

Net Operating Income Summary
Waterford Place

NEXPOINT
REAL ESTATE ADVISORS

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Gross Potential Rent	\$ 4,779,167	\$ 4,989,777	\$ 5,213,985	\$ 5,454,587	\$ 5,649,788	\$ 5,816,339	\$ 5,993,248	\$ 6,175,538	\$ 6,363,373	\$ 6,556,922
Deductions	(362,051)	(379,651)	(395,313)	(398,456)	(411,726)	(423,168)	(435,299)	(447,798)	(460,678)	(473,949)
Total Rent	\$ 4,417,116	\$ 4,610,126	\$ 4,818,672	\$ 5,056,131	\$ 5,238,063	\$ 5,393,171	\$ 5,557,950	\$ 5,727,740	\$ 5,902,695	\$ 6,082,972
Miscellaneous Income	443,160	604,985	672,574	692,752	713,534	734,940	756,988	779,698	803,089	827,182
Effective Gross Income	\$ 4,860,276	\$ 5,215,111	\$ 5,491,247	\$ 5,748,882	\$ 5,951,597	\$ 6,128,111	\$ 6,314,938	\$ 6,507,438	\$ 6,705,784	\$ 6,910,154
Repairs and Maintenance	217,890	234,122	242,537	249,813	257,307	265,026	272,977	281,166	289,601	298,289
Payroll	354,200	364,826	375,771	387,044	398,655	410,615	422,933	435,621	448,690	462,151
Advertising and Promotions	86,400	88,992	91,662	94,412	97,244	100,161	103,166	106,261	109,449	112,732
General and Administrative	127,200	131,016	134,946	138,995	143,165	147,460	151,883	156,440	161,133	165,967
Total Controllable Expenses	\$ 785,690	\$ 818,956	\$ 844,916	\$ 870,263	\$ 896,371	\$ 923,262	\$ 950,960	\$ 979,489	\$ 1,008,873	\$ 1,039,140
Utilities	267,600	292,867	316,609	326,107	335,890	345,967	356,346	367,036	378,047	389,389
Taxes	633,104	639,435	645,829	652,287	681,640	740,252	740,252	814,277	814,277	814,277
Insurance	91,200	93,936	96,754	99,657	102,646	105,726	108,898	112,164	115,529	118,995
Total Non-Controllable Expenses	\$ 991,904	\$ 1,026,238	\$ 1,059,192	\$ 1,078,051	\$ 1,120,177	\$ 1,191,944	\$ 1,205,495	\$ 1,219,452	\$ 1,307,854	\$ 1,322,661
Property Management Fee	138,518	148,631	156,501	163,843	169,621	174,651	179,976	185,462	191,115	196,939
Total Other Expenses	\$ 138,518	\$ 148,631	\$ 156,501	\$ 163,843	\$ 169,621	\$ 174,651	\$ 179,976	\$ 185,462	\$ 191,115	\$ 196,939
Total Operating Expenses	\$ 1,916,112	\$ 1,993,825	\$ 2,060,608	\$ 2,112,157	\$ 2,186,168	\$ 2,289,858	\$ 2,336,431	\$ 2,384,403	\$ 2,507,842	\$ 2,558,740
Net Operating Income	\$ 2,944,164	\$ 3,221,286	\$ 3,430,639	\$ 3,636,725	\$ 3,765,429	\$ 3,838,254	\$ 3,978,507	\$ 4,123,035	\$ 4,197,942	\$ 4,351,414

Exit & Return Scenarios for DST Investors

Cumulative Cash Returned to DST Investors Pre-Sale	8,089,535
Investors Breakeven Cap Rate (Excluding Distributions)	5.86%

Sponsor's Sale Exit Forecast: Base Case ¹

Sale Price	62,757,144	63,970,894	66,308,451	68,717,250	69,965,708	72,523,569
Cap Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Sale Price per Unit	261,488	266,545	276,285	286,322	291,524	302,182
Sale Price per NRSF	226.32	230.70	239.13	247.81	252.31	261.54
Sale Price per Land SF	69.80	71.15	73.75	76.43	77.82	80.66
Annual Property Value Appreciation/Depreciation	0.6%	0.8%	1.2%	1.6%	1.6%	1.9%
Projected Cost of Sale (lender/broker/disposition fees)	5.0%	5.0%	5.0%	5.0%	5.0%	4.5%
Loan Repayment	(29,700,000)	(29,700,000)	(29,700,000)	(29,700,000)	(29,700,000)	(29,700,000)
Return on Sale to DST Investors	29,919,287	31,072,349	33,293,029	35,581,387	36,767,423	39,560,008
Total Return to DST Investors	38,008,823	41,100,700	45,381,464	49,862,241	53,306,761	58,494,607
Annual Capital Appreciation	4.2%	5.2%	6.4%	7.4%	7.8%	8.7%
Equity Multiple	1.21x	1.31x	1.45x	1.59x	1.7x	1.87x

