

**HIGHLAND FUNDS I**

**HIGHLAND FUNDS II**

**NEXPOINT CREDIT STRATEGIES FUND**

**NEXPOINT CAPITAL, INC.**

**GOVERNANCE COMMITTEE CHARTER**

The Board of Trustees (the “Board” or the “Trustees”) of each of the funds advised by Highland Capital Management Fund Advisors, L.P. and NexPoint Advisors, L.P. (each, an “Adviser,” and collectively, the “Advisers”) (each a “Fund” and, collectively, the “Funds”), has adopted this Charter to govern the activities of the Governance Committee (the “Committee”) of the Board.

**1. Committee Composition.**

The Committee shall be composed of at least three Trustees appointed by the Board. The Board shall designate the chairperson of the Committee (the “Chairperson”). The Chairperson of the Committee shall not be an “interested person” of the Funds (an “Independent Trustee”), as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”). Members of the Committee who are not Independent Trustees will not be entitled to vote on matters that require the vote of only the Committee’s Independent Trustees under applicable law. Each Committee member shall serve until a successor is appointed.

**2. Committee Meetings.**

The Committee shall meet with such frequency, and at such times, as determined by the Committee Chairperson or a majority of the Committee members, subject to the provisions of Section 3(d) below. The Committee may meet separately or in conjunction with meetings of the full Board or other committees. Meetings of the Committee may be held in person or by other means as permitted by declaration of trust and/or by-laws of the applicable Fund(s). The presence of a majority of the members, including a majority of the Committee members that are Independent Trustees, shall be necessary to constitute a quorum for any meeting and a vote of the majority of the members present at a meeting in which a quorum is present shall be required in order for the Committee to take action. The Chairperson, or his designee, will cause notice of each meeting, together with the agenda and any related materials, to be sent to each member in advance of the meeting. The Committee may invite counsel to the Fund, counsel to the Independent Trustees and representatives of one or both Advisers and/or other service providers to attend meetings and provide such information to the Committee as it considers appropriate. The Committee may also take action by written consent in lieu of a meeting.

The Independent Trustee Committee members may, in their sole discretion, convene an Executive Session of the Committee. Each Executive Session shall have the resources and authority to carry out the duties and responsibilities of the full Committee.

### 3. **Duties of the Committee.**

Generally, the function of the Committee shall be to oversee and make recommendations to the full Board with respect to governance of the Funds, selection and nomination of Trustees, compensation of Trustees, and related matters. The Committee shall have the following specific responsibilities:

- (a) **Selection and Nomination of Trustees.\*** From time to time, evaluate the size and composition of the Board, and formulate policies and objectives concerning the desired mix of director skills and characteristics. In doing so, the Committee shall take into account all factors it considers relevant, which may include, without limitation, such criteria as set forth in Section 3 of Appendix A.

The Committee shall designate a Sub-Committee, comprised of the Chairperson of the Committee and a Trustee who is an interested person of the Funds by virtue of his employment by an Adviser, to identify individuals qualified to serve as Trustees of the Funds, including persons suggested by shareholders and others, review the background and qualifications of such individuals, recommend to the Independent Trustees potential candidates for selection and nomination as Independent Trustees in accordance with Appendix A to this Charter, and recommend to the Board candidates for other Trustee nominees.

- (b) **Selection and Nomination of Committee Members.** The Committee shall nominate persons for appointment as members of each standing committee of the Board, and shall nominate persons for appointment as chairman of each such committee. Members of the Committee and other standing committees shall be appointed by the Board. An individual may be nominated to serve on more than one committee of the Board.
- (c) **Board Evaluation.** If the Committee is composed of all of the Trustees of the Board, the Committee shall review and evaluate at least annually the performance of the Board and the Committees of the Board, the size and composition of the Board and the effectiveness of the Board and its governance practices and procedures in accordance with the requirements of the 1940 Act and the rules thereunder. Such review must include a consideration of the effectiveness of the committee structure of the Board and the number of investment companies on whose boards each Trustee serves. The Committee shall, if it conducts such a review and evaluation, report the findings of its assessment to the Board.

The Committee will consider possible conflicts of interests involving Trustees and shall review the institutional and other affiliations of Trustees for any potential conflict of interest problems, including making recommendations to the Board with respect to the determination of Trustee independence. As necessary, the Committee shall review memoranda prepared by legal counsel relating to positions,

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\* Independent Trustee Committee members only.

transactions and relationships that could reasonably bear on the independence of Trustees or raise concerns regarding potential conflicts of interest.

