things, also,  
15 yes.

16 Q And were those forecasts given to you?

17 A Sometimes we -- we went over them periodically.

18 Q And when you say "we would go over them," you went over  
19 the 13-week forecasts with Mr. Waterhouse and Mr. Klos.

20 Correct?

21 A Generally.

22 Q And you continued to get forecasts after the bankruptcy.

23 Correct?

24 A Not much. A little bit. I -- things changed with the  
25 bankruptcy.

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1 Q All right. So before the bankruptcy, there is no question  
2 before the bankruptcy, you got the 13-week forecasts that  
3 showed exactly how much the Advisors were projected to pay  
4 under their contracts with Highland. Right?

5 A Yes.

6 Q And after the bankruptcy filing, certainly before the  
7 Independent Board was appointed, you continued to get the  
8 13-week forecast. Right?

9 A There was only a few weeks in between there. I don't know  
10 if I saw anything in that few weeks.

11 Q And Highland filed disclosures on the docket showing how  
12 much revenue they generated and the sources of their revenue.  
13 Right?

14 A Scant -- scant detail. But yes, a little bit regarding  
15 revenue.

16 Q And even after Mr. Seery was appointed, Mr. Waterhouse and  
17 Ms. Hendrix would still give you information about NexPoint and  
18 the advisors and their projections. Right?

19 A I did get information on the advisors after the  
20 bankruptcy, the advisors and entities that weren't part of the  
21 bankruptcy.

22 Q Can you go to Exhibit 150, please, sir?

23 And do you see that this is an email that Ms. Hendrix sent  
24 to you in April 2020, where she attached a NexPoint cash  
25 forecast?



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1 A Yes.

2 Q And do you see that she invited you to discuss the  
3 forecast if you had any questions?

4 A Yes.

5 Q And do you see the forecast is not a big document. Right?  
6 It's just a one pager?

7 A Yes.

8 Q It's a cash forecast?

9 A Yes.

10 Q And it shows that for every single month from May 2020  
11 until December 2020, NexPoint was projected to pay Highland how  
12 much?

13 A (No audible response)

14 Q \$500,000. Right?

15 A Yes.

16 Q So, here they are in April 2020 repeating exactly what  
17 they told you was going to happen, what they projected to  
18 happen, back in January of 2018. Right?

19 A Okay. Those are projected numbers. They're not  
20 reconciled. They're not trued up. They're part of contracts  
21 that need to be administered. The fact that they're putting in  
22 a flat line with an expectation to reconcile it later is not a  
23 surprise.

24 People don't reconcile things on a daily basis or minute-  
25 by-minute basis. It happens in due course when it's efficient.

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1 I don't know if -- I don't know when they normally reconcile,  
2 if it's quarterly or monthly or yearly, but those are questions  
3 for Frank and Klos. But you would never have a specific  
4 contract that isn't reconciled when it has a lot of variables  
5 in it.

6 Q At this point, Frank Waterhouse's wings had not been  
7 clipped. Right? It's April.

8 A Correct.

9 Q And so he's still the person who is responsible for  
10 administering the contracts in accordance with their terms.  
11 Right?

12 A He's the one -- he and his group are responsible for  
13 administering the contract, due course, best practices, yes.

14 Q And he is telling you in April 2020 exactly what he told  
15 you in January of 2018, and that is the cost of NexPoint's  
16 contracts with Highland would be \$500,000 a month. Correct?

17 A That was his -- for cash flow purposes, that was his  
18 assumption, yes.

19 Q Okay. And do you understand, do you know that for every  
20 single month from January 2018 until the end of November 2020,  
21 NexPoint paid exactly \$500,000?

22 A I don't know exactly when he told me to stop paying, but  
23 hopefully they stopped paying when I told them to stop paying.

24 Q Well, you told them to stop paying after you got notice of  
25 termination of the shared services agreements. Correct?

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1 A No. I told them to stop paying once we realized we were  
2 being over billed.

3 Q And that occurred after you got notice of termination of  
4 the shared services agreements. Correct?

5 A I don't know. I have no recollection of that.

6 Q All right. We'll deal with Mr. Norris on that topic.

7 But there's no question -- you don't have any reason to  
8 question the assertion that NexPoint paid exactly \$500,000  
9 every single month for 35 months until the end of November 2020  
10 when you directed Mr. Waterhouse not to make any further  
11 payments, fair?

12 A Yeah. I've no reason to know that they didn't.

13 Q All right. Okay. I want to go back in time a little bit.

14 Are you aware that in January 2018, Frank Waterhouse  
15 signed a sub-advisory agreement on behalf of both advisors?

16 Do you know that?

17 A Not specifically. And, again, I knew there was a task  
18 force that changed and improved it to be compliant. And I  
19 assume that's what you're referring to.

20 Q It's not.

21 Can you grab Volume 1 of 2, please, and go to Exhibit 5.

22 Do you see that's a sub-advisory agreement?

23 A Yes.

24 Q And do you see, if you look at the end, that Mr. -- and  
25 his signatures appear on the page ending in Bates Number 580.

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1 Do you see Mr. Waterhouse signed this sub-advisory  
2 agreement on behalf of both NexPoint and Highland?

3 A Yes.

4 Q Did you authorize him to do that?

5 A Not specifically.

6 Q No.

7 Do you have any knowledge that Mr. Waterhouse signed a  
8 sub-advisory agreement effective as of January 1, 2018, on  
9 behalf of both Highland and NexPoint?

10 A I have general awareness there was a tax legal compliance  
11 accounting task force to make this agreement as accurate and  
12 proper and best practices as possible. And this is their work  
13 product that Frank, as leading the group signed, and I'm fine  
14 with him signing it. But I was not specifically involved and I  
15 don't have direct recollection.

16 Q Okay. That's fair.

17 Can you just turn to Page 3?

18 A 3 of this contract?

19 Q Yes.

20 Do you see it required a monthly fee of \$252,000 in  
21 Section 2(a)?

22 A I'm sorry. Section 2(a)?

23 Q Yes.

24 A Two dot zero one. Is that -- I'm sorry. Maybe I'm in the  
25 wrong --

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1 Q We're in Exhibit 5. It's Exhibit 5, Page 3.

2 A Hang on. I'm sorry. I was in Exhibit 6.

3 Q Take your time.

4 A Exhibit 6, Page 2. Okay.

5 Q Yeah, we're at Exhibit 5, Page 3.

6 A Page 3. Okay.

7 Q Do you see the compensation there is \$252,000 a month?

8 A Yeah.

9 Q And do you see that it's a fixed fee?

10 A Yes.

11 Q And it doesn't have anything to do with costs, does it?

12 A Hold on a second.

13 Q Take your time.

14 A I think what's happening here is I think there's two  
15 agreements. There's one for back-office people, or back office  
16 function, in general, which has a fixed fee to it which is  
17 probably what this is.

18 And then, there's one that looks like the other one we  
19 were looking at that has a list of people in the back and the  
20 percentages of their time. And that's the one that's cost plus  
21 and reimbursement.

22 And this -- this one I believe was more fixed based on  
23 just general services provided.

24 Q Okay. So would you agree that sub-advisory services are  
25 what's commonly known as front-office services? They're

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1 investment advisory services.

2 A Everybody uses different names. The front-office one is  
3 generally a people-oriented one and, then, the other one is  
4 generally a more fixed overhead.

5 Q Are you aware that this sub-advisory agreement was  
6 replaced with the payroll reimbursement agreement five months  
7 later? Do you know that?

8 A Well, that's what I had said earlier, that from 2013 on,  
9 there was a general fixed structure one that wasn't best  
10 practices, wasn't compliant from a regulatory or tax  
11 standpoint, that was with a task force made to be compliant and  
12 split into two. And if it happened six months after this one  
13 was signed, I don't have specific knowledge, but I know the  
14 compliant improved, enhanced one. Was enforced in '18.

15 Q All right. I'm really not trying to trick you.

16 A Well, that's how it feels.

17 Q So I want to clear this up because that's exactly what I'm  
18 not trying to do. I'm trying to get your best recollection.  
19 And if you don't recall, you don't recall.

20 But if you look at Exhibit 3, you'll see that's the shared  
21 services agreement for NexPoint as of January 1, 2018. And  
22 that's a fixed fee contract.

23 Take your time and look at it. I don't mean to rush you.

24 A Right.

25 Q But if you take a look at -- right. That's the amended

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1 and restated NexPoint agreement. It's a fixed fee agreement.  
2 If you take a look at Page 9, the consideration, its says "flat  
3 fee of \$168,000 per month."

4 A Yes. Okay. I understand what you're doing now.

5 Q Okay.

6 A NexPoint had the front-office people working at NexPoint  
7 because we had public greets, people or officers there. There  
8 were investment professionals there. NexPoint didn't have  
9 investment professionals at Highland.

10 Q So you created a new sub-advisory agreement for that  
11 purpose?

12 A Well, what I'm saying is the sub-advisory agreement should  
13 be different for the -- or should be somewhat different, either  
14 in amounts or mechanism, between Hfam and NexPoint. And I  
15 don't know if that's --

16 Q No. I'm just not --

17 A And, again, I know you're trying to trick me, but if --

18 Q I'm not.

19 A -- you're saying there's one agreement here, and ah ha,  
20 there's two agreements with Hfam, they're different entities.

21 Q I'm not even talking about HCMFA.

22 A Okay.

23 Q I'm really just focused on NexPoint.

24 Are you aware that on January 1, 2018, NexPoint entered  
25 into two new agreements with Highland, one of which was a

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1 shared service agreement for back and middle office services  
2 and one was a sub-advisory agreement for investment advisory  
3 services. Do you know that?

4 A My general understanding is they both, Hfam and NexPoint,  
5 signed two that were better and more accurate, appropriate to  
6 reconcile, proper split, not art, more science-based on, on  
7 formula, and they both did.

8 I was just -- I thought you were trying to go down a path  
9 and only one of them did, or one of them was different than the  
10 other.

11 I wasn't that involved in the process, but there were  
12 great efforts made by the people involved to make them  
13 appropriate and complaint.

14 Q Okay. And, in fact, HCMFA did not sign the sub-advisory  
15 agreement at the beginning of 2018. Are you aware of that?

16 A No.

17 Q One was prepared, but they didn't sign it.

18 Do you know that?

19 A No. I have no awareness of that.

20 Q And are you aware that the sub-advisory agreement that was  
21 signed by Mr. Waterhouse on behalf of NexPoint and the sub-  
22 advisory agreement that was prepared for HCMFA but not signed  
23 by anybody, were actually replaced by these payroll  
24 reimbursement agreements.

25 Do you have any recollection of any of that or any



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1 knowledge?

2 A Frank would be your person.

3 Q Okay.

4 A If the timing was so close, they might've held off on one  
5 agreement because they knew it was coming. Maybe they signed  
6 one in due course because an auditor needed it.

7 Q I don't want you to speculate.

8 A You know, I mean, I have no idea, but you ask him.

9 Q You're the person in control, so I'm asking you. If you  
10 don't know, just say I don't know.

11 A I don't know. I have no idea.

12 Q Okay. Did you ever read the Payroll Reimbursement  
13 Agreement before it was signed?

14 A No.

15 Q Have you read it today?

16 A No.

17 Q Do you ever look at that Exhibit A that was attached to it  
18 cause you referred to it? Do you ever look at that Exhibit A?

19 A I saw it, but it was exactly what I expected, a list of  
20 people and percentages.

21 Q Are you aware that some of those people had been  
22 terminated from Highland before the agreement was even signed?

23 A The day I became aware of that, and we were still paying  
24 for them, is the day we stop paying.

25 Q Oh, that's when you first learned?

Dondero - Direct

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1 A No. I mean, I knew -- I mean, I knew people had left the  
2 company, but the day I first knew that we were still paying for  
3 people who had left the company was the day we stopped paying.

4 Q Ah, okay. But there's no question that you knew when the  
5 people on that Exhibit A left the company. You knew that.  
6 Right?

7 A Sure.

8 Q Sure. Okay.

9 Was it your understanding that when one of the individuals  
10 listed on Exhibit A was terminated that the amount of money  
11 that NexPoint would pay to Highland would be reduced?

12 Was that your understanding?

13 MR. RUKAVINA: Your Honor, I'll object on  
14 speculation. The witness said he did not read that payroll  
15 reimbursement agreement, negotiate it, so this is all based on  
16 speculation.

17 THE COURT: Overruled.

18 THE WITNESS: Absolutely. But when it was  
19 reconciled, I don't know. I wasn't, you know --

20 BY MR. MORRIS:

21 Q So it's your understanding that every time a dual employee  
22 left Highland, that NexPoint should have gotten a reduction in  
23 the amount of money it paid under the payroll reimbursement  
24 agreement. Do I have your understanding correctly?

25 Is that fair?

Dondero - Cross

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1 A Yeah. Absolutely. Why would you have a list of people  
2 and percentages otherwise?

3 Q Okay.

4 A You wouldn't have it.

5 Q Okay. And did you ever take any steps to make sure that  
6 when dual employees left, there was a reduction in the amount  
7 of money that NexPoint was paying to Highland?

8 A We relied on Highland for that in the fees we were paying  
9 Highland. We didn't have the staff to do it in our entities.

10 Q Well, in fact, I think you testified, and I'll just ask  
11 you to confirm, that until the summer of 2020, Frank  
12 Waterhouse, as the treasurer or the CFO of the advisors, who  
13 had a fiduciary duty, one of his responsibilities was to  
14 administer the contracts in accordance with their terms.

15 Do I have that understanding correct? He was the one,  
16 until the summer of '20, until Mr. Seery did what you contend  
17 Mr. Seery did, until that moment, he is the one on behalf of  
18 the advisors who had the responsibility of administering  
19 contracts. Right?

20 A Yes. Administering.

21 MR. MORRIS: I have no further questions, Your Honor.

22 THE COURT: All right. Pass the witness.

23 CROSS-EXAMINATION

24 BY MR. RUKAVINA:

25 Q Mr. Dondero, what was your title at Highland in 2018 and

1 2019?

2 A President.

3 Q Okay. Were you at the top?

4 A Yes.

5 Q For the record, what was the size of Highland at that  
6 time, revenue, assets under management, employees?

7 A Very similar to today, really, in terms of asset size.

8 About 650 million in assets.

9 Q Owned assets.

10 A Owned assets.

11 Q What about managed assets?

12 A Well, I can't -- I know it was bigger. The CLOs were  
13 bigger.

14 Q Are we talking about billions?

15 A Yeah. It was --

16 Q And approximately how many employees in 2018?

17 A Boy, maybe 40, 50 more than today.

18 Q So how many in total?

19 A 150 maybe.

20 Q Okay. And just approximate annual revenue back then?

21 A I don't know.

22 Q Well, let me ask you this.

23 A Yeah, sure.

24 Q As the president of an entity that had hundreds of  
25 millions of dollars in assets, billions of dollars under

1 management, and hundreds of employees, would you expect that  
2 you would know every detail about every contract or every  
3 negotiation?

4 A No. No, we had a good accounting staff. We had a good  
5 compliance staff. We had a good legal staff. And they did  
6 their jobs respectively to administer things appropriately, the  
7 way we were operating, which was typical of other asset  
8 management firms.

9 Q So I take it you would get advice from subordinates from  
10 time to time.

11 A Yeah, sometimes. Yeah, it --

12 Q Would you act on that advice?

13 A Yeah. And it was --

14 Q Would you receive instructions?

15 MR. MORRIS: Objection. Leading.

16 THE COURT: Overruled.

17 BY MR. RUKAVINA:

18 Q Would you receive instructions?

19 A Yes. And --

20 Q And who would execute those instructions?

21 A It would depend on the area. But, you know --

22 Q Would it be you?

23 A No, I wouldn't execute it. But, it would depend on the  
24 area. If it, you know -- we would -- we act very quickly to  
25 anything coming from compliance that was a concern. Anything

Dondero - Cross/Rukavina

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1 from tax would also be a priority. And then, you know, the  
2 accounting or GAAP accounting kind of caught up around the --

3 Q And let me interrupt you.

4 A -- annual audit.

5 Q Let me interrupt you because --

6 A Sure.

7 Q -- I really do want to move on.

8 And Mr. Waterhouse, he was a senior executive like  
9 yourself. Is that accurate?

10 A Yes.

11 Q Would you have expected Mr. Waterhouse to know the details  
12 of all contracts and all transactions?

13 A He had a staff, and he needed to have a significant staff.  
14 They were the --

15 Q Why did he need to have a significant staff?

16 A There were a lot of audits. There were a lot of public  
17 company responsibilities. There were a lot of private equity  
18 company expenses.

19 Q Were their contracts to manage?

20 A Yeah, there was lots of things. Everything from personnel  
21 to --

22 Q Would you have expected --

23 A -- contracts to tax, you know.

24 Q Would you have expected Mr. Waterhouse to personally  
25 manage or administer contracts?

1 A No. He would have mechanisms set up for it. And, again,  
2 you can't administer contracts every 15 minutes. You would  
3 have some cost benefit to when you administered them or  
4 reconciled them.

5 Q So how would you expect Mr. Waterhouse to learn of a  
6 potential problem with administering a contract?

7 A Either one of his people would alert him to it or one of  
8 the groups that were paying it would alert it to him -- alert  
9 him to it or he would notice.

10 Q Would you have expected him to notice for each contract  
11 being administered if there were hundreds of contracts?

12 A I mean, eventually.

13 I mean, a lot of things catch up at year-end or at the  
14 audit. But eventually, he or his team would -- or are  
15 responsible for administering contracts. It's rare it's a  
16 major gaff and it's not good for people's career if -- let's  
17 say you have a lease contract that's supposed to escalate every  
18 year and someone forgets to escalate the rents for five years.

19 You know, it's -- that's -- that would be a bad reflection  
20 on a lot of people because then it's a project to go back and  
21 try and get it and argue it and whatever.

22 Q Didn't Mr. Waterhouse, in fact, at some point in time,  
23 inform you that he had learned of the overpayments.

24 MR. MORRIS: Objection. Leading. I just --

25 THE COURT: I didn't even hear the question --

Dondero - Cross/Rukavina

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1 MR. RUKAVINA: I'm sorry, Your Honor.

2 THE COURT: -- to be honest.

3 BY MR. RUKAVINA:

4 Q Did Mr. Waterhouse, at some point in time, inform you that  
5 he had learned of the overpayments?

6 A Yeah. That was in --

7 THE COURT: Oh, overruled. He can answer.

8 THE WITNESS: -- November or December of '20?

9 BY MR. RUKAVINA:

10 Q And was that -- and just to confirm, was that the first  
11 time you learned of the overpayments?

12 A Yeah, the first time I had learned that there were  
13 overpayments that weren't reconciled or that we weren't getting  
14 credit for.

15 Q What do you mean by reconciled?

16 A Well, that there wasn't a -- either a reduction in future  
17 payments or something for overpayments in the past. There's  
18 lots of ways to --

19 Q Was there a -- but --

20 A -- satisfy a --

21 Q Was there a general --

22 A -- deficiency.

23 Q Was there -- and I'm sorry to keep interrupting you, sir.  
24 We just want to try to get done today.

25 Was there a general practice at Highland as far as



1 reconciling or chewing up contracts?

2 A Not that I'm aware of. I'm sure they had one, but not  
3 that I'm aware of.

4 Q Okay. Are you aware that the two payroll reimbursement  
5 agreements were amended to provide \$2.5 million of additional  
6 cash from the advisors to Highland?

7 A In what year was that? Or that was --

8 Q At the end of 2018?

9 A Yeah. I believe there was a reconciliation of some sort  
10 there, yes.

11 Q That's what I'm asking you.

12 A Yes.

13 Q What do you understand, if anything, about that  
14 reconciliation?

15 A That they did the proper true-up in the accounting and,  
16 whether it was based on assets under management, work, or  
17 people, they made the proper adjustments.

18 Q Is that the only true-up to your understanding? Because I  
19 asked you about a general practice, and you said that there was  
20 not.

21 A I said I didn't know if there was. If they did it at  
22 year-end and you're telling me they did it year-end '18, it  
23 sounds like it was a year-end process.

24 Q Do you remember authorizing the advisors to pay \$2.5  
25 million in additional payroll reimbursement expenses at the end

1 of 2018?

2 A I don't remember. I don't know if I would've had to  
3 authorize it if it was part of the true-up process.

4 Q And you were also asked whether, in light of what you  
5 described as Mr. Waterhouse's diminished role or clipped wings  
6 -- whatever words were used -- you expected someone else to  
7 administer the contracts with the advisors. I want to follow  
8 up on that.

9 Do you know who Dustin Norris is?

10 A Yes.

11 Q And what's your understanding of who he is for the  
12 advisors?

13 A That's a good question. I don't want to -- I don't want  
14 to fumble this one.

15 Q Let me ask you this. Is he an officer?

16 A The broker-dealer, in some of the entities, yes. I don't  
17 know if all of the entities.

18 Q Did you ask Mr. Norris to involve himself in any way with  
19 these overpayments and these contracts?

20 A Well, we were trying to do an amicable split. After we  
21 found out about the overpayments, Dustin was front and center  
22 trying to have a soft landing instead of having everybody  
23 kicked out of the building and then coming back and all that  
24 nonsense.

25 But my recollection is in that November-December time

1 frame, hearing about it from Frank, and then stopping excess  
2 payments until we were trued up.

3 Q And also, you were asked about Frank's official titles  
4 with the advisors. To your understanding, who was actually --  
5 who actually employees Frank? What company is his employer?

6 A In the time frame we're talking about?

7 Q No. Today, sir. When you were asked about today.

8 A Today, he works for a Skyview.

9 Q And what's Skyview?

10 A Skyview is an amalgamation of the accounting staff and  
11 legal staff in a separate entity.

12 Q Former Highland employees?

13 A Yes.

14 Q And is that why you're not technically sure as to whether  
15 he's an officer because he's an employee of Skyview?

16 A That's right.

17 Q Okay. I think you've testified that whatever his role is,  
18 he is in charge of accounting for the advisors?

19 A Yes.

20 Q Okay. Today?

21 A Yes.

22 Q Okay. And just for the record, the Court may or may not  
23 know, but when you refer to Hfam, are you referring to HCMFA?

24 A Uh-huh. Yes.

25 Q Okay. Now, I don't think there's any point in showing you

1 the payroll reimbursement agreements since I think you  
2 testified you never read them. But there are amounts in those  
3 agreements and those amounts total up to certain amounts per  
4 year. Are you following me so far?

5 A Yes.

6 Q Do you know how those yearly amounts were determined for  
7 the two payroll reimbursement agreements?

8 A Some of the fixed numbers are relevant to what's the fixed  
9 expense base and then divided based on --

10 Q Well, let me pause you. Let me pause you. I apologize.  
11 I'm talking about just the payroll reimbursement now, not  
12 the shared services.

13 A Oh, the payroll --

14 Q The payroll of --

15 A Yeah.

16 Q -- the employees.

17 A Yeah, the payroll of the employees and they're, and I  
18 don't want to call them unallocated, but some of the employees  
19 are employees that represent various entities. And then,  
20 there's a percentage allocation of their time.

21 Q And all that rolls up into a number.

22 Are you following me so far?

23 A That's right because the percentage of their time is then  
24 a percentage of their total comp.

25 Q So what I'm asking you is, did you determine -- so

1 remember, all those percentages and all that rolls up into a  
2 number, okay? Let's call that number X. Are you with me?

3 A Yes.

4 Q Did you set or determine what X would be?

5 A No.

6 Q Do you know how X was determined?

7 A By having the relevant people on the list and that the  
8 less would hopefully be comprehensive and complete. And the --

9 Q Do you know who prepared --

10 A And then, the percentage allocations would be appropriate.

11 Q Do you know who prepared X? X, again, being the number  
12 that all this roles up into?

13 A Yeah. The starting -- the starting appendix with all  
14 those people on it was that task force of legal, compliance,  
15 and accounting to provide the starting point. And those  
16 documents that are based on people and percentages are living  
17 documents that change over time.

18 Q Do you know whose idea it was originally to have those  
19 payroll reimbursement agreements? In other words, you talked  
20 about how the prior agreements were changed for best practices.

21 Do you know whose idea that was?

22 A I believe it came from the auditors which came from -- the  
23 auditors from a tax and a regulatory standpoint. You can't  
24 just have whimsical numbers. There has to be a basis for the  
25 allocations. And the more directly you can tie it to people

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1 and contribution and a percentage of overhead, the better. And  
2 that's -- that's why the new contracts were presented best  
3 practices.

4 Q Because they have to withstand regulatory and tax  
5 scrutiny?

6 A Yeah.

7 Q Okay.

8 A Yeah -- or yeah, that's right. Scrutiny or challenge if  
9 --

10 Q So if someone suggests that you pulled numbers out of thin  
11 air, \$5 million for HCMFA, on an annual basis, and \$6 million  
12 for NexPoint on an annual basis, would you agree with that?

13 A No.

14 Q Okay. And if someone suggests that you pulled those  
15 numbers for a reason involving trying to get liquidity into  
16 Highland, would you agree with that?

17 A No. I would say --

18 Q And if someone -- hold on, sir.

19 A Yeah.

20 Q And if someone suggested that you pulled those numbers in  
21 order to get tax deductions for the Advisors, would you agree  
22 with that?

23 A No.

24 Q Okay.

25 A Yeah.

1 Q What were you going to say, sir? You were going to  
2 explain.

3 A I was going to say that the purpose of best practices was  
4 to avoid any assertions by regulatory or GAAP accountants or  
5 tax accountants that it was tax fraud.

6 What you're describing is tax fraud, which means the  
7 people who did it, instead of -- if they did it and they said  
8 they did it, and they said they did it because I told them,  
9 then they committed tax fraud, and their defense is they didn't  
10 do anything about it. Or --

11 Q That's the Nuremberg Defense I think, sir. But let me --

12 A -- or complained. And instead they just --

13 Q Let me --

14 A -- their defense is going to be I told them?

15 Q Let me interrupt you again. Let's assume it's the  
16 Nuremberg Defense. How long have you known David Klos?

17 A Several -- you know, a bunch of years. Ten years,  
18 probably.

19 Q Do you have an opinion of his professionalism?

20 A He's --

21 Q Prior to this litigation.

22 A Prior to him being co-opted by --

23 Q Yes.

24 A Okay.

25 MR. MORRIS: Move to strike, Your Honor.

1 THE COURT: Sustained.

2 BY MR. RUKAVINA:

3 Q Prior to the confirmation of the bankruptcy plan, did you  
4 have an opinion of Mr. Klos' professionalism?

5 A I would divide it into two portions. It was before he was  
6 enticed --

7 Q Well, let me --

8 A -- to work for the --

9 Q Because we're going to have motions to strike. Let me ask  
10 a different question.

11 MR. MORRIS: I move to strike the word enticed.

12 THE COURT: Sustained.

13 BY MR. RUKAVINA:

14 Q Let me ask a different question. In 2018, would you have  
15 believed that David Klos could be -- could possibly create  
16 deceptive documents for tax fraud or tax cheat purposes?

17 A No.

18 Q What about Mr. Waterhouse?

19 A No.

20 Q What about Ms., and I apologize, I count pronounce her  
21 name, Thedford. You know who I'm talking about, Lauren.

22 A Right. No.

23 Q Okay. Anyone at Highland?

24 A No. We were a very compliant organization.

25 Q What about at the end of 2018 when the \$2.5 million was



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1 paid as additional money under the payroll agreements. Can you  
2 imagine of anyone at Highland that would have done that for  
3 some kind of tax cheat or tax fraud purposes?

4 A No.

5 Q And if someone testified here that the whole purpose of  
6 these contracts was for the Advisors to suck money out of  
7 Highland, would you have an answer to that?

8 A I would say they're not telling the truth, and they're  
9 incentivized to not tell the truth.

10 Q And before Mr. Klos -- well, before -- through the year  
11 2020, would you have expected Mr. Klos to flag any potentially  
12 deceptive or potentially unlawful activities or documents to  
13 you?

14 A Yes.

15 Q You met with Mr. Klos, you met with him regularly, didn't  
16 you back then?

17 A Yes.

18 Q Would you have expected Mr. Waterhouse to flag or raise  
19 issues with you if there was anything deceptive or potentially  
20 fraudulent?

21 A Yes.

22 Q And did either of those ever raise any issue to you, or a  
23 red flag with respect to the Shared Services Agreements or  
24 Payroll Reimbursement Agreements?

25 A Not to me, not to the auditors, not to compliance, not to

1 HR, not to anybody.

2 Q Were you surprised when you learned towards the end of  
3 2020 about the overpayments?

4 A Yes.

5 Q Were you angry?

6 A Yeah.

7 Q Why?

8 A Why. This has been a most unusual bankruptcy. Right?

9 You have an initial assessment that after getting rid of a  
10 couple people the first few months, that everybody else is  
11 critical and needs to stay around. And then you work everybody  
12 extremely hard, particularly legal and accountants, to really  
13 do all the work that Pachulski and DSA filed, and take tens of  
14 millions of dollars of fees out. But most of it was prepared  
15 by our guys.

16 And then you get to the second half of '20, and the  
17 decision is made that not only is there not going to be any  
18 kind of key employee retention, but there's going to be an  
19 attack on the employees, and they're not going to get paid  
20 their '18 or '19 bonuses, or amounts for '20 either. And then  
21 some people who were most critical for preserving the estate  
22 get fired for cause. I mean, it's just crazy town.

23 Q But --

24 A So that's the backdrop.

25 Q That's the back drop. So --

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1 A So people were being paid and then --

2 Q Are you aware, sir --

3 A I have --

4 Q Pardon me. Pardon me. Pause.

5 A Sure.

6 Q Are you aware, sir, that during all that time, the  
7 Advisors were actually paying to Highland bonuses for these  
8 employees that didn't get bonuses?

9 A That's right. And so --

10 Q So were you angry about that?

11 A So I was angry we were -- we were overpaying. We were  
12 having to make up rightful compensation to people from other  
13 pockets to just keep people flat. And at the same time, we're  
14 getting overpaid, or we're getting overcharged for the services  
15 we are using from Highland.

16 Q Who are we being overcharged by?

17 A Highland.

18 Q And who was supposed to be monitoring our contracts for  
19 appropriateness before we paid an invoice?

20 A Highland.

21 Q And who has maligned you for the last year and a half in  
22 this court and everywhere else?

23 MR. MORRIS: Objection to the form of the question.

24 This is just --

25 THE COURT: Sustained.

1 BY MR. RUKAVINA:

2 Q We'll move on. You were asked about the I think you said  
3 upwards of about \$10 million of payments to the senior  
4 executives?

5 A Yes.

6 Q And you were asked whether you authorized those, and you  
7 said yes?

8 A Yes.

9 Q Why did you authorize those?

10 A Those were deferred payments that they were due. In any  
11 other bankruptcy in any normal court, they would have been paid  
12 multiples of that.

13 Q Well, whose idea was it to have those payments made?

14 A Whose idea? It was -- it was the employees who were  
15 short-shifted.

16 Q Did they talk to you --

17 A I agree with -- yes. They did.

18 Q Okay. And did they make any representations to you as to  
19 whether such payments would be above-board or not?

20 A We had legal -- like I said, we did check with legal --

21 Q Okay.

22 A -- counsel.

23 Q Well, let's not get too --

24 A Yeah.

25 Q -- far into that. Okay. And you mentioned that you

1 believe that Mr. Surgent or Mr. Waterhouse informed Mr. Seery  
2 of those payments?

3 A Yes.

4 Q And what is the basis of your understanding on that?

5 A They were both having -- at that time, both having  
6 negotiations with Mr. Seery regarding liability, severance, and  
7 potentially staying on with Highland. So I know it was part of  
8 those conversations.

9 Q Were those senior employees the core of your team at  
10 Highland?

11 A Yeah. Part of it, for sure. Yeah.

12 Q Were you concerned about them disbursing to the wind, so  
13 to speak?

14 A Well, I was concerned that they would be treated unfairly,  
15 unprecedented in bankruptcy really, in terms of being deprived  
16 of prior bonuses by an estate that's twice as solvent as its  
17 debts. You know?

18 Q And Isaac Leventon was one of those people. Right?

19 A Yes.

20 Q And without going into a long sob story, did he have some  
21 health issues with his children?

22 A Yeah. He's got a handicapped kid and a wife in a  
23 wheelchair. And somehow they wanted to screw him out of his  
24 '18 and '19 bonuses.

25 MR. MORRIS: I move to strike, Your Honor. This is

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1 just -- this is so irrelevant, and it's so --

2 MR. RUKAVINA: And Mr. Morris opened the door.

3 Mr. Morris opened the door.

4 MR. MORRIS: To what?

5 MR. RUKAVINA: To the \$10 million of bonuses.

6 THE COURT: Okay. Well, that is not the family  
7 situation of Mr. Leventon.

8 MR. RUKAVINA: I'm developing the answers as to why  
9 he authorized those bonuses. Mr. Seery was allowed, Your  
10 Honor, respectfully, to pontificate for a long time. This  
11 gentleman needs to have the ability to tell his story. People  
12 are coming to your court saying that he paid \$10 million under  
13 the table in some nefarious plot to basically have moles and  
14 cheats at Highland. Even though Mr. Surgent is still there, I  
15 remind you. So I'm giving the man a chance to explain why he  
16 authorized that. I'm not allowed to lead, which is why I'm  
17 asking it this way.