¹ Actual results will vary based on a number of assumptions, including assumptions relating to relevant capitalization rates. Forecasting future capitalization rates involves a high degree of uncertainty. In an effort to inform the prospective Purchasers about the range of potential outcomes, the projections included herein show a "base", "aggressive", and "conservative" case, each reflecting varying assumptions as to the future capitalization rates. In the opinion of the Sponsor as of the date of this Memorandum, each of the "base case", "aggressive case", and "conservative case" constitutes a plausible scenario for the Property for the following reasons: in our experience, capitalization rates are driven by interest rates as well as investor demand for cash flowing assets and availability and total volume of money supply. While the Sponsor maintains a view on these future drivers of capitalization rates, forecast outcomes vary. It is our belief that the range of outcomes presented herein represent a reasonable range of potential exit outcomes for investors given all known variables as of the date of this Memorandum.

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	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Operating Income	\$ 2,944,164	\$ 3,221,286	\$ 3,430,639	\$ 3,636,725	\$ 3,765,429	\$ 3,838,254	\$ 3,978,507	\$ 4,123,035	\$ 4,197,942	\$ 4,351,414

Exit & Return Scenarios for DST Investors

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cumulative Cash Returned to DST Investors Pre-Sale					8,089,535	10,028,350	12,088,435	14,280,854	16,539,339	18,934,598

	Sponsor's Sale Exit Forecast: Aggressive Case ¹									
Sale Price	71,722,451	73,109,593	75,781,087	78,534,000	79,960,809	82,884,079				
Cap Rate	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%				
Sale Price per Unit	298,844	304,623	315,755	327,225	333,170	345,350				
Sale Price per NRSF	258.65	263.65	273.29	283.21	288.36	298.90				
Sale Price per Land SF	79.77	81.32	84.29	87.35	88.94	92.19				
Annual Property Value Appreciation/Depreciation	3.5%	3.3%	3.4%	3.6%	3.4%	3.6%				
Projected Cost of Sale (lender/broker/disposition fees)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%				
Loan Repayment	(29,700,000)	(29,700,000)	(29,700,000)	(29,700,000)	(29,700,000)	(29,700,000)				

Return on Sale to DST Investors	38,436,328	39,754,114	42,292,033	44,907,300	46,262,769	49,454,295				
Total Return to DST Investors	46,525,864	49,782,464	54,380,468	59,188,153	62,802,108	68,388,894				
Annual Capital Appreciation	9.7%	9.8%	10.5%	11.1%	11.1%	11.8%				
Equity Multiple	1.48x	1.59x	1.73x	1.89x	2.1x	2.18x				

	Sponsor's Sale Exit Forecast: Conservative Case ¹									
Sale Price	62,757,144	63,970,894	66,308,451	68,717,250	69,965,708	72,523,569				
Cap Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%				
Sale Price per Unit	261,488	266,545	276,285	286,322	291,524	302,182				
Sale Price per NRSF	226.32	230.70	239.13	247.81	252.31	261.54				
Sale Price per Land SF	69.80	71.15	73.75	76.43	77.82	80.66				
Annual Property Value Appreciation/Depreciation	0.6%	0.8%	1.2%	1.6%	1.6%	1.9%				
Projected Cost of Sale (lender/broker/disposition fees)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%				
Loan Repayment	(29,700,000)	(29,700,000)	(29,700,000)	(29,700,000)	(29,700,000)	(29,700,000)				

Return on Sale to DST Investors	29,919,287	31,072,349	33,293,029	35,581,387	36,767,423	39,560,008				
Total Return to DST Investors	38,008,823	41,100,700	45,381,464	49,862,241	53,306,761	58,494,607				
Annual Capital Appreciation	4.2%	5.2%	6.4%	7.4%	7.8%	8.7%				
Equity Multiple	1.21x	1.31x	1.45x	1.59x	1.7x	1.87x				

¹ Actual results will vary based on a number of assumptions, including assumptions relating to relevant capitalization rates. Forecasting future capitalization rates involves a high degree of uncertainty. In an effort to inform the prospective Purchasers about the range of potential outcomes, the projections included herein show a "base", "aggressive", and "conservative" case, each reflecting varying assumptions as to the future capitalization rates. In the opinion of the Sponsor as of the date of this Memorandum, each of the "base case", "aggressive case", and "conservative case" constitutes a plausible scenario for the Property for the following reasons: in our experience, capitalization rates are driven by interest rates as well as investor demand for cash flowing assets and availability and total volume of money supply. While the Sponsor maintains a view on these future drivers of capitalization rates, forecast outcomes vary. It is our belief that the range of outcomes presented herein represent a reasonable range of potential exit outcomes for investors given all known variables as of the date of this Memorandum.