- (d) **Trustee Evaluation.** Upon initial election as a Trustee, each Trustee will submit an executed letter of resignation to be effective on such date that the Board accepts such Trustee's resignation. The Committee shall review the suitability for continued service as a Trustee of each Board member (i) in connection with the expiration of his or her term (if applicable); (ii) when he or she has a change in status, including but not limited to an employment change and/or (iii) when a Committee meeting is called for such purpose. Committee meetings to conduct such reviews shall be held when called in the manner set forth in Section 2 above or at the request of any three Trustees. In connection with any such review, the Committee will determine whether or not to recommend the acceptance of the resignation letter of the particular Trustee under consideration to the full Board. For avoidance of doubt, no Committee member shall be entitled to vote with respect to the evaluation of his or her own service.

The Committee shall not recommend the continued service as a Trustee of a Board member who is older than 80 years of age at the time the Committee reports its findings to the Board.

- (e) **Committee Evaluation.** The Committee shall review and evaluate at least annually (i) this Charter; (ii) the size and composition of each committee; (iii) committee chair assignments; and (iv) the effectiveness of each committee, whether there is a need for each committee, whether there is a need for additional committees, and whether committees should be combined or reorganized. The Committee shall report the findings of its assessment to the Board.
- (f) **Compensation.\*** The Committee shall review and evaluate at least annually the compensation payable to the Independent Trustees. The Committee shall make any necessary recommendations to the Board.
- (g) **Selection of Independent Trustee Counsel.\*** The Committee shall select legal counsel to the Independent Trustees of the Board of each Fund, and shall review and evaluate at least annually the independence of such counsel, considering the factors set forth in Rule 0-1(6) under the 1940 Act and other relevant guidance.
- (h) **Additional Responsibilities.** The Committee shall have such further responsibilities as are given to it from time to time by the Board and may perform such other activities consistent with this Charter as deemed appropriate by the Board or the Committee.

#### 4. **Procedures for Nomination of Independent Trustees.\***

After a determination by the Committee that a person should be nominated as an additional Independent Trustee, or as soon as practical after a vacancy occurs or it appears that a

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\* Independent Trustee Committee members only.

vacancy is about to occur for an Independent Trustee position on the Board, the Committee shall nominate a person for appointment by a majority of the Board's Independent Trustees to add to the Board or to fill the vacancy.

The Committee's policy regarding its procedures for considering candidates for the Board, including any recommended by shareholders, is attached hereto as Appendix A, which is incorporated herein in its entirety.

5. **Committee Authority.**

The Committee shall have the resources and authority to carry out its duties and responsibilities as set forth in this Charter. The Committee shall consult, as often as it deems appropriate, with one or both Advisers, counsel to the Funds and counsel to the Independent Trustees as to legal or regulatory developments affecting the Committee members' responsibilities. The Committee may conduct or authorize investigations into matters within the Committee's scope of responsibilities, and may retain, at the Trusts' expense, such independent counsel or other consultants or advisors as it deems necessary or appropriate, including consultants to advise the Committee with respect to candidates for Trustee nominees. The Committee shall have sole authority to retain and terminate any such consultant, including sole authority to approve the consultant's fees and other retention terms, such fees to be borne by the Trusts. The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.

6. **Maintenance of Charter.**

Each Fund shall maintain and preserve in an easily accessible place a copy of this Governance Committee Charter and any modification to this Charter.

As amended and restated: June 12, 2015

## APPENDIX A

### GOVERNANCE COMMITTEE POLICY REGARDING SELECTION / RECOMMENDATION OF TRUSTEE NOMINEES

#### 1. Identification of Candidates.

When a vacancy on the Board of a Fund exists or is anticipated, the Committee may make nominations for Trustee membership. When nominating an individual to fill a vacancy on the Board, the Committee may seek referrals from a variety of sources, including current Trustees, management of the Funds, Funds counsel and counsel to the Independent Trustees, and shareholders of a Fund who submit recommendations in accordance with these procedures. The Committee has not established specific, minimum qualifications that must be met by an individual in order for such person to be considered by the Committee for nomination as an Independent Trustee. The Committee, however, believes that the Board as a whole should reflect diversity, and will generally consider each nominee's professional experience, education, skills, life experiences and other individual qualities.