18 THE COURT: I'll allow a little more on this topic,  
19 that's it.

20 BY MR. RUKAVINA:

21 Q Did other of these senior executives also have issues such  
22 that they needed money?

23 A Isaac's was the most acute. And --

24 Q But did that form a part of your reasoning for authorizing  
25 the payments?

1 A Yeah, absolutely. But again, they were entitled to it.  
2 They worked hard, they had maximized value in the estate, and  
3 then the professionals in the estate decided to take the  
4 estate.

5 Q Okay. And you mentioned a solvency, and twice the  
6 solvency of the estate and liquidity. What did you mean? And  
7 if you can, explain because you were also asked about whether  
8 Highland was making or losing money in '18 or '19. Explain  
9 what you meant when Mr. Morris was asking you those questions.

10 A The value of Highland estate today is \$650 million. And  
11 it's sitting on 200 million in cash. The Highland estate  
12 really has not changed that much in terms of value. It's  
13 really just gone up over the last two years. Okay? There were  
14 great efforts to hide and deceive the value of, and not  
15 disclose the value of relevant assets. But the value today is  
16 650.

17 Q What was the value in 2018, 2019, to the best of your  
18 recollection?

19 A Probably a low of 500. Maybe 550.

20 Q What prompted the bankruptcy filing?

21 A We one arbitration award that we wanted to term out in  
22 Delaware. We wanted to term it out for -- into a one- or  
23 two- year note. And then that's it. But we had --

24 Q Was there --

25 A We had a settlement with UBS four months, five months

1 before we -- before we filed for \$7 million and 10 million of  
2 future business. And HarbourVest was never really a liability.

3 Q Did Highland file because of solvency issues?

4 A No.

5 Q Did Highland file because of liquidity issues?

6 A No. Well, liquidity issues, we -- we had -- we needed  
7 time to raise the money for the -- we needed time to raise --

8 Q And --

9 A -- the money for the arbitration award.

10 Q And sir, you're aware of certain promissory notes that  
11 various affiliates and you have with Highland? Are you  
12 generally aware of those?

13 A Yes.

14 Q And prior to bankruptcy, on occasion would Highland come  
15 to you and ask that some of those notes be prepaid for  
16 liquidity purposes?

17 A Yes. Often. And we generally did. Yeah.

18 Q Was that the primary way that if Highland needed to have a  
19 pinch in a liquidity issue, it would raise money?

20 A Yes. I think once we were down to 50, 60 million. At one  
21 point they were as high as 90. I think I paid 9 million in  
22 notes in '19. Yeah.

23 Q Well, the point being can you think of why someone would  
24 say that these contracts and the amendments, the 5, 6, and 2.5  
25 million were used to finance Highland if Highland would come to



1 you to prepay notes?

2 A They were incentivized. I have no idea why they would say  
3 that.

4 Q Mr. Seery testified earlier, you weren't here, he  
5 testified about negotiations in the -- now we can't talk about  
6 what happened in mediation. Are you with me there?

7 A Sure.

8 Q But he testified generally that the mediation led to a  
9 couple deals with the creditors. But as far as you and your  
10 businesses, it didn't really go well. Without talking about  
11 what was going on at the mediation, did you participate in  
12 negotiations on a global or plot (phonetic) plan?

13 A Sure.

14 Q Did you participate in those discussions with the  
15 principle creditors, the committee members?

16 A I tried. But the committee members had sold their claims  
17 without telling the Court. And we didn't find that out until  
18 later.

19 Q So in fact, they did file at some point in time notices of  
20 transfer of their claim. Right?

21 A About eight months later.

22 Q What do you know about those transfers?

23 MR. MORRIS: Your Honor, I guess, like, it's his  
24 witness, he can ask. But I'm just going to object on relevance  
25 grounds. What on Earth does anything that he's testified to

1 for the last 20 minutes have to do with overpays?

2 MR. RUKAVINA: Your Honor, Mr. Morris and Mr. Seery  
3 went on at length about how all these were contrived contracts  
4 to suck value out of Highland from their creditors. If you  
5 look at their proposed findings, they're asking you for  
6 findings on that, extraneous findings that will be used in  
7 collateral litigation by the way.

8 So I think that just as that came in, even though I  
9 objected on narrative, I objected on relevance, I think he has  
10 the right for me to put on some evidence to rebut that. Or if  
11 Mr. Morris agrees that all of this is irrelevant, then  
12 Mr. Seery's testimony should be struck in toto.

13 MR. MORRIS: No, number one. Number two, I have  
14 nothing to do with any litigation that's being prosecuted by  
15 Mr. Kirschner. Let me make that very clear to the Court. I  
16 don't communicate with them about what I do. They don't  
17 communicate with me about what they do. Like, I don't know  
18 what he's doing, but this is a waste of time.

19 THE COURT: Okay. Well, I think some of it has been  
20 arguably responsive to Seery testimony. But things like the  
21 claimants sold their claims and didn't disclose it for eight  
22 months, I mean, clearly we're going down irrelevant trails  
23 there.

24 MR. RUKAVINA: Okay. Well, we'll wrap it up.

25 THE COURT: Okay.

1 BY MR. RUKAVINA:

2 Q You mentioned that the assets of Highland are 600 million  
3 today, including 200 mil in cash. What's the debt against  
4 Highland today?

5 A There's just the claims. There's --

6 Q How much? How much in total?

7 A There's 260 million in class eight that were projected to  
8 get 60 cents.

9 Q Just tell me how much in total.

10 A And there's another 85 of class nine. So it was about 370  
11 of claims. There's 650 advance, there's 200 cash on the  
12 balance sheet today. All the claims traded to Fairlawn and  
13 Stonehill (phonetic) for \$155 million. They were happy to buy  
14 them because it was representative they were going to get  
15 three --

16 Q We'll stop --

17 A -- plus others.

18 Q We'll stop there.

19 A Yes.

20 Q We'll stop there.

21 A Okay.

22 Q We'll stop right there. But the point is that to your  
23 understanding, there's more than enough assets at Highland  
24 today to pay all creditors in full?

25 A Yes. And by the way --

Dondero - Cross/Rukavina

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1 Q Let's talk --

2 A -- Highland could have paid the 150 million, retired all  
3 the claims, and given us the keys.

4 Q I understand.

5 A Seery gave the claims to his friends that he used to work  
6 for and with --

7 MR. MORRIS: You know, Your Honor, I'm just moving to  
8 strike. This is ridiculous.

9 THE COURT: Sustained.

10 THE WITNESS: It's all going to be in the trustee  
11 letter.

12 BY MR. RUKAVINA:

13 Q Mr. Dondero, it will all come up --

14 A It's what we were --

15 Q Hold on. Hold on.

16 A We're doing every recusal --

17 Q Please stop. Please stop.

18 A We're doing every --

19 Q Mr. Dondero, please stop.

20 A Okay.

21 Q All this will come out --

22 A Okay.

23 MR. RUKAVINA: -- into the light at the appropriate  
24 time. Thank you, Your Honor. I'll pass the witness.

25 THE COURT: Okay. Redirect?

Dondero - Redirect

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1 REDIRECT EXAMINATION

2 BY MR. MORRIS:

3 Q You're really angry, aren't you? You're really, really  
4 angry, aren't you?

5 A No. I'm trying to weigh the what should have been a  
6 normal bankruptcy and it's turned into a financial mugging. We  
7 had 50 million. Your firm was going to make 100 million.

8 Q I work pretty hard.

9 A Not enough.

10 MR. RUKAVINA: This is ridiculous, Your Honor. He's  
11 taunting my witness. I mean, you're really, really angry.  
12 This is badgering, Your Honor. This has gone the point of  
13 professionalism.

14 THE COURT: Okay. Sustained.

15 BY MR. MORRIS:

16 Q Frank Waterhouse told you about the overpayments?

17 A That's my --

18 Q That's how you learned. Right?

19 A That's my recollection.

20 Q Frank told you. Right?

21 A That's my recollection.

22 Q And when did he tell you?

23 A November, December.

24 Q He actually told you after December 8th, 2020. Correct?

25 A That's my recollection, yes.

1 Q Okay. Take a look in the Advisor's binder, Exhibit Q.

2 A Exhibit which one?

3 Q Q. Do you see that's an email from Dave Klos to Frank  
4 Waterhouse?

5 A Yes.

6 Q And attached to it is the analysis that purports to show  
7 the overpayment?

8 A Yes.

9 Q So would you agree with me that you learned from  
10 Mr. Waterhouse about the overpayment on or after  
11 December 8th, 2020?

12 A No.

13 Q No? Even though Mr. Waterhouse is just receiving the  
14 analysis as of this time?

15 A You're assuming this is the first analysis that was done,  
16 and this is the first time Frank knew. I don't know those  
17 things. My recollection is November, December.

18 Q So it's possible that it was on or after December 8th.  
19 It's at least possible, right, that it's December.

20 A I don't want to speculate.

21 Q What did he tell you?

22 A That we had been over billed for people that no longer  
23 worked at the company.

24 Q Did he tell you when he learned that these people no  
25 longer worked at the company?

1 A No.

2 Q Did he share that analysis with you?

3 A No. Not that I recall. I don't remember seeing that  
4 before.

5 Q Had you ever learned of this analysis?

6 A I know that detailed analyses were prepared. I just -- I  
7 just don't recall receiving that one.

8 Q Did you speak with Mr. Waterhouse on the phone or in  
9 person, or by email? How did he tell you? Do you recall?

10 A I don't remember.

11 Q Do you recall if anybody else was present when he told  
12 you?

13 A I don't recall.

14 Q And is it your understanding that the basis for the  
15 overpayment is that the Advisors were being charged for  
16 employees who were no longer on the list that was attached to  
17 the agreement?

18 A Yeah, I think that was the bulk of it. And then probably  
19 percentages changed also.

20 Q Okay. Do you know how many people on the list were  
21 terminated before the petition date?

22 A No.

23 Q Do you know -- so you were in control of both Highland and  
24 the Advisors from January 1st, 2018 until the end of 2019.

25 Correct?

1 A Yes.

2 Q And Mr. Waterhouse was responsible during that period for  
3 overseeing the administration of the Advisors' contracts. Is  
4 that right?

5 A Yes.

6 Q And it's your -- the reason why you're so mad is because  
7 the Advisors were paying for employees who were on that list  
8 who had been terminated. Is that right?

9 A No. I'm mad because Seery's trying to steal the company  
10 for his friends.

11 Q Listen. You're mad because -- I just want to focus on the  
12 overpayments, okay? On the overpayments, you're mad because  
13 Highland has charged the Advisors for employees that you  
14 believe they shouldn't be doing because they've been  
15 terminated. Right?

16 A I answered this question already. I was potentially angry  
17 with the overpayments because the debtor decided not to pay  
18 bonuses for people for '18 and '19, decided not to pay any  
19 bonuses for senior people, and then rough handled and sued  
20 hardworking employees that did most of your work out the door.

21 Q Can you open your exhibit binder please, sir, to Exhibit  
22 14? And go to Page 12 of 18.

23 A Page 12 of 18?

24 Q Yes.

25 A Exhibit 18?



1 Q It's Exhibit 14, Page 12 of 18.

2 A Exhibit 14. Page 12, yes.

3 Q Okay. Do you see there's a list of people there, and it  
4 continues to the top of the next page with Scott Wilson?

5 A Sure.

6 Q Okay. Are you familiar with the concept of dual  
7 employees?

8 A Yes.

9 Q And do you understand that the dual employees were listed  
10 on the exhibits attached to the payroll reimbursement  
11 agreement?

12 A If that's what it says. I'm not -- I know what dual  
13 employees are. I don't know how this contract worked.

14 Q Okay. Do you see -- so you don't know how the contract  
15 worked? But yet you think that there's overpayments. Right?

16 A I know generally how it works. I don't know specifically  
17 on dual employees. But there are people who are allocated and  
18 it's based on generally a percentage of time.

19 Q Okay. So I just want to really get your understanding and  
20 to the heart of your allegation that there's an overpayment  
21 here. Do you see that the interrogatory asked, and I'll  
22 represent to you that these are interrogatories that were  
23 answered by the Advisors. Okay?

24 We asked identify the date you believe each form of dual  
25 employee identified on the exhibits to the Payroll

1 Reimbursement Agreements departed the debtor. And do you see  
2 that they've listed each of the dual employees with the dates  
3 of departure?

4 A Yes.

5 Q Okay. And do you see for example that -- I want to pick  
6 the right one here -- Michael Phillips (phonetic). Do you see  
7 Michael Phillips was terminated in February 20, 2018?

8 A I don't know if he was terminated. But yeah, that's the  
9 date. Right?

10 Q That's the date he left. Right?

11 A Yes.

12 Q And that's the date the Advisors admit knowing that he  
13 left. Right?

14 A It appears so, yes.

15 Q And if you look at interrogatory number four on the next  
16 page, it says the Advisors were generally aware of the  
17 employee's terminations and departures as they occurred. Okay?  
18 So would you agree with me that the Advisors were generally  
19 aware of Michael Phillips' departure on February 20th, 2018?

20 A Yes.

21 Q And is it your testimony that if the Advisors paid for  
22 Mr. Phillips in March of 2018 there was an overpayment? Is  
23 that the overpayment you're talking about that they shouldn't  
24 have paid for Mr. Phillips in March because he had been  
25 terminated?

1 A I assume this is the last day that they were getting paid.  
2 Right? So I don't want to quibble on whether this was their  
3 exit date and they got paid for severance or something else.  
4 But I think what the overpayment is is that most of these  
5 people were continuing to be factored into the number nine,  
6 ten, twelve months later.

7 Q They were factored into the number for every single month  
8 in 2018 and 2019 when you were in control of the entities. Are  
9 you aware of that?

10 A But then there should have been a true-up.

11 Q And Frank Waterhouse was responsible for that. Correct?

12 A Him and his group, yeah. There should have been a true-  
13 up. Correct.

14 Q And do you know if a true-up was required by the contract?

15 A There always is in living, breathing contracts.

16 Q Let's turn to the contract and you point me to the  
17 provision where you believe that there's an obligation --

18 MR. RUKAVINA: Your Honor, this is nonsense. He's  
19 said that he's never read these contracts, that he has no  
20 personal knowledge. He's badgering and it leads to legal  
21 conclusions.

22 MR. MORRIS: Your Honor, he is testifying that he  
23 believes that there is a contractual obligation to do a true-  
24 up. If he wants to say that I'm not aware of anything but I  
25 just assumed that one would happen, I'm happy to live with

1 that. If that's --

2 THE WITNESS: I'm not aware, but I assume there would  
3 be a true-up.

4 BY MR. MORRIS:

5 Q Okay. So you assumed that there would be a true-up.  
6 Right?

7 A Yes.

8 Q Did anybody ever tell you there was a true-up?

9 A I would assume there would be a true-up. No one told me  
10 until November, December of '20.

11 Q Okay. Did you ever ask anybody at the end of 2018 if  
12 there was a true-up?

13 A No, I never asked.

14 Q Did anybody tell you at the end of 2018 that there was a  
15 true-up?

16 A I don't know if it was material. It might have been just  
17 this one kid that left. I have no idea.

18 Q We can look at the whole list if you want to do that.  
19 Okay?

20 A No. But I don't know. And no one told me there was a  
21 true-up.

22 Q That's my only question.

23 A Or no one told me there wasn't, either. I'm not aware.

24 Q Okay. So you didn't ask if there was a true-up, and  
25 nobody told you there was a true-up at the end of 2018.

1 Correct?

2 A Correct.

3 Q You didn't ask if there was a true-up, and nobody told you  
4 that there was a true-up at the end of 2019. Correct?

5 A I don't know.

6 Q Okay. In fact, you have no knowledge that there was ever  
7 a true-up of any kind done with respect to the payroll  
8 reimbursement agreements. Correct?

9 A I don't know. I don't know if it was material. You guys  
10 were both implying a few minutes ago that there was a two and a  
11 half million dollar true-up one year, an additional payment for  
12 something.

13 Q Let --

14 A So, but I don't know the specifics. All I know is when  
15 they alerted me at the end of 2020 that oh my God, we've been  
16 overpaying, it's not reconciled, they're not cutting back the  
17 payment, they had an expectation in the way they told me such  
18 that I'd stop paying because we were paying over. They had an  
19 expectation that there was some kind of true-up or they  
20 wouldn't have told it to me to get a stop paying this  
21 immediately out of me --

22 Q Who's they?

23 A -- which is what happened.

24 Q Who's they?

25 A Frank.

Norris - Direct

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1 Q Frank is they?

2 A Yeah, Frank is they. Yeah.

3 Q And did Frank tell you that the way that the methodology  
4 for his decision that there was an overpayment was to say that  
5 we were paying for employees who were no longer at Highland?

6 A We were overpaying based on the contract, based on largely  
7 people weren't there. Now whether or not we were also paying  
8 for people who the percentage was wrong, I don't know. But he  
9 -- he expressed it with Umbridge (phonetic), and with Awe  
10 (phonetic). Umbridge and Awe and that's where --

11 Q Umbridge --

12 A -- that's where we stopped paying.

13 Q Okay. And -- but is it fair to say at least your  
14 understanding is that the bulk of the claim is that you were  
15 paying for employees who were no longer employed at Highland?  
16 Is that basically it?

17 A My understanding is largely that.

18 MR. MORRIS: Okay. No further questions, Your Honor.

19 THE COURT: Recross?

20 MR. RUKAVINA: I have no follow up, Your Honor.

21 THE COURT: All right. You're excused from the  
22 witness stand, Mr. Dondero.

23 THE WITNESS: Thank you.

24 (Witness excused)

25 THE COURT: All right. Shall we take a break and

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1 then --

2 MR. MORRIS: Yes, Your Honor. Yes.

3 THE COURT: Let's take a ten-minute break, please.

4 (Recess at 2:58 p.m./Reconvened at 3:09 p.m.)

5 THE CLERK: All rise.

6 THE COURT: Please be seated. We're back on the

7 record in Highland.

8 Mr. Morris, what do you have?

9 MR. MORRIS: Last witness.

10 THE COURT: Okay.

11 MR. MORRIS: Mr. Norris. I just need a second to  
12 find my questions.

13 THE COURT: Okay, we'll go ahead and get Mr. Norris  
14 up here and sworn in.

15 Please raise your right hand.

16 DUSTIN NORRIS, PLAINTIFF'S WITNESS, SWORN

17 THE COURT: All right. Please be seated.

18 DIRECT EXAMINATION

19 BY MR. MORRIS:

20 Q Good afternoon, Mr. Norris.

21 A Good afternoon.

22 Q You've been here for the last couple of days. Right?

23 A I have.

24 Q I hope this is a little bit more low-key than the last  
25 witness.

Norris - Direct

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1 A I hope so, too.

2 Q Okay. I don't expect this examination to be particularly  
3 lengthy. So I would just ask you to listen carefully to my  
4 questions. Do the best you can to -- to answer them.

5 From 2000 and -- are you -- are you currently employed by  
6 either of the Advisors?

7 A I'm employed by NexPoint Advisors.

8 Q And what's your title today?

9 A The title of the -- my operating title is Head of  
10 Distribution and Chief Product Strategist.

11 Q Okay. And do you have a roll with HCMFA?

12 A I am an officer of HCMFA.

13 Q And do you have a title?

14 A Yes. Executive Vice-President.

15 Q Okay. And were you affiliated with those two entities as  
16 of January 1st, 2018?

17 A I was.

18 Q And in what capacity did you serve for NexPoint as of  
19 January 1st, 2018?

20 A The same capacity as I serve today.

21 Q And did you serve in the same capacity for HCMFA as of  
22 that time?

23 A I believe so, yes.

24 Q Okay. So your role hasn't changed; your titles haven't  
25 changed in the three or four years since 2018. Is that fair?



Norris - Direct

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1 A I don't believe so.

2 Q Okay. You didn't -- you've listened to the testimony in  
3 this trial so far?

4 A I have.

5 Q Okay. I'm just asking that question to try to speed this  
6 up a little bit.

7 You're aware that in late 2017 through May of 2018, there  
8 were a number of new contracts and changes made in the way that  
9 the Advisors compensated Highland for services. Is that right?

10 A Yes. I'm aware.

11 Q Okay. But you didn't personally participate in any of the  
12 discussions during that time period about the changes that were  
13 made and the methods and amounts that were going to be paid for  
14 services. Fair?

15 A No. I did not participate.

16 Q Okay. And you played no role in formulating, drafting, or  
17 administering the sub-advisory agreements that were prepared  
18 for NexPoint and HCMFA in March of 2018. Correct?

19 A Correct.

20 Q In fact, were you even aware that sub-advisory agreements  
21 were prepared for those two entities at that time?

22 A I don't remember being involved or having any -- any  
23 awareness.

24 Q Okay.

25 A At that time.

Norris - Direct

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1 Q Okay. And you played no role in the replacement of those  
2 sub-advisory agreements with the payroll reimbursement  
3 agreements as of May 1st, 2018. Right?

4 A I -- I played no role.

5 Q So you didn't -- you didn't participate in discussions  
6 about what that document was intended to do. Correct?

7 A That's correct.

8 Q And you didn't participate in any review of the language  
9 that was going to be used in the document. Correct?

10 A Correct.

11 Q And you didn't review Exhibit -- the Exhibits A that I  
12 think you're familiar with, that were attached to those  
13 agreements. Correct?

14 A Not at that time.

15 Q And you had no basis of knowing whether the allocations  
16 that were used as of May 28th -- as of January 1st 2018 were  
17 accurate in any way. Right?

18 A Well, based on my working knowledge and my interaction  
19 with employees at HCMLP and the Advisors, I can see the  
20 allocations and have assumption on the reasonableness. But I  
21 was not involved at that time in assessing the reasonableness.

22 Q When did you learn that Exhibit -- Exhibits A existed?

23 A Over -- I don't remember exactly.

24 Q Do you remember what year it was?

25 A Probably '19 or '20.

Norris - Direct

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1 Q Okay. And do you know -- kind of --

2 A Maybe '18. It was sometime after it was drafted.

3 Q Okay.

4 A And signed.

5 Q All right. So we've used the definition called "relevant  
6 time period" to mean from January 1st, 2018 until the end of  
7 2020. Okay. Is that fair?

8 A Yes.

9 Q Okay. Do you remember at all where within the relevant  
10 time period you first learned that these Exhibit As existed?

11 A I don't remember the exact time, no.

12 Q Do you remember if it was before or after the bankruptcy?

13 A I don't remember.

14 Q Do you remember if it was before or after the Independent  
15 Board was appointed?

16 A I don't remember.

17 Q Okay. Did you form an understanding at some point -- no,  
18 withdrawn. We'll get there.

19 So you didn't participate in any discussions at any time  
20 in the spring of 2018 about what the Payroll Reimbursement  
21 Agreements were intended to accomplish. Correct?

22 A I did not.

23 Q And you didn't play -- are you aware that NexPoint entered  
24 into a new Shared Services Agreement as of January 1st, 2018?

25 A At that time was I aware --

Norris - Direct

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1 Q Yes.

2 A -- or am I aware now?

3 Q Were you aware at the time?

4 A I was not.

5 Q And you didn't play any role in the drafting, in the  
6 formulation, or the administration of the NexPoint Shared  
7 Services Agreement. Correct?

8 A No, I did not.

9 Q And even though it wasn't signed at that time, you played  
10 no role in the drafting or the formulation or the  
11 administration of the HCMFA Shared Services Agreement.  
12 Correct?

13 A That's correct.

14 Q Okay. Do you know now that there were amendments to the  
15 Payroll Reimbursement Agreements at the end of 2018?

16 A I do.

17 Q You didn't play any role in drafting, or administering, or  
18 making any decisions in connection with those amendments.  
19 Correct?

20 A No. I have no personal knowledge.

21 Q And so you have no personal knowledge as to how those  
22 amounts were calculated. Correct?

23 A Correct.

24 Q You have no personal knowledge that any true-up was done  
25 that formed the basis of the numbers in those amendments.

Norris - Direct

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1 Correct?

2 A At that time, no. But I was told there was a true-up that  
3 was done.

4 Q Okay. But you have no personal knowledge that a true-up  
5 was done. Right? Somebody told you that?

6 A Somebody told me there was a true-up, yes.

7 Q And who told you that?

8 A Mr. Klos.

9 Q And when did Mr. Klos tell you that?

10 A December -- December 2020.

11 Q So you were speaking with Mr. Klos --

12 A Uh-huh.

13 Q -- in December 2020. And it's your testimony that he said  
14 that the amendments that were done in 2018 were the result of a  
15 true-up?

16 A He didn't tell me about the amendments. He told me that a  
17 true-up had been done in 2018, but we didn't discuss the  
18 specific amendments.

19 Q Okay. Do you have an understanding of what a true-up is  
20 in that context?

21 A I do.

22 Q And what's your understanding of what a true-up is?

23 A Well, based on the conversation we were having, which was  
24 around the actual payments and the employees that were on  
25 Schedule A, all right, we saw the emails earlier that Mr. --

Norris - Direct

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1 Mr. Klos discussed.

2 We were talking about those overpayments. And as we were  
3 -- you know, Mr. Sauter and I were trying to discover what had  
4 actually happened. He told us there was a true-up done in  
5 2018. There was no similar true-up done in 2019 or 2020  
6 because of the bankruptcy filing in October 2019.

7 Q Okay. Are you aware that as of the date of the  
8 amendments, I think the number is nine of the employees, the  
9 dual employees on the Exhibit A were terminated?

10 A I'm aware that there are employees that as of that date  
11 that have been terminated.

12 Q Can you tell Judge Jernigan why you believe that with the  
13 loss of approximately a third of the dual employees why you  
14 think a true-up would result not in the diminution in the  
15 amounts owed, but an increase by \$2.5 million in amounts owed;  
16 how does that make sense?

17 A Yeah, I don't have any personal knowledge, as I mentioned  
18 on what the calculations, how they were done, what went into  
19 it. I would just be speculating if I said here is how or why.  
20 I know Mr. Klos testified that percentages aren't of time spent  
21 aren't perfect.

22 There could be compensation. Right. That one person  
23 received due to Fund performance. Again, I'm -- I would be  
24 speculating. I don't know.

25 Q So it's possible that even though employees left, that

Norris - Direct

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1 Highland would be entitled to even more money if the people who  
2 remained pick up the slack. Is that fair? And got paid more.  
3 That's possible. Right? That's what he told you.

4 A Do you want to repeat the question?

5 Q You want to repeat the question?

6 A He told you, if I understand you correctly, that even  
7 though almost a third of the employees left, Highland was still  
8 entitled to get millions of dollars more money because the  
9 services that had been provided by those dual employees, were  
10 just picked up by other people?

11 A No.

12 He didn't tell me that. He said a true-up was done. He did  
13 say it resulted in a slight payment to Highland. But he didn't  
14 go into any of the calculations or the why.

15 Q Okay. But you do understand that more than -- that  
16 approximately a third of the employees had been terminated  
17 before this -- these amendments were entered into. Correct?

18 A I'd have to see the specific names, but there were a  
19 number of them had been terminated, yes.

20 Q Okay. And even though the number of employees went down,  
21 the payments went up by \$2.5 million. Correct?

22 A I have no reason to question the amendments or the wording  
23 in the amendments.

24 Q Okay. You had access to headcount information at all  
25 times. Correct?

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1 A Not at all times, but I would receive a monthly report  
2 that's been shown in the emails.

3 Q And we looked at that, and you got that headcount report  
4 every single month for the three year period that we're talking  
5 about. Right?

6 A I believe so. And I don't know for sure that I -- when I  
7 was added, I was added at some point over the last few years,  
8 but I did receive it.

9 Q We're certainly not going to look at every one of them.  
10 Let's see if --

11 A If you go to January 2018, that's probably the quickest  
12 way to rule it out. Because I never got removed once I was  
13 added.

14 MR. MORRIS: Just one moment, Your Honor. I  
15 apologize.

16 THE WITNESS: Is there an exhibit I should be looking  
17 at?

18 MR. MORRIS: Not yet.

19 THE WITNESS: Okay.

20 BY MR. MORRIS:

21 Q So if you can go to Exhibit 88. Do you see that this is  
22 the headcount report that was delivered on February 1st for the  
23 month of January 2018?

24 A It is.

25 Q And your name is on it. Right?



Norris - Direct

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1 A It is.

2 Q And so your understanding is that for every month covering  
3 the headcount report, from January 2018 until the end of 2020,  
4 those are headcount reports that would have been delivered to  
5 you. Right?

6 A That's correct.

7 Q So you're not sure when you learned of the existence of  
8 Exhibit As, but whenever that was, you could have figured out  
9 yourself, who on Exhibit A was no longer employed at Highland.  
10 Right?

11 A Absolutely.

12 And -- but the key assumption was that we were reimbursing  
13 for only employees that were still employed. And that was  
14 always my expectation, once I learned about Exhibit A.

15 Q Did you talk about that with Frank?

16 A What part?

17 Q Did you tell Frank -- when did you develop that  
18 expectation? In December 2020?

19 A No.

20 At some point between the actual creation of the  
21 agreement, when I first saw it, and understood it was a payroll  
22 reimbursement agreement. And there was an exhibit that had  
23 percentage allocation of employees that were one, serving as  
24 dual employees, and two, providing investment advisory  
25 services. That was the actual purpose of the agreement, right,

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1 was for reimbursement.

2 Q Did you ask Frank, Frank, how come you kept paying the  
3 money when all these people left.

4 A I did.

5 Q What did he say?

6 A He told me there was nothing he could do because of the  
7 automatic stay. He and Dave Klos were in a meeting. That was  
8 the first time I had heard the word automatic stay.

9 Q Uh-huh.

10 A And that he had brought it. They -- they had  
11 calculations. And that he had brought it to the attention of  
12 DSI. And the told him -- and he said inside and outside  
13 counsel. And there was nothing he could do because of the  
14 automatic stay.

15 Q He did not say outside counsel.

16 A He did. Well, I should say in his December -- in our  
17 December meeting he said counsel. We talked again over  
18 multiple times. And at the end of January on a call, he said  
19 inside and outside counsel.

20 Q January of 2021?

21 A Yes, I --

22 Q Did you hear him testify yesterday that he never told me  
23 or anybody in my firm?

24 A I did, yes.

25 Q So -- so maybe you misheard him?

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1 A I may have misheard him, but I --

2 Q Okay.

3 A -- I -- I did take -- after that call I did take notes.

4 And I wrote down inside and outside counsel. I could have mis-  
5 remembered. But I had written that down.

6 Q Did you ask him why he didn't make any change from January  
7 18 until the petition date?

8 A January 18th of which --

9 Q Let me restate the question. Did you say hey, Frank,  
10 okay, you've given me your answer after DSI comes along. But  
11 what about the two years before that? Why didn't you make any  
12 adjustments for the two years before that, when nobody ever  
13 heard of Fred Caruso or Jim Seery.

14 A Yeah.

15 They told me there was a true-up done in December of 2018.  
16 And then I actually was trying to figure out, make any sense of  
17 the fact that there were employees had been -- many of them,  
18 like 20 employees that were no longer there. And so discussing  
19 this with Dave and Frank, I -- I realized and learned from them  
20 they were in a tough situation. Why didn't they do anything.  
21 Well, when they told me, it made sense. They said December  
22 2018 there was an annual true-up.

23 Fast forward to the bankruptcy filing in October 2019 and  
24 to this point I wasn't really involved in all of the bankruptcy  
25 time lines or process. I'm separately running my business. So

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1 they tell me that okay, October it was filed. There was put in  
2 place something they couldn't change in the agreements.  
3 Because of the automatic stay.

4 Again, I'm not an attorney. It's the first time I'm  
5 learning of the bankruptcy law. But in 2019 there was no true-  
6 up done. Nor in 2020. Right. So there was something done,  
7 and it would have been done at the end of '19 and '20, had  
8 there not been a bankruptcy in place.

9 So -- and to me -- and the reason I remember that  
10 specifically is a light bulb went off to me and said that makes  
11 sense. Okay. They were trying to do what was right. They  
12 understood it. They would have made a true-up or an  
13 adjustment. Whatever you want to call it for the proper people  
14 that were serving under these agreement.

15 But they were told that they couldn't. And at that point  
16 we had to, you know, go our way of actually filing an admin  
17 claim for that.

18 Q Did you hear Frank Waterhouse testify yesterday that he's  
19 not aware of any true-up?

20 A I don't remember specifically. But it was David Klos that  
21 told me about the true-up. Told me and Mr. Sauter.

22 Q Did you hear him testify yesterday that there was no  
23 analysis of any kind done to support the \$2.5 million?

24 A I don't know if he said he didn't -- there wasn't an  
25 analysis, or if he said he didn't recall. Because I know a lot

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1 during that he didn't recall.