Forecasted Statement of Cash Flows
Waterford Place

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
EFFECTIVE GROSS REVENUE	\$ 4,860,276	\$ 5,215,111	\$ 5,491,247	\$ 5,748,882	\$ 5,951,597	\$ 6,128,111	\$ 6,314,938	\$ 6,507,438	\$ 6,705,784	\$ 6,910,154
Total Expenses	1,916,112	1,993,825	2,060,608	2,112,157	2,186,168	2,289,858	2,336,431	2,384,403	2,507,842	2,558,740
NET OPERATING INCOME	\$ 2,944,164	\$ 3,221,286	\$ 3,430,639	\$ 3,636,725	\$ 3,765,429	\$ 3,838,254	\$ 3,978,507	\$ 4,123,035	\$ 4,197,942	\$ 4,351,414
Master Lease Rent										
BASE RENT (Debt Service)	1,463,468	1,463,468	1,467,477	1,463,468	1,463,468	1,463,468	1,467,477	1,463,468	1,463,468	1,463,468
Master Tenant Base Income ¹	\$ 20,000	\$ 25,000	\$ 26,500	\$ 28,000	\$ 29,500	\$ 31,000	\$ 32,500	\$ 34,000	\$ 35,500	\$ 37,000
ADDITIONAL RENT										
<i>Additional Rent Breakpoint</i>	\$ 3,400,000	\$ 3,482,000	\$ 3,555,000	\$ 3,604,000	\$ 3,679,000	\$ 3,784,000	\$ 3,836,000	\$ 3,882,000	\$ 4,007,000	\$ 4,059,000
Additional Rent	1,254,000	1,402,500	1,476,750	1,476,750	1,402,500	1,402,500	1,402,500	1,402,500	1,402,500	1,402,500
Asset Management Fee ²	-	(148,500)	(222,750)	(222,750)	(148,500)	(148,500)	(148,500)	(148,500)	(148,500)	(148,500)
Additional Rent Cash Flow ³	\$ 1,254,000	\$ 1,254,000	\$ 1,254,000	\$ 1,254,000	\$ 1,254,000	\$ 1,254,000	\$ 1,254,000	\$ 1,254,000	\$ 1,254,000	\$ 1,254,000
Additional Rent Cash on Cash Return	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

SUPPLEMENTAL RENT

<i>Supplemental Rent Breakpoint</i>	\$ 4,654,000	\$ 4,884,500	\$ 5,031,750	\$ 5,080,750	\$ 5,081,500	\$ 5,186,500	\$ 5,238,500	\$ 5,284,500	\$ 5,409,500	\$ 5,461,500
Master Tenant-Supplemental ⁴	20,670	33,032	45,991	66,851	86,996	94,129	107,603	122,307	129,647	144,845
Supplemental Rent	186,027	297,286	413,920	601,657	782,965	847,158	968,427	1,100,761	1,166,827	1,303,602
Trust Reserve Account	-	-	-	(100,000)	(237,321)	(137,342)	(137,342)	(137,342)	(137,342)	(137,342)
Supplemental Rent Cash Flow ⁵	\$ 186,027	\$ 297,286	\$ 413,920	\$ 501,657	\$ 545,644	\$ 709,815	\$ 831,085	\$ 963,418	\$ 1,029,485	\$ 1,166,260
Supplemental Rent Cash on Cash Return	0.59%	0.95%	1.32%	1.60%	1.74%	2.26%	2.65%	3.07%	3.28%	3.72%
Trust Expenses	\$ (25,000)	\$ (25,000)	\$ (25,000)	\$ (25,000)	\$ (25,000)	\$ (25,000)	\$ (25,000)	\$ (25,000)	\$ (25,000)	\$ (25,000)
Total Cash Flow	\$ 1,415,027	\$ 1,526,286	\$ 1,642,920	\$ 1,730,657	\$ 1,774,644	\$ 1,938,815	\$ 2,060,085	\$ 2,192,418	\$ 2,258,485	\$ 2,395,260
Total Cash on Cash Return	4.51%	4.87%	5.24%	5.52%	5.66%	6.18%	6.57%	6.99%	7.20%	7.64%