#### 2. Shareholder Candidates.

A candidate for nomination as Trustee submitted by a shareholder of a Fund will not be deemed to be properly submitted to the Committee for the Committee's consideration unless the following qualifications have been met and procedures followed:

- (a) A shareholder or group of shareholders (referred to in either case as a "Nominating Shareholder") that beneficially owned, in the aggregate, more than 5% of the Fund's voting common shares, with each of the shares used to calculate that ownership held for at least one year as of the date the recommendation was made, may submit one candidate to the Committee for consideration at an annual meeting of shareholders.
- (b) The Nominating Shareholder must submit any such recommendation (a "Shareholder Recommendation") in writing to the Board of Trustees, attention of the Secretary, at the address of the principal executive offices of the Fund.
- (c) The Shareholder Recommendation must be delivered to or mailed and received at the principal executive offices of the Fund not less than 120 calendar days before the date of the Fund's proxy statement released to shareholders in connection with the previous year's annual meeting. If, however, the Fund did not hold an annual meeting in the previous year, or if the date of this year's annual meeting has been changed by more than 30 days from the date of the previous year's annual meeting, then the deadline is a reasonable time before the Fund begins to print and mail its proxy materials.
- (d) The Shareholder Recommendation must include: (i) a statement in writing setting forth (A) the name, date of birth, business address and residence address of the person recommended by the Nominating Shareholder (the "candidate"); (B) any

position or business relationship of the candidate, currently or within the preceding five years, with the Nominating Shareholder or an Associated Person of the Nominating Shareholder (as defined below); (C) the class or series and number of all shares of the Fund owned of record or beneficially by the candidate, as reported to such Nominating Shareholder by the candidate; (D) any other information regarding the candidate that is required to be disclosed about a nominee in a proxy statement or other filing required to be made in connection with the solicitation of proxies for election of directors of a fund; (E) whether the Nominating Shareholder believes that the candidate is or will be an “interested person” of the Fund (as defined in the 1940 Act) and, if believed not to be an “interested person,” information regarding the candidate that will be sufficient for the Board to make such determination; and (F) information as to the candidate’s knowledge of the investment company industry, experience as a director or senior officer of public companies, directorships/trusteeships on the boards of other registered investment companies and educational background; (ii) the written and signed consent of the candidate to be named as a nominee and to serve as a Trustee if elected; (iii) the written and signed agreement of the candidate to complete a Trustees’ questionnaire if elected; (iv) the Nominating Shareholder’s consent to be named as such by the Fund; (v) the class or series and number of all shares of the Fund owned beneficially and of record by the Nominating Shareholder and any Associated Person of the Nominating Shareholder and the dates on which such shares were acquired, specifying the number of shares owned beneficially but not of record by each, and stating the names of each as they appear on the Fund’s record books and the names of any nominee holders for each; and (vi) a description of all arrangements or understandings between the Nominating Shareholder, the candidate and/or any other person or persons (including their names) pursuant to which the recommendation is being made by the Nominating Shareholder.

**“Associated Person of the Nominating Shareholder”** as used in this paragraph (2) means any person required to be identified pursuant to clause (v) and any other person controlling, controlled by or under common control with, directly or indirectly, (a) the Nominating Shareholder or (b) any person required to be identified pursuant to clause (v).

- (e) The Committee may require the Nominating Shareholder to furnish such other information as it may reasonably require or deem necessary to verify any information furnished pursuant to paragraph (d) above or to determine the qualifications and eligibility of the candidate proposed by the Nominating Shareholder to serve on the Board. If the Nominating Shareholder fails to provide such other information in writing within seven days of receipt of a written request from the Committee, the recommendation of such candidate as a nominee will be deemed not properly submitted for consideration, and will not be considered, by the Committee.

3. **Evaluation of Candidates.**

Among the qualifications considered in the selection of candidates, the Committee may look at the following attributes and criteria of candidates: experience, skills, expertise, education, knowledge, diversity, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, the candidate's ability to qualify as an Independent Trustee and the existence of any other relationships that might give rise to a conflict of interest and such other relevant factors that the Committee considers appropriate in the context of the needs of the Board (e.g., whether a candidate is an "audit committee financial expert" under the federal securities laws). Prior to making a final recommendation to the Board, the Committee may conduct personal interviews with such of the candidates as it may determine. Any individuals recommended by shareholders will be evaluated in the same manner as individuals brought to the Board's attention in some other manner.