2 Q He actually said that Jim Dondero said the number. Does  
3 that refresh your recollection?

4 MR. RUKAVINA: Your Honor.

5 THE WITNESS: I think that was Mr. Klos.

6 MR. RUKAVINA: Your Honor, I'm --

7 BY MR. MORRIS:

8 Q That -- that is who I'm talking about.

9 A You said Mr. Waterhouse.

10 Q Oh, I apologize.

11 A Did he not?

12 MR. RUKAVINA: Yes, he did.

13 THE WITNESS: Okay, sorry.

14 MR. MORRIS: Okay. Thank you.

15 THE COURT: Let's ask again and make sure we're  
16 clear.

17 MR. MORRIS: Sure.

18 BY MR. MORRIS:

19 Q Okay, so it's your testimony that -- was it just Mr. Klos  
20 or was it Mr. Klos and Mr. Waterhouse who told you that there  
21 was a true-up at the end of 2018?

22 A Mr. -- it came from Mr. Klos. I believe Mr. Waterhouse  
23 was there. Mr. Sauter, as well was told, along with me. By  
24 Mr. Klos.

25 Q Okay. You did a damage calculation for purposes of this

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1 case. Right?

2 A I did.

3 Q And what you did is you took the amounts paid and reduced  
4 it by --

5 MR. RUKAVINA: Your Honor, let me just object now.

6 Are you going to agree to the admission of the damage  
7 calculation?

8 MR. MORRIS: Sure, I'll agree.

9 MR. RUKAVINA: Okay. Your Honor, that's going to be  
10 -- Thomas is that H and I? It is what it is. Your Honor, it's  
11 Exhibit G is the PDF printout. That's the one we had the  
12 stipulation on yesterday about the math. Is that right?

13 MR. MORRIS: Yes.

14 MR. RUKAVINA: And then the electronic version is H.  
15 Is H. So I'll move to admit G and H.

16 THE COURT: And you agree to it?

17 MR. MORRIS: Yeah.

18 THE COURT: Okay, they're admitted.

19 (Defendants' Exhibits G and H admitted into evidence.)

20 BY MR. MORRIS:

21 Q There's no expertise. There's no special skill that you  
22 brought to that analysis. Right?

23 A It's simple math.

24 Q It's simple math. Right? And I think that's what you  
25 told me in the deposition. All you did was you took the money

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1 that was paid, and you reduced it by the compensation for the  
2 dual employees who were terminated. Fair?

3 A I -- I took month by month the employees that were  
4 employed.

5 Q Uh-huh.

6 A And their total compensation multiplied by the allocation  
7 percentages. And as employees dropped off, so did the  
8 compensation.

9 Q Okay. And once --

10 A Or the reimbursement, I would say.

11 Q And once you had the data, how long does it take you to  
12 run them all?

13 A If I -- say if I wanted to change assumptions?

14 Q Sure.

15 A You could do it fairly easily if you know Excel.

16 Q Five minutes?

17 A To make sure that it's accurate, maybe longer. I mean it  
18 --

19 Q Maybe ten.

20 A Not -- again, the math part is easy.

21 Q Okay.

22 A It's --

23 Q And so is there any reason that anybody on behalf of the  
24 advisors, couldn't have done that analysis on February 1st,  
25 2018 to take into account the employee who left in January of

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1 2018? Any reason at all that they couldn't have done it then?

2 A We had relied and outsourced that to Highland.

3 Q Okay.

4 Okay. And the person who would have overseen what you  
5 assumed would have happened -- right? Because you assumed that  
6 Highland was making these changes. Right?

7 That's your testimony. Your testimony is that you sat  
8 back for three years and you assumed Highland was only charging  
9 what you thought they should charge. Right?

10 A Yeah.

11 And a key component of that -- if there's payroll data  
12 involved, we didn't have access to that. There was a very  
13 limited number of people. Highland employees only. That's an  
14 important component of this. So yeah, we had relied on  
15 Highland. We didn't have an accounting function.

16 Why was I -- I say it's simple math. I had to create the  
17 spreadsheet. I'm a CPA. I worked at a big four accounting  
18 firm. I worked in Highland's back office when I started as a  
19 fund accountant. I managed. I was a senior accounting  
20 manager.

21 Q You have-huh.

22 A So -- so but that was -- ended in 2013. So there's a  
23 number of Excel skills. We didn't maintain that. I shifted  
24 roles. Focused more on the growth and marketing. But we -- we  
25 outsourced those functions to Highland.



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1 Q How long did it take you to create the model? A day or  
2 two? Less? Once you had the data.

3 A Yeah, it was just a couple few days.

4 Q So why didn't the advisors just create a contract that said  
5 every time a dual employee left, let's just reduce the amount  
6 that's paid by their compensation, in real time? You could  
7 have created the model, and in five minutes, instead of doing  
8 this true-up at the end of the year, why didn't they do that?

9 A The people that helped create the contract were Highland  
10 employees. The ones that knew about the calculations. The  
11 ones that had access to the data. We didn't have a separate  
12 team saying well, let's shadow everything that Highland is  
13 doing, for contracts. That is what they were doing. That was  
14 their function.

15 Q And they all reported to Frank Waterhouse. Correct?

16 A Yes.

17 Q Can you identify one person who you assumed would be  
18 administering the contract, who didn't report to Frank  
19 Waterhouse?

20 A No.

21 Q Thank you.

22 MR. MORRIS: I have no further questions, Your Honor.

23 THE COURT: All right. Pass the witness.

24 CROSS EXAMINATION

25 BY MR. RUKAVINA:

1 Q This might be a bit, so if you need some water, let me  
2 know.

3 A I got -- I still have some. Thank you.

4 Q So I think Mr. Morris has gone through some of these  
5 issues. But do tell the Judge, please about your educational  
6 background. On a high level.

7 A Yeah, I have a master's degree in accounting from Brigham  
8 Young University and a bachelor's degree in accounting and I  
9 have a CPA license.

10 Q Okay. Any other professional licenses?

11 A Yeah, I have a FINRA Series 7, 63 and 24 licenses.

12 Q How old are you?

13 A 38 years old.

14 Q Have you ever been disciplined professionally with respect  
15 to any of these licenses?

16 A Never.

17 Q Okay. Are you a family man?

18 A I am.

19 Q Are you a religious man?

20 A I am.

21 Q Do you swear?

22 A I don't.

23 Q Do you drink?

24 A I never have.

25 Q Any trouble with the law?

1 A No.

2 Q When did you first join Highland?

3 A 2010, June of 2010.

4 Q Before that you mentioned you were with some other  
5 accounting --

6 A I was at Deloitte and Touche.

7 Q What did you do there?

8 A I was an auditor, an outside auditor, auditing large  
9 corporations.

10 Q And when you joined Highland, what was your role?

11 A I was a fund accountant in the Hedge Fund and Private  
12 Equity Fund Accounting Group.

13 Q And tell me about your progression at Highland and how you  
14 ended up coming to the Advisors and when? Again, at a high  
15 level.

16 A Yeah. So when I joined Highland, I started out overseeing  
17 accounting and operations, cash management for several of the  
18 large hedge funds, private equity funds, and separate accounts.  
19 Worked there for two years, got great training, and was given  
20 the opportunity to then manage for our retail complex, the  
21 accounting and operations team.

22 So I moved employers to Highland Capital Management Fund  
23 Advisors around July of 2012. At that time Highland HCMLP, the  
24 hedge fund side of the business or institutional had a separate  
25 accounting and operations team than the retail side. And so I

1 moved over and I was managing accounting, operations, trade  
2 settlement, cash management, as well as the broader accounting  
3 functions for about 22 mutual fund and closed-end funds.

4 I did that for a little while and then transitioned into  
5 what we call product strategy or product development. So  
6 developing new funds, merging funds, acquiring funds, launching  
7 training sales people and, at that time, somewhat transitioned  
8 the services from our retail funds to the Highland's back  
9 office, merging those in. And my employees moved over, and  
10 became employed by HCMLP, as well.

11 So, yeah, I have had experience in several different parts  
12 of the business. Then from there I -- I worked on our  
13 closed-end funds and continued to manage, became director of  
14 product strategy, and then chief product strategist, and then  
15 took over our sales team and became the president or  
16 broker/dealer managing all of the marketing and relationship  
17 management --

18 Q This is still while at Highland?

19 A -- inside sales. This is all at Highland Capital  
20 Management Fund Advisors/NexPoint.

21 Q Okay.

22 A From 2012 until the present day.

23 Q Okay. And in those ten years, I take it, you've  
24 interacted with Highland Capital Management LLP, repeatedly?

25 A Yes, extensive.

1 Q At a high level in '18, '19, '20, what did the debtor do?  
2 What was the debtor's business?

3 A '18, '19 and '20? The debtor's business?

4 Q Yes.

5 A Largely -- obviously, they had a services business where  
6 they provided shared services. But that was a function of,  
7 they were providing it for various advisory entities. They  
8 managed assets, largely credit, private equity, some at-public  
9 equities and included providing services to our advisors.

10 Q And in that same time frame, '18, '19 and '20, what did  
11 the advisors do? I mean what was their core business and did  
12 it change at all over that time?

13 A Yeah.

14 So when I moved over to the advisors in 2012, we were  
15 largely focused on public equities and credit, which was a  
16 specialty of Highland. And so we relied heavily on those  
17 services from a back-office and front-office perspective over  
18 the coming years.

19 But we started -- in -- in 2012 our advisors had almost no  
20 real estate assets. And as we shifted from 2012 into '15 to  
21 '18, the real estate business grew significantly. And so we  
22 just started developing a real estate business in-house. Our  
23 investment professionals.

24 And if you look at the assets today, approximately maybe  
25 three-quarters are real estate assets. Where less than a

1 quarter are credit and equity and private equity.

2 Q And on that point, you heard Mr. Powell, and we talked  
3 about the retail board some this morning, the \$3 billion. Did  
4 you hear all that?

5 A I did.

6 Q Generally, what percentage of either the advisor's  
7 business or assets under management, whatever the appropriate  
8 metric is --

9 A Uh-huh.

10 Q -- you tell us. How much of that whole pie do those  
11 retail funds represent?

12 A Yeah.

13 So we today, NexPoint Advisors and HCMFA manage  
14 approximately \$11 billion in assets. And the retail funds as  
15 Ethan testified are approximately 3 billion. So less than 30  
16 percent.

17 Q Would that also be fair to say that that's about how much  
18 of your internal time -- the Advisors time an employee is?  
19 Servicing the funds is 25 or 30 percent? Or would the fraction  
20 be different?

21 A Meaning the Advisor employees?

22 Q Yes.

23 A It depends.

24 There's some of them that spend 100 percent in non-retail  
25 products. But a number of people do spend -- maybe it's an

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1 approximate amount of time, yeah. So we have you know publicly  
2 listed reads; we have private reads; we have 1031 exchange  
3 vehicles. So there's -- there's a lot of other businesses  
4 outside of that.

5 Q You know, we've heard talk about so-called front office.  
6 How do you, in your mind define or how do you understand front-  
7 office personnel to mean or to be?

8 A Yeah. So it is someone providing investment advisory  
9 services.

10 Q Are the front-office employees different back ten years  
11 ago when the Advisors were doing more debt and equity than they  
12 would be today, when they're doing more real estate?

13 A Actual employees at the Advisors?

14 Q Or -- of the actual professionals that would be providing  
15 those front-office services.

16 A Yes.

17 Historically we did rely a lot more on Highland. Right.  
18 Given their credit expertise. Given the assets that we  
19 managed. And that's part of the, you know, payroll  
20 reimbursement agreements.

21 Today, you know, from call it maybe 2018 to today, we've  
22 gone from maybe 5 NexPoint, for example, investment  
23 professionals to around 25. And that has been -- and those are  
24 almost all real estate focused individuals.

25 Q So let's zero in on that. Turn to Exhibit A. That's one

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1 of the Payroll Reimbursement Agreements.

2 MR. RUKAVINA: And, Your Honor, they have the same  
3 Exhibit A. It's just different percentages.

4 BY MR. MORRIS:

5 Q So are you familiar with these 25 people here?

6 A I am.

7 Q Okay. I'm going to avoid that first name. I tried and I  
8 did not do a good job.

9 MR. MORRIS: Mr. Rukavina, I apologize. Which  
10 exhibit are you?

11 MR. RUKAVINA: I'm sorry. My Exhibit A and Exhibit A  
12 to my Exhibit A. Which is the list of employees.

13 MR. MORRIS: And is it NexPoint or is it -- because I  
14 don't think I have it. You may have the --

15 MR. RUKAVINA: I'm sorry. It's HCMFA.

16 MR. MORRIS: Okay, thank you.

17 BY MR. RUKAVINA:

18 Q Did you at one point in time know all of those 25 people?

19 A Yes.

20 Q Did you know what they did?

21 A Yes.

22 Q And tell us either on a high level or zero in how many --  
23 or group in how many of them did the debt and equity front-  
24 office services vis-a-vis real estate services.

25 A Sohan was the credit guy. Cameron being the private



1 equity --

2 Q And private equity is that -- did you include that when  
3 you're talking about debt and equity. Is that the same thing  
4 as equity?

5 A Equity and private equity. Yes.

6 Q Keep going. Keep going.

7 A Mete (phonetic) Burns, credit. He's a credit expert.  
8 Hunter Covitz, CLOs, which is collateralized loan obligations,  
9 made up of credit. Neil, another CLO guy. Jim, as you know.  
10 Eric Fedorshin (phonetic), worked on the credit team; Matthew  
11 Gray was a credit analyst; Sanjay Gulati 100 percent of his  
12 time was allocated to HCMFA. He was 100 percent associated  
13 with our main clone, ETF, which was a credit fund that was  
14 around 5 or \$5 million at one point, and is \$30 million today.  
15 Chris Hayes (phonetic) was a loan or credit trader;  
16 Bobby Hill (phonetic) bounced between teams. Brendan McFarland  
17 (phonetic) was on the credit research team. Carl Moore  
18 (phonetic) with Private Equity; Igor (phonetic) was credit.  
19 David Owens (phonetic) I believe was a credit trader.

20 Trey Parker (phonetic) was head of credit research  
21 and then became co-CIO and ran the credit and equity investment  
22 process.

23 Q CIO, chief investment officer?

24 A Chief investment officer. Andrew Parmenter (phonetic) was  
25 brought in. He started in around 2017. Was a partner of the

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1 firm. Michael Phillips (phonetic) was a credit guy. John  
2 Pavlish (phonetic) was head of credit research after -- after  
3 Trey Parker was promoted to co-CIO.

4 Philip Ryder (phonetic) I believe he was -- yeah, I don't  
5 know the specific, either credit trader or credit. Kunal was  
6 a credit. Allen Smallwood (phonetic) was a credit guy. Mara  
7 (phonetic) was public equities, maybe private equity.

8 Jake Tomlin (phonetic) was managing director on the credit  
9 team. Ann Seager (phonetic), I believe, was a par credit  
10 analyst who ran credit.

11 Q And you mentioned that in that same period of time -- '18,  
12 '19, '20 -- the advisors went from having 5 in-house investment  
13 employees to, what did you say, 25 or 27?

14 A Approximately, yes.

15 Q Okay. And were -- so the delta is whatever, 20, let's  
16 just say. That increase?

17 A Yes.

18 Q Okay. Were those new employees -- were any of those new  
19 employees any of these employees?

20 A As speaking today number of employees?

21 Q Yeah.

22 A So one of them did come over when -- actually two. But  
23 he's no longer there. Hunter Covitz after February 2021 and  
24 Sohan.

25 I don't believe any of the others. Most of them were gone

1 by then. I think there may have only been five come February.

2 Q Well, that's my question.

3 A Yeah.

4 Q That's my next question. Did it matter to the Advisors  
5 for purposes of their business that 20 of these employees over  
6 a period of time were no longer there?

7 A It didn't.

8 As our business had morphed into much more real estate  
9 focused. We did rely some on them. Right. We still had the  
10 five or six that were still there. But it -- it wasn't a -- a  
11 big part of our business at that point.

12 Q Because there's been some implication made by Mr. Klos  
13 that as these employees fell off, Highland made up for them  
14 with other employees. Do you agree with any such assertion?

15 A I don't. I -- I -- I believe they hired one front-office  
16 investment professional. The existing professionals may have  
17 pitched in some. But a lot of those functions were at our  
18 advisors. And I -- I mentioned the real estate professionals.  
19 But there were -- there were a couple other in professional  
20 HCMFA, Joe Sowin who became co-CIO when -- when Trey Parker was  
21 promoted to co -- head of private equity.

22 He was an HCMFA employee. When Mark O'Connell (phonetic)  
23 left and then Trey Parker left, Joe Sowin and Jim Dondero were  
24 co-CIO's. Both employees of our Advisors.

25 Q So I think it's important for Your Honor to understand the

1 relationship between the PRAs and the shared services  
2 agreements.

3 So still looking at this Exhibit A, were these the only  
4 Highland employees that provided services to the Advisors?

5 A Any services or front-office services?

6 Q Any services.

7 A No.

8 Q There were a number of Highland employees providing  
9 back-office and middle-office services. Is that correct?

10 A That's correct.

11 Q And do you have an understanding pursuant to what  
12 agreement those employees were being used?

13 A That was according to shared services agreements.

14 Q So is it important to clearly delineate between the two  
15 types of agreements?

16 A It is.

17 Q If we want to find out what services were being provided?

18 A Yes.

19 Q Okay. And just while we're on here, so that Her Honor  
20 understands the rest of our discussion, go to Page 1 of this  
21 exhibit, Exhibit A. And Section 2.01.

22 A Yes.

23 Q I think you mentioned earlier, Mr. Morris was asking you  
24 that it shouldn't just be a dual employee, but needs to be  
25 providing investment services. Do you remember mentioning

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1 something like that?

2 A Yes. They -- they need to be a dual employee --

3 Q So that's --

4 A -- and then they must be able to provide advice to any  
5 investment company, investment related service, I think how I  
6 explained it in -- provide advice to any investment company.

7 Q So if some Highland back-office employee or middle-office  
8 employee is providing services to the Advisors, would you  
9 consider them to fall within this contract?

10 A If they're providing any services, or if they're providing  
11 --

12 Q No, if they're --

13 A -- advice?

14 MR. MORRIS: Your Honor, I object to this whole line  
15 of questioning. He's asking a witness to interpret contracts  
16 that he has no personal knowledge of. And this is what I  
17 warned the Court about in my opening statement yesterday. The  
18 witness must testify about personal knowledge and should not be  
19 here to interpret contracts that he didn't negotiate, he didn't  
20 participate in drafting, and that he never read until recently.

21 THE COURT: Response?

22 MR. RUKAVINA: Your Honor, he's not interpreting a  
23 contract. We're trying to explain -- first of all, we're going  
24 to work to his damages model. So his understanding of what an  
25 employee falls in here. He's not -- he's reading the language

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1 and he's going to tell you which employee provided that  
2 investment advice. He's not going to tell you what this  
3 contract means. So --

4 MR. MORRIS: He -- with all due respect, Your Honor.  
5 That's exactly what he's doing. Because now he's saying that  
6 even though people who were dual employees were providing these  
7 services, Highland's entitled to no compensation because they  
8 just were providing the services under the shared services  
9 agreement. He can't do that.

10 MR. RUKAVINA: That's not what I'm asking. That's  
11 not what -- and Your Honor will decide these contracts as a  
12 matter of law. I'm asking for him -- for his understanding of  
13 what human being that provided services, for that human being,  
14 whether that human being would fall under the payroll  
15 reimbursement agreement or the shared services agreement.

16 And all he has to do is to read simple English and  
17 then he'll tell you as a question of fact what he thinks. And  
18 you'll decide as a question of law if that's correct.

19 MR. MORRIS: I'm just going to try one more time.

20 MR. RUKAVINA: It's a --

21 MR. MORRIS: It's not fair because the example that  
22 I'm going to give and we saw six different exhibits yesterday,  
23 where people's titles changed in order to give them the  
24 responsibility for doing exactly this service. And they're now  
25 going to take the position that because they were in the legal

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1 department and they paid for legal services that's it. We get  
2 nothing more. We're providing the exact same service. This is  
3 an argument he can make in closing, but he can't use a witness  
4 to do this.

5 THE COURT: All right. I sustain. He can't testify  
6 about what terms of the agreement mean.

7 BY MR. MORRIS:

8 Q Okay, so let's talk about shared services a little bit.

9 You heard Mr. Powell testify and you've heard a lot of  
10 people testify. Are the Advisors complaining to this Court  
11 that they did not get the services contracted for under the  
12 shared services agreements?

13 A Generally, no, with the exception of legal compliant  
14 services.

15 Q Are the Advisors complaining that they did not get the  
16 employees that they were paying for under the payroll  
17 reimbursement agreements?

18 A Yes. We're -- we're -- we're saying we're reimbursing for  
19 employees that were no longer there and we were not receiving  
20 the services that were being paid for.

21 Q So we looked at a lot of those board minutes, meetings,  
22 and you've heard Mr. Powell, he said, "Can one conclude that if  
23 we say we are getting the services we contracted for, can one  
24 conclude from that, that we're somehow waiving rights under the  
25 payroll reimbursement agreements?"

1 MR. MORRIS: Objection, legal conclusion.

2 MR. RUKAVINA: It's not a legal conclusion.

3 THE COURT: Sustained.

4 BY MR. RUKAVINA:

5 Q Okay. So let's talk about those back- and middle-office  
6 services.

7 Prior to the bankruptcy, did the Advisors have their own  
8 employees who provided back and middle office services?

9 A Not the services that we contracted for with Highland.

10 Q Okay. And do your understanding, what were the services  
11 that Highland should have been providing pursuant to the shared  
12 services agreement?

13 A Yeah, in the shared services agreement --

14 MR. MORRIS: Objection. The witness has no knowledge  
15 of the contracts. I don't understand how he gets to testify as  
16 to what services we were supposed to be providing when he has  
17 no knowledge of the contract.

18 MR. RUKAVINA: Your Honor, the fact that he didn't  
19 negotiate the contract doesn't mean that he can't read it and  
20 apply its statements. It's the same as if the contract says  
21 I'm buying a Mercedes and he's telling you whether that car is  
22 a Mercedes or a Nissan.

23 He's not interpreting the contract, he's giving the  
24 Court facts in which the Court will ultimately determine  
25 whether the contract fits or not.



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1 THE COURT: Okay. I don't -- I can read the  
2 contracts.

3 MR. RUKAVINA: Okay.

4 THE COURT: I can read the contracts. So how is this  
5 necessary?

6 MR. RUKAVINA: Very well.

7 THE COURT: Okay.

8 MR. RUKAVINA: One moment, Your Honor.

9 THE COURT: Okay.

10 BY MR. RUKAVINA:

11 Q Go to Exhibit 36, please. It's in the big binders.

12 A 36?

13 Q Yes, sir.

14 A Uh-huh.

15 Q So this is to Mary Irving. Are you familiar with a Mary  
16 Irving?

17 A I know who she is, yes.

18 Q Okay. Does she provide any services in any capacity to  
19 the Advisors?

20 MR. MORRIS: Objection. Just time frame.

21 THE COURT: Object -- I'm sorry. Objection, time  
22 frame?

23 MR. MORRIS: Yeah, the question was just vague  
24 because as -- as of time frame.

25 THE COURT: Okay.

1 MR. MORRIS: He just said does she provide.

2 THE COURT: If you could be more specific, Mr.

3 Rukavina?

4 MR. RUKAVINA: I will.

5 BY MR. RUKAVINA:

6 Q Did Mary Irving ever provide any services to the Advisors?

7 A I had very little interaction with her.

8 Q Okay.

9 A Over the last decade.

10 Q Okay. Mary Irving, we can look at it, but she's not on  
11 the payroll reimbursement agreements.

12 A She's not.

13 Q Okay.

14 A She's part of the legal team.

15 Q Did Mary Irving ever provide front-office or investment  
16 advice services to the Advisors?

17 A Not that I'm aware of.

18 Q Okay. Let's go look at 37. Are you familiar with  
19 Stephanie Vitialo (phonetic)?

20 A I am.

21 Q Did Ms. Vitialo ever provide any services to the Advisors?

22 A She provided some legal services.

23 Q Okay. Is she on the payroll reimbursement agreements?

24 A She's not.

25 Q Does she provide any so-called front-office or investment

1 advice -- advisory services?

2 A Over what time frame?

3 Q At any point -- well, post-petition.

4 A None that I'm aware of.

5 Q Okay. Exhibit 38. Are you familiar with Matthew Diorio  
6 (phonetic)?

7 A I am.

8 Q Is he on Exhibit A to the payroll reimbursement  
9 agreements?

10 A He is not.

11 Q Okay. Did he ever provide any services at any point in  
12 time to the Advisors?

13 A Not that I'm aware of.

14 Q Okay. Do you know what Mr. Diorio did at Highland?

15 A He worked on the Legal and Compliance Team. I don't think  
16 he's an attorney. Something with business development, which I  
17 never interacted with Matthew.

18 Q Did he ever provide any investment advisory or front-  
19 office services to the Advisors?

20 A Not that I'm aware of.

21 Q Post petition?

22 A Not that I'm aware of.

23 Q Would you be aware of that post petition, since you're the  
24 head of Business Development?

25 A Well, I frequently interact with the investment

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1 professionals. I sit in on investment committee meetings. And  
2 then the weekly global investment committee meeting. As part  
3 of my role as Chief Product Strategist, I'm a liaison between  
4 investors and the investment team. And so I interacted daily  
5 with investment professionals to determine what they're doing,  
6 why they're doing it. So --

7 Q So you wouldn't --

8 A -- I'm not going to say I would have knowledge of every  
9 single person providing investment services. But I generally  
10 had an idea particularly related to our advisors.

11 Q Okay. Well, that's all I'm asking about our advisors.

12 A Yeah, I --

13 Q The next one, Exhibit 39, Mr. Leventon. I think we all  
14 know Mr. Leventon. But just for the record, Mr. Leventon, is  
15 he on the payroll reimbursement agreements?

16 A He's not.

17 Q And what kind of services, or what did he do at Highland?

18 A He was an attorney.

19 Q Okay.

20 A Worked on litigation and other legal things.

21 Q Did he ever, to your understanding provide any front-  
22 office or advisory services to the Advisors?

23 A Not that I'm aware of.

24 Q Okay. So we've just gone -- well, let's do Exhibit 42.  
25 With Timothy -- how do you pronounce that? Canorlier

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1 (phonetic)?

2 A I wish I knew. Canorlier -- I've never been able to  
3 pronounce it.

4 MR. MORRIS: Canorlier.

5 THE WITNESS: Canorlier, yes. I know I've heard it  
6 many times.

7 MR. RUKAVINA:

8 Q Was Mr. Canorlier on the payroll reimbursement agreements?

9 A He's not.

10 Q Okay. Do you know what he did at Highland?

11 A He -- he was an attorney on the legal team.

12 Q Did he ever provide any investment advisory or front-  
13 office services to the Advisors post petition?

14 A Not that I'm aware of.

15 Q Okay. So if there's an argument made -- I think we've  
16 gone through five or six employees, if there's an argument made  
17 that these five or six employees replaced dual employees that  
18 were dropped over time, would you agree with that argument?

19 A I wouldn't have any basis to agree with that. I -- I  
20 don't have -- I didn't have interaction with them providing  
21 those services.

22 Q Because, again, we looked at the contract, and the  
23 contract has two elements. Correct?

24 A That's right. They need to be dual employees and they  
25 need to be providing advice to registered investment companies.

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1 Q Okay. Now some of these employees, if they provided  
2 services to the Advisors, would that have been pursuant to the  
3 shared services agreements? Like legal?

4 MR. MORRIS: Objection. Same -- exact same. He  
5 shouldn't be telling the Court what contract people were  
6 providing services pursuant to.

7 THE COURT: Response?

8 MR. RUKAVINA: I'll move on.

9 THE COURT: Okay.

10 BY MR. RUKAVINA:

11 Q The list of employees on Exhibit A on the payroll  
12 agreements, do you have any understanding as to whether any of  
13 those employees, once they were terminated by Highland, were  
14 replaced by Highland, with respect to their roles for the  
15 Advisors?

16 A I --

17 Q I think you might have mentioned one earlier. I don't  
18 know if you put it in the record, the name. It's in the small  
19 binder, Dustin. The smaller binder to your right.

20 A Oh, yes.

21 Q Just Exhibit A.

22 A So I know there was one individual who was hired to help  
23 with healthcare, but he helped with the private equity fund,  
24 that wasn't related to our Advisors in HCMLP owned fund. And  
25 he did a little bit for our Advisors. His name was Michael

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1 Jueng (phonetic). And I think he was hired in 2019. So he was  
2 the only front-office person that I'm aware of that -- that was  
3 hired.

4 Now, yet, there -- when some left there was, you know,  
5 some reallocation of duties. However, at that point, as I  
6 mentioned our assets in credit and private equity had been  
7 diminishing significantly over the last several years. So many  
8 of these people left, but they had seen the writing on the  
9 wall. Right.

10 They knew we weren't focused on credit. They knew we had  
11 growth in real estate and that wasn't their expertise. And you  
12 know, they're a lot of good people and they went and started  
13 other businesses. They went to other companies.

14 Q Would you have offered them employment for the Advisors  
15 upon them leaving Highland, had the Advisors a need for them?

16 A If we had a need, I -- we made an offer to those that --  
17 and there were some even that were left to us, we didn't extend  
18 an offer to, for various reasons.

19 Q Okay.

20 A We didn't need them. You know, and -- and at this point  
21 our assets are very different. We don't need the large credit  
22 team.

23 MR. RUKAVINA: Your Honor, I think the clock is one  
24 hour off, but that's no big deal.

25 THE COURT: It's two minutes to 4:00. I don't know

1 what that says.

2 MR. RUKAVINA: It says two minutes to 3:00. Mr.  
3 Berdman (phonetic) if you'll please put Exhibit CC up? Your  
4 Honor, CC is an Excel spreadsheet. This is the underlying data  
5 that rolls up into the David Klos December chart, if you  
6 recall.

7 THE COURT: Okay.

8 MR. RUKAVINA: So Your Honor will recall that Exhibit  
9 Q. Exhibit Q is the PDF of the summary.

10 THE COURT: Okay.

11 MR. RUKAVINA: And Exhibit CC, the way we look at  
12 Exhibit CC is unfortunately on the -- on the screen.

13 THE COURT: Okay.

14 MR. RUKAVINA: So that's what Mr. Berdman is trying  
15 to pull up. He says it's loading. And Mr. Berdman, if you'll  
16 go to the employee listing.

17 Your Honor, one moment. So Your Honor, we're just  
18 trying to figure out why the screen is so blurry here. So can  
19 you see Mr. Norris, or is it --

20 THE WITNESS: I can see it.

21 MR. RUKAVINA: -- again my eyes.

22 BY MR. RUKAVINA:

23 Q Okay, so this is Mr. Klos's analysis. And I'd just like  
24 to talk about some of these employees here. So let's look at  
25 Chris Rice (phonetic).



1 A Yes.

2 Q See 2019 hired. Do you see that?

3 A I do.

4 Q Did Chris Rice provide so-called front-office investment  
5 office services to the Advisors?

6 A No. He's in the accounting department.

7 Q Okay.

8 A As it says there accounting, finance and back office.

9 Q So rather than me go through each one of these, you just  
10 go through them and tell the Court -- so start at line, what is  
11 that, 60?

12 A Uh-huh.

13 Q And go down. Those are the new hires that Mr. Klos  
14 included. Tell the Court, for each one of those, whether they  
15 would or would not be providing investment services front-  
16 office services to the Advisors.

17 A Yeah, Chris Rice, no. It's accounting and back-office  
18 services.

19 Q Joey?

20 A No, it was accounting and finance --

21 Q Just say yes or no. Just say yes or no.

22 A Yeah. No, no on Kelly. Michael Young, yes. Brad McKay,  
23 no. Andrew, no. Brendan, no. Tina, no. Bridget, no. Sarah,  
24 no. Michael, no. Austin, no. Erberto (phonetic), no.

25 MR. RUKAVINA: Okay. You can close that, Mr. Berman

1 (phonetic).

2 BY MR. RUKAVINA:

3 Q So if Mr. Klos used those employees as far as the  
4 profitability of the payroll reimbursement agreements in his  
5 analysis, would you disagree that those employees should have  
6 been included?

7 MR. MORRIS: Objection to the extent it calls for  
8 legal conclusion.

9 THE COURT: Overruled.

10 THE WITNESS: So if he -- say it one more time. If  
11 he included in the payroll reimbursement --

12 BY MR. RUKAVINA:

13 Q Yeah.

14 A With Michael, or a percentage allocation, I wouldn't  
15 necessarily disagree. The others I would disagree because they  
16 would be captured as a back-office employee that was not duly  
17 employed in providing investment advice to our registered  
18 investment --

19 Q Okay.

20 A -- companies.

21 Q And I think we've discussed this before, and Mr. Morris  
22 asked you. But you were generally aware, more or less  
23 contemporaneously with when certain employees left Highland.  
24 Is that accurate?