FORECASTED PRINCIPAL AMORTIZATION

Beginning Loan Balance	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000
Principal Amortization	-	-	-	-	-	-	-	-	-	-
Ending Balance	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000	\$ 29,700,000
Yield	4.51%	4.87%	5.24%	5.52%	5.66%	6.18%	6.57%	6.99%	7.20%	7.64%

TAX ANALYSIS FOR NON-1031 INVESTOR

Estimated Taxable Income (Loss)	(441,032)	(329,773)	(213,139)	(125,402)	(81,415)	82,756	204,025	336,359	402,426	539,200
Estimated Tax Refund / Benefit	(163,182)	(122,016)	(78,861)	(46,399)	(30,124)	30,620	75,489	124,453	148,898	199,504
Yield Net of Tax Benefit	1,578,209	1,648,302	1,721,782	1,777,056	1,804,768	1,908,195	1,984,595	2,067,966	2,109,588	2,195,755
Effective Tax Equivalent Yield ⁶	7.99%	8.34%	8.71%	8.99%	9.13%	9.66%	10.04%	10.47%	10.68%	11.11%

1 The difference between the Base Rent and the Additional Rent Breakpoint for the Property for a given month, if any, after taking into account any expenses of the Property, will inure to the benefit of the Master Tenant and, therefore, NexPoint Waterford Holdco, LLC as the sole member of the Master Tenant. Such amounts will not be available for distributions to the Trust or the Investors. Amounts shown are rounded to the nearest thousands.

2 The Asset Management Fee may be deferred or waived at the sole discretion of the Asset Manager.

3 The Additional Rent will be estimated and paid on a monthly basis with year-end reconciliation.

4 Under the Master Lease, the Master Tenant will earn 10% of Effective Gross Revenue exceeding the Supplemental Rent Breakpoint, as provided in the Master Lease.

5 The Supplemental Rent will be estimated and paid on an annual basis with year-end reconciliation within 90 days of the end of the calendar year.

6 Effective Taxable Equivalent Yield represents the yield required to achieve equivalent after tax cash flow on an interest-bearing investment, which has no shelter from depreciation and would be taxed at a marginal tax rate of 37.0%.

Forecasted Statement of Cash Flows
Waterford Place

FORECASTED LENDER RESERVE ACCOUNTS

<i>Replacement Reserve Account</i>	1	2	3	4	5	6	7	8	9	10
Beginning Balance	\$ 461,112	\$ 388,234	\$ 313,554	\$ 234,364	\$ 155,914	\$ 158,883	\$ 178,534	\$ 163,173	\$ 132,285	\$ 145,208
Contribution from Trust Reserve	92,222	92,222	92,222	92,222	92,222	92,222	92,222	92,222	92,222	92,222
Recurring Replacements (per the PCA)	(60,100)	(61,903)	(66,412)	(65,673)	(89,253)	(72,571)	(107,584)	(123,110)	(79,300)	(78,417)
Poly Piping	(105,000)	(105,000)	(105,000)	(105,000)	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-	-
Ending Balance	\$ 388,234	\$ 313,554	\$ 234,364	\$ 155,914	\$ 158,883	\$ 178,534	\$ 163,173	\$ 132,285	\$ 145,208	\$ 159,013

FORECASTED SUPPLEMENTAL TRUST RESERVE ACCOUNT

	1	2	3	4	5	6	7	8	9	10
Beginning Balance	\$ 4,552,427	\$ 3,074,608	\$ 1,714,689	\$ 1,145,018	\$ 408,042	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000
Reserve Contribution from Cash Flow	-	-	-	100,000	237,321	137,342	137,342	137,342	137,342	137,342
Contribution to Lender Reserves	\$ 384	(92,222)	(92,222)	(92,222)	(92,222)	(92,222)	(92,222)	(92,222)	(92,222)	(92,222)
Recurring Capital Improvements	\$ 200	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)	(48,000)
Value-Add CapEx - Interior Upgrades	\$ 8,775	(375,776)	(375,776)	(375,776)	(344,462)	-	-	-	-	-
Value-Add CapEx - Common Area & Ameniti	\$ 10,194	(966,904)	(122,259)	(366,778)	(105,000)	-	-	-	-	-
Interest Income	182,097	122,984	68,588	45,801	16,322	2,880	2,880	2,880	2,880	2,880
Ending Balance	\$ 3,074,608	\$ 1,714,689	\$ 1,145,018	\$ 408,042	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000

Total Capital Expenditure	1,627,794	1,452,584	612,448	856,228	586,715	120,571	155,584	171,110	127,300	126,417
Total Capital Expenditure per unit	6,782	6,052	2,552	3,568	2,445	502	648	713	530	527