

**Report of Organizational Actions
 Affecting Basis of Securities**

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name NEXPOINT CREDIT STRATEGIES FUND		2 Issuer's employer identification number (EIN) 80-0139099	
3 Name of contact for additional information BRIAN MITTS	4 Telephone No. of contact 972.419.2556	5 Email address of contact BMITTS@HIGHLANDFUNDS.COM	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 200 CRESCENT COURT, SUITE 700		7 City, town, or post office, state, and Zip code of contact DALLAS, TX 75201	
8 Date of action MARCH 31, 2015	9 Classification and description TAXABLE SPIN-OFF OF SUBSIDIARY, NEXPOINT RESIDENTIAL TRUST.		
10 CUSIP number 65340G106	11 Serial number(s) N/A	12 Ticker symbol NHF	13 Account number(s) N/A

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ THE BOARD OF TRUSTEES APPROVED A SPIN-OFF IN WHICH NHF WILL DISTRIBUTE ALL OF THE OUTSTANDING SHARES OF NEXPOINT RESIDENTIAL TRUST (NXRT) COMMON STOCK TO NHF'S SHAREHOLDERS ON A PRO RATA BASIS. THE DISTRIBUTION WAS MADE TO SHAREHOLDERS OF RECORD AS OF THE CLOSE OF BUSINESS ON MARCH 23, 2015 (RECORD DATE). THE SHARES WERE DISTRIBUTED ON MARCH 31, 2015.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ THE SPIN-OFF TRANSACTION IS A TAXABLE TRANSACTION FOR U.S. TAX PURPOSES. SHAREHOLDERS RECEIVED ONE SHARE OF NXRT COMMON STOCK FOR EVERY THREE NHF COMMON SHARES HELD AS OF THE CLOSE OF BUSINESS ON THE RECORD DATE FOR THE DISTRIBUTION. SHAREHOLDERS WILL RECEIVE A FAIR MARKET VALUE BASIS IN THE NXRT STOCK AS MEASURED ON APRIL 1, 2015, OR \$14.00 PER SHARE. IT IS ESTIMATED THAT NHF SHAREHOLDERS WILL BE TAXED ON 31% OF THEIR STOCK DISTRIBUTION RECEIVED IN THE FORM OF A TAXABLE DIVIDEND, LEAVING THE REMAINDER AS AN ANTICIPATED RETURN OF CAPITAL TO THE EXTENT OF BASIS.

SEE STATEMENT 1 FOR ADDITIONAL INFORMATION.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ THE CALCULATIONS SUPPORTING THE THE CHANGE IN BASIS ARE THE RESULT OF ESTIMATED DATA AND INFORMATION AVAILABLE. SUCH INFORMATION WILL CHANGE MATERIALLY DEPENDING ON NHF'S ACTUAL RESULTS DURING THE 2015 CALENDAR YEAR.

SEE STATEMENT 1 FOR ADDITIONAL INFORMATION.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶
IRC. SEC. 301

18 Can any resulting loss be recognized? ▶ SHAREHOLDERS SHOULD CONSULT THEIR TAX ADVISORS. THE TRANSACTION DESCRIBED HEREIN IS NOT ANTICIPATED TO BE A LOSS TRANSACTION.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ THE REPORTABLE TAX YEAR OF THE TRANSACTION DESCRIBED HEREIN IS THE 2015 CALENDAR YEAR.

SEE STATEMENT 1 FOR ADDITIONAL INFORMATION.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶

Date ▶

4/24/15

Print your name ▶

Brian Mitts

Title ▶

Treasurer

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

The spin-off of NexPoint Residential Trust (NYSE: NXRT) stock by NexPoint Credit Strategies Fund (NYSE: NHF) to NHF shareholders at the close of business on March 31, 2015 was a taxable event for U.S. federal income tax purposes. In the spin-off, NHF shareholders received one share of NXRT common stock plus cash in lieu of fractional amounts of NXRT stock for every three shares of NHF common stock held as of March 31, 2015 (the "Distribution"). The value of the Distribution is expected to be treated as a taxable dividend to NHF shareholders to the extent of NHF's earnings and profits as defined in the Internal Revenue Code.

Based on a value of \$14.00 per share of the NXRT common stock at the close of business on March 31, 2015, the results of NHF's operations to date as well as other factors, NHF estimates the taxability of the Distribution to NHF shareholders to be:

Estimated Components of NXRT Spin-Off		Estimate per NHF Share
Non-taxable Return of Capital*	69%	\$3.22
Taxable Dividend Distribution	31%	\$1.45

*To the extent a shareholder's basis is reduced to zero through the return of capital, any excess return of capital may result in additional taxable income. Please consult your tax advisor to determine the basis in your NHF shares post-spin.

The following illustrates how the above estimates may be used to determine an estimate of the tax impact from the spin-off transaction:

Assume you own 3,000 shares of NHF common stock prior to the spin-off and were a record holder on record date for the distribution (March 23, 2015), entitling you to 1,000 shares of NXRT common stock. In this example, the distribution equaled \$4.67 per NHF share, or \$14,010 of total value. The taxable portion of the distribution, as stated above, is estimated to be 31% of the value of the distribution, or \$4,343 or \$1.45 per NHF share. It is expected this will be taxed as ordinary income. The remaining \$3.22 per share of the distribution we estimate will be treated as a non-taxable return of capital to the extent the shareholder has \$3.22 of basis remaining in NHF shares. The basis in NXRT shares on March 31, 2015 is the \$14.00 per share as represented by NXRT's closing price on March 31, 2015.

NHF shareholders should note that these figures are estimates for NHF's 2015 calendar fiscal year and are subject to change. Any such change to these figures may be material as they will depend upon NHF's fiscal 2015 operations and its resulting earnings and profits that would be reported after the close of its 2015 fiscal year.

This notice represents our understanding of existing U.S. federal tax law and regulations and does not constitute tax advice. Moreover, this information does not purport to be complete or to describe tax consequences that may apply to a particular NHF shareholder. NHF shareholders should consult their tax advisors with respect to U.S. federal, state and local and foreign tax consequences of the Distribution,

including the potential imposition of withholding taxes on the Distribution and the impact of any changes in tax law that affect the information set forth above. We are unable to provide tax or legal advice.

Certain Other Information about the Distribution

NHF will report the actual tax characteristics of its distributions, including the Distribution, to NHF shareholders in early 2016 on Form 1099-DIV. NHF's payment of future distributions on shares of its common stock will be made at the discretion of its board of directors and will depend on applicable legal restrictions. Therefore, NHF cannot offer any assurances as to the amount or timing of future distributions.

NHF may fund its cash distributions to shareholders from any sources of funds legally available, including the reimbursement of certain expenses by NHF's investment adviser, offering proceeds, borrowings, net investment income from operations, capital gains proceeds from the sale of assets or non-capital gains proceeds from the sale of assets. If distributions exceed NHF's net investment income or earnings, a portion of the distributions NHF makes may represent a return of capital for tax purposes. There can be no assurance that NHF will be able to sustain the current level of distributions in the future or pay distributions at all.

Finally, the figures in this document were prepared with estimated data and are being provided for information purposes only. **Actual results will vary and may be materially different from the data presented in this document.**