25 A I was.

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1 Q Okay. So why didn't you or someone else immediately pound  
2 the table and say we've got to stop paying for that employee?

3 A Well, I had no knowledge that we were continuing to pay or  
4 reimburse for their bonuses, comp, and benefits when they were  
5 no longer employed. Had I know that, I would have reacted the  
6 same way when I found that out.

7 Q What did you think -- pardon me, I'm having a hard time  
8 phrasing this.

9 Who did you think should have been doing that job? Or as  
10 an officer of the Advisors, who did you expect would be doing  
11 that job?

12 A Yeah, so we -- we outsourced agreement review, payments,  
13 payment processing to Highland and they -- they actually had a  
14 very robust process. And it was actually challenging to get  
15 agreements through them, and invoices. If there wasn't an  
16 agreement tied to an invoice, they would ask for the agreement.  
17 If the agreement didn't match the invoice, they would let us  
18 know.

19 And they would go back and either tell the vendor or  
20 renegotiate. So there was a very thorough process that I had  
21 dealt with for a decade with them. And -- and that's who we  
22 relied on to administer our agreements and payments across the  
23 board.

24 Q Okay. Now before we flip to your damages --

25 A And I don't know if it's helpful. There was an accounts

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1 payable person. There was a corporate accounting team --

2 Q Whose --

3 A -- who handled this.

4 Q -- whose employee was accounts payable?

5 A Who was the employee?

6 Q No, whose --

7 A It was Highland Capital Management, L.P.

8 Q And everyone else that you mentioned?

9 A And all the other corporate accounts, or HCMLP.

10 Q So let's look at Exhibit G.

11 MR. RUKAVINA: Your Honor, Exhibit G, I don't think  
12 we've looked at yet, at least not in detail. Exhibit G is a  
13 PDF printout of Mr. Norris's damages calculation. And Exhibit  
14 H is, again, the native form Excel spreadsheet.

15 BY MR. RUKAVINA:

16 Q Mr. Norris, will you please tell us if you need the native  
17 file pulled up for any reason, okay?

18 A Okay.

19 Q What -- tell the Court what you're trying to do here in  
20 Exhibit G?

21 A Yeah.

22 So what I do is very simple. I know there's a lot of  
23 numbers on the page, but just to simplify it is I took what are  
24 the actual payments made, which we have heard --

25 Q Payments made from whom to whom?

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1 A Payments made by Highland on our behalf to HCMLP from our  
2 Advisor accounts for --

3 Q So, so, so just hold on.

4 A Yeah.

5 Q So payments from the Advisors to Highland.

6 A My Advisors to Highland.

7 Q Only that Highland was processing the advisor.

8 A That's correct.

9 Q Okay.

10 A Regarding the payroll reimbursement agreements. So there  
11 was each month \$252,000 for NexPoint Advisors and \$416,000 for  
12 Highland Capital Management Advisors, Fund Advisors, that was  
13 paid each month. And we've heard all about how those amounts,  
14 the actual payments didn't change. And so, that \$9 million  
15 represents the period from the court filing to the end of  
16 November. Nine million dollars is what was actually paid.

17 Q Why did you stop at the end of November?

18 A Because that's when payments stopped as we heard from  
19 Frank and Mr. Dondero.

20 Q Okay. So the \$9 million, 9 million 18, that's just the  
21 cumulative of HCMFA and NPA. Right?

22 A That's correct.

23 Q Okay. The next line is cost of dual employees --

24 A That's right.

25 Q -- as stated in the original agreement from 2018.

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1 A That's right. So here's the simple math. I took the  
2 total compensation numbers which came from Highland and  
3 combined and multiplied them going month by month. I took each  
4 employee that was still employed. I utilized their termination  
5 dates from the filings as well as the monthly -- compared to  
6 the monthly termination sheet. So I went month by month and  
7 said who was still employed, multiplied their total  
8 compensation times the percentage allocation, and that's where  
9 it's broken out between NexPoint Advisors and HCMFA.

10 So, assuming these employees were still employed and  
11 providing investment advisory services and a new employee, the  
12 \$2.8 million during that period is what we would have  
13 reimbursed, actual costs of those employees, actual  
14 reimbursement costs.

15 Q Okay. So just so we're clear, we saw from Mr. Klos  
16 yesterday that his analysis was a snapshot point and time  
17 December 2020. Correct?

18 A Correct.

19 Q Is yours also a snapshot of a given point and time?

20 A It's not. The allocation percentages are because in the  
21 beginning --

22 Q So I was going to -- I was going to ask you that. Which  
23 allocation percentages did you use?

24 A I used the ones from scheduling.

25 Q Why?

1 A There was obviously a lot of thought. It was at that  
2 point -- I didn't want to make assumptions here. Right? I'm  
3 taking the math that was provided on Schedule A. And then  
4 looking at them, you know, they appeared reasonable or should  
5 have been lower. To be conservative, I took the exact same  
6 percentages and ran them through the calculation.

7 Q Okay. Now just so that the Court is understanding this,  
8 if an employee is no longer there, does his or her allocated  
9 percentage matter?

10 A It doesn't.

11 Q It only matters --

12 A If there is -- if it's 100 percent of 0, it's 0. So  
13 that's why, yeah, it doesn't matter.

14 Q So for 20 of the 25 employees, would it matter what  
15 allocated percentage they had?

16 A Allocated percentages doesn't matter. Compensation  
17 doesn't matter. And you'll see in my second tab that that is  
18 NA. I didn't even need to put their compensation numbers  
19 because if they weren't employed as of the bankruptcy filing,  
20 they didn't matter.

21 Q Because we're paying for someone that doesn't exist.

22 A Or reimbursing for some compensation that was never paid.

23 Q Just so again the Court is clear, we're talking about the  
24 snapshot. You did a walk forward on a post petition month by  
25 month basis?

1 A Correct. And I divided that into three segments.

2 Q Well, let me pause you there.

3 A Yeah.

4 Q So if there was an employee that was employed some point  
5 and time post petition, but then fell off, how did you treat  
6 that employee?

7 A Yeah. So the month -- I had them the month that they  
8 stayed. The month later, I dropped them off. And you can see  
9 that on the third and fourth pages. I can draw your attention  
10 to, for example, John Poglich (phonetic), simple on the third  
11 page. John Poglich, you see a monthly allocation and --

12 Q On 53,066?

13 A On 53,000. And the first month is half of that because  
14 the petition date or the bankruptcy filing date was the 15th of  
15 October, I believe. And then he was here through September and  
16 he drops off. Right? You wouldn't expect to be paying for  
17 someone that's no longer there. And you can see that through  
18 various other employees. Mr. Dondero, I kept him on there. He  
19 was a -- he was there until he became a non-paid employee of  
20 Highland. You see Morrow (phonetic), Stall Tarry (phonetic).  
21 Same thing. He was employed until December 2020, and then he  
22 drops off. Same thing, Mr. Parker, until February 2020, and he  
23 drops off. And in all these with zeroes, they just were not  
24 employed on the bankruptcy filing date and so they're zeroes.

25 Q So what is your conclusion from the petition date through



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1 the date that we stopped paying as to how much we paid, or  
2 rather, reimbursed Highland for employees who were no longer  
3 there?

4 A The difference is the \$6.2 million right here.

5 Q So that's even a little less than Mr. Klos' 6.6, isn't it?

6 A It is.

7 Q Okay. Now, what about the next block there? You say  
8 additional two months billed by HCMLP, et cetera, for December  
9 '20 through January '21. Why did you include those additional  
10 two months?

11 A I included those because the services should -- the  
12 agreements had not been terminated, right. So we were paying.  
13 And I broke them out separately because the Advisors were no  
14 longer paying. And so this can't be -- this first line isn't  
15 total amount reimbursed or paid. It's what the billings were.  
16 And they're -- I think in their damages claim is that the  
17 amount is equal to the amount listed in the agreement for those  
18 two months, which I put in that top line. That's simply the  
19 amount the --

20 Q So the top line, the 1336, where are we paying according  
21 to their damages, that's how much we would have paid?

22 A I believe so. It's \$252,000 a month for NexPoint Advisors  
23 and \$416,000 a month for NPA.

24 Q And according to your calculation for those months at that  
25 point and time, how much should we have paid if the Court

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1 accepts our view of this case?

2 A \$264,000 should have been what we paid with a million  
3 dollar difference for that two months.

4 Q So if the Court agrees with us, then the damages just on  
5 these two contracts, not shared services, for those two months  
6 should be how much? How much should we have to pay for those  
7 two months if the Court agrees with our theory of the case?

8 A Two hundred and sixty-four thousand dollars, nine eighty-  
9 eight based on this calculation.

10 Q And you mentioned that the payroll termination agreements  
11 weren't terminated. Did you ever discuss that with Mr. Klos or  
12 Waterhouse or Seery?

13 A I did.

14 Q What did they tell you?

15 A We had an email exchange with Mr. Klos and Mr. Waterhouse  
16 and they didn't know. This is like when we found out and Mr.  
17 --

18 Q So let's go back.

19 A Uh-huh.

20 Q November 30th we get termination notices, 60-day clock  
21 ticking on the search services. Right?

22 A Correct.

23 Q Did we get termination notices for payroll reimbursement?

24 A We did not.

25 Q Did that surprise you or?

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1 A It did.

2 Q What did it cause you to do?

3 A It caused us to ask why because we knew we were --

4 Q Well, what was the ultimate answer that you got from  
5 either Mr. Klos, Waterhouse, or Seery?

6 A Mr. Waterhouse said maybe it was overlooked. That's all  
7 we got.

8 Q Okay. No discussion about that why would we terminate if  
9 it's still profitable?

10 A Well, I was --

11 MR. MORRIS: Your Honor, that's the kind of leading  
12 question that he used to -- he asked him the question, he got  
13 an answer, and now he's fishing for the answer he wants by  
14 suggesting the answer in his question. Exactly what he took me  
15 to task for.

16 THE COURT: Sustained.

17 BY MR. RUKAVINA:

18 Q Did you ever discuss the profitability or lack thereof of  
19 the payroll reimbursement agreements with Mr. Klos?

20 A The profitability of them, yes.

21 Q Yes. What did you discuss with Mr. Klos?

22 A Yeah. So, and maybe I should back up to that November  
23 30th date we received the notices. December 1st, I had been,  
24 along with Mr. Sauter, tasked with transitioning the services,  
25 even prior to that, making sure there was a smooth transition.

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1 But at that point there was still the understanding or hope  
2 that things would come to a peaceful resolution.

3 At that point we knew, all right, we need to make sure the  
4 businesses can continue, that we can continue the shared  
5 services through another entity or hiring those employees.  
6 What agreements were there that we needed? And so the shared  
7 services and payroll reimbursement agreements were two of  
8 those. D.C. Sauter and I had been discussing them over the  
9 previous month or two, but then when this happened, we went to  
10 Dave Klos and Frank and said -- I sent Dave Klos an email and  
11 said, hey, I need to understand these amounts. What are we  
12 paying? What are we paying for?

13 And there was a response from Mr. Klos and that email was  
14 -- went through with Mr. Klos where I said, you know, hey, what  
15 are these the proper amounts? He came back. Maybe we can go  
16 through the email, but his response was that they had continued  
17 to pay the same amounts. And I had pointed out several  
18 employees that were large dollar amounts that were no longer  
19 employed and was asking, are we still paying for these or  
20 reimbursing these employees that are no longer employed? And  
21 his answer is the amounts had not changed.

22 And so after that conversation, we had a call with Mr.  
23 Klos and Mr. Waterhouse and we dug into the why, the how much,  
24 the profitability. Mr. Waterhouse was very aware that we were  
25 overpaying, used the word overpayment. That's when I learned

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1 about the automatic stay. I think I discussed that. Mr. Klos  
2 had -- was involved in that discussion as well. So we had a  
3 couple of discussions. Mr. Klos called me separately. We had  
4 another conversation with Mr. Waterhouse. That was in early  
5 December. I don't know if you want me to keep going on that,  
6 but.

7 Q Sure. Yes. What other discussions did you have with Mr.  
8 Klos about the problem?

9 A Yeah. So at that time too, I asked Mr. Klos and Mr.  
10 Waterhouse. They told me there was a schedule that laid out  
11 the payments and the overpayments. And me and Mr. Sauter asked  
12 for it. We said, give it to us. And I learned a little bit  
13 more about the hesitancy that they had in doing anything that  
14 would harm or cause damage to the Debtor.

15 Q Did Mr. Klos tell you anything about that in particular?

16 A Mr. Klos and Mr. Waterhouse both did.

17 Q What did they say?

18 A They had said, and this is the first I had learned about  
19 it, that they had been warned that if they did anything that  
20 was -- that would harm or be adverse to the Debtor that they  
21 would be fired on the spot, and that they would be held  
22 personally liable. And they were -- I mean, they were trying  
23 to do what was right in both regards, right. We know Mr.  
24 Waterhouse was wearing two hats, but -- and they expressed  
25 their concern. And so --

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1 Q So their concerned about being fired?

2 A Fired on the spot and held personally liable.

3 Q Did they share -- did they share that analysis you  
4 mentioned with you?

5 A So Mr. Klos said, I'll check, but I don't think Seery will  
6 allow it.

7 Q Okay.

8 A So fast forward, we ask multiple times to Frank and Dave.  
9 We never got it. In mid December, it's an important time  
10 period, Jim got hit with a temporary restraining order. And so  
11 as we were starting to have these conversations with Dave and  
12 Frank, now all the sudden, you know, I for the first time was  
13 involved in the court. That was the first time I ever appeared  
14 in court. We had this restraining order for Jim. And so we  
15 were all very cautious about what we could and couldn't say to  
16 any employees. And so this negotiating or discussion we had  
17 had with Dave and Frank kind of paused for several weeks and  
18 the discussions then just went with counsel. Fast forward to  
19 around January 13th or so, maybe 12th.

20 Q Of 2021?

21 A Of 2021. Dave Klos, Frank Waterhouse, JP Sivvy  
22 (phonetic), and Brian Collins called me and said, Mr. Seery has  
23 allowed us to talk to you about the transition of services  
24 because both sides --

25 Q Who was JP Sivvy?

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1 A JP Sivvy was part of the legal team at HCMLP.

2 Q And who was Mr. Collins?

3 A Mr. Collins is HR, was a HR director at -- so he chose --  
4 and up to that point, we had -- I, in particular, I didn't want  
5 to get involved in a restraining order. So very little  
6 discussion, especially around this. So only around funds,  
7 operations.

8 Q And just again so the Court understands, what were you  
9 trying to discuss or negotiate at that point and time?

10 A Yeah. Starting January 13th was let's divide the  
11 agreements. Let's divide the services. Let's have a peaceful  
12 transition. We were receiving a number of back-office  
13 functions that were critical to our business. And so, you  
14 know, we also had dated information stored on their systems, on  
15 their servers. We were in their office still.

16 Q So as part of these -- and the Court may remember. We had  
17 an emergency trial on a mandatory injunction February 16th or  
18 something like that. Ultimately, was there a transition of  
19 services done?

20 A We had the permanent injunction. Ultimately, the shared  
21 services agreements ended. They were extended. Highland  
22 worked with us for an extension of around three weeks.

23 Q But that's my question.

24 A Yeah.

25 Q As of what -- as of actually what period of time, what

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1 day? How do I put this? As of what day were the shared  
2 services agreements actually terminated to your understanding  
3 after these extensions?

4 A Yeah. I believe it was February 20th.

5 Q Okay.

6 A Maybe 19th.

7 Q February 28th or 20th?

8 A Twentieth.

9 Q Twentieth.

10 A And the employees were terminated on the 28th of February.  
11 And there was a difference and they moved the date of  
12 termination of employees back a week --

13 Q And then --

14 A -- beyond each of our termination dates, so we had this  
15 issue.

16 Q What happened? What happened to the employee? I mean,  
17 did the Advisors do anything with the employees that were  
18 terminated?

19 A So we hired a few of the actual terminated employees and  
20 then most of them went to Skyview Group, which had a different  
21 name at the time, which we entered into shared services  
22 agreements for those, with those entities.

23 Q So during those extensions that we discussed did the  
24 Advisors pay the debtor for those extensions in January and  
25 February 2021?



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1 A We did. And that's that third box here, the third section  
2 of the damages. It's \$453,286 is what was paid for the payroll  
3 reimbursement. And that's just the -- it was based on the  
4 exact dollar amounts and --

5 Q Why did we pay the exact dollar amounts if we knew that we  
6 were overpaying?

7 A Yeah.

8 So we had discussions on this. And backing up to the  
9 first extension, my conversations with this group of four  
10 Highland employees starting January 13th was let's work  
11 together. Let's get a real -- let's get a great solution. We  
12 don't want any disruption in the business.

13 To that point, no one had talked to me about you need to  
14 pay these past due amounts or the amounts that they were  
15 claiming we owed until January 28th. I got an email that said,  
16 these amounts are -- all these, Highland or NexPoint and HCMFA  
17 related entities or Jim-related entities, some were -- I had no  
18 relationship to -- will need to be paid.

19 And at this point we had already negotiated and agreed on  
20 most of the material terms related to the transition of  
21 services. And so we were waiting on a term sheet at that  
22 point. And they said, these have to be paid or we're pulling  
23 the plug on everything you have. And so then I had a call with  
24 JP Sivvy, Frank Waterhouse, and Dave Klos.

25 Again, I reiterated this, you know, asking for the

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1 schedules related to the payroll reimbursement agreements. But  
2 at that point in time, they gave us an ultimatum of you're  
3 going to pay the extension fee or you're going to have the plug  
4 pulled on you. And at that point, we weren't ready for that.  
5 And so we said we're going to -- we will pay it, but we'll  
6 reserve all our rights.

7 Q And did Highland agree to that?

8 A They did.

9 Q Okay.

10 A And we put the -- that in our actual signed agreement.  
11 And when we did -- made our second extension, had multiple  
12 conversations, same thing. We would reserve our rights.

13 Q And just an order of magnitude, how much did we pay  
14 Highland for those two extensions, just ballpark?

15 A The payroll reimbursement agreement amount was \$453,000.  
16 The shared services was maybe \$2-, or \$300,000, so \$7-, or  
17 \$800,000 for 20 days.

18 Q Okay. So --

19 A I may not be perfect on my math, but that's --

20 Q So if the Court agrees with our theory of the case, how  
21 much are we saying we should get back from those extension fees  
22 we paid Highland there in February 2021?

23 A Yeah. So related to the payroll reimbursement agreements,  
24 it's \$453,286, is what was paid. If you take the same  
25 calculation I had been doing on all the other months, \$81,000

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1 is the appropriate, the actual employees that were employed  
2 providing advisory services, so that the difference is  
3 \$372,000. That's the overpayment amount.

4 Q So you mentioned that Mr. Klos used a word overpayment  
5 when having the discussions with you. Is that correct?

6 A Well, I know that was a word that Frank Waterhouse used.

7 Q Okay.

8 A Dave may have, but he frequently used it as you were  
9 paying for employees that were no longer employed or  
10 reimbursing for employees that were no longer employed.

11 Q So Mr. Klos said you were reimbursing for employees you no  
12 longer had?

13 A Again, I don't remember the specific wording, but it was  
14 very clear that the payments were more than what we were  
15 contractually obligated.

16 Q Did he say it to you more than once?

17 A He did.

18 Q Did Mr. Waterhouse say it to you more than once?

19 A He did.

20 Q Did any other employee or agent of Highland ever say that  
21 to you?

22 A Yes.

23 Q Who?

24 A On a call with JP Sivvy and Frank Waterhouse and Dave  
25 Klos. JP Sivvy also acknowledged it.

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1 Q Okay. Anyone else?

2 A I had conversations with Fred Caruso where we -- I brought  
3 this up in January and asked for the schedule, what we were  
4 paying. He said, I know what you're talking about, but let me  
5 check on it. He did acknowledge. Same thing in early February  
6 with Mr. Sharp, Bradley Sharp. We brought up the discussion.  
7 There were attorneys on the line as well. We had a phone call.  
8 I asked for the schedule. He said -- I told him we knew that  
9 we were paying for employees that were no longer there.

10 There had been an analysis provided. We've asked for it  
11 on multiple occasions. And he said, I'll check. I don't know  
12 that we can provide that. And I said, I'm not asking. I'm not  
13 asking for something unreasonable. We're asking to pay for the  
14 employees that are currently here. And he said, well, I'm --  
15 you know, I'm a representative of the Debtor and we have an  
16 obligation to the Debtor.

17 Q And when you said schedule, were you referring to the  
18 David Klos analysis?

19 A Well, I don't know if it was that. I didn't see this  
20 analysis from Dave Klos, the ones that have been in the Court,  
21 until discovery. We had been asking for it. I didn't see it  
22 until February. Actually, I think after my deposition. We saw  
23 the main schedule. We hadn't received the Excel files. And so  
24 I'm assuming because Dave and Frank had told me there had been  
25 calculations, I'm connecting an assumption here that that is

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1 the schedule, but I don't know. I don't know if they had  
2 another one. They didn't provide it.

3 Q Is that something we requested in discovery?

4 A It is.

5 Q So if they didn't provide it, can we conclude that there  
6 is no other one?

7 MR. MORRIS: Objection to the form of the question.  
8 I mean, this is just -- this is -- you can't -- I object. It  
9 is not -- it's complete speculation. How about that?

10 MR. RUKAVINA: Well, let me rephrase the question.

11 THE COURT: Sustained. Uh-huh.

12 BY MR. RUKAVINA:

13 Q We requested all internal calculations of profitability.  
14 Correct?

15 A We did.

16 Q And did we receive from the Debtor anything other than Mr.  
17 Klos' December 2020 and December 2019 analysis?

18 A We did not.

19 Q Okay. Well, and I'm sorry. There were two in late 2019,  
20 so let me just clarify. I think there --

21 A There were two iterations.

22 Q Two iterations. So --

23 A I think I only saw one of them, but yeah.

24 Q So technically we might have gotten three, but they would  
25 have been the ones from December 2019 and December 2020?

1 A Correct.

2 Q Okay. Now let's -- let me just ask you something while we  
3 are still on your Exhibit G. So, at the end of the day there  
4 were only a handful of the original employees left from Exhibit

5 A. Correct?

6 A Correct.

7 Q Now what would happen to your damages model if instead of  
8 using the original percentage allocations you bumped it to 100  
9 percent such that 100 percent of those five employees would be  
10 reimbursed by their Advisors? What's the resulting number?

11 A Yeah. So using these existing plays, I actually plugged  
12 this in at 100 percent and it's, I believe, approximately \$4.4  
13 million would still be the damages.

14 Q So --

15 A Applying 100 percent of their time.

16 Q So if the Court agrees with our theory of the case but  
17 says that we should have done a separate analysis of the  
18 allocated percentages, even if we bumped that up to 100 instead  
19 of 18 percent of 42 percent or whatever, it still results in  
20 how much in damages? Overpayments.

21 A \$4.4 million.

22 Q Okay.

23 A Approximately.

24 Q If you'll flip to Exhibit P, please, as in Paul. Is this  
25 the email exchange that you just referenced with Mr. Klos where

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1 you were asking for data and et cetera, et cetera?

2 A Yes.

3 Q Okay. And in the bottom email there where he's writing to  
4 you on December 1st at 9:12 a.m. he says that given the changes  
5 in head count and along with not paying insider bonus  
6 compensation, that has increased the profitability of the  
7 contracts. Do you see that?

8 A I do.

9 Q Did you ever separately from this discuss the  
10 profitability of the contracts with Mr. Klos other than your  
11 communications that there were -- we were paying for employees  
12 we didn't have?

13 A We had a phone call with just he and I. We had a phone  
14 call with he and Frank, multiple discussions, again in January  
15 as we were talking about transition of services, discussed it  
16 again on a call with the group at the end of January, so there  
17 were multiple conversations.

18 Q Okay. Did the Debtor ever terminate, to your  
19 understanding, the payroll reimbursement agreements?

20 A Yes, I believe so.

21 Q And was -- why do you -- did you do anything, to your  
22 memory, to prod the Debtor to do so?

23 A Yes.

24 Q What did you do?

25 A So we asked DC Sauter and our team work with their legal

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1 team, hey, is this going to be -- we wanted to ensure that we  
2 weren't continuing to overpay for employees that were no longer  
3 there. And so DC, as a condition of signing, I believe signing  
4 the transition services agreement, they made us terminate the -  
5 - we asked them to terminate the payroll reimbursement  
6 agreement.

7 Q So we didn't terminate the payroll reimbursement  
8 agreements. The Debtor did.

9 A I believe so, yeah.

10 Q Okay.

11 A Yeah.

12 Q Because we require that as a condition.

13 A Yes.

14 Q Okay. Other than that, were you aware of any attempts by  
15 the Debtor to terminate the payroll reimbursement agreements?

16 A I'm not.

17 Q Okay. Can you think of any reason why the Debtor wouldn't  
18 have done that?

19 A Yes.

20 Q What?

21 MR. MORRIS: Objection, Your Honor. He can't  
22 speculate as to the Debtor's motivations here.

23 THE COURT: Speculation. Response?

24 MR. RUKAVINA: I'll withdraw the question.

25 THE COURT: Okay.



1 BY MR. RUKAVINA:

2 Q And just to clarify what Mr. Morris was asking you, did  
3 Mr. Klos use the word true up when he described what happened  
4 at the end of 2018?

5 A He did.

6 Q Did he tell you whether money changed hands as a result of  
7 that "true up"?

8 A He did.

9 Q What do you remember about that?

10 A He said there had been a -- I don't remember if it was  
11 small or immaterial -- it wasn't immaterial, but a small -- a  
12 payment actually resulted in paying to Highland from both  
13 Advisors.

14 Q Okay. Did -- and you mentioned that he didn't --

15 A And actually, I don't think he said he both Advisors. He  
16 said the Advisors, but didn't specify how much of each.

17 Q But did he actually tell you about the fact of the  
18 amendments?

19 A No.

20 Q So just the result.

21 A Yes.

22 Q Okay. Did Mr. Klos ever -- first of all, do you have an  
23 opinion on Mr. Klos' -- prior to this litigation, Mr. Klos'  
24 ethics and professionalism?

25 A I do. Yeah.

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1 Q And what was your opinion?

2 A I thought highly of him. I worked with him for over a  
3 decade. His work product was always fantastic. He was  
4 thorough. I went to him for a lot. I trusted he would put out  
5 an accurate and honest analysis. He worked closely on board  
6 matters, fund matters, advisor matters, and yeah, I thought  
7 highly of him.

8 Q And he was trusted enough to be presented to the retail  
9 board?

10 A Absolutely.

11 Q Did Mr. Klos, in all of your discussions, ever tell you  
12 anything like, geez, Dustin, there's something fishy about  
13 these payroll reimbursement agreements or amendments or shared  
14 services agreements?

15 A The way he went about it, he was concerned, right. And  
16 the way he prefaced our conversations was with concern.

17 Q How so?

18 A He said we're being -- he didn't say threatened, warned,  
19 almost daily that we can't do anything to damage or provide  
20 something that would hurt the Debtor. And so, yeah. He  
21 basically was like kind of you're on your own in figuring out,  
22 but I -- he knew the numbers.

23 Q I don't think you understood my question. Did Mr. Klos  
24 ever tell you that there was -- did he ever flag for you any of  
25 the issues? Well, strike that. Were you here when Mr. Klos

1 testified yesterday?

2 A I was.

3 Q And he testified as to what he thought the \$2.5 million  
4 number came from and other things. Remember that?

5 A Uh-huh.

6 Q Did he ever tell you anything like that before?

7 A No.

8 Q Did he ever tell you anything -- that there was anything  
9 potentially deceptive or suspicious about the payroll  
10 reimbursement agreements?

11 A Got it. No.

12 Q Did he ever tell you anything, that there was anything  
13 suspicious or deceptive about the amendments to the payroll  
14 agreements?

15 A No.

16 Q What about the shared services agreements?

17 A No.

18 Q What about potential tax -- I don't want to use the word  
19 fraud because I'm not a tax lawyer -- potential tax  
20 shenanigans?

21 A No.

22 Q Potential Mr. Dondero trying to get tax questions for  
23 himself?

24 A No, he didn't.

25 Q Potential that these were used as a method of financing

1 how --

2 A No.

3 Q That the payroll reimbursement agreements were intended to  
4 be monthly fees regardless of actual cost?

5 A No.

6 Q Let's go to Exhibit OO real quick. We're almost done.

7 And I really -- I really need to go to the optometrist.

8 Do you know what Exhibit AA is? There's a bunch of  
9 individual ones.

10 A Yes.

11 Q Okay. What are these?

12 A These are the shared services invoices that, as required  
13 by the shared services agreement for Highland Capital  
14 Management Fund Advisors are to be provided, as this is a cost  
15 plus 5 percent agreement. So they're laying out, if you look  
16 in column, the number column 1, it has --

17 Q Well, let me pause you.

18 A Yeah.

19 Q Just so that the Court follows. We've heard before that -

20 -

21 A Yeah.

22 Q -- under certain services NexPoint paid a different  
23 methodology than HCMFA. Right?

24 A They did.

25 Q NexPoint was just a flat monthly fee. Right?

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1 A Correct.

2 Q And HCMFA was a bit of a work up.

3 A Cost plus 5 percent.

4 Q So who prepared these invoices on Exhibit AA?

5 A Highland, Highland's accounting back-office group.

6 Q And would they then send us these invoices?

7 A I didn't see these invoices until discovery.

8 Q Okay. You heard Mr. Morris talk about how -- how it was  
9 only \$10,000 a month for legal. Did you hear that?

10 A I did.

11 Q You see there it says legal, \$10,000. Right?

12 MR. MORRIS: Excuse me, Your Honor. I didn't testify  
13 to that. Mr. Klos did.

14 MR. RUKAVINA: Well, I apologize. I just remember  
15 someone talk -- I apologize, Mr. Morris.

16 BY MR. RUKAVINA:

17 Q You heard something about that yesterday. Right?

18 A I did.

19 Q Okay. Is that the whole picture?

20 A It's not.

21 Q Why not?

22 A When you peel back to what is underlying these numbers,  
23 \$10,000 was a standard legal services. However, in the  
24 compliance bucket, it says general compliance. If you look to  
25 the schedules, that includes Thomas Surgent, an attorney,

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1 including his base and bonus and benefits and Lauren Thedford,  
2 who is an attorney, providing officer and other functions for  
3 us. So that \$92,000 a month -- this is a monthly invoice --  
4 includes those two adjacent posts, which is two out of the  
5 three attorneys.

6 Q What about retail operations and finance and accounting?

7 A Retail operations and finance and accounting includes --  
8 it doesn't include attorneys. It includes back-office  
9 accountants. Frank Waterhouse, I assume did Klos. We have --  
10 we have the Excel spreadsheets that break it out --

11 Q We do.

12 A -- by individual, but --

13 Q But can you tell me how it is that Highland could  
14 calculate and bill us for the services of these employees if  
15 Mr. Klos testified correctly yesterday that there is no way in  
16 the world to do so?

17 A Yeah. On a monthly basis, they would calculate the  
18 employees and the percent of time that they spent related to  
19 Highland Capital Management Fund Advisors. They had a schedule  
20 attached to that spreadsheet.

21 Q Yep.

22 A Which then detailed their total comp, salary, bonus,  
23 taxes. There's several columns. And their percentage  
24 allocation. That was updated monthly. I looked at the  
25 schedules they provided in discovery and they -- when there was

Norris - Redirect

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1 a new employee added, they would add that employee. When an  
2 employee left, they would take the employee away.

3 Q And the --

4 A There was approximately 20 people underlying --

5 Q And we paid --

6 A -- this schedule.

7 Q And we paid these invoices, well, other than late in the  
8 game. Right?

9 A Yes.

10 Q The Advisors or HCMFA paid those invoices.

11 A Yes. Highland submitted the payments on behalf of our  
12 Advisors.

13 Q Okay. So can you conclude from that that there must have  
14 been some methodology to allocate employee time per advisor?

15 A They managed to do it.

16 Q Or is it -- or is it a fraud?

17 MR. MORRIS: Your Honor, this is really --

18 MR. RUKAVINA: Is there any alternative?

19 MR. MORRIS: He's leading.

20 MR. RUKAVINA: Is there any alternative, sir?

21 THE COURT: Sustained.

22 BY MR. RUKAVINA:

23 Q Is there any alternative? I'll strike that, Your Honor.  
24 I'll just deal with it in closing. Thank you, Mr. Norris.

25 THE COURT: All right. Pass the witness. Mr.

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1 Morris.

2 MR. MORRIS: I just have a few follow-up.

3 THE WITNESS: A few is three. Right?

4 MR. MORRIS: No.

5 THE WITNESS: Oh, okay.

6 MR. MORRIS: No.

7 REDIRECT EXAMINATION

8 BY MR. MORRIS:

9 Q You understand that we completely disagree that you -- the  
10 Advisors are entitled to any damages. Right?

11 You understand that that's the position that we've taken  
12 in this case. Right?

13 A I believe so, yes.

14 Q Okay. Can you turn to Exhibit G, please?

15 A Yes.

16 Q Okay. Do you see -- so you understand that we don't agree  
17 you're entitled to anything. Right?

18 You understand that's our position. Correct?

19 A If you represent that, I'll take your word for it.

20 Q I do. And you've got the million -- so with that  
21 understanding though, you've got the \$1,336,000 for the  
22 December 20th -- December '20 and January 2021 on your chart.  
23 Do you see that?

24 A Yes.

25 Q And it's your testimony that your recollection is that the



Norris - Redirect

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1 Advisors actually paid the amounts that were due under the  
2 payroll reimbursement agreement subject to a reservation of  
3 rights in connection with the extensions?

4 A No. Not the January and December payments. We paid in  
5 February. Yeah.

6 Q Did the Advisors ever make the December and January  
7 payments?

8 A I don't believe so.

9 Q So why is that number here? Why are you suffering damages  
10 that you didn't even pay?

11 A Yeah.

12 So I think the reason for including it is it says  
13 additional two months billed. We know that we've been billed  
14 those. We're not arguing that there shouldn't be anything  
15 paid. You're saying we actually owe the full amount. Here is  
16 the amount we owe. So the difference is the million dollars,  
17 right. So you're claiming we owe you the full 1.3. We're  
18 saying it's 264.

19 Q But you're seeking damages for the difference. Aren't  
20 you?

21 MR. RUKAVINA: Your Honor, that's not -- that wasn't  
22 the testimony, you know.

23 MR. MORRIS: Just look at -- I'm just asking. This  
24 is math, right. It's your analysis.

25 MR. RUKAVINA: It says total over billing. Our

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1 damages, Your Honor, are the \$6.2 million, as he testified, and  
2 then the \$372,000.

3 MR. MORRIS: Then how could --

4 THE COURT: Overruled. He can ask question about it.

5 BY MR. MORRIS:

6 Q Those two numbers don't add up to \$7.6 million, do they?

7 A Yeah. And I don't know the legal ramifications here, but  
8 the math is you're asking for -- I can't remember the number --  
9 three million. We're saying here is this. The three million  
10 should be offset by million dollars.

11 Q Sir? Sir, let's just take this one piece at a time  
12 because I --

13 A Uh-huh.

14 Q -- I just want to make sure this isn't inflated. You  
15 agree that the Advisors paid zero for December and January  
16 under the payroll reimbursement agreement. Correct?

17 A Well --

18 Q Just simple question.

19 A The argument I think Jim made was we've overpaid. There  
20 should be a true up to those amounts.

21 MR. MORRIS: I move to strike. Can you please -- I  
22 want to get this done.

23 BY MR. MORRIS:

24 Q You admit that the Advisors paid zero in December 2020 and  
25 January 2021 under the payroll reimbursement agreement.

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1 Correct?

2 A We made no payments in January --

3 Q Okay.

4 A -- or December.

5 Q But your analysis that you did says that if you were to  
6 pay something it would be \$264,998. Right?

7 A Correct.

8 Q But instead of adding that number to the \$6.2 million, you  
9 added the difference between that number and what we've  
10 invoiced as the damage calculation. Is that -- that's a  
11 mistake. Right?

12 A We wouldn't add the 264 as additional damages.

13 Q So what's the damage --

14 A That's the amount we would have paid.

15 Q That's the amount. So --

16 A Versus what was billed. You billed us \$1.336 million and  
17 --

18 Q Okay. So would the proper damages here be 6.206, 891.  
19 I'm just trying to do it from your perspective.

20 A Uh-huh.

21 Q Plus the \$372,040 in the bottom. Right? 372? Do you  
22 agree with that? Those two were parts of your damage  
23 calculation.

24 A Those are part damages, correct.

25 Q And you would add those two together and then you would

1 deduct \$264,000. Right?

2 A No.

3 Q Because that's the value that you should have paid that  
4 you didn't.

5 A I wouldn't necessarily say you'd deduct it from that. It  
6 would be offset from whatever you're seeking from us, right.  
7 That's separate.

8 Q No.

9 If you win this case, and again, right, it's an assumption  
10 that I positively don't agree with. But if you were to win this  
11 case, right, your theory is that you would be entitled to 6.2  
12 plus \$372,000, right, because that's the overpayment. And then  
13 the 264 is what you should have paid under your theory, so that  
14 should be deducted because you didn't pay it.

15 A Yeah. Assuming that your three million goes to zero as  
16 well or it was reduced. It's the same way at getting at the  
17 same answer.

18 Q Okay. Right? Because -- are we in agreement? It's if  
19 you want to know under your theory if you win under the  
20 methodology you've adopted, it would be 6.2 plus 372 minus 264.  
21 Right? Because the 264 is your valuation that you didn't pay.

22 A Yeah. And assuming that your numbers are also go away,  
23 that there's no -- there's no damages there.

24 Q I'm going to lose under this hypothetical.

25 A Yeah. Yeah.

Norris - Redirect

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1 Q Right? So it's not \$7.6 million. Right? It's something  
2 closer to 6. Again, just using your numbers. I'm just trying  
3 to correct the mistake that I think you made.

4 A I don't think it's necessary a mistake. I think it's just  
5 thinking at it holistically.

6 Q Okay. Can you go to Exhibit 27 in Binder Number 1? And  
7 this is that email that you just looked at with Mr. Rukavina.  
8 Right?

9 A Correct.

10 Q And if we start on the right page, the one with Bates  
11 number 730, do you see that you wrote to Mr. Sauter at 7:08  
12 p.m. on November 30th and said, time for a call?

13 A No. That --

14 Q At the bottom of the page.

15 A Oh, at the bottom. On October 6th, time -- it was time  
16 for a call.

17 Q Right. But at the bottom of Page 730, there's an email  
18 from you to Mr. Norris on November 30th at 7:08 p.m. where  
19 you're forwarding the same email.

20 A Yes.

21 Q And that's the title of the email. Right?

22 A Yes.

23 Q And you sent that because you just learned that Highland  
24 had terminated -- given notice of termination of the shared  
25 services agreements. Right?

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1 A I believe so, but I'm not certain.

2 Q And then you walked into the office early the next morning  
3 and started to think about what all of this meant. Right?

4 A Yes.

5 Q And so, at 8:53 a.m., you sent an email to DC, to Frank,  
6 and to Klos about the topic of the intercompany agreements.  
7 Right?

8 A Yes.

9 Q And you gave them the amount of money that was paid under  
10 all of the agreements between the companies. Correct?

11 A I took from the income statement, which isn't necessarily  
12 a cash flow statement, but it's the actual amount bill or  
13 recorded as expenses.

14 Q So the Advisors own books and records reflected all of the  
15 payments that were made by the Advisors to Highland under the  
16 various intercompany agreements. Right?

17 A The HCMLP employees were the ones that prepared these very  
18 numbers.

19 MR. MORRIS: I move to strike, Your Honor.

20 THE COURT: Sustained.

21 BY MR. MORRIS:

22 Q Okay. I'll ask my question again. The Advisors books and  
23 records reflected all payments that they made to Highland on  
24 account of the intercompany agreements. Correct?

25 A Sorry. One more time.

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1 Q The Advisors books and records reflect every payment they  
2 ever made to Highland under the intercompany agreements during  
3 the relevant period. Correct?

4 A I believe so, yes.

5 Q And you were able to go in there and to get the  
6 information about the amounts that were paid. Right? You got  
7 it. You got it. It's in your email. Right?

8 A I got it from the board materials, yes.

9 Q From the board materials. So even the board was given the  
10 details about the amounts that were being paid. Who gave it to  
11 the board?

12 A And I'd say not details, but one line, right. There's no  
13 underlying details.

14 Q But the board was told how much the Advisors paid under  
15 the intercompany agreements on an annualized basis. Is that  
16 fair?

17 A Yes.

18 Q And that information came from the Advisors own books and  
19 records. Correct?

20 A From the Highland employees, yes.

21 MR. MORRIS: I move to strike.

22 THE COURT: Sustained.

23 BY MR. MORRIS:

24 Q That information came from the Advisors books and records.  
25 Correct?

1 A Yes.

2 Q Thank you.

3 And you told -- you told Mr. Sauter and  
4 Mr. Waterhouse and Mr. Klos, among other things, that you need  
5 to make sure these agreements are fully understood in the  
6 context of the notices, in the context of the termination  
7 notices. Do you see that?

8 A I do.

9 Q So after you receive notice of termination, that's when  
10 you decided that you thought it was the appropriate time to  
11 make sure the agreements were fully understood in the context  
12 of HCMLP's termination notices. Right?

13 A That was a continuation.

14 If you go back in the email of October 6th, there's an  
15 email asking for a conversation on shared services and other  
16 agreements. I had an attachment with those agreements, then  
17 sent them on October 6th to DC Sauter. This is when I started  
18 to be involved more in the transition of services and was  
19 already trying to kind of understand what was going on. And  
20 there wasn't a need at that point to do anything specific.

21 Q Okay. So it was after? Can you just agree with me that  
22 what you wrote on the day after you found out that there was a  
23 termination notices, that you need -- that you "need to make  
24 sure these agreements are fully understood in the context of  
25 HCMLP's termination notices for the shared services agreement".



1 Did you see that?

2 A I did.

3 Q When you use the phrase, shared services right there, you  
4 also meant the payroll reimbursement agreement. Right?

5 A I may have, but I don't -- I don't know.

6 Q Well, that's what sub advisory fees are. Right? The  
7 column that you have there under sub advisory fees, it doesn't  
8 say payroll reimbursement agreement. It says sub advisory  
9 fees. Correct?

10 A It says sub advisory fees, yes.

11 Q And those are the amounts that were paid not under the sub  
12 advisory agreements, but the contract that is now called the  
13 payroll reimbursement agreement. Correct?

14 A Yes.

15 Q And what you wanted to do is not make sure you fully  
16 understood the shared services agreements. What you wanted to  
17 do on December 1st is make sure you fully understood the shared  
18 services agreements and the payroll reimbursement agreements.  
19 Correct?

20 A Worth noting the sub advisory fees were higher than the  
21 shared services fees, so need to make sure these agreements are  
22 fully understood in the -- well, here -- they only terminated  
23 the shared services agreement, so and going back my previous, I  
24 wasn't sure.

25 They only sent shared services agreement terminations.

Norris - Redirect

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1 And so you needed to understand the shared services agreements,  
2 the sub advisory agreements. Yeah. We wanted to understand  
3 them, but they hadn't terminated them. So this specifically  
4 was related to the shared services agreement.

5 Q Sir, the rest of the email train that you're relying on is  
6 about the sub advisory fees. Do you see Mr. Klos' response to  
7 you?

8 A Yeah.

9 Q It's only about sub advisory fees. Correct?

10 A What's only about sub advisory fees?

11 Q The first paragraph is about sub advisory fees.

12 A Yeah. Because he -- he clarified. I was learning at this  
13 point.

14 Q Uh-huh.

15 A And he clarified and then it went into a deeper discussion  
16 about the sub advisory fees.

17 Q And is it fair to say that you also needed to fully  
18 understand the payroll reimbursement agreements at that time?

19 A Absolutely. We should. Yeah.

20 Q At that time. Right?

21 A Because they didn't terminate them.

22 Q That's right. And you hadn't undertaken that exercise at  
23 any time before this time. Is that fair?

24 A Other than my discussions with outside counsel and DC  
25 Sauter that are laid out in the email below about which we had

Norris - Redirect

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1 had discussions, but we didn't dive into all the details.

2 Q You're telling me that back in October this email that  
3 says nothing doesn't mention payroll reimbursement agreement.

4 Right?

5 A It says shared services and other agreements with HCMLP.

6 Q And what was the issue at that time? Did you know back in  
7 October?

8 A Did I know what back in October?

9 Q About the alleged overpayments.

10 A I didn't.

11 Q Were you looking at the agreements in October?

12 A We were.

13 Q So you had the agreement in your hand in October and you  
14 didn't make any conclusions about overpayment at that time.

15 Right?

16 A I looked at the schedule and saw that there's a percentage  
17 allocation of employees and assumed that Highland is -- let me  
18 step back. We relied on Highland and were assuming that they  
19 were making payments in accordance with the agreement.

20 Q In the two months before you sent this email to Mr. Sauter  
21 and Mr. Waterhouse, did you make any effort to try to figure  
22 out if your assumption was accurate?

23 A No.

24 Q And you looked at Exhibit A and you said, well, there's a  
25 lot of employees who have been terminated, but I just assumed

Norris - Redirect

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1 Highland is doing the right thing.

2 A Yeah.

3 Q Okay. You said that you were not aware of the  
4 overpayments, but I believe you said Mr. Waterhouse was very  
5 aware of the overpayments. Do I have that right?

6 A He was.

7 Q And did he tell you when he first learned of the  
8 overpayments?

9 A Well, in our discussion in December, he said -- he didn't  
10 say when he had learned, but in our call at the end of January,  
11 which I had taken notes on, he had said -- and I was surprised  
12 by this because I thought it was newer knowledge to him in  
13 December, but he had said over a year ago he had discussions  
14 with Counsel and DSI. So he had told me it had been over a  
15 year.

16 Q And did -- and that's when he told you? So other than  
17 what Mr. Waterhouse told you about his conversation with Isaac  
18 Leventon, Scott Wellington, and Fred Caruso, are you aware of  
19 any other conversation that ever took place before November 30,  
20 2020, concerning whether or not there should be any  
21 modification to the amounts being paid under the payroll  
22 reimbursement agreements?

23 A So I'll correct the -- you said other than him telling his  
24 conversation with Fred Caruso and Isaac. Other than their  
25 testimony, he didn't tell me that at the time. He said he had

Norris - Redirect

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1 spoke to DSI and to -- to counsel. So just --

2 Q Meaning that he didn't identify who the counsel was.

3 A He didn't identify who counsel was.

4 Q Fair enough.

5 A I didn't know who Fred Caruso was at the time.

6 Q Okay.

7 A Again, I wasn't involved. So he told me general. So  
8 that's the first part of the question, so didn't want to agree  
9 to that part by answering. So then you said was there any  
10 other discussion that they should be amended prior to November  
11 30th. Not with me.

12 Q Okay. And you're not aware of any. Correct?

13 A Other than -- I'm not aware of any, no.

14 Q Thank you.

15 Nobody's ever told you -- other than this one conversation  
16 that Frank had with Fred Caruso and counsel, nobody has ever  
17 informed you of any discussion of any kind where the Advisors  
18 asked to modify the amounts that were being paid under the  
19 payroll reimbursement agreements. Correct?

20 A I mean, other than my conversations where I asked for the  
21 scheduled, demanded that they be done the right way, but you're  
22 saying that --

23 Q Let me rephrase the question.

24 A Yeah.

25 Q Because I want to use that November 30th timeline.

Norris - Redirect

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1 A Yeah.

2 Q Other than the conversation that Mr. Waterhouse told you  
3 he had with Fred Caruso and counsel, you have no knowledge of  
4 any request to modify the amounts that were charged under the  
5 payroll reimbursement agreement at any time prior to November  
6 30, 2020. Correct?

7 A I don't.

8 Q Thank you.

9 You went through a whole lot of testimony with Mr.  
10 Rukavina about the change in the advisor's business model. Do  
11 I have that right?

12 A Correct.

13 Q And none of those changes ever caused the Advisors to make  
14 a request to modify the amounts that were being paid under the  
15 payroll reimbursement agreement. Correct?

16 A They should have. And again, Highland -- we thought  
17 Highland was doing that, but there's -- yeah. The people  
18 changed. It should have resulted in a modification.

19 Q Okay. And every -- it was the last question I asked and I  
20 just want to emphasize the point.

21 A Uh-huh.

22 Q Every single person that you believe should have  
23 unilaterally made this change reports to Frank Waterhouse.  
24 Right?

25 A Those that had knowledge of this, yes.

Norris - Recross

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1 Q Okay.

2 A And you said unilaterally, I think the contract is clear  
3 and says that if either party, right, will negotiate in good  
4 faith.

5 MR. MORRIS: I'm going to move to strike that part  
6 because the contract speaks for itself and --

7 THE COURT: Sustained.

8 MR. MORRIS: -- you have no knowledge of what that  
9 means.

10 May I just have one moment, Your Honor?

11 THE COURT: You may.

12 MR. MORRIS: I have nothing further here.

13 THE COURT: All right. Any recross?

14 MR. RUKAVINA: Briefly, Your Honor.

15 THE COURT: Okay.

16 RECROSS-EXAMINATION

17 BY MR. RUKAVINA:

18 Q Briefly because I think Mr. Morris might make his flight.  
19 Exhibit W. Is that the notes that you referenced to yourself,  
20 just so that I can use it in closing?

21 A Yes. Those are them.

22 Q Okay. And were those kept contemporaneously or right  
23 after by you?

24 A I started typing them up shortly after the call ended.

25 Q It's Exhibit W. I think it's been admitted.

Norris - Recross

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1 A And it was sent -- the call happened that evening and I  
2 sent it later that night after I had wrapped up work. I sent  
3 it to myself.

4 Q Going back to your damages analysis, where did you get the  
5 dates of termination of the employees from?

6 A So I received them from the interrogatories.

7 Q So let me point you. Exhibit I. Exhibit I, Page 9.

8 Yeah. You might not know what an interrogatory is. Exhibit I,  
9 Page 9. Your Honor, these are the Debtors' responses to my  
10 interrogatories. Do you see that, sir?

11 A I do.

12 Q Okay. Is that the source information for dates of  
13 termination?

14 A It is. And I also compared that to the schedule from HR  
15 at Highland Kelly Stevens.

16 Q And just to round off this discussion of damages, back to  
17 your Exhibit G.

18 A Yes.

19 Q We're claiming the 6.2 million. Correct? Go back to  
20 Exhibit G.

21 A Yes.

22 Q We're claiming the 372,000. Correct?

23 A Yes.

24 Q Then we're claiming -- I'll discuss it in closing -- some  
25 \$1.3 million from the David Klos analysis for the shared



Norris - Recross

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1 services agreements. Right?

2 A Yeah. And that's different than this 1.3. It's 1.3 in  
3 shared services.

4 Q That's what I wanted to clarify.

5 A Yes. Yes.

6 Q You did not --

7 A Additional damages.

8 Q You did not calculate the underlying overcharges under the  
9 shared services. We're just going with Mr. Klos' analysis --

10 A Going off --

11 Q -- if the Court agrees with us.

12 A That's correct.

13 Q And then 425,000 in cover damages.

14 A That's correct.

15 Q And that's for Robert Harris and Jason Post?

16 A Correct.

17 MR. RUKAVINA: Your Honor, thank you.

18 THE COURT: All right. Mr. Norris, before I excuse  
19 you, I have two or three questions.

20 THE WITNESS: Yes. Yes.

21 THE COURT: Okay. That was it. That was recross.

22 MR. MORRIS: Oh, I had a couple -- I have a couple of  
23 questions on that.

24 THE COURT: But that was it. We went you, you, you,  
25 you.

Norris - Examination/Court

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1 MR. MORRIS: Right. But can I cross now on the very  
2 limited testimony? It's limited to the questions that he just  
3 asked.

4 THE COURT: Okay. Well, don't --

5 MR. MORRIS: If you don't want me to, it's fine.

6 THE COURT: Yeah. I don't want you to.

7 MR. MORRIS: Okay.

8 EXAMINATION

9 BY THE COURT:

10 Q All right. My brain thinks in timelines. And so I just  
11 -- I want to be reminded of a couple of things. NexPoint, NPA,  
12 was formed when?

13 A Yeah. NexPoint Advisors was formed in 2011 or 2012. I  
14 believe it was 2011.

15 Q Okay. So after you started at the Highland complex. And  
16 the other one, HCMFA. It was --

17 A Yes.

18 It was formed somewhere between 2007 and 2009 as Highland  
19 Funds Asset Management. That's where Jim got the H fam from  
20 and has carried it. It then became Axis Capital. And then it  
21 changed its name again to Highland Capital Management Fund  
22 Advisors in, I believe, February 2013.

23 Q Okay. So when did each of these entities begin hiring  
24 their own employees? I'm not 100 percent clear. I think I  
25 heard the answer, but you tell me.

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1 A Yeah. So they have -- they had their own employees  
2 throughout the whole time period, but --

3 Q Since 2011, since 2007?

4 A That's right. And the -- they have -- and I mentioned the  
5 shared services agreements. When I started working for  
6 Highland Capital Management Fund Advisors, there were a lot of  
7 those in house services that were actually at the Advisors.

8 Q Right. Yeah.

9 A So part of the transitioning those services was with my  
10 moving to a different role in around 2013 or so where we merged  
11 those services. We were receiving some services from Highland,  
12 back-office services, maybe some --

13 Q Okay. I'm more interested in front office.

14 A Yeah. Front-office services.

15 Q Uh-huh.

16 A So the Retail Advisors have always had front-office  
17 personnel. And we did rely and we had the payroll  
18 reimbursement agreements for certain investment professionals.  
19 Prior to the 2018 agreement, I believe the shared services  
20 agreement had investment advisory services in it.

21 So -- but there was -- you know, we have had investment  
22 professionals the whole time. However, as I mentioned, the  
23 shift from being real -- from credit focused to real estate  
24 focused really started in 2015, '16, '17, '18, and really into  
25 '19 and '20. So our real estate assets in 2012 or '13 were

1 close to zero and today it's around nine or ten billion.

2 Q Okay.

3 A And I think if you go back to 2008, it was almost  
4 primarily credit and a long-short equity fund from our advisors  
5 and a mostly credit focused funds.

6 THE COURT: Okay. Thank you.

7 THE WITNESS: Yes.

8 THE COURT: You're excused.

9 THE WITNESS: Thank you.

10 (Witness excused)

11 THE COURT: All right. That concludes our witnesses.  
12 Right?

13 MR. RUKAVINA: It does, Your Honor. And Mr. Morris  
14 and I discussed a proposal.

15 MR. MORRIS: Yeah. Let me just confer with my client  
16 --

17 MR. RUKAVINA: Sure. Sure.

18 THE COURT: Okay.

19 MR. MORRIS: -- to make sure my client is okay with  
20 this.

21 All right. You can --

22 MR. RUKAVINA: You're okay?

23 Your Honor, we were -- if agreeable to the Court  
24 since they could then make their flights and we're all tired,  
25 we can do closing by Webex at the Court's convenience rather

1 than go now until probably quite -- we're not going to have, I  
2 don't think, huge, long closings, but we're going to have quite  
3 some time.

4 THE COURT: You had an hour opening.

5 MR. MORRIS: Yeah. I mean, I actually --

6 MR. RUKAVINA: I was a lot less than an hour.

7 THE COURT: Okay.

8 MR. MORRIS: I don't want to impose my will at all.  
9 I'd like to do it consensually, but I think it might be  
10 appropriate to just set some time limits and find a day. We do  
11 have a pretty big day next week for the summary judgment motion  
12 on the Notes (phonetic) litigation.

13 But at the Court's convenience, I think it would be  
14 helpful to review the record because it's been a busy couple of  
15 days and I know personally I'd like to read actually the  
16 testimony instead of just telling the Court what I think  
17 witnesses testified to because people get a little loose with  
18 that sometimes.

19 THE COURT: Okay. So we'll let you do closing by  
20 WebEx. We'll limit you to an hour each. We'll do it some day  
21 next week, but I need to check with Traci. I don't have my  
22 final calendar for next week --

23 MR. RUKAVINA: MSJ is the 20th?

24 THE COURT: -- to know when the best day is.

25 MR. MORRIS: It is the 20th, yeah.

1 THE COURT: What day is your Note?

2 MR. MORRIS: I think it's the 20th. Yeah.

3 MR. RUKAVINA: That would be a week from today.

4 Right?

5 MR. MORRIS: Yeah. You know, and it may not be  
6 feasible to do it next week. It may wait until the week after.

7 THE COURT: Okay.

8 MR. MORRIS: I'll do it whenever the Court wants, but

9 --

10 THE COURT: Okay. We'll do it either next week or  
11 the following week, okay?

12 MR. MORRIS: Yeah. Fair enough. Fair enough.

13 THE COURT: Yeah. I just need to get with Traci --

14 MR. MORRIS: Yeah.

15 THE COURT: -- and see what is the best day. So  
16 she'll reach out to you tomorrow.

17 MR. MORRIS: Perfect.

18 THE COURT: And let you know.

19 MR. MORRIS: Perfect.

20 THE COURT: Okay.

21 MR. MORRIS: Thanks so much, Your Honor.

22 THE COURT: All right.

23 MR. RUKAVINA: So just, I guess, to be clear.

24 Plaintiff has closed. I have closed because we did it  
25 simultaneously, and the evidence is concluded.

1 THE COURT: The evidence is closed.

2 MR. RUKAVINA: Thank you.

3 MR. MORRIS: Thank you.

4 THE COURT: I'm not listening to anything else. And  
5 the briefing is closed, as well. So we'll just have closing  
6 oral arguments again next week or the following week. Traci  
7 will reach out tomorrow.

8 MR. MORRIS: Okie doke.

9 (Proceedings concluded at 5:04 p.m.)

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C E R T I F I C A T I O N

We, DIPTI PATEL, KAREN WATSON, MICHELLE ROGAN, PATTIE MITCHELL, and, CRYSTAL THOMAS, court approved transcribers, certify that the foregoing is a correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter, and to the best of our ability.

/s/ Dipti Patel

/s/ Crystal Thomas

DIPTI PATEL, CET-997

CRYSTAL THOMAS, CET-654

/s/ Karen K. Watson

/s/ Pattie Mitchell

KAREN K. WATSON, CET-1039

PATTIE MITCHELL

/s/ MICHELLE ROGAN

MICHELLE ROGAN

LIBERTY TRANSCRIPTS

DATE: April 14, 2022





**UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF  
TEXAS, DALLAS DIVISION**

**In Re: Highland Capital Management, L.P.** § Case No. **19-34054-SGJ-11**  
**NexPoint Advisors, L.P. et al** §

Appellant § 21-03010  
vs. §  
**Highland Capital Management, L.P.** §

Appellee § **3:22-CV-02170-S**

[126] Judgment (final). Entered on 9/14/2022

**APPELLANT RECORD**  
**VOLUME 15**

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UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

In re:	§	
	§	
HIGHLAND CAPITAL MANAGEMENT,	§	Chapter 11
L.P.	§	
	§	Case No. 19-34054-sgj11
Debtor.	§	
<hr/>		
HIGHLAND CAPITAL MANAGEMENT,	§	
L.P.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Adv. No. 21-03010-sgj
	§	
HIGHLAND CAPITAL MANAGEMENT	§	
FUND ADVISORS, L.P. and NEXPOINT	§	
ADVISORS, L.P.,	§	
	§	
Defendants.	§	

INDEX

**AMENDED DESIGNATION OF ITEMS FOR THE RECORD ON APPEAL  
BY NEXPOINT ADVISORS, L.P. AND  
HIGHLAND CAPITAL MANAGEMENT FUND ADVISORS, L.P.**

COME NOW NexPoint Advisors, L.P. and Highland Capital Management Fund Advisors, L.P. (together, the “Appellants”) and, with respect to their *Joint Notice of Appeal*, hereby file this *Amended Designation of Items for the Record on Appeal*, designating the following items for the record of said appeal:

<u>Item</u>	<u>Docket No.</u>	<u>Description</u>
<b>ADVERSARY PROCEEDING (21-03010-sgj)</b>		
1	128	Joint Notice of Appeal
2	126	Judgment
3		Docket Sheet
4	1	Plaintiff Highland Capital Management, L.P.'s Verified Original Complaint for Damages and for Declaratory and Injunctive Relief
5	33	Original Answer
6	37	Order Approving Stipulation (A) Amending Scheduling Order and (B) Consolidating and Resolving Certain Matters
7	49	Response to Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
8	56	Highland Capital Management, L.P.'s Reply In Further Support of Debtor's Objection to Application for Administrative Claims of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
9	90	Advisors' Trial Brief
10	91	Highland's Proposed Findings of Fact and Conclusions of Law
11	96	Joint Pretrial Order
12	124	Findings of Fact and Conclusions of Law
<b>BANKRUPTCY CASE (19-34054-sgj-11)</b>		
13	1826	Application for Allowance of Administrative Expense Claim
14	2274	Debtor's Objection to Application for Administrative Claim of Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P.
<b>EVIDENCE AND TRANSCRIPTS (21-03010-SGJ)</b>		
15	115	All exhibits admitted into evidence at trial on April 12, 2022 and April 13, 2022 Thru Vol. 12
16	113	Transcript of April 12, 2022 trial
17	116	Transcript of April 13, 2022 trial
18	122	Transcript of April 27, 2022 closing arguments

RESPECTFULLY SUBMITTED this 4th day of October, 2022.

**MUNSCH HARDT KOPF & HARR, P.C.**

By: /s/ Davor Rukavina

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, on the 4th day of October, 2022, true and correct copies of this document were electronically served via the Court's CM/ECF system on all parties entitled to such notice, including counsel for the appellee.

By: /s/ Davor Rukavina

Davor Rukavina, Esq.

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS (DALLAS)

IN RE: Case No. 19-34054-11 (SGJ)

HIGHLAND CAPITAL Earle Cabell Federal Building  
MANAGEMENT, L.P., 1100 Commerce Street  
Dallas, TX 75242-1496

Debtor.

. . . . .

HIGHLAND CAPITAL Adv. No. 21-AP-03010 (SGJ)  
MANAGEMENT, L.P.,

Plaintiff,

v.

HIGHLAND CAPITAL,  
MANAGEMENT FUND ADVISORS  
L.P., *et al.*,

Defendants.

. . . . .

Wednesday, April 27, 2022  
1:34 p.m.

TRANSCRIPT OF HEARING ON CLOSING ARGUMENTS  
BEFORE HONORABLE STACEY G. JERNIGAN  
UNITED STATES BANKRUPTCY COURT JUDGE

TELEPHONIC APPEARANCES:

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002824

1 THE CLERK: All rise. The United States Bankruptcy  
2 Court for the Northern District of Texas Dallas Division is now  
3 in session. The Honorable Stacey Jernigan presiding.

4 THE COURT: Good afternoon. Please be seated.

5 All right. We are here for closing arguments in the  
6 Highland Capital versus Advisors matter, Adversary 21-3010.  
7 Let's get appearances first on the record for Highland first.

8 MR. MORRIS: Good afternoon, Your Honor. This is  
9 John Morris, Pachulski Stang Ziehl & Jones, for Highland  
10 Capital Management, L.P., and I'll be handling today's closing  
11 argument on behalf of my client.

12 THE COURT: All right. Thank you.

13 Now for the Advisors, who do we have appearing?

14 MR. RUKAVINA: Your Honor, good afternoon, Davor  
15 Rukavina and Thomas Berghman here for the Advisors, NexPoint  
16 Advisors, L.P., and Highland Capital Management Fund Advisors,  
17 L.P.

18 THE COURT: All right. Thank you.

19 All right. That should be all the appearances. We  
20 have lots of observers, I'm sure. I believe we allocated one  
21 hour each to Highland and then the Advisors collectively.  
22 Correct?

23 MR. MORRIS: That's right, Your Honor. And as the  
24 plaintiff, I'm hoping that I don't use my full hour. And  
25 whatever time remains from my allotted time, I'll reserve for

1 rebuttal.

2 THE COURT: All right. We will allow rebuttal if you  
3 have time.

4 All right. Well, with that, let's begin. It's 1:35  
5 per the Court's clock. So, Mr. Morris, I'll hear your closing.

6 MR. MORRIS: All right. And I would ask Ms. Canti  
7 (phonetic) to put up our deck, our PowerPoint presentation that  
8 we sent to the Court and to Mr. Rukavina in advance of today's  
9 --

10 THE COURT: Okay.

11 MR. MORRIS: -- argument. So, okay, I'll begin the  
12 clock, Your Honor.

13 And thank you for hearing us this afternoon. Thank  
14 you for your patience the week before last in accommodating our  
15 travel schedules and allowing us to complete a pretty grueling  
16 two days of testimony. I think it was helpful.

17 And I'd like to begin if we could just turn the deck  
18 to the next slide and just remind the Court that at Docket  
19 Number 91, Highland filed its proposed findings of fact and  
20 conclusions of law. We stand by every work in that 68-page  
21 filing. I'm hoping to use my time here this afternoon to  
22 simply highlight certain facts that came out of the trial, as  
23 well as to kind of summarize where I believe the evidence  
24 landed and where I believe the Court ought to rule.

25 Just to quickly go through the claims, Highland's



1 claims are awfully straightforward. There's no dispute that  
2 the Advisors stopped paying for their services under the  
3 various agreements at very specific points in time. There's no  
4 dispute as to the amounts that are owed under those agreements.  
5 And so unless the Advisors can prove that Highland was in  
6 breach of one or more of the agreements, I think that there's  
7 an undisputed issue as to Highland's claim and as to the  
8 Advisors' liability under that claim.

9           We believe that the Advisors' claims are meritless,  
10 Your Honor. We believe that -- and I think there was kind of a  
11 sea change during the hearing. I think the Advisors kind of --  
12 and we'll talk about this more in a moment -- shifted their  
13 theory of the case. And I believe that we now have an  
14 agreement that the contracts are indeed unambiguous.

15           As I'll talk about a little bit more, there really is  
16 no such thing, at least in the context of this case, of an  
17 overpayment. Even if the Court were to find there was an  
18 ambiguity, and I'll go through the evidence again as quickly as  
19 I can, the parole evidence --

20           THE COURT: Okay. Just a moment. My court  
21 reporter's saying we need to stop.

22           (Court and Clerk confer briefly)

23           THE COURT: I apologize. We are having a technical  
24 sound issue. I didn't observe it, but the court reporter  
25 equipment -- just bear with us a moment.

1 (Pause)

2 THE COURT: Okay. Just so we can let the lawyers  
3 know, how long do you predict this is going to take?

4 UNIDENTIFIED SPEAKER: Testing, testing.

5 THE CLERK: It's not coming through.

6 UNIDENTIFIED SPEAKER: Still not coming through.

7 THE CLERK: How long do you think it's going to take?

8 UNIDENTIFIED SPEAKER: I have no earthly idea. I'm  
9 not sure what's going on. Give me five minutes.

10 THE COURT: Okay. Lawyers, I apologize. They say  
11 give them five minutes. They hope they can get this sound  
12 issue. I greatly apologize, but give it five minutes.

13 (Off the record to handle technical issues with audio  
14 equipment)

15 (Back on the record)

16 THE CLERK: All rise.

17 THE COURT: All right. Please be seated. We're back  
18 on the record in the Highland closing arguments in Adversary  
19 21-3010. All right.

20 Mr. Morris, we're just going to start the clock over  
21 in light of a disruption less than five minutes into your  
22 closing. So you may begin.

23 MR. MORRIS: Okay. Thank you, Your Honor. And  
24 again, John Morris, Pachulski Stang Ziehl & Jones for Highland.

25 As I had mentioned earlier, for the record, Highland

1 had filed at Docket Number 91 its proposed findings of fact and  
2 conclusions of law. We continue to believe that that document  
3 fairly sets forth and describes a mountain of documentary  
4 evidence that supports its claims and that defeats the  
5 Advisors' claims.

6 Just to summarize kind of where we are, we believe  
7 that there's no dispute as to Highland's claim. We don't  
8 believe there's any dispute as to the time in which the  
9 Advisors failed to pay for services or the amounts that were  
10 due under those contracts, so that unless the Advisors can  
11 prove that Highland is in breach, I believe that there's no  
12 dispute that Highland would be entitled to a judgment.

13 Highland believes that the Advisors' claims are  
14 frivolous. After some back and forth, I believe that the  
15 parties are in agreement now that the contract is unambiguous  
16 and that, as I'll discuss further, there really is no such  
17 thing as an overpayment under the circumstances that we find  
18 ourselves here.

19 Even if the contracts were ambiguous in any way, we  
20 believe the evidence firmly establishes that Highland's  
21 interpretation is the only fair and reasonable interpretation.  
22 That evidence includes parole evidence that led up to the  
23 execution of the relevant agreements, and it also includes the  
24 parties' course of dealing and the surrounding circumstances.

25 We believe the evidence will establish and has

1 established that Highland has fully performed, that the  
2 substance of the advisor's claims has changed so radically over  
3 time that the credibility of the claim itself is called into  
4 question, and their last-minute hail Mary to Frank Waterhouse  
5 is nothing but a fumble or an incomplete pass at best.  
6 Mr. Waterhouse's story will not withstand scrutiny.

7           If we can go to the next slide just to summarize and  
8 to highlight a couple of additional provisions of the relevant,  
9 and I'm focused here on the Payroll Reimbursement Agreement  
10 because that is the bulk of the Advisors' claims. Again,  
11 Section 2.01 of the agreement provided that not just NexPoint  
12 but HCMFA because the documents are identical, and they can be  
13 found at Exhibits 6 and 8, provided that the Advisors would  
14 reimburse Highland for the actual cost of certain employees,  
15 again with a capital A and a capital C.

16           Capital A and capital C actual cost is defined in the  
17 agreement to be a flat fee absent a change pursuant to Section  
18 2.02. There's really no dispute about that. It's plain  
19 language (indiscernible) applied as such. Section 2.02 states  
20 that the parties may agree to modify the terms and conditions  
21 of the reimbursement. They may agree, they may not agree.  
22 Nobody can act unilaterally.

23           I believe earlier in this case there was a suggestion  
24 that Highland had some obligation to do something on its own.  
25 You can't find Highland's name in Section 2.02 because nobody

1 has the right or the obligation or the ability to act  
2 unilaterally.

3           Section 4.02 emphasizes that if somebody does want to  
4 make a modification, they have to notify the other party before  
5 the last business day of the calendar month. And that's  
6 critical, Your Honor, because it shows that the parties agreed  
7 that any change would be prospective. There wouldn't be a  
8 retroactive change because if there could be a retroactive  
9 change then you've just rendered the definition of actual cost  
10 absolutely meaningless. Right?

11           If at any time somebody can say, oh, I didn't like  
12 what I paid for the last three years, or in this case the last  
13 12 months, then why even have a definition of actual cost.  
14 Right? So you've got to read the agreement together. Section  
15 4.02 clearly establishes that any request for change under  
16 Section 2.02 is going to be prospective only.

17           Section 6.02 says that the agreement can only be  
18 amended by a writing of the parties. The parties knew that.  
19 We know that the evidence in dispute indisputably establishes  
20 that they exercised their right. They did agree to modify  
21 under Section 2.02 in December 2018, and we'll talk about that  
22 more. So the parties know exactly what they're doing.

23           And if you remember in my opining, Your Honor, I  
24 suggested that the definition of actual cost, we could have  
25 called it hamburger, we could have called it tofu if that's

1 your preference. And the reason that I said that, Your Honor,  
2 is because Section 6.07 exists. And Section 6.07 says the  
3 descriptive headings are for convenience, and they don't  
4 constitute a part of the agreement.

5 So again, you know, everything that I think the  
6 Advisors are relying upon are all of these headings. The only  
7 thing that matters is the definition of actual cost,  
8 Section 2.02, and that any agreement has to be prospective, not  
9 retroactive. We believe that that's what the Payroll  
10 Reimbursement Agreement shows.

11 If you go to the next chart, Your Honor, it's really  
12 just a summary of Mr. Klos' damage analysis. It is really  
13 incredibly straightforward. Under the next point, agreements,  
14 no payment was made in December or January. All three  
15 agreements were flat-fee agreements. We've simply multiplied  
16 the flat fee by the period of time that remained unpaid to get  
17 to the total.

18 The only wrinkle here is the HCMFA Shared Services  
19 Agreement. If Your Honor recalls, there's one -- that's the  
20 only contract of the five that isn't a fixed fee. But it  
21 stayed within a very narrow band of 300,000 to 310. So we just  
22 took an average because they didn't pay. And that's how we got  
23 to the 915 because they didn't pay. If you recall the  
24 testimony from Mr. Klos, they didn't pay November either for  
25 that particular contract because Highland had not yet prepared

1 the invoice. Okay?

2 So that's the damage calculation. We're entitled to  
3 costs, fees, and expenses. You know, in the joint pretrial  
4 order, the parties agreed that that issue would be resolved  
5 subsequent to the entry of a judgment, if one is entered on  
6 Highland's behalf. We'll just follow Rule 54 and come back in  
7 a couple of weeks for a calculation of our costs, fees, and  
8 interest.

9 If we can go to the next slide, I mentioned, Your  
10 Honor, from, you know, I think any fair reading of the  
11 Advisors' pleadings, you know, always changing, always trying  
12 to adapt to the evidence instead of coming in with a consistent  
13 story. You know? But we adapt and we respond. And this is  
14 where we are.

15 Their original claim which was filed over a year ago  
16 said, alleged that Highland stopped providing services in  
17 July 2020. Obviously, that makes no sense. It's contradicted  
18 by every single report to the Retail Board. They in fact  
19 relied on the wrong contract in their original administrative  
20 claim. They said that the NexPoint Shared Services Agreement  
21 was an actual cost sharing agreement. And they cited not to  
22 the applicable agreement, the one from January 2018, but they  
23 cited to the wrong agreement, the one from 2013.

24 And their entire argument on overpayment was simply  
25 that it was an overpayment because there were employees on that

1 Exhibit A were no longer employed by Highland, and it was  
2 incredibly outdated. This is just, if you just look at  
3 Paragraphs 16, 17, and 18 of their administrative claim, that's  
4 all they said.

5           We responded in the fall of 2021. The Advisors filed  
6 a response. They didn't really change their tune much on the  
7 overpayments. But they insisted that they could not possibly  
8 have waived any rights under any of the agreements because the  
9 issue didn't crystalize for them until November 2020. Okay?  
10 So they've shifted from July 2020 when we stopped providing  
11 services. One would hope that they would have known if we'd  
12 actually done that, to the issue not really crystalizing until  
13 November 2020.

14           And then on the eve of trial, we got a completely new  
15 and different story, a very contradictory theory. Instead of  
16 saying that the issue didn't crystalize until November 2020,  
17 all of a sudden we came up with Frank Waterhouse, not  
18 Dave Klos, but Frank Waterhouse noted the overpayments.  
19 There's no evidence that Frank Waterhouse did this.

20           But in any event, Frank Waterhouse noted the  
21 overpayments in late 2019 and asked Fred Caruso, then allegedly  
22 the CRO of Highland, to, quote, change the reimbursement  
23 amounts, but was told nothing could be done because of the  
24 automatic stay. Dustin Norris, right, he's quoted as having  
25 repeatedly discussed the matter with Highland's controller



1 starting in late summer or early fall of 2020.

2 I don't know how you can make that statement when  
3 just a couple of minutes before in your response you told the  
4 Court that the issue didn't crystalize until November 2020.  
5 Based on the pleadings, I don't think there's any way to  
6 actually figure out when they learned what because it just  
7 conflicts, all of the statements just conflict with each other.

8 But be that as it may, the important point is that on  
9 the eve of trial, they were forced into the 2.02 corner.  
10 Right? They had started out by saying Highland had the  
11 obligation to change the amounts that were due because they  
12 were in control under the Shared Services Agreement. When, you  
13 know, that become untenable because of the language of  
14 Section 2.02, they tried to go with the overpayment and just  
15 say the interpretation of the contract was that they shouldn't  
16 pay for employees who weren't there.

17 Now they're kind of, you know, last stop, last call.  
18 The agreement, Highland breached the agreement because it  
19 didn't negotiate in good faith under 2.02. Last call. Third  
20 try, last call.

21 Your Honor, we believe everything I'm about to say is  
22 irrelevant, if I can humbly say that, because the contract is  
23 clear and unambiguous. But to the extent that the Court has a  
24 different view, or to the extent the Court wants to get  
25 comfortable that the plain and unambiguous terms of the

1 contract mean exactly what they say, we're going to just  
2 summarize what the evidence was that led up to the execution of  
3 the Payroll Reimbursement Agreements.

4 I don't think there's any dispute that 2017 was a  
5 difficult year for Highland. In December of that year, if you  
6 look at Exhibit 30, Sean Fox and Tim Cournoyer discussed  
7 shifting NexPoint Shared Services Agreement to a flat monthly  
8 fee. It's a very significant development, has nothing to do  
9 with Dave Klos. I'm sure we're going to hear a lot of  
10 criticism of Dave Klos. But understand that Dave Klos was not  
11 involved at this point.

12 The following month, in January, Klos does get  
13 involved. And he testifies that he gets instructions from  
14 Mr. Dondero to increase from \$1.2 million to \$6 million the  
15 total paid by the Advisors to Highland. And they come up with  
16 an allocation for the services among NexPoint and its  
17 affiliates. And that is also in the Exhibit 130. And that  
18 happens on January 4th.

19 Within seven days, Frank Waterhouse executes on  
20 behalf of Highland and NexPoint three agreements, a subadvisory  
21 agreement, the new Shared Services Agreement, and the NexPoint  
22 Real Estate Advisors Shared Services Agreement. And when you  
23 add up the flat fees, there's no dispute, there can't be any  
24 dispute that these are three flat-fee agreements that when you  
25 add them up, it's \$500,000. When you multiply it by 12 --

1 THE COURT: Mr. Morris, could you maybe close your  
2 email box? Every time you get an email, we get that tone, and  
3 it's kind of distracting.

4 MR. MORRIS: Sure. Okay. I'm just going to stop my  
5 watch for a second and I'll do just that. Give me just a  
6 moment, Your Honor.

7 (Pause)

8 MR. MORRIS: Okay. Can you hear me now?

9 THE COURT: Yeah. It's a little faint, but --

10 MR. MORRIS: Okay. But I think I solved the problem.  
11 Okay. So --

12 THE COURT: Okay. Good.

13 MR. MORRIS: So they've got this \$6 million. It's  
14 three contracts, and they're all signed. If you look at  
15 Exhibit 30, you have three signed agreements, right? And we're  
16 going to hear criticism about Dave Klos and he's lying. But it  
17 doesn't matter because there's no dispute that three agreements  
18 are created. They equal the \$6 million.

19 And Jim Dondero is told that because on January 26th  
20 at Exhibit 86, you have the deck from the annual review  
21 meeting. And Mr. Dondero and Mr. Okada are given a ton of  
22 information, including the fact that the Acis CLOs will be  
23 reset so that their useful life is extended for two more years,  
24 they're projected to generate more than approximately \$10  
25 million of revenue which is the second largest source of

1 revenue.

2           They're told explicitly that the assumption in the  
3 projections is that NexPoint and its subsidiaries will play a  
4 flat \$6 million per year for subadvisory and shared services.  
5 And but that notwithstanding these changes, notwithstanding all  
6 of this, Highland is still going to lose \$12 million in 2018.  
7 But that is the deal.

8           January 26th ends. They've got three signed  
9 agreements. It's \$6 million flat. They're looking forward to  
10 getting this income from Acis. And if we turn the page, that's  
11 when the wheels start to come off. And this is all very  
12 important, right? This is both parole evidence as well as the  
13 surrounding circumstances because within days, Josh Terry  
14 commences the involuntary against Acis. That puts into -- that  
15 puts at risk the \$10 million that was projected for the  
16 Highland complex in 2018.

17           So Mr. Fox and Mr. Cournoyer, not Mr. Klos, respond  
18 by creating a flat-fee agreement for HCMFA, a subadvisory  
19 agreement. Not a payroll reimbursement agreement. Nobody has  
20 ever uttered those words at this point. It is a flat fee  
21 subadvisory agreement based on the NexPoint template. And that  
22 can be found at Exhibit 87. This is the best parole evidence  
23 you can possibly have.

24           The wheels come off again. They think they solved  
25 the Acis problem. But on March 15th, Lauren Thedford informs

1 Fox, Surgent, Cournoyer, and Post, right? Mr. Post is a chief  
2 compliance officer for the Advisors. Ms. Thedford is not only  
3 a lawyer, she's an officer of the Advisors. She's the  
4 secretary of the Advisors. Dave Klos isn't even on this email  
5 chain yet. He's aware of this, but he's not participating in  
6 these conversations directly.

7 And Ms. Thedford informs the team, because this is a  
8 team approach, that these subadvisory agreements are not viable  
9 because they can't be retroactive, and they need Retail Board  
10 approval and an in-person meeting. There was some testimony  
11 from Mr. Norris I think about how -- I think he testified or  
12 maybe the Retail Board representative did that the Retail Board  
13 wasn't interested in front office services, or that they didn't  
14 need investment advisory services, or that, you know, Highland  
15 didn't supply.

16 Please. Look at Ms. Thedford's email. Why would  
17 they need to obtain the Retail Board's approval at an in-person  
18 meeting to enter into a subadvisory agreement if there was no  
19 expectation and intention that Highland would be providing  
20 subadvisory services to the advisors? It makes no sense. But  
21 that's going to be the theme of this presentation.

22 So after coming to that conclusion that you can't go  
23 retroactive and that you need the Retail Board's consent at an  
24 in-person meeting, they come up with the concept for the  
25 Payroll Reimbursement Agreement because it needs neither of

1 those things. Right? And otherwise, Highland is going to get  
2 no revenue through June. I think Mr. Klos testified that that  
3 number was about \$4 million.

4 So she sends the draft of the PRA to Mr. Fox. And  
5 this is the coincidence, Your Honor. The only reason that  
6 Dave Klos gets involved is because Mr. Fox is on vacation. And  
7 you can just look at Exhibit 87. And he adds Mr. Klos to the  
8 email chain because Mr. Fox is out of the office. That's how  
9 Mr. Klos gets involved. He's not there thinking that in two  
10 years, Highland's going to be in bankruptcy and Jim Seery is  
11 going to come along.

12 He's doing his job as a loyal employee to this  
13 enterprise. And he tells Ms. Thedford that this isn't going to  
14 work, and this is in writing, Your Honor. It's just crystal  
15 clear. All of this analysis of actual costs involves  
16 subjective assumptions. It creates a ton of internal work that  
17 isn't adding any value to the overall complex. And that's how  
18 they viewed this.

19 It's part of the overall complex. And that's a word  
20 that we're going to hear a few times this afternoon. Mr. Klos  
21 suggests having a schedule as of January 1st, 2018 and say that  
22 Actual Cost with an uppercase A and C, shall be set out in the  
23 schedule, paid monthly in installments so that the exercise is  
24 only performed once. And then if nobody likes it, they can  
25 terminate or they can renegotiate.

1           That's exactly what happened. That's what the  
2 agreement now says. And Mr. Klos does create this \$252,000  
3 schedule, right? But again, that \$252,000, that's just taken  
4 from the subadvisory agreement that has already been signed on  
5 behalf of NexPoint. Right? He says I backed into the number  
6 and I did the best I could using that number. No debate about  
7 that. You can't come up with those numbers, and we'll talk  
8 about that in a minute. It can't be an accident.

9           I'll say, Your Honor, that's kind of -- that's how we  
10 get to the agreement. And so on May 5th, I think, they signed  
11 these Payroll Reimbursement Agreements. I don't think there's  
12 any dispute that they do not exist. If Ms. Thedford doesn't  
13 give the legal advice that the subadvisory agreements, the  
14 flat-fee subadvisory agreements that have nothing to do with  
15 costs, that don't identify anybody, right, would never exist if  
16 those things were viable.

17           If we can go to the next slide, I've created some  
18 issues, Your Honor, that I think are just we ask the Court to  
19 consider because I think these issues and the testimony and the  
20 evidence establish that Highland's testimony and the case that  
21 we're presenting here is consistent, it is logical, and it is  
22 completely corroborated in contrast to the Advisors.

23           And just to go through some of the issues, why did  
24 NexPoint, why did their Shared Services Agreement change from a  
25 variable contract to a fixed contract as of the beginning of

1 2018? Mr. Klos testified that it was to fit within the realm  
2 of the \$6 million. And remember, this is a 500 percent  
3 increase in the amount that NexPoint is paying. They're going  
4 from \$1.2 million to \$6 million. Okay?

5 The Advisors, I don't think, have much of an  
6 explanation as to why they went from variable to fixed.  
7 Mr. Dondero testified something about wanting to be compliant.  
8 I don't know if that's an acknowledgment that for the six years  
9 before that they weren't in compliance. But I don't understand  
10 how the basis on which it's paid, whether it's actual cost or  
11 assets under management or flat-fee, I don't see how one of  
12 those is compliant and one isn't. In any event, they don't  
13 really have any explanation as to why all of a sudden they went  
14 to a flat fee.

15 They have no explanation as to where the \$6 million  
16 came from. Right? Mr. Dondero -- Mr. Klos stated that it came  
17 from Mr. Dondero. And you know, this is, you know, part of the  
18 burn the house down and not think about the consequences of  
19 what you're saying. There was a suggestion during the trial  
20 that somehow this was a fraudulent document.

21 We're not taking that position, Your Honor. We're  
22 not saying that Mr. Dondero did anything fraudulent. We're  
23 saying that there's business substance to this contract.  
24 Highland needed cash. They were providing services.  
25 Mr. Dondero had the opportunity to get a tax break. And so



1 they established a price.

2 Nobody's suggesting this is an arm's length  
3 negotiation. Nobody's suggesting that the Advisors went out  
4 and shopped this. There's no evidence to that. But there is  
5 economic substance of it. And I really -- I really caution the  
6 Advisors in throwing out things like tax fraud because you may  
7 try to undermine Mr. Klos, but he reported to Mr. Waterhouse.  
8 And Mr. Dondero is the ownership of the enterprise.

9 Mr. Waterhouse's signatures are on these documents.  
10 And there's so many other people involved when you take that  
11 kind of reckless approach. Right? Ms. Thedford, she's the  
12 drafter of the documents. She's a lawyer. Mr. Cournoyer,  
13 another lawyer, Mr. Fox. There are so many people involved in  
14 this that it is just reckless to suggest that this is tax  
15 fraud. We don't believe it. We want to enforce the contract,  
16 Your Honor.

17 The Acis bankruptcy, we say that that had a huge  
18 impact. And the undisputed evidence shows that because if you  
19 look at the annual review, there is absolutely no expectation  
20 on January 26th that HCFMA is going to pay any money for a  
21 subadvisory agreement. It's just not there. It's not in the  
22 projections, it's not in the assumptions. And the only reason  
23 that HCMFA winds up first with the subadvisory agreement and  
24 then with the Payroll Reimbursement Agreement is because of the  
25 Acis bankruptcy.

1           They don't have an explanation as to why HCFMA didn't  
2 sign one in January. They don't have an explanation as to why  
3 they suddenly signed one in May, right? We do. It's because  
4 of Acis. The surrounding circumstances we think are critical  
5 here, Your Honor.

6           The flat-fee subadvisory agreement, right, it was the  
7 subadvisory agreement signed by NexPoint, prepared by HCMFA.  
8 There's no question that that was flat-fee. There's no  
9 question it had nothing to do with actual cost. Why was it  
10 abandoned in favor of these Payroll Reimbursement Agreement?  
11 Not because somebody woke up one day and said oh, I only want  
12 to pay for actual costs, but for the reasons that Ms. Thedford  
13 said. Not Mr. Klos, Ms. Thedford, right, her email, can't be  
14 retroactive, need Retail Board approval at an in-person  
15 meeting.

16           They have no explanation as to why they -- they'll  
17 just ignore. I don't think you'll hear anything in the  
18 Advisors' presentation about the subadvisory agreement and why  
19 it was abandoned, and what's the genesis of the Payroll  
20 Reimbursement Agreements.

21           Dual employees, why weren't dual employees -- if  
22 costs were so paramount to the Advisors, why isn't there a  
23 provision that says dual employees should keep track of their  
24 time because we only want to pay for the time that they expend  
25 on the Advisors' matters. Nobody thought about it, nobody

1 cared about it. There's no evidence that it was ever done.

2           There is no infrastructure in place to calculate,  
3 other than subjective, and I think you heard this not from  
4 Mr. Klos, not just from Mr. Klos but from Mr. Waterhouse too,  
5 there is no way to do this except subjectively because nobody  
6 created the infrastructure that would actually allow somebody  
7 to figure out the actual costs. Very important point when  
8 you're here saying I should only pay for actual costs.

9           If we can go to the next slide, was it a coincidence  
10 that the actual costs under the Payroll Reimbursement  
11 Agreements matched the flat monthly fees under the subadvisory  
12 agreements? We say no. Right? Mr. Klos testified that the  
13 parties kept the flat fee the exact same, and backed into the  
14 number while, quote, trying to find a reasonable estimate that  
15 would also validate the outcome that was already known.

16           So you're trying to put a shoe, so you need a  
17 shoehorn. Okay. People use shoehorns, right, just like  
18 there's nothing wrong with taking tax issues into account.  
19 This is an agreement. Nobody's pretending it's an arm's length  
20 agreement, but it is an agreement of economic substance. There  
21 is no question that Highland is providing services. There's no  
22 question they're entitled to get paid for those services.  
23 Okay? And that's all that's happening here.

24           The Advisors have absolutely no explanation as to how  
25 the numbers in the Payroll Reimbursement Agreements, why they

1 match to the penny, the numbers that are in the subadvisory  
2 agreements. The December 2018, you know, was that a result of  
3 a true up? Again, the undisputed evidence is that it's not.  
4 Mr. Klos said there was no true up. Mr. Waterhouse says there  
5 was no true up. And it makes no sense if you just look at the  
6 economics. We'll look at this more in a few minutes. But I  
7 think nine of the dual employees had already been terminated as  
8 of this time, and yet the advisors are paying substantially  
9 more money. Okay?

10 Mr. Norris said that Frank and Dave Klos told him  
11 that it was the result of a true up. I think Mr. Klos was  
12 probably hitting the nail on the head when he just said I think  
13 Mr. Norris is mistaken, okay, because the people who were  
14 actually involved, and Mr. Norris candidly admitted he has no  
15 personal knowledge about anything that happened in  
16 December 2018.

17 Why did the Advisors pay the flat fee in each of the  
18 Payroll Reimbursement Agreements for 35 consecutive months from  
19 January 2018 until November 2020, knowing that the dual  
20 employees were being terminated? We say it's because they  
21 understood that's what the agreement provided. They say I  
22 don't know. I don't know. I don't know. It's a mistake. I  
23 don't know. They have no explanation.

24 They didn't even file a proof of claim for the two  
25 years before the bankruptcy. Right? If their theory of the

1 case were right, where was their pre-petition claim? Right?  
2 Why didn't they move to amend for leave to file a pre-petition  
3 claim for the two years under Mr. Dondero's watch when Highland  
4 did exactly what they did in 2020.

5 Did the Advisors know the amounts that were being  
6 paid? The evidence is overwhelming. It includes the annual  
7 review. It includes the advisor's books and records. It  
8 includes the fact that the advisors gave the amounts paid to  
9 the Retail Board. It includes, remember all the testimony from  
10 Mr. Waterhouse about the 13-week forecast that included all of  
11 the payments that were anticipated to be paid.

12 And my favorite may be Exhibit 150, Your Honor.  
13 That's the April 14th, 2020, one-page cash-flow statement that  
14 was given to Mr. Dondero that showed in April, May, June, July,  
15 August, September, October, November, and December of 2020,  
16 NexPoint would pay, you got it, \$500,000 or \$6 million a year,  
17 the same number that was in Dave Klos' January 4th email, the  
18 same number that was in the contracts themselves, the same  
19 number that was in the annual review. No mystery here, Your  
20 Honor.

21 Did the advisors know when each dual employee left?  
22 Of course they did. Exhibits 88 to 127, every single month,  
23 all of the Advisors' officers, m. Waterhouse, Ms. Thedford,  
24 Mr. Norris, they're all getting these monthly reports that  
25 highlight all of the terminations.

1           So what do they do? They manufacture a dispute. If  
2 we can go to the next slide. Highland gives notice of  
3 termination of the Shared Services Agreements on November 30th.  
4 And this is where the rubber meets the road. Everybody knows  
5 what's happening now. Highland has just had its plan and its  
6 disclosure statement approved by the Court.

7           Everybody knows that Highland is going to be winding  
8 down. Everybody knows that if confirmed, right, all of these  
9 employees are going to be terminated. And they're supposed to  
10 be working toward shifting them to a new platform so that they  
11 can service the Advisors and the other non-debtor entities that  
12 Mr. Dondero owned and controlled.

13           And the very next morning at 8:53, Mr. Norris walks  
14 into the office and he starts sending the emails. And he  
15 states it's worth noting that the subadvisory fees were higher  
16 than the Shared Services fees. So need to make sure these  
17 agreements are fully understood. So on December 1st, this is  
18 Mr. Norris' task after notice of termination is given. Let's  
19 make sure we understand the agreements.

20           A couple of days later, Your Honor will recall,  
21 Highland filed a motion for a temporary restraining order and  
22 injunctive relief against Mr. Dondero to enjoin the threats  
23 that he was making, to enjoin the interference with Highland's  
24 business. And the next day, according to the document anyway,  
25 Mr. Klos sent Mr. Waterhouse what became the basis for this

1 claim here today.

2 Mr. Klos asked Mr. Waterhouse point blank, are you  
3 going to use this for an adverse purpose, and he was sure that  
4 he wouldn't. Mr. Waterhouse, to his credit, wouldn't take  
5 Mr. Klos on that. He simply said I don't have a basis to say  
6 one way or the other. I don't remember. Right? He didn't  
7 deny that.

8 Remember my questioning of Mr. Waterhouse? Why did  
9 you prepare this document? And he said that Mr. Dondero and  
10 Mr. Norris told him there were negotiations going on. And I  
11 pressed him harder. But you weren't involved in the  
12 negotiations. So why were you asking for this document. And  
13 he wound up saying because I like numbers. That was the story  
14 that Mr. Waterhouse told as to why he asked Mr. Klos to do this  
15 on December 8th.

16 Two days later, we obtained our TRO. And the next  
17 day, K&L Gates sent their letter. And they didn't send this  
18 letter under 2.02. Sure, they wanted to talk. The notes are  
19 discussed in there. The Shared Services Agreements are  
20 discussed in here. And what they're demanding in that letter,  
21 if you read it, Your Honor, isn't, you know, how can we, you  
22 know, change this going forward. They're trying to renegotiate  
23 the deal.

24 They're demanding exactly what the Advisors are  
25 demanding now, and that is we want to just pay for the services

1 of the employees who are on Exhibit A. That's not a 2.02 good  
2 faith negotiation. That's a demand that ultimately led to  
3 litigation very shortly thereafter.

4 By January 6th, in fact, we had commenced the lawsuit  
5 against the Advisors and against the funds for declaratory and  
6 injunctive relief. That was filed -- that's the adversary  
7 proceeding 21-03000.

8 So this is where we are. It's pretty tense. If Your  
9 Honor recalls, the notice of termination was the end of  
10 January. And Highland hadn't gotten paid in a couple months.  
11 And they told the Advisors that if you don't pay up, we're  
12 cutting you off. You haven't paid in months. And so  
13 Mr. Norris participated in a conversation with Mr. Waterhouse,  
14 Mr. Klos, and some others.

15 And he wrote a note to himself. And I think it's  
16 such a critical piece of evidence, Your Honor. I would have  
17 objected to it, but I think it's so good for Highland that I  
18 would rather actually have it into the record. At 2:22 a.m. in  
19 the wee hours of the morning, Mr. Norris sent a note to himself  
20 at a Gmail account in which he purports to record, as he said,  
21 true and accurately everything he remembered about this  
22 conversation.

23 Remember the moment in time. It's January 28th.  
24 We've already sued them for injunctive relief. They've already  
25 filed their administrative claim. We are two days away from



1 the confirmation hearing. Highland is telling the advisors if  
2 you don't pay, we're shutting you off. And let's look what  
3 Mr. Norris' notes say because they are priceless.

4 The overall tone was not friendly. It was  
5 adversarial from the beginning as J.P., that's J.P. Sevilla  
6 (phonetic), dove in with a very adversarial tone and a take it  
7 or leave it or lose your business approach. And there was a  
8 contentious back and forth throughout. Think about the tone of  
9 this meeting. Think about the tension.

10 I hope the Court, you know, has read the whole  
11 document because before you get to the next piece that I've  
12 highlighted, Mr. Norris makes a point of writing that he  
13 reminded Mr. Waterhouse that he was the signer of the Payroll  
14 Reimbursement Agreements on behalf of the Advisors. And then  
15 it continues in the highlighted, I reminded Frank that the only  
16 people paying the amounts each month had been Frank and Dave,  
17 and that no one else that I know of has the ability to process  
18 the payments.

19 And here is where Frank reached for the lifeline.  
20 Frank said they have known that these amounts were overpayments  
21 for over a year and tried to update them, but they couldn't due  
22 to the automatic stay. I pressed him. Imagine being pressed  
23 by Mr. Norris in this conversation under these circumstances,  
24 adversarial, not friendly, contentious. You're being told you  
25 signed the contracts. You're being told you messed up. I

1 pressed him on this. I was not aware at all of this fact.

2 So this is the first time Frank -- this is the  
3 circumstance under which Frank makes the disclosure. He said  
4 they had discussed it with inside and outside counsel, and  
5 there was nothing they could do now due to the automatic stay.  
6 Think about that, Your Honor. Where are the words Fred Caruso?

7 Frank Waterhouse was not afraid of Jim Seery. He was  
8 afraid of Jim Dondero. Frank Waterhouse had taken at least  
9 \$500,000, but probably more of that \$10 million undisclosed  
10 payment. The finger is being pointed at him. He signed these  
11 agreements. He approved the payments. And he says I told  
12 them. I told them. They said there was nothing they could do  
13 because of the automatic stay.

14 He doesn't mention Fred Caruso. Right? And remember  
15 when I cross-examined Mr. Waterhouse and I said Mr. Waterhouse,  
16 I was here with you in December of 2019. I was defending you  
17 in a deposition. You didn't tell me anything about this, isn't  
18 that right? And he said that's right. Did you tell anybody at  
19 my firm about this? No.

20 Mr. Norris pressed him. Right? He reminded him,  
21 reminded him of his obligations, reminded him of signatures on  
22 here, reminded him that he was in charge of the payments,  
23 pressed him on this new story that he'd never heard before.  
24 And this is what Frank came up with.

25 If we can go to the next slide, Mr. Waterhouse's

1 story, and you know, I feel badly for Mr. Waterhouse. He was  
2 put in a terrible position. And I'm not running over him,  
3 right? I think Mr. Waterhouse did his job. I think he did --  
4 he signed the contract. The lawyers for the advisors,  
5 Ms. Thedford, drafted the contract.

6 The contract reflected the back and forth and the  
7 intent of the parties. Mr. Waterhouse was the fiduciary. He  
8 did his job. But they didn't like the result. They didn't  
9 like the result when they saw everything moving away from  
10 Mr. Dondero, when they saw the disclosure statement get  
11 approved, when they saw the entry of the TRO, when they saw the  
12 termination of the Shared Services Agreements.

13 And so now they're coming after Mr. Waterhouse. And  
14 Mr. Waterhouse says what he says, and it just makes no sense.  
15 It just makes no sense. His story is that in December 2019, he  
16 claims that he heard from Mr. Klos that the Advisors were  
17 overpaying under the Payroll Reimbursement Agreements, that he  
18 raised the issue with Mr. Leventon, Mr. Ellington, and  
19 Mr. Caruso and was told nothing could be done because of the  
20 automatic stay.

21 That is the story. That's their 2.02 you failed to  
22 negotiate in good faith because they raised the issue with  
23 Mr. Caruso. Let's look, let's test that theory just a little  
24 bit. If Your Honor remembers, Frank Waterhouse had nothing to  
25 do with the creation of the analysis in December of 2019. That

1 was Mr. Leventon and Mr. Klos.

2 Mr. Klos testified that he was trying to create an  
3 analysis that painted the agreements in their most positive  
4 light because the UCC was pressing on the inter-company  
5 relationships. If Mr. Klos had an analysis that showed that  
6 these contracts were wildly profitable, wouldn't he have given  
7 that to the UCC? Wouldn't he have shown it to Mr. Seery the  
8 next month?

9 Mr. Seery testified about the pressure he was under  
10 from the UCC for months. He testified about a conversation he  
11 had with the Committee in March where Josh Terry pressed him on  
12 these agreements. He didn't know anything about this amazing  
13 profitability of the PRAs.

14 Mr. Waterhouse never told anybody? Is that credible  
15 that Mr. Waterhouse never told a soul other than Mr. Ellington,  
16 Mr. Leventon, and Mr. Caruso? Never told the independent  
17 board, never told Mr. Dondero, never told an officer of the  
18 Advisors? Is that really possible? And when you hear his  
19 explanation when I cross-examined him, he said I had 20,000  
20 other things to do. Really?

21 Mr. Ellington and Mr. Leventon never told  
22 Mr. Dondero? You have to believe that. If you buy their  
23 story, you must believe that Mr. Ellington and Mr. Leventon  
24 never told Mr. Dondero that they had been informed that the  
25 Advisors were overpaying the debtor because otherwise, it would

1 have appeared in the administrative claim. It would have  
2 appeared in the response. Maybe Mr. Dondero would have  
3 testified to it.

4 There's no evidence of that at all. And I'll remind  
5 the Court that in December 2020, even after the TRO was  
6 entered, Mr. Ellington and Mr. Dondero had free-flowing  
7 communications. But a year earlier, Mr. Ellington didn't raise  
8 this with Mr. Dondero? Makes no sense.

9 Mr. Waterhouse knew that Fred Caruso was not the CRO.  
10 It's crazy that they even suggest that. All they have to do is  
11 look at the documents. Mr. Waterhouse's name appears on 24  
12 different monthly operating reports as the preparer of those  
13 documents. And right above every report, I did make a mistake  
14 in my deck here because I wrote until January 2021. It's  
15 actually until July 2020. But from October 2019 until  
16 July 2020, whose name appears above Frank's? Brad Sharp  
17 (phonetic) because Brad Sharp is the CRO.

18 Fred Caruso was an employee of DSI. So the whole  
19 notion that Fred Caruso was the CRO is just wrong.  
20 Mr. Waterhouse's testimony is obviously contradicted by  
21 Mr. Norris' notes because Mr. Norris' notes don't mention  
22 Frank Waterhouse. It -- Fred Caruso. It mentions inside and  
23 outside counsel.

24 Do you really believe that if Mr. Waterhouse knew  
25 that there were overpayments being made, he wouldn't write it

1 down, he wouldn't make a memo to himself, he wouldn't look to  
2 confirm what he was told, he wouldn't do -- there's no  
3 evidence. How is that possible?

4 But here's the best part, Your Honor. Fred --  
5 according -- right? Jim Dondero testified Frank was the  
6 fiduciary. He's the person in charge for administering the  
7 contracts. And this Court has to believe, if you're going to  
8 buy the Advisors' position that Frank Waterhouse learned in  
9 December 2019 of the overpayments. And you know what he did?  
10 Not only didn't he tell anybody, but he just kept authorizing  
11 those payments month after month after month after month.

12 I don't know why they're putting Frank into this  
13 vice. This is the burn the house down strategy. They don't  
14 care. They'll take no prisoners here, Your Honor. This is  
15 just, it's wrong. It's just wrong.

16 I just want to finish by pointing to the evidence  
17 that shows that Highland fully performed here. If we can go to  
18 the next page, what I've done here, Your Honor, is the Payroll  
19 Reimbursement Agreements were in effect for three years, 2018,  
20 '19, and '20. Right? Each year has 12 months. 2018, 2019,  
21 undisputed evidence Mr. Dondero was in control of the whole  
22 enterprise. He was actually in control until  
23 January 9th, 2020.

24 And what I've done here is I've taken Exhibit 14  
25 which is the Advisors' responses to the interrogatory and I've

1 overlaid the month in which each of the employees on -- the  
2 dual employees on Exhibit A was terminated. And the red  
3 signifies an important event so that you can see May 2018,  
4 that's when the Payroll Reimbursement Agreement is entered  
5 into.

6           From the minute that Frank Waterhouse puts his ink on  
7 the signature, right, with the advice of Ms. Thedford, the  
8 Advisors' secretary, officer, and a lawyer, and fiduciary, the  
9 minute he puts his name on the document they're already  
10 overpaying according to them. Right, because four people have  
11 been terminated and yet they're paying a flat fee based on  
12 January 1st, 2018.

13           By the end of the year, four more people have left.  
14 They enter into the amendments, right? No adjustment at all to  
15 the flat monthly fee. Instead, they pay more money even though  
16 there's nine people gone. By the time you get to the petition  
17 date, five more people are gone. They're still paying the flat  
18 monthly fee. For two consecutive years, the Advisors paid  
19 millions and millions and millions of dollars to Highland for  
20 services rendered because they were getting front office  
21 advisory services.

22           Let's go to the next slide. And here's the proof.  
23 You only need three documents, Your Honor. Right? You're  
24 going to hear probably, you know, a reliance on Mr. Norris'  
25 uncorroborated testimony about how they didn't, you know, they

1 had a change in business model and they didn't need the  
2 advisory services, and the retail funds didn't need the  
3 advisory, and nobody needed anything.

4           They kept paying, right? Just I don't know who's  
5 more negligent here. But somebody was. Somebody on behalf of  
6 the Advisors if they continued to pay all of this money for  
7 services they don't need. The truth of the matter is, Your  
8 Honor, that's all a fiction. There's not a single document  
9 that's going to support any of that testimony, any of that  
10 argument.

11           The documents that actually completely contradict it  
12 are three. You start with Exhibit 14. In the right-hand  
13 column, those are the dates of departure that the Advisors have  
14 admitted to. You next go to Exhibit 85. Exhibit 85 is -- it  
15 was a request from the Retail Board in January of 2020. So  
16 Mr. Dondero has just stepped aside. The independent board is  
17 put in place. And the Retail Board sends a request to  
18 Highland, please provide an updated organizational chart  
19 relating to the Highland complex. Right?

20           They want to know the whole complex because the whole  
21 complex, there's that word again, the whole complex is serving  
22 the Advisors. The whole complex is serving the retail funds.  
23 The retail funds wouldn't be asking for organizational charges  
24 and information relating to the Highland complex if they didn't  
25 rely on the Highland complex. And there would be no reason to.



1 There would be no reason for the Advisors to provide  
2 information about the Highland complex if the Highland wasn't  
3 serving the retail funds.

4 And what information did they provide? They  
5 provided, you'll see at Exhibit 85, Your Honor, a list of every  
6 single employee in the Highland complex. And they specifically  
7 delineate whether the employee was back office, or investment  
8 professionals. And you won't be surprised to learn, Your  
9 Honor, that every person on this list in front of you was  
10 identified as an investment professional, not providing back  
11 office services.

12 So the Advisors told the Retail Board in January of  
13 2020 these are the people in the Highland who are providing --  
14 these are the investment professionals. That's one moment in  
15 time. And the best is that eight months later in August, the  
16 Retail Board follows up and they ask again who was doing what  
17 work, what's happening.

18 And if you look at Exhibit 17, one of the questions  
19 the Retail Board asks is what's happening with the bankruptcy.  
20 And you'll see at Page 2 of this memo the Advisors describe the  
21 bankruptcy, and then they say -- and this is dated August 13.  
22 It's in response to a 15(c) request. And the Advisors say,  
23 quote, we continue to treat HCMLP and its affiliates as the  
24 Advisors' affiliates for purposes of discussions with the  
25 board.

1           Okay? So the Advisors are telling the Retail Board  
2 that Highland and its affiliates are still affiliates of the  
3 Advisors for purposes of discussions with the Retail Board.  
4 But wait, there's more. They identify every one of the  
5 investment professionals again. And it's all footnoted here.  
6 And not only every single one of these investment professionals  
7 who the Retail Board was told in January was an investment  
8 professional, every one of them in January was still there in  
9 August with the exception of Trey Parker.

10           And what's also interesting, Your Honor, and  
11 consistent with both Mr. Waterhouse's emails and Mr. Klos'  
12 testimony, you'll see that there are several people there that  
13 weren't identified as dual employees. They weren't identified  
14 on Exhibit A. But they're still providing investment  
15 professionals. And do you know why they aren't on Exhibit A?  
16 Because they were hired after the Payroll Reimbursement  
17 Agreements were signed. It's that simple.

18           And so people's responsibilities changed. And if you  
19 note, even Trey Parker, a dual employee, it shows that he left  
20 on February 28th, 2020. There's a whole -- I don't have the  
21 Exhibit numbers handy, Your Honor. But there's a whole slew of  
22 title changes where a whole bunch of people got elevated to  
23 investment advisory-type positions.

24           And that's what's happening here. He leaves and his  
25 responsibilities are divvied up among other Highland employees.

1 This is what they're telling the Retail Board. These are not  
2 our documents. These documents were produced by the Advisors  
3 and by the retail funds. So don't take my word for it, take  
4 their word for it.

5           There is a reason that the Advisors are telling the  
6 Retail Board that these are our investment professionals in  
7 January, these are our investment professionals in August,  
8 because these are the people in the Highland complex who are  
9 doing work for you, because otherwise, this makes no sense and  
10 I'll be waiting patiently to hear an explanation as to why all  
11 of this information is being provided to the Retail Board if  
12 the Advisors don't need these people, the Retail Board doesn't  
13 need these people, and that everything's changed.

14           At the end of the day, Your Honor, again, whacking  
15 moles. I'm just whacking moles. Highland performed, the  
16 contracts are unambiguous, the Frank Waterhouse story is beyond  
17 belief. It's contradicted by Mr. Norris' own notes. And we  
18 respectfully request that the Court grant Highland a judgment  
19 in the amount set forth in the slide up above subject to a  
20 collection of attorneys fees, and deny the Advisors' claims in  
21 all respects. Thank you, Your Honor.

22           I believe that's 48 minutes by my count.

23           THE COURT: Let me check with my law clerk. He had  
24 49. Okay. We'll call it 48 and a half. All right.  
25 Mr. Rukavina, I'll hear from you.

1 MR. RUKAVINA: Thank you, Your Honor.

2 And, Mr. Berghman, if you'll please put up my slides.

3 Your Honor just heard 49 minutes of irrelevancies,  
4 misdirection, and smear. Now let's look at some facts and law.  
5 Overall, there are two facts and conclusions that cannot be  
6 contradicted.

7 First is that there is no support for the allegation  
8 that the Payroll Agreements were, quote, pay for services  
9 agreements. You heard that in opening, that they were pay for  
10 services, meaning that we have to pay them because the services  
11 are allegedly being provided regardless of the terms of the  
12 agreements.

13 The only possible evidence on that was from Mr. Klos  
14 when he was testifying about how the numbers were arrived at.  
15 And as you can see there, it's on his transcript. I asked him  
16 very clearly about that. And he said it would be just  
17 speculation. So, Your Honor, there is no support for any pay  
18 for service agreements, \$5 million and \$6 million per year as a  
19 funding mechanism.

20 And more importantly, you heard Mr. Morris state that  
21 we agree there is no ambiguity in these contracts. Mr. Morris  
22 took you what he admitted was parole evidence after parole  
23 evidence. He called one document the best parole evidence.  
24 That is not admissible to contradict the terms of these  
25 contracts. Next slide, please.

1 On the issue of the bona fides of the contracts --

2 THE COURT: All right. I am not -- I'm not seeing  
3 the shared content. Are other WebEx participants seeing it?

4 MR. MORRIS: I am, Your Honor.

5 THE COURT: Mr. Morris? I'm sorry, you said yes you  
6 have it?

7 MR. MORRIS: Yes. I can see it on the screen. I  
8 didn't receive a copy, but I can see it on the screen.

9 THE COURT: Yeah. We have a frozen picture of  
10 Mr. Rukavina's face on what's supposed to be the shared screen.  
11 Mike, do you have it? Yeah. Okay. Well --

12 MR. RUKAVINA: You know what, this happened -- can  
13 you hear me, Your Honor?

14 THE COURT: Yes. I can hear you and see you fine on  
15 my screen.

16 MR. RUKAVINA: Yeah, this happened before. This  
17 happened before. Can you see it now?

18 THE COURT: Oh, wait. Now something is happening.  
19 It's --

20 MR. RUKAVINA: This happened to Mr. Morris last week.  
21 And I think Ms. Alaysia (phonetic) would just close the  
22 PowerPoint and reopen it. Can the Court see?

23 THE COURT: Okay. Yeah. Right now I've just got a  
24 blank screen, a black screen. So is Ms. Canti turning  
25 something off?

1 MR. RUKAVINA: No. Mr. Berghman just turned it off  
2 and -- try again, Thomas. Just close the screen share and then  
3 restart the screen share.

4 Can the Court see it?

5 THE COURT: I can't see it. No. But everyone else  
6 can see it apparently, except me, right?

7 Mr. Morris, you see it?

8 MR. MORRIS: I do, Your Honor.

9 THE COURT: Okay. Do we have a hard copy of this?  
10 Was it --

11 MR. RUKAVINA: We do not. I emailed it to Mr. Morris  
12 an hour ago. Let me email it, Your Honor, if you would  
13 like --

14 THE COURT: Ms. Ellison.

15 MR. RUKAVINA: Yeah, Ms. Ellison. Let me just --

16 THE COURT: Okay. If you'll email it to her, then  
17 she can email it to me and I'll pop it up on my other screen.

18 MR. MORRIS: And just to be clear, it was emailed to  
19 me 14 minutes ago at my request. Thank you.

20 (Pause)

21 MR. RUKAVINA: I sent it to you at 1:49, John. But  
22 it doesn't matter. Ms. Ellison should have it momentarily.

23 THE COURT: Okay. Traci, are you out there on the  
24 WebEx?

25 UNIDENTIFIED SPEAKER: Yes, Your Honor. I'm here.

1 THE COURT: Okay. While we're waiting, Mr. Rukavina,  
2 just to confirm, we don't have a dispute that the agreements  
3 are ambiguous. You don't think they're ambiguous. You just  
4 have a different interpretation of what they mean. Correct?  
5 \*\*Crystal

6 MR. RUKAVINA: I don't know that I have a different  
7 interpretation. They are unambiguous, and I think Mr. Morris  
8 and I agreed on the four provisions or so that govern. My  
9 argument is that we properly and timely trigger those  
10 provisions.

11 Mr. Berghman, can you --

12 THE COURT: Oh, I've got it now. I've got it now.  
13 The shared screen is working now. Go ahead.

14 MR. RUKAVINA: Just let me --

15 MR. BERGHMAN: Your Honor, it's in a PDF as opposed  
16 to a PowerPoint. Maybe that's the technology issue, so I think  
17 this may work.

18 THE COURT: Okay. Good deal.

19 MR. RUKAVINA: Okay. Maximize the deck, Thomas,  
20 because we're seeing your other stuff on there. No. No. Your  
21 Honor, I'm going to mute this and call my partner.

22 (Pause)

23 THE COURT: Yeah. Mr. Rukavina, I don't know if  
24 you're on hold or you can hear me. I've got the PowerPoint  
25 version up that you emailed to Traci which she emailed to me,

1 so if --

2 MR. RUKAVINA: Okay.

3 THE COURT: -- that helps what you're doing, I've got  
4 a PowerPoint version up.

5 MR. RUKAVINA: Okay. Thank you then. Let's resume.  
6 Mr. Berghman, please pull it up like you had it originally.  
7 Everyone else can see it and Judge Jernigan, we'll just follow  
8 Your Honor manually. I would ask you to advance it.

9 THE COURT: Uh-huh. Okay.

10 MR. RUKAVINA: So, Your Honor, the first slide, we  
11 are now in the second slide called Advisors' administrative  
12 claim.

13 THE COURT: Okay.

14 MR. RUKAVINA: And you see I have a listing of eight  
15 points. So, you know, what I was discussing is to go back to  
16 the bonifieds of these contracts. Mr. Klos testified very  
17 clearly that he prepared the underlying reimbursement  
18 allocations in good faith and reasonably. Yes, there's some  
19 subjectivity, but accountants and controllers and financial  
20 types know how to take those account.

21 Both Waterhouse and Dondero testified that those  
22 amounts were arrived at through a good faith process by  
23 Highland's team. And let me just add something to what Mr.  
24 Morris keeps mentioning here, somehow that Highland always  
25 wears the white hat and the Advisors always wear the dark hat



1 here. Let's not forget that this is the same Debtor that  
2 participated in the drafting of these contracts. Its employees  
3 drafted these contracts. As we said, these are not arms length  
4 negotiations.

5 So for him to say or ask questions like, the Advisors  
6 have no explanation for this or the Advisors can't explain that  
7 and I can't wait for an explanation. He should ask that of his  
8 own client, of his own self. It takes two to tango, Your  
9 Honor, and they stand in the shoes of the Debtor.

10 You know for a fact that Highland was actually able  
11 to track employee time because you saw in my Exhibit 88 that  
12 every month they sent invoices under the HCMFA Shared Services  
13 Agreement where they tracked Highland time. Ms. Thedford would  
14 not have used outside counsel to advise on these contracts if  
15 there was something funny about these contracts.

16 Mr. Waterhouse and Mr. Dondero both testified that  
17 outside auditors and legal advise was used. At no time until  
18 he testified did Mr. Klos raise any red flag regarding any of  
19 what he did or his analyses or these contracts. And you heard  
20 from him that -- and from everyone else -- that he was the most  
21 credible man in that trial.

22 So, again, all that is just to say there is no  
23 ambiguity. There is no red flag. The contracts are what they  
24 are and they should be interpreted according to their terms.  
25 If we can advance the slide, Your Honor, please.

1           The second main fact that the Court should consider  
2 is that the fact of overpayment is incontestable. There can be  
3 -- we can argue under the law whether we're allowed to get the  
4 overpayments, but the fact of overpayment is incontestable. We  
5 all know what reimbursement means. We all know what actual  
6 cost is defined at. You can only be reimbursed for your actual  
7 out of pocket costs for the employees. There is no profit.

8           There's no dispute that many employees were not  
9 there. We were paying for 20 employees out of 25 that were not  
10 there. Please don't fall for the misdirection, Your Honor,  
11 that, well, four of the employees weren't there when the  
12 contracts were signed. Recall from Mr. Klos that he was  
13 preparing that list as of January 1, 2018, which was the  
14 effective date.

15           So, yes, those four employees weren't there in May,  
16 but they were there in January. And again, Mr. Klos prepared  
17 the list of 20 employees. If there was something funny about  
18 this, he, the most credible man in the courtroom, would not  
19 have done that.

20           You have the December 2019 analysis. This is post-  
21 bankruptcy. The Debtor is a fiduciary. The Debtor has an  
22 outside financial advisor. Mr. Klos, that financial advisor,  
23 and Mr. Waterhouse, internally calculate that the Debtor is  
24 making a \$3 million profit that's a snapshot in time under  
25 these contracts. And they shared that information with the

1 committee. That's their own work product. There's no funny  
2 business there. There's no funny math.

3 Mr. Klos' December 2020 analysis shows that the  
4 profit as a snapshot in time had ballooned to \$6.6 million. It  
5 doesn't matter why Mr. Waterhouse asked him to prepare that  
6 analysis. It doesn't matter. Mr. Klos can invent whatever  
7 reason he thinks Mr. Waterhouse did. Mr. Waterhouse prepared a  
8 professional analysis for his bosses. And he calculated \$6.6  
9 million.

10 His current attempt to discredit his own work is  
11 unbelievable. He doesn't like the conclusion that he reached.  
12 He doesn't like the fact of overpayment because now he's the  
13 Debtor's CFO, so he tries to discredit himself. That was not  
14 credible at all. And his evasiveness on my cross-examination  
15 was disturbing. The assumptions that Mr. Klos used were  
16 utterly reasonable. He used the actual number of employees at  
17 that point and time and he used the fact that there were no  
18 bonuses being paid.

19 Now Mr. Norris, in hindsight, calculated the \$2.6  
20 million delta as opposed to 6.6 million. Now, let's look at  
21 very briefly why Mr. Norris' calculations are accurate and  
22 reliable. Highland stipulated that his underlying source of  
23 data and his math were correct. Your Honor will recall that  
24 whereas Mr. Klos assumed no bonuses, it's true that certain  
25 bonuses were paid to non-insiders. Well, Mr. Norris took that

1 into account. He didn't give you an artificially inflated  
2 number. He said, okay. Some bonuses were paid, so the number  
3 is going to go down.

4 Mr. Norris' calculation is cumulative. What Mr. Klos  
5 did was a snapshot in time, but not all the employees were gone  
6 at the same time. So Mr. Norris, as I told you, went month by  
7 month and looked at which employees were there and how much  
8 were they actually paid.

9 Another very important thing, Your Honor, Mr. Klos'  
10 analysis included certain replacement employees, again, under  
11 this theory that Payroll Reimbursement Agreements are actually  
12 service agreements in addition to the service agreements. So  
13 Mr. Klos, I think there were six or seven employees who he  
14 unilaterally replaced. Well, that can't be. As Mr. Norris  
15 testified, none of those employees were front office investment  
16 advisory employees.

17 So you have -- oh, and Mr. Norris used David Klos  
18 allocations. Mr. Klos again testified that those allocations  
19 were reasonable. That was not rebutted. And Mr. Norris  
20 confirmed that those allocations were reasonable. But even if  
21 the Court says for those five employees it should have somehow  
22 been 100 percent allocation, we still overpaid \$4.4 million,  
23 but the Court shouldn't do that. The fact of the matter is  
24 that Mr. Norris' calculations were never rebutted. He wasn't  
25 even cross-examined about them. If we could go to the next

1 slide, please.

2 And Highland knew of the overpayments. Again, we  
3 have the facts of DSI. We have the fact of the committee. We  
4 have Mr. Klos' email where he writes to my client that the fact  
5 that there's fewer employees has increased the profitability of  
6 these contracts from Highland's perspective.

7 You have multiple other admissions from Mr. Klos of  
8 the overpayments and you have a very strong item of  
9 circumstantial evidence that you got no explanation for from  
10 anyone, which was why did Highland terminate the Shared  
11 Services Agreements right around December 1, but did not  
12 terminate the Payroll Agreements until the very end of  
13 February, and only after being demanded to do so by my client.  
14 Because they were making a profit that they knew that they  
15 shouldn't have been making.

16 Your Honor should expect more of a fiduciary, more of  
17 a debtor-in-possession, more of people that my client was  
18 paying big money to every month to perform services. They  
19 can't just stick their head in the ground, make millions of  
20 dollars of profit extra contractually, and not do anything  
21 about it. Next slide. Your Honor, if we can go to the next  
22 slide.

23 So my first argument, Your Honor, is that we don't  
24 have to look at the contract. We look at what is an  
25 administrative claim. Basically, if my clients provided value

1 to the estate that they did not receive return consideration  
2 for, then that is an administrative claim. That's the Supreme  
3 Court. That's Judge -- former Judge Lynn in the Northern  
4 District. And you also have the fact that these were unassumed  
5 and unrejected contracts. And the breach of contract, separate  
6 and apart from an overpayment, a breach of contract is an  
7 administrative claim unless and until the contract is rejected.

8           So that is our most simple argument. We provided  
9 value in the form of cash money to the Debtor post petition for  
10 which we did not receive services. As we've always pled,  
11 there's been no changing of our story as has been alleged.  
12 That's absurd. There's been a refinement of our numbers  
13 through discovery, which is how the process should work.

14           If we can go to the next slide, please, Your Honor.

15           If the Court concludes that you actually have to look  
16 at the contracts, you can't just rely on what is an  
17 administrative claim, you have to look at the contracts, then  
18 the fundamental purpose of these contracts is to reimburse for  
19 actual costs. Again, I think we agree on that, Mr. Morris and  
20 I. That is the overriding purpose. And the word reimbursement  
21 is used many times in here.

22           It is true that those contracts define what actual  
23 cost is on a monthly basis unless those number are changed as  
24 set forth in Section 2.02. That is true. So, as long as no  
25 change is made, then the preset numbers control. And that's

1 okay.

2 Your Honor will recall from Mr. Klos' and Ms.  
3 Thedford's email exchange that it was very cumbersome to figure  
4 this out. So Mr. Klos is the one who suggested, well, let's  
5 just make it a monthly amount and if we have to change it,  
6 we'll change it. We can go to the next slide, Your Honor,  
7 please.

8 The problem now is, as Mr. Morris correctly pointed  
9 out, it's Section 2.02. So Section 2.02 needs to be triggered  
10 in order to modify the pre-settlements. And Section 4.02 also  
11 bears a role. But let's not forget what Section 2.02 says, the  
12 last line. The parties will negotiate in good faith the terms  
13 of such modification. The Debtor very conveniently ignores  
14 that.

15 And Section 4.02 says that either party may make a  
16 request for a modification. It doesn't say how that request  
17 must be made. It doesn't say it must be formal, in writing.  
18 It says either party may make a request for a change.

19 Therefore, I think the contractual analysis is very,  
20 very simple. Unless and until a request for a change is made  
21 by either party such as to trigger the requirement for good  
22 faith negotiation under Section 2.02, the preset monthly  
23 amounts control. If we can go to the next slide, Your Honor,  
24 please.

25 Now there are three reasons that we maintain why we

1 comply with these contracts, with these requirements. First  
2 you have the course of conduct. Course of conduct is not  
3 parole evidence. As we briefed, whether a contract is  
4 ambiguous or unambiguous, the Court can look at the course of  
5 conduct to determine how the parties interpreted their own  
6 contract.

7           Second, you have Mr. Waterhouse and later Mr. Norris  
8 and others actually saying, hey, we've got to revise these  
9 numbers. And Highland did not negotiate in good faith. As Mr.  
10 Seery testified, there was zero negotiation. And then our  
11 third argument is that under the Shared Services Agreements  
12 Highland was the one obligated to monitor and review and advise  
13 us with respect to our payables. And if we can go to the next  
14 slide, Your Honor, please.

15           THE COURT: Okay.

16           MR. RUKAVINA: So Your Honor has the December 2019  
17 amendments, the ones pursuant to which my clients ended up  
18 paying Highland \$2.5 million. Those are unambiguous. There's  
19 no reason, fact, or logic as to why the Court can or should  
20 look behind them. And they expressly state that upon reviewing  
21 the actual costs, my clients underpaid and they owed more. It  
22 doesn't matter that there might have been fewer employees  
23 there.

24           Frankly, no one has told us why my clients ended up  
25 paying more even though there were fewer employees, but you



1 heard that it's possible, that because of everything that was  
2 going on, certain employees were devoting far more of their  
3 time to my clients than Mr. Klos had estimated they would.

4 It doesn't matter. The contracts say we underpaid  
5 after an annual review and we ended up paying more. Those  
6 contracts cannot be swept under the rug, or those amendments,  
7 by the Debtor. They can't be ignored. Those contracts or  
8 those amendments are evidence of an annual true up.

9 Mr. Waterhouse testified to this. It's on Page 140  
10 of the transcript that there was a general policy at Highland  
11 to review long term contracts on an annual basis. As he said,  
12 it was just too onerous to true up agreements on less than a  
13 yearly basis. So yearly is kind of more the practice. And if  
14 we can please go to the next slide, Your Honor.

15 This is also --

16 THE COURT: Okay.

17 MR. RUKAVINA: If the Court wants to look at the  
18 formation emails, this is what Mr. Klos wrote to Ms. Thedford.  
19 This is Exhibit K. And he writes, this is where he says, look,  
20 this is going to be really cumbersome. Let's have a predefined  
21 amount payable every month. Then he says, beyond a year.

22 So again we're -- he's thinking, just like Mr.  
23 Waterhouse said, of an annual review. After a year either  
24 party could terminate and or renegotiate for an amended  
25 agreement. Well, that's exactly what they did at the end of

1 2018.

2 So regardless of the fact that the contract talks  
3 about a monthly analysis, the parties, both of them, changed it  
4 or they understood it to actually be a one year analysis, at  
5 least with respect to a retrospective analysis as opposed to a  
6 prospective change.

7 And that's something that's very important as well,  
8 Your Honor. In Section 2.02, Mr. Morris is correct. It  
9 applies prospectively. But nothing in these agreements  
10 prevents a retrospective analysis or a true up or a refund,  
11 nothing. The only reason why a true up wasn't done in 2019 was  
12 because of the bankruptcy. If we can please go to the next  
13 slide.

14 THE COURT: Okay.

15 MR. RUKAVINA: Now let's talk about Mr. Waterhouse's  
16 testimony. Mr. Waterhouse testified that he told Mr. Caruso,  
17 clearly an agent of the Debtor, and that he told the Debtor's  
18 other officer, general counsel, that there were these  
19 overpayments. The overpayments were discovered, as Your Honor  
20 will recall, because the committee requested an analysis of  
21 intercompany contracts. All of these men, Mr. Caruso and Mr.  
22 Klos, in good faith performed that analysis.

23 So there is circumstantial evidence, Your Honor, to  
24 confirm that what Mr. Waterhouse said is true. His testimony  
25 was never rebutted, for one thing. You know, Mr. Morris was

1 always fond of saying, well, why isn't someone else here? Why  
2 isn't someone else here? Mr. Caruso could have rebutted this  
3 testimony. He made millions of dollars in this case. He never  
4 testified here and said, whoa, whoa, whoa, Frank never told me  
5 that.

6 And why wouldn't Mr. Waterhouse say to Mr. Caruso  
7 what he did? The gentleman had just performed the analysis.  
8 It's not, Your Honor, like I'm trying to suggest that  
9 Waterhouse just called up Caruso one night over a glass of wine  
10 and said, oh, I just got this idea in my head. They just  
11 performed this analysis. And the fact at that time of \$3  
12 million in annual overpayments was learned.

13 Isn't it logical that the CFO and the treasurer would  
14 go to the general counsel and a financial advisor and say,  
15 guys, we've got to do something about this?

16 So this is credible testimony. And what Mr.  
17 Waterhouse did triggered Section 2.02, the duty to negotiate in  
18 good faith. The Debtor said, we can't because of the automatic  
19 stay. Whether that's right or wrong as a matter of law is  
20 irrelevant.

21 Mr. Waterhouse was entitled to rely on what the  
22 financial advisor, a bankruptcy expert of 30 years, and of what  
23 the internal lawyers told him. He reasonably relied on that  
24 and what more was he to do? He talked to the lawyers. He  
25 talked to the bankruptcy experts.

1 We also have to point out that the Payroll  
2 Agreements, Your Honor, contain anti-waiver provisions. So not  
3 only is there no set method by which a request to modify must  
4 be made, there's anti-waiver provisions. Even if Your Honor  
5 does not find Mr. Waterhouse's testimony and what he did to  
6 rise to the level of flagging the issue and requesting a  
7 change, you have beginning in October of 2020 -- I'm sorry.  
8 Yes, October of 2020.

9 Mr. Norris and Mr. Klos having numerous discussions  
10 regarding these matters as Mr. Norris became involved with the  
11 process. Mr. Norris was very credible, very credible. And of  
12 course he and Mr. Klos discussed this. And you see even in  
13 that email where Mr. Klos is admitting that these contracts  
14 have become even more profitable for Highland.

15 So, yes, Mr. Klos admitted to Mr. Norris that  
16 Highland was making profits, that there were overpayments. Mr.  
17 Norris was upset. He said, we've got to change it. Again, the  
18 message came back automatic stay. It'll be dealt with in due  
19 course.

20 If the Court doesn't find that credible or rising to  
21 the level of anything, you have the absolute fact of the  
22 December 11, 2020 letter from K&L Gates, who at that point and  
23 time represented the Advisors saying it looks like there's  
24 about \$5 million in overpayments. We've got to do something  
25 about that. If we can go to the next slide please, Your Honor.

1 THE COURT: Okay.

2 MR. RUKAVINA: So what we have, Your Honor, right or  
3 wrong, legally appropriate or not, Highland not negotiating a  
4 change in the reimbursement rates, whether from late 2019 or  
5 October 2020 or December 2020.

6 What is my client supposed to do? Again, it takes  
7 two to tango. If they're required to negotiate in good faith  
8 and they know and they don't, Mr. Morris is right. My client  
9 can't unilaterally change the reimbursement rates, but the  
10 requirement to negotiate in good faith is in these contracts.  
11 The Court cannot read that out of the contracts. And the  
12 Debtor, for whatever reason, did not negotiate in good faith.  
13 The Debtor breached Section 2.02 and it's a frustrational  
14 purpose.

15 How are we supposed to change the reimbursement rates  
16 when the counter-party breaches an obligation to negotiate in  
17 good faith? Well, it becomes a little bit circular here, Your  
18 Honor, because the damages from that breach or the fact that  
19 you didn't change the reimbursement rates, but it doesn't even  
20 matter because once a party breaches, as the Debtor did here,  
21 it cannot insist on the strict application prospectively of  
22 that contract.

23 What happened, Your Honor, is that once my clients  
24 raised the issue, when they triggered the process, the preset  
25 reimbursement rates no longer controlled. The parties were

1 required to figure out what the actual costs were in good  
2 faith. If you can go to the next slide please, Your Honor.

3 THE COURT: Okay.

4 MR. RUKAVINA: And then our third theory, Your Honor,  
5 is under the shared services. You heard -- well, you saw --  
6 that in these Shared Service Agreements the Advisors were  
7 paying Highland to monitor contracts, monitor payables, ensure  
8 that appropriate payable amounts were being paid.

9 Mr. Waterhouse confirmed that these services -- I  
10 mean, you can look at the contract. You don't need his  
11 testimony. But that these services included scrubbing the  
12 Advisors bills to make sure that the bills were proper, that  
13 there weren't refunds due, that there weren't overpayments.  
14 And Highland certainly knew of the overpayments. Again, we  
15 have the December 2019. You have the report from DCI going to  
16 the committee. Highland knew.

17 We go back to the Payroll Agreements which provided  
18 should either party -- that's key -- should either party  
19 determine that a change is appropriate, then either party may  
20 request a modification. Consistent with its duties to assist  
21 and advise the Advisors, Highland should have done so. As  
22 we'll talk in a moment, no employee of the Advisors or agent of  
23 the Advisors knew of the overpayments who was not at the same  
24 time also an employee or an agent of Highland.

25 Does the Court really believe or can anyone really

1 believe that these people, Klos, Waterhouse, Caruso, that they  
2 all just really did nothing about this, ignored it, that  
3 Highland sat back there and knowingly was taking \$6.2, \$6.6  
4 million from my clients?

5 Or is it far more likely that, in fact, they all  
6 believed in good faith that the automatic stay prevented any  
7 kind of negotiation or modification? It goes back again to the  
8 truth. The most credible explanation is that Klos and  
9 Waterhouse knew what was going on, but were told by the  
10 bankruptcy experts, we can't do anything about it, because of  
11 the bankruptcy stay.

12 The alternative is, again, that they sat there,  
13 violated their duties under the Shared Services Agreements,  
14 acted ridiculously as a debtor-in-possession by knowingly  
15 taking millions of dollars in profits not entitled to under the  
16 contract.

17 Either way, Highland knew about it, had an obligation  
18 to do something about it, and did nothing about it. It cannot  
19 now exploit any delay or any advantage as a result of its own  
20 fault. Your Honor, if we can advance to the next slide,  
21 please.

22 THE COURT: Okay.

23 MR. RUKAVINA: What does Highland say back? Well,  
24 you waived your rights. Okay. We might have over billed you  
25 by \$6.6 million. We might have known about it. We might have

1 had an obligation to tell you about it, but you waived your  
2 rights. Well, the contracts contained anti-waiver provisions.  
3 Waiver has to be knowing and intentional.

4 Mr. Waterhouse is the only person who is an agent of  
5 the Advisors that knew of the overpayments, but as we briefed,  
6 under Texas law when you're an agent to two principals, his  
7 knowledge cannot be imputed to one to be used against the  
8 other. The other people involved, Mr. Klos, DSI, Mr. Caruso,  
9 they were never agents of the Advisors.

10 So the Advisors -- there's no evidence that the  
11 Advisors knew of the overpayments in order to be able to make a  
12 knowing and intentional waiver. Of course the Advisors knew  
13 that certain employees weren't there. That's a given. Mr.  
14 Norris was very clear about that. But that is a separate issue  
15 from knowing that every month, every month, Highland was  
16 billing us for those employees that were no longer there. Only  
17 Highland employees knew that.

18 Also, Your Honor, these statements to the board, the  
19 funds boards, again, misdirection. All those communications,  
20 all those board minutes, we went through a dozen of them one by  
21 one with Mr. Powell. All of those are referring to the Shared  
22 Services Agreements in which case, yes, Highland was providing  
23 services to us under the Shared Services Agreements. None of  
24 those talked about the Payroll Reimbursement Agreements.

25 And the fact, Your Honor, that we stopped paying



1 right after Mr. Norris learned about it was further evidence  
2 that there was no waiver. And when I talk about waiver, Your  
3 Honor, I mean, common law waiver. I mean, contractual  
4 interpretation waiver. That's separate from whether we sat by  
5 and did nothing under Section 2.02 and 4.02 of the contract.  
6 We're going to go to the next slide please, Your Honor.

7 THE COURT: Okay.

8 MR. RUKAVINA: Likewise, the voluntary doctrine  
9 payment does not apply. As we briefed, it doesn't apply in  
10 Texas to the contract claims. It only applies where there's  
11 full knowledge of material facts. And again, we did not know  
12 of the overpayments. The only one who did was Waterhouse and  
13 he did what he could.

14 And it's also a critical factor here, Your Honor, as  
15 you've heard, that we did not actually write a check or  
16 initiate a wire transfer for these payments. Highland  
17 employees did so. Highland employees, pursuant to the services  
18 they were providing, had access and control to our bank account  
19 and Highland employees paid themselves.

20 Mr. Waterhouse approved those payments. That is  
21 true. But he approved them as the CFO of Highland. It's very  
22 clear. You have Ms. Hendrix's emails to him. She's writing to  
23 his -- to her boss, pardon me -- saying, hey, boss, under all  
24 these obligations, under all these contracts, the following  
25 Advisor fees and bills are due. And he says approved.

1 Even if he was wearing his Advisor hat, again,  
2 there's no voluntary payment because he was told that the  
3 automatic stay prevents anything from being done about this.  
4 And we all know that a legal disability, like the automatic  
5 stay, for example, tolls limitations. A legal disability is  
6 not voluntary. It is not a waiver.

7 So, Your Honor, that rounds off the discussion on why  
8 the Advisors have legitimate administrative claims. They have  
9 been quantified by Mr. Norris in a calculation where the Debtor  
10 has conceded that his numbers and his math are correct. His  
11 number is not dissimilar from Mr. Klos' number, which should  
12 add further support and credibility.

13 And really, it just comes down to the contract and  
14 how the Court interprets the contract in light of the parties'  
15 prior annual true up and in light of Mr. Waterhouse's  
16 discussions with Highland personnel saying, there's  
17 overpayments. We've got to do something about those  
18 overpayments, which triggered the requirement to negotiate in  
19 good faith, which never happened. If you can go to the next  
20 slide, please.

21 Now I'd like to discuss Highland's claims back  
22 against us. So first, let's discuss the claim for attorney's  
23 fees because I don't think I am being absurd when I smell that  
24 it's going to be a huge number, given that they had five  
25 lawyers during this trial in Court and on the video.

1           These contracts surprisingly -- and this has not been  
2 addressed by Highland -- have no fee shifting provision. They  
3 don't. Now, we know in Texas that's not fatal because even if  
4 your contract doesn't have a fee shifting provision, Section  
5 38.001 still allows you to recover attorney's fees under a  
6 written contract.

7           But you have to comply as a condition precedent with  
8 Section 38.002 which requires that you give presentment of the  
9 claim and that the Advisors do not pay a just amount owing  
10 prior to 30 days after that. And we know as a matter of law  
11 that the filing of a suit is not a presentment of the claim.

12           Also, the PRAs and SSAs, all four contracts, contain  
13 mandatory notice provisions. And these -- this is a very  
14 similar case, Your Honor. That's not true. It's not a similar  
15 case. It's a similar principle. This City of Alamo vs. Garcia  
16 case -- in that case, Your Honor, there was -- well, it was an  
17 arbitration provision and the arbitration provision required  
18 that notice to arbitrate be sent in a particular form to a  
19 particular person. And that provision was not complied with.

20           In this court, the Texas Appellate Court said, okay,  
21 well, is that requirement of notice following the notice  
22 provision? Is that a condition precedent or is that just a  
23 covenant where you get a breach of contract? And that Court  
24 said that, no, when the notice provision itself, meaning notice  
25 shall be sent to this person by such means by such date, when

1 it's a condition precedent then it defeats the condition for  
2 failure to follow.

3 So because Section 38.002 is a condition precedent to  
4 recovering the 38.001 and because Highland did not follow the  
5 notice provisions in the contracts, they have no claim under  
6 38.001. If we can please advance to the next slide, Your  
7 Honor.

8 THE COURT: Okay.

9 MR. RUKAVINA: There is -- first of all, it's  
10 amazing. There is no evidence in front of you of any  
11 presentment of the claim at all. I understand maybe because  
12 New York lawyers aren't familiar with Section 38.002, but I  
13 would have thought there'd be a letter from Mr. Seery just like  
14 we've seen in all the note cases saying, hey, you bad guys,  
15 you're not paying. You owe me money. Pay now or we'll sue.

16 I've actually had to scrub Highland's exhibits for an  
17 scintilla of any evidence of a presentment. And all that you  
18 have is the Highland Exhibit 28. This is an email. It's a  
19 part of negotiations. It's an email to Mr. Norris. It's not  
20 even from the Debtor. It's from DSI or I'm not even sure who.

21 The Court has it. It's Exhibit 28. And here he says  
22 -- I'm not even sure I know who this man is -- you guys owe the  
23 following amounts. It's an email. It is done prior to filing  
24 suit, but again it does not follow the notice requirements in  
25 the contracts, meaning it's not sent to the proper party. It's

1 emailed to Mr. Norris. It's not sent as the contracts require.

2 And interestingly, when you read the email in  
3 chambers, Your Honor, this gentleman is saying, you Advisors  
4 have to pay all of these funds, \$5.4 million, in order --  
5 that's how much you owe us. Notice there's no demand that  
6 there will be suit filed. There's no demand for attorney's  
7 fees.

8 Now, it is true that when the Court studies Section  
9 38.002 the Court will find that there's no prescribed method  
10 for the notice that has to be provided unless the contract  
11 provides the method, right?

12 So, all things being equal, this email might suffice  
13 as a presentment of the claim. I've already argued why it  
14 doesn't because it didn't follow the notice provisions of the  
15 contract, but there's another reason, as Judge Rhoades  
16 explained in this case I cite down here before. And you have  
17 to go back to Section 38.002.

18 It can't just be a presentment of a claim. It has to  
19 be a presentment of the just amount owed. Why in the world is  
20 this person who sent this email requiring Mr. Norris to pay  
21 alleged amounts owing by all these other people? You'll see  
22 when -- you'll see, Your Honor, when you read this email. Mr.  
23 Norris writes back and he says, what is this? I don't even  
24 represent or know about most of these entities.

25 So there's no presentment because this isn't

1 sufficient. If it is sufficient, it didn't follow the  
2 condition precedent notice requirement of the contracts.  
3 Therefore, Section 38.002 is not complied with. And even if it  
4 did, this is not a claim for a just amount. Why in the world  
5 would the Advisors pay amounts from Dugaboy and NexBank, Ohio  
6 State Life Insurance.

7 The Debtor, Your Honor, just messed up. And as a  
8 result, we revert to the American rule and it does not get its  
9 attorney's fees. If we can advance to Slide 6, Your Honor.

10 THE COURT: Okay.

11 MR. RUKAVINA: This is now, unlike Mr. Klos' broad,  
12 sweeping statements, oh, you owe all this money. And unlike  
13 Mr. Norris -- I'm sorry, Mr. Morris -- just going over this.  
14 Let's look at the facts of the matter when we're talking about  
15 millions of dollars in alleged damages.

16 So first, HCMFA they say didn't pay for the November,  
17 December, and January amounts. Your Honor will recall that  
18 that agreement is different than the rest. It requires -- it's  
19 not a set amount. It requires that an analysis be done, a  
20 calculation. It requires a statement. And I've only taken  
21 part of Section 5.01 there, Your Honor, because honestly I'm  
22 not good with PowerPoint. I don't know how to take the rest  
23 of it. Certainly the Court can and will read the whole Section  
24 5.01.

25 But notice the language. Each service provider --

1 Highland shall furnish the other parties hereto with a written  
2 statement in which they detail the actual costs. Highland  
3 never did that for January. And Highland, by the way, never  
4 gave you the evidence for November and December. I did in my  
5 Exhibit AA. Highland did give us an invoice for November and  
6 December, but never for January.

7           So, Your Honor, they lose the January argument for  
8 two reasons: one, the form of this contract because they never  
9 provided the invoice; two, more importantly, because there's no  
10 evidence of what the actual cost is. We're now talking about  
11 their claims against us.

12           It's their burden of proof. They never came. Mr.  
13 Klos never said, you know what? I did the analysis and it's  
14 \$300,000. There is no evidence as to what the actual cost for  
15 January is. If we can go to the next slide, please.

16           THE COURT: Okay.

17           MR. RUKAVINA: Now I want to discuss the Payroll  
18 Agreements again. We can discuss them at the same time. It  
19 ties into my argument on the administrative claim.

20           Whether it's early -- I'm sorry. Whether it's late  
21 2019 or October 2020 or December 2020, Highland never  
22 negotiated in good faith. As I've argued, that means that the  
23 preset amounts no longer control. We revert to what is the  
24 actual cost. We are only required to reimburse for actual  
25 cost. It's Highland's burden of proof. They never even

1 attempted for the months of December and January to quantify  
2 their actual costs. They never even attempted to do so, Your  
3 Honor, on their burden of proof.

4 Even if the Court considers the December 11th letter  
5 as the last or as the only trigger, that would still negate  
6 then the January numbers. So it is our argument that Highland,  
7 for lack of evidence at this trial, for lack of even trying to  
8 quantify actual costs in December and January, fails, lack of  
9 evidence. Those discussions from Mr. Waterhouse, Your Honor,  
10 and that letter from K&L Gates must have had some impact on  
11 Highland's duty under these contracts.

12 Again, all that we have to do is request a change and  
13 then the parties shall -- not may -- shall negotiate in good  
14 faith. And Mr. Seery told you there was no negotiation. So,  
15 again, the argument is the monthly amounts do not control and  
16 there's an utter lack of evidence on what the actual costs are.

17 Now it is true that we did not pay under the NexPoint  
18 Shared Services. That's \$168,000 per month. We owe them  
19 \$336,000. We do. Now, Klos testified that it's \$500,000.  
20 Please don't fall into that trap, Your Honor. Mr. Klos was  
21 very intentionally, and I believe manipulatively, including a  
22 subsidiary of Highland, a subsidiary of NexPoint called -- I  
23 think I have it in here -- called NexPoint Real Estate  
24 Advisors.

25 That's not in the contract, Your Honor. The NexPoint



1 Shared Services Agreement spells out it's \$168,000 per month,  
2 so we owe them \$336,000, not 500. And then if we can go to the  
3 final slide, Your Honor.

4 This is what the Court should conclude -- pardon me.  
5 You should award us the \$6.2 million in overpayments. You  
6 should award us the million dollars in Shared Services  
7 overpayments. This, Your Honor will recall, is Mr. Klos'  
8 analysis. Mr. Klos, from December 2019 -- I'm sorry --  
9 December 2020, at that point and time recall, Your Honor, that  
10 the Debtor was not providing legal services anymore to the  
11 Advisors. The Advisors had hired their own, at least one of  
12 their own, regulatory and compliance people.

13 Mr. Klos calculated \$1 million in profit under the  
14 Shared Services Agreements, which again do not permit of a  
15 profit. HCMFA does have a provision for a 5 percent markup.  
16 NexPoint does not, but that's different from profit. Your  
17 Honor should award us \$425,000 in cover damages, as Mr. Norris  
18 testified to. We had to go out and hire two employees. That's  
19 three months worth of their -- or maybe four months. I don't  
20 remember right now. Mr. Norris testified about that. Of their  
21 compensation.

22 The Court should deny all parties' attorney's fees.  
23 Again, these contracts do not provide for attorney's fees  
24 provisions and Section 38.002 was not complied with. The Court  
25 should deny the claim for the January HCMFA Shared Service

1 Agreement because, again, the Debtor did not calculate actual  
2 cost or present an invoice. There's no evidence of what the  
3 proper amount payable for January of 2021 should have been.

4 The Court should deny the Debtor amounts unpaid under  
5 the Payroll Reimbursement Agreements because the Debtor refused  
6 to negotiate in good faith and the Debtor, again, presented no  
7 evidence on what actual cost for those months should be on what  
8 is the Debtor's burden of proof.

9 We admit that we owe -- that HCMFA did not pay Shared  
10 Services in November and December. There are those invoices.  
11 Again, I was so kind as to provide evidence of that. The  
12 Debtor didn't even provide evidence of that. We admitted we  
13 owe that. That's -- and I'm ignoring dollars, Your Honor. I'm  
14 rounding to the thousand. We admit that we owe \$596,000. And  
15 we admit that NexPoint owes for December and January, \$336,000,  
16 for a net resulting administrative claim after nettings and set  
17 offs of \$6,693,000.

18 Your Honor, I will leave you with this final thought  
19 that I also mentioned.

20 You can close that now, Mr. Berghman.

21 I'll leave you with this final thought that I  
22 mentioned during opening. This has been a contentious case.  
23 We all know that. Your Honor has mentioned that numerous  
24 times. We know that the Court might not think highly of Mr.  
25 Dondero. The Court has sanctioned Mr. Dondero. We know that

1 the Court may think very highly of Mr. Seery and the Debtor.  
2 Certainly the Court has found Mr. Seery very credible in the  
3 past.

4 But this is a court of equity. It ought to bother  
5 this Court some, if not a lot, that an entity under your  
6 Court's, under Your Honor's protection, with duties of candor  
7 and fiduciary duties was billing my client monthly for 20  
8 employees that were not there and they knew about it and they  
9 did nothing about it. There has to be a remedy for that harm.  
10 Thank you, Your Honor.

11 THE COURT: All right. Thank you.

12 Mr. Morris, you have, what did we say, 11-1/2 minutes  
13 of rebuttal.

14 MR. MORRIS: Okay. So as quickly as I can, Your  
15 Honor, Number 1, I'm not prepared to address attorney's fees.  
16 We'll do that if and when the Court enters a judgment. I  
17 promise we'll file our motion and we'll address these matters.

18 With respect to damages, we did offer all the proof  
19 we needed to, Your Honor, and they're the contracts because  
20 they're all fixed rate contracts with the exception of the  
21 HCMFA contract.

22 And I appreciate Mr. Rukavina putting in the exhibits  
23 because if you take a look at them, if you take a look at  
24 Exhibit AA, you'll see that Highland actually reduced the  
25 amount it was charging for compliance services in November and

1 December precisely because Mr. Post transferred from Highland  
2 to the Advisors.

3           You'll see that in October -- in September, the  
4 compliance fee was \$92,819. That's in Exhibit AA at Bates  
5 Number 590. And that the same is true in October. But yet in  
6 November, that amount is reduced to \$66,900, right? The legal  
7 fees are still the same \$10,000 they had been for years.  
8 They're paying \$10,000 a month. Yes, it's an actual cost on  
9 track. And the same \$66,000 is charged in December. Highland  
10 has already taken into account the transfer of Mr. Post from  
11 one side to the other.

12           Quickly, Mr. Klos didn't raise any red flags in his  
13 testimony. In fact, he did just the opposite. What he  
14 testified to was that here was a rational basis for the numbers  
15 in the documents. What he testified to was that Highland  
16 provided services and that they were entitled to get paid for  
17 it. So I don't know what red flags Mr. Rukavina was referring  
18 to. They continually refer to profits and the profits that  
19 Highland was making. Completely irrelevant under the contract.

20           If they wanted a contract that limited Highland's  
21 profits or that protected Highland from the down side, right?  
22 We're only concerned about profits here. They're only  
23 concerned -- they aren't concerned about all the money we were  
24 losing, I guess, under the same analysis that we're relying on,  
25 that they're relying on frankly, right?

1           If they wanted, they know how to do that because the  
2 HCMFA Shared Services Agreement is cost plus 5 percent. Their  
3 whole theory is kind of suspect for the simple reason that  
4 they're trying to say that Highland somehow agreed to give the  
5 employees to the Advisors for cost. What business would do  
6 that? Why would anybody be in business to simply have somebody  
7 pay for their employees? It makes no sense to me. The whole  
8 theory makes no sense to me.

9           And that brings me to a very big point, Your Honor.  
10 I absolutely do not agree that the contract is to be a  
11 reimbursement for cost. I absolutely will never agree to that.  
12 That's not what the contract says. That's what they're trying  
13 to get you to do. They're trying to rewrite the very plain  
14 terms of the agreement.

15           The very plain terms of the definition of actual cost  
16 is that it's a fixed amount unless the parties agree otherwise,  
17 period, full stop. Hamburger, tofu, call it whatever you want.  
18 It's a fixed amount until the parties agree otherwise. I have  
19 absolutely no agreement with Mr. Rukavina that the purpose of  
20 the contract is to pay actual costs.

21           Annual true up, Your Honor, he pointed to some  
22 generalized statement from Mr. Waterhouse. The fact of the  
23 matter is there's absolutely no evidence that the December 2018  
24 amendments were the result of any true up. In fact, I asked  
25 Mr. Waterhouse the question. This is at Page 140 of the

1 afternoon, I guess, of the first day hearing.

2 "Q Do you have any specific recollection that it was an  
3 annual true up like the -- just like for the two Payroll  
4 Reimbursement Agreements?

5 "A I don't. From what I recall, I don't think there was a  
6 true up in the agreements."

7 This is his testimony about the agreements at issue.  
8 Mr. Rukavina may point to some generalized statement about true  
9 ups. This is his testimony at the bottom of Page 140, the top  
10 of Page 141, that he has no knowledge of any true up ever being  
11 done with respect to the Payroll Reimbursement Agreements.

12 The notion that they didn't get services. I think  
13 there was a suggestion that somehow they didn't get services.  
14 Again, Your Honor, we'd refer to the retail board minutes. The  
15 attempt to somehow slice this so fine to say the retail board  
16 minutes was only referring to Shared Services and it didn't  
17 have anything to do with front office.

18 There's numerous places in those minutes that refer  
19 not to Shared Service Agreements, but shares services  
20 arrangements. And you heard no explanation as to why the  
21 Advisors are repeatedly telling the retail board throughout  
22 2020, here are our investment professionals.

23 They did it in January. They did it in August. And  
24 they don't do it for no reason. They do it in response to the  
25 retail board's specific request for information as to who was

1 providing services to them, okay. The evidence is just -- it's  
2 beyond dispute. Mr. Rukavina threw out somehow that Highland  
3 was a fiduciary. A fiduciary to whom?

4           The only fiduciaries that matter in this case are Mr.  
5 Dondero, Mr. Waterhouse, Ms. Thedford, and Mr. Norris. They're  
6 the fiduciaries of the Advisors. Highland had a contract. It  
7 did not owe a fiduciary duty to the Advisors. And it's just --  
8 I don't know where this stuff comes from, but there's no basis  
9 to find that Highland owed anybody on the Advisors side a  
10 fiduciary duty.

11           Anti-waiver. He points to the waiver provision. We  
12 have ample case law in our briefing, Your Honor, that you can  
13 waive even a waiver provision. And why does it apply here?  
14 Because they waived it 35 times. Every single month from the  
15 beginning of 2018 until the end of November 2020, 35  
16 consecutive times, Frank Waterhouse authorized the payment of  
17 the fixed fee under the Payroll Reimbursement Agreement with  
18 knowledge that many of the dual employees had been terminated.

19           That is a waiver. That is a waiver 35 times. That  
20 is a waiver so strong that it overcomes anything the Advisors  
21 might come up with here.

22           Mr. Rukavina suggests, oh, what can we do? Poor us.  
23 They wouldn't negotiate. No. As Mr. Klos said, as the  
24 contract provides, if you don't like what's happening, you can  
25 terminate without cause on 60 days notice, period, full stop.

1 That's why that provision is in there. There's no requirement  
2 that somebody agree. There's certainly no requirement that  
3 somebody agree to a retroactive change. In fact, that would  
4 read out of the whole contract the definition of actual cost.

5 Again, you're trying to rewrite an agreement that  
6 they lived with for two years under the Dondero regime. We  
7 just want to be treated the way Highland was treated for the  
8 two years that Jim Dondero was in control. Why do the rules  
9 change? Because Dustin Norris wakes up on December 1st after  
10 we give notice of termination and they freak out and they say,  
11 oh, my gosh. We've got to do something here. That's not a  
12 basis to change the terms of the parties' agreement.

13 No mention of Lauren Thedford, right? Where is Ms.  
14 Thedford? Mr. Rukavina keeps saying, it's the Highland  
15 employees. It's the Highland employees. Mr. Dondero gave all  
16 of these people multiple hats. I've heard Mr. Rukavina refer  
17 twice now to some case law that says if you wear multiple hats  
18 you can't impute knowledge from one to the other. Is that  
19 really true when the same person is giving them multiple roles?  
20 How does Mr. Dondero get to hide behind the fact that he put  
21 Mr. Waterhouse and Ms. Thedford into these conflicting  
22 positions?

23 And then he gets to say, oh, he was acting on behalf  
24 of Highland, not the Advisors. That cannot possibly be the  
25 law, Your Honor. That would be the biggest injustice of all,



1 that they get now to decide which hat Mr. Waterhouse and Ms.  
2 Thedford was wearing. And please don't forget Ms. Thedford.  
3 An officer, a fiduciary, a secretary, a lawyer, the person who  
4 drafted the contracts.

5 Bankruptcy experts. Again, now we've moved away from  
6 Mr. -- we keep pushing them into the corner even further. Now  
7 Mr. Caruso is no longer referred to as the CRO. Now he's just  
8 an agent. He's a so-called agent, right? He's not a  
9 bankruptcy expert, as humbly as I can say it, my colleagues and  
10 me. This is what we do for a living, right. If Mr. Waterhouse  
11 was with us all the time. The testimony is clear. Looked him  
12 right in the eye. Frank, you didn't tell me, did you? No, I  
13 didn't tell you, John. I didn't tell you.

14 Yeah. I'll just end where Mr. Rukavina ended and  
15 that is the notion that this is a court of equity. It may be a  
16 court of equity, but it's also a court of law. And we want the  
17 Court to simply enforce the contract as it's drafted. And on  
18 an equitable basis, there's absolutely positively nothing wrong  
19 with that. Why is there nothing wrong with that? Because we  
20 provided the services. We're entitled to get paid. The  
21 contracts are unambiguous.

22 And I just showed you in Exhibit AA, in the Advisors  
23 AA, we even went so far as to reduce the cost of the compliance  
24 services when Jason Post was moved from one side to the other.  
25 We even went so far as to do that.

1           That's equity. Equity says you reward people who are  
2 abiding by the rules. We abided by the rules. We shifted Mr.  
3 Post from one side to the other and we eliminated the cost for  
4 him. They don't get to double dip. They have no claim here,  
5 Your Honor.

6           Their whole case is based on Frank Waterhouse's story  
7 that he made up at the very last second that isn't -- that, as  
8 recorded by Mr. Norris, doesn't even mention Fred Caruso. And  
9 then, of course, we have the K&L Gates letter sent the day  
10 after the TRO was entered, right, that's based on the analysis  
11 that Frank Waterhouse gave to Mr. Dondero the day before. This  
12 is all manufactured.

13           And let me just finish on this point. Highland did  
14 not breach its obligation to negotiate in good faith because  
15 there was no reason or opportunity to do that. We don't  
16 believe what Frank Waterhouse testified to has any truth to it,  
17 but even if it did, an offhand statement to Fred Caruso isn't  
18 all of a sudden going to get them some kind of windfall.  
19 That's Number 1. Number 2, this K&L Gates letter, think about  
20 the circumstances that existed at the time.

21           And, finally, Your Honor, even if the Court were to  
22 find that Highland failed to negotiate in good faith, which I  
23 don't think it can under the circumstances, even if you found  
24 that, how are there damages a complete rewriting of the  
25 contract? Because we had no obligation to agree to their

1 theory.

2           Why do they get their theory now? We could have  
3 negotiated in good faith and said, Frank, we're not doing -- I  
4 mean, we're not doing anything retroactive. The contract  
5 doesn't require us to do anything retroactive.

6           At best, maybe they can make a claim for January. I  
7 don't know. I don't think it makes any sense. I don't want it  
8 to be seen as a concession, but they had no obligation.  
9 Highland had no obligation to agree to their theory. And now  
10 they're going to get their theory that completely rewrites the  
11 contract. It makes no sense. Thank you, Your Honor.

12           THE COURT: Okay. Thank you.

13           All right. Well, this one is going to be second in  
14 the queue. We were working on the note adversary proceedings  
15 report and recommendation. So we will try not to keep you  
16 waiting too long on a ruling on this.

17           You could make my life easier in one regard. If you  
18 all will send to me, send to Traci Ellison a Word version of  
19 your proposed findings of fact and conclusions of law, each of  
20 you, that way I can copy and paste where I want to copy and  
21 paste in my ruling. So if you could do that.

22           MR. RUKAVINA: Your Honor, may I interject? The  
23 scheduling order didn't require a proposed findings. It  
24 contemplated trial briefs. I filed a trial brief. The Debtor  
25 filed proposed findings.

1 THE COURT: Right.

2 MR. RUKAVINA: I'm happy to draft proposed findings  
3 if you want me to. I just want you to be aware of that.

4 THE COURT: Okay. Well, so I get Mr. Morris referred  
5 to his at Docket Entry 91.

6 So send me, Mr. Rukavina, your trial brief, the  
7 Advisors' trial brief. I say send me -- send it to Traci.

8 And then, Mr. Morris, you can send me your findings  
9 and conclusions which have obviously both facts and law. And  
10 so, again, that will speed up our process here in chambers, I  
11 hope, tremendously if I can copy and paste where I think it  
12 makes sense to copy and past in my ruling, all right.

13 All right. Well, I wish I could give you a date by  
14 which this will be done, but all I can say is we're working as  
15 fast as we can back here on our different projects, and so  
16 we'll try not to keep you waiting too late. All right.

17 MR. MORRIS: Thank you, Your Honor.

18 THE COURT: Thank you. We're adjourned.

19 MR. RUKAVINA: Thank you.

20 THE CLERK: All rise.

21 (Proceedings concluded)

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**C E R T I F I C A T I O N**

We, DIPTI PATEL, CRYSTAL THOMAS, and MICHELLE ROGAN,  
court approved transcribers, certify that the foregoing is a  
correct transcript from the official electronic sound recording  
of the proceedings in the above-entitled matter, and to the  
best of our ability.

/s/ Dipti Patel

DIPTI PATEL, CET-997

/s/ Crystal Thomas

CRYSTAL THOMAS, CET-654

/s/ Michelle Rogan

MICHELLE ROGAN

LIBERTY TRANSCRIPTS

DATE: May 5, 2022

